

In Confidence

Office of the Minister of Revenue

Chair, Cabinet Government Administration and Expenditure Review Committee

Inland Revenue's February 2021 Transformation Update

Proposal

- 1 This paper provides an update regarding Inland Revenue's progress in modernising the revenue system. I am asking Cabinet to note Inland Revenue's plans for completing the transformation programme and the progress made with realising benefits, and to authorise the Minister of Finance and me to agree to re-purpose up to \$47 million of remaining transformation capital funding to support the integrity of the revenue system.

Executive Summary

- 2 The transformation programme has a wide scope. While there is a significant investment in systems, there is also an equally important investment in simplifying policies and processes for customers, new ways of working within Inland Revenue, and better experiences for customers.
- 3 Inland Revenue is nearing the end of the programme, with the final stage now well progressed. The next set of changes will go-live on 1 March 2021 and will move some smaller products, including paid parental leave, to new systems and processes. Child support will then be the last product remaining on old systems and processes and Inland Revenue intends to move it in October 2021. Inland Revenue has created some capacity in this final stage to respond to our priorities.
- 4 Based on current plans, the programme will close by 30 June 2022 within the funding envelope agreed by Cabinet (CAB-15-MIN-0249 refers). The benefits of the investment in transformation are now very evident. Inland Revenue tracks its progress in realising benefits. The results for the year ending 30 June 2020 are included in this paper. A report by the Office of the Auditor General (OAG) noted that *"...progress is positive, and largely on track with expectations at this point of the programme..."*.
- 5 We now have significantly more agility to make changes to the revenue system. Inland Revenue's initial response to COVID-19 shows it is now possible to deliver new products and services within weeks rather than years. Business tax changes to free up cashflow have been implemented, as has a loss carry-back scheme and a small business loan scheme. The latter was implemented in 39 days end-to-end. This was possible as requirements were clear and simple, it was designed as a digital service with easy and simple processes for customers, and data sources were clearly understood.
- 6 It is easier for customers to do what they need to do themselves using digital services. Inland Revenue is also maintaining the integrity of the revenue system by using its new analytical capabilities to focus on helping customers to get things right at the beginning rather than correcting things when they go wrong. All returns that result in a refund are

screened, customers are prompted when they need to take some action, and checks are built in as part of application processes. It is far easier to deal with issues before they become too large for customers to see their way out of or before behaviour patterns become too entrenched. Where needed, Inland Revenue continues to deal with fraudulent behaviour and avoidance to ensure people pay and receive the right amounts.

- 7 Although Inland Revenue is nearing the end of transformation, its operational risk remains high. This will continue to be the case until the department fully migrates off old systems and processes. Moving as quickly as possible, as safely as possible, is the best way to manage risk.
- 8 A strong revenue system is needed to help support the recovery from COVID-19 and there are opportunities to further leverage Inland Revenue's capabilities in the years ahead. The Minister of Finance and I have considered how we fund Inland Revenue to support customers to cope with the impacts of the pandemic and to take advantage of new capabilities to ensure the integrity of the system.
- 9 There are also undoubtedly opportunities to leverage the investment made in Inland Revenue more widely across the public sector. The key factor to consider is timing so that the successful completion of transformation is not put at risk. The optimal timeframe to leverage Inland Revenue's new systems, processes and expertise will be from early-mid 2022, once the programme has completed its key deliverables.

Inland Revenue is nearing the end of its multi-year, multi-stage transformation programme

- 10 The modern, digital, revenue system envisaged by transformation is now largely in place. Transformation set out to reduce customer effort and cost, improve compliance levels, make policy changes faster and more cost effectively, improve systems resilience, and make Inland Revenue more efficient. Achieving this has required a combination of changes to policy, process, technology, and Inland Revenue's people capabilities. Significant changes have been made to the revenue system since implementation began in February 2017.
- 11 The tax year ended 31 March 2020 was the first full year Inland Revenue received employment income information every payday. Although many payers still reported investment income information at the end of the year, they reported it earlier than previously.
- 12 Wage and salary earners no longer have to do anything at the end of the tax year, as Inland Revenue works out for them whether they have a refund or a bill to pay. The automatic issuing of income tax assessments for individuals ran for the second time in mid-2020, with most assessments completed within a three-week period. For the year ending 31 March 2020, around 1.8 million people received refunds totalling \$713 million. When the process runs for the third time for the year ending 31 March 2021, it will be the first full year Inland Revenue receives more detailed information about the recipients of investment income and receives it more frequently. The department is intending to complete all assessments in days rather than weeks.
- 13 For most individuals, tax is being withheld more correctly, and assistance is provided at the time it is needed. Customers receiving social policy entitlements can be more confident they are doing the right thing. Processing times are much faster, and customers have greater certainty sooner.

- 14 Inland Revenue can now prompt customers if they need to do something. For example, suggesting a tailored tax code to those who might benefit from one, and advising people and their investment provider to change prescribed investor rates (PIR) when they are on the incorrect rate. As part of the automatic income tax assessment process, some individuals are prompted to consider whether they have other income to report. They may have previously reported income or Inland Revenue can see based on other information it holds that they may have income to report. Ensuring people are on the right rates and providing the correct information is improving the accuracy of the revenue system overall.
- 15 All taxes, Working for Families, student loans and KiwiSaver are now running on new systems and processes. Online services are available for all these products, making it easier for customers to do what they need to do without needing to contact Inland Revenue. Customers can now see their tax and payments and what they need to do in a single place. New systems are significantly more stable and robust.
- 16 The final stage is moving remaining products to new systems and processes in two releases during 2021:
 - 16.1 Paid parental leave, unclaimed money, duties¹, and New Zealand foreign trusts will move to new systems and processes on 1 March 2021.
 - 16.2 A later release, currently planned for October 2021, will include Child Support and an upgrade to online services.

The programme has been successful to date and the benefits are now evident

- 17 Four releases across three stages have been successfully implemented so far. Inland Revenue has worked closely with all customer groups to help them adapt to the changes made and with tax agents in particular to ensure there is good identification, prioritisation and tracking of any issues that affect agents and their clients.
- 18 All stages so far have been implemented on time and within budget. To date, Inland Revenue has returned \$160 million (including depreciation and capital charge) to the Crown.
- 19 Inland Revenue is making very good progress with achieving the benefits it has committed to and has achieved seven of the ten indicators for 2019/20 for which there are qualitative measures. These are shown in the appendix. In July 2020, the OAG completed its performance audit of benefits management for transformation. The report concluded that Inland Revenue is well positioned to realise the benefits of transformation and notes that *"...progress is positive, and largely on track with expectations at this point of the programme..."*.
- 20 There are three main measures of success for transformation:
 - 20.1 easier for customers
 - 20.2 reduced time and cost to implement policy (policy agility), and
 - 20.3 administrative savings to Inland Revenue.

¹ Including casino, lottery and totalisator duty, and the problem gambling levy.

- 21 Inland Revenue is making it easier for customers to pay and receive the right amounts and harder not to.
- 21.1 More customers are using digital services. There has been a 300% increase in user sessions for myIR, Inland Revenue's secure online service. Just 1% of employment income information is now received on paper. Call centres and appointments are available for customers unable or unwilling to use digital services.
 - 21.2 It is easy for the majority of customers to do what they need to do, with 81% saying they find it easy to comply. This is one of the indicators Inland Revenue did not achieve, as the target was 87%. It appears it is taking longer than expected for customers to adopt new services and become comfortable with them. However, there are positive signs, with student loan customers in particular being very positive about how easy to use the new services are.
 - 21.3 Effort has reduced for small-to-medium sized businesses. This is measured through a survey run every two years, with the last survey carried out in 2018. The survey indicated businesses are spending nine fewer hours a year meeting their tax obligations than they were in 2013, which is the baseline. This is lower than the target of 13 hours for 2019/20. The next survey will be carried out in 2021. It was deferred from 2020 given the impacts of COVID-19.
 - 21.4 New infrastructure is more robust and secure, with customer-facing online services available 99.3% of the time. For example, myIR handles 50% to 60% more transactions than it did before and peak use is up to 200% higher.
 - 21.5 Proxy measures, such as the percentage of returns filed on time and filed electronically, are used for the increase in assessed Crown revenue, given the difficulty of direct attribution. Both measures increased by 7% for the year ended 30 June 2020 to 93% of returns filed on time and 96% filed electronically.
- 22 The government now has greater ability to make policy changes faster and more cost effectively, as has been clearly demonstrated by Inland Revenue's response to COVID-19. For the small business loan scheme, it was 39 working days from the initial preparatory work until launch. It took just 10 days from when the Government confirmed its intentions until the scheme was launched. These timeframes were unthinkable two to three years ago. However, these results were not achieved without cost. Work had to be re-prioritised and resources re-directed to enable people to focus on the higher priority COVID-19 response work.
- 23 Business tax changes to free up cashflow, including a provisional tax threshold lift, the reinstatement of building depreciation and writing off interest on the late payment of tax were also implemented, as was a loss carry-back scheme. The key to Inland Revenue's ability to implement changes quickly has been adopting out-of-the-box processes and focusing on:
- 23.1 Easy and simple processes that reduce effort for customers.
 - 23.2 Clear and simple requirements.
 - 23.3 Leveraging digital services.

23.4 Clearly understanding data sources.

- 24 The government is also better able to use the information Inland Revenue holds to deliver improved outcomes for New Zealanders. A good example is the portal Inland Revenue established with the Ministry of Social Development (MSD) to help support the administration of the wage subsidy. MSD can now access the information it needs directly from Inland Revenue's systems to verify applications, rather than having to contact Inland Revenue.
- 25 Inland Revenue is working more efficiently and has achieved \$118 million in savings for the three years ending 30 June 2020. The department's approach to identifying and addressing compliance risks is a good example of more cost-effective ways of working. More timely matching of information means errors and non-compliance, both inadvertent and deliberate, are detected more easily and detected earlier:
- 25.1 Every return that can generate a refund is checked automatically and either released or sent for review. All amended returns are checked and screened. Between 1 July 2019 and 30 June 2020, Inland Revenue identified approximately 23,000 returns across all tax types that had errors or were potentially fraudulent, with a value of just under \$200 million. This data is unaudited and is indicative only. Even with these caveats, this is an impressive result.
- 25.2 For the 2019/20 year, Inland Revenue identified approximately 31,000 donations tax credit claims worth \$23 million that were either an error or fraud. Donations receipts are now scanned, so invalid claims are easier to identify. And generic rules, such as donations as a percentage of income, stop claims from being processed for someone to have a look at them.
- 25.3 Checks at the front-end help customers to get things right from the start and help them stay right on an on-going basis. For example, the small business loan scheme has compliance checks built in as part of the application process.
- 26 Identifying and addressing compliance risks upfront is a very cost-effective way to ensure customers pay and receive the right amounts. There will always be customers who deliberately choose not to comply. Inland Revenue will continue to focus on ensuring these customers meet their obligations and pay their fair share, including enforcement activity where necessary.
- 27 COVID-19 has changed the business and economic environment. Inland Revenue has and will continue to take a highly supportive and empathetic approach with customers who are experiencing difficulties. The focus is on helping them through this period and working with them to find the best way to manage their obligations over time, while actively addressing fraudulent behaviour or tax avoidance when it is identified.
- 28 Although the annual savings target for 2019/20 was not achieved, the trend is positive with annual savings increasing year-on-year and cumulative savings ahead of target. There was always expected to be some inter-year variability as new systems and processes bed in. This has been evident in the results achieved to date. Inland Revenue achieved more savings than expected in both the 2017/18 and 2018/19 years. As agreed by Cabinet (CAB-15-MIN-0249 refers), administrative savings form part of Inland Revenue's funding contribution towards transformation.

- 29 Further changes to Inland Revenue's size, workforce and ways of working are underway to maximise the benefits of the tools and technology now available. The new organisation design for back office functions will be in place from 1 March 2021. Detailed plans for changes to some front-line roles will be finalised in March 2021 following consultation with unions. These changes will help to ensure the department is well positioned, efficient, and the integrity of the revenue system is maintained.

The final stage is well underway

- 30 Although implementation has been successful to date, Inland Revenue's operational risk is high and will remain so until transformation is complete. This is due to co-existence, where Inland Revenue's old and new systems need to keep running in parallel until all products and services have moved to new systems and processes. The last product to remain on old systems and processes is child support. Child support implementations are notoriously complex and involve a vulnerable customer group.
- 31 COVID-19 has had an impact on Inland Revenue's plans to complete transformation. Inland Revenue had originally planned to migrate all remaining products to new systems and processes in one large release in April 2021. This is no longer possible. Some work on the final stage was paused in March 2020 to enable Inland Revenue to focus on higher priority COVID-19 work. The transformation programme will conclude by 30 June 2022.
- 32 There are five areas of work in the final stage:
- 32.1 Completing the implementation of the core system. This includes migrating all remaining products to new systems and processes. Inland Revenue will also upgrade GenTax (the proprietary name for START²) to provide customers with a new look and feel for online services, a new home page for myIR, and an improved mobile-friendly design. There is some additional capacity for delivery of our priorities in this area of work.
 - 32.2 Optimising Inland Revenue's technology environment including decommissioning of its heritage systems and processes. The risks of co-existence could be heightened as decommissioning gathers pace during the final stage.
 - 32.3 Completing the intelligence-led programme of work which will further enhance Inland Revenue's analytical capabilities. Inland Revenue is also working to ensure that online help will be in place to support both its own people and customers once transformation is completed.
 - 32.4 Completing the enterprise support services programme of work. Inland Revenue has moved its finance, planning and human resources functions to new systems and processes. Payroll replacement is the remaining piece of work. Inland Revenue is closely aligned with the all-of-government payroll programme to ensure its approach is consistent with the broader government sector.
 - 32.5 Transitioning the processes, frameworks and methods developed by the transformation programme to Inland Revenue's future operating model. This will help to ensure the benefits of transformation are enduring.

² START stands for simplified tax and revenue technology and is the name chosen by Inland Revenue for the GenTax software provided by FAST Enterprises LLC.

The next set of changes will go live on 1 March 2021

- 33 From March 2021, digital services for paid parental leave customers will be significantly improved. Customers will be able to apply for and track the progress of their application, view next payment details, and view and maintain their personal details. Currently, everything is paper-based, and paid parental leave payments are not in myIR. Customers and their employers will no longer have to provide an income estimate, as Inland Revenue will pre-populate customers' income for them as part of the application process.
- 34 Proposed policy changes will make it easier for the owners of unclaimed funds to track down their money down and claim it, and for the organisations holding the funds to comply. The owners of the funds will be able to claim their money through myIR. This will reduce the information they need to provide as Inland Revenue will already know who they are and they will just need to prove ownership. Organisations holding unclaimed money will be able to provide information to Inland Revenue electronically and in a standard format, which will reduce some of their compliance effort.
- 35 For duties and New Zealand foreign trusts, customers will be able to manage their obligations through myIR, making it significantly easier for them to meet these obligations. For New Zealand foreign trusts the information will be visible within Inland Revenue for compliance purposes and more easily reportable to the Financial Intelligence Unit in the Police, the Department of Internal Affairs, and overseas tax jurisdictions.
- 36 As has been the case with previous releases, Inland Revenue has communicated regularly with customers about the changes being made. The department has also been engaging with stakeholders, such as financial institutions and tax intermediaries, to ensure changes are implemented smoothly.

The department remains under pressure, notwithstanding the successes achieved

- 37 A strong revenue system is essential to supporting the recovery from COVID-19. Completing transformation combined with the tax policy work programme and responding to our priorities means that Inland Revenue has limited capacity to implement any additional changes. The ability of individual customers, businesses (particularly in their role as employers), tax agents and other key intermediaries such as software companies, and the banks to absorb additional changes also needs to be considered.
- 38 The Minister of Finance and I have considered how we fund Inland Revenue to protect revenue and address emerging risks resulting from the COVID-19 environment. Some of Inland Revenue's front-line capability will be retained for longer than originally planned by re-prioritising some of the funding that is forecast to remain once transformation is complete.
- 39 Based on what is known today, Inland Revenue estimates there will be up to approximately \$100 million in capital funding remaining at the end of the programme. I am asking Cabinet to authorise the Minister of Finance and me to agree to re-purpose up to \$47 million of remaining transformation capital funding, including swapping capital to operating expenditure, to support the integrity of the revenue system in the COVID-19 environment.
- 40 There are opportunities to consider leveraging the investment made in Inland Revenue's systems and processes across the public sector. However, the key consideration here is timing. Inland Revenue's priorities are to support customers, implement government

priorities, and successfully complete the transformation programme. Areas where there are opportunities to leverage Inland Revenue's capabilities more widely include:

- 40.1 Enterprise support services. Inland Revenue is already working closely with a number of other agencies and is willing to support other agencies to adopt the common process model.
- 40.2 START and associated analytical capabilities, and the Data and Intelligence Platform (DIP). The DIP is Inland Revenue's advanced analytics platform and was implemented in a scalable manner to enable other agencies to access and leverage its cloud-based capability. There is a continuum of options here and I will discuss these with Inland Revenue.

41 The optimal timeframe for further leveraging these assets will be from early-mid 2022, once the programme has completed its key deliverables. By leveraging these assets and Inland Revenue's digital capability there is a significant opportunity to reduce compliance costs for small-to-medium enterprises and to support the recommendations of the Welfare Expert Advisory Group by ensuring certainty of entitlements and reducing debt.

Risk remains high

42 Inland Revenue needs to maintain momentum to ensure it moves completely off its heritage systems and processes. If this does not happen, costs will be higher as two core systems would have to be run and be maintained indefinitely, operational risk will be higher due to on-going co-existence, and the benefits will not be fully realised. The department is going as fast as it can, as safely as it can. Regular independent assurance reviews provide confidence that transformation continues to be well managed and governed.

43 The most significant risks I see for the remainder of the programme are:

- 43.1 The on-going and unknown impacts of COVID-19. Inland Revenue recognises it is likely to have an on-going role in responding to the pandemic. Delivering additional government priorities could have an impact on customer service levels and the completion of transformation. Care must be taken not to overload the department. Mitigations include retaining and building on the approach taken during 2020 to delivering response packages and making the data Inland Revenue holds available to other agencies where it makes more sense for those agencies to deliver services.
- 43.2 Moving child support to new systems and processes is more difficult than expected. To mitigate this, Inland Revenue is involving specialists from across its business and external stakeholders as appropriate, to ensure the design of services meet customers' needs. However, there are likely to be difficulties as child support customers can have complex and unique circumstances and can be hard to reach.
- 43.3 Leveraging the investment made in Inland Revenue across the public sector distracts the department from successfully completing transformation. Timing will be key to ensure resources are not diverted, putting the successful completion of the programme at risk. Mitigations include on-going engagement with other agencies and ensuring the Minister of Finance and I are fully informed to ensure that an appropriate balance is struck.

Next steps

- 44 The next steps are to:
- 44.1 continue with preparations for the implementation of the first release in Stage 4;
 - 44.2 support the passage of the Child Support Amendment Bill and the Taxation (Annual Rates for 2020–21, Feasibility Expenditure, and Remedial Matters) Bill, and their Supplementary Order Papers, which contain key transformation proposals;
 - 44.3 work with the Minister of Finance and Inland Revenue to ensure the integrity of the revenue system during the recovery from COVID-19 and to discuss options for leveraging the capabilities of Inland Revenue;
 - 44.4 continue with the on-going programme of independent quality assurance; and
 - 44.5 provide a further progress update to Cabinet by July 2021.

Consultation

- 45 A copy of this paper has been provided to the Accident Compensation Corporation; the Department of Internal Affairs (Government Chief Digital Officer); the Department of the Prime Minister and Cabinet; the Ministry of Business, Innovation, and Employment; the Ministry of Education, the Ministry of Social Development; the New Zealand Customs Service; and Stats NZ.

Financial Implications

- 46 The proposals in this paper have no financial implications.

Human Rights

- 47 The proposals in this paper have no human rights implications.

Legislative Implications

- 48 The proposals in this paper do not require any changes to legislation.

Regulatory Impact Analysis

- 49 The proposals in this paper do not require a Regulatory Impact Statement.

Gender Implications

- 50 The proposals in this paper have no gender implications.

Disability Perspective

- 51 The proposals in this paper have no implications for people with disabilities.

Proactive Release

- 52 I propose to proactively release this Cabinet paper, and associated minutes, in whole within 30 working days of Cabinet making final decisions.

Central agencies' comment (The Treasury, Public Service Commission and Government Chief Digital Officer)

Acknowledgement of success:

53 The Central Agencies acknowledge Inland Revenue's achievement with regard to progressing both the Business Transformation Programme and the Government's tax initiatives in response to COVID-19 over the past year. Inland Revenue has now successfully completed many of the core components of the Transformation programme and is nearing the end of the programme, with planning for the final stage well progressed. However, while the programme is nearing completion, it remains an inherently high-risk programme that requires careful management to successfully complete.

Benefits realisation:

54 There are four main measures of success for the transformation programme: decreased customer compliance costs, increased policy agility, a revenue uplift, and the realisation of administrative savings.

55 As mentioned in previous updates, IR's ability to rapidly build and administer the systems required to progress new Government initiatives in response to COVID-19 is evidence of achievement in the programme's policy agility and system resilience benefit areas. Transformation has also decreased compliance costs for small-medium enterprises since 2017/18 and decreases for other customer groups are expected by the programme's end.

56 To deliver the expected administrative savings, Inland Revenue is set to begin a change process that is expected to reduce the department's FTE count by approximately 800, primarily across their Customer and Compliance business groups. Central Agencies have previously expressed concern about Inland Revenue's ability to sustainably realise the projected revenue uplift and achieve the administrative savings through staff reductions, while also maintaining the tax system's integrity at current levels. The effect of COVID-19 exacerbates these concerns as it may place additional demands on the department.

57 As set out in the Cabinet paper, Inland Revenue is seeking agreement from Cabinet to delegate authority to the Ministers of Finance and Revenue to reprioritise up to \$47 million over 2021/22 and 2022/23 of the expected underspend resulting from Business Transformation to fund cost pressures and emerging system risks that were not foreseen when the business case was established. In particular, Inland Revenue is proposing to retain around 240 front line staff for longer than originally planned. This funding would be in addition to the \$48.1 million worth of time-limited funding Cabinet has already approved to support Inland Revenue to deliver the Government's COVID response and address COVID-related cost pressures.

58 Central Agencies consider there is value in reinvesting the transformation underspend in Inland Revenue to address cost pressures and emerging system integrity risks arising due to COVID-19, although note this does not allow the value of this spending to be weighed against other budget initiatives. A more gradual reduction in staff numbers allows the Department to assess how reduced staff numbers are impacting on its ability to maintain the integrity of the tax system in a staged manner. However, it is important that this increased time-limited funding does not delay Inland Revenue's transformation change programme. To this end, Central Agencies support the conditions under which further funding is to be provided:

- 58.1 Inland Revenue will develop outcome measures to assess value for money; and
- 58.2 Inland Revenue will commit to working with the Treasury to examine their long-term funding requirements.

59 As the programme transitions to future operating model, Central Agencies expect IR to continue to invest in people to ensure the Department is well set up for life after transformation and to realise enduring benefits. This includes working closely with its people and continuing to invest in seeking positive and effective relationships with the unions.

Recommendations

I recommend that the Committee:

- 1 note that Inland Revenue will migrate paid parental leave, unclaimed money, New Zealand foreign trusts, and duties to new systems and processes on 1 March 2021;
- 2 note that child support will migrate to new systems and processes in October 2021 based on current plans, and that Inland Revenue's eServices will be upgraded at the same time;
- 3 note that the programme will close by 30 June 2022 after decommissioning of heritage systems and processes has been completed;
- 4 note that, based on current plans, Inland Revenue will complete the programme within the approved funding envelope (CAB-15-MIN-0249 refers);
- 5 authorise the Ministers of Finance and Revenue to reprioritise up to \$47 million of remaining transformation capital funding to support the integrity of the revenue system including swapping surplus capital into operating expenditure;
- 6 note that for 2019/20, Inland Revenue has achieved seven out of the ten indicators tracking achievement of the investment objectives for transformation and that the review completed by the Auditor General confirms the good progress made to date;
- 7 note there are opportunities to maximise the investment made in transformation and that the optimal timing will be from early to the middle of the 2022 calendar year to ensure the programme can successfully complete its remaining deliverables;
- 8 note the next progress update will be provided to Cabinet by July 2021.

Authorised for lodgement

Hon David Parker
Minister of Revenue

| Outcome | Investment objective | Indicator | 2017/18 | | 2018/19 | | 2019/20 | | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|--|---|---|----------|---------|----------|----------|-----------------------------------|----------|----------|----------|----------|
| | | | Target | Actual | Target | Actual | Target | Actual | Target | Target | Target | Target |
| Easier for customers | <ul style="list-style-type: none"> Delivering new and more effective services to improve customer compliance and help support the outcomes of social policies Improving the customer experience by making it easier and simpler for our taxation and social policy customers, with a particular focus on enhanced digital provision of services Increasing the secure sharing of intelligence and information to improve delivery of services to New Zealanders and improve public sector performance | <i>Lead indicators</i> | | | | | | | | | | |
| | | Digital uptake by customers ³ | 26% | 83% | 54% | 89% | 72% | 96% | 75% | 78% | 82% | 85% |
| | | Percentage of customers who find it easy to comply | 82% | 82% | 85% | 80% | 87% | 81% | 88% | 89% | 90% | 90% |
| | | Reduction in compliance time for SME customers (hours pa) | 3 hours | 10 hours | 8 hours | 9 hours | 13 hours | 9 hours (indicative) ⁴ | 15 hours | 16 hours | 17 hours | 18 hours |
| | | System availability for customer facing e-channels | 99.2% | 98.9% | 99.3% | 99.4% | 99.3% | 99.3% | 99.4% | 99.4% | 99.5% | 99.5% |
| | | <i>Lag indicators</i> | | | | | | | | | | |
| | | Customer outcomes achieved from information sharing and security of information | Measured through a series of case studies (five completed to date) | | | | | | | | | |
| | | Cumulative reduction in compliance costs for SMEs | \$30m | \$80m | \$160m | \$280m | \$370m | \$500m (indicative) | \$590m | \$820m | \$1,070m | \$1,330m |
| | | Cumulative additional Crown revenue to Government ⁵ | | | \$90m | Achieved | \$280m | Achieved | \$570m | \$1,110m | \$1,860m | \$2,880m |
| Reduced time and cost to implement policy | <ul style="list-style-type: none"> Improving agility so that policy changes can be made in a timely and cost-effective manner Minimising the risk of protracted system outages and intermittent systems failure | <i>Lead indicator</i> | | | | | | | | | | |
| | | Reduction in the time and cost to implement policy | Measured through a series of case studies (three completed to date) | | | | | | | | | |
| | | <i>Lag indicator</i> | | | | | | | | | | |
| | | Increased revenue system resilience as assessed by IR | Low | Partial | Low | Partial | Partial | Partial | Partial | High | High | High |
| Inland Revenue is more efficient | <ul style="list-style-type: none"> Improving productivity and reducing the cost of providing IR's services | <i>Lead indicator</i> | | | | | | | | | | |
| | | Digital uptake by customers | 26% | 83% | 54% | 89% | 72% | 96% | 75% | 78% | 82% | 85% |
| | | <i>Lag indicators</i> | | | | | | | | | | |
| | | Annual reduction in Inland Revenue's administrative costs | \$5m | \$12m | \$10m | \$48m | \$80m | \$57m | \$100m | \$100m | \$100m | \$100m |
| | | Cumulative reduction in Inland Revenue's administrative costs | \$5m | \$12m | \$15m | \$60m | \$95m | \$118m | \$195m | \$295m | \$395m | \$495m |
| Cumulative COVID-19 capability investment made by Ministers | | | | | | | \$37m | \$45m | \$45m | \$45m | | |

³ The 26% target used for 2017/18 in the 2015 business case related to the percentage of customers using cloud-based software. From 2018/19 onwards, Inland Revenue reports on the overall percentage digital uptake measured in returns filed electronically.

⁴ Inland Revenue had intended to run the SME compliance cost survey again in 2020, however the impacts of COVID-19, especially on smaller businesses, resulted in a decision being taken to delay the survey until 2021. The 2018 survey has been used as an indicative result.

⁵ The additional revenue is already included in the government's revenue forecasts. This indicator is rated as achieved based on increases in proxy measures.