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Inland Revenue
Te Tari Taake

Inland Revenue report: Transformation status update: June 2020

Date:	30 June 2020	Priority:	Medium
Security level:	In confidence	Report number:	IR2020/267

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
Ron Grindle	Acting Deputy Commissioner, Transformation	Withheld under s18(c)(i) of the OIA.

30 June 2020

Minister of Finance
Minister of Revenue**Transformation status update: June 2020****Executive summary**

1. This report summarises the progress and highlights of transformation for June 2020.
2. Release 4 continues to run smoothly, and we are on track to exit Pou Whirinaki/early life support phase on 31 July 2020. At that stage, we will no longer include Release 4 updates as part of this report. Customer demand remains steady and we continue to balance our work across a range of priorities to make the most of our capacity.
3. The high-level scope, implementation plan, and cost estimates for Stage 4 were approved by the Portfolio Governance Committee (PGC) on 18 June 2020. Stage 4 will run from 1 July 2020 to the end of June 2022, at which point the programme will formally close down. The majority of programme activity will be completed by the end of 2021, with the period in early 2022 focussed on the final transition and closure activities. Stage 4 consists of five workstreams: START delivery, technology landscape optimisation, intelligence-led, enterprise support services, and transition and business integration.
4. Transformation's Red, Amber, Green (RAG) status remains at amber overall this month (as shown in table 1 below). There has been no change to the status of any of the keys this month.

Table 1: Transformation's RAG status

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

5. Table 2, below, provides information about expenditure on the programme to date, and planned expenditure for the current year.

Table 2: Transformation expenditure

		Operating expenditure (excluding depreciation and capital charge)			Capital expenditure		
		Budget	Actual	Variance	Budget	Actual	Variance
Previous phases							
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
Total for completed phases		\$644.6	\$583.4	\$61.2	\$288.9	\$278.4	\$10.5
Current phase							
		Budget	Forecast	Variance	Budget	Forecast	Variance
Delivery-Release 4	1 Jul 19-30 Jun 20	\$201.6	\$162.5	\$39.0	\$102.9	\$97.8	\$5.1
Contingency	1 Jul 19-30 Jun 20	\$4.2	\$0.0	\$4.2	\$0.1	\$0.0	\$0.1
Total for current phase		\$205.8	\$162.5	\$43.2	\$103.0	\$97.8	\$5.2

Budget performance to date

6. As previously reported (IR2020/007 refers), between 1 July 2014 and 30 June 2019, the programme spent \$583.4 million in operating, and \$278.4 million in capital. Any under-spending to date has either been moved to later periods or returned to the Crown.

2019/20 budget

7. Including the remaining contingency held by the Commissioner in 2019/20, the overall budget for transformation is \$205.8 million for operating expenditure, and \$103.0 million for capital expenditure. The forecast for operating expenditure has been updated and has reduced considerably since last month. This reflects that fact that we are now highly unlikely to require any further drawdown on the operating expenditure contingency and business units are highly unlikely to require any transitional funding, for example to support customer contacts resulting from the automatic income tax assessments process. The funding not spent during 2019/20 will be transferred to later years to support completion of the programme.

Recommended action

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

Noted

Noted

Ron Grindle

Acting Deputy Commissioner, Transformation
30 June 2020

Hon Grant Robertson

Minister of Finance
/ /2020

Hon Stuart Nash

Minister of Revenue
/ /2020

Key risks and issues

9. The transformation programme's risk profile remains amber, with a future trend of amber. An amber profile means risks and mitigations are reasonably defined and understood, and support is needed from senior leaders to actively manage specific issues in some areas.

10. There have been no changes to risks and issues since the last report. We will further review and update the programme's risk profile (both existing and new risks) now that the Portfolio Governance Committee (PGC) has approved the high-level scope and plan for Stage 4. All risks and issues continue to be actively managed.

11. We continue to keep a close watch on the issue (a risk that has been realised) relating to the impact of the COVID-19 pandemic on the delivery of the programme. Supporting COVID-19 responses is being managed by a small group of people within the programme to enable the majority of the programme team to remain focussed on transformation-related work.

12. As at June 2020, the programme has a total of 47 open risks, of which 16 are reported to the PGC.

13. The top risks for transformation are support for heritage systems ending in 2021, and reliance on SAP, FIRST satellite functions, and KiwiSaver B2B after 2021 preventing full decommissioning of our heritage data centres. We have strong mitigation plans in place for these risks.

Release 4 update

14. We exited the hyper-care phase of Pou Whirinaki/early life support on 4 June 2020. This was slightly later than the anticipated exit date of 29 May 2020 and allowed a few extra days for additional analysis to be completed on open issues.

15. The following paragraphs cover the period from 6 May 2020, when an update on Release 4 was last provided to you (IR2020/238 refers).

Customers as at 26 June 2020

16. As the automatically issued income tax assessments process for 2020 continues, customers are continuing to contact us. However, we are experiencing fewer contacts than last year as the process is running more smoothly and efficiently this year.

17. Customers have been contacting us unhappy with:

- The outcome of their automatic assessment for 2020. Customers were reacting to an unexpected debt or a lower than expected refund.
- Their 2020 refunds being used to offset debt.
- The timeliness of their 2020 assessment or refund.
- Being notified of a 2019 debt they were not aware of or had expected a reminder for.
- Being unable to contact us. This was also evident in social media commentary during the month.

18. Complaints remain at low levels.

19. Customers are continuing to be impacted by COVID-19. We are seeing customers request an extension of time to file their IR3, as they have been delayed in receiving or accessing information due to COVID-19.

20. On 15 June 2020, we started re-opening some of the services we closed in response to COVID-19. We re-opened some of our phone queues, with the staggered opening continuing over a two-week period. Front-of-house, where customers can come into our offices for an appointment, was also open again in most sites (excluding Wellington and Christchurch). We assisted 2,576 customers through front-of-house, almost half of those (1,214) in Manukau which is traditionally our busiest site.

21. We have received the final results of the Release 4 customer experience survey. The changes have been well received by student loan customers with positive feedback on both the clarity and simplicity of the layout and process, and the new service options available. Of the customers surveyed, 8 out of 10 customers found it easy to understand and use myIR. Overseas based borrowers were less likely to find it easy compared to their New Zealand based counterparts.

People – as at 26 June 2020

22. The deskside support team remains highly engaged and, given the lower level of issues we are experiencing compared to earlier releases, are fitting other work in around their support role.

23. Our frontline people remain busy helping our customers with COVID-19 initiatives and with queries resulting from the automatically issued income tax assessments process.

Operations – as at 26 June 2020

24. We continue to balance work priorities across a range of work types to make the most of our capacity. Customer demand in our contact centres continues to be steady and we are seeing increased volumes of web notices, particularly for income tax. As we continue to resume work that was turned off as part of the COVID-19 approach, we will keep balancing all our work, including pressure points such as web notices.

25. We continue to see a steady volume of applications for the small business loan scheme, although significantly lower than the initial response.

26. To support the extension of the wage subsidy, we have developed a portal between us and the Ministry of Social Development (MSD) to allow MSD to self-service some queries. Up until now, MSD people have had to call us on a dedicated phone line to confirm some details. The new portal allows approved MSD people to access this information directly, reducing the number of calls and the manual work to verify applications, and ensuring applications are processed efficiently. To protect individuals' privacy, MSD users have read-only access to selected data, limited to the minimum data necessary in order to verify whether or not any particular wage subsidy application should be approved. This portal will also be available to support the COVID-19 income relief payments from late June 2020.

Technical – as at 26 June 2020

27. We have resolved the intermittent START access issue (IR2020/130 refers) which affected our people. This took longer than expected and we worked with three of our vendors to resolve it.

28. We continue to make good progress with resolving issues. As at 26 June 2020, we had resolved 3,392 issues, 1,812 of these through desk-side support, 1,135 through technical fixes and 445 through non-technical fixes such as START Help updates, training, and communications. We continue to experience very few high priority issues.

29. In the evening of 14 June 2020, myIR customers could not update their personal information or submit returns, along with customers using accounting applications to file their returns. Our monitoring picked this up and the issue was resolved in just over two and a half hours.

Other updates

Policy

30. Submissions on the Child Support Amendment Bill closed on 24 June 2020. Officials will brief the Social Services and Community select committee on 1 July 2020, and submissions will be heard on 29 July and 5 August 2020. Officials will then prepare a report.

31. On 22 June 2020, the Executive Council approved a regulation to enable refunds from income equalisation and environment restoration payments to be direct credited. The regulation was gazetted on 25 June 2020 and will apply from 23 July 2020.

Independent quality assurance

32. As previously reported (IR2019/509 refers), the Office of the Auditor General (OAG) has undertaken a performance audit of benefits management for the transformation programme. On 23 June 2020, we received the OAG's draft report for comment. We will provide our comments by 7 July 2020 as requested by the OAG. The report is positive, and we will provide you with a briefing and a copy of the report itself once it has been finalised by the OAG. The OAG intend to table the report in Parliament in July 2020.

Stage 4 (previously referred to as Release 5)

33. On 18 June 2020, the PGC approved the high-level scope, implementation plan, and cost estimates for Stage 4. The final stage of transformation, Stage 4, will run from 1 July 2020 to the end of June 2022, at which point the programme will formally close down. The majority of programme activity will be completed by the end of 2021, with the period in early 2022 focussed on the final transition and closure activities.

34. Stage 4 consists of five workstreams: START delivery, technology landscape optimisation, intelligence-led, enterprise support services, and transition and business integration.

35. The scope of the START delivery workstream is:

- Migrating paid parental leave, unclaimed monies, duties, foreign trusts, and Child Support to new systems and processes.
- Optimising START based on learnings from previous releases to deliver operational efficiencies or resolve major customer pain points.
- Upgrading GenTax (the proprietary name for the software provided by FAST which we have named START) to version 12. This upgrade will provide an easier and better user interface and navigation for our people and includes expanded analytical capabilities. For customers, eServices will be upgraded with a new look and feel with a new home page for myIR and an improved mobile-responsive design.
- Delivering any new government, legislative, or COVID-19 initiatives.

36. The implementation plan will move paid parental leave, unclaimed monies, duties, and foreign trusts by April 2021, and move child support in October 2021.

37. The objectives of the technology landscape optimisation workstream are to:
- Ensure there is a simplified, stable, and optimised technology landscape in place by 2021, including the buying or renting of technology services from key suppliers.
 - Decommission heritage infrastructure, including the removal of server infrastructure, storage infrastructure, network infrastructure, and all production and nonproduction environments from the Unisys data centre.
 - Ensure that the production and non-production environments¹ that remain after transformation are sufficient to support business operations in a non-programme context.
38. The intelligence-led workstream will complete the implementation of information management and analytical capabilities and hand these over to business-as-usual teams progressively from the end of June 2020.
39. The enterprise support services workstream will complete the implementation of Atea, the new internal systems and processes that support the day-to-day running of Inland Revenue. This workstream will also progress a replacement for our current payroll solution.
40. The objectives of the transition and business integration workstream are to:
- Develop and/or transition the processes, frameworks, and methods the transformation programme has built to the business units that will be accountable for them after transformation concludes. This will include a formal readiness and transition process, aligned to the Stage 4 delivery plan and the establishment of Inland Revenue's future operating model.
 - Form, and then manage, the plan to formally close the transformation programme. This will include the safe storage and archival of all transformation programme material.
41. We are intending to take the detailed scope and plan for Stage 4 to PGC in August 2020 for approval.

Paid Parental Leave

42. Paid parental leave (PPL) will be moved to new systems and processes by April 2021 as part of Stage 4.
43. As part of this move, the applications process will be significantly improved. Customers will only be asked for information we do not already hold or cannot calculate for them. The majority of customers will apply through myIR.
44. The *Parental Leave and Employment Protection Regulations 2016* do not currently allow for, or support, online applications. They require an application form to be filled in and signed, and require information from the applicant, or in some cases a third party, to be provided and verified through statutory declarations. This includes information about the applicant's employment income. With the introduction of payday filing, we already hold most of the information applicants are currently asked to provide.
45. Withheld under s18(c)(i) of the OIA.

¹ A production environment is relied on for daily operations. A non-production environment is not for live use, for example development or testing.

Coming up in the next two months

46. Key activities over the next two months include:

July 2020

- Continuing to prioritise and respond to requests for Release 4 support.
- Exit Pou Whirinaki/early life support for Release 4.
- The Cabinet Government Administration and Expenditure Review Committee considers the July 2020 Transformation Update.

August 2020

- Confirm detailed scope and plan for Stage 4.