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Inland Revenue report: Transformation status update: November 2021

Date:	02 December 2021	Priority:	Medium
Security level:	In confidence	Report number:	IR2021/583

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

02 December 2021

Minister of Finance
Minister of Revenue**Transformation status update: November 2021****Executive summary**

1. This report provides you with a summary of progress and highlights for transformation for November 2021.
2. Child support continues to run smoothly on new systems and processes, with no major issues identified. Customer feedback highlights that the new look and feel for myIR is easy to use and easy to navigate.
3. A key milestone was achieved this month with FIRST, our heritage core processing system, being switched off on 30 November 2021.
4. Transformation's Red, Amber, Green (RAG) status has improved to light amber overall this month, as shown in table 1 below. Following the successful go-live of the final release, the scope key has improved to light green and the schedule key to light amber. The risk key has improved to light amber following the closure of several key programme risks (please refer to paragraphs 28 and 29).

Table 1: Transformation's RAG status

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

5. Table 2 below shows programme expenditure to date and planned expenditure.

Table 2: Transformation expenditure

		Operating expenditure (excluding depreciation and capital charge) \$ millions			Capital expenditure \$ millions		
Previous phases		Budget	Actual	Variance	Budget	Actual	Variance
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
Delivery - Release 4	1 Jul 19-30 Jun 20	\$205.8	\$163.6	\$42.2	\$103.0	\$96.5	\$6.5
Total for completed phases		\$850.4	\$747.0	\$103.4	\$391.9	\$374.9	\$17.0
Current phase		Budget	Forecast	Variance	Budget	Forecast	Variance
Delivery - Stage 4	1 Jul 20-30 Jun 22	\$150.4	\$150.4	\$0.0	\$85.3	\$85.3	\$0.0
Transitional costs	1 Jul 20-30 Jun 22	\$89.3	\$89.3	\$0.0	\$0.0	\$0.0	\$0.0
Contingency	1 Jul 20-30 Jun 22	\$20.1	\$20.1	\$0.0	\$5.0	\$5.0	\$0.0
Total for current phase		\$259.8	\$259.8	\$0.0	\$90.3	\$90.3	\$0.0

Note: Table 2 on the previous page does not include on-going costs that sit outside of the programme. These total \$012 million until 2023/24 and ex-gratia payments to KiwiSaver members of \$7.2 million (IR2020/490 refers).

6. Between 1 July 2014 and 30 June 2020, the programme spent \$747 million in operating, and \$374.9 million in capital. Any under-spending to date has either been moved to later periods or returned to the Crown.
7. Including transitional costs until 30 June 2022, the overall budget for the current phase of transformation, Stage 4, is \$259.8 million for operating expenditure and \$90.3 million for capital expenditure. We are on track to come in on budget for Stage 4.
8. Our next monthly report will be sent to you in February 2022 and will cover the months of December 2021 and January 2022.

Recommendations

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

Noted

Noted

Greg James

Deputy Commissioner, Transformation
02 December 2021

Hon Grant Robertson

Minister of Finance
/ /2021

Hon David Parker

Minister of Revenue
/ /2021

Stage 4 second release

10. Child support and the upgraded version of myIR continue to run very smoothly, with no major issues raised or areas of concern.
11. New systems and processes are more efficient. This can be seen, for example, with the automated population of case information being sent to Services Australia for child support cases managed under the reciprocal agreement. The monthly schedule we send to Australia outlining payments we have collected on their behalf can now be produced automatically in a matter of minutes. Previously it could take up to two days to produce and was highly manual.
12. Payments now get to carers faster. From November 2021 onwards, child support payments are passed on by the 23rd of the same month, as long as the liable (paying) parent has paid on time. Previously, payments were made on the 7th of the month following the due date. In addition, we can now make payments directly to overseas bank accounts. Previously we sent cheques and, once we stopped using cheques, had to use a series of work arounds to release funds overseas.
13. We now automatically notify employers or the Ministry of Social Development when deductions need to be made from income or a benefit to pay a liable parent's child support. Since go-live we have automatically set up over 6,000 deductions from income that would previously have been done manually and taken longer. These are deductions for newly liable parents, parents already paying by deduction and whose source of income has changed, and parents who have defaulted on their payments.
14. In early November 2021, some of our early life support forums reduced their meetings to twice weekly as a result of the release running so smoothly. The frequency has since reduced further to once a week for some meetings. In previous large releases, there have been daily meetings throughout the hyper care period. We are on schedule to exit hyper care as planned on 3 December 2021. This is the initial, heightened period of extra support provided following a release. Early life support is scheduled to continue until 31 January 2022.

Our customers

15. Feedback from our post go-live surveys of customers using the upgraded myIR shows that:
 - Over two thirds of individual customers feel confident, reassured and know what to do next. Customers like the key information being visible in one place; the clear, simple layout, and that myIR is easy to use and it's easy to find the information required. Not unexpectedly, customers with more complex circumstances are finding the changes more challenging.
 - Around eight in ten business customers are finding it quite or very easy to do what they need to do.
 - Around two thirds of intermediaries are finding it quite or very easy to do what they need to do. As high users of myIR, intermediaries will have been very familiar with the previous version.

Our people

16. As our people grow more confident our key users are noticing less support is needed and some key users are returning to their substantive roles.
17. Booster training sessions are available to help our people provide the right support to customers.

Technical/operational

18. Following each release, we carry out testing and checks to identify issues before they impact our customers. Of the planned 316 tasks we will complete, such as testing and checking future filing and payment dates, we have successfully completed 129 so far and 61 are currently in progress.

Other updates

Payroll

19. The relocation of our payroll system (SAP) to a cloud-based solution successfully went live on 15 November 2021. We have had minimal issues since go-live.

Decommissioning

20. Our heritage core processing system, FIRST, was decommissioned on 30 November 2021 as planned. FIRST has been our core processing system since the early 1990s.
21. The next steps are.
 - From 1 December 2021 until early April 2022, we will shut down old heritage systems, archive any data that is to be retained, and then remove the systems and databases.
 - In April 2022, once all the systems have been removed, the network connections and supporting services will be shut down, and the process of dismantling and disposing of the infrastructure will begin. Each piece of equipment that can store data will be sanitised and, if not being reused, destroyed.
 - We are on track to exit our heritage Unisys data centres by 30 June 2022.

Sharing information with other agencies

22. We have developed a site for other government agencies holding the key frameworks, tools and templates we have built through transformation. We are presently preparing information to support this material to provide context for those accessing it.

Final progress update for Cabinet

23. As agreed (IR2021/309 refers), the final progress update will be provided to Cabinet in February 2022. We will provide the draft paper to the Minister of Revenue in early February 2022.

Key risks and issues

24. The transformation programme's risk profile has improved to light amber this month, with a future trend of light amber. A light amber profile means that risks and mitigations are defined and understood and the mitigations are expected to be successful.
25. We are actively managing one new issue (a risk that has been realised). The issue relates to Vodafone being unable to provide the support needed to move a heritage application from our heritage Unisys data centre to the cloud before Christmas due to resource availability. We are working through the options with Vodafone to determine whether there are any alternatives available.

26. The issue relating to the impact of the COVID-19 pandemic on the delivery of the programme has been closed. Despite the disruption caused by the pandemic, the final release went live as planned.
27. As of November 2021, the programme has a total of 25 open risks¹, of which 4 are reported to the Portfolio Governance Committee (PGC).
28. Four risks previously reported to the PGC were closed during the month as a result of the final release successfully going live on 28 October 2021:
 - The risk relating to possible changes in payments once child support is moved to new systems and processes has been closed. All planned preventative measures have been taken to mitigate this risk.
 - The risk relating to organisational design changes impacting the delivery of the final stage did not eventuate.
 - The risk relating to a delay in completing cutover of products to START did not eventuate.
 - The risk relating to the scope, timing and priorities of the programme changing as a result of external factors did not eventuate.
29. One risk previously reported to the PGC was transferred to its enduring home in our new organisation design. The risk relating to realising the benefits we committed to deliver in the timeframes indicated has been transferred to the team responsible for enterprise planning, performance measurement, reporting and investment.
30. The status of one risk reported to the PGC improved during the month. The current rating of the risk relating to on-going reliance on SAP after 30 June 2022 preventing full decommissioning of our heritage data centres improved from high to medium. This likelihood of this risk occurring has improved from unlikely (a 3% to 10% chance of occurring) to rare (a less than 2% chance of occurring). Implementation plans are in place which support the overall reduction in risk likelihood.
31. There has been no change in the status of any of the other risks reported to the PGC since the last report.
32. The remaining transformation risks reported to the PGC relate to the need to move off all our heritage applications by 30 June 2022 so that we can fully decommission our heritage data centres.

Coming up in the next two months

33. Key activities over the next two months include:

December 2021

- Continuation of early life support.

January 2022

- Completion of early life support.

¹ During November 2021, 16 programme risks were closed, including 4 reported to the PGC. One risk reported to the PGC was transferred from the programme to its enduring home.