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Inland Revenue
Te Tari Taake

Inland Revenue report: Transformation status update: April 2020

Date:	01 May 2020	Priority:	Medium
Security level:	In confidence	Report number:	IR2020/128

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

01 May 2020

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

1. This report summarises the progress and highlights of transformation for April 2020. It also responds to the request from the Minister of Finance for a further update on Release 4 in the week beginning 28 April 2020.

2. Release 4 went live as planned on 16 April 2020. Contact centres were re-opened from 8am and myIR was available from 4.30pm. Our systems and processes are working effectively and the Pou Whirinaki (extended support period) team is up and running to manage any post go-live challenges. While it is early days, the release is going smoothly so far. We have not seen any unusual trends in customer demand and the number of issues being raised is 50% fewer than following Release 3 go-live.

3. Although things are going smoothly with Release 4 so far, Inland Revenue is operating under considerable pressure given the current environment. We are stretched and have very little spare capacity. Our priorities continue to be supporting customers, supporting the government's response to COVID-19, and ensuring Release 4 is successful. There is a way to go yet with Release 4. Our planning assumption is that early life support will end on 31 July 2020.

4. Transformation's Red, Amber, Green (RAG) status remains at amber overall this month (as shown in table 1 below). The issues key has improved to light amber following a successful Release 4 go-live. The benefits key has deteriorated to amber reflecting the impact of COVID-19 on Inland Revenue's ability to fully realise administrative savings in the timeframe expected.

Table 1: Transformation's RAG status

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

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

Table 2: Transformation expenditure

\$ millions		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	\$205.6	\$191.2	\$14.4	\$98.8	\$95.1	\$3.7
Contingency	1 Jul 19-30 Jun 20	\$4.2	\$4.2	\$0	\$0.1	\$0.1	\$0
Total for current phase		\$209.8	\$195.4	\$14.4	\$98.9	\$95.2	\$3.7

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. Excluding the remaining contingency held by the Commissioner in 2019/20, the overall budget for the transformation is \$205.6 million for operating expenditure and \$98.8 million for capital expenditure. On 23 April 2020, the Portfolio Governance Committee (PGC) approved a drawdown of \$1.3 million from the capital contingency for the next stage in the development of our information hub. The hub is being developed incrementally, with new guided help functionality for our frontline teams going live on 25 March 2020. When complete, the hub will connect several information sources through a single home page to help ensure our people can find the right information at the right time to support the work they do.

Costs to complete transformation

8. We had planned to complete detailed budget planning for Release 5 and decommissioning activities by June 2020. We are now re-planning all remaining work and until this is complete we will not be in a position to provide an updated risk assessment to help confirm our level of confidence in the remaining costs of transformation. The risk assessment will also determine our remaining contingency requirements.

Recommended action

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

Noted

Noted

Greg James

Deputy Commissioner, Transformation
01 May 2020

Hon Grant Robertson

Minister of Finance
/ /2020

Hon Stuart Nash

Minister of Revenue
/ /2020

Key risks and issues

10. 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.

11. The programme has a total of 64 open risks, of which 22 are reported to the PGC. This is unchanged since the last report and changes are expected following the successful go-live of Release 4.

12. Risks and issues have not been reviewed individually this month, given the go-live of Release 4 over Easter weekend. We expect to report a number of changes in next month's report. In particular, the following risks will be closed:

- the Release 4 go-live date not being met
- testing of the transitional KiwiSaver business-to-business solution not being completed before go-live
- inability to decommission the Student Loans business-to-business heritage solution.

13. There may also be some changes in risk levels for some risks.

14. On the issue reported to the PGC during March 2020 (IR2020/061 refers), we continue to keep a watch for any potential impacts on customers and scheme providers resulting from challenges with our historical KiwiSaver data. While we have had a few minor issues with KiwiSaver, they have been resolved quickly and have not at this stage impacted customers, providers or our people.

Release 4

15. Release 4 went live on 16 April 2020 as planned and our systems and processes are working effectively. From 16 April to 28 April 2020, approximately 400,000 returns were processed including approximately:

- 254,000 employment information returns
- 105,000 GST returns
- 17,000 individual tax returns.

16. Approximately 357,000 Working for Families payments were made over the same period.

17. When Release 4 went live we had a backlog of 7.5 million payment messages for KiwiSaver. The backlog related to KiwiSaver member contributions due to be processed by our heritage system in late April 2020. These contributions were held until we were confident that member contribution data was correct in START.

18. In addition, we received further contributions during the shutdown period. Payment message volumes coming out of START are higher than they were out of our heritage system as a result of payday filing.

19. We are progressively clearing the backlog and have been passing on the messages and payments to KiwiSaver scheme providers as quickly as possible. We have had to ensure that payment message volumes are manageable from a provider perspective as some of the providers do have capacity constraints.

20. The highest number of payment messages we sent in one day was 1.17 million. From 20 to 30 April 2020, we sent as many messages to scheme providers as we have for any whole month previously. We have also transferred approximately \$96 million in contributions in a single day, whereas we usually send about \$700 million per month (excluding the one-off annual Government contribution).

21. As at 29 April 2020, we have cleared more than half the backlog and expect to have cleared it completely by 6 May 2020.

22. Logins to myIR are up on last year as expected, as people log in to look at the additional information, they can now see all the new services available. From 16 April to 28 April 2020, there were 2.7 million logins to myIR, significantly above the 1 million recorded for the same period last year. This is not a true like-for-like comparison however, as myIR was unavailable last year from the afternoon of 18 April to the morning of 26 April 2019 when Release 3 went live. Performance levels for myIR have been as expected, since the slow login issue was resolved on 17 April 2020.

23. Our Pou Whirinaki (extended support period) team is up and running and are focusing on providing support for customers, our people, our operations, and technical issues where needed.

Customers as at 28 April 2020

24. Customers are reacting to the things that are different for them and are seeking support and guidance from us as they interpret information or work out what actions they need to take. A small number of customers are telling us that they are confused about these changes, especially at a time when they have a lot of other things impacting them.

25. We amended the wording on our website to make it clear that overpayments of student loans are refunded on request after some confusion about whether refunds would be held by us or paid out. Previously, borrowers had to contact us to ask for a refund of their overpaid loan, now they can do it online.

26. We have seen an increase in student loan customers making contact in response to seeing interest added to their student loan in error when they are New Zealand based. We are also seeing an increasing number of student loan customers contacting us to query why they have a student loan debt showing when they have already paid their student loan in full. We are working on clarifying exactly what these issue are and will resolve them once we are clear about what needs to be fixed.

27. We are closely monitoring a couple of issues raised by employers. The summary balance for employers showing in myIR includes future debt, which is the amount they need to pay in the following month and not yet due. Some employers using the file upload option are doing so incorrectly and, as a result, are not able to check their employment information before they send it to us. Some employers have reported that payments and returns filed are not showing in their accounts.

28. Initial feedback from KiwiSaver scheme providers is that things are going reasonably well. They are expecting that there will be some teething issues and are comfortable with this.

29. One customer took the time to contact us to say thanks for making it easier for them to see and reconcile their KiwiSaver contributions. *"I would like to say a big "Thank you" to the team who rolled-out the latest update to the myIR website, especially around the Kiwisaver interface. Before that upgrade I could never completely reconcile the IRD transactions against what I knew had been provided via my employer, and what I knew had been passed-on to my Kiwisaver fund. It all works now, down to the very last cent :) I like that a lot; it was doing my head in before that".*

30. Our social media and complaints channels have remained relatively quiet since cutover.

People – as at 28 April 2020

31. Initial feedback from our people is that they like having customer information in one place and can see the possibilities of our new capabilities. However, it is too early for any process efficiencies to be evident.

32. Site leads, key users and union delegates continue to report that Release 4 is going smoothly and that appropriate support for our people is in place.

33. On the whole, while our people are managing well, most are dealing with some lockdown challenges. These include their family situations, equipment set-up, internet connection quality and adapting to new work patterns. Our leadership teams are engaging regularly with our people to check on their wellbeing. This is the case across Inland Revenue, not just for our customer-facing teams.

Operations – as at 28 April 2020

34. Overall we have not seen any unusual trends in customer contacts due to Release 4.

35. Online dashboards are providing transparent information about the status of the release. They are enabling the right information to quickly get to the right people and teams to support decision-making.

Technical – as at 28 April 2020

36. Since go-live we have implemented approximately 200 changes, representing a mix of changes to START and business support changes such as updates to training material.

37. The level of issues being raised is less than 50% of those raised at the same time following Release 3 go-live. Many of the issues raised have been resolved by deskside support teams. Initial observations are that this is the result of our people now being very familiar with START, a consequence of working remotely, and the nature of the products within this release.

38. Deskside support is being provided remotely and is working very well. Due to the lower volume of issues being raised, some sites have redeployed some of their key users back to business-as-usual work. They can quickly return to deskside support if the number of issues being raised increases.

39. The transformation programme team have been raising issues and proactively resolving them before they become visible to or impact our people and customers.

Other updates

Policy

40. Withheld under Section 9(2)(g) of the Official Information Act 1982.

41. The Child Support Amendment Bill is awaiting the completion of its first reading.

Cheques

42. Since 10 September 2019 when we announced we would stop accepting cheques from 1 March 2020, we have been closely monitoring the number of cheques we receive. The year-on-year decrease each month is very pleasing so far as can be seen in the table below.

Table 3: Cheque volumes

	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Received Sep 18-Mar19	19,517	47,694	22,340	22,240	50,758	27,407	35,024
Received Sep 19-Mar 20	12,600	28,189	11,657	12,025	27,107	13,101	4,498
% decrease	-35%	-41%	-48%	-46%	-47%	-52%	-87%

43. Early indications for April 2020 show a 96% decrease compared to April 2019.

44. Proactive outbound calling, educating customers who continue to pay by cheque (without an approved exception) is underway, with most customers able to change to another payment option. However, some customers are unable to change and, to date, we have made 279 exceptions based on the customer's specific situation. Generally these have been due to the customer being elderly and/or rural.

45. A new phone payment option is now available to customers following Release 4 go-live. This is a self-service option which can be used from any phone (landline or cell). Following an initial set up (customers are assisted by our contact centre team), credit/debit card details will be stored and customers will be able to easily self-manage phone payments 24/7.

Release 5

46. The impact of COVID-19 on Release 5 is hard to forecast at this point in time. Given current levels of uncertainty, we are considering our options for implementing the remaining changes and completing the transformation programme. We have adopted some core principles to help us assess the most realistic option(s):

- During 2020 and 2021, our focus will be on supporting customers, responses to COVID-19, and other government priorities. We must be able to accommodate emerging government priorities, optimise what has been delivered to date, and complete delivery of new systems and processes.
- The impact of COVID-19 on our business and customers will be a key consideration. The final products to be migrated to new systems and processes can be implemented progressively at the most appropriate time. Minor products such as unclaimed monies could be implemented at any time.
- We will run a lean and flexible change delivery process. This will be the basis for delivering changes once transformation has been completed and will help to ensure that Inland Revenue is sustainable in the long-term.
- The programme team will work closely with Inland Revenue's business units to progressively transition new capabilities, methods and enduring services to the post-transformation operating model.

47. We will keep you informed as our thinking develops and options become clearer.

Coming up in the next two months

48. Key activities over the next two months include:

May 2020

- Hyper care period of Pou Whirinaki/early life support ends.
- 2020 automatic assessment process begins (this is being led by business-as-usual teams with support from the programme).
- Re-planning of Release 5.

June 2020

- Continuing to prioritise and respond to requests for Release 4 support.
- Finalise the July 2020 Transformation update for consideration by the Cabinet Government Administration and Expenditure Review Committee.