

**Proactive release:** This document has been released by Inland Revenue under section 18(3) of the Tax Administration Act 1994. Some information has been withheld as the Government has yet to make decisions on the matter. This release supports the purposes of the Official Information Act 1982 by increasing progressively the availability of official information to the people of New Zealand.



**Inland Revenue**  
Te Tari Taake

**Inland Revenue report: Transformation status update: December 2020 / January 2021**

---

<b>Date:</b>	9 February 2021	<b>Priority:</b>	Medium
<b>Security level:</b>	In confidence	<b>Report number:</b>	IR2021/022

**Action sought**

---

	<b>Action sought</b>	<b>Deadline</b>
Minister of Finance	<b>Note</b> the contents of this report	None
Minister of Revenue	<b>Note</b> the contents of this report	None

**Contact for telephone discussion** (if required)

---

<b>Name</b>	<b>Position</b>	<b>Telephone</b>
Greg James	Deputy Commissioner, Transformation	Withheld under s18(c)(i) of the OIA.

9 February 2021

Minister of Finance  
Minister of Revenue**Transformation status update: December 2020 / January 2021****Executive summary**

1. This report summarises transformation progress and highlights for December 2020 and January 2021.

2. We remain on track for a 1 March 2021 go-live for paid parental leave, unclaimed money, duties, and New Zealand foreign trusts (Release 4.1.1). Testing is in its final stages, with business system testing (making sure START works as expected), two mock go-lives (a full dress rehearsal for go-live), and the first round of scaled business simulation testing (practicing go-live step-by-step) already completed. One final round of scaled business simulation testing will be completed by 21 February 2021. We will report the results of go-live to you in early March as part of the February 2021 status update.

3. Transformation's Red, Amber, Green (RAG) status remains light amber overall as shown in table 1 below. Since the last report to Ministers (IR2020/457 refers), the resources key has deteriorated to amber. As we make further changes to our organisation design, there are implications for people working on the programme. Mitigations include making a range of support available to people affected by the changes.

Table 1: Transformation's RAG status

	Overall	Scope	Risk	Issues	Inter-dependencies	Schedule	Resources	Stakeholder Engagement	Delivery Partners	Financials	Benefits
CURRENT	Light Amber	Light Amber	Amber	Light Amber	Light Amber	Light Amber	Amber	Green	Light Green	Green	Amber
PREVIOUS	Light Amber	Light Amber	Amber	Light Amber	Light Amber	Light Amber	Light Amber	Green	Light Green	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	\$159.6	\$159.6	\$0.0	\$78.6	\$78.6	\$0.0
Transitional costs	1 Jul 20-30 Jun 21	\$33.8	\$33.8	\$0.0	\$0.0	\$0.0	\$0.0
Contingency	1 Jul 20-30 Jun 22	\$14.8	\$14.8	\$0.0	\$9.7	\$9.7	\$0.0
Total for current phase		\$208.2	\$208.2	\$0.0	\$88.3	\$88.3	\$0.0

**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 the contingency held by the Commissioner and transitional funding, the overall budget for the current phase of transformation, Stage 4, is \$208.2 million for operating expenditure and \$88.3 million for capital expenditure. We are on track to come in on budget for Stage 4.

**Recommended action**

---

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

Noted

Noted

**Greg James**

Deputy Commissioner, Transformation  
9 February 2021

**Hon Grant Robertson**

Minister of Finance  
/ /2021

**Hon David Parker**

Minister of Revenue  
/ /2021

## **Stage 4 first release update**

---

8. We remain on track to go-live on 1 March 2021 with paid parental leave, unclaimed money, New Zealand foreign trusts, and duties. This release, known as Release 4.1.1 (Stage 4, workstream 1, release 1), will move these products from heritage systems and processes to START.

9. On 10 December 2020, we approved the results of checkpoint 2 in our readiness assessment framework. At this checkpoint, we assessed whether we were on track for go-live and the checkpoint results confirm that we were. Contingency plans are being finalised to cater for the possibility that legislation will not pass in time. Solutions have, where possible, been uncoupled from the legislation and/or workable/low impact contingencies are in place.

### ***Solution design and testing***

10. Business system testing (making sure START works as expected) has been completed.

11. The first mock go-live (a full-dress rehearsal for go-live) was completed successfully on 4 December 2020. We ran an additional data conversion for an issue encountered with paid parental leave data, which has since been resolved. The second mock go live was also completed successfully on 28 January 2021. We can now confirm our cutover window and go-live date. We will shut down our core systems, along with our front office counters and contact centres, by 6pm Friday 26 February and re-open to customers at 8am on Monday 1 March 2021.

12. The first round of scaled business simulation testing (practicing go-live step-by-step) was completed successfully on 22 January 2021. The second round is currently underway and will be completed by 21 February 2021.

13. Our deployment and cut over activity for this release has been planned and executed on a remote-working basis, thus mitigating any likelihood of COVID-19 impacting our go-live activity.

14. The Ministry of Business Innovation & Employment (MBIE) has identified an issue that relates to a small number of paid parental leave customers. We will work with MBIE to see if any remediation is required post go-live.

### ***Readying our people***

15. Training for our people is well underway. For this release, we have made a significant shift to online learning. For previous releases, the mandatory online component of training was pre-learning for the classroom sessions. For this release, the majority of people will complete online training instead of attending classroom training. Of the 523 people who have to attend training, 497 will complete this online with 26 attending classroom training. The small number of people requiring classroom training is mainly due to the specialist nature of the products in this release.

### ***Readying our customers***

16. On 18 January 2021, digital and social media advertising began letting customers know about the changes to paid parental leave. The changes mainly focus on improving the application process and customers' online experience. On 20 January 2021, emails and letters were sent to around 15,000 people receiving paid parental leave payments. A fact sheet has also been provided to external groups, such as Withheld under Section 9(2)(a) of the Official Information Act.

17. We made some webinars available to different customer groups to view in December 2020 covering the following areas:

- Introduction to changes for New Zealand foreign trusts
- Introduction to Stage 4 for businesses
- Introduction to Stage 4 for Maori Authorities.

18. The number of views is small so far, reflecting the smaller impact of this release, and potentially the time of year the webinars were made available.

19. On 3 February 2021, we emailed around 500 holders of unclaimed money about the changes being made. We previously communicated to them in November last year, and this time we shared more details with them about the proposed legislation changes.

### ***Early life support***

20. After each release, we provide early life support for a period. This is known as Pou Whirinaki, and additional support is provided to customers and our people to resolve any issues that are identified with the release. The initial period of heightened support (known as hyper-care) will run until 26 March 2021, followed by ongoing early life support until 28 May 2021.

21. For this release we will use the same processes, structure, monitoring, and reporting as we have for previous releases. However, as this release is smaller and less complex than earlier releases, resourcing levels will be lower, and meetings will be less frequent. We can quickly and easily scale up or down depending on whether issues arise.

### ***Other updates***

---

#### ***Stage 4 second release (Release 4.1.2)***

22. We will move child support to new systems and processes in October 2021.

23. From 26 to 28 January 2021, we ran a design review workshop with 36 of our frontline child support people from around the country. The objectives of the workshop were to:

- test our systems and processes early and understand how they will work for our customers and us, and whether there are any gaps, and
- help us understand the level of impact on our day-to-day work.

24. As part of this release, we will upgrade START and myIR to a newer version. We have been working with FAST over the last three years to realise as many of our requirements as possible as part of this upgrade. This has provided the opportunity for a greater adoption of out-of-the-box configurable functionality over site-specific capability. Our objective is to move a greater proportion of myIR services to out-of-the-box functionality as this provides for a more stable platform and simplifies future version upgrades.

### ***Policy***

25. The Child Support Amendment Bill, the Taxation (Annual Rates for 2020-21, Feasibility Expenditure and Remedial Matters) Bill, and their supplementary order papers are being considered by their respective select committees and reported back to Parliament by 4 March 2021.

## **Update to Cabinet**

26. On 27 January 2021, we provided our *February 2021 Transformation Update* to the Minister of Revenue (IR2021/021 refers). This paper provides an update for Cabinet regarding our progress in modernising the revenue system, our plans for completing the transformation programme, and the progress made with realising benefits. Withheld under Section 9(2)(g)(i) of the Official Information Act.

## **Key risks and issues**

---

27. The transformation programme's risk profile remains amber<sup>1</sup>, 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.

28. We are monitoring one issue (a risk that has been realised). This relates to the impact of the COVID-19 pandemic on the delivery of the programme. There are no concerns to report at this time.

29. As at January 2021, the programme has a total of 58 open risks<sup>2</sup>, of which 14 are reported to the Portfolio Governance Committee (PGC).

30. Since the last report to Ministers (IR2020/457 refers), one risk reported to the PGC has closed. The risk related to critical and high priority incidents not being resolved in a timely manner. This risk is being well managed as we have improved our risk management capability as part of the organisation design changes made in our information technology area.

31. The risk level of one risk reported to the PGC has improved. The current rating of the risk relating to products remaining on FIRST after 1 July 2022 when support for heritage systems ends has improved from very high to high. The current<sup>3</sup> likelihood of this risk occurring has improved from possible (an 11% to 20% chance of occurring) to unlikely (a 3% to 10% chance of occurring). There is a plan to migrate all products off FIRST, which we are tracking well against, reducing the likelihood of this risk occurring.

32. The top three risks for transformation remain unchanged and relate to the need to move off all our heritage applications by 1 July 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:

### **February 2021**

- Complete second round of scaled business simulation testing (practicing go-live step-by-step).
- Complete checkpoint 3 in the readiness assessment framework (this checkpoint assesses whether we are ready for go-live).

---

<sup>1</sup> The risk RAG status is separate from the overall programme status which is light amber as stated on page 2. Table 1 on page 2 shows the RAG key for risk as amber and the overall programme rating as light amber.

<sup>2</sup> During December and January, one new programme risk was accepted, and one was closed.

<sup>3</sup> The level of risk with the controls already in place.

- The Cabinet Government Administration and Expenditure Review Committee considers *Inland Revenue's February 2021 Transformation Update*.

**March 2021**

- Go-live of Release 4.1.1.
- Begin Pou Whirinaki/early life support for Release 4.1.1