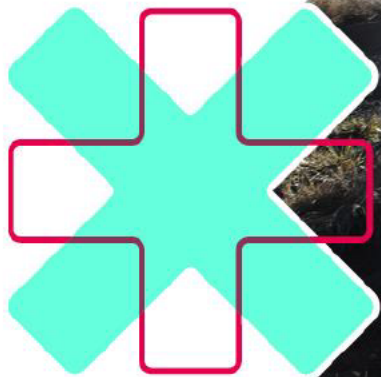
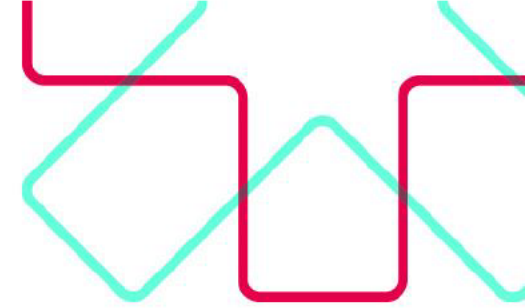


IMPLEMENTATION EVALUATION OF IR'S COVID-19 RESPONSE

Final Report

18 February 2022





CONTENTS

Summary	1
Introduction	2
Overall, IR provided good support to most business customers	4
IR's approach served the majority, but did not suit everyone	15
IR's existing strengths and gaps were amplified in a time of crisis	18
Appendix 1 : Scope and approach	25
Appendix 2 : Analysis of IR's initial response against theory of change	29
Appendix 3 : Documents reviewed	31
Appendix 4 : Interviewees	32
Appendix 5 : Evaluation questions	33



PREFACE

This report has been prepared for Inland Revenue by Sophie Jessop, Penny Fitzpatrick, Donella Bellett and Sargam Shah from MartinJenkins (Martin, Jenkins & Associates Limited).

MartinJenkins advises clients in the public, private and not-for-profit sectors. Our work in the public sector spans a wide range of central and local government agencies. We provide advice and support to clients in the following areas:

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SUMMARY

Inland Revenue played a significant role in Government's COVID-19 response

Anticipating a major impact on businesses and individuals, the government's COVID-19 response was designed to help:

- keep businesses operating and New Zealanders employed in the short-term
- recover and rebuild New Zealand's economy in the longer term.

Inland Revenue's (IR)'s COVID-19 response took place under conditions of uncertainty around the nature and extent of the emerging health crisis, and the consequent uncertainty about the economic impact on individuals, families, whānau, and business. This meant, for example, that legislative and policy changes were developed in a compressed timeframe of two weeks instead of the usual four months for similar types of initiatives.

Many agencies have been involved in the government response; IR is a key contributor to outcomes.

Over \$3 billion was allocated to IR for permanent and temporary tax relief

The COVID-19 Response (Taxation and Other Regulatory Urgent Measures) Act, and subsequent Acts, included targeted measures aimed at providing relief to those economically affected by COVID-19. IR's work programme had two major initiatives:

- the Small Business Cashflow Loan Scheme (SBCS) led by IR
- the Wage Subsidy Scheme (WSS) led by the Ministry of Social Development (MSD).

There were also a series of tax system and operational changes, some short-term to help during the pandemic, and some permanent (planned changes elevated in priority given their usefulness at the time).

Along with other government agencies, IR's COVID-19 response was structured around three phases: Respond, Recover and Rebuild. IR efforts are now transitioning from the Respond stage and focusing on what IR can do to contribute to longer-term economic recovery. The end of the Respond phase provided an appropriate time to consider 'how well' IR was able to pivot and perform at speed during the initial lockdowns of the pandemic, and how customers experienced their engagement with IR.

IR provided good support to most business customers during a period of unprecedented urgency and uncertainty, enabled by existing strengths. Support could have been more targeted to subgroups, particularly Māori and Pasifika businesses. IR's existing gaps, such as weaker networks and lack of embedded cultural capability, were exacerbated. To prepare for a future crisis, IR should continue to invest in building cultural capability across the



organisation and establish relationships with intermediaries who work with these customers.

Overall, IR provided good support to customers, including businesses

IR responded rapidly to an unprecedented crisis

IR delivered a large volume of work in a short timeframe, including large volumes of payments and supports to customers.

- A suite of services were stood up quickly, and reached a large volume of customers – including amendment to existing tax mechanisms, the SBCS, administrative flexibility and information sharing, and support for other government initiatives.
- IR collaborated well with other agencies – with many noting IR’s contribution as essential to the development and delivery of the AoG response.
- The SBCS went live within two weeks of Cabinet agreeing to establish the scheme on 30 April 2020, and within four days of finalisation of the detailed design.
- \$1.727 billion of SBCS loans were approved for approximately 106,000 customers from May 2020 to May 2021; 81% (close to 86,000) of the total customers were approved in the first two months to a total of \$1.44 billion.

The SBCS was relatively easy to access, but some businesses who were eligible may have chosen not to apply or experienced barriers to access

- When New Zealand moved to lockdown IR moved to a contactless delivery model for its services, making IR supports less accessible for customers with lower levels of digital literacy.
- Other communities or subgroups such as older people, those with disabilities, different ethnicities, those not connected to business representatives, tax agents or other networks, and smaller SMEs were raised as groups who may have experienced lower awareness or difficulties accessing IR’s support.

Early indications are that outcomes are positive for businesses that took up the SBCS

- Many businesses received the support they were entitled to and early data shows most SBCS recipients have continued to operate and maintain pre-COVID employee numbers.
- Business representatives gave positive feedback that IR communications and the SBCS provided clarity and certainty in an emergency.

Some concerns were raised around potential unintended negative consequences of IR’s response

- The ease of access may have resulted in some customers taking on loans that they will not be able to service.
- Provision of tax relief and SBCS may have delayed closure of businesses that were already not viable before the pandemic, and with higher levels of tax debt than they would have had otherwise.



Going forward, IR should consider how it can recall loans in the same spirit that the loans were issued

- We heard feedback from business representatives that IR's reputation may have improved and trust among businesses may have increased during the COVID-19 response period, as businesses felt supported by an agency they usually associate with 'taking money not giving it out'.
- IR has a responsibility to collect revenue for the Government. We recommend that to capitalise on the trust that has been built, IR considers how it can approach SBCS loan repayments and deferred tax in *the same spirit* that they were issued. We understand that IR is taking steps in this regard (for example, by exercising flexibility).

IR's approach served the majority, but did not suit everyone

Support for Māori and Pasifika businesses could have been more targeted

- Uptake of COVID-19 response support by Māori and Pasifika businesses is difficult to ascertain by ethnicity as IR does not collect data on the ethnicity of its customers.
- Qualitative feedback suggests IR's approach shows a lack of understanding of Māori and Pasifika customers, which likely affected uptake. For example, IR's response (design and communication) does not appear to have taken account of several cultural and social factors that could have impacted Māori and/or Pasifika business' ability and willingness to take up IR support. This includes issues around awareness, fear of getting into unnecessary debt, greater numbers of very small businesses, lack of connection to tax agents or business networks, lack of trust in IR and feelings of whakamā around accessing support.

- IR's Kaitakawaenga Māori team was redirected to tasks that were not specifically targeting support to Māori customers. This created a missed opportunity to use their knowledge and networks to better support Māori business at the frontline.

IR's existing strengths and gaps were amplified in a time of crisis

- IR made good use of its existing networks to disseminate information and to receive rapid feedback from organisations connected with businesses
 - This approach worked well for the majority, but it meant that where IR did not already have strong networks the disconnection with those groups of customers was exacerbated.
- IR's Business Transformation was in progress and gave access to expertise and technology which was leveraged in the response, enabling a rapid shift to a digital operating environment and infrastructure that was utilised in collaboration with other agencies.
- We heard widespread recognition that IR is on a journey to build its Māori capability. Being in the early stages, with capability not deeply embedded meant that considering the needs and impacts for Māori customers was also not deeply integrated when a rapid response was required – including policy design, communications, and implementation.

Continue to reinforce the strengths that enabled IR to respond well to COVID-19 in 2020, and invest in gaps that are likely to be exacerbated in a future crisis:

- Key enablers of IR's response included efficient decision making, clear messaging from IR's leaders, and a broad range of people involved. To prepare for a future crisis:



- Where possible, preparation for inevitable future emergency events is key to support a rapid response when needed. IR should consider core elements of a response which they should seek to replicate, as well as areas to improve ahead of future emergencies. For example, to ensure all relevant perspectives are included in early policy design and implementation stages consider ahead of time which perspectives should be involved early and identify relationship and relationships owners. This will help to mitigate the risk of key perspectives being missed.
- Embedding a deeper understanding of Māori customers across the organisation will mitigate the risk that Māori are overlooked in times of crisis:
 - Continue the journey to embed a deeper understanding of Māori customers across all functions of IR to improve IR's reach into these groups. For example, by capturing data to identify these customers that will allow more nuanced evaluation and monitoring of services.
 - In line with Mauri ora te whānau strategy, ensure the strengths of the Kaitakawaenga role are leveraged in times of crisis.
- Tailored communications improve customer understanding and awareness of IR's products – so nuancing messaging to different audiences is recommended:
 - Continue to invest in building organisational understanding of customer groups, so nuanced messaging can be rapidly developed in times of crisis.
 - Consideration should also be given to building Pasifika capability.
- Collaboration with other agencies, stakeholders, and business representatives enabled clear communication and dissemination of information and updates – including utilisation of existing networks and infrastructure to disseminate information:
 - Continue to invest in the relationships IR has, many of which have been further strengthened through the COVID-19 period.
 - Undertake a detailed sector map, to understand where IR does not have strong connections with customer groups through their intermediaries.
 - Build out more diverse relationships and plan for how these could be leveraged in an emergency – particularly with intermediaries that reach Māori and Pasifika businesses
- Clear communication about what was expected from IR helped individuals to make a rapid shift from a compliance to a high trust mindset – some staff may have struggled more than others with this change in role for IR:
 - This is something for line managers to be alert to if a similar situation arises where IR's role rapidly changes.
- IR's staff were essential to their response, and feedback suggests that they felt supported by IR during times of unprecedented pressure (from business needs and upheaval of personal lives):
 - Continue to revisit staff wellbeing and support needs as a crisis moves from acute to prolonged.



A summary of the recommendations detailed in this report is outlined below:

Recommendations:

- **Ensuring subgroups of customers, particularly Māori and Pasifika businesses, are not overlooked in times of urgency**
 - Continue the journey to embed a deeper understanding of Māori customers across all functions of IR to improve IR's reach into these groups. For example, by capturing data that will enable more nuanced evaluation and monitoring of services.
 - In line with Mauri ora te whānau strategy, ensure the strengths of the Kaitakawaenga Māori team are leveraged in times of crisis.
 - Where possible, develop templates or checklists to support rapid response in future: for example, to ensure all relevant perspectives are included in early policy design stages. This will help to mitigate the risk of key perspectives being missed.
 - Consideration should also be given to building Pasifika capability and understanding the Pasifika business journey.
 - Consideration should be given to geographical location and the need for capability to support customers (depending on interactions being face to face vs electronic and customer preference on method)
 - Continue to invest in building organisational understanding of customer groups, so nuanced messaging can be rapidly developed in times of crisis.
- **Continue to build networks and relationships with intermediaries**
 - Continue to invest in the relationships IR has, many of which have been further strengthened through the COVID-19 period.
 - Build out more diverse relationships and plan for how these could be leveraged in an emergency – particularly with intermediaries that reach Māori and Pasifika businesses.
- **Going forward, consider how IR can recall SBCS and tax deferral debt in the same spirit in which it was issued**



INTRODUCTION

Background and context

Inland Revenue played a significant role in the Government's COVID-19 response

In anticipation of a major impact on businesses and individuals, the Government's COVID-19 response was designed to help:

- keep businesses operating and New Zealanders employed in the short-term
- recover and rebuild New Zealand's economy in the longer term.

The COVID-19 response took place under conditions of uncertainty around the nature and extent of the emerging health crisis, and the consequent uncertainty about the economic fallout and impact on individuals, families, whānau, and business customers. This meant, for example, that legislative and policy changes were developed in a compressed timeframe of two weeks rather than four months.

Many agencies have been involved in the government response; IR is expected to contribute to outcomes, rather than being wholly responsible.

Over \$3 billion was allocated to Inland Revenue (IR) for permanent and temporary tax relief

The COVID-19 Response (Taxation and Other Regulatory Urgent Measures) Act, and subsequent Acts, included targeted measures aimed at providing relief to those economically affected by COVID-19. IR's work programme had two major initiatives:

- the Small Business Cashflow Loan Scheme (SBCS) led by IR
- the Wage Subsidy Scheme (WSS) led by the Ministry of Social Development (MSD).

There were also a series of tax system and operational changes, some short-term to help during the pandemic, and some permanent (planned changes elevated in priority given their usefulness at the time).

Along with other government agencies, IR's COVID-19 response was structured around three phases: Respond, Recover and Rebuild. IR efforts are now transitioning from the Respond stage and focusing on what IR can do to contribute to longer-term economic recovery. The end of the Respond phase provided an appropriate time to consider 'how well' IR was able to pivot and perform at speed during the initial lockdowns of the pandemic, and how customers experienced their engagement with IR.

The primary purpose of the evaluation is to support learning

This report identifies lessons and improvements for IR to consider

IR asked MartinJenkins to evaluate how they implemented support for businesses during the initial 'Respond' phase.

Our report focuses on implementation to identify what was done well and areas for improvement, to identify lessons for ongoing support and for future significant events.



IR's evaluation interests centre on three aspects:

- understanding IR's performance in responding to an unpredictable and emergency situation
- informing future decisions about organisational behaviour and the use and design of any subsequent interventions
- providing accountability to Ministers for IR's interventions aimed at cushioning the economic blow and keeping businesses operating and New Zealanders employed.

Scope – primary focus is on business and the Small Business Cashflow Loan Scheme

The evaluation focuses on support for business, in particular, the delivery of the SBCS.

Other aspects of the IR Response have been considered but are not the focus of the evaluation (including support for other types of customers – individuals, family and whānau; and other IR contributions to the Government response – amendments to existing tax mechanisms (including the Tax Loss Carry-back Scheme and loosening of tax loss continuity rules), administrative flexibility and information sharing, and support for other government initiatives.

We were also asked to look at the experience of Māori customers, and other customers disproportionately affected by COVID-19 (including Pasifika customers).

A sub-set of short-term outcomes are in scope – due to the timing and scope of the evaluation, outcome data is indicative not conclusive.

- Eligible businesses, individuals and families receive the support they are entitled to, to help make it through the impacts of COVID-19
- Interventions provide timely, broad-based, and accessible temporary cashflow support to save jobs and businesses, and to support individuals, families and whānau.

Areas specifically out of scope are:

- the Wage Subsidy Scheme (an interagency evaluation is planned, and it will be evaluated as part of the Compliance Operating Model (COM))
- the Resurgent Payment Scheme announced on 15 December 2020
- the All-of-Government response, including initiatives led by other agencies
- the policies of Response initiatives, which were set by the Government
- data and conclusions about medium- and long-term outcomes.

Approach and limitations

Our approach is described in detail in Appendix 1– conclusions are drawn from data (including IR customer surveys) and document review, stakeholder insights, and internal workshops.

It is important to know that the evaluation did not gather new information directly from IR customers (including business customers). This decision was made following the emergence of the Delta variant in New Zealand, to ensure no unnecessary burden was placed on customers. This meant:

- no customer interviews were conducted
- planned additions to IR customer surveys were not made.

Instead, the voice of the customer is included indirectly through our review of IR's existing data, existing COVID-related survey questions, and interviews with third-party organisations that have close relationships with customers.

Perspectives from stakeholders who declined interviews may also be missing from this report.¹

¹ We reached out to many stakeholders within our own and IR's networks. Over 60% of those sent an interview request either did not respond or declined an interview due to busyness, or not being able to comment on IR's response.



OVERALL, IR PROVIDED GOOD SUPPORT TO MOST BUSINESS CUSTOMERS

IR's response to COVID-19 in 2020 was rapid and proactive

IR responded rapidly to an unprecedented crisis

IR staff developed new policies, products, and approaches while dealing with the same uncertainty and anxiety as the rest of the country. IR continued to support businesses and taxpayers as the country moved up and down Alert Levels, and the world and New Zealand learnt about COVID-19 and its implications.

The IR response required a large volume of work to be delivered under high pressure and in short timeframes. All external interviewees and IR staff engaged commented on the rapid and timely design, development, and implementation of IR's response.

IR people were responsive and IR in general moved a lot faster than we were used to – cross agency partner

An assessment of IR's initial response to COVID-19 against the theory of change for its initial response period can be found at Appendix 1.

A suite of services were stood up quickly, and reached a large volume of customers during the first two months of the initial response period

IR was involved in several key initiatives which contributed to the All-of-Government COVID-19 response:

1 Amendments to existing tax mechanisms

Permanent and temporary measures to boost business confidence and support cashflow, including:

- **Temporary tax loss carry-back scheme** – where businesses expecting a loss in 2020 or 2021 could offset that loss against profits from the previous year.
 - Up to 23 June 2020 \$12,510,000 disbursements were made to 2,042 customers.²
- **Tax relief on customers Use of Money Interest (UOMI)**, where customers impacted by COVID-19 were able to write off their use of money interest, or allowed to repay over time.
 - Up to 9 June 2020, IR enabled 5,704 customers to write off \$774,713.01.³

² Inland Revenue, Customer Relief Initiative Report, June 2020

³ Inland Revenue, Customer Relief Initiative Report, June 2020



2 **Small Business (Cashflow) Loan Scheme**

A loan scheme targeted at viable businesses employing 50 or fewer people. Provides immediate liquidity to support SMEs impacted by COVID-19 to pay their non-wage costs.

- Up to 23 June, IR:
 - Received 87,073 applications for loans totalling \$1,462,550,5871
 - Approved 82,948 applications totalling \$1,392,551,161
 - Rejected 3,716 applications (remaining applications were under review 375 or new 34)
 - Answered 8,768 calls to their dedicated SBCS line.⁴

3 **Administrative flexibility and information sharing**

Modification of timeframes and administrative requirements e.g. for provisional tax payment and filing tax returns. Greater ability to share relevant information with other agencies, to support efficient responses to the pandemic.

- Up to 23 June 2020 IR staff answered 328,000 calls through a dedicated contact line they established for MSD staff to contact IR on behalf of MSD customers affected by COVID-19.⁵

4 **Support for other Government initiatives**

The scale of the economic impact required a coordinated cross-agency response, including support for an expanded range of social entitlements. IR worked with MSD, MBIE and the Treasury to shape

and inform responses. IR was a key partner in the implementation of the Wage Subsidy Scheme (WSS).

Customers generally reported that IR's support in its initial response period was easy to access and key customer experience metrics remained positive

In general, IR provided a good level of customer experience during its initial response period. IR's Business Welcome Survey of panel members representing Micro SME businesses shows that 77% of respondents found uptake of COVID-19 supports since March 2020 to be easy, compared with only 8% of respondents who found uptake hard.⁶

A number of IR's key customer experience metrics improved during IR's initial response period, contributing to an overall increase in satisfaction from 66% in Jan-Mar 2020 to 73% in both the Apr-Jun 2020 and Jul-Sep 2020 periods:

- The percentage of customers who found interacting online easy increased from 70% in Jan-Mar 2020, to 73% in Apr-June 2020 and 74% in July-Sept 2020.⁷
- Ease of interacting with IR increased from 63% in Jan-Mar 2020 to 69% in Apr-Jun 2020 and 68% in Jul-Sep 2020 (though the downwards trend continued outside of the initial response, reaching 60% in Jul-Sept 2021, this suggests that interaction with IR improved for customers at the beginning of the pandemic).⁸

⁴ Ibid

⁵ Ibid

⁶ Inland Revenue, IR Connections Business Welcome Survey May – Aug 2021

⁷ Inland Revenue, CXP July-Sept 2020 Report, 2020

⁸ Inland Revenue, CXP Survey Jul-Sept 2021, 2021



Several business representatives noted a lack of complaints about IR coming through their membership as evidence that customers were receiving timely and accessible support from IR.

IR's customer experience survey shows that IR customer experience was impacted in the period April – June 2020 due to:

- An increase in call volumes by 21% due to increased demand on IR's phone channels that coincided with the initial rollout of the SBCS and WSS and Auto-calc queries, increasing wait times
- Closure of most of IR's usual voice channels from the end of March through to late June.
- IR staff's ability to work was compromised during this period, impacting IR's ability to have a full contingent supporting operational delivery.

Satisfied customers (n=1,545, 81%) still outnumbered unsatisfied customers (n=369, 19%), but the number of phone customers who said it was "easy doing business" with IR dropped from 72% to 57% in the quarter.

IR was a key contributor to the All of Government (AoG) response

IR also played an important role in the wider Government response, including providing support for the WSS, sharing of data, and providing access to technology.

Cross-agency partners described IR's contribution as essential to the development and delivery of the AoG response.⁹

When we were working under urgency, they would always bring their operational people and their policy people... they really got it, filtering out what we needed to know. It pointed to a savviness about what information to share, [they had] an inclusive approach to building something – cross-agency partner

[We were] very joined up across the levels, we were meeting multiple times a day... the pace of change, embedding the relationship took hours as opposed to months – cross-agency partner

IR collaborated well with cross-agency partners

Both IR internal staff and cross-agency partners we spoke with were complimentary of how each responded to COVID-19. They characterised cross-agency relationships as one of respect, honesty, and mutual challenge when there were points of difference. There was recognition that the environment and pace of delivery in which all were operating was extraordinary, with Ministers having a view on what they wanted to achieve and IR and its partners having to collaboratively come up with solutions to operationalise successfully.

⁹ While we only spoke to a small number of people from cross agency partners, their feedback was largely positive.



Cross-agency partners valued IR's collaborative, pragmatic approach to policy development, and felt they brought an essential operational lens to discussions. Negotiation between best practice policy and what IR was able to deliver in practice, given so much of what is developed depended on what IR could deliver, was essential. They also commented on an overall sense of being part of something bigger than themselves, and doing it "for the good of New Zealand".

Agencies noted that key to success of the partnerships was having IR involved and 'at the table' early – to work through any issues early and build relationships quickly. Both IR and its cross-agency partners felt their partnerships strengthened and matured over the response period, with relationships becoming embedded within a matter of hours as opposed to months due to the pace of change and common objectives. This enabled IR to work through issues and iterate its offering as the response evolved.

Focus on the SBCS and business customers

The SBCS was stood up and delivered quickly and efficiently

The SBCS was a key component of the IR response, designed to support small to medium businesses struggling with a lack of revenue due to COVID-19.

- The scheme went live within two weeks of Cabinet agreeing to establish the scheme on 30 April 2020, and within four days of finalisation of the detailed design.¹⁰
- \$1.727 billion of SBCS loans were approved for approximately 106,000 customers between May 2020 and May 2021.

IR's customer experience survey showed that Micros and SMEs increased their overall satisfaction rates with IR, indicating their customer experience was not negatively impacted by COVID-19, which likely increased the need for these customers to interact with IR. Overall satisfaction rates increased in July – September 2020 compared with the previous year:

- From 67% to 79% for Micros
- From 62% to 79% for SMEs

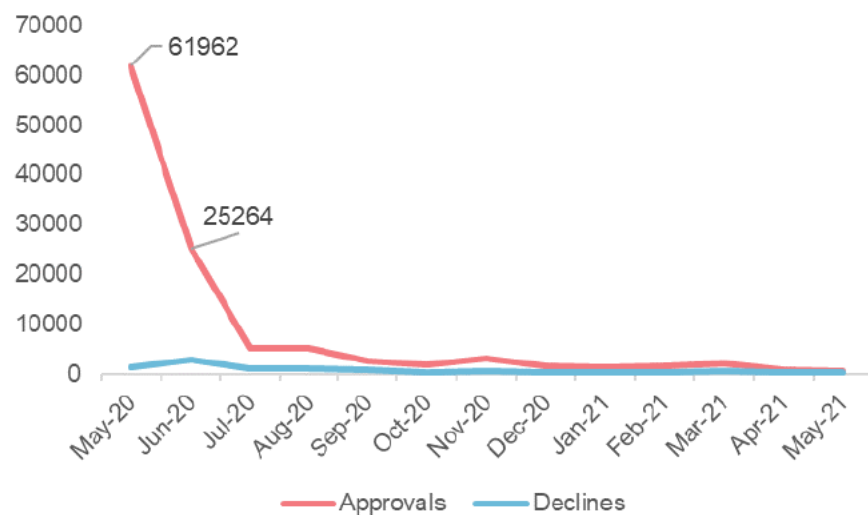
IR was most efficient in the initial response period:

- As shown in Figure 1 - 81% (close to 86,000) of the total number of applications were approved in the first two months of going live, totalling \$1.44 billion.
- In 2020 IR processed applications at a rate of between 0.5 to 1 days; compared to a rate of between 1 to 2 days in 2021.
- Approved applications were processed faster than declined applications – at a rate of between 0.4 and 2.2 days compared to between 4 and 18 days.

¹⁰ <https://covid19.govt.nz/assets/Proactive-Releases/proactive-release-2020-june/Joint-Report-Small-business-loan-scheme-detailed-design-decisions.pdf>



Figure 1: SBCS approvals and declines from May 2020 to May 2021



Interviewees were generally positive about processing times, with critical feedback mostly related to declined applications. One interviewee reported that there was a lack of commentary when a customer was declined, which would have been helpful for understanding the reasons behind a decline.

[IR should] respond to requests sooner - taking 15 working days is unworkable from a business perspective – Customer, Business Welcome Survey May – Aug 2021

Early indications are that outcomes are positive for businesses that took up the SBCS

It is too early to evaluate the impact or longer-term outcomes of IR’s response. Instead, the evaluation collected available evidence on whether early outcomes are being achieved, to make a judgement about whether the response is on track to produce positive outcomes.

The expected early outcomes are:

- Eligible businesses (and others) receive the support they are entitled to
- Interventions provide timely, broad-based, and accessible temporary cashflow support to save jobs and businesses, and to support individuals, families and whānau.

Many businesses, but not all businesses, received the support they were entitled to

As discussed, IR data shows a high volume of businesses took up the SBCS, and feedback from business representatives suggests that overall, most businesses that were eligible for support took it up as needed.

It is out of scope for the evaluation to determine the scale of eligible businesses that did not take up the SBCS, however qualitative interviews indicate that some people who would have been eligible did not apply and that this group is likely to disproportionately include Māori and Pasifika business owners, business owners with lower digital literacy and owners of small businesses/small traders. Though we are unable to quantify the extent to which these groups were reached, we consider this outcome to be partially met.



The SBCS had relative ease of access for the majority of eligible businesses, however ease was not universal and some subgroups experienced barriers to awareness, access, and uptake

The criteria for the SBCS was designed to maximise help offered to businesses for staying afloat during the pandemic, it has a wide enough criterion to ensure that the loan can be accessed by the firms that have struggled the most. IR data shows a high volume of businesses took up the SBCS and that the profile of businesses that took up support is diverse, in terms of region, industry, size and age of firms.¹¹

While it is not evident in the data, qualitative interviews indicate that some business owners who would have been eligible for the SBCS did not apply. There will be several reasons for this, including:

- Not 'needing' support, perhaps because they have sufficient cash reserves
- Not taking up the available support when they needed to due to making an informed choice, perhaps preferring to access support from other places (such as loans from banks) or to cut discretionary costs
- Not taking up the available support when they *did* need it: due to lack of awareness or understanding among business owners of the supports that were available from IR, or lack of trust in IR.

Interviewees and workshop participants described a number of factors that created barriers to awareness, access, and uptake for individual customers,

¹¹ Analysis of the data by region, age of business, industry and size of firm shows very little variation. Two exceptions: highly impacted industries such as construction, accommodation and food services have the highest amount of loan approval, exceeding \$200 million in temporary cash flow support. Businesses older than 10 years have the highest number of approvals.

and for subgroups, that were not adequately addressed through IR's initial response:

- Some smaller businesses did not have a New Zealand Business Number (NZBN) as NZBNs are not required for very small businesses. IR supported these businesses to get NZBNs where possible.
- Not knowing how to evidence the financials needed to fulfil the business viability criteria. This was particularly a struggle for Pasifika business customers who traditionally find record keeping and mainstream applications difficult.
- Concern around future IR audit activity and review of eligibility – some customers who might have wanted to apply did not because they had been caught out in the past.
- Businesses not connected to business intermediaries or other networks when the pandemic hit were more likely to not access the support they needed or access it at slower rate. Tax agents were plugged into the information coming out from IR and were able to give advice and information in a timely manner to their clients.
- Differences in experience of smaller SMEs (5 – 10 FTE) and sole traders vs more established businesses was also raised throughout interviews and workshops, with some commenting on a lack of focus on the issues facing SMEs and a perception that SMEs who did not have tax agents may have had poorer access to information about help available. Stakeholders felt that though the existence of the SBCS showed a recognition of the importance of small business to New Zealand's economy, they weren't sure this group were well known to IR.
- Some business representatives and tax agents deliberately did not promote the SBCS to clients that they assessed should not be taking on more debt as they were more in survival mode and would likely not be able to pay back.



- Varying levels of digital literacy amongst IR's customers was also raised as a potential barrier to access. When New Zealand moved to lockdown IR moved to a contactless delivery model for its services. This meant that many people who did not have smartphones or access to the internet found it very difficult to access IR's services (especially if they were not already known to IR). Interviewees noted that many areas of New Zealand have poor internet service and many people have poor access to internet capable devices, reducing access to support.
- Access issues for using and registering for MyIR amongst less digitally literate groups was also raised as a challenge by operational staff who noted having to coach customers through this process.
- Staff also highlighted that most communications used by IR are digital (emails, webinars, MyIR) so when the move to online occurred they were unsure the quantum of who was struggling to access support. Though phone lines were in operation, customers reported long wait times.

The feedback suggests that while IRs approach worked for the majority, it did not suit all business customers, with indications that Māori and Pasifika business owners, business owners with lower digital literacy and owners of small businesses/sole traders were most likely to miss out. Later in this report we discuss IR gaps that may have led to challenges reaching these customers in more detail.

Early indications show most businesses that applied for the SBCS remained in business and maintained employment levels over the initial response period

As at 30 June 2021, a year on from most SBCS being issued:

- Approximately 78% of SBCS applicants had not experienced a change¹² in their employee numbers compared to their original applications
- A further 22% had an increase in the number of employees compared to their original applications
 - Increased employment was most reported in Construction, Retail Trade and Accommodation, and Food Service industries
- Less than 0.01% of applicants experienced a decrease in the number of employees.
- A negligible 0.2% of applicants ceased to employ any employees.

At the same point in time (June 2021), less than 2% of applicants had defaulted on their loans (729), liquidated their assets (582), filed for bankruptcy (70) or took up a no asset procedure (18).

It is likely that many factors impacted recipients' capacity to retain employee numbers, and readers should not draw a causal link to the SBCS.

It is too soon to conclude how many businesses that took up the SBCS will remain viable in the longer term. However, this data suggests that in the short-term at least there was not widespread take up of the scheme by

¹² The total number of employees associated with an applicant was requested the week of application and again as at 30 June 2021. For individuals (self-employed with and without employees), 1 is added to this total, if employment data is still missing the employment number is set to 1 (The employment number is not FTE). The 'Change in employees' is based on the difference between these two employment numbers.



firms that were not viable in the context of Government's wider COVID-19 response.

Business representatives are positive about the contribution of IR support to business owners' wellbeing

IR's contribution to the government's COVID-19 response was one of many factors that influenced outcomes for customers, making it difficult to disentangle IR's contribution from other Government schemes to determine attribution.

Interviewees had mixed views about the extent to which IR's response was a critical contributor to positive outcomes for businesses.

Interviewees agreed that IR contributed to a sense of clarity and certainty around what to expect from the AoG response, helping customers 'get through' the effects of COVID-19. They report that in many cases, 'getting through' was less about an urgent need for additional funds, and more about the psychological benefit that came from:

- Being able to take some action to sure-up their cash-reserves in a time of uncertainty
- Feeling that they had a safety net in a time of crisis
- Feeling that they were recognised and supported by the government.

*I don't think there were many that it was a lifesaver for – for most it was a mental health wellbeing thing that was pretty massive...Don't underplay the value of that peace of mind – it was such a strange thing, that time -
business representative*

*In summary – I have numerous clients that are still here today because of the support they had from IRD (both SBCS and short term delayed tax payments). [These businesses are] surviving through to doing well -
business representative*

There was recognition of IR being used as a delivery tool that has the ability to touch most businesses, enabling them to quickly deliver funding to a large number of businesses that needed it. The speed at which these mechanisms were put in place was noted as essential to creating a feeling of certainty for business customers.

This sentiment was echoed by customers in the recent IR Business Welcome Survey of panel members representing Micro SME businesses:

The most helpful IRD/Govt element arising from the Pandemic was the small business loan, which provided cashflow during a time of change for the businesses I'm involved with. Income was not as stable, cashflow from the income was slower than expected and some capex was required. The small business loan has helped - Customer, Business Welcome Survey May – Aug 2021



Some concerns were raised around potential unintended negative consequences of IR's response

Business representatives reported little immediate negative impacts to the support offered by IR, with several citing a lack of complaints from membership as evidence that the SBCS (and IR in general) delivered successfully.

It was acknowledged that some businesses got support they weren't entitled to (not eligible), but this was generally thought to be a small number and the result of dishonesty rather than confusion.

Interviewees raised more concerns about the number of businesses that may have taken up the loan or tax deferrals when they 'shouldn't' have, and the downstream consequences of these decisions. This group was thought to include:

- Businesses that were not 'viable' before COVID-19, and have been artificially kept going, and will likely fold with greater debt¹³
- Businesses that did not consider the implications of having to pay back the loan, or
- Businesses that had an attitude "you will never have to pay it back".

¹³ One stakeholder interviewed highlighted the fact that insolvencies weren't triggered by IR for 18 months, so there may be a back log coming up, especially for those businesses that were in precarious positions pre COVID-19. Add to this the 24 month mandatory payments on principal and interest coming up in May 2022 and there may be an even bigger potential backlog of foreclosures.

SBCS loan criteria was deliberately designed to provide relatively easy access to loans. Assessing the quality of the 'high trust' policy and downstream impacts are out of scope of this evaluation.

SBCS repayments

Currently, SBCS recipients have five years (60 months) to repay their loan based on a payment schedule provided by IR with payment dates and amounts when regular payments are required to be made. The repayments are subject to the following rules:

- If the loan is fully repaid within two years, no interest is charged, if the loan is not fully repaid within two years an annual interest rate of 3% from the date the loan is made available will be charged for the entire term of the loan.
- Repayments are not compulsory in the first 24 months, though voluntary payments can be made at any time.
- After 24 months, customers are required to make regular payments for both the principal and interest.¹⁴

Given that the 24-month mandatory repayment dates will not begin to be triggered until May 2022 initial data¹⁵ showing approximately 88% of applicants have yet to repay the SBCS loan is what we would expect to see at this stage. 8% of recipients had partially repaid the loan and 4% of applicants had fully repaid the loan. Out of a total of 106,674 customers 6% of total loans issued had been repaid, totaling \$117,472,739.

¹⁴ <https://www.ird.govt.nz/covid-19/business-and-organisations/sbcs/repay>

¹⁵ As at June 2021



The relatively small proportion of businesses that have fully repaid the loan before mandatory repayment is due suggests there was not widespread take up of the scheme by businesses that did not need the support.

Going forward, IR should consider how it can recall loans in the same spirit in which they were issued

Business representatives told us IR's reputation may have improved during the COVID-19 response period, as businesses felt supported by an agency they usually associate with 'taking money not giving it out'.

One client commented IRD normally takes money off you and here they were handing it out – [IR's] reputation has improved with SMEs over the last 12-18 months. They have given people the space to survive. A challenge for [IR] will be the next 12-18 months as the catch up arrives - business representative

Business representatives noted that how IR approaches the next phase of its COVID-19 response will be important for trust, noting a range of reasons they felt concern, including customers' past experiences related to IR's handling of repayments after the Christchurch earthquake response; and a general nervousness and fear among customers that they may have been mistaken about their eligibility for support and will "get into trouble" at a later date through an audit. Just like IR, business customers were operating at pace during the initial COVID-19 response period, and there is some level of concern they will be "caught-out" by items in the small print.

IR has a responsibility to collect revenue for the Government. We recommend that to capitalise on the reputation that has been built, IR considers how it can recall SBCS loans and deferred tax *in the same spirit* that loans and deferrals were issued.

There also appears to be a desire from customers for flexibility, especially given the ongoing nature of the pandemic and that many businesses are still being impacted by COVID-19 restrictions – in IR's recent Business Welcome survey Micro SMEs were asked about one thing IR could do to help businesses after the COVID-19 pandemic – with many commenting on flexibility and empathy regarding loan repayments:

Flexibility on tax payments and obligations. And flexibility on repayment of the small business loan - the pandemic is going on a long time so far so more time will be needed for businesses to resume trading and have the ability to start repaying the loan.

Extend the repayment on the 'Small Business Loan'. Due for repayment after 2 years but with on-going lockdowns, going to be really hard to repay on time.¹⁶

[I am aware of a business] who took it out and has gone bankrupt and I noticed that [SBCS] debt hasn't been wiped off with their bankruptcy. Was that in the fine print? If so, it is [surprising] - business representative

¹⁶ Inland Revenue, IR Connections Business Welcome Survey May – Aug 2021



We understand that IR is already applying flexibility around its loan repayments, for example, working with customers on payment plans, and recommend that IR continues to consider how it can maintain *the spirit* of the initial response as it moves into the collection phase.



IR'S APPROACH SERVED THE MAJORITY, BUT DID NOT SUIT EVERYONE

Qualitative feedback showed that for the most part IR's approach served most customers well. However, qualitative feedback suggests subgroups of customers that are traditionally more vulnerable, and who are likely to have been most impacted by economic impacts of COVID-19, were not as well as supported as they could have been.

Support for Māori and Pasifika businesses could have been more targeted

Uptake of IR's COVID-19 support is difficult to ascertain by ethnicity

IR does not systematically gather data on business ethnicity making it difficult to ascertain the extent to which Māori and Pasifika customers were served in comparison to mainstream businesses. IR staff cited this as a challenge to them being able to target and serve these customer groups. We understand that work is underway in this space, which we support. This includes work around a Māori Business Indicator which has been created to identify Māori entities that operate within the Māori Economy. The longer view is that the indicator will be automatically updated utilising established processes with MBIE – NZBN registration and by entity tax filing type (i.e. Māori Authorities).

This will allow IR to provide a tailored service for Whānau Māori increasing voluntary compliance and supporting the Māori Economy to thrive.

Māori and Pasifika business representatives told us how there was low uptake of government support in general amongst Māori and Pasifika businesses. Though this feedback was consistent it is not possible to quantify the numbers / size of group who did not take up support.

Qualitative feedback suggests a lack of understanding of social and cultural factors that influence the needs and practices of Māori and Pasifika businesses, and which likely contributed to customers not taking up support (or experiencing delays):

- A lack of awareness about the support offered by IR, in part due to most information flowing through mainstream channels that not all Māori and Pasifika businesses are in contact with (tax agents, media, communities). Reaching these businesses through trusted networks was seen as more effective in facilitating greater reach of IR's messaging e.g. through community groups, PMN radio, or business networks. Co-hosting webinars and tailoring communications was also seen as effective, as well as utilising Pacific or Māori IR staff to work directly with Māori or Pacific customers.
- Fear of getting into unnecessary debt, and/or getting estimates wrong and being exposed for receiving money incorrectly
- A high proportion of very small or sole trader businesses, some who may have been operating on a cash basis and without an NZBN
- Most Māori business groups had to talk to tax professionals, creating a barrier to access for those not already connected with an agent



- A perception that receiving the SBCS constituted ‘asking for help’ – which may have resulted in a preference towards utilising tax delays rather than take up of the loan – whakamā

We saw those [Māori and Pasifika businesses] struggling from a pride point of view, not wanting to ask for help. Those groups were less likely to reach out for the loans, because that was asking for assistance. More likely to lean towards on-payment of taxes - business representative

- Lack of trust in IR¹⁷ who is often seen as the ‘tax man’, or a ‘taniwha’ so there is a tendency to not engage, self-opting out of support out of fear of how they are going to be treated.
 - Trust in IR was already lower among Māori customers than non-Māori customers before the pandemic, with a 2019 Trust Perceptions Survey showing just 39% of Māori surveyed ‘trusted’ IR, and 18% mistrusted IR (compared to 60% and 9% of non-Māori respectively).¹⁸ This trend continued during IR’s initial response to COVID-19 in 2020, with average trust levels across all IR customers being higher (68%) than for Māori (49%) and Pasifika (56%) customers.¹⁹

¹⁷ Source: IR Māori Customer landscape unpacks drivers of a lack of trust, which include historical experiences of Crown-Māori relations as well as contemporary experiences of interacting with IR – for example, Māori customers are more likely than non-Māori to agree that IR lacks empathy; IR lacks understanding; IR isn’t on my side.

¹⁸ Inland Revenue, Māori Customer Landscape, July 2020.

¹⁹ Inland Revenue, CXP April-June 2020 Report, 2020

IR’s initial COVID-19 response did not include a clear response for Māori customers

IR staff and stakeholders felt IR’s response design and delivery did not include a clear response for Māori customers, especially in the early stages, and as a result there were likely many who IR did not reach, or who had a poor experience. The varying levels of cultural capability throughout IR and a lack of capacity made it challenging to coordinate a systematic or integrated response effort targeted towards Māori customers. This includes taking account of the factors outlined above impacting Māori business’ ability and willingness to access and take up IR support.

Redirection of IR’s Kaitakawaenga Māori team created a missed opportunity to deepen connections with Māori businesses

IR’s Kaitakawaenga Māori team is charged with offering a free advisory service to help meet the needs of Māori individuals, organisations, and businesses, delivering services in a whānau, hapū and iwi centric way to ensure Māori customers have the tools to self-manage their tax affairs.²⁰

Though the team is located across New Zealand and have good networks within communities, some were diverted from their substantive role supporting to work on the COVID-19 response. This created a missed opportunity to use their knowledge and networks to better support Māori business at the frontline, and to improve Māori trust in IR e.g. relationships in Tāmaki Makaurau have lost momentum.

Individual team members did what they could to directly support Māori within their finite resources, including:

- Engaging directly with communities and connecting on an individual level through phone calls where possible

²⁰ <https://www.ird.govt.nz/maori>



- Development of a national pānui to be distributed to all Māori networks
- Introduction of the Māori/Pasifika rule page to create an inviting environment and aimed at increasing Māori customers engagement
- Publishing webinars on IR's website after noticing IR had a lot of generic information available, rather than bespoke material for Māori
- Facebook live feeds led by a Māori partner – after realising these were more effective than generic videos, and reached many more Māori
- Updating IR's website to add Māori context, language, and resources.
- MENE is a Network Group of internal stakeholders with a strategic and tactical focus on the delivery of services to IR's Māori customers
- Policy is developing ways to engage Māori in the policy development process
- Business Transformation engages with Māori organisations to provide visibility and support of the upcoming tax and social policy changes for Māori customers.

While each of these activities is valuable, IR could have made better use of the knowledge, capability, and connections of its Kaitakawaenga Māori by systematically embedding a focus on Māori customers at every step of the early response.

Before and during COVID-19, IR was seeing pockets of good practice that were impacting a small number of Māori customers

Organisationally, IR recognizes the challenges they have engaging with Māori customers and has good practices in place impacting some Māori customers:²¹

- Māhutonga weaving the strands of Tiriti o Waitangi and Māori perspectives, process, and practice into IR
- Kaitakawaenga Māori work in Community Compliance and respond to the needs of whānau Māori supporting them to achieve their aspiration
- Customer Insight and Evaluation employs Māori researchers and evaluators to undertake research and evaluation with whānau Māori using kaupapa Māori principles

²¹ Inland Revenue, Māori Customer Landscape, July 2020.



IR'S EXISTING STRENGTHS AND GAPS WERE AMPLIFIED IN A TIME OF CRISIS

This report recommends IR reinforces the strengths that enabled its COVID-19 response in 2020, and invests in addressing gaps that are likely to be exacerbated in a future crisis

Internal and external feedback was positive about IR's initial response to COVID-19 noting that IR did a good job in difficult circumstances and got the balance right (between speed and perfection; trust and risk). They were responsive to feedback and continued to improve policy guidance as issues arose; they made good use of their networks and established relationships (and dedicated resources to those intermediaries).

IR's Business Transformation was in progress and gave access to expertise and technology which was leveraged in the response, enabling a rapid shift to a digital operating environment and infrastructure that was utilised in collaboration with other agencies. IR's investment in technology meant they had the platforms to be able to rapidly stand up the new products and the MyIR platform worked well for customers self-service. IR were also able to repurpose people involved in the Business Transformation (change analysts, developers, and designers) to work on response efforts.

Despite this, there are learnings for IR to take away from their initial response to COVID-19, including having a better understanding of any areas for improvement with a view to addressing them in 'normal' times, setting IR up for better success when an emergency inevitably arises again.

Organisational settings and ways of working supported IR's response, which should be replicated

Several organisational settings that IR had in place during the initial response to COVID-19 in 2020 were raised during information gathering activities as key enablers to IR's success in this period, including:

- **Nimble decision making** – good integration of managers and staff, (with good links into ELT) meant IR was able to be efficient in decision making, supporting a nimble approach.
- **Messaging coming from the top** – IR staff and external stakeholders complimented the strong, clear leadership (from Ministers, the Chief Executive and the Leadership Team) and the organisation's ability to pull together during this time. They also felt supported in a time of crisis.
- **Breadth of people involved** – numbers, capability and skillsets of staff involved was highlighted as key to the success of IR's response as this meant many of the right people from across the end-to-end business



process talking to each other at the right time, in the right place (i.e. policy, implementation, communications and delivery).

**** The key exception here was oversight of staff members who could bring the perspective of Māori, Pasifika, and other important subgroups to early discussions.**

- **A culture of sharing and collaboration** – pre-dated the pandemic so internal and external collaboration was not a new concept to people. Clear and consistent messaging was flowing through from leadership about collaborative ways of working that provided guidance to the organisation.

A shift to working from home meant IR's digital operating environment improved

When New Zealand went into lockdown in March 2020 IR accelerated moves to a digital operating environment, with a much larger proportion of staff members working from home. IR staff reported the move to be successful, with many commenting on utilisation of digital channels more than before e.g. Teams provided a good communication channel for people to collaborate together on solutions.

Embedding a deeper understanding of Māori customers across the organisation will mitigate the risk that Māori are overlooked in times of crisis

Continue the journey to embed a deeper understanding of Māori customers across all functions of IR

There was widespread recognition that IR is on a journey to build its Māori capability. As IR is in the early stages of its journey cultural competency is not deeply or universally embedded across the organisation. This meant that considering the needs and impacts for Māori customers was also not deeply integrated when a rapid response was required – including in policy design, communications, and implementation.

Research produced at pace by IR's Māori Research and Evaluation team which provided insights into Māori customers was also underutilised during this period.

IR should continue the journey to embed a deeper understanding of Māori customers across all functions of the organisation, to improve IR's reach into these groups, including by:

- Improving data capture that will enable IR to identify vulnerable customers and target support towards different groups, in terms of resourcing, capability or tailoring.
- Utilising the newly established Māori Advisory Group, which has external Māori with extensive knowledge, to test products and services and a te ao Māori perspective has been included in design.
- Continue to gather and disseminate research and insights about Māori customers compiled by Māori Research and Evaluation team to inform design and delivery of initiatives.



Feedback suggests that during a time of crisis, staff had limited 'bandwidth' to take in new information (as is common). Building this knowledge in 'normal' times will increase the foundation of understanding that staff bring to a crisis response. Examples of good practice are considered particularly useful e.g., greater connections with iwi will support a locally led approach, and provide intelligence to ensure iwi and community voices are included in rapid policy development.

In line with IR's Mauri Ora Te Whānau strategy, ensure the strengths of the Kaitakawaenga Māori team are leveraged in times of crisis

Realising the intent of IR's Māhutonga programme (which aims to 'integrate Te Tiriti o Waitangi and Māori principles, concepts, and practices into the way IR works'²²) and embedding Māori cultural capability throughout IR will be a long-term journey.

In the interim, it is important that IR recognises where it does have the knowledge, capability, and connections to support Māori businesses and make best use of these (especially in times of crisis). This includes better utilisation of the Kaitakawaenga Māori team who have deep knowledge and direct relationships with communities. Importantly the team are distributed across New Zealand, including in the regions. As well as being included in the design of a national response, they could also be key to supporting the regional, community level activities if deployed effectively.

²² <https://www.ird.govt.nz/about-us/publications/annual-corporate-reports/statement-of-intent/statement-of-intent-2021-25/how-we-will-achieve-our-objectives/delivering-mahutonga—our-approach-to-te-tiriti-o-waitangi-and-working-with-maori>

Tailored communications across multiple channels improves customer understanding and awareness of IR's products

Dissemination of information occurred on multiple platforms in response to high demand, and constant flow of information

During IR's initial response to COVID-19 they regularly released information in the form of press releases, updating information on their website, social media, and direct contact with customers and business representative groups.

Stakeholders acknowledged that communications around important issues were coming out quickly, and for the most part were clear and well communicated.

Strengths of IR's communications included:

- **Updating guidance regularly** – taking feedback and queries from customers and business representatives and utilising it to refine guidance in a timely manner.
- **Dedicated contact people** – stakeholders that had a dedicated point person within IR recognised this as valuable as they could test ideas, ask questions, and collate issues coming through their membership to be fed back directly to IR.
- **Webinars** were seen as successful, particularly when externally run with IR coming to speak and take questions from networks.

Improvements to communications were also highlighted which would facilitate greater access to, and understanding of IR's information:

- **Plain language** – business representatives mentioned having to rework content to suit their audiences, with many commenting that queries from customers arose when language was too legal, government or 'Wellington' language. Things like not using acronyms, adding real life



context and examples, and utilising case studies were seen to support a greater level of understanding for audiences. This was also highlighted in IR's Business Welcome survey:

Use PLAIN English and not IRD jargon and abbreviations - customer, Business Welcome Survey May – Aug 2021

The first part of the loan application was lots of questions like 'are you a natural person?' arghhh – not everyday language - business representative

Though there are certain elements within IR's communications that would not have been able to be changed due to their legal nature, the addition of elements outlined above would support a greater understanding of IR's products.

- **Nuancing messaging to different audiences** – would make it easier for different customer groups to decode some of IR's messaging, including translating messaging into different languages, use of visuals, and increasing the use of case studies or examples.

We recommend that IR continues to invest in building organisational understanding of customer groups, so nuanced messaging can be rapidly developed in times of crisis.

Collaboration with other agencies, stakeholders, and business representatives enabled rapid dissemination of information, as well as rapid feedback to IR on how their response was being received – invest to ensure IR networks don't have gaps

Collaboration with sector partners and other agencies was key to the success of IR's response

Many stakeholders were involved in implementing and delivering IR products through dissemination of information, providing feedback, and even creating new initiatives to reach beyond their own clients/members e.g. one organisation set up a phonenumber for all businesses, not just for their own members.

We see IR's use of existing business infrastructure as a key strength in their response - showing a willingness to collaborate with those networks and a degree of 'letting go of control' in recognition of the fact that in order to achieve a large reach into customers, they would need help from external partners (especially given the tight timeframes they were working within).

Where IR had relationships with sector representatives pre pandemic, these were drawn on and further strengthened. IR was able to quickly tap into existing infrastructure and leverage their networks to act as intermediaries for dissemination of information. This facilitated greater reach to customers, meant that businesses received information through sources that they trusted (e.g. representatives of industry bodies, tax agents) and importantly it created communication channels back into IR by consolidating queries and/or issues - enabling them to refine their offering as time went on.



IR were very proactive in providing info that supported us to advise clients... We had a daily call with IR – they would tell us what was available, and we would share issues we were seeing and vice versa - business representative

IR made good use of the infrastructure – [my] sense is they relied on existing relationships which was smart. If you can give info to [a business sector representative] and they send it out to 10,000, that is an efficient way to distribute - business representative

This approach worked well, but it meant that where IR did not already have connections to networks the disconnection with those groups of customers was amplified – including Māori and Pasifika business representatives and national and regional economic development agencies.

IR's Tax Working Group was a good forum for policy development and iteration

Throughout the response period IR convened a working group with representatives from the New Zealand Law Society (NZLS), tax agents, and the Corporate Taxpayers Group designed to facilitate consultation on design and test issues on specific initiatives (e.g. the temporary tax loss carry-back scheme) through regular weekly meetings. The group was seen as a good forum that worked well during IR's initial response period.

The initial response period was categorised as a time of goodwill between IR and its stakeholders who were all looking constructively to find new ways of working that would help New Zealand get through the pandemic, as part of a shared sense of responsibility to get things done.

IR did some innovative things– the SBCS was elegant from a legal perspective (criteria, eligibility, ease of access) – external stakeholder

Weekly meetings supported an iterative approach and IR's openness to receiving feedback about what was/was not working was recognised as helpful. This forum was also key in enabling issues that were being raised through memberships to be worked through and addressed.

Continue to invest in the relationships IR has, many of which have been further strengthened through the COVID-19 period

Stakeholders told us that IR were very good initially at engaging flexibly and with goodwill, observing that the stakeholders put a lot of effort into helping IR. It is important that these stakeholders feel valued and appreciated for the contribution they made to IR's response efforts.

We recommend IR builds on the goodwill developed with stakeholders during the pandemic to be able to draw on these in future e.g. one stakeholder noted that as the 'crisis' passes they would like to continue to work with IR on issues important to them, and would value meaningful engagement with IR to work together on solutions.

Develop more diverse relationships and plan for how these could be leveraged in an emergency – particularly with intermediaries that reach Māori and Pasifika businesses

IR would benefit from a more comprehensive stakeholder mapping exercise at a regional and national level to identify the trusted intermediaries (people, technologies, and information channels) that connect with subgroups of



business customers. In essence, where do they get their information from and who do they trust for advice?

Prioritisation of relationships based on vulnerability, difficulty to reach or where IR has a current blind spot, rather than just mainstream or volume based would support IR to have a clearer picture of where they should focus their communication efforts – in normal times and in an emergency response.

This approach is particularly important for vulnerable communities who traditionally miss out on support because they do not access information through mainstream channels.

Improving relationships with iwi, NGO's and community organisations could allow IR to act to meet local needs and provide more nuanced support to Māori and Pasifika customers. These relationships can be utilised to support dissemination of information and facilitate greater reach into harder to reach customer groupings. In IR's Māori Customer Landscape report 78% of survey respondents agreed that IR needs to improve its relationships with iwi, hapū and whānau.²³

Building these relationships in normal times will enable IR to act quickly with less barriers (and place a greater focus on community led solutions) in times of crisis. More regular communications with these groups on issues that they were experiencing was raised as something that would have been beneficial to IR during staff workshops, so that IR could respond in real time with answers, or a commitment to follow up and or develop responses.

This would also improve IR's ability to improve trust with Māori and Pasifika communities, which will need to be genuinely developed and earned over

time. This is a key insight from IR's Māori Customer Landscape which we agree with:

The pandemic is an opportunity for IR to support and work closely with iwi. If we do this well, then potentially we can build trust within a short period.²⁴

Utilising insights these intermediaries hold (many of whom regularly survey their members and have specific, detailed insight into their customer base) will also help IR to understand their different customer groupings on a deeper level.

Understanding the pacific business customer and their journey more in depth is a good place to start – ours will be the most difficult group, but they are also the most vulnerable – Pasifika business representative

IR is already taking this on board, with greater connectivity and dialogue noted with the Pasifika business community during the 2021 Delta resurgence, compared to its initial response to COVID-19 in 2020.

²³ Inland Revenue, Māori Customer Landscape, July 2020.

²⁴ Inland Revenue, Māori Customer Landscape, July 2020.



Clear communication about what was expected from IR helped individual staff members to make a rapid shift from a compliance to a high trust mindset

Feedback gathered from workshops and interviews was that IR (and the AoG) response was operating in a high trust environment – balancing integrity with getting money out quickly to New Zealanders to keep businesses operating and New Zealanders employed in the short-term. In the first two months of the SBCS rollout IR processed close to 91,000 applications, approving close to 95% of them. Interviewees told us that it was accepted and recorded in papers that the response efforts were done at pace - acknowledgement that there may be mistakes and might have to revisit later.

Internal workshops showed some IR staff found the concept difficult to grapple with as it represented such a shift from IR's usual compliance focused practice. Because the aim of the AoG response was to *get money out the door quickly*, the high trust model meant there was less of an emphasis on compliance, and more emphasis on creating an enabling environment to ensure as many people were helped as possible. Some workshop participants struggled particularly when they could see customers who were eligible for SBCS support but had high levels of tax debt, for example.

IR's cross-agency partners recognised the shift from IR's usual mindset and noted that IR seemed to rapidly embrace change in function/approach.

*IR has become so established as a reliable
business support mechanism
– cross-agency partner*

As some staff may have struggled more than others with this change in role for IR, this is something for line managers to be alert to if a similar situation arises where IR's role rapidly changes.

IR's staff were essential to their response

Responding to COVID-19 in this rapidly evolving context placed pressure on all of New Zealand, including many IR staff. In just a few weeks the organisation's ways of working completely changed. IR acknowledges that its personnel all had differing personal circumstances (family or community commitments) that impacted their ability to work at full capacity.

Staff told us they coped well despite extra hours and pressure COVID-19 caused. They are proud of what they achieved and were motivated by wanting to help New Zealander's get through the pandemic. They felt supported by IR during times of unprecedented pressure (from business needs and upheaval of personal lives).

Ongoing wellbeing of staff was also raised. At the time of our fieldwork, November 2021, many staff had not had the chance to recover from the intensity of the COVID-19 response (during information gathering activities New Zealand was amid another COVID-19 outbreak). Those we engaged with commented on the sheer length of the response leading to exhaustion amongst IR staff, who were working in a heightened sense of emergency for extended periods of time.

IR should continue to revisit staff wellbeing and support needs as a crisis moves from acute to prolonged.



APPENDIX 1: SCOPE AND APPROACH

Scope

The primary purpose of this evaluation is to support learning

IR's evaluation interests centre on three aspects:

- Understanding IR's performance in responding to an unpredictable and emergency situation
- Informing future decisions about organisational behaviour and the use and design of any subsequent interventions
- Providing accountability to Ministers for IR's interventions aimed at cushioning the economic blow and keeping businesses operating and New Zealanders employed.

Learning is the key purpose of the evaluation. To this end, the evaluation captures lessons from IR's implementation of the COVID-19 response and extract insights that are relevant for a) IR's ongoing delivery of COVID-19 'Recover' and 'Rebuild' phases, and b) any significant future crisis events.

The evaluation has a tight scope (to make the most of resources, and due to the 2021 COVID-19 resurgence)

Initial scope agreed (before New Zealand's August COVID-19 resurgence)

The evaluation inception phase confirmed the need to make the most of available resources, by limiting the scope to the Respond phase and products that IR had greater control and responsibility for, as well as a priority focus on customers who are known to have been disproportionately impacted by COVID-19. Specifically, within scope is:

- IR's COVID-19 Respond phase
- IR's *implementation* of key Response initiatives, rather than extent to which the policies themselves are 'well designed'. Implementation includes:
 - Marketing and communications of products
 - Timeliness, relevance and reach of products and communications
 - Ease of application / uptake of products
 - Customer satisfaction with their engagements with IR
 - Agility, responsiveness, and customer-centric focus of the product-design process
- IR activities undertaken in March-June 2020, and to end December 2020 for the SBCS scheme



Priority is given to:

- initiatives that focused on business customers, and within this the SBCS experience of Māori customers

experience of other customers disproportionately impacted by COVID-19 (including Pasifika).

Specifically, out of scope is:

- The Wage Subsidy Scheme (an interagency evaluation is planned, and it will be evaluated as part of the Compliance Operating Model (COM))
- The Resurgent Payment Scheme announced on 15 December 2020
- The All-of-Government response, including initiatives led by other agencies.

The primary focus of the evaluation is business customers (i.e. interviews), with a focus on SBCS and Māori business customers

SBCS is the 'big ticket' item that IR had greatest responsibility for and the highest cost of the initiatives that are in scope

IR expects that Māori customers were less well-served, and there is a need to hear their experiences to be able to learn from them

The key benefit will be a deeper understanding of the SBCS scheme (through wider points of view) and a richer description of the Māori business customer experience

The key trade-off is that we will not have any new *explanatory* information direct from non-business customers, or descriptive information about their experience

Focus on individual and family segment customers will be secondary, but not entirely out of scope

We will not gather new *qualitative* information through interviews, but we will gather new *quantitative* information through the CXP survey.

Short-term outcomes are in scope, but data about outcomes will be indicative rather than conclusive

The *Logic Model and Monitoring Plan For Inland Revenue's COVID-19 Response* developed in 2020 sets out a range of short-, medium- and long-term outcomes of IR contribution to the COVID-19 response.

The evaluation will report data about a subset of short-term outcomes

Eligible businesses, individuals and families receive the support they are entitled to, to help make it through the impacts of COVID-19

Interventions provide timely, broad-based, and accessible temporary cashflow support to save jobs and businesses, and to support individuals, families and whānau.

Employers and businesses (including Māori business) receive short-term support and continue to operate

Cashflow maintained, non-wage costs covered, employees retained

Customers are satisfied with the service, support, and advice they receive.

Scope evolved amidst the COVID-19 resurgence occurring in August 2021

In August 2021 community spread of the Delta variant resulted in a six week pause on the project commencement. Following this the initial planned approach evolved to take into account the rapidly changing and unpredictable COVID-19 environment. When it became apparent that the current restrictions were not going to change in the near-term, we made the call early on to restart the project with the scope adapted to accept feedback about the current lockdown period where this was offered, and to



not undertake interviews with business customers themselves. This decision meant that:

- we had more certainty around the project timeline (rather than continuing to keep the project on hold in case the country came out of lockdown)
- we could gather insights while they were still timely
- we could limit the impact on cost
- we were not trying to interview business customers during a time when they were likely to be experiencing significant stress and uncertainty.

The evaluation is still primarily focused on the initial design and delivery of the SBCS, although other products and more recent experiences are not completely out of scope. As it transpired, interviewees were able to recall IR's initial response and focus their feedback on this.

Limitations

The narrative in this report is based on the inputs described in the approach section below.

Due to the pause on customer interviews, the evaluation did not gather new information from customers themselves. The voice of the customer is included indirectly through our review of IR's existing data, existing COVID-related survey questions, and interviews with third-party organisations that have close relationships with customers.

While we were able to utilise findings from COVID-related questions in existing surveys, the pressures that COVID-19 put on the organisation meant that we were unable to implement three additional survey questions that we had planned.

Perspectives from stakeholders who declined interviews may be missing from this report.

Approach

The project team undertook several key information gathering activities as inputs into this evaluation, including:

- **Review of key data and documents** - our team reviewed existing material related to IR's COVID-19 response to help us understand what occurred during the initial response period, what worked well, and any lessons learned we could draw on. A list of documents reviewed and drawn on in the development of this report can be found at Appendix 3
- **Stakeholder insights** – a series of interviews with cross agency partners, business representatives and key stakeholders to understand from their perspective the strengths of IR's response, and areas where there is room for improvement. A full list of stakeholders interviewed is detailed at Appendix 4
- **Five internal workshops** with IR staff designed to give staff time for deep reflection, and for identifying lessons themselves. Lessons identified through reflection are more likely to be internalised and deployed when needed, than lessons that are 'told to' staff through an external report. Topics included policy development / intervention design, implementation, engagement with customers, engagement with Māori business customers, and a how IR worked internally and with other agencies

Our analysis was broad and deep

Our evaluation questions (Appendix 5) formed the basis for our analysis, which looked broadly at findings from across fieldwork with all data sources and deeply to draw findings that were specific to different groups.

To this end, our analysis was iterative:

- Our lead researcher for each data source undertook a thematic analysis of notes from engagements with their participants and documented key



findings in relation to questions and domains of the evaluation questions. These initial findings were moderated in two ways:

- A second researcher who had not been involved in the fieldwork with that data source reviewed notes to ensure no findings had been missed / overstated.
- A researcher who had not undertaken any of the fieldwork, facilitated a discussion of cross cutting questions and domains (based on the analytical framework) with the project team to draw out common and divergent findings, and to make meaning of divergence. The project team used critical questioning [1] to 'test' insights and assertions related to each data source.
- Insights and findings were documented by the researcher and reviewed by wider project team to ensure no findings had been missed / overstated / incorrectly interpreted



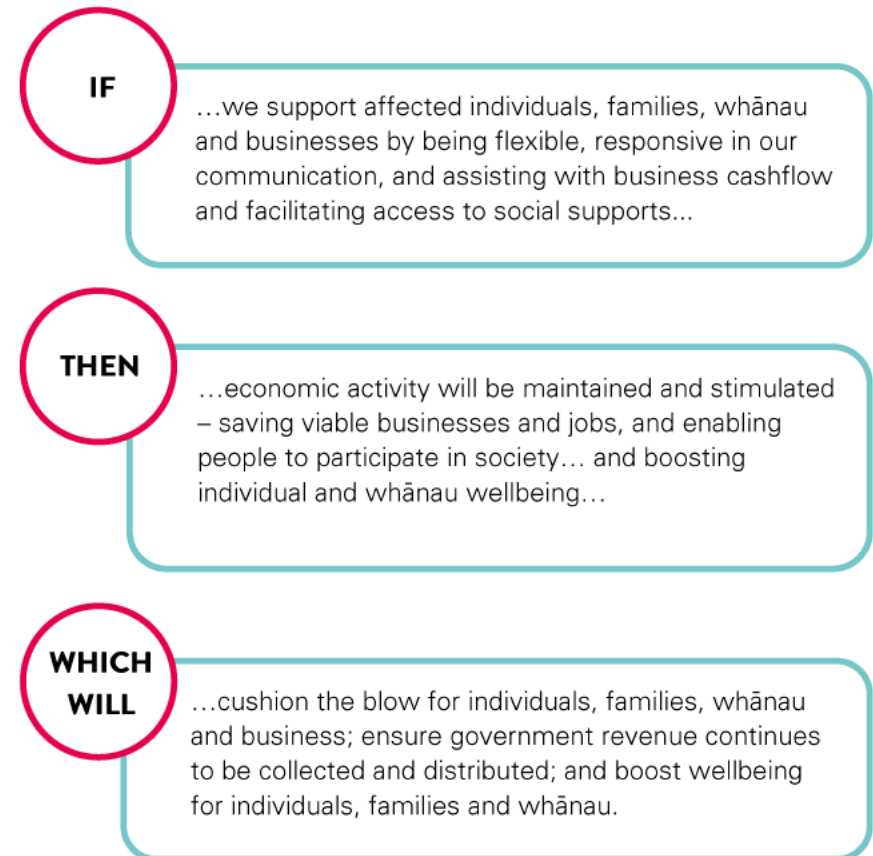
APPENDIX 2: ANALYSIS OF IR'S INITIAL RESPONSE AGAINST THEORY OF CHANGE

The theory of change – intentions in a 'nutshell'

A theory of change for IR's COVID-19 response was developed in 2020, and is represented in Figure 2. Of key interest to this evaluation is the 'If' statement, which describes how implementation of IR service provision should have looked:

- Supportive
- Flexible
- Responsive in communication
- Assisting business cashflow
- Facilitating access to social supports.

Figure 2: Concise theory of change for IR's COVID-19 response



Our analysis of IR's initial response to COVID-19 against this theory of change is detailed below:

Table 1: Assessment of IR's response to COVID-19 against response against the theory of change in its initial response period

Objective	Assessment
Supportive	<p>Good</p> <ul style="list-style-type: none"> 77% respondents found uptake of COVID-19 supports since March 2020 to be easy, compared with only 8% of respondents who found uptake hard The SBCS had relative ease of access, but some customers experienced barriers to awareness, access, and uptake Business representatives are positive about the contribution of IR support to business owners' wellbeing Support for Māori and Pasifika businesses could have been more targeted IR responded to an increase in call volumes of 21% - though wait times increased and satisfaction went down over the April – June 2020 period there were still more satisfied customers (81%) than unsatisfied (19%)
Flexible	<p>Excellent</p> <ul style="list-style-type: none"> Implementation of a 'high trust' model required a shift in mindset for many staff members Rapid shift to a digital way of operating and working from home Staff worked extra hours amidst the uncertainty of the initial period of the pandemic, coping well under pressure Collaboration with cross agency partners and business representatives – including good use of existing networks showing IR 'let go of' control to reach more customers Applying flexibility around loan repayments, for example, working with customers on payment plans
Responsive Communication	<p>Good</p> <ul style="list-style-type: none"> Dissemination of information occurred on multiple platforms in response to high demand, and constant flow of information Guidance was updated regularly, dedicated contact people within IR were invaluable Utilisation of IR's networks was essential for facilitating greater reach into customers Iteration of products and services as time went on, in response to feedback from customers, business networks and stakeholders Communication to Māori and Pasifika businesses could have been more targeted
Assisting business cash flows	<p>Good</p> <ul style="list-style-type: none"> A suite of services were stood up quickly, and reached a large volume of (business) customers including amendments to existing tax mechanisms, Small Business (Cashflow) Loan Scheme, and administrative flexibility and information sharing A total of \$1.727 billion of SBCS loans were approved for approximately 106,000 customers between May 2020 and May 2021 Early indications show most businesses that received the SBCS remained in business and maintained employment levels It is likely that some subgroups of customers, including Māori and Pasifika businesses, did not receive support at the same rates due to low awareness, barriers to access, and lower trust in IR. Supports could have been better targeted to these groups of customers
Facilitating access to social supports	<p>Not applicable to this evaluation which focused primarily on support to business customers</p>



APPENDIX 3: DOCUMENTS REVIEWED

The following documents were reviewed to inform this report:

- Corporate Taxpayer Group, Survey on COVID-19 Tax Policy Initiatives (Summary for officials), 2020
- Inland Revenue, COVID-19 Daily Summary, 7 September 2021
- Inland Revenue, COVID-19 Weekly Summary 30 August – 5 September 2021
- Inland Revenue, Customer Relief Initiative Report, May 2020
- Inland Revenue, Customer Relief Initiative Report, June 2020
- Inland Revenue, Customer Relief Initiative Report, May 2021
- Inland Revenue, Customer Experience and Perceptions Report April-June 2020
- Inland Revenue, Customer Experience and Perceptions Report, July-Sept 2020
- Inland Revenue, Customer Experience and Perceptions Report Oct-Dec 2020
- Inland Revenue, Customer Experience and Perceptions Report Jul-Sept 2021
- Inland Revenue, Families Segment Landscape, 2018
- Inland Revenue, IR Connections Business Welcome Survey May – Aug 2021
- Inland Revenue, Māori Customer Landscape, July 2020
- Inland Revenue, PAYE Data Monitoring Briefing Note, 6 May 2021
- Inland Revenue, Payment Plans Dashboard, June 2021
- Inland Revenue, Payment Refunds Dashboard, March 2020
- Inland Revenue, Small Business Cashflow (loan) Scheme Detailed Data Insights, 29 May 2020
- Inland Revenue, Small Business Cashflow (loan) Scheme Detailed Data Insights, 7 December 2020
- Inland Revenue, Working for Families Performance Report Measures, October 2020
- OECD, Tax Administration, 2021
- The Treasury, COVID-19 Impacts on Wellbeing Report, July 2020



APPENDIX 4: INTERVIEWEES

A list of stakeholders from outside IR that were engaged to inform the insights in this report is below.

Table 2: List of stakeholders interviewed**

We reached out to many stakeholders within our own and IR's networks. Over 60% of those sent an interview request either did not respond or declined an interview due to busyness, or not being able to comment on IR's response.

Name	Organisation
s 9(2)(a)	



APPENDIX 5: EVALUATION QUESTIONS

Table 3: Key evaluation questions

Questions
1. How effective was IR's response to COVID-19 from a service provision perspective?
<ul style="list-style-type: none"> a What worked well/less well in terms of: <ul style="list-style-type: none"> - Policy development/intervention design - Implementation - Engagement with customers - Quantum and pace of delivery
b How could the response be improved? What could be done differently or better?
c Was there any difference in the effectiveness of IR's service provision for diverse customer groups (e.g. Māori, Pasifika)?
2. To what extent did IR's response help eligible businesses, individuals and families make it through the impacts of COVID-19?
d To what extent did customers get what they were entitled to? What factors were involved in this?
e Did entitlements reach diverse customer groups (e.g. Māori, Pasifika) to the same extent? Why/why not?
f To what extent did customers experience IR's interventions as timely, broad-based and accessible? Were there any differences in the way diverse customer groups (e.g. Māori, Pasifika) experienced IR's interventions?
g Was IR's response more effective for particular groups? Who and why?
h To what extent did IR's provisions help get people through? How? Were there any differences in the impact of IR's provisions for diverse customer groups (e.g. Māori, Pasifika)?
3. What have we learned?
i What has been the impact of IR's response on ongoing service delivery?
j What have we learned that we can take forward for future significant events?

