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Inland Revenue
Te Tari Taake

Inland Revenue report: Transformation status update: December 2021/January 2022

Date:	08 February 2022	Priority:	Medium
Security level:	In confidence	Report number:	IR2022/043

Action sought

	Action sought	Deadline
Minister of Finance	Note the contents of this report	None
Minister of Revenue	Note the contents of this report	None

Contact for telephone discussion (if required)

Name	Position	Telephone
Greg James	Deputy Commissioner, Transformation	Withheld under s18(c)(i) of the OIA

08 February 2022

Minister of Finance
Minister of Revenue**Transformation status update: December 2021/January 2022****Executive summary**

1. This report provides you with a summary of progress and highlights for transformation for December 2021 and January 2022.
2. We successfully exited early life support for the final release on 31 January 2022, as planned. The release continues to run smoothly, with no major issues identified.
3. Transformation's Red, Amber, Green (RAG) status remains light amber overall this month, as shown in table 1. The scope, issues, schedule and stakeholder engagement keys have deteriorated slightly as a result of some challenges with the identify control¹ project, and administration and print replacement projects. Mitigations are in place and the challenges are not sufficient to affect the overall programme rating. The benefits key has improved to green. This improvement is because the risk, regarding realising the benefits we committed to deliver in the appropriate timeframes, has now transferred to its enduring home in our new organisation structure (IR2021/583 refers).

Table 1: Transformation's RAG status

	Overall	Scope	Risk	Issues	Inter-dependencies	Schedule	Resources	Stakeholder Engagement	Delivery Partners	Financials	Benefits
CURRENT	Light Amber	Light Amber	Light Amber	Amber	Light Amber	Amber	Light Amber	Light Amber	Light Amber	Green	Green
PREVIOUS	Light Amber	Light Green	Light Amber	Light Amber	Light Amber	Light Amber	Light Amber	Green	Light Amber	Green	Amber

4. Table 2 shows programme expenditure to date and planned expenditure.

Table 2: Transformation expenditure

		Operating expenditure (excluding depreciation and capital charge) \$ millions			Capital expenditure \$ millions		
Previous phases		Budget	Actual	Variance	Budget	Actual	Variance
Pre-Design/Design	1 Jul 14-31 Dec 15	\$85.1	\$74.4	\$10.7	\$1.4	\$0.6	\$0.9
Delivery - Stage 1	1 Jan 16-28 Feb 17	\$131.8	\$114.7	\$17.1	\$76.3	\$72.6	\$3.7
Delivery - Release 2	1 Mar 17-30 Jun 18	\$248.4	\$224.8	\$23.5	\$114.8	\$111.4	\$3.4
Delivery - Release 3	1 Jul 18-30 Jun 19	\$179.4	\$169.5	\$9.9	\$96.3	\$93.8	\$2.5
Delivery - Release 4	1 Jul 19-30 Jun 20	\$205.8	\$163.6	\$42.2	\$103.0	\$96.5	\$6.5
Total for completed phases		\$850.4	\$747.0	\$103.4	\$391.9	\$374.9	\$17.0
Current phase		Budget	Forecast	Variance	Budget	Forecast	Variance
Delivery - Stage 4	1 Jul 20-30 Jun 22	\$150.6	\$150.6	\$0.0	\$85.3	\$85.3	\$0.0
Transitional costs	1 Jul 20-30 Jun 22	\$104.3	\$104.3	\$0.0	\$0.0	\$0.0	\$0.0
Contingency	1 Jul 20-30 Jun 22	\$19.9	\$19.9	\$0.0	\$5.0	\$5.0	\$0.0
Total for current phase		\$274.8	\$274.8	\$0.0	\$90.3	\$90.3	\$0.0

¹ Management of user accounts, roles, and access rights for individuals in an organisation.

Note: Table 2 on the previous page does not include ongoing costs that sit outside of the programme. These total \$012 million until 2023/24 and ex-gratia payments to KiwiSaver members of \$7.2 million (IR2020/490 refers).

5. Between 1 July 2014 and 30 June 2020, the programme spent \$747 million in operating, and \$374.9 million in capital. Any under-spending to date has either been moved to later periods or returned to the Crown.
6. The overall budget for the current phase of transformation, Stage 4, is \$274.8 million for operating expenditure and \$90.3 million for capital expenditure. We are on track to come in on budget for Stage 4. Transitional operating costs have changed this month to reflect approved funding for START development.
7. Shortly, we will send the final progress update for transformation (please refer to paragraphs 15 and 16) to the Minister of Revenue to consider. In the paper we will provide an estimate of the remaining funding we expect to be able to hand back at the completion of the programme. This will be in addition to the approximately \$160 million, including depreciation and capital charge, we have handed back to date.

Recommendations

8. I recommend that you **note** the contents of this report.

Noted

Noted

Greg James

Deputy Commissioner, Transformation
08 February 2022

Hon Grant Robertson

Minister of Finance
/ /2022

Hon David Parker

Minister of Revenue
/ /2022

Progress updates

Stage 4, release 2 update

9. We successfully exited early life support for child support and for the upgraded version of myIR on 31 January 2022, as planned.
10. Responsibility for delivering changes in START transferred to its new home in our organisation structure, Planning, Design & Delivery in Customer and Compliance Services – Business, on 1 December 2021. This means that START changes will no longer be delivered by the programme team.

Decommissioning

11. We are on track with our decommissioning activity.
12. As at January 2022, we had decommissioned approximately 81% of our heritage systems, and removed about 30% of the infrastructure components from our heritage data centres. These percentages have increased significantly since we last reported them to you (IR2021/507 refers). There is no direct correlation between applications and infrastructure, as much of the infrastructure supports multiple applications.
13. A key achievement during January 2022 was the successful relocation of our contact centre solution from our heritage systems to our new data centres.
14. Our high-level timetable remains:
 - From 1 December 2021 until early April 2022, we will shut down old heritage systems, archive any data that is to be retained, and then remove the systems and databases.
 - In April 2022, once all the systems have been removed, the network connections and supporting services will be shut down, and the process of dismantling and disposing of the infrastructure will begin.
 - We remain on track to exit our heritage Unisys data centres by 30 June 2022.

Final progress update for Cabinet

15. You agreed (IR2021/309 refers) that the final progress update for transformation would be provided to Cabinet in February 2022. This timing was agreed before the Cabinet Committee timetable for 2022 was set. The Cabinet Government Administration and Expenditure Review Committee (GOV) will meet on 10 February 2022. For the paper to be considered at this meeting, it would have had to be finalised by 3 February 2022. As we have not yet finalised the paper for the Minister of Revenue to review, it was not possible for us to meet this date.
16. We are aiming to have the final transformation progress update considered at GOV's meeting on 17 March 2022. We intend to provide the draft paper to the Minister of Revenue by mid-February 2022.

Key risks and issues

17. The transformation programme's risk profile remains light amber this month. A light amber profile means that risks and mitigations are defined and understood, and the mitigations are expected to be successful.
18. The issue (a risk that has been realised) relating to Vodafone being unable to provide the support needed to move a heritage application from our heritage Unisys data centre

to the cloud before Christmas, due to resource availability, has been resolved. Together with Vodafone, we identified a solution and completed this work as planned before Christmas.

19. As of December 2021², the programme had a total of 15 open risks³. One of these risks is reported to the Portfolio Governance Committee (PGC).
20. Three risks previously reported to the PGC were closed during December 2021:
 - The risk relating to decommissioning FIRST by 30 June 2022 did not eventuate, as FIRST was handed over to Unisys to begin decommissioning on 30 November 2021 as planned.
 - The risk relating to delays in decommissioning the heritage KiwiSaver business-to-business solution did not eventuate. All KiwiSaver providers have successfully migrated to the new gateway services.
 - The risk relating to decommissioning SAP, which supports our payroll, did not eventuate. Our payroll system was successfully relocated to a cloud-based solution on 15 November 2021.
21. The one remaining risk reported to the PGC relates to delays in decommissioning our heritage data warehouse, an application our staff use to analyse data⁴. The current rating of this risk is high. However, it is unlikely to occur (a 3% to 10% chance), as the majority of the planned mitigations have been completed and the issue relating to Vodafone resourcing has been resolved (refer to paragraph 18).

Coming up in the next two months

22. Key activities over the next two months include:

February 2022

- Continue with decommissioning activity, including decommissioning our heritage data warehouse.

March 2022

- Continue with decommissioning activity.
- Final progress update considered by the Cabinet Government Administration and Expenditure Review Committee.

² Programme risks were not re-assessed during January 2022 due to the holiday break.

³ During December 2021, nine programme risks were closed, including three reported to the PGC. One risk was transferred from the programme to its enduring home to manage.

⁴ This risk has since been closed, which we will formally report in the February status update.