



**Inland Revenue**  
Te Tari Taake

## Inland Revenue report: Monitoring business transformation

<b>Date:</b>	11 April 2016	<b>Priority:</b>	Medium
<b>Security level:</b>	In confidence	<b>Report number:</b>	IR2016/125

### Action sought

	<b>Action sought</b>	<b>Deadline</b>
Minister of Revenue	<b>Note</b> the contents of this report	18 April 2016

### Contact for telephone discussion (if required)

<b>Name</b>	<b>Position</b>	<b>Telephone</b>
	Acting Deputy Commissioner, Change	Withheld under s18(c)(i) of the OIA



11 April 2016

Minister of Revenue

## **Monitoring business transformation**

---

1. In November 2015, Inland Revenue secured Cabinet's agreement to invest in the implementation of New Zealand's future revenue system. The Business Transformation programme is the delivery vehicle for a modern, digital revenue system.

2. At the request of the Minister of Finance, Inland Revenue and the Treasury have worked together to develop recommendations for monitoring the programme as it progresses into implementation. The Treasury has a key role in monitoring the government's investment portfolio and accordingly provide independent advice to the Minister of Finance on performance.

3. Subject to Cabinet's agreement to the introduction of the Investor Confidence Rating approach, monitoring of the programme will focus on delivery progress and realisation of benefits. The basis for programme monitoring will be Inland Revenue's existing assurance and reporting mechanisms.

4. The proposed monitoring arrangements consist of key performance indicators (KPIs) and outcome measures. The KPIs will track programme delivery progress against ten areas relating to programme health. The outcome measures will track achievement of the programme's investment objectives and realisation of the agreed programme benefits.

## **Key performance indicators**

---

5. The proposed KPIs for the programme are drawn predominantly from existing reporting, as shown in the table below.

<b>Health area (KPI)</b>	<b>Description</b>	<b>How measured</b>
Scope	The work to be delivered to accomplish programme objectives.	Monthly through the programme's change request process.
Schedule	Focussed on controlling production and acceptance of fit-for-purpose programme deliverables.	Monthly through earned value reporting.
Delivery partners	Aimed at managing effective relationships with key delivery partners through sound contracts and contract management.	Monthly through commercial and sourcing vendor scorecards.
Risks	Identifying and effectively managing risks to minimise impact on the programme.	Monthly through the programme risk dashboard.

<b>Health area (KPI)</b>	<b>Description</b>	<b>How measured</b>
Issues	Identifying and effectively managing issues to minimise impact on the programme.	Monthly through the programme risk dashboard.
Resources	Recruiting and maintaining motivated people required for completion of the programme.	Vacancy tracking (monthly) and programme climate surveys (six monthly).
Financials	Maintaining up to date forecasts and managing actual costs relative to approved budget.	Monthly through financial reporting.
Benefits	Estimating and monitoring the realisation of benefits.	Refer to paragraphs 8 to 10 below.
Interdependencies	Identifying and coordinating projects which have a high level of dependence with the programme.	Monthly through the integrated programme planning forum and programme dependency register.
Stakeholder engagement	Maintaining support by those who influence or are affected by the programme.	Through external stakeholder surveys (annual), customer satisfaction surveys and media analysis (on-going) and reference groups (on-going).

6. Each of these KPIs is assigned a red-amber-green (RAG) status (with intermediate 'light' steps for each) according to the likely impact of the measured area on the programme.

7. Overall programme status against all ten keys will be regularly reported to you and the Minister of Finance, as is currently the case.

### **Outcome measures**

---

8. Measures tracking the programme's performance against investment objectives often relate to more than one objective at a time. The programme-level benefit map (refer to appendix A) shows that there are three main measures of success:

- easier for customers;
- reduced time and cost to implement policy (policy agility); and
- administrative savings to Inland Revenue.

9. Inland Revenue's progress towards achieving these outcomes will be reported to Cabinet annually as changes are likely to be gradual and more frequent reporting is unlikely to be of greater value. The proposed outcome measures are shown in the table on the next page.

Outcome	Description	How measured
Administrative savings to Inland Revenue	Measures achievement against the following investment objective: <ul style="list-style-type: none"> <li>• Improving productivity and reducing the cost of providing Inland Revenue's services</li> </ul>	Measured by financial benefits released as a result of the programme. Includes: <ul style="list-style-type: none"> <li>• Digital uptake by taxpayers by product</li> <li>• Reduction in Inland Revenue's workforce</li> </ul>
Easier for customers	Measures achievement against the following investment objectives: <ul style="list-style-type: none"> <li>• Delivering new and more effective services to improve customer compliance and help support the outcomes of social policies</li> <li>• 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</li> <li>• Increasing the secure sharing of intelligence and information to improve delivery of services to New Zealanders and improve public sector performance</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in number of taxpayers who find it easy to comply, measured by net 'agree' score in Inland Revenue's Customer Satisfaction &amp; Perceptions Survey</li> <li>• Reduction in customer effort as a result of information sharing and security of information, demonstrated by case studies</li> <li>• Digital uptake by taxpayers by product</li> <li>• Reduction in the number of hours taken to complete tax activities, from Inland Revenue's SME compliance survey</li> <li>• Improved business perception that the revenue system requires less effort, measured by Inland Revenue's Result 9 indicator</li> <li>• Government services to businesses perform similarly well as those of leading private sector firms</li> </ul>
Reduced time and cost to implement policy	Measures achievement against the following investment objectives: <ul style="list-style-type: none"> <li>• Improving agility so that policy changes can be made in a timely and cost effective manner</li> <li>• Minimising the risk of protracted system outages and intermittent systems failure</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in the mean time between failures for customer-facing services</li> <li>• Increased revenue system resilience as assessed by Inland Revenue</li> <li>• Reduction in the time and cost to implement policy, demonstrated by case studies</li> </ul>

10. Measuring performance against investment objectives in each stage will relate to the product types deployed in that stage. For example, in Stage 1, digital uptake will specifically measure uptake of the digital GST product.

## **Other reporting to the corporate centre**

---

11. Inland Revenue and the corporate centre<sup>1</sup> currently meet every two months to review programme performance. A range of internal Inland Revenue reports are already provided as part of the meeting material, including the outcome of assurance reviews, the programme's risk register, and other significant programme documentation.

12. The programme will report earned value to the corporate centre as part of the major projects monitoring process managed by the Treasury.

13. In addition to formal reporting, the Programme Director has agreed to make available to the corporate centre quarterly 'deep dive' opportunities into topics of particular interest, such as organisational change and the co-existence of the FIRST platform and the new technology environment. These sessions will be covered as part of the existing bi-monthly meetings and will re-use material prepared for briefing Inland Revenue governance groups. This approach will help to minimise the amount of additional work required and the risk of distracting key programme staff.

## **Reporting to Cabinet**

---

14. As directed (CAB-15-Min-0249 refers), Inland Revenue will report to Cabinet twice yearly regarding programme progress.

15. An annual programme update will be presented to Cabinet by December each year providing visibility of delivery progress, updated costs and benefits, and any material changes. The programme update will provide Ministers with an opportunity to provide direction if necessary, and consider any opportunities which may have arisen.

16. An interim programme update will be presented to Cabinet by July each year providing visibility of delivery progress and any trade-offs that need to be considered. The interim updates will provide Ministers with a view of whether the programme is on track, and enable direction to be provided if necessary.

17. The annual and interim programme updates are intended to provide assurance to Cabinet in the absence of further business cases. As agreed with the Treasury, the existing business case approach is less suited to a programme of the length and scale of Business Transformation. As a result, the Treasury has proposed to the Minister of Finance that a more fit-for-purpose approach to monitoring business transformation be adopted.

18. Thresholds for the programme's KPIs are to be agreed by Inland Revenue and the Treasury and, once developed, will be reported to both you and the Minister of Finance. If KPIs deteriorate below the agreed thresholds, next steps would be recommended on a

---

<sup>1</sup> The Treasury, Department of Prime Minister and Cabinet, State Services Commission, NZ Government procurement, Government Chief Information Officer, advisors in the offices of the Ministers of Finance and Revenue

case-by-case basis. As an example, this may involve providing a more formal update to Ministers.

19. In addition to the annual and interim programme updates to Cabinet, Inland Revenue will continue to provide monthly status reporting to you and the Minister of Finance.

### **Recommended action**

---

I recommend that you:

a) **Note** the contents of this report.

Noted

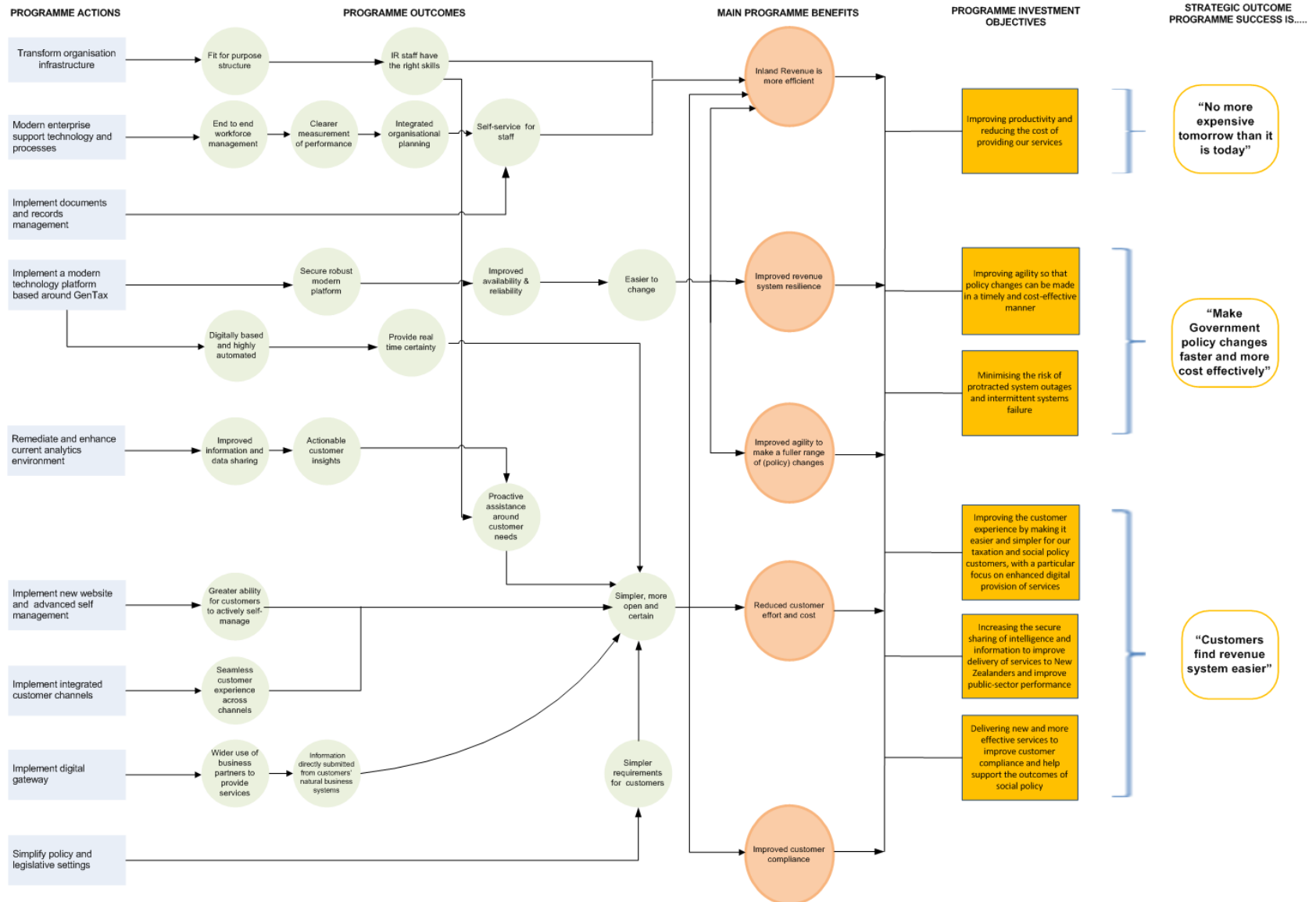
b) **Note** that the Treasury has sought agreement from the Minister of Finance to these arrangements for monitoring the business transformation programme.

Noted

Acting Deputy Commissioner, Change  
11 April 2016

**Hon Michael Woodhouse**  
Minister of Revenue  
/ /2016

Appendix A – Programme benefit map



IR2016/125: Monitoring business transformation