



Inland Revenue
Te Tari Taake

Inland Revenue report: Transformation status update: October 2021

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|------------------------|------------------|-----------------------|------------|
| Date: | 08 November 2021 | Priority: | Medium |
| Security level: | In confidence | Report number: | IR2021/507 |

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 |
|-------------|-------------------------------------|------------------|
| | Deputy Commissioner, Transformation | |

08 November 2021

Minister of Finance
Minister of Revenue

Transformation status update: October 2021

Executive summary

1. This report summarises transformation progress and highlights for October 2021.
2. We have successfully gone live with our final release, with child support now running on new systems and processes and a new look and feel for myIR. While we officially re-opened at 8am on 28 October 2021 as planned, our systems did start coming back online on 27 October 2021. We are not seeing anything of significant concern being raised by customers at this stage and the number of issues we are experiencing are within the levels we expected this early in the release.
3. Transformation's Red, Amber, Green (RAG) status remains amber overall, as shown in table 1 below. The scope key has deteriorated to light amber as some additional work has been proposed for identity control and administration¹ and changes taking effect from 1 April 2022 (this work includes, for example, updating Inland Revenue calculators with the new tax year, rates, and thresholds). Once the additional scope has been approved by governance bodies, the scope key should return to light green.

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 Amber | Amber | Light Amber | Green | Light Amber | Green | Amber |
| PREVIOUS | Amber | Light Green | Amber | Light Amber | Light Amber | Amber | Light Amber | Green | Light Amber | Green | Amber |

4. 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 | \$89.1 | \$89.1 | \$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 | | \$259.6 | \$259.6 | \$0.0 | \$90.3 | \$90.3 | \$0.0 |

¹ Identity control and administration manages access to keep systems and data secure.

Budget performance to date

5. 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.

Stage 4 budget

6. Including transitional funding until 30 June 2022, the overall budget for the current phase of transformation, Stage 4, is \$259.6 million for operating expenditure and \$90.3 million for capital expenditure. We are on track to come in on budget for Stage 4.

Recommendations

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

Noted

Noted

Stage 4 second release

8. At 8am on 28 October 2021, we officially re-opened our customer facing channels after successfully moving child support to new systems and processes and upgrading the online services customers use and the START software our people use.
9. Our systems started to come back up on 27 October 2021 and myIR was available to customers during the day. We had 70,421 logins to myIR on the 27th, including 1,300 applications for the Resurgence Support Payment.

Our customers

10. We are not seeing anything of significant concern from our customers at this stage. As expected, customers are taking time to get used to the new look and feel of myIR and child support services.
11. Some customers have needed help to find their way around the new-look myIR, as they struggle to locate specific information in the new layout. Others have sought reassurance about their COVID-19 support applications, particularly those who had issues applying for the fourth Resurgence Support Payment when this opened on 29 October 2021. We have started to survey individual customers about the myIR changes and over the next couple of weeks we will also survey businesses, intermediaries and child support customers.
12. The number of issues we are experiencing are within the levels we expected this early in the release. As we have for all previous releases, there are some areas we are working through to see if we can make improvements. For example, we are seeing some dissatisfaction with some of the functionality of myIR from our larger tax agents and employers which we are working to improve.
13. Day 1 packs were sent to intermediaries, businesses and employers on 28 October 2021. These are also available on our website.
14. The filing and payment dates for GST and income tax have been extended from 28 October to 4 November 2021 (IR 2021/413 refers). As at 2 November 2021, 71% of GST returns had been filed and filing volumes are similar to what they were in 2020.

Our people

15. Our people are providing support to each other and becoming more familiar with the changes and learning new things. We are looking at providing some extra support to our people who are not currently working in an office.
16. As has been the case for previous releases, Key Users are providing valuable support to our people as they get used to the changes.
17. We have been consulting with our people on the proposed design for Customer and Compliance Services Planning Design and Delivery (PDD) and Compliance Strategy and Innovation. Consultation on the proposed design for these groups ran from 13 October to 4 November 2021. The feedback provided is now being considered, with final decisions expected to be announced at the end of November 2021.

Technical/operational

18. Following each release, we carry out testing and checks to identify issues before they impact our customers. We are off to a good start, with 32 tasks currently in progress and 42 successfully completed. In total, we will test and check 315 tasks. Examples of tasks we test and check ahead of time are future filing and payment dates.

Other updates

Payroll

19. In March 2021, the Portfolio Governance Committee (PGC) decided to relocate our payroll system to a cloud-based solution (IR2021/105 refers). Delivery has proceeded very well. Testing is now complete and a full reconciliation between the current and new system has been completed with no errors. We remain on track to cut over to the new system as planned on 15 November 2021. The back-up date, if needed, is 29 November 2021.

Decommissioning

20. Now that all the products we administer are running on new systems and processes, we must shut down and remove all our heritage applications (more than 400) and equipment. This includes FIRST (our heritage core system) which has provided us with more than 30 years of service. Analysis of the heritage systems and supporting physical infrastructure has been completed to a very detailed level.
21. As at October 2021, approximately 63% (264) heritage systems have been decommissioned and 20% of the infrastructure components have been removed from the data centres.
22. Key milestones include:
- An archive solution for FIRST will be in place by 15 November 2021.
 - FIRST will be switched off on 30 November 2021 to enable commencement of FIRST decommissioning on 1 December 2021.
 - Heritage data archiving will be completed by 31 March 2022.
 - All heritage systems are planned to be decommissioned by 30 April 2022.
 - All networking and infrastructure are planned to be decommissioned by 30 June 2022. Please note that [Information redacted] undertake the bulk of physical switch off and ethical destruction, overseen by Inland Revenue.

Key risks and issues

23. The transformation programme's risk profile remains amber, with a future trend of amber. An amber profile means that risks and mitigations are reasonably defined and understood, and support is needed from senior leaders to actively manage specific issues in some areas.
24. We are actively managing one issue (a risk that has been realised). This issue relates to the impact of the COVID-19 pandemic on the delivery of the programme and continues to be monitored closely. There are no concerns to report at this time.
25. The issue raised last month regarding transferring historic child support suspense account balances to START has been resolved and is now closed.
26. As at October 2021, the programme has a total of 42 open risks², of which 9 are reported to the PGC.
27. One risk previously reported to the PGC was closed during the month.

² During October 2021, three programme risks were closed, including one reported to the PGC.

28. The risk relating to the potential for a delay in go-live of the October 2021 release due to the Asteron building closure has been closed. Accommodation has been secured for the Wellington-based team and on 18 October 2021, the go-live committee approved the move into cutover for the final release.
29. The status of one risk reported to the PGC improved during the month. The current and residual³ ratings of the risk relating to organisational design changes impacting the delivery of the final stage improved from high to medium. This risk is now unlikely (a 3% to 10% chance) to occur as the majority of organisational design changes have been completed and the remaining changes are unlikely to cause any disruption to the programme.
30. There has been no change in the status of any of the other risks reported to the PGC since the last report.
31. The top three risks for transformation are:
 - Realising the benefits we committed to deliver in the timeframes indicated.
 - Possible changes in payments once child support is moved to new systems and processes.
 - The scope, timing and priorities of the programme may change as a result of external factors.

Coming up in the next two months

32. Key activities over the next two months include:

November 2021

- Early life support.
- Migration of Inland Revenue's payroll solution to the cloud.
- Switch off FIRST.

December 2021

- Continuation of early life support.

³ The predicted level of risk once all proposed actions have been implemented.