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Transforming Inland Revenue

June 2022

The NZ government made a significant investment in transforming Inland Revenue's capabilities

- Significant changes since 2017

- A modern, digital, revenue system

- New systems, simple requirements, and better customer experiences

- Customers have gone digital, processing is near-real time, and policy settings have been simplified

What Inland Revenue set out to achieve

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A fundamentally different revenue system

✓ Based around customers

✓ Easy

✓ Real-time

✓ Digital

✓ Highly automated

✓ Responsive, flexible and certain

✓ Can change

✓ Delivered with others

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Easier, quicker, more cost-effective

- Easier for people to get right

- Continue to collect revenue

- Faster and more cost-effective policy changes

- Create an information asset to deliver improved outcomes

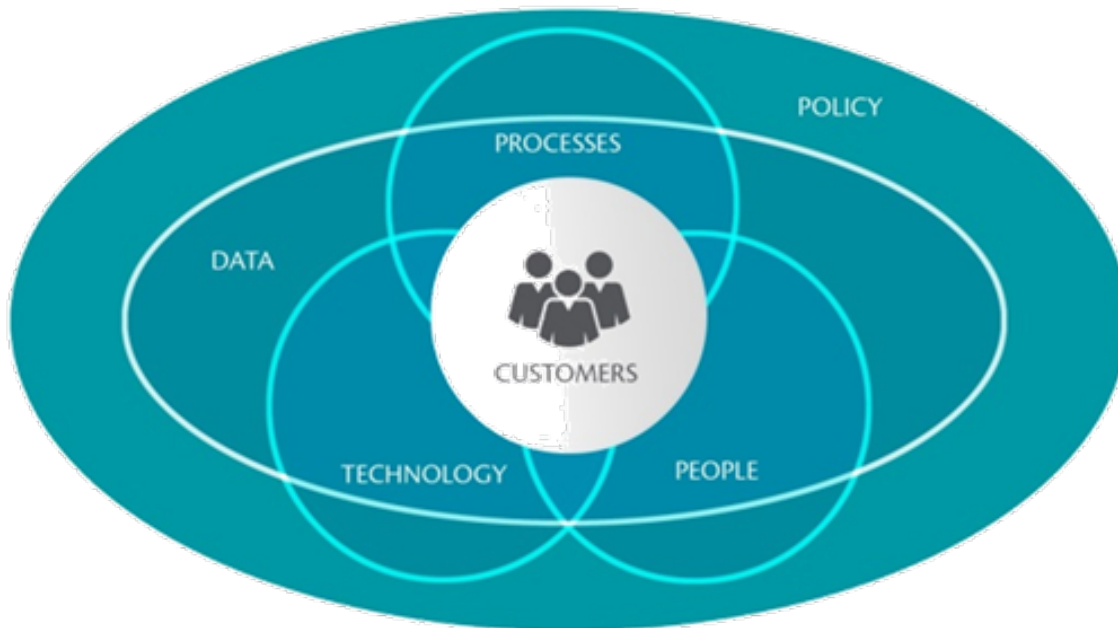|		
Improve agility	**Minimise system risk**	**Improve customer experience**
More effective services	**Increase secure sharing of information**	**Improve productivity**

Far more than an upgrade of technology

Significant scale and scope

- Every customer interaction

- Policy settings

- How Inland Revenue's people work

- Every single technology and process

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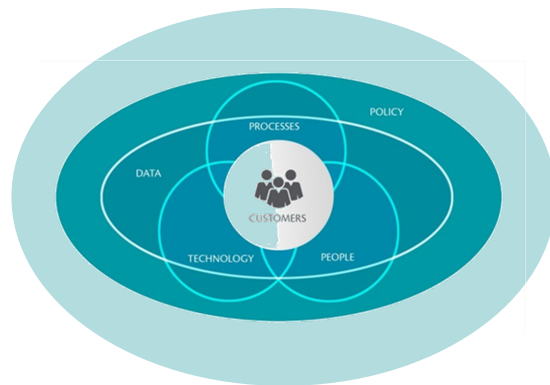
Not just a large change project …

Change	Transformation
▪ Shorter term	▪ Multi-year
▪ Limited	▪ Everything
▪ Partial	▪ Fundamental rethink
▪ Internally driven	▪ Externally driven
▪ Incremental	▪ Catch up or leap forward

How transformation was achieved

We invested in the right capability

- Acknowledge the gaps in capability

- Recruit the experience needed

- Sell the opportunity

- Swap people out at the right time

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And had a clear vision and roadmap

- Business-led, technology-enabled transformation

- Due diligence

- Programme roadmap - what and when

Smart and efficient digital services
Greater sharing of information and intelligence
Radically better implementation of policy changes
Advanced risk assessment capability
Integrated delivery of services
Flexible, scalable and reliable technology

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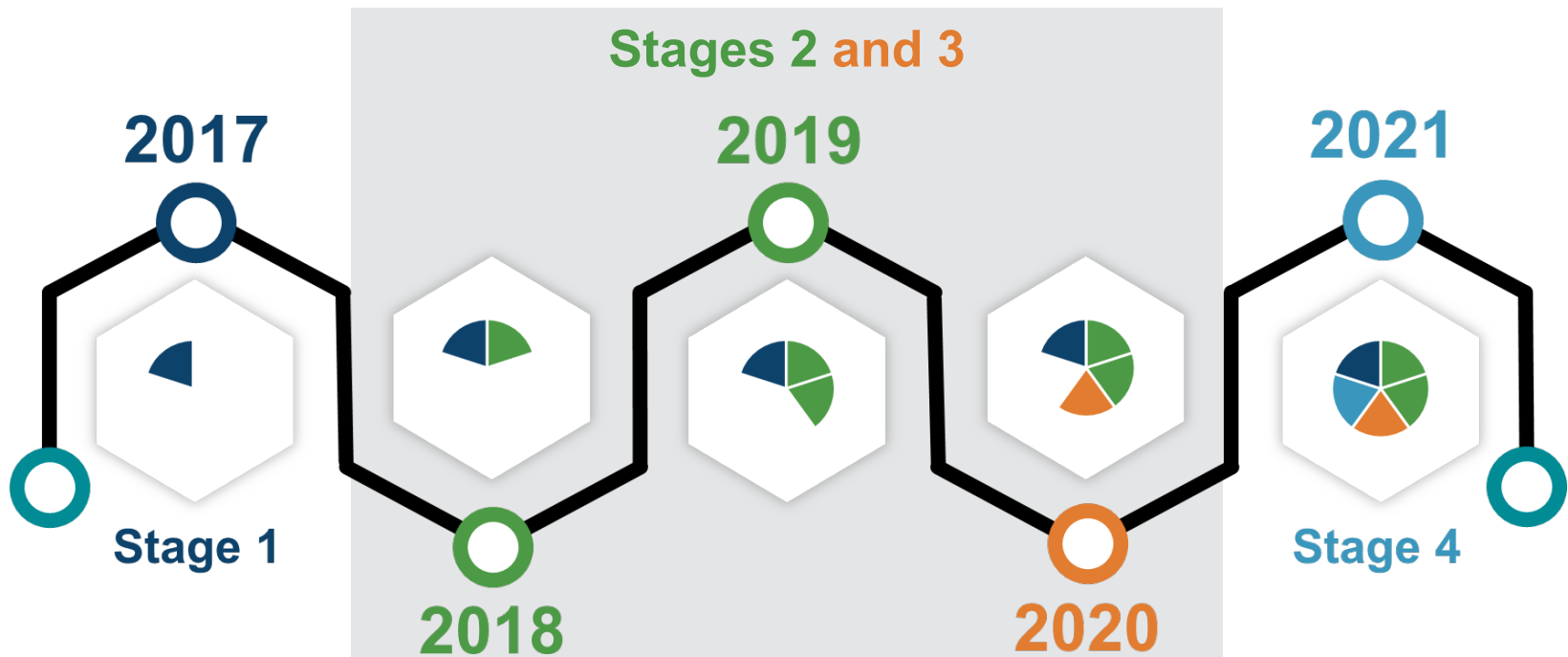
We knew we had to do things differently

Then		Now
IR-centric		Customer-centric
Stakeholder engagement		Working in partnership
One size fits all	**TO >**	Tailored to different needs
Waterfall only		Balance of agile and waterfall

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Stakeholder support was key

- Invest time in it

- Build the confidence of decision-makers

- And their key advisors

- Learn from mistakes

- Bring customers/stakeholders in

- Be open and transparent

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# And so was taking IR's people on the journey

- Consider change and people from the beginning

- Invest in the necessary skills

- Disciplined approach

  - Impact analysis

  - Extensive engagement

  - Comprehensive training

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Transformation took a huge effort

	Stage 1	Stages 2 and 3			Stage 4	
		Release 2	Release 3	Release 4	Release 1	Release 2
	Feb 2017	April 2018	April 2019	April 2020	March 2021	Oct 2021
Customers contacted	630,000	368,000	2,000,000	1,091,000	14,300	1,000,000
Accounts migrated	880,000	1 million	19.7 million	7 million	7,000	570,000
Returns migrated	8.1 million	13 million	15 million	38 million	12,000	2.8 million assessments
Transactions migrated	23.6 million	2 million	142 million	172 million	1.4 million	129 million
Hours to cut-over	113 hours	93 hours	185 hours	168 hours	48 hours	140 hours
Total tests completed	15,462	46,304	94,204	76,293	1,554	35,801

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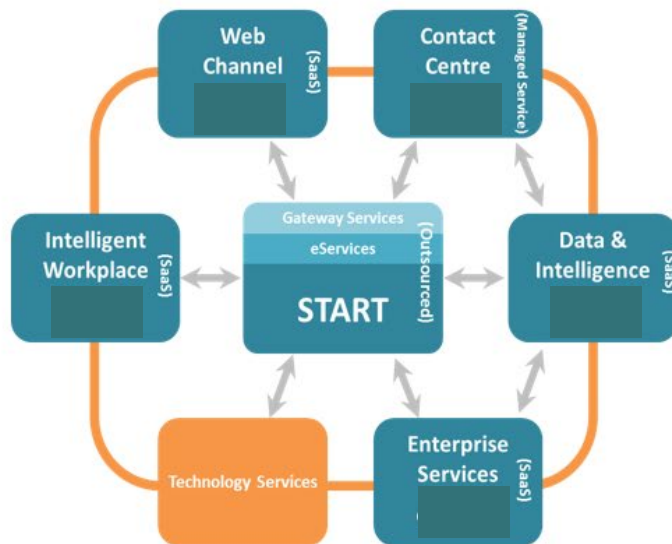
It was high risk
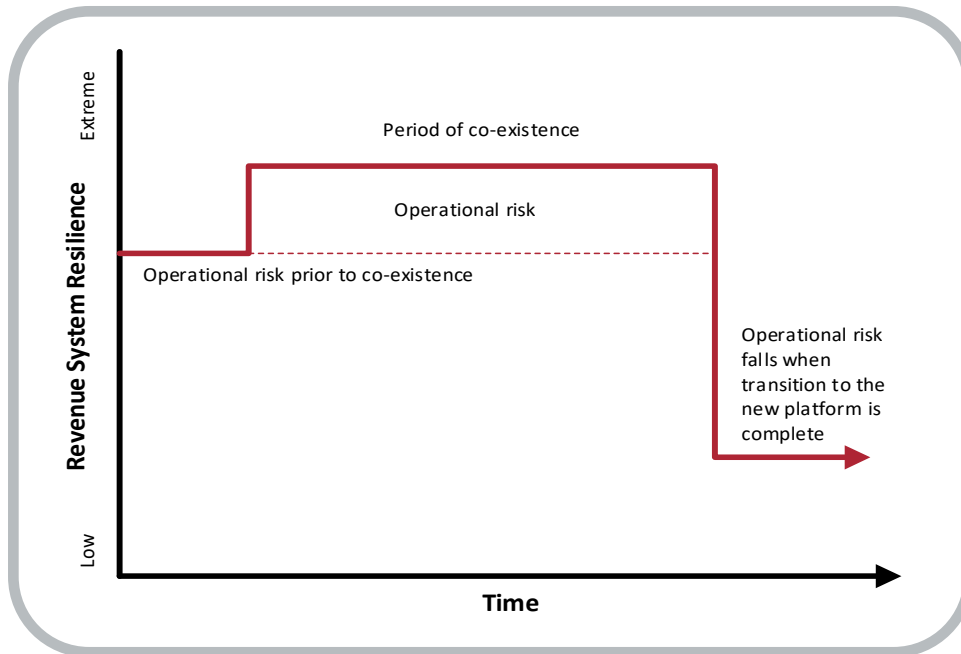
And highly complex

We went from this ….
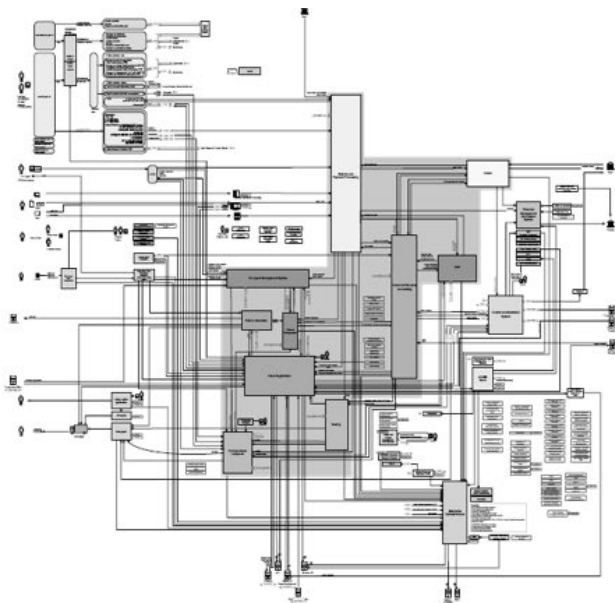
… to this

Robust governance was essential

- Essential for establishing disciplines

- Adjust as you go

- Drive the focus on delivery

- Ruthlessly prioritise

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And so was independent assurance

- Invest in a formal programme:

  o Gateway reviews

  o Information redacted

  o Office of the Auditor-General

- Share the findings

- Act on them

What it means for New Zealanders

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The benefits we committed to deliver

Non-financial benefits

✓ Easier for customers

✓ Resilience

✓ Agility

Financial benefits to 2023/24

✓ $1.33b reduction in compliance costs

✓ $495m in savings for Inland Revenue

✓ $2.88b additional revenue

All figures include inflation

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Most **individuals and families** only need to check and confirm their details

Then	Now
Providing information	Pre-populated
Estimating payments	Automatic adjustments
Year-end payments	Payments at the right time
Out of date information	Real time information

TO >

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Businesses are using their own systems and processes to meet their obligations

Then		**Now**
Separate processes		Part of business processes
Information at points in time	**TO >**	Near real-time information
Manual and complex		Systems talk to each other
Accept now, check later		Upfront validation

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We couldn't have supported the COVID response as well without transformation

Covid-19 initiatives
Use of money interest
In Work Tax Credit - removal of hours
Research & Development - broader refundable rules
Wage subsidy
Insolvency corporate governance
Increased administration flexibility
Loss carry back
Small Business Cashflow Scheme
Paid parental leave – allow pause in entitlement
Resurgence support payment

From announcement to launch

Loss Carry Back	18 days
Small Business Cashback	10 days
Resurgence support payment	45 days

What made transformation successful

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Success factors *...1*

- Lead from the top

- Make it someone's only job

- Make sure you've got the right team

- Get the right partners

- Be very disciplined

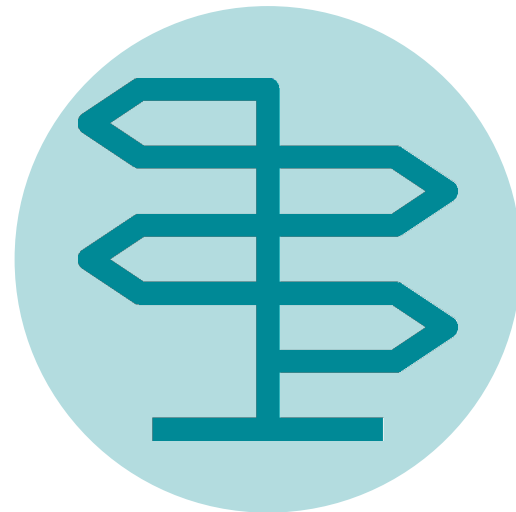- Don't underestimate change management

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Success factors *...2*

- Put customers at the centre of your thinking

- Learn from mistakes

- Plan to deliver the benefits

- Be transparent

- **Expect to be successful**

Thinking about the future

- Embedding is harder than you think

- Resisting the temptation to customise

- Giving technology the right place

- Delivering the benefits

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Thank you