



30 August 2024

Dear [REDACTED]

Thank you for your information request made under the Official Information Act 1982 (OIA), received on 1 July 2024. You requested the following:

*Copies of all documents, including file notes, aide memoirs, briefing notes, and presentations, prepared by Inland Revenue as part of the review of Working for Families as outlined on page 38 of the Inland Revenue Annual Report 2023.*

On 12 July 2024, you clarified your request to:

*"documents that record more advanced considerations closer to the final versions; and documents that are policy documents rather than project management or timelines."*

On 22 July 2024, we notified you of our decision to extend the timeframe to respond to your request by 24 working days. The extension was required because your request necessitates a search through a large quantity of information and meeting the original time limit would unreasonably interfere with our operations.

## **Background**

In July 2023, Inland Revenue began a stewardship review of the Working for Families (WFF) system. The purpose of this work is to develop a coherent, evidence-based framework for Inland Revenue's long-term advice on how income support payments can be optimally delivered through the tax system.

This stewardship project was partly commenced due to the fact that Inland Revenue has completed its Business Transformation (BT) journey. The WFF stewardship project can leverage, and be shaped by, the new systems, environments, and capabilities developed through BT.

The project seeks to develop insights into the current tax credits and how they can be improved to better fit policy intent, what ideal tax and transfer structures might look like, and the implications of decoupling Working for Families from tax.

The project also seeks to develop insights into how the administration of WFF can be improved, with a focus on improving accessibility and customer experiences, decreasing instances of debt, and delivering timely support for customers.

Please note that as this is an Inland Revenue stewardship project, other agencies, such as the Ministry of Social Development, have not been consulted in the development of these documents.

### Information being released

Please find enclosed as **Appendix A** the following documents:

Item	Document	Decision
1.	Leveraging IR's Gateway Services (GWS) to provide better access to support	Partially released
2.	Context - Kickoff Workshop	Released
3.	The tax and transfer framework - Workshop Kickoff	Released
4.	Overview Data - Setting the Scene - Workshop Kickoff	Released
5.	Current state of Working for Families functionality for digital	Released
6.	Proposal for Income Support Work Programme (Project Keymaster)	Released
7.	Initiative concept template - Project Keymaster	Released
8.	Project Keymaster (WFF Stewardship Programme) Steering Group Update	Released
9.	Project Keymaster (WFF Stewardship Programme) Sub-ELT Update	Released
10.	Project Keymaster (WFF Stewardship Programme) Portfolio Governance Committee	Partially released
11.	Project Keymaster Update - Steering Group meeting 19 October 2023	Partially released
12.	Project Keymaster Update - Sub-ELT Group meeting, 31 October 2023	Partially released
13.	Keymaster Governance Minutes - Steering Group December 2023	Partially released
14.	Keymaster Governance Agenda - Steering Group May 2024	Partially released
15.	Multi-family households - How common is this in New Zealand?	Partially released
16.	Working for Families Stewardship programme of work (Project Keymaster) Proposal	Partially released
17.	Income support information access Scope & Approach	Partially released
18.	Intermediary ecosystem Scope and Approach	Partially released
19.	Internal Engagement on Keymaster Principles	Partially released

Item	Document	Decision
20.	Policy design parameters for the Best Start Tax Credit	Partially released
21.	Keymaster Underpinning – IWTC policy design parameters	Partially released

I have decided to release the relevant parts of the documents listed in the table above, subject to information being withheld under the following sections of the OIA, as applicable:

- 9(2)(b)(ii) – withholding of the information is necessary to - protect information where making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied the information or who is the subject of the information,
- 9(2)(f)(iv) – to maintain the constitutional conventions for the time being which protect confidentiality of advice tendered by Ministers of the Crown and officials,
- 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or officers and employees of any public service agency in the course of their duty, and
- 18(c)(i) – where making the requested information available would be contrary to the provisions of a specified enactment, namely Inland Revenue’s confidentiality obligations in section 18(3) of the Tax Administration Act 1994 (TAA). Section 18(3) (in conjunction with section 143C(1)(a)) prevent the Commissioner of Inland Revenue from disclosing any item of revenue information if the release of the information would adversely affect the integrity of the tax system or prejudice the maintenance of the law.

There are an additional 50 documents within scope of your request. However, I have decided to withhold and/or refuse these documents, as well as their titles, in full under a mixture of sections 9(2)(f)(iv), 9(2)(g)(i), and 18(c)(i) of the OIA (contrary to section 18(3) of the TAA), as applicable:

- 11 documents and their titles are withheld in full under sections 9(2)(f)(iv), 9(2)(g)(i), and 18(c)(i) of the OIA (contrary to section 18(3) of the TAA).
- 32 documents and their titles are withheld in full under sections 9(2)(f)(iv) and 9(2)(g)(i) of the OIA.
- 7 documents and their titles are withheld in full under section 18(c)(i) of the OIA (contrary to section 18 of the TAA).

As noted above, the WFF stewardship review is a significant ongoing project. A number of substantial milestones lie ahead before it could move into any final completion stage. As required by section 9(1) of the OIA, I have considered whether the grounds for withholding the information requested is outweighed by the public interest. In this instance, I do not consider that to be the case.

### Right of review

If you disagree with my decision on your OIA request, you can ask an Inland Revenue review officer to review my decision. To ask for an internal review, please email the Commissioner of Inland Revenue at: [commissionerscorrespondence@ird.govt.nz](mailto:commissionerscorrespondence@ird.govt.nz).

Alternatively, under section 28(3) of the OIA, you have the right to ask the Ombudsman to investigate and review my decision. You can contact the office of the Ombudsman by email at: [info@ombudsman.parliament.nz](mailto:info@ombudsman.parliament.nz).

If you choose to have an internal review, you can still ask the Ombudsman for a review.

### Publishing of OIA response

We intend to publish our response to your request on Inland Revenue's website ([ird.govt.nz](http://ird.govt.nz)) as this information may be of interest to other members of the public. This letter, with your personal details removed, may be published in its entirety. Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of officials.

Thank you again for your request.

Yours sincerely



Kerryn McIntosh-Watt  
**Policy Director**





## Background note

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Date: 13 February 2024

Author: Carolyn Thomas

Subject: Workstream 4: Leveraging IR's Gateway Services (GWS) to provide better access to support

Version: 1.0 final

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### Purpose

Inland Revenue is currently conducting a stewardship project on Working for Families tax credits and income support delivered through the tax system, (Project Keymaster).

This note covers IR's START gateway channel, including what interactions it supports for WFF today and any opportunities and considerations to leverage this channel as part of Keymaster recommendations for workstream 4. It does not cover any considerations for workstream 3 information sharing.

### What is 'Gateway Services (GWS)'?

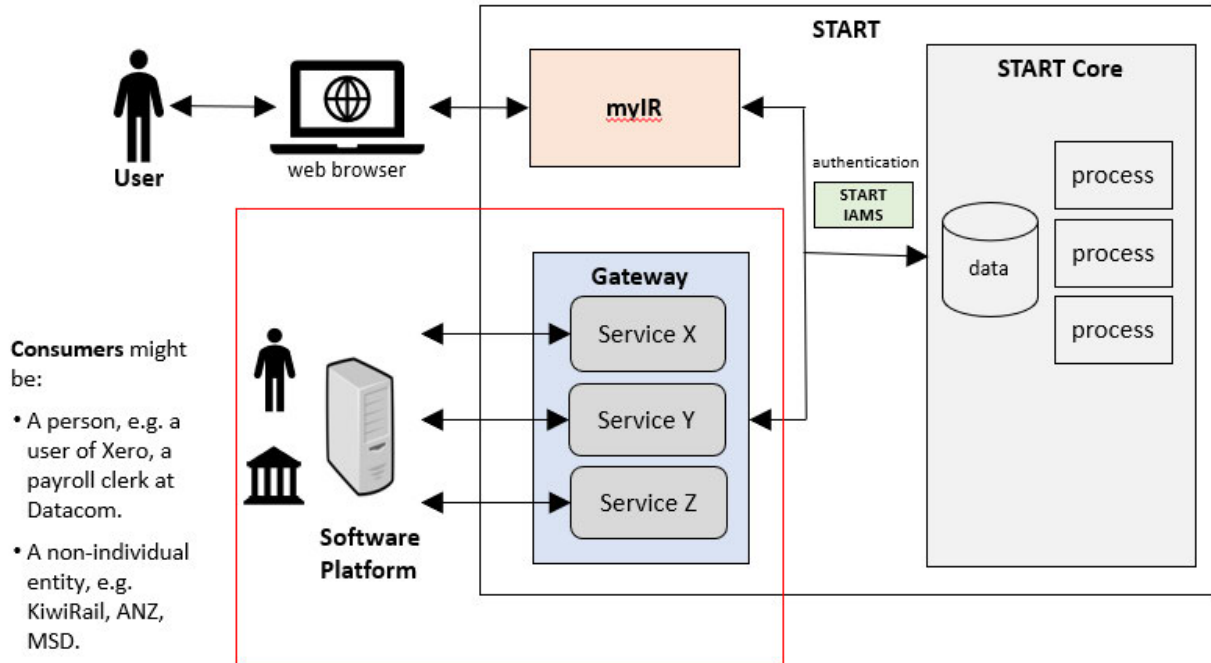
Gateway Services is a set of externally facing services and infrastructure that enable direct machine-to-machine interactions between external systems, software (for example MYOB) and START.

- They are invoked from software, machine-to-machine.
- It is a fast, high-volume channel.
- The software interacts with IR on behalf of consumers, they might be people, non-individual entities or another Government department.
- Consumers are authenticated before any information is accepted or released.
- IR is not concerned with presentation or navigation; the software developers are responsible to their users for this.

s 9(2)(b)(ii)

[Redacted text block]

Most of the APIs or services in the START gateway were developed through Business Transformation (BT). A decision was made during this time not to put WFF change of circumstances into GWS as there was not a strong use case from IR's side, or a software developer indicating an interest in building it.



## Current services in Gateway for WFF

### Digital software providers

When designing a service or API we avoid assuming that it is for the exclusive use of a specific type of consumer. We make the services as generic as possible and use the authorisation rules and on-boarding process to impose any limitations on their adoption. Whilst there are currently no specific customer facing services or APIs for WFF, the generic nature of what has been built includes WFF in the following areas:

#### Income tax return service

The Adjust your income – IR215 form can be completed and submitted with the Individual income tax return – IR3 for any WFF (or student loan) adjustments.

#### Transaction Data Service (TDS)

All WFF period transactions (e.g. payments, assessments, penalties, interest) can be retrieved for viewing.

#### Intermediation service

Tax agents, bookkeepers and other representatives can link and delink to the WFF account. Tax agents can also choose to redirect WFF letters to themselves or change redirected letters to go back to their client.

#### Document service API

Letters from IR for WFF can be downloaded for reading, storing, or on-sending (e.g. to a client of a tax agent).

Notifications API

Events that occur within the WFF account will notify software when an end of year assessment has been created, when a new letter has been sent, when an intermediary is linked or delinked, when WFF is first registered and when WFF is ceased (end dated). These are informational and do not necessarily require an action.

If a WFF refund is pending awaiting a refund bank account or WFF cannot be assessed as an income tax assessment needs to be filed, 'action required' notifications will be sent instead. The latter is triggered on the income tax account, not WFF.

Account API

The WFF account status (whether it is active or ceased), the account start date or cease date, the WFF refund bank account and name on the account, WFF account specific address or contact details, WFF payment frequency (e.g. weekly, fortnightly or backend) and whether IR or MSD is paying WFF can all be retrieved and viewed through the Account API.

Period API

The WFF period begin and period end date and whether a notice of assessment has been issued for the period for WFF can be retrieved and viewed through the Period API.

Bank API

The refund bank account for WFF can be viewed and amended.

Address API

The account level address for WFF can be viewed, amended, or deleted.

Contact API

Account specific contact details can be viewed, amended, or deleted.

**Info shares (cross-Government)**

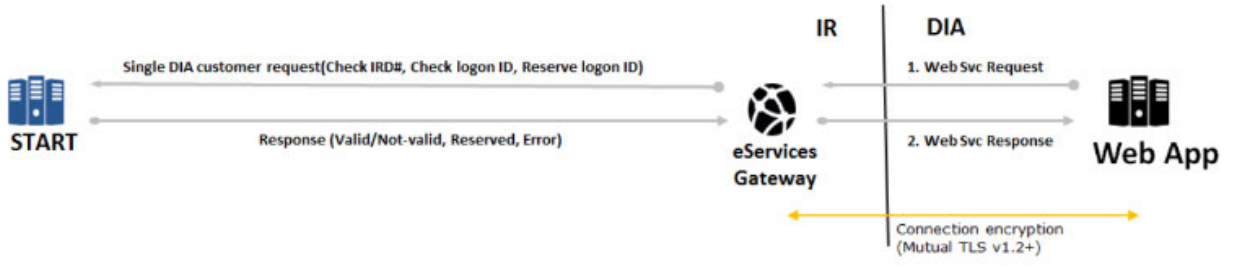
IR currently interacts with both Ministry of Social Development (MSD) and Department of Internal Affairs (DIA) (SmartStart) in relation to the administration of WFF.

The MSD information shares are all using Secure File Transfer Protocols (SFTP), so not technically using the START gateway service, as they're not real time. However, the files are generated from START or received/updated in to START.

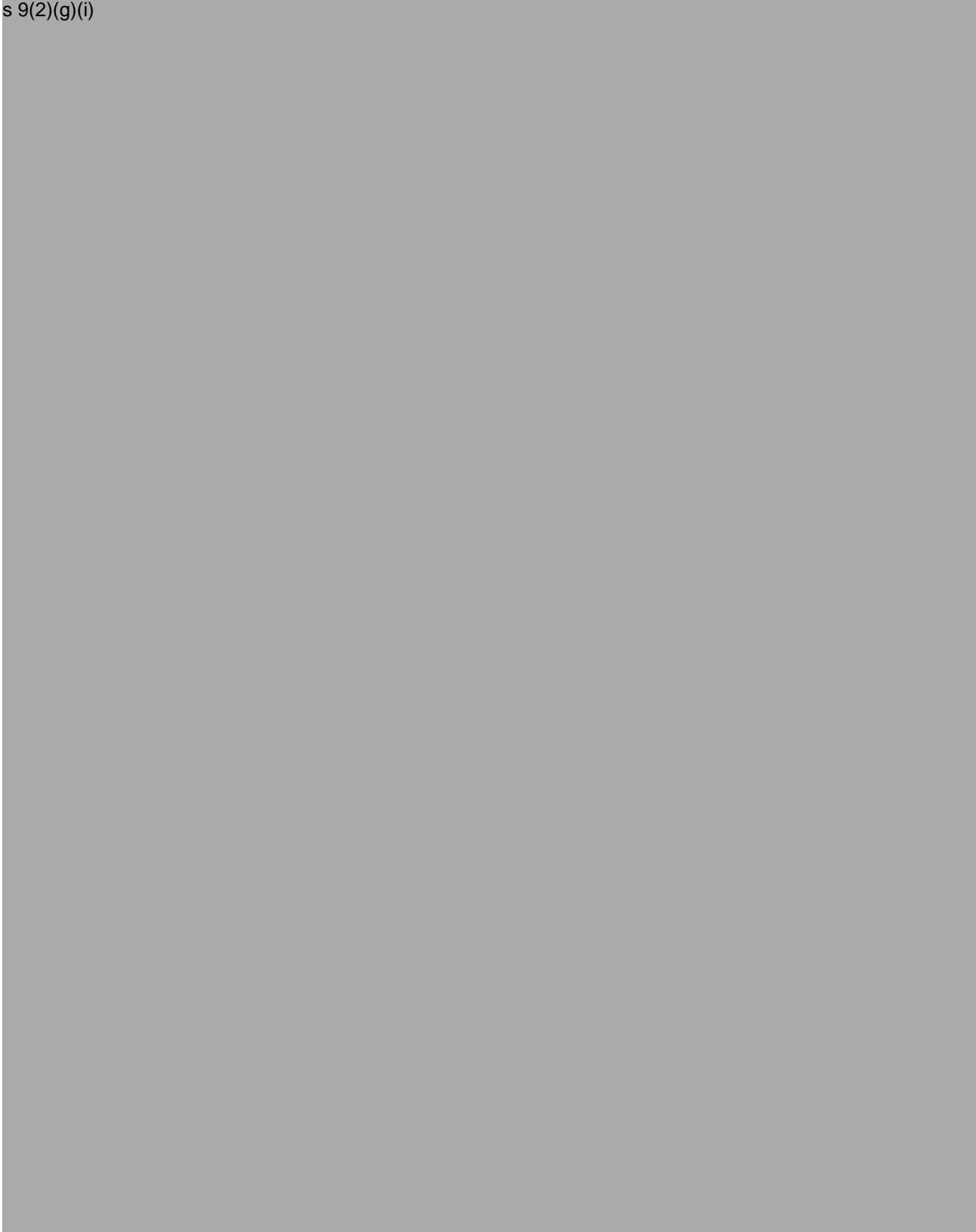
The DIA newborns information share also uses SFTP to create IRD numbers at birth where parents request this during the birth registration process. In addition, parents have the option to register for Best Start as part of the same process

myIR logon reservation


DIA customers who apply for an IRD number for their child at birth can also elect to reserve their own myIR web logon as part of this process. The DIA newborn registration web application will call IR behind the scenes (using the START gateway) on behalf of the DIA customer to enable the customer to reserve a username or logon for myIR.



s 9(2)(g)(i)

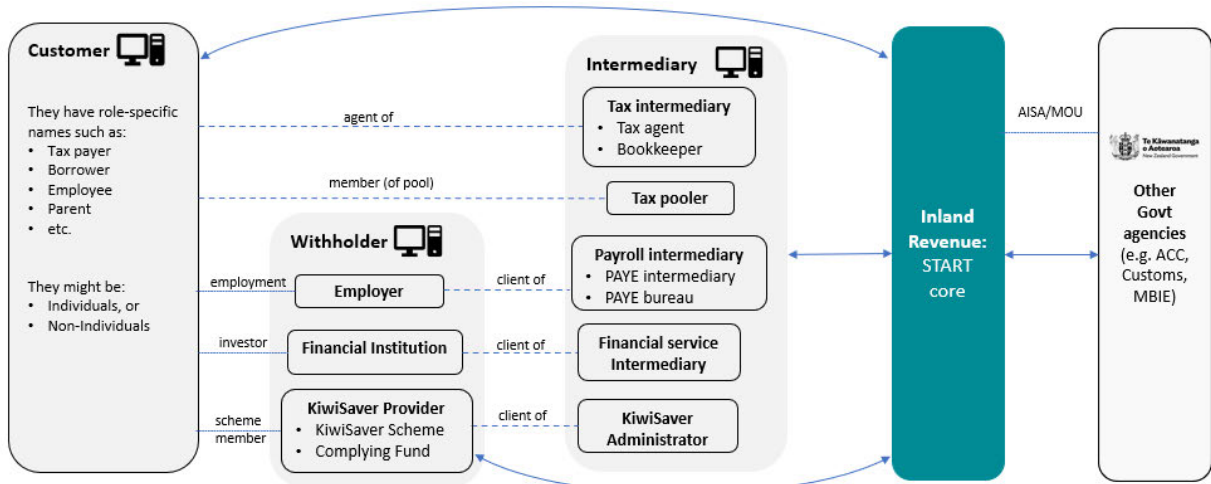


s 9(2)(g)(i)





s 9(2)(g)(i)



**Software Platform:** The Software Platform might be an on-premise application or an in-the-cloud/software-as-a-service provider of digital services. Interactions between the software platform and IR are secured using mutual TLS.

**Consumer of Gateway Services**


Run-time invocation of gateway services

Delegated 3<sup>rd</sup> party relationship

Relationship, not delegated

s 9(2)(g)(i)

s 9(2)(g)(i)



### Strategic alignment

In December the Strategic Investment Board approved the Digital Ecosystem Strategy<sup>1</sup> for IR to achieve an aspiration of digital transformation outlined in [Tax Administration 3.0](#). The purpose of the Digital Ecosystem Strategy is to recognise the shifts/future trends towards digitalising tax administration and make strategic choices on how IR will respond to these changes. This sets out some clear objectives and success measures that ties into the deliverables of Workstream 4.

We also need to ensure the following Ecosystem principles are considered:

Sustainability: We will create generic, reusable services – rather than specific point solutions for each requirement. During BT significant resourcing was put into building our existing gateway offerings. It is integral that re-use is prioritised over producing new solutions.

Integrity by design: Our systems will be designed to prevent and identify compliance issues. Data will be shared and accessed based on a comprehensive customer identity and consent framework.

Fair and transparent: We will remain impartial – pick no winners and create a level playing field. We will maximise the value of new and existing services by continuing to expand IR's digital border where it makes sense, and the value of doing so is proportional to the onboarding effort.

Digital inclusion: It is important to recognise that while a digital approach is best for many of our customers, there are exceptions. As part of our strategy, we recognise and accept this. We will create opportunities to improve things for customers, some of whom are our most vulnerable and most in need of IR's products and services.

Collaboration: We will rely on an extensive ecosystem with connected businesses and software companies to engage in real time with us. The ecosystem assures the accuracy of taxation, real time remission of tax payments and supports, where appropriate, automated refunds/ payments.

Digital transformation: We move beyond digitising of form-based processes to digitalising the process and transformational change. We must keep the Tax Administration 3.0 vision for

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<sup>1</sup> See appendix two for copy of paper

building taxation processes into taxpayers' natural systems as our goal. Efficient data handling (e.g. minimising data movement where practical), and reuse of data are also key considerations for digital transformation.

Use of GWS will also align with the Channel Strategy as documented in the Channel Principles, endorsed by sub-ELT in December 2023<sup>2</sup> - specifically, enabling natural systems.

#### 4. Enable Natural Systems

Enable ability to consume Products and Services in customers' Natural System in a secure and safe way without compromising integrity of our tax system. This could be via customer's existing tax and social services intermediary or IR's channels being the natural choice. Adopt Customer Interaction Model to guide the best suited channel interaction for the customer.

## Conclusion

- The START gateway is the natural and preferred strategic choice for interactions between our backend system for WFF and a 3<sup>rd</sup> party – regardless of whether this is a commercial consumer or another Government agency.
- The existing gateway is robust, secure and successfully delivering benefits through over 65 million interactions per month.

s 9(2)(g)(i)

<sup>2</sup> See Appendix two for principles paper

## Appendices

### Appendix one – Initiative interdependencies

Initiative interdependencies referenced in this background note:

Reference	Description
s 9(2)(g)(i)	
<a href="#">INIT-276 Regulatory Framework for Intermediaries</a>	This new initiative will work to develop an Intermediaries Strategy.
<a href="#">INIT-105 GWS Service Level Management</a>	This initiative is to build and implement a support solution for partners who use our gateway services, initially with the implementation of 'Service Management Lite as a minimal viable product (MVP) that enables IR to implement some basic but fundamental service management practices into the digital services environment (stage 1). This will allow IR to assess the capability, capacity and tools required to support a more robust Service Management offering (stage 2).
s 9(2)(g)(i)	
s 9(2)(g)(i)	

### Appendix two – IR strategy alignment

Reference	Description
s 9(2)(g)(i)	
<a href="#">Channel Strategy Principles</a>	Copy of paper endorsed by sub-Executive Leadership Team (ELT) in December 2023

### **Appendix three - Information sharing across NZ Government**

Information sharing of data between Government agencies does not follow the same access and permissions requirements. Data and information can be shared between IR and other agencies as set out specifically in the Tax Administration Act 1994 or by using authorised information sharing instruments.

Approved Information Sharing Agreement (AISA): An AISA is managed under part 9A of the Privacy Act 2020 for government agencies to provide efficient and effective public services.  
<https://www.ird.govt.nz/about-us/information-sharing/information-sharing>

Memoranda of Understanding (MOU's): An MOU is an operational document that sits alongside an information sharing legislative provision, an AISA, or information matching agreement. It describes the legal basis for sharing and sets out how an agreement will work practically.  
<https://www.ird.govt.nz/about-us/information-sharing/mous>





# Interaction with WFF Review

Sam Aldridge

Keymaster kick-off workshop: 4<sup>th</sup> July 2023

# WFF Review

- The WFF Review is on Inland Revenue's tax and social policy work programme, and is a key Ministerial priority for the Government. We will continue to advise the Government on how to meet their objectives through the Review, along with MSD, DPMC and Treasury.
- In contrast, Project Keymaster is stewardship project aimed at improving Inland Revenue's ability to advise Government in the longer term on WFF and other income support.
- As Project Keymaster progresses, insights that IR gains from the project (from analysis of data and discussion) may inform our advice on the WFF Review.



Inland Revenue  
Te Tari Taake

# Work programme: Election outcome and engagement with MSD

Sam Aldridge and Maraina Hak

Keymaster kick-off workshop: 4<sup>th</sup> July 2023

# Election outcome

- Project Keymaster will continue regardless of election outcome.
- It is intended to develop Inland Revenue's position on a long-term strategy for income support through the tax system, regardless of Government.
- It reflects IR's stewardship obligations under the Public Service Act.
- This project is a priority for IR, although we will need to monitor resourcing post-election or if other events arise.

# Working with MSD

- Because Project Keymaster will develop Inland Revenue's position on a long-term strategy for income support through the tax system, it is not dependent on resourcing from other agencies.
- However, we will keep MSD informed of our work and thinking as the Project progresses and will seek their comments or feedback.
- In particular, to provide context for our project, we are keen to understand MSD's thinking and progress on their business transformation programme Te Pae Tāwhiti.





# Budget sensitivity / information sensitivity

Sam Aldridge

Keymaster kick-off workshop: 4<sup>th</sup> July 2023

# Budget/information sensitivity

- Budget sensitivity generally means that a proposal planned for a Budget bid should not be discussed beyond a specified group of people on a 'need to know basis'. For example, the WFF Review project is currently Budget sensitive.
- The Keymaster project itself is not Budget sensitive. You can talk to others in IR to explore insights and gather data
- There could be specific proposals that come out of Project Keymaster as it progresses. If Ministers adopt a proposal for a future Budget the proposal may become Budget sensitive from that point in time



# Roundtables

Eina Wong and Sam Aldridge

Keymaster kick-off workshop: 4<sup>th</sup> July 2023

# Roundtables

- We are holding roundtables over the next two months.
- These will cover fundamental aspects for the Review – including unit of entitlement, periods of assessment.
- Some will be full day and some half day,.
- We are seeking a broad consensus from these roundtables on the fundamental issues, so we strongly encourage everyone to attend.
- We encourage attendance in person, although there will be the opportunity to participate online and the roundtables will be recorded.



# The tax and transfer framework

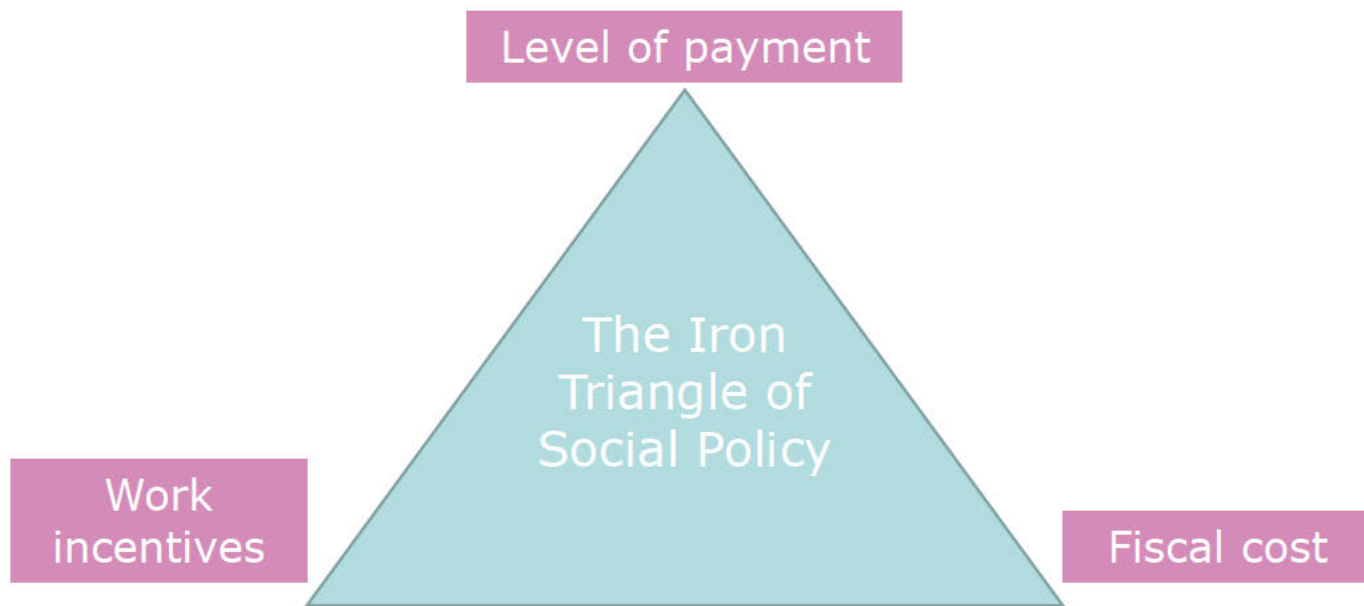
Understanding the trade-offs of social policy

Hannah Fogarty

Keymaster kick-off workshop: 4<sup>th</sup> July 2023

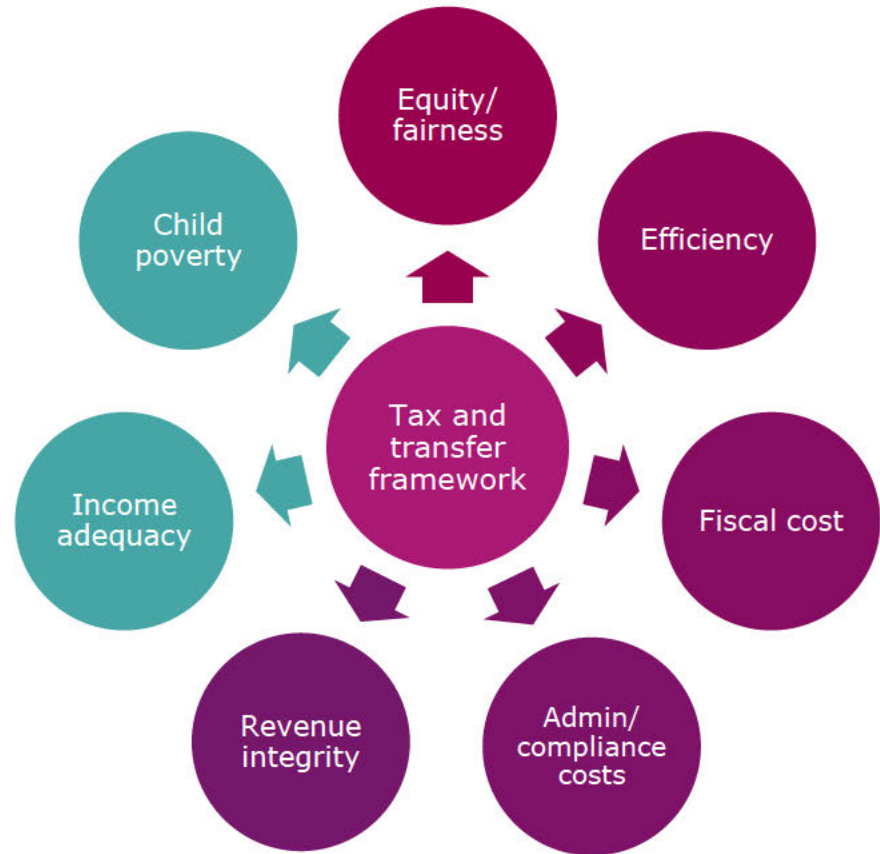


## In social policy, we tend to think about trade-offs in terms of the iron triangle ...



# Let's expand this ...

What are all the trade-offs we should be thinking about when considering changes to social policy?



# What do we mean by efficiency?

- “Efficiency” can often be misconstrued with system efficiency ..
- Tax policy definition: “Taxes should be efficient and minimise as far as possible impediments to economic growth. In an economic sense, taxes should **minimise distortions and deadweight costs where possible.**”
- When we talk about efficiency, we are talking about behavioural distortions - we want to ensure that we deliver maximum benefit to society and do not influence people’s choices
- In social policy, a key behavioural distortion being **incentives to work** (a pillar of the iron triangle), and is often a big trade-off with equity and income adequacy



# Equity can be broken down into two categories



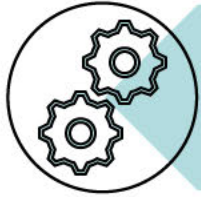
	Tax policy definition	Social policy lens
Horizontal equity	People with similar income levels/circumstances should <b>pay the same amount of tax</b>	People with similar income levels/circumstances should <b>have similar entitlements to transfer payments</b>
Vertical equity*	People with higher income should pay higher amounts of tax (progressivity)	The transfer system is a mechanism to redistribute tax paid by those on high incomes to those on low incomes

\***WARNING:** Vertical equity is a value judgement. The preferred degree of progressivity and redistribution of income is for the Government of the day to decide.



## Fiscal cost

Tax and transfer reforms need to be affordable given fiscal constraints.



## Admin/ compliance costs

The tax and transfer system should be as simple and low cost as possible for taxpayers to comply with and for IR to administer. Ties into customer experience and certainty.



## Revenue integrity

The tax and transfer system should be sustainable over time, minimise opportunities for tax avoidance and gaming.



# Income adequacy

- Vertical equity addresses **income inequality**, which is a relative measure looking at the disparities in income across society
- **Income adequacy** is having a sufficient level of income to sustain a minimum level of consumption (or standard level of living) – absolute measure rather than relative
- Transfer payments aim to ensure income adequacy by helping people achieve a minimum level of income
- Like vertical equity, income adequacy is a *subjective measure*
- When talking about income adequacy and poverty there is a strong element of population cohorts – high income vs. low income, and low income vs. material hardship





# Child poverty impacts

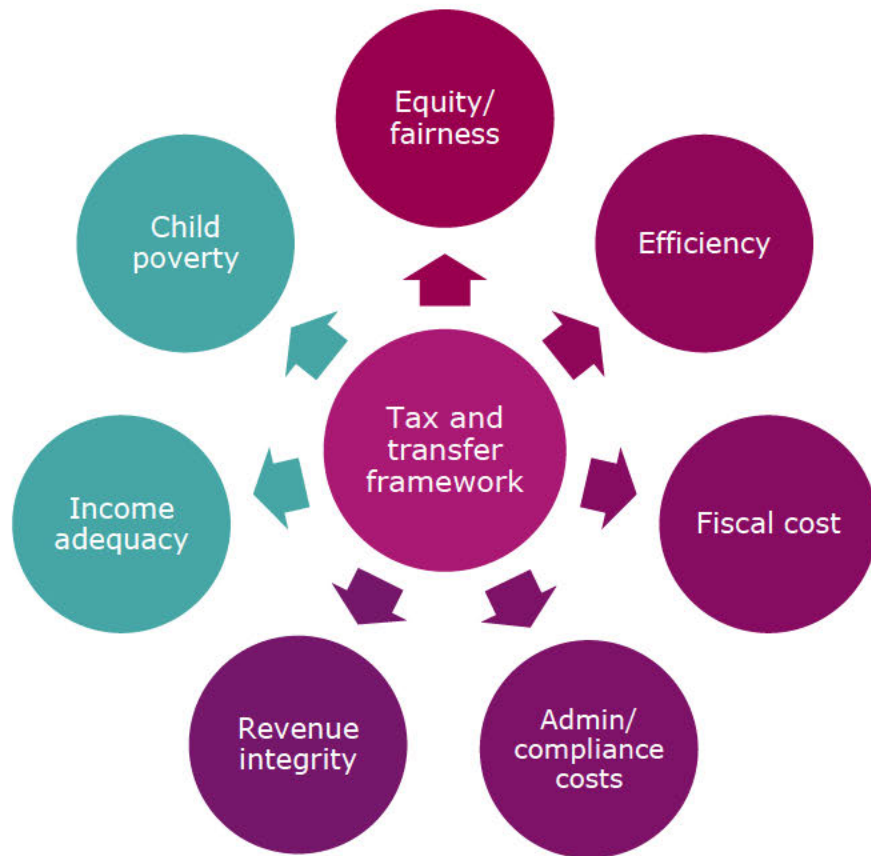
- In 2018, the Government set 10-year targets to at least halve rates of child poverty
- There are 3 measures of child poverty:
  1. Before housing cost measures children in households with incomes 50% lower than the median household in NZ (137,800 children in 2021/22)
  2. After housing cost measures children in households with incomes 50% lower than the median household, after deducting housing costs and adjusting for inflation. (176,800 children in 2021/22)
  3. Material hardship assesses how many children are living in households who do not have access to essential items. (118,900 children in 2021/22)
- When assessing changes to social policy, impacts to child poverty measures should be taken into consideration



# Open discussion

(25-30 mins)

- Do you have more ideas for how we should be thinking about these concepts?
- Which areas do you think need more explanation?
- Is there anything we have missed?



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# Overview Data

## Setting the Scene

**Andrew Paynter**

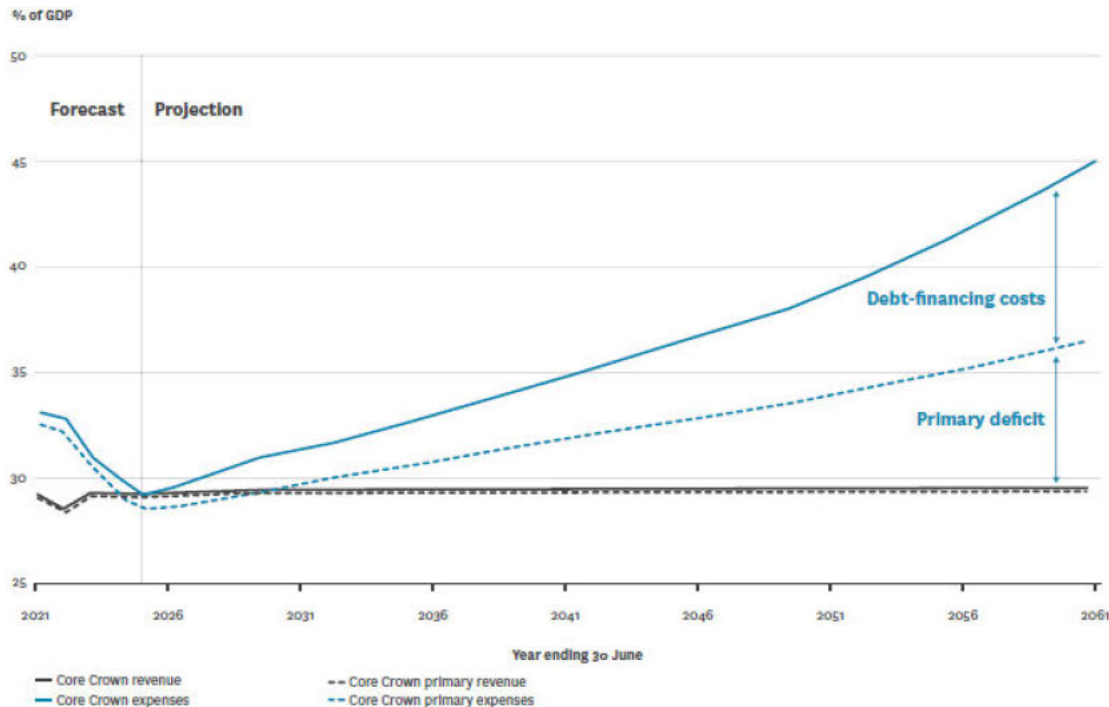
Policy Advisor – Families and Individuals

**Policy and Regulatory Stewardship**

Kaupapa me te Tiaki i ngā Ture

[taxpolicy.ird.govt.nz](http://taxpolicy.ird.govt.nz)

# Revenue and Spending Projections

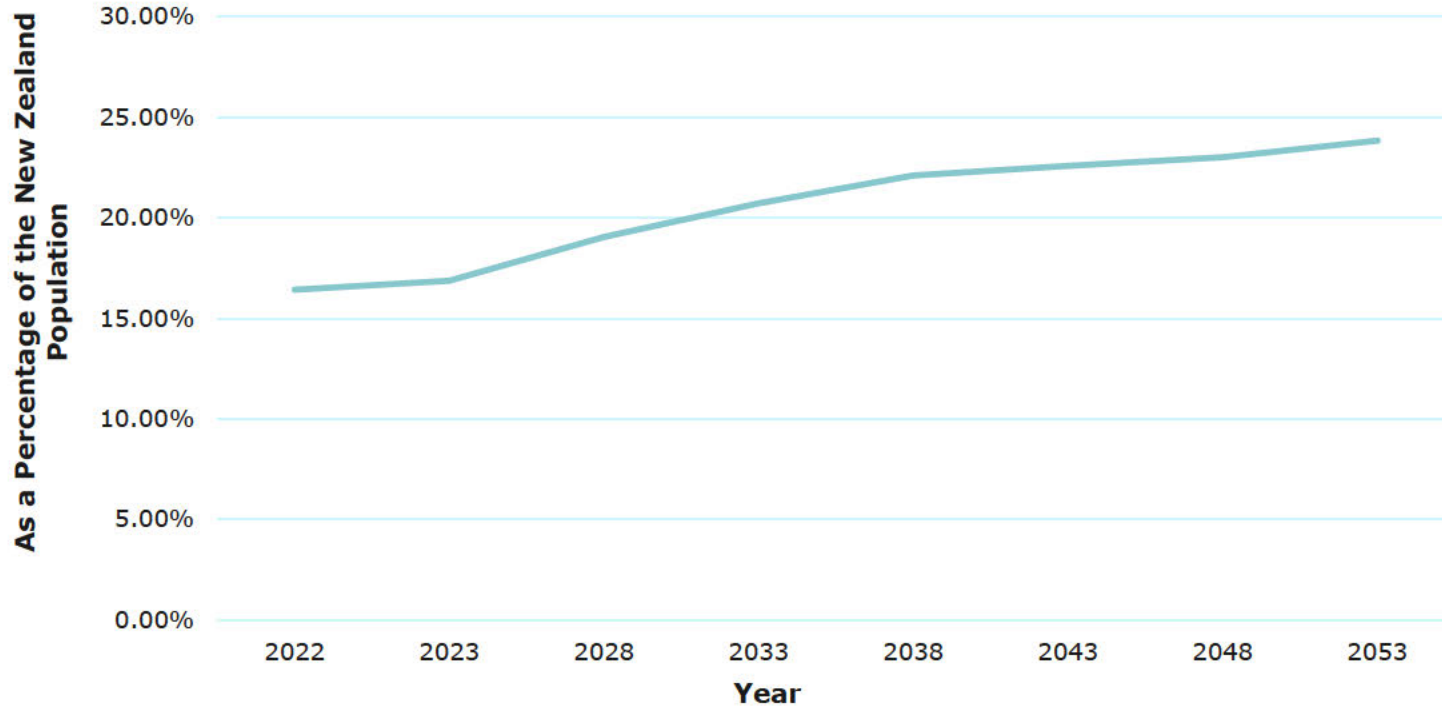


- Projected crown revenue as a percentage of GDP is stagnant.
- Projected core crown primary spending is going to continue to increase.
- There is a significant, and ever increasing, cost of borrowing to meet this deficit.



# Aging Population

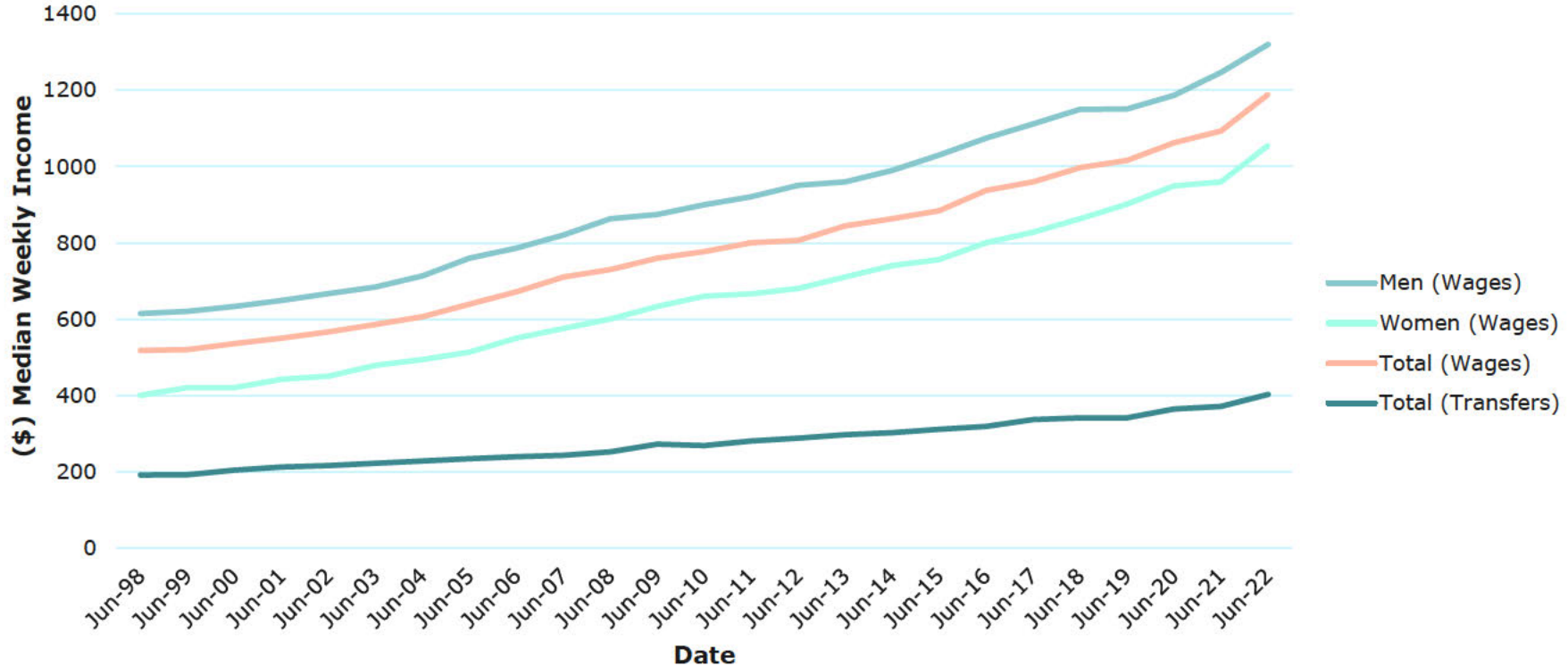
Projected Number of People Aged 65 and Over As a Percentage of the New Zealand Population Over time



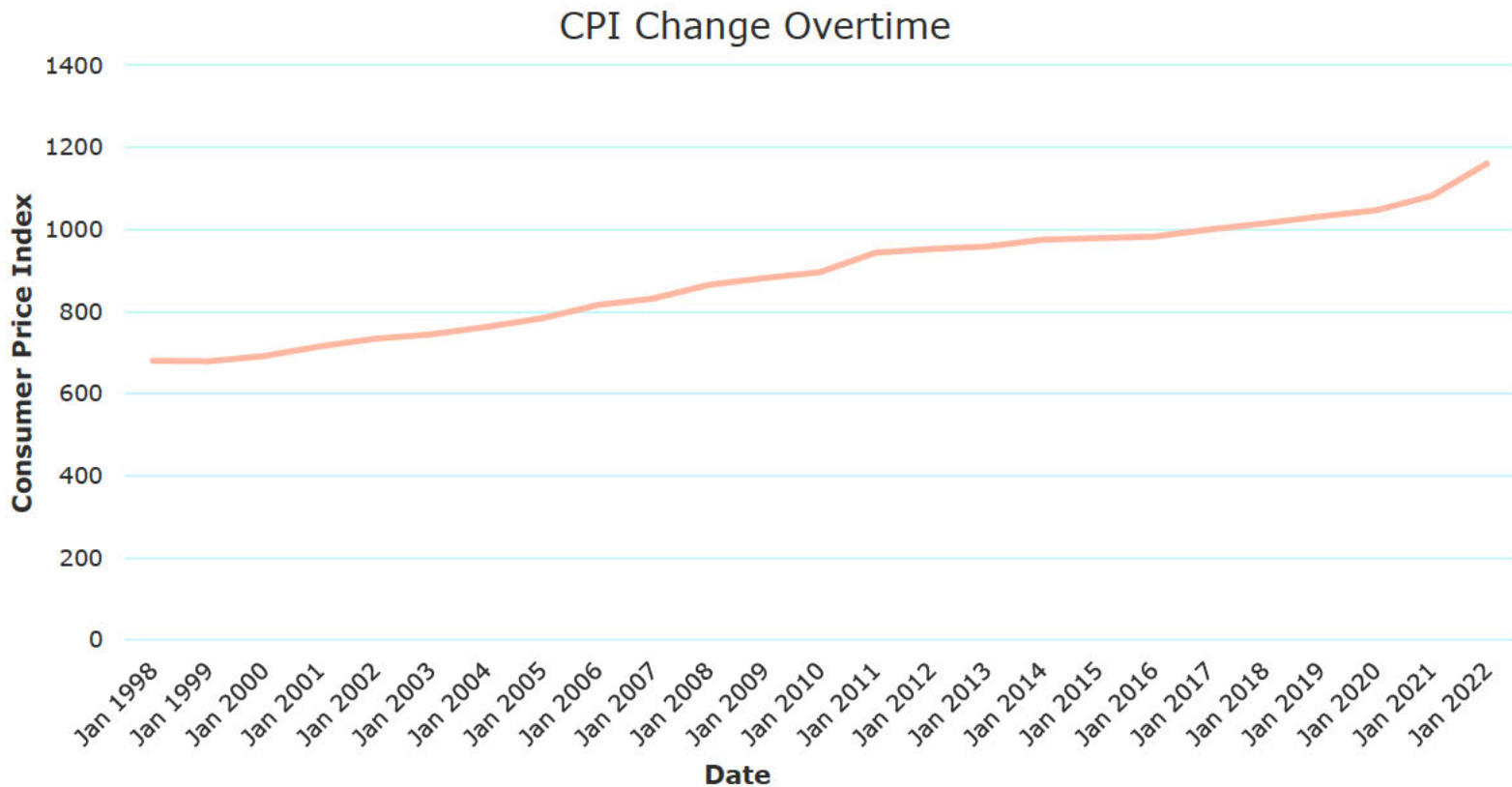


# Median Weekly Income

## Median Weekly Income Over Time - Wages and Salary vs Transfer



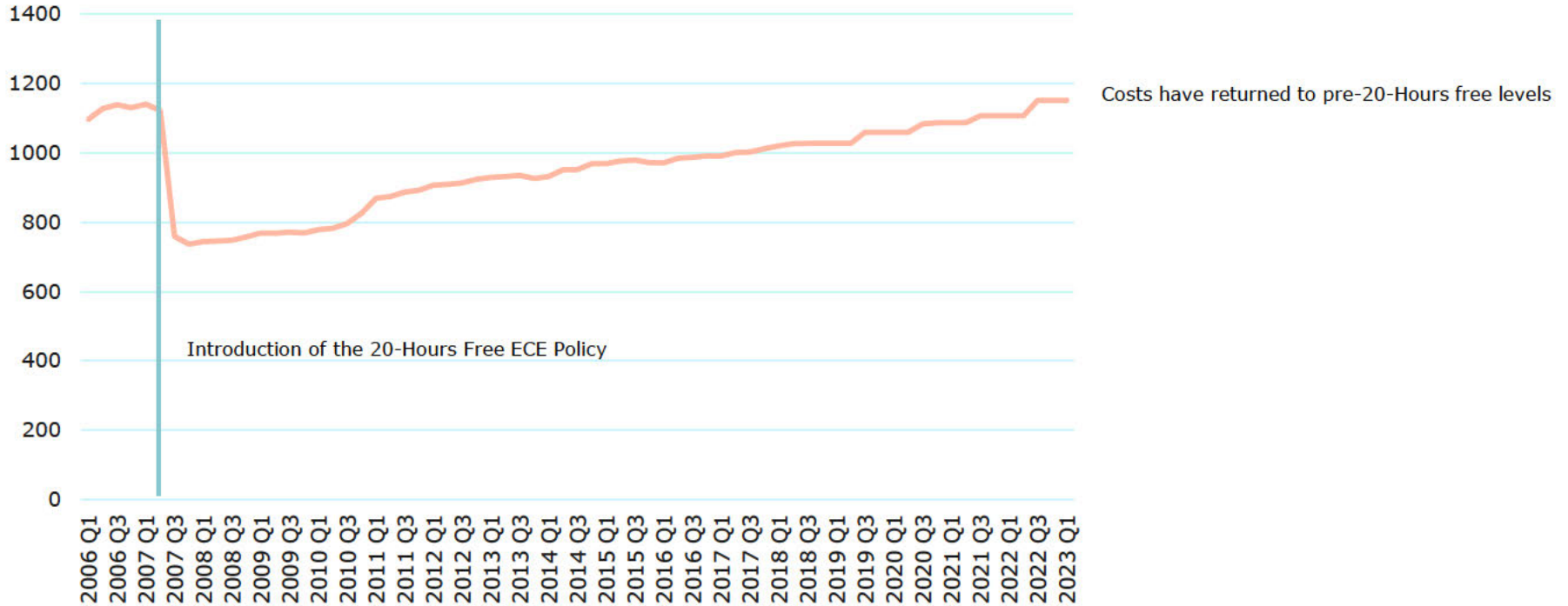
# Consumer Price Index






# The Cost of Childcare

## Cost of Childcare CPI Index

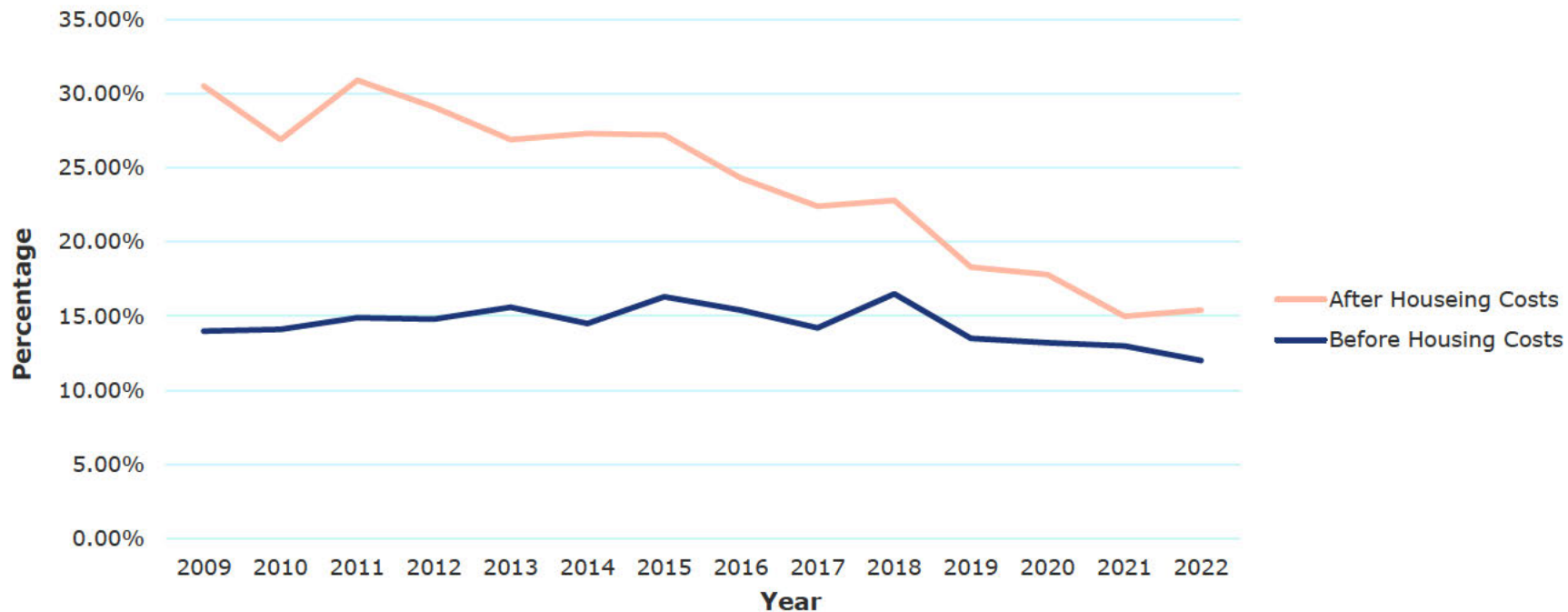


- The number of self-employed people is currently at 455,000 or 16.93%.
  - The number of people who are unemployed has decreased significantly since 2021 (currently at 3.2%).
  - The more children a household has, the more likely at least one adult in that household is not in employment.
- 
- This disproportionately impacts women – **18.85%** give looking after children as their reason for not wanting work.



# Child Poverty Statistics

Percentage of children living in households with less than 50% median equivalised disposable household income before and after deducting housing costs





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**Thank you.**



# Current state of Working for Families functionality for digital

Internal

Author: Carolyn Thomas

Version: 1.1

Date: 7 August 2023

# myIR and Working for Families

## WFF specific functionality

- View next payment amount, date of next payment, existing bank account and payment frequency
- Update payment frequency (e.g. weekly, fortnightly, backend)
- Register for WFF or reactivate WFF if it was previously ceased
- View, edit and add children details
- View, edit and add partner details
- View and amend estimated income
- View and amend working hours
- View end of year square up details
- View IR215 adjustments
- Use future WFF entitlements for instalment arrangement
- Whether client is a PTR for FAM purposes (Client list report, available for intermediaries only)

# myIR and Working for Families

## Access management

- Grant access of your WFF account in myIR to your FAM partner (*this can be done within the registration or the update partner details web request, it then makes the FAM account panel available in myIR to the partner*)
- View who has access to your WFF myIR account (e.g. nominated persons, tax agents etc)
- Set up a nominated person for WFF
- Remove or amend a nominated persons access
- Remove a linked tax agent, bookkeeper or other representative
- Change where WFF mail is directed to if you're a client of a tax agent

Note: There is no ability to delegate first party access for WFF (or Child Support) meaning the customer cannot set up a User, Restricted user, Administrator or Restricted administrator and delegate them full access or read only access to their WFF account. They need to use the nominated person process or granting access to their FAM partner instead.

# myIR and Working for Families

## Standard functionality across all/most account types

- View account balances (including what is due now) and alerts
- Send and receive web messages
- Read letters IR have issued
- Make a payment/manage direct debit/credit card payment
- View and edit refund bank account
- View transactions e.g. assessments
- Search web submissions previously sent
- Run a transactions report
- Work out penalties and interest on a future date
- Request an instalment arrangement (see next slide)
- View, edit and delete an account specific address

# Gateway services and Working for Families

## **Income tax return service**

- IR215 adjustments attachment can be completed and submitted with the IR3 Individual income tax return for any WFFTC (or student loan) adjustments

## **Transaction Data Service (TDS) (view only)**

- View all WFF period transactions e.g. payments, assessments, penalties, interest

## **Bank API**

- View and amend refund bank account for WFF

## **Address API**

- View, amend and delete account level address for WFF

# Gateway services and Working for Families

## Contact API

- View, amend or delete account specific contact details for WFF

## Intermediation service (only available to intermediaries)

- Link and delink for WFF for tax agents, bookkeepers and other representatives
- Redirect and un-redirect WFF letters to a tax agent

Note: Unlike most other accounts (tax types), tax agents cannot redirect WFF refunds (payments) to their agency bank account

## Document service API

- Download and read WFF letters from IR

# Gateway services and Working for Families

## Notifications API

- Event notifications
  - Assessment created
  - You have new mail (includes letter reference information)
  - Account has been linked to an intermediary
  - Account has been delinked from an intermediary
  - A new account has been registered
  - Account has been end dated
  
- Action required notifications
  - Refund pending that requires a bank account
  - WFF is waiting for an income tax assessment (triggered on INC account, not FAM)



# Gateway services and Working for Families

## Account API (view only)

- WFF account status e.g. active/ceased
- WFF account start and/or cease date
- WFF refund bank account and name on account
- Any WFF account specific address and/or contact details
- WFF payment frequency e.g. weekly, fortnightly, backend
- Who is paying WFF e.g. IR vs MSD

## Period API (view only)

- Period begin and period end date
- Whether a notice of assessment has been issue for the period for WFF

s 18(c)(i)



# [www.ird.govt.nz](http://www.ird.govt.nz) and Working for Families

## Unauthenticated eServices

**Register for WFF** <https://www.ird.govt.nz/working-for-families/applying/working-for-families>

- Complete the same WFF registration that exists in myIR and submit direct to START
- Register for myIR at same time as submitting the WFF registration request

**WFF calculator** <https://www.ird.govt.nz/working-for-families/eligibility>

- The calculator uses the family details entered to work out which tax credits a customer may qualify for and an estimate of how much they could receive.

# Working for Families across Government

## Ministry of Social Development (MSD)

### Check what you might get tool

- This guide helps customers find out the ways Work and Income can help
- Answer questions in relation to relationship, children, study status, job and income, expenses and costs, health and disability and living situation to get an idea of what support from MSD is available
- Available in English, Te reo Maori, Cook Islands Maori, Samoan and Tongan

# Working for Families across Government

## Ministry of Social Development (MSD)

### MyMSD

- Apply for a benefit or payment, food grant, help with emergency dental costs and help with school uniform or school stationery costs
- Re-apply for job seeker support, sole parent support and temporary additional support
- Tell MSD about change of circumstances – wages/other income, address, accommodation costs, going overseas, relationship, contact details and confirm circumstances while waiting for public housing
- Check payments, stop payments and view transactions/balances on your Payment Card
- View debt details and repayments
- View some letters
- View jobs available and update jobseeker profile
- Uploading documents requested by MSD

# Working for Families across Government

## Department of Internal Affairs (DIA)

### SmartStart

- Available in English and Te reo Maori
- Register birth of a new baby
  - At the same time as registering a birth you can apply for Best Start Tax Credit, apply for an IRD number for the new child and update both MSD and IR records of the new dependant child (where applicable)
- Paid parental leave checker
  - To check if you're eligible for paid parental leave
- Childcare subsidy application
  - SmartStart provides the gateway to being able to complete the application fully online.
  - Through this process customers can send their early learning service their part of the form to complete and return, receive status notifications, upload documents and submit form to MSD.

# Working for Families across Government

## Department of Internal Affairs (DIA)

### SmartStart continued:

- Financial help checker
  - Customers can check if they could receive Accommodation Supplement, Best Start payments, Childcare Subsidy, Child Disability Allowance, Community Services Card, Home Help, Job Seeker Support, Orphans Benefit, Sole Parent Support, Student Allowance, Supported Living Payment, Unsupported Childs Benefit, Working for Families Family Tax Credit, Working for Families In Work Tax Credit, Working for Families Minimum Family Tax Credit and Young Parent Payment.
  - This tool will show the maximum amounts you could receive based on current or future situations – it won't calculate the actual amount a customer will receive.
  - The benefits and payments included in this planning tool are provided by Work and Income and Inland Revenue. It doesn't include all benefits and payments available in New Zealand.

# Working for Families across Government

## Other 'what if' scenario support tools

### ASB support finder

- Support Finder asks users a few simple questions and identifies if they may be eligible for financial help before guiding them to relevant government agencies where they can apply for support.
- Originally launched to ASB customers in 2021, was made available to all New Zealanders on ASB website in July 2023.
- Full list of government benefits captured via the Support Finder tool are Jobseeker support, Young Parent payment, Sole Parent support, Supported Living Payment, New Zealand Superannuation, Childcare Subsidy, Out of School Care and Recreation (OSCAR) Subsidy, Accommodation Supplement, Working for Families, Temporary Additional Support, Community Services Card, Emergency housing, Public housing, Recoverable Assistance Payment, Food grant, Power, gas, water bills or heating, Transition to Work Grant, New transition to work, \$5k to work, Seasonal Work Assistance, Student allowance, Student Loan, Reduced student loan repayments, Repayment holiday and Debt instalment arrangement.



# Working for Families across Government

## Educational guidance from other agencies

Aside from the tools/services available via MSD and DIA, a number of other Government agencies and NGO's provide brief overviews (static content) of Working for Families and then refer customers back to IR/MSD websites:

- NZ Government <https://www.govt.nz/browse/family-and-whanau/financial-help-for-your-family/>
- Business.govt <https://www.business.govt.nz/getting-started/advice-for-contractors/find-government-help-for-sole-traders/>
- Connected.govt <https://www.connected.govt.nz/support-for-you/financial-support/financial-support-to-stay-in-work/>
- Immigration NZ <https://www.live-work.immigration.govt.nz/live-in-new-zealand/money-tax/financial-assistance>
- Community Law <https://communitylaw.org.nz/community-law-manual/chapter-23-dealing-with-work-and-income/types-of-benefits/the-working-for-families-tax-credit-package/>
- Citizens Advice Bureau <https://www.cab.org.nz/article/KB00042178>
- Kids Health <https://www.kidshealth.org.nz/financial-help-raising-family>



**Inland Revenue**  
Te Tari Taake

**Thank you**



## Strategic and Investment Board

# Proposal for Income Support Work Programme (Project Keymaster)

Cover Note

7 September 2022

### Executive Summary

We seek the Board's approval to scope an internal programme of work on long-term opportunities for administering income support through the tax system.

In May 2022, we discussed with the Enterprise Priorities and Performance Committee the strategic opportunities that are available to Inland Revenue to improve outcomes for New Zealanders in a social policy context. In response to the Committee's request, a workshop was held with subject matter experts from across Inland Revenue business units in August 2022. Its purpose was to discuss as a group whether these opportunities and/or any others merit further investigation. The group agreed a work programme should be designed around the opportunities identified, and recommended that the work should be shared by business units represented at the workshop.

In this paper, we discuss in more detail the strands of work that could be progressed, guided by discussions at the workshop. In our view, each of these would benefit from further scoping which would then inform how they could fit into a broad work programme. If the Board approves, we will report back in early 2023 on recommendations for progressing the work programme and resourcing requirements.

### Recommendations

It is recommended that the Board/Committee:

- **Approves** the scoping of a programme of work on the longer-term opportunities for administering income support through the tax system.

### Sponsors

**Sharon Thompson**

**Deputy Commissioner,  
CCS-Individuals**



**David Carrigan**

**Deputy Commissioner,  
Policy and Regulatory Stewardship**





# Proposal for Income Support Work Programme (Project Keymaster)

7 September 2022

## Introduction and background

1. Inland Revenue is a key contributor to the Review of Working for Families (WFF) and Debt to Government workstreams. Both workstreams could result in changes to policy, administrative and legislative settings, ranging from substantive to remedial options. The timing of such changes could be as early as 2023 or spread to later years. It is unclear at this stage how Ministerial appetite or fiscal constraints will limit the extent of reform.
2. To support advice to Income Support Ministers<sup>1</sup>, a networked team of staff from Policy, Technical Standards, ED&I, II&S, and CCS has been meeting weekly during the past two years to discuss any concerns or design considerations [PGC briefing 18 August 2022 refers]. In addition, a regular fortnightly stand-up meeting with Tier 2 and 3 staff is convened and connects the work with other social policy initiatives (e.g., child support, income insurance) to provide a broader picture of the potential impacts on Inland Revenue.
3. Through this support framework, we have gained a collective understanding of how our social policy customers are or could be impacted by policies and administrative settings. This set up has also established a platform for Inland Revenue (IR) to consider options of longstanding interest from the perspective of our customers and staff to improve delivery of WFF.
4. In May 2022, the Enterprise Priorities and Performance Committee (EPPC) discussed those longer-term opportunities that are available to IR [EPPC briefing 26 May 2022 refers]. The Committee acknowledged that these opportunities are timely given the public interest in improving outcomes for New Zealanders, and our expectations that social policy will be a continued area of debate, particularly with the rise in costs of living and legislated requirements to reduce child poverty rates, for example.
5. The EPPC recommended a workshop with subject matter experts from across IR to be held to consider whether those opportunities merit further investigation, and whether there are any others. In this paper, we summarise the results of that workshop and discuss recommendations for next steps.

## WFF Strategic Intentions Workshop

6. In August, staff from Policy, CCS, ED&I, and II&S met to discuss the potential strategic opportunities for administering income support through the tax system. Its aim was for attendees to agree whether there is a case to develop a broad work programme to progress opportunities identified at the workshop.

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<sup>1</sup> Income Support Ministers are the Minister for Child Poverty Reduction/Prime Minister, Minister of Finance, Minister for Social Development and Employment, and Minister of Revenue. The Minister of Education and Minister for Children are provided the advice where it is relevant to their portfolios.

7. Workshop participants discussed the socioeconomic characteristics of our WFF customers (derived from our administrative data) and watched recordings of customers who talked to IR staff about their experiences with WFF and their life circumstances. The combination of that evidence was sobering, especially hearing first-hand the trials of our most vulnerable customers, and how IR can have a big role in their wellbeing.
8. There was a robust discussion about whether WFF tax credits as a whole continues to be fit for purpose. The conclusion was that WFF contributes to income support and financial incentives to work, and is a useful lever to reduce child poverty. However, it does not support the transition into and sustain work in an effective way.
9. There was unanimous agreement that the opportunities all merited further investigation, and that this would be an important opportunity for Inland Revenue as part of its stewardship function. There was also acknowledgement that such a programme of work would require significant resources (e.g., time and staff).

## **Long term strategic opportunities**

10. The opportunities agreed by the workshop participants are broadly the same as those presented to the EPPC. These have been expanded upon to incorporate feedback from the workshop. We have not included specifically the WFF Review and the Debt to Government workstream because those are already underway. However, the longer-term options under those workstreams could be incorporated in one of the work strands below.

### **A. Start from a "blank slate"**

This strand of work would consider how we would re-imagine financial support if we could start afresh. The intention is to think creatively and relatively unconstrained about what an ideal set-up could look like, and how achievable that would be if approached over time. We would consider the first principles of providing income support through the tax system, how a universal basic income model could be designed, or whether WFF should be administered in a completely different manner (e.g., paid by employers, third parties, or another agency), for example.

We anticipate that this strand of work to be substantive and would consider multiple perspectives to take a comprehensive approach. For example, we could think about how we would design support using a "lifecycle" lens in terms of when individuals/families would require more or less income support following major life events.

The expected output: "an IR view of income support through the tax system". This would serve as a benchmark for comparing other, more narrow options.

### **B. Decouple WFF from Revenue Acts**

WFF legislation is embedded in the Tax Administration Act and Income Tax Act and has implications for the way we administer these tax credits. Concepts that are core to tax administration are used for WFF purposes, such as an income year as the period of assessment for calculating entitlements or how debt is written off. The relevant question is whether these tax concepts should apply in a social policy context, particularly as we learn more about WFF customers and their complex life circumstances.

This strand would start from the perspective of decoupling WFF legislation from the Revenue Acts. In doing so, we would consider both policy and administrative improvements. We anticipate that this would be substantive, but with a relatively more narrow scope than the “blank slate” strand.

The expected output: “an IR view of Working for Families”.

### **C. Improvements in information sharing**

IR has multiple information sharing agreements/memoranda of understanding with government agencies to enable effective administration of WFF. These are key to ensuring that entitlements are paid in a timely manner and as accurately as possible. Despite best endeavours, the complexity of our customers’ lives means that it is not possible to pay everyone an accurate amount, and this can result in debt for some families or under-support. For example, moving on and off benefit can result in gaps in support or doubling-up of support from IR and MSD if the information exchange is not timely or information is missing.

This strand would consider how to improve existing information sharing processes, using insights gained from the Common Debtors Pilot and our administrative data on customers. A first step could be an in-depth exploration of the current information we have from our existing information shares and identifying what is missing and would be useful to acquire. We would also consider any dependencies with MSD’s Te Pae Tawhiti business transformation programme, and whether there are social policy opportunities in gateway services.

The expected output: “A work programme to consider use of information for jointly administered products”.

### **D. Development of an application to provide certainty to customers**

The complexity of customers’ lives is the primary reason for inaccurate WFF payments. Life events that are significant such as having a baby, death of a family member, changing jobs, partnering or splitting from a partner, can result in changes in people’s incomes and/or entitlement to support. This is an intended outcome because currently most income supports are means-tested.

While these changes to entitlements are deliberate, they also create uncertainty of support for people. This uncertainty can compound the challenges of adapting to those life events. There is an opportunity to alleviate this uncertainty through a joined-up application of real-time information that could be provided to income support recipients. The benefits to customers include having financial certainty and increased autonomy over their life choices, and improve transparency of the tax and transfer system.

We anticipate this would be a longer-term strand of work that would consider information sharing, technological, and legislative requirements for government agencies. Its intent would be reflect the policy settings of the day, rather than as a means to change existing policy or administrative decisions.

The expected output: “A work programme to develop an application for social policy entitlements”.

11. The four work strands have been deliberately positioned to progress initially from the perspective of IR as the primary administrator of tax credits. We acknowledge that the long-term success of any of this work is contingent on the capacity of other agencies to work with IR and vice versa. However, to agree on a paradigm of

income support through the tax system requires internal discussions foremost before consulting externally.

## **Recommendations for Project Keymaster**

12. We consider these four work strands are opportunities to consider meaningful changes over the longer term for our customers and more generally for anyone who finds themselves in a vulnerable financial position. If progressed, the work would be approached in a non-partisan manner, which could foster discussions with future governments on incremental changes to WFF over time.
13. We acknowledge that the resourcing requirements to sustain such a work programme could be high, as it would involve the networked group of staff across IR business units. Therefore, we recommend that further detailed scoping of a potential overarching work programme be undertaken to inform the trade-offs for IR. We would then report back to the Board on that work programme in early 2023, provide our recommendations, and seek approval to progress on any or all parts of it.
14. To scope the work programme, we suggest that a small team of Policy advisors and a CCS segment leader could lead the work and consult with relevant internal stakeholders. These staff are currently leading other work and anticipate that they will have available time in the coming months to begin the scoping exercise. The project would be co-sponsored by the Deputy Commissioners CCS-Individuals and Policy and Regulatory Stewardship.

## **Māori perspectives**

15. Our social policy customers are among the most vulnerable groups of individuals and families in the New Zealand population, many of whom are disproportionately represented by whānau Māori. In targeted engagement as part of the WFF Review, officials met with four stakeholders recently to discuss their experiences with WFF. In addition, the Customer Insights & Evaluation team have begun research to better understand te Ao Māori (Māori world view) and Māori outcomes particularly in the WFF context. The work from The Māori Customer Landscape and Tuitui te Hono: Māori Outcomes have been shared with the executive leadership team recently.
16. The external engagement and internal research have provided and will continue to provide valuable insights and a deeper understanding to better support whānau Māori. This approach to including Māori perspectives to date aligns with the principles of Māhutonga. Our intention is to continue to apply te Ao Māori and Te Tiriti lens to Project Keymaster.

## **Next steps**

17. If the Board approves, we propose to report back to the Board in early 2023 with a detailed overarching programme of work and the proposed resources needed. This timing would also coincide with any decisions taken by Income Support Ministers with regards to the WFF Review.

## Purpose of this document

Inland Revenue

## Initiative concept template

### Project Keymaster

**Sponsor: David Carrigan and Sharon Thompson**  
**Business Lead: Eina Wong and Sue Gillies**  
**Initiative Delivery Lead:**

**JIRA #:** *(SPS will provide this reference)*

**Prepared by:** Eina Wong and Sue Gillies  
**Date:** 13 October 2022

- *This document is intended to be brief, **roughly two to four pages as a guide, to succinctly make your case.** There may be parts within the template that are not applicable, or you may need to adapt given the nature of your initiative.*
- *Template contains instructional text (see italic font) for guidance only. As you complete the template, please delete this instructional text.*
- *All initiative concepts require a sponsor being either a tier 2 - Deputy Commissioner or tier 3 manager sign-off prior to submission to Governance.*



The initiative concept template supports the first stage of the initiative lifecycle (**Emerge**) within the initiative management framework for new initiatives<sup>1</sup>.

The purpose is to present information about this initiative to allow the following to be answered:

- Is there a valid problem or opportunity, and the benefits are compelling enough, that justifies the initiative being considered?
- Does the proposed initiative align with IR’s priorities described within Eke Tangaroa?
- Should this initiative proceed into the **discovery** stage of IR’s lifecycle?

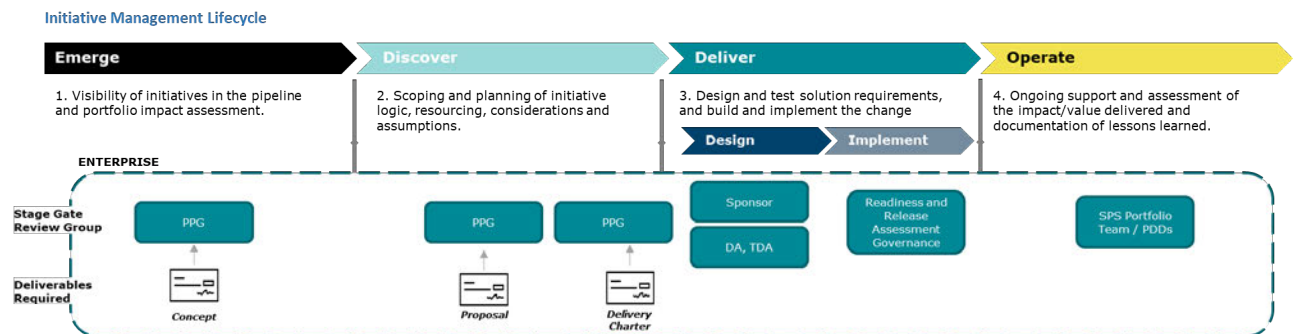
The Portfolio and Prioritisation Group (PPG) provides stage gates for enterprise initiatives through the initiative lifecycle.

PPG will **recommend** if an enterprise proposal should proceed or not. Typically, enterprise initiatives are considered and require **approval** from Strategic Investment Board (SIB) to proceed.

## Initiative Management Lifecycle

**Emerge** is the first stage of the initiative lifecycle. It ensures early visibility of the initiatives coming down the pipeline as well as a process to enable ideas for discretionary initiatives to be considered before resources are committed to them.

A



<sup>1</sup> Initiatives from Tax and Social Policy Work Programme (T&SPWP), or a budget initiative will use the existing Policy commissioning document as opposed to the initiative concept template.

## Document contributors

Review area	Name	Contribution description	Date
<p>Please ensure that in addition to the business area(s) contributing to the initiative, the following supporting business area(s) have been considered <b>where applicable</b>.</p>			
<p><b>Enterprise Design &amp; Integration (ED&amp;I) e.g.</b></p> <ul style="list-style-type: none"> <li>• Strategic Architecture,</li> <li>• Strategic Portfolio Stewardship,</li> <li>• Privacy,</li> <li>• Information Security - Chief Information Security Office,</li> <li>• Security - Physical Security,</li> <li>• Integrity &amp; Internal Assurance</li> </ul>	<p><b>Patrick O'Doherty</b></p> <p><b>Hilary Rodgers &amp; team</b></p>	<p><b>Design elements of areas of interest, input and advice, agreement to proceed</b></p>	<p><b>3 August 2022</b></p>
<p><b>Enterprise Services (ES) e.g.</b></p> <ul style="list-style-type: none"> <li>• Commercial Services and Property</li> <li>• Finance Services,</li> <li>• Technology Services,</li> <li>• People and Workplace Services</li> </ul>			
<p><b>Planning Design &amp; Delivery (PDD's) e.g.</b></p> <ul style="list-style-type: none"> <li>• Customer &amp; Compliance Services,</li> <li>• Enterprise Services,</li> <li>• Information &amp; Intelligence Services</li> </ul>	<p><b>James Grayson</b></p> <p><b>Aimee Buyn</b></p>	<p><b>Input and advice, potential impacts on customer service and delivery, agreement to proceed</b></p>	<p><b>3 August 2022</b></p>

Also include within the table an indication of the type of contribution they have provided, for example review, providing input, providing advice, approval, signoff etc.

## Sponsor sign-off

[insert signature]

**Name: David Carrigan**  
**Date:**

**Sharon Thompson**

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### 1 Objective of the initiative

It is a legislative requirement / statutory obligation?

Yes, or  No

#### 1.1 Introduction and background

Inland Revenue is a key contributor to the Review of Working for Families (WFF) and Debt to Government workstreams which are priorities for the Government. Both workstreams could result in changes to policy, administrative and legislative settings, ranging from substantive to remedial options. The timing of such changes could be as early as 2023 or spread to later years. It is unclear at this stage how Ministerial appetite or fiscal constraints will limit the extent of reform.

To support advice to Income Support Ministers<sup>2</sup>, a networked team of staff from Policy, Technical Standards, ED&I, II&S, and CCS has been meeting weekly during the past two years to discuss any concerns or design considerations [PGC briefing 18 August 2022 refers]. In addition, a regular fortnightly stand-up meeting with Tier 2 and 3 staff is convened and connects the work with other social policy initiatives (e.g., child support, income insurance) to provide a broader picture of the potential impacts on Inland Revenue.

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<sup>2</sup> Income Support Ministers are the Minister for Child Poverty Reduction/Prime Minister, Minister of Finance, Minister for Social Development and Employment, and Minister of Revenue. The Minister of Education and Minister for Children are provided the advice where it is relevant to their portfolios.

Through this support framework, we have gained a collective understanding of how our social policy customers are or could be impacted by policies and administrative settings. This set up has also established a platform for Inland Revenue (IR) to consider options of longstanding interest from the perspective of our customers and staff to improve delivery of WFF, both in the immediate and longer term. It has proven to be a valuable resource for our staff generally.

In May 2022, the Enterprise Priorities and Performance Committee (EPPC) discussed the longer-term opportunities that are available to IR [EPPC briefing 26 May 2022 refers]. The Committee acknowledged that these opportunities are timely given the public interest in improving outcomes for New Zealanders, and our expectations that social policy will be a continued area of debate, particularly with the rise in costs of living and legislated requirements to reduce child poverty rates, for example. The Committee recommended a workshop with subject matter experts to be held, after which we would provide an update on this initiative to the Strategic and Investment Board (SIB).

In September 2022, SIB discussed the potential for a longer term work programme to be developed to scope these opportunities [SIB briefing 7 September 2022 refers], based on feedback from the workshop. The Board was generally supportive and asked that we go through the planning and prioritisation process to progress this initiative. There was also an action point for the CIR to discuss with MSD's Chief Executive their preferred level of involvement in this project.

## **1.2 What problem or opportunity are you trying to address?**

The evidence and advice that has been developed over the past several years has identified that there are opportunities that can be progressed to improve outcomes for our WFF customers by reducing debt and providing certainty. These customers overlap with our other products, including Child Support, Paid Parental Leave, and Student Loans. They also represent some of New Zealand's most vulnerable population groups, many of whom are also MSD clients.

To illustrate, our WFF customers have varying levels of education and information that is available on WFF is inconsistent. As a result, customers don't understand their entitlements, obligation and rights and don't know what is going to happen to them next. This means that families miss out on receiving the right amount and are at risk of receiving an overpayment. Around 67% of WFF payments are within 20% of the right entitlement during the year, and our debt book has grown by \$52m since June 2021 (noting that the Covid pandemic began February/March 2020).

We have identified the following opportunities for the immediate and longer term.

### **Immediate changes that are implementable include:**

- All communications and website content for Wff customers is to be reviewed and provided in a way that meets their needs and enables them to get it right
- myIR has a full review to see if it is fit for purpose for these customers.
- eNotifications are currently lacking information and unclear call to actions as shown in a CXD project completed in 2021. Changes need to be implemented and prioritised
- Review the service offering for Wff customers both through phone and web message contact, using insights and evaluation to understand tolerance levels and building a channel strategy
- Te Mātāwai pages are reviewed to ensure our people have the information they need to help our customers get it right

- Customer education programme set up for WfF customers to build trust and confidence to access our products and services, setting them up right from the start and throughout their journey and life events
- Web message content and templates for WfF is to be reviewed to ensure consistency of advice and a best practice service delivery.

**Longer term opportunities include:**

- Considering potentially significant reform of the underlying policy settings
- Legislative implications of doing so, and particularly of separating WFF legislation from the existing Revenue Acts
- Improvements to enable better information sharing
- Considering methods of providing more certainty to our customers to reflect the complexity of their lives

The intention of Project Keymaster is to think ambitiously, so that we are better prepared to respond to the government of the day when Ministers wish to consider social policy changes. Successive governments may have their specific social policy agendas but there are enduring objectives, including:

- Providing adequate income support
- Providing financial incentives to work
- Reducing child poverty rates (which are now legislated)

### 1.3 Implications should the initiative not proceed

**Immediate changes:**

- Customers do not have the certainty they need around the amount they will receive weekly or fortnightly for their family leading to increased demand as they seek reassurance from us
- Customers struggle to get the immediate certainty around their entitlement when they can't get through to us by phone, can't navigate myIR and our response time for web messages is up to 15 days. WFF customers are 22% of all our customers but they make up 38% of all the phone calls IR receives, the most of any segment.
- The immediate changes identified above can create further overpayments and increase the accumulative adjustments resulting in payments reducing or stopping placing customers in further hardship and inability to meet their daily needs.
- Customers are inundated with information that they struggle to understand.

**Longer term opportunities:**

If the initiative does not proceed, then changes to how we improve delivery of WFF will be limited to providing ad hoc advice in response to Ministers at the time of commissioning. Policy advisors will continue to explore opportunities in their stewardship role where time permits, and will consult with the existing WFF networked team on potential options. However, the options are unlikely to be more reformative or ambitious given the existing limited resources. In effect, this work as described will not be prioritised.

## 1.4 What is your initiative?

### **Immediate changes:**

To provide tools, resources and services that enable our customers to access the right information around their entitlements, and ensure they know when they need to tell us about changes in their circumstances. The service we provide is conducive to reducing overpayments as we act quickly, proactively using the intelligence we hold, and provide assurance in the way we communicate.

Our digital channels are fit for purpose, enabling those who have the ability to self-manage to do so, and allowing IR to focus our efforts on those who need more assistance directly from us.

### **Longer term opportunities:**

The immediate stage of work is to scope the longer term work programme to anticipate the level of resources required and propose timeframes (i.e., to move into Discovery phase?). The work programme will include the opportunities bulleted in section 1.2.

## 1.5 Alternative approaches

### **Immediate changes:**

Pieces of work have commenced in most areas, and these are at the scoping and discovery stage. We are working with Customer Insights and Evaluation to understand our customer segmentations and obtain behavioural insights to tailor our solutions to different groups. It is vital that these pieces of work get the priority they need across the enterprise to ensure the changes go through, and that we see the change that is needed for our most vulnerable customer group. We anticipate involvement required from CSI, IIS and PD&D.

### **Longer term opportunities:**

In August, we held a workshop with subject matter experts from Policy, CCS, ED&I, and II&S to discuss these opportunities and whether there were others to consider. There was unanimous agreement that the opportunities all merited further investigation, and that this would be an important opportunity for Inland Revenue as part of its stewardship function. We discussed that such a programme of work would involve staff from multiple business units within IR.

## 1.6 Who primarily benefits from this initiative?

In the long run, our WFF customers would benefit by experiencing less debt and more certainty about their support. Currently, WFF settings are complex and require timely information from the customer to accurately pay their entitlements. However, their life circumstances are also complex and may not align with the administrative settings. We will consider policy, legislative, and administrative options to improve the delivery of support.

IR also benefits from improvements that reduce compliance costs for customers, so that our staff may focus on other priorities related to social policy and tax administration.

In the interim, this initiative positions IR to discuss opportunities for future governments that wish to make social policy changes.



## 1.7 Logic of the initiative

### Immediate changes:

At the end of this operational work programme, our WFF customers will have access to the right information and service regardless of which channel they choose to engage with.

Through our proactive engagement our customers will have a higher level of understanding around what is required from them and what changes affect their entitlements, and how they need to update their details with IR.

We will provide greater certainty of payments, and clearer information when a call to action is required. We will use the intelligence we hold to reduce effort for the customer, and ultimately reduce the risk of overpayments.



### Longer term opportunities:

At the end of the work programme, we will deliver "Inland Revenue's strategy to improve the delivery of income support through the tax system". The goal is to use this strategy as a benchmark against which we will measure incremental changes to social policy over time, so

that we can clearly articulate our broader aims when Ministers commission advice. This strategy would be developed in a non-partisan manner, and we would consider objectives of a social policy or social insurance system that are enduring. The strategy would also need to be relatively flexible to adapt to policy, technology or other substantive civil or cultural changes over time.

We estimate the strategy may take 12 to 18 months or more to materialise, but learnings along the way could be used to inform advice to Ministers.

## 2 Alignment

### 2.1 Eke Tangaroa and Business Priorities

This initiative aligns very closely to Eke Tangaroa and IR's priority to deliver and improve services for our customers and managing our performance. In particular, this initiative supports the Government in its priority work areas, which includes reforming the welfare system and addressing individual debt owed to Government.

Not progressing this initiative increases IR's enterprise risks:

- (1) Failure to deliver for customers or Government priorities, and
- (7) Failure to provide appropriate stewardship of the tax and social policy system

### 2.2 Business objectives – value framework

This initiative fits most closely with the *Integrity* business objective: integrity and trust of the revenue system is maintained.

The WFF system was introduced in 2004 and successive changes to the parameters have been made since then. Some changes have increased or further targeted support, and some changes have been made with the intent to improve or in some cases, ignore, the impacts on work incentives. The genesis of Keymaster was in asking the question of whether the WFF system is still fit for purpose. The short answer is that while it has met some of its original objectives, it does not deliver in others.

While this initiative primarily meets the Integrity business objective, it will also help to meet the objective of *Ease of complying* and *Customer certainty*. A satisfactory outcome would be to improve the wellbeing of New Zealanders, and particularly of our WFF customers. If they feel better supported or empowered, and have less need to contact IR, then that would be a desirable outcome. This initiative would also help to increase customer confidence and awareness.

## 3 Value for money

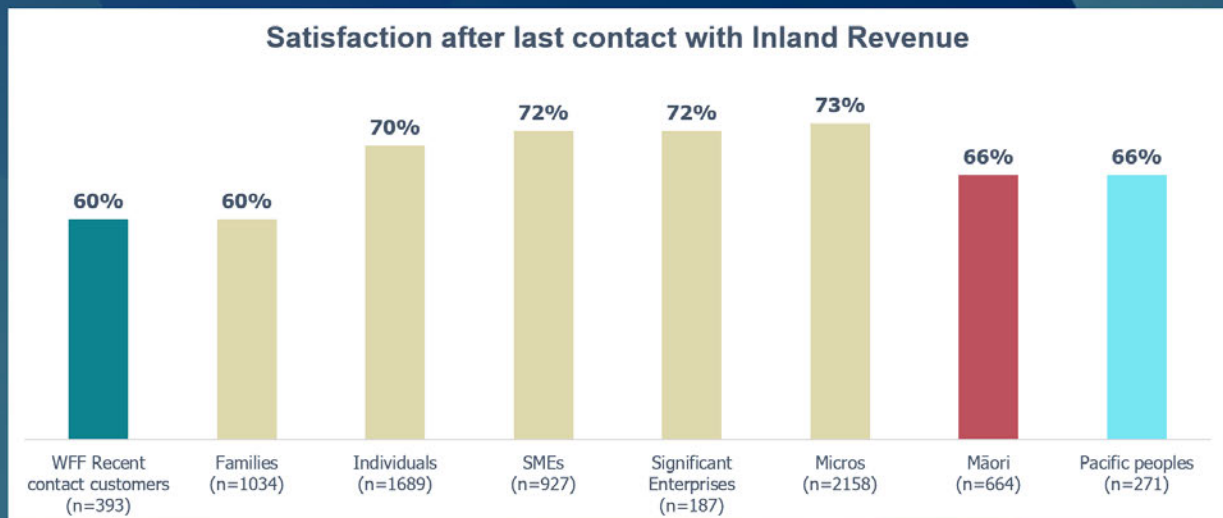
### 3.1 Successful implementation of this initiative will create the following benefits

#### Immediate changes:

Non-financial - Customer satisfaction from our Families customers is low compared to the rest of the results across our organisation.



## WFF customers stand out from other customer groups for low satisfaction



Source: Customer Experience & Perceptions (CX&P) online survey Apr 21 to Mar 22 tax year, based on Recent Contact customers

Information from Insights and Evaluation show that Families customers have been unable to get through on our phone lines, struggle to self-serve, and need assurance around the amount they are receiving as in a lot of cases their Wff entitlement is used to feed their Family.

Financial – Making it easy for Wff customers to self-service and share their change of circumstances will increase our ability to get correct entitlements out. Providing up-front education to our new Wff customers will also increase customers understanding of the product. Since Business Transformation we have seen the number of letters issued double from 1.1m letters in 2018, to 2.1m letters issued in 2021. We are doing a deep dive into our letters, the calls to action and duplication of effort which will likely result in a reduction of outputs, and a cost savings both to IR, but also for the customer in terms of time and stress.

Economic - In the discovery stage of this work we are seeing that this customer group are regularly in My IR looking round but not taking any actions. Families' customers try to use IR digital channels but 85% end up phoning because they need assistance to complete, or assurance that they have got it right.

Customer research has also shown that these customers are receiving many notifications from us throughout the year to reduce overpayments, but this is causing confusion for customers and them continually having to monitor their Wff account.

92% of Working for Families (Wff) customers are registered for myIR, yet during the 2020 rollover only 50% of customers accessed myIR within 8 days of receiving the notification. A significant number had a session duration of less than a minute and did not read the rollover letter.

### Longer term opportunities:

During the development of the long term strategy we will endeavour to produce measurable estimates of non-financial, financial, and economic benefits of the options. Measurable outputs will depend on the appetite of the government and public sector in choosing to implement options consistent with the strategy. However, we anticipate that qualitative analysis of the options during the development of the strategy will show improvements over the status quo as the benefits should outweigh the costs for recommended options.

### **3.2 Indicative resource requirements/costs for implementation and ongoing**

To scope the work programme, a core team of IR staff will be required to work together between now and February 2023. The deliverable at that stage will be a 12 to 18-month work programme that will detail the resource requirements and stages of work. We propose that this core team be comprised of:

- Sue Gillies
- Eina Wong
- Hilary Rodgers
- James Grayson

This team will work with others in ED&I, PaRS, CCS-I, I&IS, and PDD as required. We anticipate that this work could be done within people's existing roles.

## **4 Delivery**

### **4.1 Timing considerations**

#### **Immediate changes:**

Many of these changes are at the scoping or discovery stage. We also want to customer test any changes that we are proposing to ensure we have got it right for this unique/complex customer group.

#### **Longer term opportunities:**

The Review of Working for Families is in progress, and we expect that decisions could be taken by Ministers in early 2023 calendar year. This timing would work well to simultaneously plan Keymaster to incorporate these decisions to form IR's social policy strategy. Decisions taken by Ministers could potentially be implemented for the 2024-25 tax year and beyond.

### **4.2 Delivery challenges/risks**

#### **Immediate changes:**

The challenge we see is that we will get the work to the stage where it needs system changes and it will not be high enough on the Enterprise priorities to deliver these changes.

These changes will include:

- Changes in My IR
- Letters stopped/changed
- Changes in Te Mātāwai

- Changes to our website
- New discoveries or work items

**Longer term opportunities:**

The key challenges are primarily in resourcing from IR and MSD (depending on their level of involvement), and MSD's progress/capabilities on their Te Pae Tawhiti business transformation. We have identified the initial core team to develop the work programme, and the success of the initial stage of this initiative will depend on their availability over the coming months.

## **5 Recommendations**

**Immediate changes:**

We continue to work on the initiatives we have underway for WfF and that they become an Enterprise priority.

**Longer term opportunities:**

We recommend the Group approves to move Keymaster into the second stage of the initiative lifecycle (Discover).

25 August 2023



## Project Keymaster (WFF Stewardship Programme)

### Steering Group Update

Steering Group: Kerry'n McIntosh-Watt (chair)  
Sue Gillies  
Phil Whittington  
Charles Ngaki  
Cate Robertson  
Ron Grindle  
Jo Taranaki

Sponsors: David Carrigan  
James Grayson

## Context

### Keymaster governance:

1. Steering Group, every 2 months
2. Sub-ELT group, every 2 months
3. PPG/PGC updates, quarterly
4. CCSLT, quarterly
5. SPS status report, monthly

This is the first 2-monthly progress update on Project Keymaster.

### *Next updates:*

Sub-ELT group: 1 September

PPG: 20 September

PGC: 21 September

CCSLT: November

## Progress to date (5 min)

1. Workstream scope notes agreed
2. Teams and sharepoint sites up and running
3. 2-day roundtable on 23-24 August.
  - To agree on direction of subsequent work
4. Weekly information sessions with SMEs:
  - myIR demo
  - customer issues (customer and staff perspectives)
  - tax and transfer settings and pressures
  - applying He Ara Waiora framework
  - WFF debt
5. Rahera Ohia's role

*The effort and output to date has been:*

- *high quality*
- *high content*

*There has been high participation levels among the project team, as well as motivation and genuine interest.*

## Discussion points (20 min)

1. Clarifying Keymaster's deliverables and expectations for change
  - What this means for business group work programmes and change initiatives in the interim
2. Resourcing
  - PD&D and FAST
3. BIM/political manifestos/non-discretionary work
  - High likelihood of changes in income support
  - Non-discretionary: indexation of WFF payments
  - PIT interaction

## Next up

1. Completing problem definitions
2. Continue narrowing potential options
3. Keymaster will be mentioned in IR's Annual Report

## Forward agenda items:

1. Role of other agencies
  - Role of Te Pae Tawhiti



1 September 2023



## Project Keymaster (WFF Stewardship Programme)

### Sub-ELT Update

Sub-ELT: David Carrigan  
James Grayson  
Mary Craig

Attendees: Kerryn McIntosh-Watt (chair)  
Sue Gillies  
Maraina Hak  
Samantha Aldridge  
Eina Wong

## Context

Keymaster governance:

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Steering Group: October

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  - WFF debt
4. Teams and sharepoint sites up and running
5. Rahera Ohia's role

*The effort and output to date has been:*

- *high quality*
- *high content*

*There has been high participation levels among the project team, as well as motivation and genuine interest.*

## Discussion points (10 min)

1. Clarifying Keymaster's role:
  - Keymaster will not delay any local change initiatives or BAU decisions.
  - Keymaster will not be used to circumvent existing change processes, including any "quick wins" identified.
2. Resourcing
  - PD&D and influencing the work
3. BIM/political manifestos/non-discretionary work
  - High likelihood of changes in income support
  - Non-discretionary: indexation of WFF payments
  - PIT interaction

## Next up

1. Completing problem definitions
2. Continue narrowing potential options
3. Keymaster will be mentioned in IR's Annual Report

## Forward agenda items:

1. Role of other agencies
  - Role of Te Pae Tawhiti

# Minutes

Attendees: Kerryn McIntosh-Watt (chair), David Carrigan, James Grayson, Mary Craig, Sue Gillies, Maraina Hak, Samantha Aldridge, Eina Wong

Apologies: none

Item		Action
1	Confirmed that the output at the project's end will include both aspirational and practical options for potential implementation.	Confirmed.
2	Discussed the possibility that some people working on Keymaster may be needed to work on post-election policies, which would affect the timeline for Keymaster. s 9(2)(g)(i) <ul style="list-style-type: none"><li>We should plan ahead where possible to maintain momentum, and consider opportunities for quick wins.</li></ul>	Noted.
3	Agreed that the sub-ELT group will approve the direction of the work as it progresses.	Future meetings to be scheduled longer to allow for these decisions.



## WFF Stewardship Programme of Work (Project Keymaster)

Portfolio Governance Committee

21 September 2023

Sponsors: David Carrigan and James Grayson

Attendees: Samantha Aldridge and Maraina Hak (PaRS)

## Purpose

This paper presents a comprehensive view of the progress, options, challenges, and opportunities for Project Keymaster.

We recommend that the Committee:

- **Discusses** the appetite for implementing “quick win” opportunities ahead of final recommendations via the local change initiative process.
- **Discusses** the potential risk that post-election policies may divert resources away from the project, which may delay timeframes for delivering recommendations to ELT.





## Context and background

- Project Keymaster was endorsed by SIB in June 2023 as an enterprise initiative. The project is focused on developing Inland Revenue's long-term strategy on income support payments delivered through the tax system. It will consider what an ideal tax and transfers structure could look like, what the implications might be, how the current WFF tax credits could be improved, and how support could be made more accessible and timely for customers. This work contributes to our stewardship obligations under the Public Service Act 2020.
- The project will consider long-term aspirational goals, nearer-term options for implementation (along a continuum of improvements and larger reform options), and a roadmap to improve customer experiences. We will consider changes to policy, systems, operations/administration, and legislation.
- This is an IR-led project that precedes any consultation or discussion with Ministers, partner agencies, or the public. The reason for this is to identify the problems and opportunities, and to take a first-principles approach.
- We anticipate providing a package of recommendations to SIB in October 2024.

## Governance of Keymaster

- Given its role as a key enterprise stewardship initiative, Keymaster follows a stringent governance structure.
- At the SIB meeting in June 2023, it was agreed that PGC would provide oversight of this project in lieu of SIB.
- At the inaugural sub-ELT meeting in Sept 2023, the group members agreed they would oversee the substantive analysis of the project team, including any policy or operational decisions to date.

### Keymaster governance:

1. Steering Group, every 2 months
2. Sub-ELT group, every 2 months
3. PPG/PGC updates, quarterly
4. CCSLT, quarterly
5. SPS status report, monthly

## Progress to date

Two milestones so far:

- **4 July:** the Project was formally kicked off in Wellington, with project members and their people leads attending.
- **August 2-day Roundtable** yielded options to analyse further, in addition to the status quo:
  - s 9(2)(f)(iv), s 9(2)(g)(i)
  - 
  - 
  - 
  -
- Raised fundamental questions such as:
  - What is the imputed value of non-paid work, and how does that change our traditional thinking in this space? Examples include the value of child-rearing, volunteering, etc.
  - What is the role of work incentives? Are these important for designing income support?
  - We will be considering how to address these issues.

## Progress to date

- A valuable outcome of these all-of-project condensed workshops is the space to discuss ideas in an open group forum. They gave every team member present an opportunity to voice the thoughts and ideas bubbling away independently, share information and data, and arrive at a majority or consensus view on the state of play.
- In other words, we are “getting on the same page”. The project team has highlighted this as a strong outcome to date, particularly as the team members represent different parts of Inland Revenue. For this reason, we plan to have regular quarterly roundtables. These will be in-person as that seems to have the greatest benefit for group discussion.



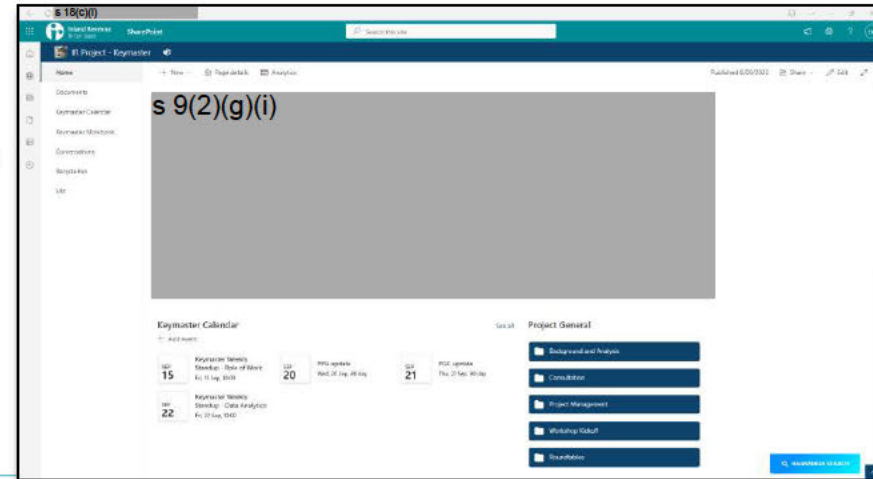
# Progress to date

## Weekly information sessions:

These are held to disseminate information to the project team. Sessions have so far covered:

- Customer issues, from customer-research and staff perspectives
- How the tax and transfer system has evolved, and questions whether the original WFF objectives are fit for purpose
- How to use He Ara Waiora
- Working for Families debt – a data perspective
- The role of work incentives in an income support system
- myIR demo and the WFF customer experience

Participation from the project team has been high and feedback has been positive. We have a forward agenda booked out for the next two months.






# Key project innovations

## Te Ao Māori Perspectives:

- The goal of this work is to upskill ourselves through this project, which will have long-lasting benefits beyond this project.
- Work is underway to learn how to apply He Ara Waiora and Māori Outcomes frameworks from the start of our analysis. Often, this is done toward the end of the process.
- Rahera Ohia has been brought in to this project to challenge our thinking in this space. Rahera is a member of the Māori Reference Group, is a systems thinker, and is an expert in ao Māori perspectives.
- We have discussed with the Māhutonga team the best way to engage our respective work areas. The Māhutonga process is more focused on external engagement with Māori and iwi. Because Keymaster will not go through public engagement, we have agreed to touch base as we progress the work.



## He Ara Waiora – brief overview


He Ara Waiora is a waiora framework built on te ao Māori knowledge and perspectives of wellbeing. Waiora speaks to a broad conception of human wellbeing, grounded in wairua (soul) as the source of life (ora). It recognises that all aspects of waiora are interconnected. Waiora is intergenerational in scope. It was developed alongside Hui Patangiri (an expert group of Māori thought leaders).

**Why use He Ara Waiora?**  
The Treasury's vision is 'lifting living standards for all New Zealanders'. He Ara Waiora helps us to apply an indigenous and uniquely New Zealand approach to lifting living standards.

**How is it intended to be used?**  
He Ara Waiora can be used in the following ways:  

- To ground deeper thinking and questions that can improve policy analysis – such as: does this initiative improve the ability of individuals, whānau, hapū, iwi and communities to determine and achieve their own aspirations?
- To guide policy and operational process – for example, by applying the principle of kotahitanga and diving to demonstrate collaboration amongst government agencies alongside iwi, Māori and communities to deliver meaningful wellbeing outcomes.
- To help public servants learn and apply a stronger understanding of some key Māori concepts that relate to wellbeing.
- To enable, over time, stronger evaluative thinking about the wellbeing impacts of government policies.

**How to read the following diagram**  
He Ara Waiora talks about ENDS (what outcome domains are important) and MEANS (what approaches and processes we need to follow to achieve the ends).



**ENDS – what is important for waiora**

**Wairua** (spirit) is at the centre to reflect that it is the foundation or source of wellbeing. Values, beliefs and practices related to wairua are essential to Māori conceptions of health and wellbeing.

The wellbeing of **Te Taha** (the natural world) is paramount and inextricable from human wellbeing. There are responsibilities and obligations to sustain and maintain the wellbeing of Te Taha.

**Te Ihi Tangata** (the human domain) encompasses human activities and relationships.

People (**tangata**) and collectives (**whānau**) strive who they:

- Have a strong sense of identity and belonging (**mana tuku iho**)
- Participate and connect with their communities, including fulfilling their rights and obligations (**mana takahanga**)
- Have the capability to decide on their own wellbeing and realise these in the context of their own unique circumstances (**mana whānau**)
- Have the power to grow sustainable, intergenerational prosperity (**mana whānau**).

**MEANS – principles for how to approach the creation of waiora (wellbeing)**

**Kotahitanga** means working in an aligned, co-ordinated way across the system and in partnership with business, communities, iwi and whānau.

**Tikanga** means that decisions have to be made in accordance with the right processes. This includes working in partnership with the 'treaty partner'.

**Whānauwhakaheke** means fostering strong relationships and networks, both through kinship and shared interests.

**Mānauwhakaheke** means maintaining a focus on improved wellbeing and enhanced mana for all New Zealanders. It means supporting each other and demonstrating an ethic of care for our fellow New Zealanders. Distributive analysis is important to identify and address inequities.

**Tiakitanga** means guardianship, stewardship (e.g. of the environment, or other important processes and systems that support wellbeing).

\* Under discussion for inclusion in the framework



# Māhutonga

Te whānui o ngā kōwhiri o te Tiriti o Waitangi me ahuru Māori i te Tari Taake  
Weaving the strands of the Treaty of Waitangi and Māori culture in Inland Revenue

## Key project innovations



### Keymaster data and insights team:

- Includes people from PaRS Forecasting, CEDA, and CI&E
- We have created a bespoke data request process and repository of information:
  - Requests are managed in a parallel Jira project (DIP Keymaster Project)
  - The data request form is accessed from the project sharepoint site
  - We have dedicated discussions on the data and evidence collected
- The project has a heavy emphasis on being driven by the available data and evidence.

# Engagement and customer testing

## With agencies (MSD, Treasury, MSD):

- Initial discussions with agencies to introduce to them Keymaster as IR's stewardship programme have been mostly positive. There has been interest from them to have influence over the work, and we have emphasized this is an IR-led initiative. We are thinking how best to engage with them as we work through substantive options to consider their perspectives.

## Customer research:

- We are planning to conduct customer research as part of Keymaster. This will be used to test ideas and options, given we will not publicly consult during this project. The research will include qualitative and quantitative analysis.



## Discussion: Quick win opportunities

- In the course of the project, there could be “quick win” opportunities identified (policy or operational). If these opportunities are assessed to have merit to progress alongside Keymaster (i.e., before the October 2024 recommendations), they would follow the normal local change process.

**Discussion point: if there are multiple changes, how well placed would the department be to implement them, should they get approved to go ahead?**

## Thinking beyond 2024 recommendations

- To prepare ahead, we are considering how extensive the recommendations to SIB will be in October 2024. It is likely that there will be options that are considerably complex and will require more time and consideration than is available. We anticipate that there could be further work undertaken after the report is delivered to SIB. For that reason, Keymaster in its current form could be a “version 1.0”, and further work could continue depending on SIB’s appetite to continue with the project.
- s 9(2)(g)(i)

## Discussion: Post-election work and resourcing

- The current political manifestos in the social policy area include relatively straightforward changes to WFF, and some changes are common across major parties. We also have some BAU changes to implement per legislated settings. The following changes are likely to occur:
  - IWTC increase \$25 pw (1 April 2024)
  - 5% CPI and MFTC adjustments (1 April 2024)
  - IETC threshold increase (1 July 2024)
  - Personal tax threshold adjustments (1 July 2024)
  - WFF abatement threshold increase (1 April 2026)
- If progressed, the Family Boost proposal (1 July 2024) is likely to require resources from the Keymaster project team. This could delay Keymaster timeframes, and we will assess the impacts when we have more information.

**Discussion point: given that Keymaster is a key stewardship and enterprise initiative, what resourcing plan does the Committee consider would mitigate the risk to the project's timeframes?**

## Next steps

- The team is continuing to identify the problems and opportunities in the workstreams, building on the August 2-day roundtable.
- The data required to progress the work are being identified, and the team is monitoring how best to respond to the requests given the volume of analysis needed.
- Background notes are being drafted. These notes will form a library or repository of thinking on this project, not just for the project duration but also beyond it.
- We are planning another roundtable for November. We will be seeking to identify remaining major concerns with the thinking. It will be challenging to manage any significant issues after that date, as the team will be focusing on narrowing down options.
- We will update PGC in November.

# Thank you



We're on it!

Thanks for your submission.

[Submit another form](#)

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**Inland Revenue**  
Te Tari Taake



# Project Keymaster Update

## Steering Group meeting, 19 October 2023

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### Executive summary

This note is a progress update on Project Keymaster since the Group last met on 25 August. The key points to note are:

1. Overall progress is tracking well against the scoped timeframes for each workstream. Progress on an intermediaries strategy has slowed due to key absences, but we had anticipated that at the start of the project. Generally, there has been a high level of momentum and engagement across the project team in the past four months. This has meant regular information sharing across the project. The bulk of this paper is an update on the various pieces of work for your information.
2. There are two items we would like to discuss with you. The first is resourcing impacts following the general election. While the results will take some time to confirm, we will need to prepare some early advice for the proposed policies. We have identified key people risks for Keymaster particularly with regards to the social policy expertise required. The timeframes for turnaround of advice before Christmas are tight.
3. The second item to discuss is our proposal to include a principles framework to use for the project. This framework goes beyond the typical tax and social policy framework which is relatively neutral on recommendations.

### Recommendations

It is recommended that the Group:

- **Notes** the progress of the project is generally tracking to plan;
- **Notes** the background reading documents in the Appendix B as information only;
- **Discusses** the resource risk and options for post-election work; and
- **Discusses** the proposal for a principles framework to apply for this project.

On behalf of the Keymaster core team,

**Eina Wong**  
Principal Policy Advisor

**Samantha Aldridge**  
Principal Policy Advisor




## Keymaster 2-monthly update (Oct 2023)

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### Purpose

1. This briefing provides a 2-monthly update on Project Keymaster for governance purposes. The update has two main parts: an update on project management, and an update on relevant analysis and research. We have called out areas for discussion and will note these in the agenda.
2. Other items are provided as informational only. If any members would like to discuss these in more detail, please let us know and we will invite the workstream lead to the meeting.

Not in scope



## Māori perspectives

10. The Māori perspectives team has introduced the He Ara Wai Ora framework to the Keymaster team and will be working through how to apply the framework with each workstream separately. We will need to be flexible about how the framework applies given that some of the workstreams have a more administrative focus rather than a policy focus, and because this is the first time that we have used He Ara Waiora in a stewardship setting.
11. We have brought Rahera Ohia onboard to challenge us on our thinking throughout the project, from a strategic and te ao Māori capability. She has attended our first workshop. In addition to providing input on the workstream papers, we will ask her to provide a strategic view on what might be possible in the Working for Families space.
12. We are aware of the work that is being done in IR on Māori Data Sovereignty and Māori Data Governance and will consider how this might apply to Keymaster as that mahi progresses.
13. At this stage we are not planning external engagement with Māori groups or iwi before recommendations are provided to ELT. We have had an initial discussion with the Mahutonga team, and will discuss any potential external engagement with groups with the team.
14. We are also considering how to include a te ao Māori perspective into the WFF customer research project.



## WFF customer research project

15. We have begun scoping a customer research project and survey to support Keymaster analysis. This will be a year-long project with qualitative and quantitative stages. The plan is the first stage of customer surveying will begin in November and conclude in early 2024. This will help to support the developing analysis in the workstreams.
16. In April 2024, the second stage of quantitative analysis will begin. We anticipate this will conclude in time for the project team to begin formulating their final recommendations to SIB.
17. The cost for this work is being funded by the Intelligence & Insight team. Depending on coalition negotiations, the timing of this work may be delayed.

## Data team updates

18. The Keymaster analysis will be based on as much data, evidence and insights as possible. We have a separate data team within Keymaster to respond to data requests. In the last update, we described a bespoke Jira process designed for Keymaster to enable transparency not only within the project, but also for the rest of the IR data community. It has proven useful, particularly with the high volume of data requests. As a general learning, we will consider whether a similar process could or should be set up for other policy projects.
19. Because of the high volume of requests, we have brought on board an additional data analyst from the Performance & Reporting team to support the team, for a total of four members.
20. The team has also created a tailored data module for the core team's use. This data module contains sensitive revenue information and is located on a restricted page of our Sharepoint site. We have documented the expectations for using the module in accordance with the IR code of conduct and IKM guidelines.

s 18(c)(i)

s 9(2)(g)(i)

## Analysis and research for discussion

22. Since the August roundtable, the project team has steadily progressed the scoped work programmes for each workstream. The team has started documenting these in background notes. For this update, we have included a brief synopsis of the draft findings and have included links to them if you wish to read more detail.

## Principles of Keymaster

23. In the course of group discussions to date, there was an increasingly clear need to develop a set of principles for the project. The main reasons were:
  - a. The typical tax and social policy frameworks we use are relatively objective in addressing matters that require a more human-centred response or approach. This often leads to less clear recommendations.
  - b. Our experience in supporting vulnerable customer groups first hand (i.e., front line staff interacting with customers) has highlighted the importance of situational contexts that are not always considered when designing policy. For example, if someone is not financially literate, is it appropriate that we have an expectation they self-serve WFF obligations on myIR?
24. The purpose of developing these principles is to provide a further framework to guide the project team in developing their recommendations, and to allow for debate. We propose this to be a living document as the project progresses.
- 25. We recommend the Steering Group to discuss the merits of such a document, and we welcome any comments.**

s 18(c)(i)

s 9(2)(f)(iv)

## Other background documents

28. In Appendix B, links to other background documents are provided as optional reading.

## Next steps

29. Our intention is to hold our next roundtable on 1 December. This will be an opportunity for the project team to debate the analysis so far and discuss any reservations with the direction of travel. If post-election work displaces resources for the project, we will reconsider whether to continue with the roundtable for that date.
30. The next date for meeting with the Sub-ELT governance group is 31 October.

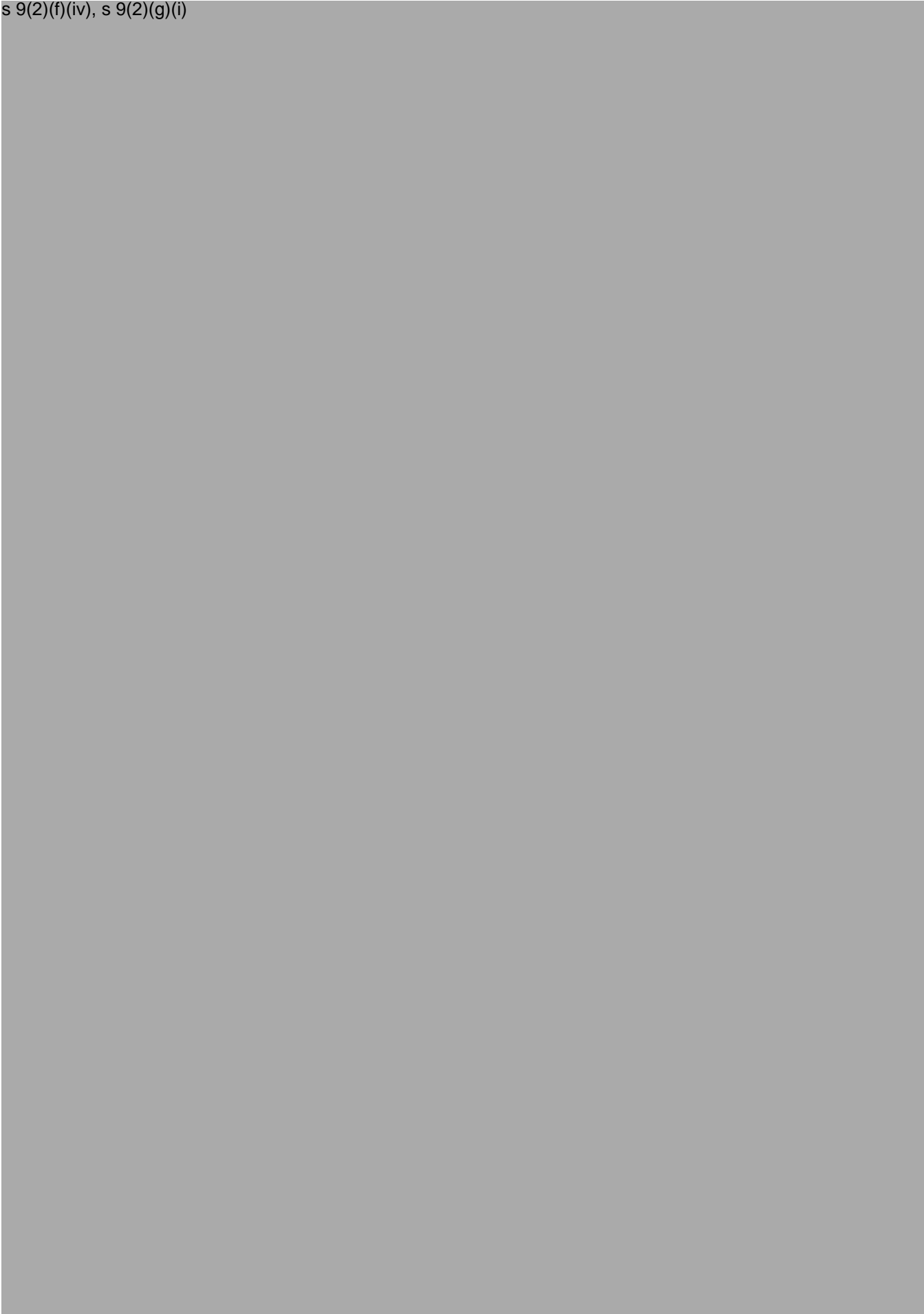
# Appendix A: Status of Workstreams

[Put any **optional reading** into an appendix. This is anything that Board or Committee members don't *need* to read in order to engage in discussion and make decisions. These should be numbered and named.


You can also put links to optional reading in the body of the paper. However, you need to be clear that it is extra detail just for those who want it.]

<b>Workstream</b>	<b>Current Progress</b>	<b>Status</b>
WS1 – Blank State	Tracking to scoped timeline.	Green
WS2 – Decoupling WFF	Tracking to scoped timeline.	Green
WS3 – Information Access	Tracking to scoped timeline.	Green
WS4 – All of Government Access to Support	Tracking to scoped timeline.	Green
WS5 - Intermediaries	Due to absences, progress has been paused.	Amber

s 9(2)(f)(iv), s 9(2)(g)(i)



s 9(2)(g)(i), s 9(2)(f)(iv)





## Project Keymaster Update

### Sub-ELT Group meeting, 31 October 2023

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#### Executive summary

This note is a progress update on Project Keymaster since the Group last met on 1 September and the impacts of post-election work on resourcing the project.

The key points to note are:

1. Overall progress is tracking well against the scoped timeframes for each workstream. Progress on an intermediaries strategy has slowed due to key absences, but we had anticipated that at the start of the project. Generally, there has been a high level of momentum and engagement across the project team in the past four months. This has meant regular information sharing across the project. The bulk of this paper is an update on the various pieces of work for your information.
2. There are two items we would like to discuss with you. The first is resourcing impacts following the general election. Although the results will take some time to confirm, we have begun to prepare early advice for the potential policy changes. We have identified key people risks for Keymaster particularly before Christmas as the timeframes for turnaround of advice before then are tight.
3. The second item to discuss is our proposal to include a principles framework to use for the project. This framework goes beyond the typical tax and social policy framework which is relatively neutral on recommendations. The intent is to apply this framework from a human-centred approach, based on our collective experience in administering payments to customers.
4. We will meet with the Strategic and Investment Board (SIB) on 1 November to discuss the social policy post-election work and how it could impact on Keymaster resourcing.

#### Recommendations

It is recommended that the Group:

- **Notes** the progress of the project is generally tracking to plan;
- **Notes** the background reading documents in the Appendix B as information only;
- **Discusses** the resource risk and options for post-election work and proposed governance arrangement; and
- **Discusses** the proposal for a principles framework to apply for this project.

On behalf of the Keymaster core team,

**Eina Wong**  
Principal Policy Advisor

**Samantha Aldridge**  
Principal Policy Advisor

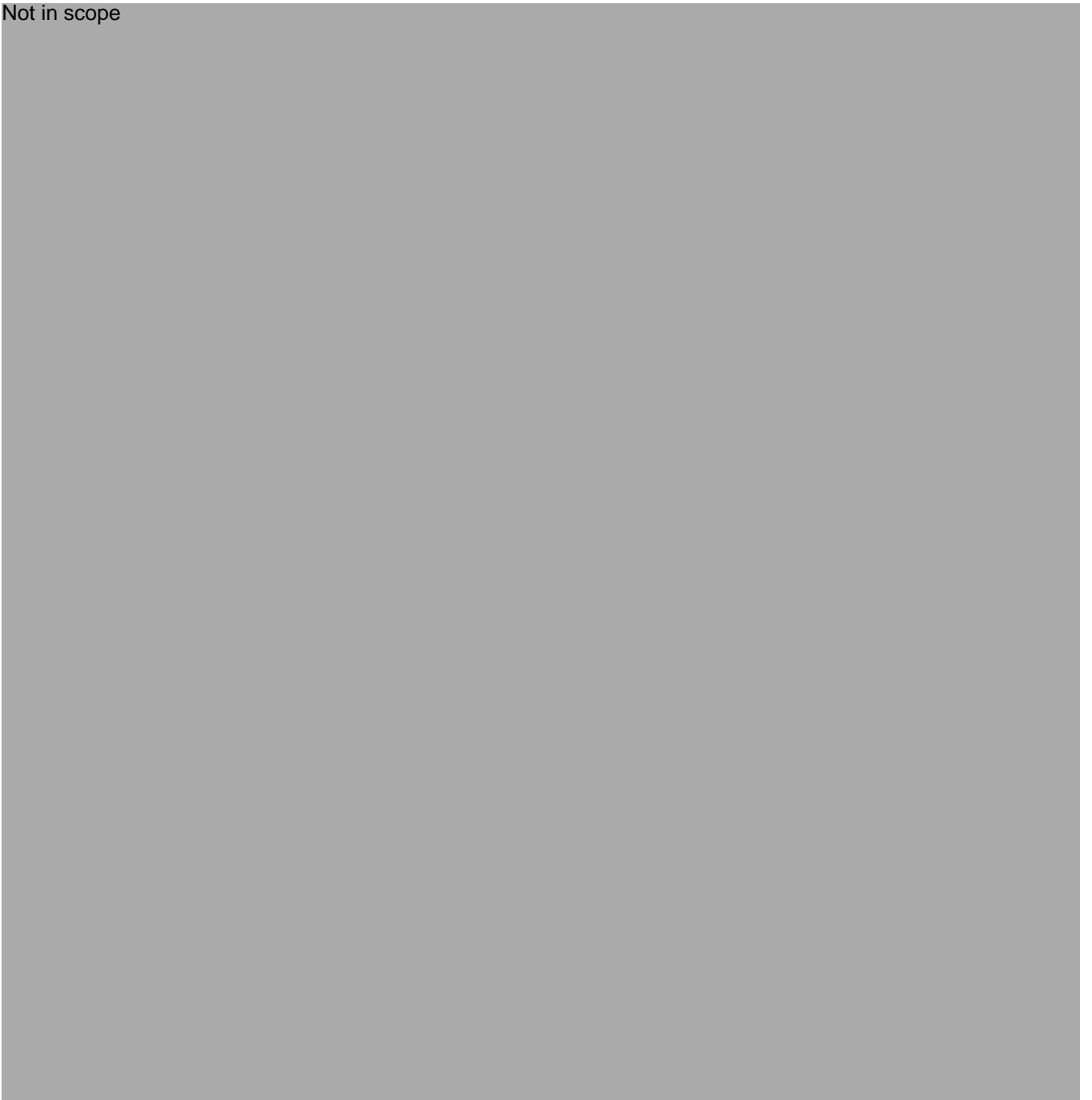
## Keymaster 2-monthly update (Oct 2023)

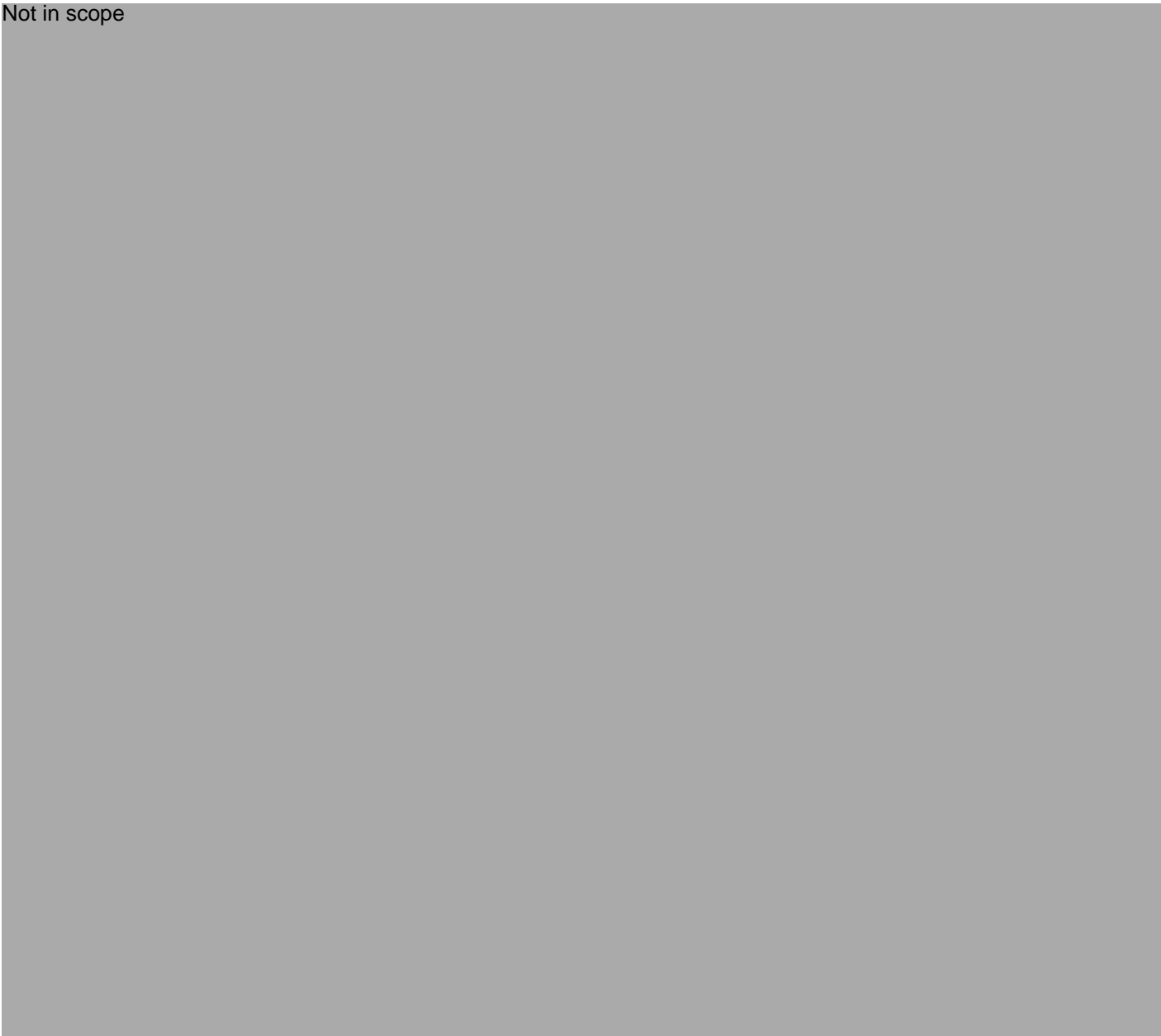
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### Purpose

1. This briefing provides a 2-monthly update on Project Keymaster for governance purposes. The update has two main parts: an update on project management, and an update on relevant analysis and research. We have called out areas for discussion and will note these in the agenda.
2. Other items are provided as informational only. If any members would like to discuss these in more detail, please let us know and we will invite the workstream lead to the meeting.

Not in scope





## Māori perspectives

13. The Māori perspectives team has introduced the He Ara Wai Ora framework to the Keymaster team and will be working through how to apply the framework with each workstream separately. We will need to be flexible about how the framework applies given that some of the workstreams have a more administrative focus rather than a policy focus, and because this is the first time that we have used He Ara Waiora in a stewardship setting.
14. We have brought Rahera Ohia onboard to challenge us on our thinking throughout the project, from a strategic and te ao Māori capability. She has attended our first workshop. In addition to providing input on the workstream papers, we will ask her to provide a strategic view on what might be possible in the Working for Families space.
15. We are aware of the work that is being done in IR on Māori Data Sovereignty and Māori Data Governance and will consider how this might apply to Keymaster as that mahi progresses.



16. At this stage we are not planning external engagement with Māori groups or iwi before recommendations are provided to ELT. We have had an initial discussion with the Mahutonga team, and will discuss any potential external engagement with groups with the team.
17. We are also considering how to include a te ao Māori perspective into the WFF customer research project.

### WFF customer research project

18. We have begun scoping a customer research project and survey to support Keymaster analysis. This will be a year-long project with qualitative and quantitative stages. The plan is the first stage of customer surveying will begin in November/December and conclude in early 2024. This will help to support the developing analysis in the workstreams.
19. In April 2024, the second stage of quantitative analysis will begin. We anticipate this will conclude in time for the project team to begin formulating their final recommendations to SIB.
20. The cost for this work is being funded by the Intelligence & Insight team. Depending on coalition negotiations, the timing of this work may be delayed.

### Data team updates

21. The Keymaster analysis will be based on as much data, evidence and insights as possible. We have a separate data team within Keymaster to respond to data requests. In the last update, we described a bespoke Jira process designed for Keymaster to enable transparency not only within the project, but also for the rest of the IR data community. It has proven useful, particularly with the high volume of data requests. As a general learning, we will consider whether a similar process could or should be set up for other policy projects.
22. Because of the high volume of requests, we have brought on board an additional data analyst from the Performance & Reporting team to support the team, for a total of four members.
23. The team has also created a tailored data module for the core team's use. This data module contains sensitive revenue information and is located on a restricted page of our Sharepoint site. We have documented the expectations for using the module in accordance with the IR code of conduct and IKM guidelines.

s 18(c)(i)

s 9(2)(g)(i)

# Analysis and research for discussion

25. Since the August roundtable, the project team has steadily progressed the scoped work programmes for each workstream. The team has started documenting these in background notes. For this update, we have included a brief synopsis of the draft findings and have included links to them if you wish to read more detail.

## Principles of Keymaster

26. In the course of group discussions to date, there was an increasingly clear need to develop a set of principles for the project. The main reasons were:

- a. The typical tax and social policy frameworks we use are relatively objective in addressing matters that require a more human-centred response or approach. This often leads to less clear recommendations.
- b. Our experience in supporting vulnerable customer groups first hand (i.e., front line staff interacting with customers) has highlighted the importance of situational contexts that are not always considered when designing policy. For example, if someone is not financially literate, is it appropriate that we have an expectation they self-serve WFF obligations on myIR?

27. The purpose of developing these principles is to provide a further framework to guide the project team in developing their recommendations, and to allow for debate. We propose this to be a living document as the project progresses.

**28. We recommend the Steering Group to discuss the merits of such a document, and we welcome any comments.**

s 18(c)(i)

## Analysis of WFF indexation adjustments

s 9(2)(f)(iv)

## Other background documents

31. In Appendix B, links to other background documents are provided as optional reading.

## Next steps

32. Our intention is to hold our next roundtable on 1 December. This will be an opportunity for the project team to debate the analysis so far and discuss any reservations with the direction of travel. If post-election work displaces resources for the project, we will reconsider whether to continue with the roundtable for that date.
33. For the SIB meeting on 1 November, we are preparing a document on how the governance for Keymaster and the social policy post-election work fit with the governance for the wider post-election work for Inland Revenue. You will receive that as part of your reading pack for SIB.



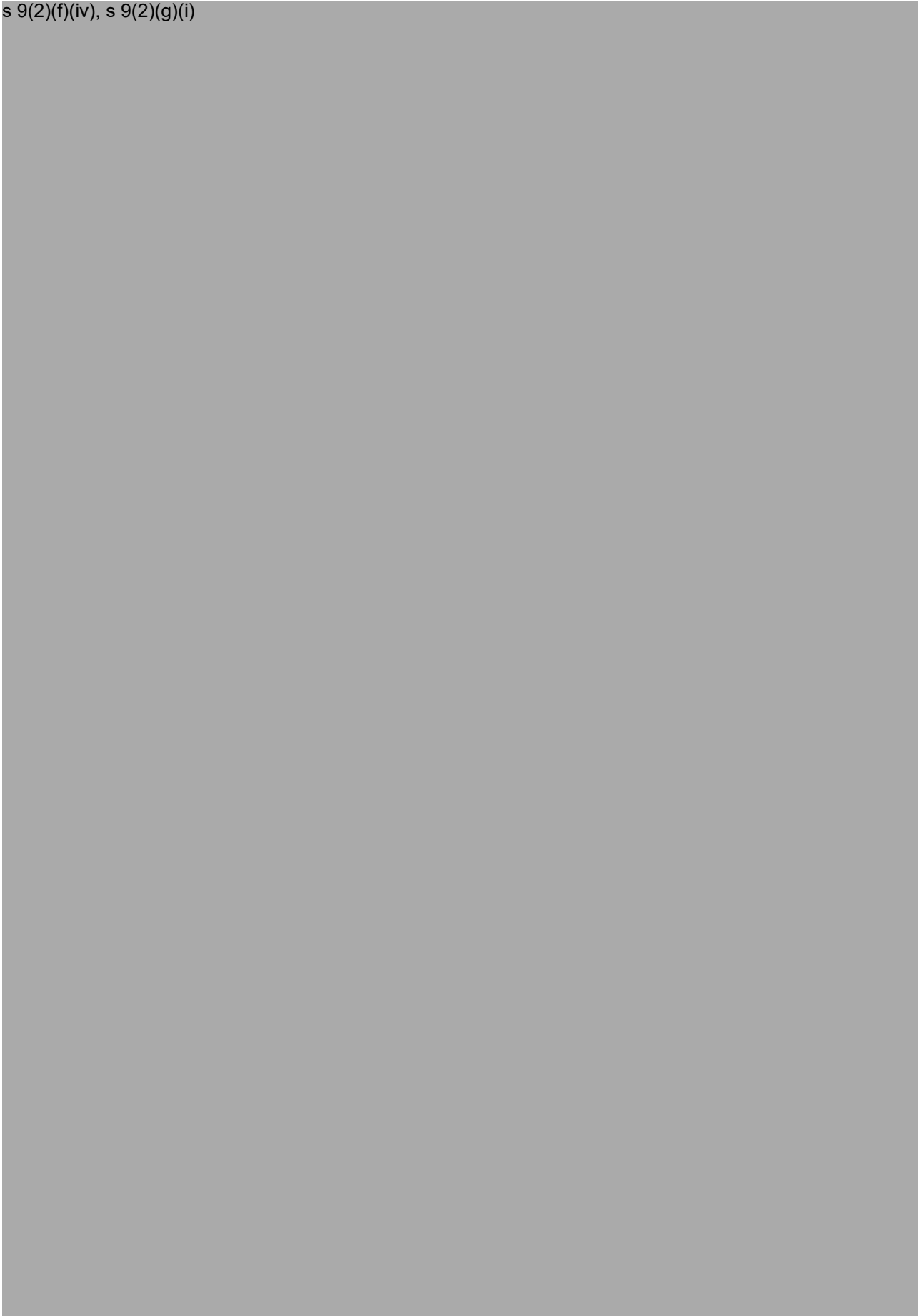
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s 9(2)(f)(iv), s 9(2)(g)(i)



s 9(2)(f)(iv), s 9(2)(g)(i)



# Keymaster Governance Minutes

## Steering Group

Monday 11 December 2023, 11.00-11.45am

### Members:

Kerryn McIntosh-Watt (Chair)

Sue Gillies

Phil Whittington

Charles Ngaki

Cate Robertson

Ron Grindle

Joanne Taranaki

Other attendees: Maraina Hak, Samantha Aldridge, Paul Young, Eina Wong, Phil Merritt

Apologies: Phil Whittington, Charles Ngaki, Joanne Taranaki

### Agenda

Time	Item	
11.00am	Opening/welcome	Kerryn
11.05am	Review and agree minutes from 19 Oct 2023 (attached)	All
11.10am	Discussion on Project Keymaster update: 1. Keymaster and early ministerial advice	All

## Minutes 11 December 2023

Item discussed	Action
<b>Review and agree minutes for SG meeting 2</b>	Agreed Due to absences, the Principles report will be discussed at the next Steering Group meeting.
<p><b>Discussion on Project Keymaster update: Keymaster and early ministerial advice</b></p> <p>The group discussed the Keymaster update paper to be presented to the Portfolio Governance Committee (PGC).</p> <p>Noted that final recommendations to ELT would need to be delayed by two months to December 2024. This was due to the current tax and social policy work programme and the research project being run by Insights. The group were comfortable with the two-delay with the two-month delay in recommendations to the Executive Leadership Team (ELT) and noted the potential that recommendations could be utilised for Budget 2025.</p> <p>Noted the feedback made from the Deputy Commissioner for CCS-I for the PGC paper. Firstly, the desire to further discuss the Principles report. Secondly, to evaluate the two-month delay and to determine Budget 2025 options in June 2024.</p> <p>The group discussed early ministerial advice for social policy. It was noted that the minister for Social Development and Minister of Revenue were already interested in advice for income support and this would be sent to the ministers in March 2024. The group agreed that draft advice would be discussed at the next meeting.</p> <p>The group discussed local initiative changes and how these could be reconciled within the final “package” for Keymaster. A member noted that it was too early to tell at this stage and the need to progress with local changes in the short term, but looking into how the recommendations for Keymaster and local changes should align. A member noted the need to test the recommendations at an early stage. A member noted that a workshop between PaRS and CCS-I had been arranged to discuss points of pain and “small” policy solutions considering the new government’s direction. The findings of this would be fed into the local change initiatives.</p>	<p>The group were comfortable with the overall progress of the project and have received good feedback from those working on the project.</p> <p>The group were comfortable with the two-month delay in recommendations to ELT and noted the potential that recommendations could be utilised for Budget 2025.</p> <p>The group agreed that items discussed in the PaRS and CCS-I workshop would be fed back to the group at the next meeting.</p> <p>The group agreed that draft advice to be sent to ministers to be discussed at the next meeting.</p>



Not in scope



**Principles framework**

The group discussed the merits of the principles framework, including its purpose, how it will help shape Keymaster’s recommendations and the principles themselves. The group agreed having such principles is a good idea.

The group agreed to send any feedback on the Principles Framework to the Project Leads. A revised draft will be sent to the Steering Group to discuss at the next meeting.

s 9(2)(g)(i)



**Next Meeting**

Two placeholders have been sent the next Steering Group meeting on 6 and 7 March 2024. We will confirm the meeting date shortly.

# Keymaster Governance Agenda

## Steering Group

Tuesday 28 May 2024, 15:00-16:00

### Members:

Kerryn McIntosh-Watt (Chair)

Sue Gillies

Phil Whittington

Charles Ngaki

Cate Robertson

Ron Grindle

Joanne Taranaki

Other attendees: Maraina Hak, Samantha Aldridge, Eina Wong, Phil Merritt, Hilary Rodgers

### Agenda

Time	Item	Who?
15.00	Opening/welcome	Kerryn
15.02	Review and agree minutes from 7 March 2024 (see Page 2)	All
15:05	Discussion of the Keymaster Interim Report and the MFTC/WFF Abatement Stacking Update: <ul style="list-style-type: none"> <li>Attached Interim Report &amp; MFTC Update,</li> <li>Update the group on early feedback received from the Deputy Commissioners of Policy and CCS-I,</li> <li>Seek feedback from the group about the proposed direction and the packages.</li> </ul>	Paul and Samantha
15:25	Keymaster Principles <ul style="list-style-type: none"> <li>Attached Keymaster Principles report and associated documents,</li> <li>Update the group on the principles consultation,</li> <li>Seek feedback from the group about the principles.</li> </ul>	Eina
15:40	Planning for consultation with Ministry of Social Development and Treasury <ul style="list-style-type: none"> <li>Verbal update on current work.</li> </ul>	Paul and Samantha

## Previous minutes 7 March 2024

Item discussed	Action
<p><b>Review and agree minutes from 11 Dec 2023</b></p> <p>Noted that the Principles document and the structure of the July and December reports are to be put on the forward agenda.</p>	Agreed
<p><b>Update on progress, including resourcing</b></p> <p>Noted the main details from the 5 March project update.</p> <p>Noted that resourcing is under control but there have been concerns from Planning Design &amp; Delivery (PD&amp;D) about capacity, so the Project Leads will follow up with the Enterprise Leader for PD&amp;D.</p>	Agreed to discuss the potential impacts of baseline services on the project at the next Sub-ELT meeting on 19 March.
s 9(2)(f)(iv)	
s 9(2)(g)(i)	
<p>A member asked about the effect the department's baseline savings may have on the project and the group discussed this. It was agreed to include this item on the agenda at the next Sub-ELT meeting on 19 March 2024.</p>	
<p><b>Update on February Keymaster workshops</b></p> <p>A member asked about the progress of the February workshops and what the most difficult policy or administrative options may be for IR. It was noted that there were a range of different perspectives on each item. A member pondered s 9(2)(g)(i)</p>	Agreed to raise the Keymaster Principles document at the next few Sub-ELT meetings and the July SIB meeting.
<p>There was agreement with this point and a member noted that there were strategic questions about IR's role in the welfare system which need to be answered.</p>	
<p>Agreed to raise the Keymaster Principles document at the next Sub-ELT meetings and provide a finalised version at the July SIB meeting.</p>	

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**Discussion on when and how to involve MSD/Treasury**

Noted that the group should begin the conversation about consultation and our approach.

Noted that it would be difficult for agencies to consult on the project until after Budget 2024, but there is a need to consult with them during the development of recommendations. A member noted the potential that ministers will be more interested in policy change if there is alignment between agencies.

It was agreed to add this to the agenda for the next Steering Group meeting in May 2024.

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Agreed to add consultation with MSD and Treasury on the agenda for the next Steering Group meeting in May 2024.

## Next Meeting

July 2024. Date TBC.

# Project Keymaster - Data Insights

## Data Request Summary & Report

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Title: Multi-family households – How common is this in New Zealand?

By: Phillip Merritt, Business Analyst - Policy & Regulatory Stewardship

Date: 19 December 2023

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### Data Request DKM-18

Request	DKM18 - Multi-family households – how common is this?
Requested By	Hilary Rodgers, Svenja Brandt
Request Date	Monday 4 September 2023
Reporter	Phillip Merritt


---

The data request asked for the data about the number of households with multiple families in New Zealand and if this showed that there are an increasing number of households with multiple families:

- What is the proportion of total households that are multi-family?
- What is the proportion of Working for Families Tax Credit (WFFTC) households that are multi-family?

The request asked about trends, and whether they are increasing or decreasing over time.

s 18(c)(i)





## Census Data: Family and household projections: 2018(base)–2043

A more reliable picture of multi-family household trends in New Zealand can be found in the census data collected by Stats NZ and this data has been used for the purposes of this request. In 2021, Stats NZ released their family and household projections for the twenty-five-year period from 2018-2043. This release presented the future trends in the size and broad types of families and households usually living in New Zealand. The methodology that Stats NZ used is explained further in Appendix 2.

### Results

The data projects nearly half a million more New Zealand households by 2043 (2.27 million) compared to 2018 (1.79 million). This growth is similar to the projected change in the total population over the period. Meanwhile, average household size is projected to slightly decrease (from 2.7 to 2018 to 2.6 in 2043).

The Census data shows that the number of multi-family households in New Zealand has been increasing over the course of the last few decades (64,100 in 1996 to 93,700 in 2018) compared to other household types, although the proportional increase is marginal (4.8% of total households in 1996 and 5.2% in 2018). Projected multi-person households are projected to increase (99,000) by 2043 at a rate of 0.2% per year. However, the total proportion of multi-person households will decrease to 4.36%. Family households are projected to see the largest increase in household type, with an annual increase of 1.1% accounting for three quarters of all households in New Zealand.

### Number of estimated households by household types (1996-2018)

Year	Multi-person		One-person		Family	
	Number	%	Number	%	Number	%
<b>1996</b>	64,100	4.80%	297,000	22.24%	974,400	72.96%
<b>2001</b>	61,800	4.34%	328,000	23.01%	1,035,400	72.65%
<b>2006</b>	68,300	4.40%	362,800	23.37%	1,121,400	72.23%
<b>2013</b>	68,600	4.16%	392,700	23.82%	1,187,200	72.02%
<b>2018</b>	93,700	5.22%	392,800	21.89%	1,308,300	72.89%

## Number of projected households by household types (2023-2043)

Year	Multi-person		One-person		Family	
	Number	%	Number	%	Number	%
<b>2023</b>	93,600	4.85%	422,100	21.86%	1,415,200	73.29%
<b>2028</b>	95,900	4.73%	439,600	21.67%	1,493,300	73.61%
<b>2033</b>	97,500	4.59%	451,900	21.28%	1,574,300	74.13%
<b>2038</b>	98,900	4.49%	461,600	20.94%	1,643,500	74.57%
<b>2043</b>	99,000	4.36%	464,600	20.48%	1,704,700	75.15%

### Constraints

#### *Census Data*

A constraint with using the 2018 Census data is that the data is now not complete. The 2023 census data is, at the time of publication, still being analysed and is not due to be publicly available until 2024. This is outside of the timeframes required for Project Keymaster. Therefore, the 2023 projections will not necessarily reflect the Census 2023 estimates. Furthermore, the effects of COVID-19 border restrictions, which resulted in large changes in net-migration both during and after its implementation will not be captured in this dataset.

A second constraint is present with most census datasets. Potential non-response to the Census, transcription errors may cause inaccuracies in the data. While the universal coverage of a census survey means a high degree of statistical confidence, the size of the dataset makes it much more difficult to quality control. It means there is the possibility of errors from non-responders or from data entry errors.

#### *Family and household projections: 2018(base)–2043*

The Stats NZ family and household projections provide an indication of future household trends in New Zealand. They are not designed to be a high-accuracy forecast, but for use by planners and policy makers in government and non-governmental organisations. They should be used as an indication of the overall trend, rather than as exact forecasts.

The projections do not give a complete picture of the complexity of family and household structures and are made based on assumptions of specific definitions of the household. This complexity is not reflected in the projections.



## Appendix 1 - Methodology

### Definitions

In the projections<sup>1</sup>, Stats NZ have the following definitions around a family and a couple:

- A family consists of a couple, with or without children, or one parent with children, usually living together in a household.
- A couple includes opposite-sex and same-sex couples. A household is defined as one person usually living alone, or two or more people usually living together and sharing facilities (for example, cooking facilities, bathroom facilities and a living area) in a private dwelling.

People are allocated to one family and household role based on where they usually live, even though they may have a more complex role within a given family or household. Multi-generational families and households are not projected separately but are reflected in the number of people living in families or in multi-family households. For example, parents with children in the same house would count as one family, and grandparents, as a couple, would count as a second family within the family household. If a single grandparent lives with a family, they are counted as an additional person living with a family within a family household.

### 2018-base Projections

The projections use a method to calculate the proportions of the population living in different living arrangement types, (propensity) based on New Zealand Census data. The projection uses the "sequential propensity" method<sup>2</sup>, and a modelled approach<sup>3</sup>, to output future estimates of living-arrangement type propensities based on 2001–2018 Census data. There were two types of projection options that were considered. Firstly, there were three selected percentiles of the national population projections.

- Low 5th percentile, which indicates an estimated 5% chance that the actual results will be lower, and a 95% chance that the actual results will be higher, than this percentile.
- Medium 50th percentile (median), which indicates an estimated 50% chance that the actual results will be lower, or higher than this percentile.
- High 95th percentile, indicating an estimated 95% chance that the actual results will be lower, and a 5% chance that the actual results will be higher, than this percentile.

Secondly, there are two variants of living-arrangement type propensity assumptions.

- A - Propensity will remain constant at 2018 levels (national projections only)

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<sup>1</sup> Stats NZ, [Family and household projections: 2018\(base\)–2043](#) (released 15 December 2021).

<sup>2</sup> T, Wilson, *The sequential propensity household projection model*. Demographic Research, vol. 28, art. 24, 2013, p. 681-712.

<sup>3</sup> J, Bryant & J L, Zhang, *Bayesian Demographic Estimation and Forecasting*, CRC Press, Taylor & Francis Group.



- B - estimated living-arrangement type propensities based on 2001–2018 Census family coding data.

The subnational projections considered three options which indicated possible outcomes based on combinations of fertility, mortality, migration and living arrangement type assumptions.

- Low growth - projections assume low fertility, high mortality and low migration.
- Medium growth – medium projections for fertility, mortality and migration.
- High growth – projections assume high fertility, low mortality and high migration.

The results use the Medium B national projection and Medium subnational projection, which are consistent with the median/medium projection (50th percentile) of the “National population projections: 2020(base)–2073”<sup>4</sup> and the “Subnational population projections: 2018(base)–2048”<sup>5</sup>.

Further information about the data and methods that Stats NZ used for the projection can be found in their methods note.<sup>6</sup>

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<sup>4</sup> Stats NZ (2020). [National population projections: 2020\(base\)–2073](#) (released 8 December 2020)

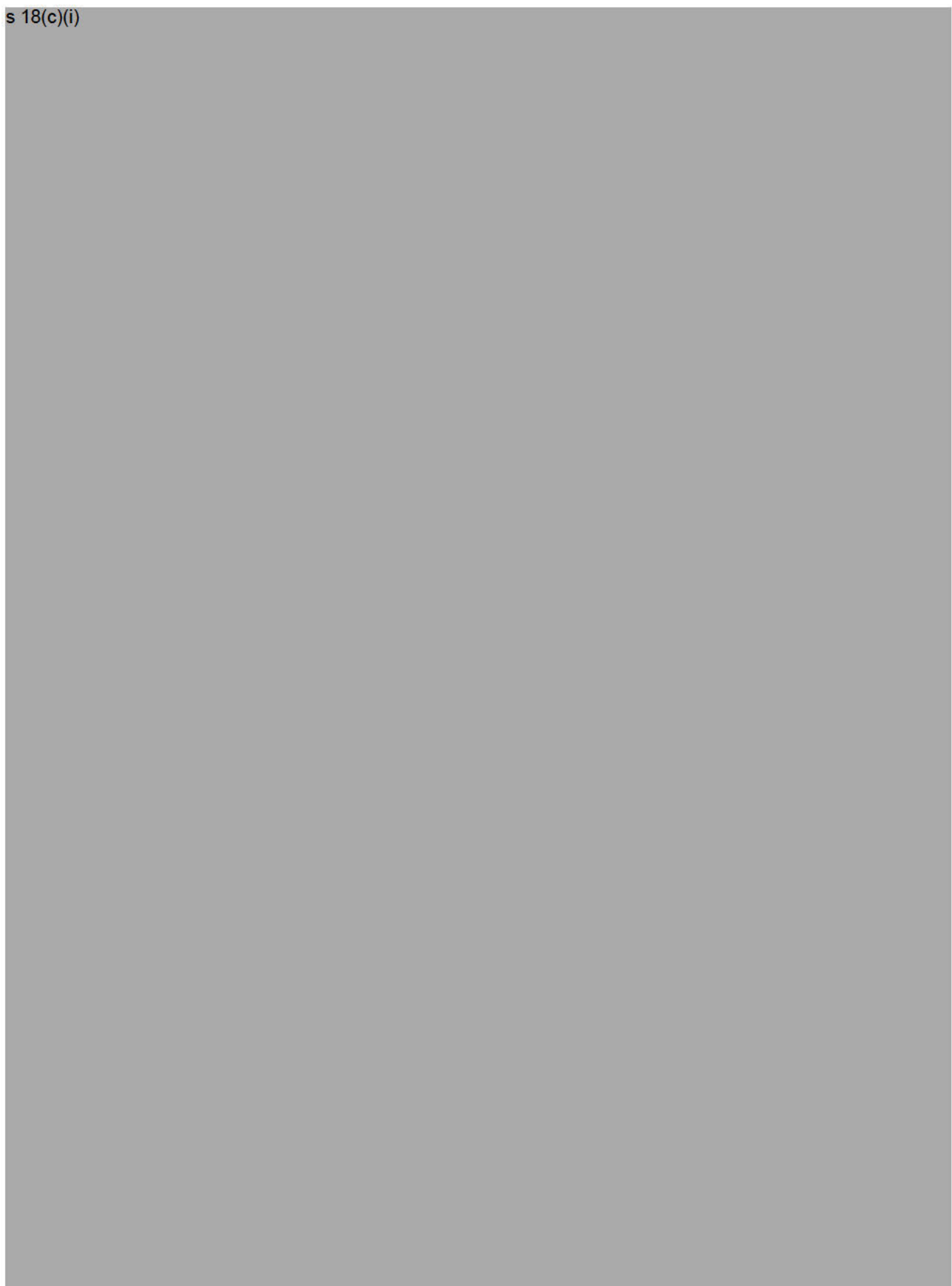
<sup>5</sup> Stats NZ (2021). [Subnational population projections: 2018\(base\)–2048](#) (released 31 March 2021).

<sup>6</sup> Stats NZ, [2018-base family and household projections: Data and methods](#) (released 15 December 2021).

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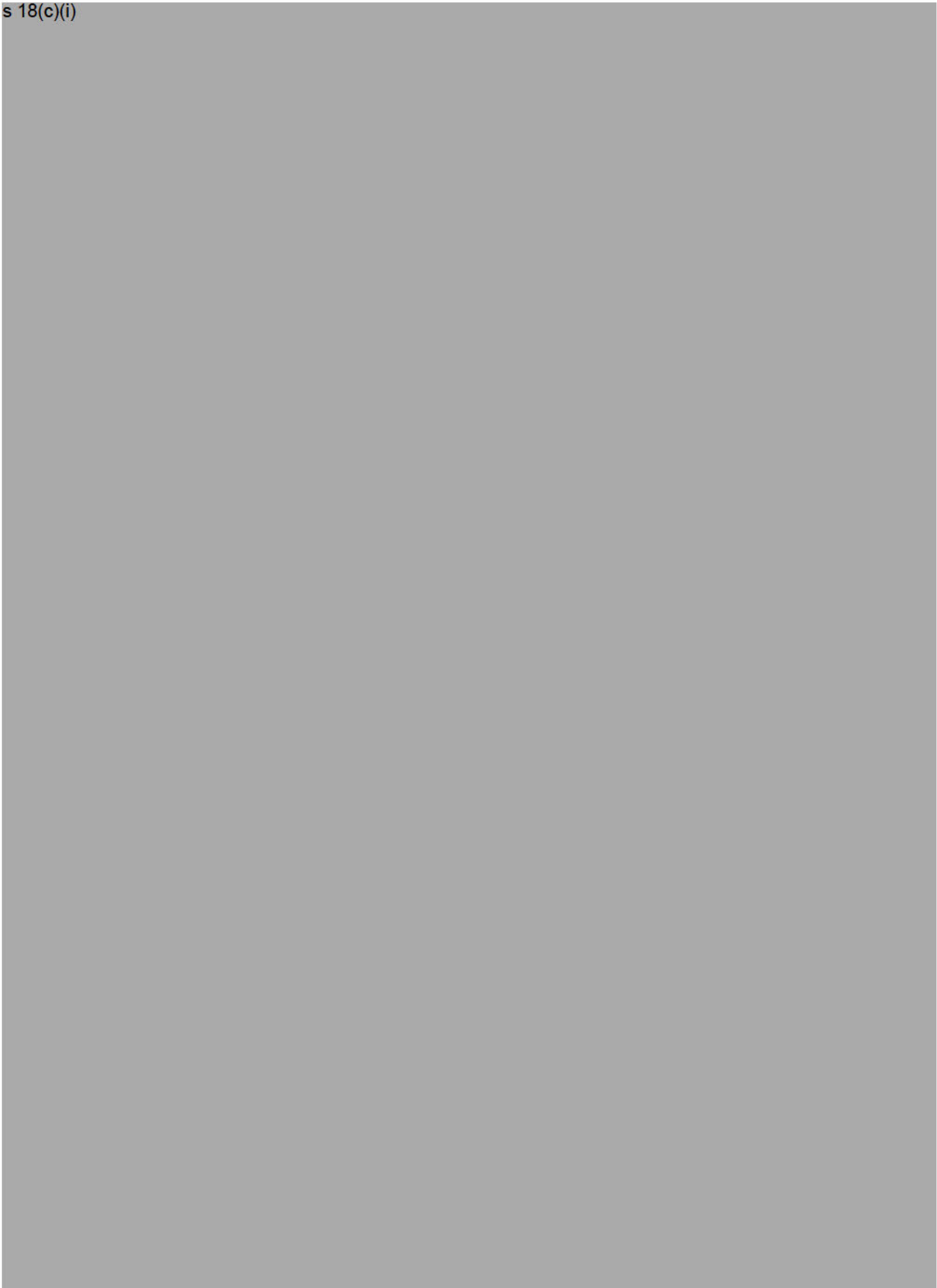
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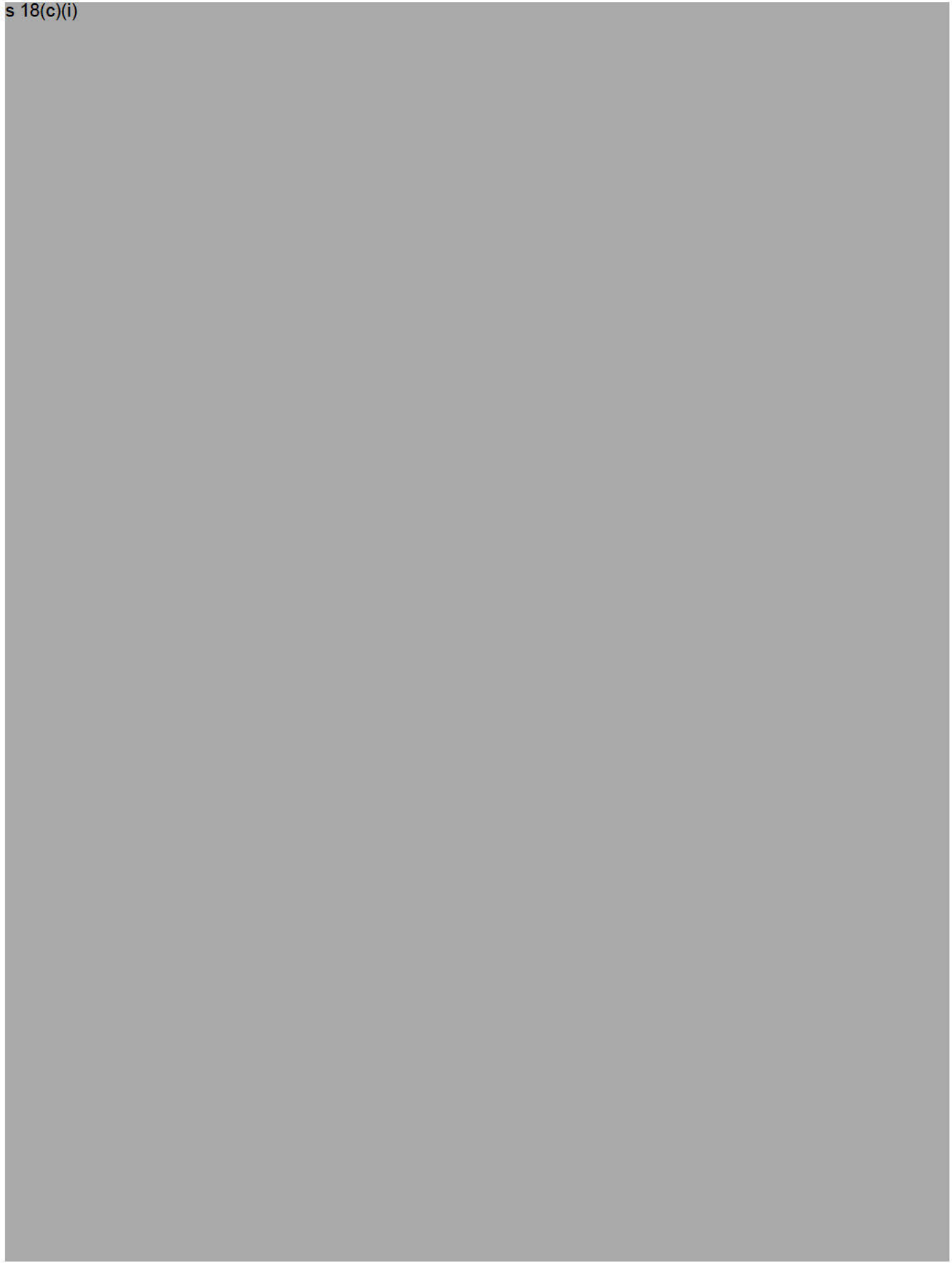
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## WORKING FOR FAMILIES STEWARDSHIP PROGRAMME OF WORK (PROJECT KEYMASTER)

June 2023

The Working for Families (WFF) Stewardship Programme of Work will focus on how income support is and could be delivered via the tax system. It will consider:

- The current WFF tax credits and how they could be improved to better fit their intended purposes from policy and administrative lenses,
- What an ideal tax and transfers structure could be,
- Implications of separating WFF from the Revenue Acts/income tax, and
- Improving accessibility and timeliness of support for customers.

This will be a first-principles review of Working for Families, the first to be done in the nearly 50 years since IR began administering these support payments.

Though titled “Working for Families”, this project will also consider at high level the Independent Earner Tax Credit, Child Support, Paid Parental Leave, Student Loans, and other policies where relevant (and where we have policy responsibility). However, WFF will be the primary focus of this stewardship initiative. A summary of the tax credits is provided in the Appendix.



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## THE PROPOSAL

To develop an IR long term strategy on delivering income support through the tax system. This project would be prioritised as an Enterprise Initiative.

For our purposes, “income support” comprises support typically provided through tax credits and main benefits. “Tax system” refers to IR’s information and system capabilities.

We will look at policy and operational changes to improve the customer experience through a stewardship lens.

It will be undertaken from May 2022, for a period of 16 months. Key milestones for this project are:

October 2023	contribute to the Briefing to the Income Minister (BIM)
November 2023	contribute to advice on the WFF Review (for Budget 2024)
October 2024	final recommendations for the strategy presented to ELT (for Budget 2025 if required)

Because this work will contribute to the BIM, there is some urgency to getting it started.

Staff resources required from PaRS, PD&D, ED&I, SPS, CCS-I, Tech Standards, CI&E.

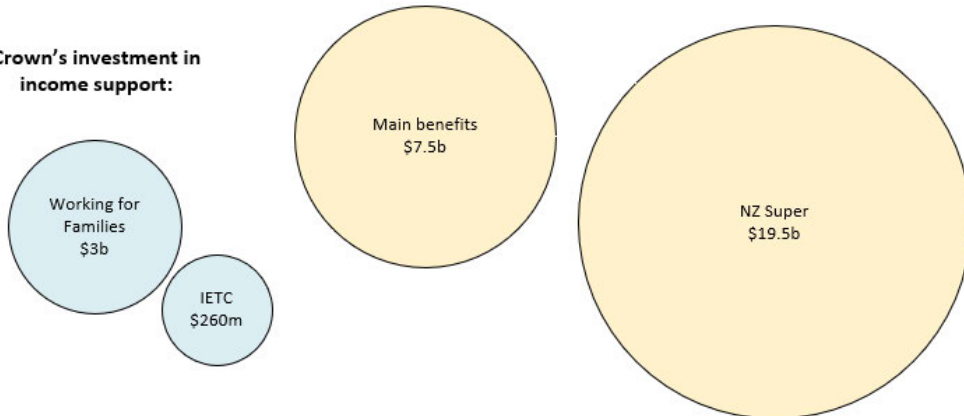
## SOME KEY FACTS

The Crown currently invests \$3 billion each year on WFF payments to around 350,000 families. These families make up around 56% of all NZ families with children. In contrast, just over twice that funding is spent on main benefits each year, to around 350,000 individuals and families<sup>1</sup>. If we include the Independent Earner Tax Credit (IETC) as part of those statistics, IR services an additional 500,000 individuals as part of income support, 13% of all NZ adults.<sup>2</sup>

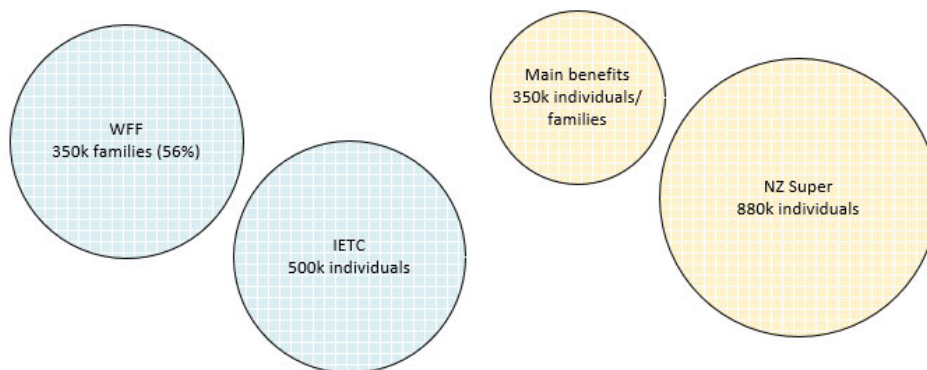
<sup>1</sup> At a point in time, including families without children.

<sup>2</sup> There are an estimated 4 million adult individuals in NZ and 620,000 families with children.

**Crown's investment in income support:**



**How this compares by customer volumes:**



The welfare benefits and WFF tax credit system is complex. One significant consequence of this complexity is the potential for overpayments to customers. As of April 2023, 57,000 WFF customers had a combined debt balance of \$247 million.<sup>3</sup>

- Around half of this debt is over 2 years old.
- IR actively collects repayment from 16,000 of these customers (28%), representing \$38 million of the total debt (15%).

In TY23 YTD, IR wrote off 91,000 debts for a total of \$80 million. Most of these were due to “other” grounds. These figures are four times those for TY22, and we note this is likely due to the flooding from the cyclone event in early 2023. Adjusting for this, most of the write off amount is for hardship reasons.

WFF customers in particular are among IR’s most vulnerable customer segments who have higher need for support. In TY23 YTD, IR had 102,000 customer contacts for WFF reasons (about 10% of all accepted calls), with another 306,000 web contacts for customer support.

<sup>3</sup> Figures are from the April 2023 *Business Performance Report*. Filing for the 2023 tax year has not been completed.

## CURRENT CUSTOMER EXPERIENCE

IR has recently completed research on WFF customers' experience and debt owed to government. There is an overarching positive confirmation that WFF payments are an important component of families' weekly income. At the same time, aiming to administer the payments accurately can create pain points. Over 12% of WFF customers are overpaid by more than \$1,000 each year, and over 20% are underpaid by the same amount.

The following points encapsulate what we understand and hear the most often from our customers.

- Many families rely on Working for Families payments to meet their week-to-week living costs, so support needs to be certain and timely.
- WfF is complex, (4 different components with differing eligibility criteria and calculation bases), and the onus is on families to estimate their income
- Estimation is hard for those with variable working hours, multiple jobs and/or unexpected lump sums (e.g., paid out leave, changing jobs/Child support arrears); families often deliberately overestimate their income (eroding in-year support) to 'stay safe', and/or are disincentivised to work more hours
- This complexity coupled with reliance on payments and the lack of certainty, drives the need for reassurance and resultant high levels of customer contact, and makes it difficult for many families to confidently self-serve
- Customers experience inconsistent outcomes when an overpayment occurs. During the year accumulative adjustments<sup>4</sup> reduce payments (sometimes to nil), whereas overpayments at square-up are billed to the customer and (often) written off
- Although both parties in a couple are jointly and severally liable for WfF debt, the debt resides on the principal caregiver's account, and collection activity primarily pursues the principal caregiver
- There is a punitive aspect to WfF debt (it attracts late payment penalties); however, those with WfF debt often show evidence of financial hardship – a quarter have total debt more than 20% of their annual income. Despite a large volume of write-offs, WfF debt is slowly but surely trending upwards over time. People who are currently being overpaid are willing to risk penalties and interest because they need the support. This is true for MSD payments as well.
- When moving from a benefit to full time work, support typically transitions from MSD to IR. Families are often confused about who to tell what, and experience gaps and/or double ups in support as the administering agency changes

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<sup>4</sup> To minimise the risk of debt, early interventions run periodically during the tax year to identify families with potential overpayments and take action. This includes automatically reducing payments for the remainder of the tax year, a process known as accumulative adjustments.

## PROBLEM DEFINITION – WHY A STEWARDSHIP PROGRAMME AND NOW?

WFF was implemented in 2004-07, and policy changes since then have been implemented based on the aims of the government of the day. Changes to WFF have predominantly tweaked the settings to increase and/or target the generosity of support. However, more recent changes to benefit settings, changes to the calculation of MFTC threshold, and the increased growth of the minimum wage has created misalignments in the overall support system. It has also meant that the administration of WFF has become increasingly complex, resulting in confusion, increased debt, and uncertainty of support for customers. It is no longer achieving its original purpose well.

At the same time, how we work and how we define a family have evolved. Employment has become more fluid relative to days past when people worked 9 to 5 jobs. There is an increasingly greater proportion of single-parent families, extended-family households (particularly with the increased cost of living), and growing acknowledgement that relationships change more frequently than in the past.

As a result of the continual and somewhat piecemeal policy changes and the evolution of modern life, there hasn't been an opportunity to take stock of the existing WFF settings from a strategic perspective (hence the recommendations from the WEAG in 2019 and the Tax Working Groups 2010 and 2019 that the WFF system be reviewed). The accumulation of those impacts (as well as with changes to main benefits, rising inflation and income growth) raises questions from a stewardship lens on whether the original set up of WFF is still fit for purpose, given what we are seeing from our customers and in the data.

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## MOTIVATION FOR THIS INITIATIVE/OUTPUT

Recent governments have had a strong interest in improving income support through the transfers system:

- The [Family Incomes Package](#) (FIP) was enacted as part of Budget 2017. The goal of the package was to improve work incentives for low income individuals and to provide support through the transfers (WFF and benefit) system. The main changes included increases to the FTC and Accommodation Supplement and Accommodation Benefit. These were implemented alongside tax cuts via increased tax bracket thresholds that were scheduled for 1 April 2018, and repealing the IETC. (\$2 billion package at the time)
- After winning the general election in late 2017, the Labour-led coalition government implemented its flagship [Families Package](#) as part of its strategy to reduce child poverty numbers. The Families Package increased FTC rates even further than the FIP, introduced the Best Start tax credit (BSTC) and Winter Energy Payment, increased PPL to a maximum of 26 weeks, repealed the tax cuts from Budget 2017, and reinstated the IETC. (\$5.5 billion package at the time)
- In 2018, child poverty reduction targets were embedded in [legislation](#), holding successive governments accountable for meeting those periodic targets and thereby prioritising this as a government objective for the near term. (10-year targets set for 27/28 fiscal year)
- The [Welfare Expert Advisory Group](#) released its recommendations in early 2019 (with a \$5 billion package), concluding that an “overhaul” of the benefit and the WFF system was

warranted. An officials-led Review of Working for Families commenced, and still continues today without having implemented any “reformative” options.

In the same period, a global pandemic and the resulting economic consequences have impacted individuals and families, increasing demand for public policy advice.

- As part of its response to the Covid-19 pandemic, the Government explored ways to financially support businesses, individuals and families during the national lockdowns. Inland Revenue was and continues to be a key contributor in the policy development and administration. The policies ranged from income support for individuals and families (through Working for Families, Covid Income Relief Payment) to businesses (Wage Subsidy, Leave Subsidy, Small Business Cashflow Scheme, Resurgence Support Payment, etc). To be clear, these policies are not tax policies per se. They are forms of income support that were delivered (or in some cases, supported) by IR, largely because of IR’s established technological and information infrastructure and its expertise in policy and administration.
- More recently, as a flow-on consequence of the Covid pandemic and compounded by environmental/weather factors, inflation has increased to record highs in a relatively short period. As a result, concerns over the costs of living are forefront. In Budget 2022, the Government introduced the Cost of Living Payment, a \$350 lump sum non-taxable payment delivered by IR to a large number of individuals. The trend is likely to continue as economists are predicting a global recession in 2023 and interest rates continue to rise.

The takeaway from this is that public interest and Ministerial demand for income support advice is highly likely to continue. In early 2023, the Prime Minister announced his intentions of focusing on improving costs of living as part of Budget 2023; however, no changes for WFF were included. Comments from political parties suggest this will be a focus for the upcoming 2023 general election.

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#### WHAT IS THE VALUE OF THIS INITIATIVE?

At the end of the day, we want to improve our customers’ service experience. WFF customers represent IR’s most vulnerable customer group. From customer interviews, we have heard the difficulties in accessing their entitlements and the real impacts this can have on their lives and well-being. They are sobering accounts.

When we administer social policies, we are bound by legislation and operational guidelines. Within these bounds, there are improvements that we believe will help our customers. Work is underway to improve our customer service delivery via changes to communications and website content, guidance for customer service staff, and customer education (refer to Sue Gillies’s work).

We’ve been asked, “Can we influence decision-makers?” In short, if we have a long-term plan, then it’s entirely possible. This is the purpose of the proposed stewardship initiative.

IR officials’ view is that advice on WFF requested by ministers has been largely reactive since its introduction. At the same time, analysis is limited to a short period, either a year or two on either side of the proposed policy. This is also reinforced through the annual Budget process and the focus on only the forecast period (i.e., four years out). This means that longer-term impacts and implications are given a cursory look, if any. This can have unintended consequences on, for

example, effective administration, or child poverty rates on a more detrimental level socioeconomically.

We are not looking to establish the next political campaign's focus (whichever party we think about). Rather, we will focus on fundamental issues that are basic and agnostic to political aims, which will provide an element of endurance/longevity to the strategic plan. This has the benefit of fostering discussions with future governments on any proposed incremental changes to Working for Families they may wish to pursue.

We also intend to approach this initiative using a systems thinking lens, to ensure we understand the forces at play and possible points of leverage, across the income support system.

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#### WHY AN INLAND REVENUE-LED INITIATIVE?

There are multiple reasons for IR to consider a significant stewardship project on the future of income support via the tax system.

IR is the administrator of tax policy and revenue collection. As tax and transfers should be considered part and parcel, we are uniquely positioned to comment on this area. Taxes and transfers together form effective marginal tax rates, which can influence individuals' and families' work incentives and adequacy of income.

As the primary administrator and joint advisor on WFF, we see the difficulties our customers are experiencing. Customer service delivery provides the empirical evidence of the policies, and we have years of data to draw from<sup>5</sup>.

We are building on the momentum gained from the Review of Working for Families. To support the Review, IR has:

- built datasets and dashboards to enable policy analysis, with support from the internal data community (through the Data and Analytics Request delivery teams)
- explored the policy, legislative, systems, and customer service impacts on many policies, both large and small.

Let's use this collective knowledge and expertise to put down what we know and what we would recommend to change.

There is also a question about what IR's role is with the completion of the Business Transformation (BT) programme. BT didn't focus on substantive changes to social policy (e.g., the 2017 discussion document didn't progress), and IR has recently had an increasing role in providing government supports. The Public Service Commissioner has proposed that the Commissioner of Inland Revenue be the lead of Service Transformation. What that role could entail is still to be decided; this project could contribute to that discussion.

We note that a jointly-led project with our agency partners, primarily MSD, would be ideal to undertake such a project. However, we acknowledge that MSD is starting their own business

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<sup>5</sup> Though we will need to make concessions for the switch to START on the data analysis.

transformation, which will limit their technological capacity for change over the next 10+ years. They are also experiencing constraints on their resource capacity in their policy and operational arms. Given the timely opportunity this project brings, we are reluctant to delay it.

Instead, we propose that some workstreams will require more MSD engagement, and we will make our best effort to engage with them on these in a timely and opportune way. Whether they have the capacity to engage is something we are unable to control.



## WORKING FOR FAMILIES: STEWARDSHIP PROGRAMME OF WORK

DELIVERY LEAD: EINA WONG AND SAMANTHA ALDRIDGE, PARS

### Our goal:

**To develop an enduring social policy and tax credit system that will achieve better outcomes and experiences for New Zealanders.**

### Main output from a 16-month work programme:

**A strategic plan whose focus is on how to improve the delivery of income support to individuals and families through the tax system.**

Interim outputs will include:

1. Advising Ministers in the Briefing to the Income Minister (October 2023)
2. Contributing to the WFF Review as part of Budget 2024

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## WORKING PRINCIPLES AND ASSUMPTIONS TO THE WORK PROGRAMME APPROACH

- The strategic plan will be non-partisan.
- We will look for opportunities to be flexible so we can adapt to changing environments.
- We will assume the status quo settings as a counterfactual for any recommended changes. This includes:
  - Legislation
  - Systems and people capability
  - Profiles of customers currently serviced
  - Information collected
- While one dimension of this project is about information collection and sharing, we will not cover IR's strategic direction on data collection and usage. That will be addressed through a separate channel.
- Because we are looking at policy, administrative, legislative, and systems changes, we would ideally have staff from all different parts of IR to represent those business areas.

The analysis will adapt a basic framework used for tax and social policy purposes. This framework was used by the Tax Working Group 2010 which has been generally accepted as a default policy framework. It considers trade offs of equity and fairness, efficiency and growth, fiscal cost, revenue integrity and coherence, and compliance and administration costs. Because we are working specifically on social policy, we may enhance the framework by including income adequacy and child poverty objectives, for example.

## RESOURCE REQUIREMENTS (NO FUNDING REQUIRED)

- Investment in IR's resources and capabilities (i.e., people). Estimated FTEs are provided in the next section.
- Time. 16 months may seem like a long period, but we want to give a considered view for an area that is complex both in terms of policy development and administration. Our current system of a broad base, low rate (BBLR) had a long development process, and started with initial thinking stages similar to what we are proposing with this initiative. This initiative may not end up with implementing something transformative, but it is an important step to guide our thinking as we advise Ministers.
- There is no additional funding requested for this initiative. We are working on the presumption that FTEs will be able to provide their expertise as part of their usual roles. For completeness, we may require some minimal funding for research purposes, but we do not expect that to be required. We already have a stock of research available. If we require funding, we will return to PPG and SIB.

## THE 5 MAIN PARTS (WORKSTREAMS)

1. Blank Slate
2. Decoupling WFF from the Revenue Acts
3. Information Access
4. An all-of-government access to support
5. The role of intermediaries

Each workstream has (or will have soon) a RASCI framework with a work plan detailing the scope of work, objectives, and a description of the output to be produced. Brief summaries of each workstream are provided in the next section. A one-page overview of this work programme is attached.

For each workstream, we have pencilled in the appropriate people from different parts of IR who have the subject matter expertise to contribute to the work, and estimated FTE required.

The Delivery Lead will coordinate the pieces of work to ensure that the workstreams are working efficiently together, both to share information/thinking and to avoid duplication of effort. Regular meetings will be scheduled with the leads of each workstream.

FTE estimates are provided based on each person's expected average involvement over the 16-month programme. We anticipate there will be peak and trough periods. In particular, the initial few months after the kickoff will involve more participation from everyone as we establish the work programme and form a common understanding of the issues, what we are aiming to achieve, and how to do that.

The FTE estimates are spread across a broad range of individuals. This is deliberate, as we are seeking for their input based on their unique experience and expertise. For those outside of PaRS, we anticipate this input to be primarily through group discussions. There may be instances where they will be asked to provide data or other information. We will be mindful about imposing on their other work, and in any case, we expect that participating in this project would complement their normal roles and development.

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### WORKSTREAM 1: BLANK SLATE (RESPONSIBLE – EMMA HAMILTON, PARS)

Output: An agreed ideal state of income support through the tax system, and how it could potentially be achieved in the long run.

Purpose: To serve as a barometer against which we would measure or test policy options of the day. It is not intended to provide solely an "achievable" or "feasible" end state, as that would constrain our thinking, but rather it will provide something for IR to aspire to. Note that this work will focus on economic frameworks and tradeoffs, and will not have a specific or detailed option. For example, if a flat tax were to be recommended as a future ideal state, we would not suggest an "optimal tax rate of XX" as part of that. We would consider the high-level implications on IR in the long term for any recommended changes.

Areas of work:

s 9(2)(g)(i)

TBC, sequenced for later from Economics domain, 0.2	PaRS
Svenja Brandt (L2), 0.2 Andrew Paynter (L1), 0.2	PaRS PaRS
Svenja Brandt (L2), 0.2 Andrew Paynter (L1), 0.2	PaRS PaRS
Emma Hamilton (L2), 0.5	PaRS

## WORKSTREAM 2: DECOUPLING WFF FROM TAX (RESPONSIBLE – HILARY RODGERS, ED&I)

**Output:** What a separate “Working for Families Act” would look like.

**Purpose:** To seriously consider how we would re-write the WFF tax credits in legislation. This work would include rethinking fundamental concepts such as an income year for assessment, how we define income, how we define relationships, interest and penalties, etc. The starting point of this work is the status quo. The goal is to present a feasible package that could be delivered in the nearer term if Ministers agree.

Areas of work:

s 9(2)(g)(i)

Andrew Paynter (L1), 0.2	PaRS
Drafter TBC, 0.1	PaRS
Kathleen Littlejohn (L2), 0.2	PaRS
Julie Ogle, 0.2	ED&I strategic architecture
Erin Knox, 0.2	ED&I strategic architecture
Hilary Rodgers, 0.5	ED&I strategic architecture

## UNDERPINNING AREAS:

Note that there are common areas of work underpinning workstreams 1 and 2. These work areas will have both a “blank slate” aspect and an assessment of how the status quo could be improved in a practical way in the nearer-term. These will be managed by both Responsible leads.

Some of these will also overlap with the Welfare Overhaul work programme managed by MSD, although that work has focused primarily on short term options in the WFF Review. For this reason, these areas of work can provide helpful progress for the Overhaul.

s 9(2)(g)(i)

Andrew Paynter (L1), 0.2	PaRS
Svenja Brandt (L2) , 0.2	PaRS
Hannah Fogerty (L1), 0.2	PaRS
Emma Hamilton (L2), 0.2	PaRS
Kathleen Littlejohn (L2), 0.2	PaRS
Callum Aldiss (L2), 0.2	PaRS
Murray Shadbolt (L3), 0.2	PaRS
Phil Merritt, 0.2	PaRS

The following staff will work across these two workstreams:

s 9(2)(g)(i)

Todd O'Carroll, 0.2	CCS-B technical specialist
Sarah Manderson, 0.2	CCS-B technical specialist
Sophie Goetzlof, 0.2	CCS-I families segment
Mark Sands, 0.2	ED&I intelligence & insight
CEDA TBC, 0.2	ED&I intelligence & insight
Alex Steel, 0.2	ED&I strategic architecture
Angela Greig, 0.2	CCS-B planning, design & delivery
Nadine Pearson, 0.2	
Kystle Collins, 0.2	

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### WORKSTREAM 3: INFORMATION ACCESS (RESPONSIBLE – HILARY RODGERS, ED&I)

Output: A delivery pathway for improved information access for income support.

Purpose: This work underlays how we develop policies and how we operationalise them.

Information and data is key to understanding the problems identified and whether proposed changes could have an effective outcome. As such, there are two focuses for this work. The first is exploring the information required to better serve the status quo, and the second is what would be required ideally. In this manner, all of the other workstreams of this work will feed into this work, and vice versa.

Areas of work:



s 9(2)(g)(i)

Martin Neylan (L3), 0.2	PaRS
Michelle Hotton, 0.2 Joanne Butterfield, 0.1 Teena Simm, 0.1	CCS-I families segment ES information sharing ED&I strategic architecture
Joanne Butterfield, 0.1	ES information sharing
CEDA TBC, 0.1	ED&I intelligence & insight
Mark Sands, 0.1	ED&I intelligence & insight
Martin Hooper, 0.2 Craig Stewart, 0.2	ED&I strategic architecture
Dan Blank, 0.1	CCS-B planning, design & delivery
Hilary Rodgers, 0.4	ED&I strategic architecture

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**WORKSTREAM 4: ALL OF GOVERNMENT ACCESS TO SUPPORT (RESPONSIBLE – CAROLYN THOMAS, ED&I)**

**Output:** A work programme to develop an ability for customers to know their entitlements in real time for purposes of improving customer access to support.

**Purpose:** Customers require certainty about their entitlements particularly as their circumstances change (note earlier customer feedback). The aim of this work is to create a way to provide that reassurance using customers’ real time information to navigate a complex social policy system. This would increase their autonomy to make life decisions such as whether to work more and when to seek assistance. Note that the output may not have a detailed plan to implement a usable tool, e.g., a “how to make a real time calculator”, as that would require having certainty of unknown variables. Instead, a high-level plan could be proposed, with recommendations on a first step.

Areas of work:



s 9(2)(g)(i)

Michelle Hotton, 0.2	CCS-I families segment
Mark Sands, 0.1	ED&I customer insight
Teena Simm, 0.1	ED&I strategic architecture
Hilary Rodgers, 0.1	
Martin Hooper, 0.2	ED&I strategic architecture
Souradeep Gupta, 0.1	
Nick Wilkins, 0.2	ED&I digital ecosystem
Dan Blank, 0.1	CCS planning, design & delivery
Carolyn Thomas, 0.3	ED&I strategic architecture

There will be F&I policy representation in this workstream via the Delivery Lead and other Workstream Leads.

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#### WORKSTREAM 5: INTERMEDIARY ECOSYSTEM (RESPONSIBLE – GRAHAM TUBB, PARS)

**Output:** A strategy to develop an intermediary ecosystem as a complementary delivery system for income support.

**Purpose:** To consider how we could facilitate delivering income support payments (tax credits) to customers. The idea is analagous to the use of tax intermediaries who facilitate tax and accounting activities to customers so they can be compliant taxpayers. Intermediaries have the advantage that they can tailor services to particular groups of recipients and therefore develop more bespoke services compared with Inland Revenue which is required to provide services to all recipients. Such a service has potential to be valuable for customers given the complexity of social policies, which can result in debt, and create efficiencies in administration more generally (e.g., for IR in the WFF space, which could improve administration of other areas like investigations).

**Note:** This workstream will be progressed in relation to a separate project on the regulatory framework for intermediaries. That item will progress on a shorter timeframe and will consider the legislative and information mechanisms through which intermediaries can participate in the tax and social policy ecosystem. The goal of that project is to develop a regulatory approach that is neutral with respect to the types of roles that intermediaries may play, thereby enabling the newer types of business models that intermediaries with more of a social policy orientation will have. We will be working closely with the Responsible Lead on the interdependencies of these two workstreams.

Areas of work:

s 9(2)(g)(i)

Stephanie Watts, 0.2	PaRS
Nick Wilkins, 0.2 Dan Blank, 0.1 Souradeep Gupta, 0.1	ED&I digital ecosystem CCS planning, design & delivery ED&I strategic architecture
TBC	
Carolyn Thomas, 0.2	ED&I strategic architecture
Graham Tubb, 0.2	PaRS

There will be F&I policy representation in this workstream via the Delivery Lead and other Workstream Leads.

The following staff will work across workstreams 3, 4 and 5:

Information security and privacy	Kevin McArtney	ED&I strategic architecture
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## DATA RESOURCE

The intent is to base the work on as much data and evidence as possible and where feasible. For this reason, we expect to use the internal data community to support this work. This primarily includes:

- Sandra Watson’s forecasting and modelling team (Chris Fitzgerald, PaRS), and
- A dedicated person from the data teams that service the “data and analytics request” or DAR process.

We will follow the existing process for using both resources to request data. We expect that these two resources will be engaged with each other to check for consistency/sense of the data analytics produced.

To establish a common understanding of the income support context, a paper will be prepared as a first step to describe basic statistics such as population and customer income distributions, family makeup and relationship changes, benefit and WFF receipt, and other relevant points. (June 2023)

## CUSTOMER INSIGHTS

A critical part of the thinking will be taking account of customer insights and feedback. We are not proposing to consult with the public at this stage. We will initially use the store of feedback we have and use tools that are currently available to us, such as customer surveys, interviews, and analysis. There may be a need to consult with our customers if there is an identified gap in our knowledge. The resource will be:



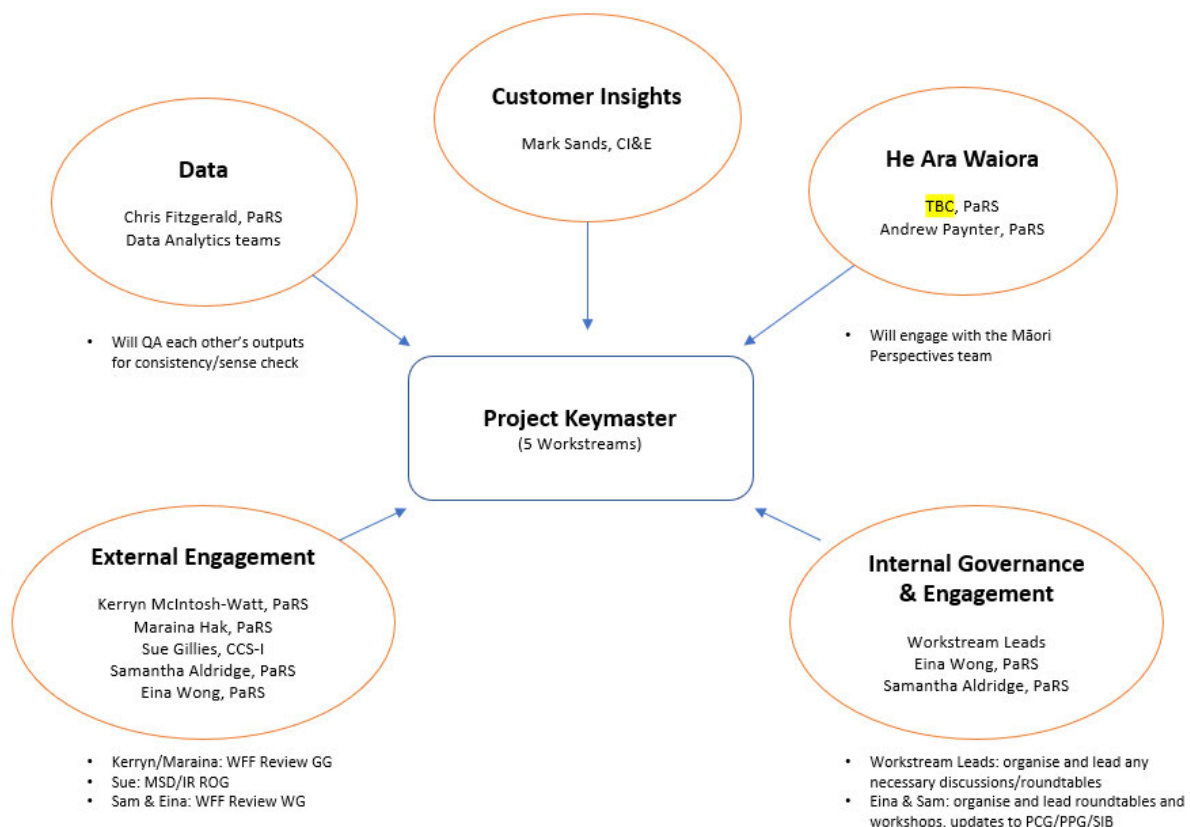
- Mark Sands, Customer Insight and Evaluation (II&S)

## HOW WE WILL CONSIDER MĀORI PERSPECTIVES (HE ARA WAIORA)

Our intent is to consider Māori perspectives, including through the application of the He Ara Waiora framework. Work is currently progressing within PaRS on how the framework can be applied to tax and social policy. We propose that a resource from the Māori Perspectives domain (PaRS) leads the work for this project, with support from a Families & Individuals advisor (PaRS). The expectation is that the resource will engage with their Māori Perspectives team and the Tax and Social Policy Māori Advisory Panel as needed, and provide input as this project develops.


- Māori Perspectives lead, PaRS: **TBC** (L1/L2), 0.4 FTE
- F&I support, PaRS: Andrew Paynter (L1), 0.1 FTE

The graphic below illustrates that Data, Customer Insights, and He Ara Waiora will be considered throughout the project and across the 5 workstreams. Internal and external engagement will be discussed further below.



This project involves individuals from multiple business groups within IR and covers a reasonably broad range of topics in a 16-month timeframe. To help coordinate this, we have requested a project manager from PaRS. This person will be dedicated to the work programme for 0.6 FTE.

Not in scope



## TIMELINE AND KEY MILESTONES

The work programme will follow three main phases:

### PHASE 1: PREPARATION (MAY TO JUNE 2024)

This phase will focus on establishing the main work areas within scope, responsibilities and how we work together. Detailed work programmes of each Workstream will be developed, along with deliverables and timelines.

### PHASE 2: THE CRUX (JULY 2023 TO JUNE 2024)

This year-long phase will see the development and completion of the work areas in scope. Broadly, the work will include literature surveys, data analysis, policy analysis, and administrative implications where relevant. Advisors will draft background papers and hold discussions with internal staff (and external stakeholders where relevant). This phase will conclude with near-final Workstream recommendations.

The early part of this phase will give consideration to what could be included in the Briefing to Incoming Ministers (BIM), due in October 2023.

### PHASE 3: FINALISATION (JULY TO OCTOBER 2024)

This phase will focus on the final recommendations to be presented to SIB. Focus will be on using the near-final Workstream recommendations. The allotted time will allow us to circle back to the individual Workstreams if there are any follow up questions or analysis required.

A particular focus will be on holding roundtables with those who have been involved with this project directly, and other stakeholders in the lead up to the final report.

Having October 2024 as the projected completion date is challenging, though achievable. This timing also aligns with the enterprise planning cycle for the 25/26 financial year and any potential bids for Budget 25.

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## HOW THIS FITS WITH THE WFF REVIEW

The WFF Review work programme is expected to continue through 2023, with potential decisions in early 2024. IR may need to implement substantial changes effective 1 April 2025. Samantha Aldridge is leading this work.

Further policy work and implementation advice will be required by end of 2023. As part of the advice, IR will need to consider how the options considered would fit with the strategy and whether we recommend them or something else. We will use the time pre- and post-election to do this, and to include in the BIM. We will have a keen interest in thinking about the longer term implications of the options, not only on our customers but also on IR as an administrator.

The following tables present the key milestones for both the WFF Programme of Work and the WFF Review for calendar years 2023 and 2024:



Not in scope

**INTERNAL GOVERNANCE AND ENGAGEMENT**

We will use the RASCI matrix to establish the roles and responsibilities for this project:

Responsible	Eina Wong and Samantha Aldridge (PaRS)
Accountable	Maraina Hak (PaRS) and TBC (CCS-I)
Supporting	workstream leads and their team members – Emma Hamilton (PaRS), Hilary Rodgers (ED&I), Carolyn Thomas (ED&I), Graham Tubb (PaRS)
Consulted	David Carrigan (DCE, PaRS) and James Grayson (DCE, CCS-I)
Informed	Remaining ELT members, PPG

To ensure that the initiative is progressing in the desired direction, there will be a strict governance structure. This structure will be organised as follows:

1. A Steering Group will be created to oversee the initiative, to provide feedback on the work to date, and to provide guidance on strategic direction at a more granular level. The group will also be updated on any resourcing concerns.

<b>Steering Group</b>	
<b>Policy Director, PaRS (chair)</b>	Kerryn McIntosh-Watt
<b>CCS-I FAM Segment Lead</b>	Sue Gillies
<b>Chief Economist</b>	Phil Whittington
<b>Policy Lead-Māori Perspectives, PaRS</b>	Charles Ngaki
<b>Strategic Architecture Lead</b>	Cate Robertson
<b>Strategic Advisor, ED&amp;I</b>	Ron Grindle
<b>Enterprise Leader, CCS Planning, Design &amp; Delivery</b>	Joanne Taranaki

The Delivery Lead (Eina and Samantha) will meet with the Steering Group 2-monthly.

2. We propose that an ELT sub-group be provided more frequent updates and have the opportunity to provide input in the progress. This sub-group would include the DCEs of PaRS, CCS-I, and ED&I. These would be 2-monthly.
3. We propose that SIB and PPG will be updated quarterly in terms of progress and resourcing.
4. For each of the workstreams, regular meetings will be organised to discuss with internal stakeholders. These will be organised by each Workstream Lead.
5. Regular weekly meetings will be organised by the Delivery Lead with their respective Workstream Leads. Meetings to discuss any cross-over work will be organised as needed by the Delivery Lead.

<b>Responsibilities</b>		
<b>Delivery Lead</b>	<ul style="list-style-type: none"> <li>Ensuring the work is coordinated, both within and across workstreams</li> <li>Monitoring progress and resources</li> <li>Updating the Governance Group, PPG, and SIB</li> </ul>	Regularly
<b>Steering Group</b>	<ul style="list-style-type: none"> <li>Oversees the initiative's progress and direction</li> <li>Provides feedback on work to date</li> <li>Discusses any resource concerns</li> </ul>	2-monthly
<b>ELT sub-group</b>	<ul style="list-style-type: none"> <li>Oversees the initiative's progress and direction</li> <li>Provides feedback on work to date</li> <li>Discusses any resource concerns</li> </ul>	2-monthly
<b>PPG</b>	<ul style="list-style-type: none"> <li>Discusses any resource concerns from a Department demand perspective</li> </ul>	Quarterly
<b>SIB/PGC</b>	<ul style="list-style-type: none"> <li>Provides feedback on work to date and strategic direction, and any risks</li> </ul>	Quarterly
<b>Workstream Leads</b>	<ul style="list-style-type: none"> <li>Carries out the agreed work plan of their workstream</li> <li>Escalates any resourcing concerns</li> <li>Notes contingencies from either internal or external factors (e.g., need to discuss with another agency before progressing)</li> </ul>	As needed

## EXTERNAL ENGAGEMENT WITH MSD AND OTHER GOVERNMENT AGENCIES

This project has the potential to:

- influence thinking on social policies outside of IR, which are generally jointly-developed, and
- require input from other agencies, particularly data supplies and information technology (such as MSD).

We propose that engagement will be regularly undertaken with relevant Government agency stakeholders via the following channels:

- Kerryn McIntosh-Watt and Maraina Hak via the WFF Review Governance Group. This group has oversight of the WFF Review's progress and provides a natural venue to discuss WFF-related policies. The Review is expected to progress through 2024, and options currently presented will need to be considered from a stewardship perspective.
- Eina Wong and Samantha Aldridge via the WFF Review Working Group. This group meets weekly to discuss details of the options being considered.

- Sue Gillies via the MSD/IR Relationship Oversight Group. This group meets every two months to discuss common areas of work that have priority.

Some workstreams will require more engagement, as discussed above.

#### HOW THIS FITS WITH EKE TANGAROA

This initiative aligns very closely to Eke Tangaroa and IR's priority to deliver and improve services for our customers and managing our performance. In particular, this initiative supports the current Government in its priority work areas, which includes reforming the welfare system and addressing individual debt owed to Government.

Not progressing this initiative increases IR's enterprise risks:

- (1) Failure to deliver for customers or Government priorities, and
- (7) Failure to provide appropriate stewardship of the tax and social policy system

This initiative also fits with the refresh of IR's economic wellbeing framework, covering the three core roles of effective and efficient administrator, steward of the tax and social policy system, and delivering value as a public sector agency.

#### IR'S BUSINESS OBJECTIVES – VALUE FRAMEWORK

This initiative fits most closely with the integrity business objective: integrity and trust of the revenue system is maintained.

The WFF system was introduced in 2004 and successive changes to the parameters have been made since then. Some changes have increased or further targeted support, and some changes have been made with the intent to improve or in some cases, ignore, the impacts on work incentives.

While this initiative primarily meets the "integrity and trust" business objective, it will also help to meet the objective of "ease of complying" and "customer certainty". A satisfactory outcome would be to improve the wellbeing of New Zealanders, and particularly of our WFF customers. If they feel better supported or empowered, and have less need to contact IR, then that would be a desirable outcome. This initiative would also help to increase customer confidence and awareness.

## RISKS TO SUCCESSFUL DELIVERY OF PROJECT

		Potential Impacts	Mitigation
1	Initiative start is delayed (also applies if initiative has already begun)	Unlikely we would provide much substantive input into the Oct 23 BIM, and delays ability to advise Ministers on strategic opportunities for Budgets 24 and 25	Commit resourcing to the initiative as proposed
2	Insufficient people capacity to deliver (also applies if Government priorities change)	Delay in delivering strategic plan, with flow-on implications for policy advice	Seek enterprise commitment/prioritisation in IR's work programme  Will embed points where we can pause the work programme
3	Lack of cross-agency involvement/contribution	Inability to provide fulsome analysis or to deliver some workstreams (information access in particular)	External engagement (early and sustained). Whether they engage is largely out of our control.
4	Incomplete administrative data	Administrative data for Wff customers is held across IR and MSD. Without all customer data, our analysis may not be reliable nor complete in some areas	We will engage with MSD and our information sharing team about what may be possible in the interim. (E.g., one-off data requests)
5	Interdependencies across different workstreams	The dependencies across the 5 different workstreams are complex. This could result in delays and/or re-work	Delivery Leads will ensure dependencies are identified, communicated and tracked across workstreams. A project manager will be appointed.  Where necessary, use working assumptions until clear decisions are reached.
6	Incomplete understanding of our customers	Customer needs are diverse and will differ across different groups (e.g., longer term beneficiary families, families with higher earnings receiving lump sums)	Embed customer insight capability in all workstreams. Where there are gaps, we will consider ways to gather information (e.g., customer surveys/interviews)



## APPENDIX: BRIEF OVERVIEW OF WORKING FOR FAMILIES

Around 56% of all families in New Zealand receive WFF, at a cost of \$2.7 billion for the 2022 income tax year. WFF is made up of the following tax credits:

**Family Tax Credit** (257,450 families, \$1.9b): the main payment received by both beneficiary and non-beneficiary families and is not dependent on work status. As of 1 April 2023, families receive \$136 per week for the eldest child and \$111 per week for each subsequent child. This payment begins to abate at \$42,700 of annual family income at 27%.

**In-Work Tax Credit** (163,406 families, \$483m): the main in-work payment for families who do not receive a benefit. It pays \$72.50 per week for families with 1 to 3 children, with an extra \$15 per week for each subsequent child. After the Family Tax Credit is fully abated, it is abated at 27%.

**Best Start Tax Credit** (129,681 families, \$302m): this payment provides \$69 per week to all families with a child under one year old, and for lower income families with a child under 3. For children aged 1 to 2 years, this payment begins to abate at \$79,000 of annual family income at 21%.


**Minimum Family Tax Credit** (3,149 families, \$13m): this payment tops up incomes of working families and guarantees a minimum income level for low-income families working at least 20 hours per week who do not receive a benefit. The minimum income is currently set at \$34,216 of annual family income after tax.

While not part of the WFF suite, there is an additional tax credit provided to individuals that is also relevant in income support policies:

**Independent Earner Tax Credit** (493,400 individuals, \$212m): this payment is a work incentive for individuals who earn between \$24,000 and \$48,000 each year. Those who are eligible to receive WFF are not entitled to this. It is a weekly payment of \$10 and begins to abate at \$44,000 at 13%. Unlike WFF tax credits, it is a non-refundable tax credit.

WORKSTREAM  
3

Income support information access



**How can we improve service delivery through better access to information?**

- What can be done now, largely within current integration? To improve WFF administration, but also improve MSD's income support service delivery?
- Informed by other work streams, what are the information opportunities across the income support domain, considering new information sources and integration patterns?

>>>

**OUTPUT**

"A delivery pathway for improved information access for income support."

**Objective:**  
*To improve timeliness of support and reduce the compliance burden for income support customers.*

## Document details

Subject	Workstream 3 scope and approach
Version	V0.4 draft
Author	Hilary Rodgers, Strategic Architecture, ED&I
Date	13 June 2023

1

## 1. Purpose

This work underlays how we develop policies and how we operationalise them. Information and data is key to understanding the problems identified and whether proposed changes could have an effective outcome. As such, there are two focuses for this work. The first is exploring the information required to better serve the status quo, and the second is what would be required ideally. In this manner, all of the other workstreams of this work will feed into this work, and vice versa.

### Output

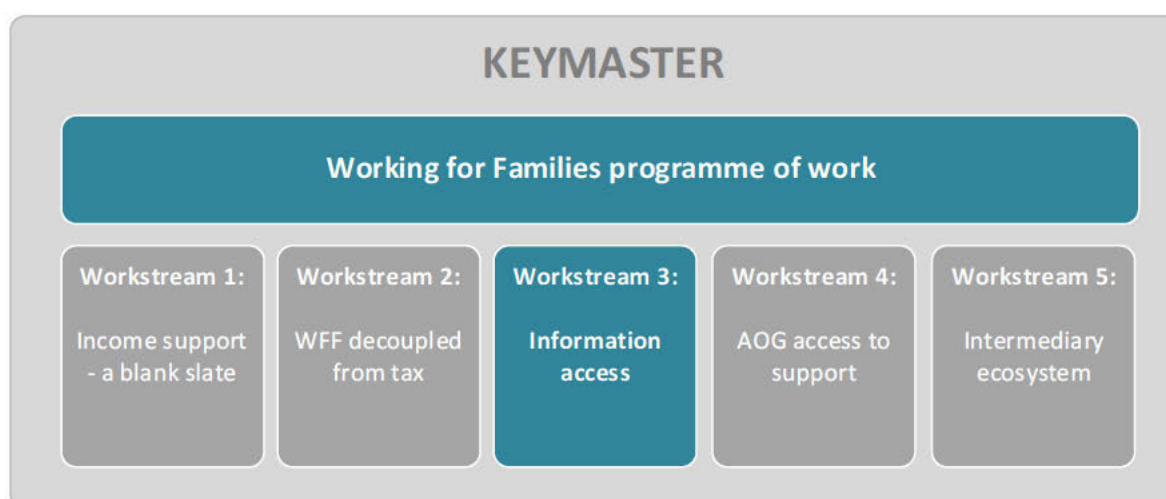
A delivery pathway for improved information access for income support.

### Constraints

None – both feasible and aspirational ideas and opportunities will be considered

## 2. Structure

This workstream is one of 5 separate but interrelated pieces of work within the Working for Families Programme of Work (refer INIT-216).



### The team

The following individuals comprise the core team for workstream 3:

Name	Area	Role
Martin Neylan	PaRS	Understanding legislative authority and AISAs with other agencies
Michelle Hotton	CCS-I	Current state information sharing
Jo Butterfield	ES	Improvements to the status quo, and future state information access needs and opportunities Other agencies as a source of information Downstream agencies
Martin Hooper	ED&I	Solution options, pros & cons

Craig Stewart	ED&I	Do trusted information sources exist
Dan Blank	CCS-B	Optimal integration patterns
Kevin McCartney	ED&I	Information security and privacy
Teena Simm	ED&I	End-to-end/feasibility
Hilary Rodgers	ED&I	Responsible

The following individuals are supporting all workstreams:

Name	Area	Role
TBC	PaRS	He Ara Waiora Māori perspectives
Mark Sands	ED&I	Customer insight
Chris Fitzgerald	PaRS	Data insight
Kris Transom	ED&I	Data insight
Eina Wong	PaRS	Initial point for engagement (internal and external)
Sam Aldridge	PaRS	

The following individuals will be consulted on progress and deliverables:

Name	Area	Role
Michelle Sargentina	CCS-I	Relationship & Delivery lead

## Key links to other initiatives

Links between this workstream and other initiatives are as follows:

Initiative	Description of linkage
All other workstreams	Other workstreams will identify information access needs and opportunities; these will be an input into this work In particular, workstream 2 will be a direct input into this work, particularly in terms of administration across agencies
Debt to Govt work	Any proposed changes to MSD/IR information sharing will be an input into this work The current thinking around Debt to government will also inform opportunities for customer-centric management of debt and hardship
Working for Families review	Any MSD/IR AISA changes will be an input into this work

### 3. Scope

#### In scope:

Topic	Description
<b>Improving the status quo</b>	
<i>Assumes that we're operating largely within current integration, and WFF/income supports are administered as per current state</i>	
1.	WFF administration <ul style="list-style-type: none"><li>Information sharing across IR, MSD and DIA</li><li>Other potential information sources (OT, MOE, Corrections, MBIE, Customs, MOJ ++)</li></ul>
2.	Income support administration <ul style="list-style-type: none"><li>Information we share with MSD for income support purposes (employment information, details for the Community services card, child support RC payments ++)</li></ul>
3.	Research, forecasting and performance <ul style="list-style-type: none"><li>Information sharing with Stats NZ and with Treasury</li><li>Consolidated information for performance &amp; reporting</li></ul>
4.	Managing debt and relief <ul style="list-style-type: none"><li>Information sharing across IR and MSD</li><li>Common debtors</li></ul>

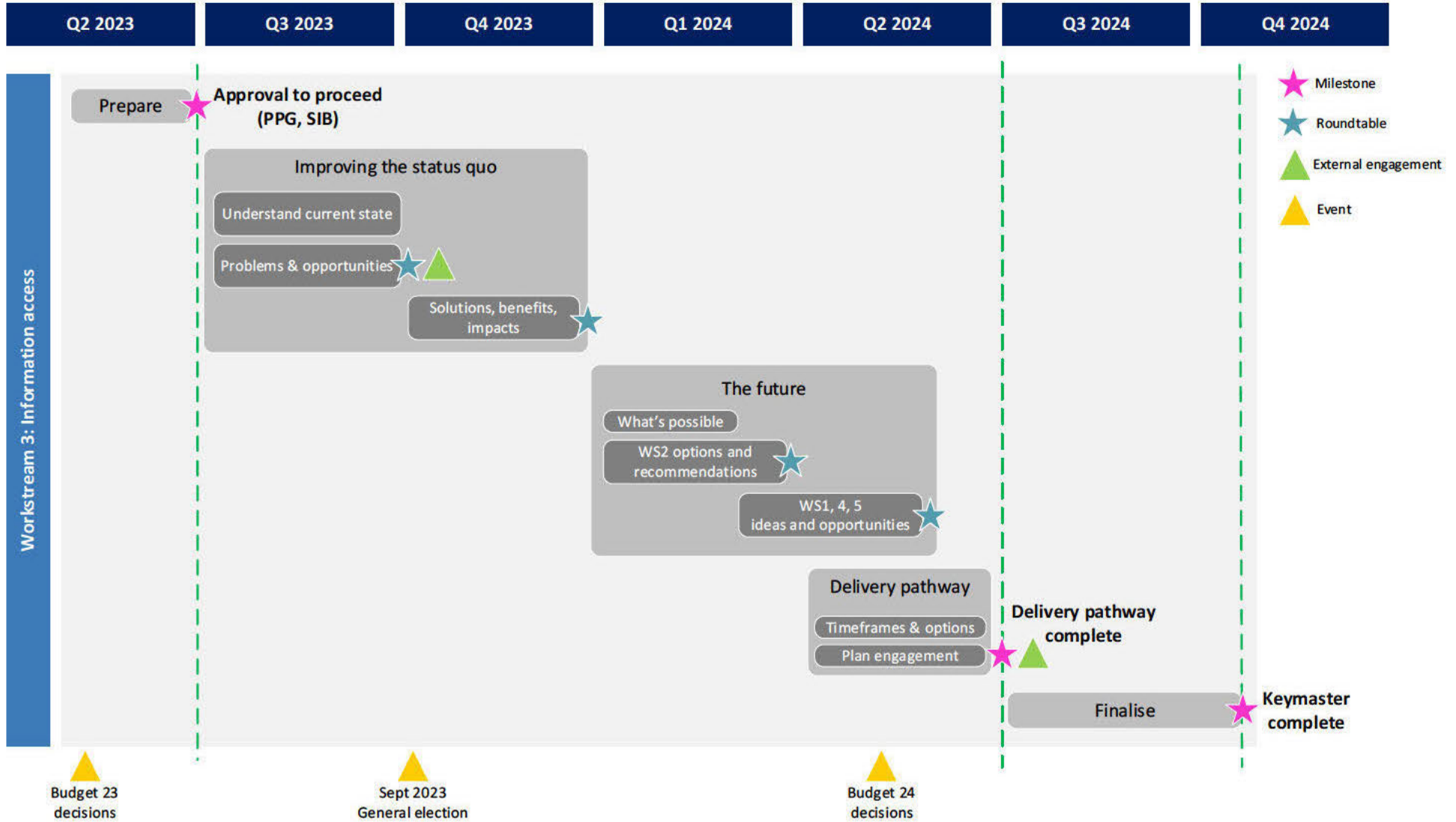
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#### Out of scope:

- Information access opportunities outside of income support
- Access to information that we do not have a direct administrative use for
- The suite of APIs that IR maintains for software providers to utilize – likely covered by WS4 and WS5? [tbc]



## 4. Timeframe and approach



## Activities

Task	Start	Finish	Description
<b>Prepare</b>			
Scope and approach	May 2023	May 2023	<ul style="list-style-type: none"> <li>High level scoping of workstream 3</li> </ul>
Current state	Jun 2023	Jun 2023	<ul style="list-style-type: none"> <li>High level summary of current state information sharing</li> <li>Include existing AISAs and MOUs</li> </ul>
<b>The Crux</b>			
<i>Improving the status quo</i>			
Understand the current state	Jul 2023	Sep 2023	<ul style="list-style-type: none"> <li>Understand existing information sharing (MSD, DIA, Customs, Stats NZ, Treasury)</li> <li>Understand existing AISAs and MOUs</li> </ul>
Identify problems and opportunities	Jul 2023	Sep 2023	<ul style="list-style-type: none"> <li>Issues/opportunities with MSD/IR info sharing</li> <li>Opportunities with other agencies (e.g., DIA, Oranga Tamariki, Customs, MOE, Corrections, Stats NZ, Treasury)</li> <li>Currently 'manual' exchanges of information</li> </ul>
Consider options, pros and cons	Jul 2023	Sep 2023	<ul style="list-style-type: none"> <li>Consider options to address, along with an initial run through of the pros and cons</li> <li>Identify what information and data we need to quantify the benefits</li> </ul>
<u>Roundtable</u>	-	Oct 2023	<ul style="list-style-type: none"> <li>Is our understanding of current state problems and opportunities valid and complete?</li> </ul>
<u>Engagement</u>	-	Oct 2023	<ul style="list-style-type: none"> <li>Initial discussions with other agencies (?)</li> </ul>
Solutions, benefits and impacts	Oct 2023	Dec 2023	<ul style="list-style-type: none"> <li>Solutions, focused largely on changes to existing info shares</li> <li>Articulate and quantify the benefits</li> <li>Understand impacts: legislative, MOU, privacy, operational</li> <li>Validate priority of proposed changes</li> </ul>
<u>Roundtable</u>	-	Dec 2023	<ul style="list-style-type: none"> <li>Are our recommendations logical and complete?</li> </ul>

Task	Start	Finish	Description
<i>The future</i>			
s 9(2)(g)(i)			
Solutions, benefits and impacts	Feb 2024	Mar 2024	<ul style="list-style-type: none"> <li>Options, pros and cons</li> <li>Analysis and recommendations, benefits and impacts</li> </ul>
<u>Roundtable</u>	-	Apr 2024	<ul style="list-style-type: none"> <li>Do we have a coherent information access solution for WFF decoupled?</li> </ul>
Workstream 1 – information needs and opportunities	Mar 2024	May 2024	<ul style="list-style-type: none"> <li>WS1 and IR's role in income support more broadly – what this would mean for the flow of information across agencies</li> </ul>
Ideas and options	Mar 2024	May 2024	<ul style="list-style-type: none"> <li>Considering these, what are the opportunities, possible information sources, and direction of travel?</li> </ul>
<u>Roundtable</u>	-	May 2024	<ul style="list-style-type: none"> <li>Discussion and feedback on solutions, benefits and impacts</li> </ul>
<i>Determine delivery pathway</i>			
Establish indicative timelines	Apr 2024	Jun 2024	<ul style="list-style-type: none"> <li>For valid improvements to the status quo, and feasible future state opportunities, understand high level sizing</li> <li>Identify dependencies, and determine indicative timelines</li> </ul>
Draft delivery pathway	Apr 2024	Jun 2024	<ul style="list-style-type: none"> <li>Consolidate recommended options, along with implementation options, dependencies, risks etc</li> </ul>
Plan engagement	Apr 2024	Jun 2024	<ul style="list-style-type: none"> <li>Planning re engagement with other agencies</li> </ul>



Task	Start	Finish	Description
<u>Roundtable</u>	-	Jul 2024	<ul style="list-style-type: none"> <li>• Discussion and feedback on overall delivery pathway</li> </ul>
<u>Engagement</u>	-	Jul 2024	<ul style="list-style-type: none"> <li>• Further discussion with other agencies</li> </ul>
<b>Finalise</b>			
Feed into overarching Keymaster deliverables	Jul 2024	Oct 2024	<ul style="list-style-type: none"> <li>• Timeframes, sequencing, dependencies</li> <li>• Also, options for delivery, standalone items etc</li> </ul>

## 5. Risks

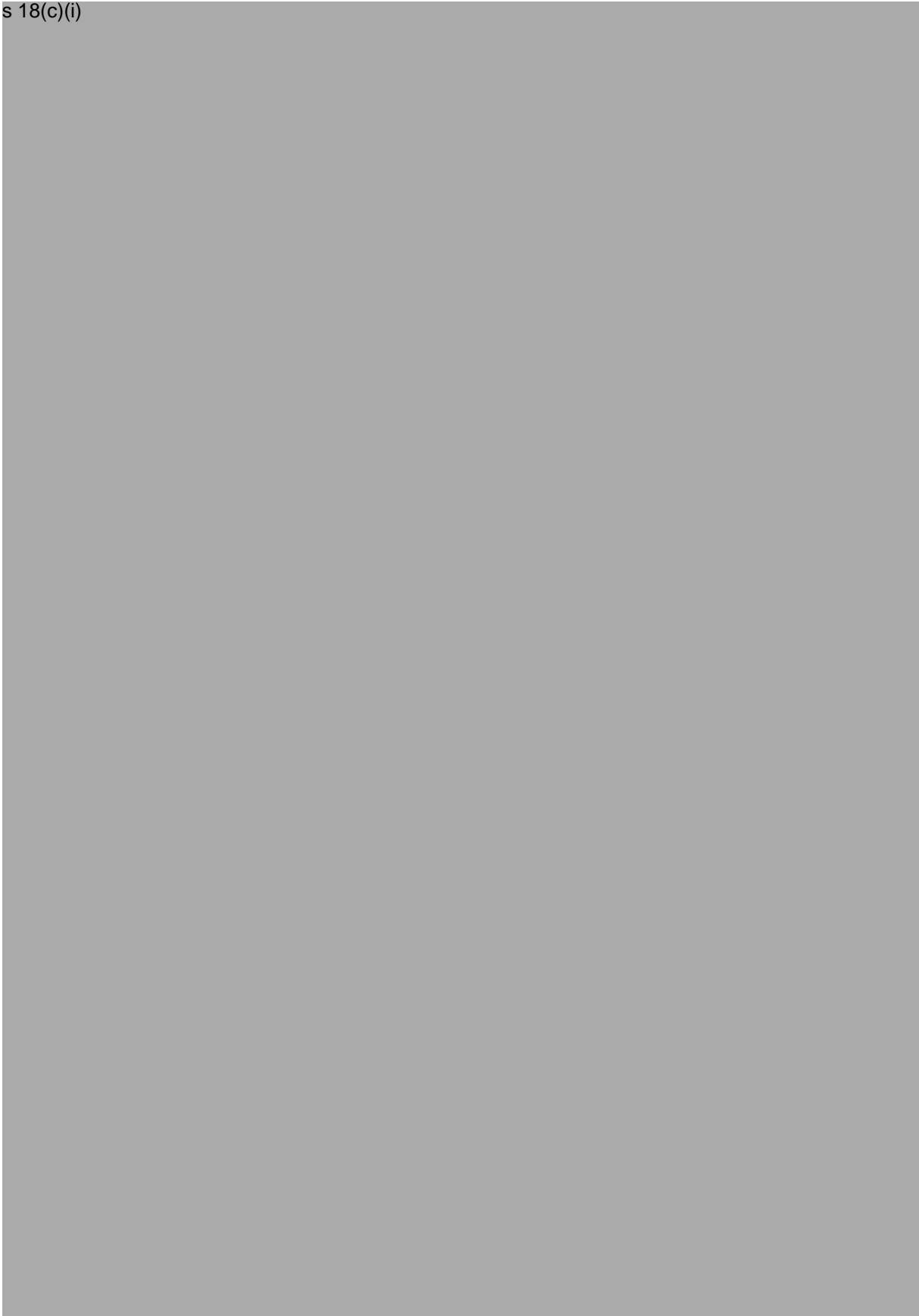
What?	Possible mitigations
<p><b>Inability to engage with other agencies</b></p> <p>This workstream will be dependent on engagement with other agencies and/or groups that IR requires information from, or that receive information from IR. In particular, MSD engagement will be critical.</p> <p>Although we can make progress in terms of developing an initial IR view, a coherent delivery pathway for information access cannot be completed in isolation.</p>	<ul style="list-style-type: none"><li>• Early and sustained engagement with MSD</li><li>• Once information access requirements are forming, seek to engage with other agencies/groups</li></ul>
<p><b>Dependencies on other workstreams</b></p> <p>This workstream is highly dependent on progress across the other workstreams, in order to have a consolidated and complete view of information access needs.</p> <p>If there are delays in other workstreams, this will directly delay progress of workstream 3.</p> <p>s 9(2)(g)(i)</p>	<ul style="list-style-type: none"><li>• Clear understanding of dependencies and timeframes across workstreams</li><li>• Where necessary, work based on likely assumptions rather than final decisions</li></ul>

In a perfect world, we would have perfect targeting, perfect uptake, nil compliance burden.

What information could we access, to move us further towards this ideal state?

Eligibility and targeting:

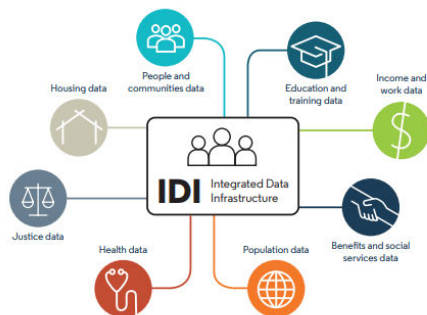
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# Data in the IDI October 2022



Stats NZ's Integrated Data Infrastructure (IDI) is a large research database containing de-identified microdata about people and households.



The IDI contains person-centred microdata from a range of government agencies, Stats NZ surveys including the 2013 Census, and non-government organisations. For more information about data in the IDI, see [www.stats.govt.nz/integrated-data/integrated-data-infrastructure](http://www.stats.govt.nz/integrated-data/integrated-data-infrastructure)

The Longitudinal Business Database (LBD) complements the IDI with microdata about businesses. For more information about data in the LBD, see [www.stats.govt.nz/integrated-data/longitudinal-business-database](http://www.stats.govt.nz/integrated-data/longitudinal-business-database)

- Benefits and social services data**
- ACC injury claims – from 1994
  - Benefits – from 1990
  - Children's Action Plan – from 1996
  - Child, Youth, and Family – from 1991
  - Early Start Project – from 2016
  - Family Start – from 2008
  - Student loans and allowances – from 1992
  - Working for Families – from 2003
  - Youth services – from 2004

- Education and training data**
- Early childhood education participation – from 2008
  - Industry training – from 2001
  - Primary education – from 2007
  - Programme for the International Assessment of Adult Competencies – from 2014
  - Secondary education – from 2004
  - Targeted training – from 2001
  - Tertiary education – from 1994

- Health data**
- B4 School Checks – from 2011
  - Cancer registrations – from 1995
  - Chronic conditions – from 2007
  - General medical services claims – from 2002
  - Health tracker – 2006–14
  - Immunisation – from 2006
  - InterRAI – from 2014
  - Laboratory claims – from 2003
  - Maternity – from 2003
  - Mortality – from 1988
  - National Booking Reporting System – from 2003
  - National Needs Assessment and Service Coordination Information System (SOCRATES)
  - National non-admitted patient collection – from 2007
  - NES enrolments – from 2019
  - Pharmaceuticals – from 2005
  - PHO enrolments – 2003–2019
  - Population cohort demographics and addresses – from 2004
  - PRISMHD – from 2008
  - Privately funded hospital discharges – from 2001
  - Publicly funded hospital discharges – from 1988

- Housing data**
- Social housing – from 2000
  - Tenancy – from 2000

- Income and work data**
- Household economic survey – from 2006
  - Household labour force survey – from 2006
  - NZ income survey – from 2006
  - Survey of family, income, and employment – 2002–10
  - Tax and income – from 1999

- Justice data**
- Court charges – from 1992
  - New Zealand crime and Victims Survey – from 2018
  - NIA links – from 2009
  - Recorded crime: offenders – from 2009
  - Recorded crime: victims – from 2014
  - Sentencing and remand – from 1998

- People and communities data**
- Auckland City Mission – from 1996
  - Disability survey – 2013
  - Driver licence and motor vehicle registers
  - General social survey – 2008–2018
  - Longitudinal Immigration Survey of NZ – 2005–09
  - Migrant Survey – from 2012
  - Te Kupenga – 2013

- Population data**
- Census – 2013, 2018
  - Births, deaths, and marriages – from 1840
  - Border movements – from 1997
  - Civil unions – from 2005
  - Departure and arrival cards – from 1997
  - Visa applications – from 1997

## Legislative authority to share information:

- AISA (approved information sharing agreement) – secondary legislation
- Direct legislative authority – e.g., Customs & Excise Act
- Provision under the TAA (s17b, s17l)

SUB-PROJECT 5 Intermediary ecosystem

How can we utilise intermediaries to transform income support accessibility?

- How we extend the WFF ecosystem to include intermediaries, to better serve the digitally excluded, improve the WFF user interface and user experience
- More broadly, how could intermediaries play a role in the delivery of income support services to New Zealanders?

**Objective:**  
 To improve accessibility and the user experience for our customers.



»»» OUTPUT  
 "A plan???"

**Responsible:** Lead TBD  
**Supporting:** Keith Taylor, Policy  
 Richard Braae, Policy  
 Aimee Buyn, CCS  
 Carolyn Thomas, ED&I  
**Consulted:**

Document details

Subject	Workstream 5 scope and approach
Version	V0.3 draft
Author	Graham Tubb, Policy and Regulatory Stewardship
Date	15 June 2023



## 1. Purpose

To develop a strategy (dependent on decisions made for other workstreams) to facilitate delivering income support payments (tax credits) to customers through third party assistance. In this context the concept of an intermediary includes all forms of third party assistance to customers, regardless of whether any such person has any other interaction with the tax and social policy system, and would be channel-neutral (but strongly favour digital delivery).

The idea is analagous to the use of tax intermediaries who facilitate tax and accounting activities to customers so they can be compliant taxpayers and the tax system can deliver entitlements accurately and efficiently. Such a service has potential to be highly valuable for customers given the complexity of social policies, which can result in debt, and create efficiencies in administration more generally (e.g., for IR in the WFF space, which could improve administration of other areas like investigations).

### Output

A strategy to develop an intermediary ecosystem as a complementary delivery system for income support. This strategy will also align with other regulatory work being undertaken concerning revenue system intermediation.

### Constraints

Both feasible and aspirational ideas and opportunities will be considered, however initiatives arising under this strategy must align with key decisions taken under the other workstreams, and where relevant with other intermediation strategies.

In particular, this workstream will be progressed as part of a separate PaRS work programme item on tax intermediaries, which is broader than social policy. That item will progress on a shorter timeframe and will consider the legislative and information mechanisms through which intermediaries can participate in the tax and social policy ecosystem. We will be working closely with the Responsible Lead on the interdependencies of these two workstreams.

## 2. Structure

This workstream is one of 5 separate but interrelated pieces of work within the Working for Families Programme of Work (refer INIT-216).



## The team

The following individuals comprise the core team for workstream 5:

Name	Area	Role
Stephanie Watts	PaRS	How could intermediaries play a role in the delivery of income support services?
TBC	CCS-I	Current state improvements
	ES	Future state information access needs Other agencies, the IDI?
Dan Blank	CCS-B	Digital exclusion, solution options Information requirements, security and privacy
Carolyn Thomas	ED&I	
Nick Wilkins	Digital	End-to-end/feasibility
Souradeep Gupta	ED&I	
Graham Tubb	PaRS	Responsible

The following individuals are supporting all workstreams:

Name	Area	Role
TBC	PaRS	He Ara Waioira Māori perspectives
Mark Sands	ED&I	How we better elicit information from our customers
CEDA	ED&I	Quantifying the impact of changes
Eina Wong	PaRS	Initial point for engagement (internal and external)
Sam Aldridge	PaRS	

The following individuals will be consulted on progress and deliverables:

Name	Area	Role
TBC		

## Key links to other initiatives

Links between this workstream and other initiatives are as follows:

Initiative	Description of linkage
All other workstreams	
Debt to Govt work	Any proposed changes to MSD/IR information sharing will be an input into this work The current thinking around Debt to government will also inform opportunities for customer-centric management of debt and hardship
Working for Families review	This work will continue through 2023 and could require implementation during 2024. Workstream 5 will accordingly have regard to the Review and vice versa
Intermediary regulatory review	The current separate PaRS project on regulation of tax intermediaries, which will consider the legislative and information mechanisms through which intermediaries can participate in the tax and social policy ecosystem.



### 3. Scope

In scope:

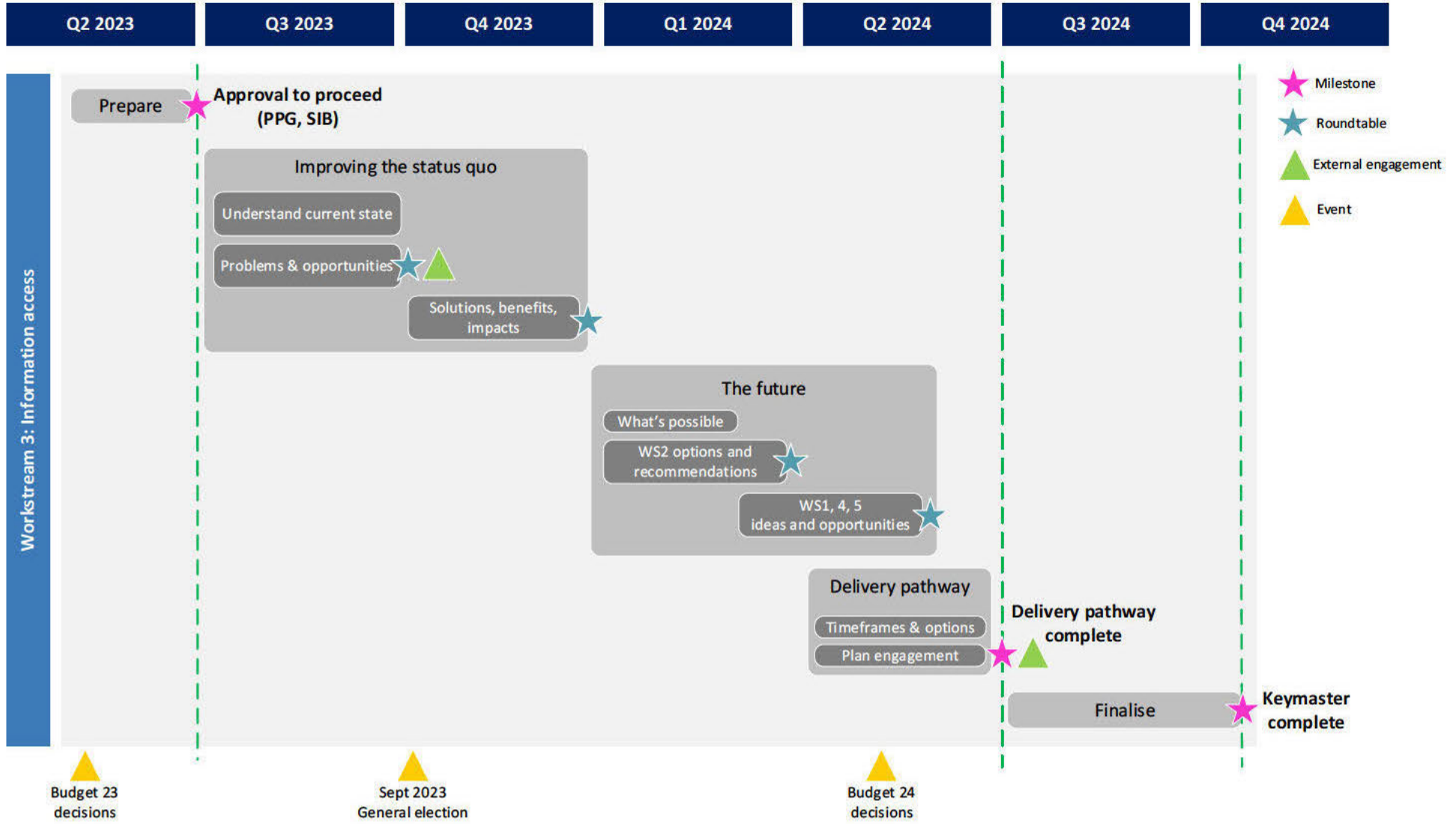
Topic		Description
<b>Improving the status quo</b>		
1.	Review	<ul style="list-style-type: none"><li>• Survey any existing channels of intermediation</li></ul>
2.	Research, policy development & financial management	<ul style="list-style-type: none"><li>• What problems would benefit from involving a third party?</li><li>• Is tax agent status required? If not what other existing status?</li><li>• What operational interfaces already exist to support intermediaries?</li><li>• Are any legislative amendments required? E.g confidentiality rules,</li></ul>
3.	Income support administration	<ul style="list-style-type: none"><li>• What role could intermediaries play in resolving errors or disputes?</li></ul>
4.	Managing debt and relief	<ul style="list-style-type: none"><li>• A single view of customer</li><li>• Advisory roles for intermediaries</li></ul>

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Out of scope:

1. Intermediation involving purely software solutions.

## 4. Timeframe and approach



## Activities

Task	Start	Finish	Description
<b>Prepare</b>			
Scope and approach	May 2023	June 2023	<ul style="list-style-type: none"> <li>High level scoping of workstream 5</li> </ul>
Current state	Jun 2023	July 2023	<ul style="list-style-type: none"> <li>High level summary of current state intermediary practices</li> <li></li> </ul>
<b>The Crux</b>			
<i>Improving the status quo</i>			
Understand the current state	Jul 2023	Sep 2023	<ul style="list-style-type: none"> <li>Understand existing intermediation structures and opportunities</li> <li>Consider risks in intermediation</li> <li>Understand existing guidance for customers</li> <li>Understand existing assistance available through other agencies</li> </ul>
Identify problems and opportunities	Jul 2023	Sep 2023	<ul style="list-style-type: none"> <li>Opportunities with other agencies (e.g., DIA, Oranga Tamariki, Customs, MOE, Corrections, Stats NZ, Treasury) for intermediary roles</li> <li>Opportunities with NGOs, e.g., Māori and iwi groups</li> </ul>
Consider options, pros and cons	Jul 2023	Sep 2023	<ul style="list-style-type: none"> <li>Consider options to address, along with an initial run through of the pros and cons</li> <li>Identify what information and data we need to quantify the benefits</li> </ul>
<u>Roundtable</u>	-	Oct 2023	<ul style="list-style-type: none"> <li>Is our understanding of current state problems and opportunities valid and complete?</li> </ul>
<u>Engagement</u>	-	Oct 2023	<ul style="list-style-type: none"> <li>Initial discussions with external professional/intermediary groups, and other agencies</li> </ul>
Solutions, benefits and impacts	Oct 2023	Dec 2023	<ul style="list-style-type: none"> <li>Solutions</li> <li>Articulate and quantify the benefits</li> <li>Understand impacts: legislative, MOU, privacy, operational</li> <li>Validate priority of proposed changes</li> </ul>

Task	Start	Finish	Description
<u>Roundtable</u>	-	Dec 2023	<ul style="list-style-type: none"> <li>Are our recommendations logical and complete?</li> </ul>

s 9(2)(g)(i)

Solutions, benefits and impacts	Feb 2024	Mar 2024	<ul style="list-style-type: none"> <li>Options, pros and cons</li> <li>Analysis and recommendations, benefits and impacts</li> </ul>
<u>Roundtable</u>	-	Jan 2024	<ul style="list-style-type: none"> <li>Do we have a n intermediary strategy/solution for WFF decoupled?</li> </ul>
Workstream 5 – intermediation	Mar 2024	May 2024	<ul style="list-style-type: none"> <li>WS5 – what would increased access to and use of intermediaries mean for administration of WFF?</li> </ul>
Ideas and options	Mar 2024	May 2024	<ul style="list-style-type: none"> <li>Considering these, what are the opportunities and direction of travel?</li> </ul>
<u>Roundtable</u>	-	May 2024	<ul style="list-style-type: none"> <li>Discussion and feedback on solutions, benefits and impacts</li> </ul>
<i>Determine delivery pathway</i>			
Establish indicative timelines	Apr 2024	Jun 2024	<ul style="list-style-type: none"> <li>For valid improvements to the status quo, and feasible future state opportunities, understand high level sizing</li> <li>Identify dependencies, and determine indicative timelines</li> </ul>
Draft delivery pathway	Apr 2024	Jun 2024	<ul style="list-style-type: none"> <li>Consolidate recommended options, along with implementation options, dependencies, risks etc</li> </ul>
Plan engagement	Apr 2024	Jun 2024	<ul style="list-style-type: none"> <li>Planning re engagement with other agencies</li> </ul>

Task	Start	Finish	Description
<u>Roundtable</u>	-	Jul 2024	<ul style="list-style-type: none"> <li>• Discussion and feedback on overall delivery pathway</li> </ul>
<u>Engagement</u>	-	Jul 2024	<ul style="list-style-type: none"> <li>• Further discussion with other agencies</li> </ul>
<b>Finalise</b>			
Feed into overarching Keymaster deliverables	Jul 2024	Oct 2024	<ul style="list-style-type: none"> <li>• Timeframes, sequencing, dependencies</li> <li>• Also, options for delivery, standalone items etc</li> </ul>

## 5. Risks

What?	Possible mitigations
<b>Inability to engage with other agencies</b> This workstream will be dependent on engagement with potential intermediary groups	
<b>Dependencies on other workstreams</b> This workstream is highly dependent on progress across the other workstreams, in order to have a consolidated and complete view of the potential for introduction of intermediaries.	<ul style="list-style-type: none"><li>• Clear understanding of dependencies and timeframes across workstreams</li><li>• Where necessary, work based on likely assumptions rather than final decisions</li></ul>
Legislative authority to interact with intermediaries (share information etc) may be limited or lacking	<ul style="list-style-type: none"><li>• Provision under the TAA</li></ul>



## **Internal Engagement on Keymaster Principles**

April-May 2024

### **Purpose and expectations**

We are engaging with you as someone who has some experience or connection to social policy products at Inland Revenue. This exercise should take about an hour of reading, plus another hour of discussion with a wider group at IR.

### **Context on Project Keymaster**

Project Keymaster is Inland Revenue's review of the Working for Families tax credits (WFF). It is an enterprise priority endorsed by SIB in June 2023.


Keymaster is a first-principles review and the first since WFF was introduced in 2004. The project will focus on whether the current settings are fit for purpose, how they could be improved, and how they could fit in a longer-term tax and transfers system more ideally. Importantly, we are considering through this project how to improve accessibility and timeliness of support for our customers.

As part of the project, we are also taking a people-centred approach and considering the perspectives of families, Māori and iwi, and Inland Revenue staff. We have begun engaging these groups on some proposed ideas. Their feedback will provide insights on how the "lived" community experiences income support delivered through Inland Revenue, and how Inland Revenue can contribute meaningfully to their lives over time.

### **How the Principles came about**

The project team has identified potential options for change which we are continuing to develop. They range between small improvements to the status quo and significant reformative changes. While these options were developed, we had lively discussions and debate on wider questions. For example:

s 9(2)(f)(iv), s 9(2)(g)(i)



Questions like these led us to developing the principles to help us design the options. As discussed in the main document, the principles can be subjective. This is why we are engaging with you on them.

## What do you think?

The main questions we would like your feedback on are:

1. Are the principles reasonable, given the purpose we are using them for?
2. How could we improve on them?
3. Is there anything we have not considered or is missing from discussion?

We have applied the principles to several options to show how well they work for our purposes.

## Next steps

We will consider your feedback when we refine the Principles document. We will be meeting with the project's governance group and ELT members to discuss in May 2024. Once finalised, we will assess any options in this project as part of the final report to ELT members in December 2024.

Consultation Groups:

PaRS	Families & Individuals team, Charles Ngaki, Carolyn Elliott, Fliss Barker, Chris Fitzgerald
CCS	Michelle Sargentina, Michelle Hotton
ED&I	Tania Sellers, Mike Nutsford, Ron Grindle
Strategic architecture	Martin Hooper, Cathy Swanson, Julie Ogle, Jeni Vaughan, Alex Steel
I&I	Matt Glover, Jing Zhao
PD&D	Jo Taranaki, Dan Blank



## Background note

Date: July 2024  
 Author: Hilary Rodgers  
 Subject: Policy design parameters for the Best Start Tax Credit  
 Version: v1.0 Final

### Purpose

Inland Revenue is currently conducting a stewardship project on Working for Families tax credits and income support delivered through the tax system, (Project Keymaster).

This note covers the Best Start Tax Credit (BSTC), including current settings, identification of issues and options to address, and recommendations.

### Introduction

Best Start was introduced in July 2018 as part of the Families Package and replaced the more tightly targeted Parental Tax Credit (PTC).

BSTC was intended to deliver more money to families with children and contribute to child poverty reduction. It is a per-child payment in the first three years of a child's life, in line with evidence that this is the best time to invest in their wellbeing.

The first year of Best Start is not income-contingent, however it abates at a rate of 21% for family income above \$79,000 when a child is aged 1 to 2 years. This reflects the policy intent to be an almost universal entitlement in the first year of a child's life, but more targeted to lower income families in the second and third years. Like the Family Tax Credit, Best Start is apportioned for shared care, is available to both working and beneficiary families, and is protected from abatement for any months where the principal caregiver receives a main benefit and family income is below the monthly abatement threshold.

Families cannot receive BSTC and Paid parental leave at the same time for the same child, and so BSTC payments typically start when PPL payments end.

A decision was made to implement BSTC as part of the WFF scheme, in order to meet tight timeframes set by the Government.

### Data

For the 2022 tax year, 138K families (38.6% of WFF customers) received \$296M in Best Start payments. Most families received instalment payments during the year (88%) and most from Inland Revenue (65%). The mean value of Best Start per family was \$2,142.

Paying agency	Instalment payments			Lump sum
	IR	IR & MSD	MSD <sup>1</sup>	IR
No. of families	89,851 (65%)	5,848 (4%)	25,422 (18%)	17,113 (12%)
Amount paid in year	\$178.85M	\$16.08M	\$71.28M	-

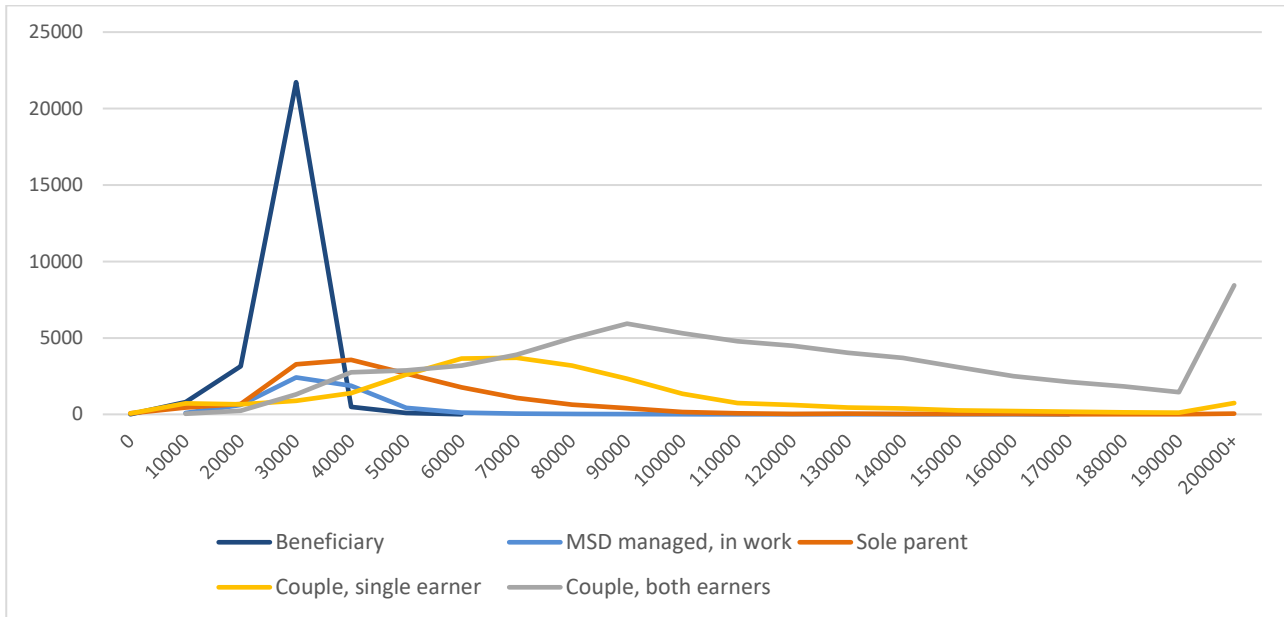
<sup>1</sup> The amount of MSD payments is estimated. IR administrative data does not include a detailed breakdown of FTC and BSTC.

Amount paid at square up <sup>2</sup>	\$6.62M	\$0.09M	\$0.47M	\$22.7M
Total value of entitlement	\$185.47M	\$16.17M	\$71.75M	\$22.7M

Best Start recipients and value of entitlement by paying agency, 2022 tax year

Compared to the general WFF population, Best Start families<sup>3</sup> have higher levels of income (due to the universality of the first year of Best Start) and are more likely to be couples who are both in work. The average family scheme income for BSTC recipients in the 2022 tax year was \$83.24K, compared to \$65.56K for all WFF customers.

A very small proportion of Best Start families had shared care (2,684 families or 1.94%). By comparison, a slightly larger proportion of FTC recipients had shared care (5.24%).



Best Start recipients by family income and household type<sup>4</sup>, 2022 tax year

Of the 95K Best Start recipients who received in year payments and were squared up by IR, 30% received their correct Working for Families entitlement (across all tax credits), 42% were underpaid by more than \$50, and 27% were overpaid by more than \$50.

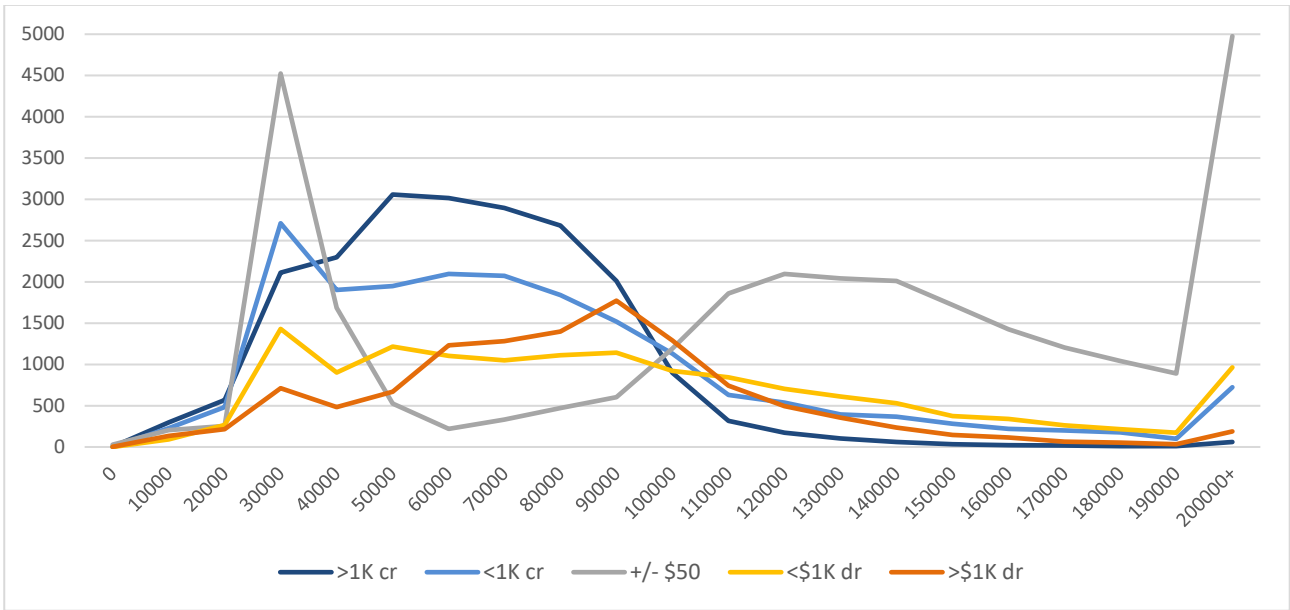
Families with higher levels of income and those receiving most of their income from a main benefit were more likely to receive accurate payments. Those with lower incomes who were also working were less likely to receive accurate payments and were more likely to have a large (>\$1K) underpayment than a large overpayment.

<sup>2</sup> This is the net amount and will comprise both under and overpayments.

<sup>3</sup> Families who have received Best Start during the year for one or more children.

<sup>4</sup> 'Beneficiary' - families who earn nearly all of their income from a main benefit.

'MSD managed, in work' - families paid by MSD who also earn some income from employment.



Best Start recipients by square up outcome and family income, 2022 tax year

**Best Start and Paid parental leave**

Families cannot receive BSTC and PPL at the same time for the same child, and so Best start payments typically start once PPL has ended. However, PPL can be applied for retrospectively, and this can result in overpayments of Best Start.

Approximately 800-1,000 families are overpaid BSTC while receiving PPL each year<sup>5</sup>.

Tax Year	Customers overpaid BSTC	Value of BSTC overpayments	Average overpayment
2022	1,019	\$425,726.00	\$417.79
2023	939	\$359,782.00	\$383.15

**Best Start-only families**

Families who only receive Best Start and no other tax credits (one third of Best Start recipients or about 45K families) differ when compared to the general WFF population.

Best Start-only families are more likely to:

- have higher levels of family income, (the average family scheme income for BSTC-only families is \$156K, compared with \$65K for the WFF population)
- be couples who are both in paid work, (87% of BSTC-only families, compared with 34% of the WFF population)
- and receive correct entitlements during the year, (46% of BSTC-only families were within \$50 of the correct entitlement at square up, compared with 16% of the general WFF population).

Further data on this cohort is covered in the Appendices.

<sup>5</sup> <https://irnz.atlassian.net/browse/DKM-49>

## Literature summary

### **Welfare Expert Advisory Group report<sup>6</sup> (2019)**

The WEAG was established in 2018 to provide advice on the future of New Zealand's social security system. Their report, released in February 2019, laid out 42 key recommendations on how the welfare system could be changed to better meet the needs of New Zealanders.

The report included the following recommendations in relation to Best Start:

- Make Best Start universal for all children aged under 3 years, to focus support on families with young children, simplify the system and avoid overlapping abatement and high effective marginal tax rates (EMTRs) for some, (Recommendation 23).
- Change the interaction between Best Start and Paid parental leave, so that unavoidable overpayments do not occur, and families are entitled to receive both at the same time.

### **Best Start tax credit stocktake<sup>7</sup> (2021)**

As part of the Working for Families review, an internal briefing note was drafted on the Best Start tax credit. The note provides a comprehensive background of the history, payment rates, eligibility, and other settings for this tax credit. The following issues are noted:

- Interaction with Paid parental leave creating overpayments and debt.
- Unnecessary complexity introduced by a separate abatement regime.
- Greater risk of debt due to not accumulatively adjusting payments during the year.

### **Estimates of take-up of the Best Start tax credit (2022)<sup>8</sup>**

This study was part of MSD's work to monitor and evaluate the Families package and subsequent income support changes and sought to estimate eligibility and take up rates for the Best Start tax credit for the first 15 months of Best Start (July 2018 – December 2019). The study was based on linked administrative data held in the Stats NZ Integrated Data Infrastructure (IDI).

#### *Population characteristics*

Over half of children (54 percent) had a caregiver who received PPL and who were not on benefit. Just over one fifth (21.4 percent) had a parent in receipt of a main benefit in the first three months. Just under a quarter of recipients did not receive a main benefit or PPL.

More children were born in high deprivation areas than in low deprivation areas (for example 15.2 percent of births in the lowest deprivation quintile compared with 27.0 in the highest deprivation quintile).

#### *Eligibility and take up estimates*

The study estimated that 96.5 percent of children born within the study window (July 2018 – December 2019) were eligible for Best Start.

The data indicated a take up rate of 96.9 percent in the first 15 months (68,097 families). While there were some small differences in take up rates by population characteristics (for example families who did not receive either PPL or benefit), take up was assessed as high.

The ethnicity findings are summarised below.

<b>Child ethnic group(s)</b>	<b>Number of births</b>	<b>Estimated BSTC eligibility</b>	<b>Estimated BSTC take-up (of those who were eligible)</b>

<sup>6</sup> [Welfare Expert Advisory Group Report | Welfare Expert Advisory Group - Kia Piki Ake \(weag.govt.nz\)](#)

<sup>7</sup> [TC-2 2021-06-02 BSTC stocktake V1.0.docx](#)

<sup>8</sup> [Estimating-take-up-of-the-best-start-tax-credit.pdf \(msd.govt.nz\)](#)

Asian	15,216	87.9%	96.3%
European	47,088	99.0%	97.1%
Māori	20,892	100.0%	97.2%
Pacific	11,154	98.8%	97.5%
MELAA <sup>9</sup>	1,755	88.2%	94.4%
Other	294	98.0%	96.9%

The authors also highlighted that in comparison to survey estimating take up of social support internationally (Ko and Moffitt (2022)), the take up for Best Start is high. They consider that this is likely related the almost universal nature of Best Start and the application through SmartStart (as part of the birth registration process).

Noting results from other studies<sup>10</sup>, they also concluded that Best Start may have increased the take up of other WFF components by families with very young children. The authors suggest that:

*"...a portion of non-take-up of other WFF payments for families with older children can be addressed by system changes that more proactively invite and streamline initial applications and subsequent re-applications for those with potential eligibility".*

### **Families package monitoring and evaluation<sup>11</sup> (2023)**

The Families Package, introduced in 2018, focussed on reducing child poverty and ensuring children get the best start in life. MSD led the work to monitor and evaluate the impact of these changes and final reports were published this year.

Along with several changes in supports, the Families Package introduced Best Start and extended the period of Paid parental leave from 18 to 26 weeks.

The monitoring and evaluation found that mothers in the first cohort to qualify for Best Start and extended paid parental leave gained an additional \$55 p/w in the first six months after their baby was born. This is equivalent to an extra 10% increase in their income, on top of income gains from other parts of the Families Package.

The report also found that uptake of Best Start was around 96.9%, for children in eligible families.

### **Issues, options, and analysis**

#### ***Interaction between Best Start and Paid parental leave***

As per MC6 of the Income Tax Act 2007, a person does not qualify for a Best Start tax credit for a dependent child for any period where they receive a parental leave payment or preterm baby payment for the child.

The maximum value of Paid parental leave (\$712.17 a week before tax for the 23/24 financial year) is significantly higher than Best Start (\$69 per week for the 2024 tax year), and so families typically start receiving Best Start payments once the Paid parental leave entitlement period has ended (generally 26 weeks from expected due date).

#### *Issues*

##### Creation of unavoidable overpayments

Although most people apply for PPL prior to the birth of their child, applications can be made retrospectively (up to 1 year after the birth of a child or the date primary care of a child commenced). These settings promote accessibility and uptake of PPL.

<sup>9</sup> MELAA represents Middle Eastern, Latin American and African ethnic groups.

<sup>10</sup> McLeod, K., & Wilson, M. (2022). Estimates of Working for Families eligibility and take-up rates 2007 – 2020. Wellington: Ministry of Social Development. Retrieved from: [Reports monitoring receipt of payments - Ministry of Social Development \(msd.govt.nz\)](#), and Wilson, M., & McLeod, k. (forthcoming) How the 2018 Families Package increased financial assistance in children's early years and created new opportunities for research. MSD.

<sup>11</sup> [Families Package Monitoring and Evaluation - Ministry of Social Development \(msd.govt.nz\)](#)

When a retrospective PPL registration is received for a family who has been receiving Best Start, BSTC stops, and PPL commences. There are no provisions that enable PPL entitlement (under the Parental Leave and Employment Protection Act 1987) to be used to satisfy Best Start overpayments. As such, any BSTC amounts paid to date become Working for Families debt.

This situation occurs within the first year of a child's life, when families are likely to have reduced financial resilience coupled with greater challenges and responsibilities.

The risk of this situation occurring is exacerbated by the channels used. The majority of Best Start applications are made via the SmartStart platform when families register their child's birth. Families register for PPL directly via IR channels (either myIR or over the phone). To address this risk, work has been undertaken to improve messaging on the SmartStart platform. Currently, around 800-1000 families are overpaid BSTC while receiving PPL each year, with an average overpayment of \$380-\$400.

Best Start is universal and can be received concurrently with all other supports, apart from PPL

The first year of Best Start is universal and reflects the intent that every New Zealander with a newborn should receive financial assistance, regardless of their level of family income.


The objectives of Paid parental leave are different. The intent is to help parents reconcile their employment and family responsibilities by allowing workers to take leave for childbirth while maintaining their workforce attachment, and to compensate for the financial impacts of that leave.

More broadly, the Parental Leave and Employment Protection Act 1987 (PLEPA) provides for job protection during pregnancy and parental leave, and for the employees return to work without disadvantage to position or pay rate. This contributes to gender equity in the labour market via increased female labour force retention.


Although Best Start is available to families who are also receiving main benefits, student allowances, other Working for Families tax credit, NZ superannuation and accident compensation, the restriction is in place for Paid parental leave.

When Best Start was originally implemented, IR recommended paying both PPL and BSTC at the same time (simpler to administer, easier for customers to understand) however this approach was not taken due to fiscal impacts, and because this broadly aligned with the settings for the Parental tax credit (PTC) where parents could choose to receive either PTC or PPL but could not claim both for the same child.

s 9(2)(g)(i)



s 9(2)(g)(i)





### **Registering for Best Start via SmartStart**

Most families register for Best Start at the time they register the birth of their child, via the SmartStart platform. In the 2022 tax year, 22,149 registrations were received via SmartStart (48% of all WFF registrations). This channel is a significant factor in the high levels of uptake for Best Start.

SmartStart does not provide a full registration for Working for Families, but a simplified registration sufficient to cover the information needed for the first year of Best Start. Because the first year of Best Start is not income-tested, estimates of income are not required for either the principal caregiver or their partner.

This approach reduces complexity and information requirements for families who are registering the birth of the child. However, there are consequences:

- Some families are not aware that, in applying for Best Start, they have registered for Working for Families. This has implications for transitional residents and for higher income families who will only be eligible for the first year of BSTC.
- For families who are eligible for tax credits other than Best Start, further information is needed (primarily income estimates) to complete onboarding. This may lead to delays in payments (or families receive additional tax credits at end-of-year square-up), or duplicate registrations (families registering via DIA and direct via IR channels at the same time)<sup>12</sup>.

### *Issues*

#### Unnecessary delays to income tax refunds

As per LA2 of the Income Tax Act 2007, a person must use their total tax credits for a tax year to satisfy their income tax liability for that tax year. WFF tax credits are applied at the time income tax is assessed, with any shortfall treated as tax to pay and any credit refunded.

The value of WFF tax credits depends on income for both a principal caregiver and their partner, so the correct WFF entitlement cannot be calculated until income tax is assessed for both parties.

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<sup>12</sup> Around 5.6K duplicate registrations are received for WFF each year and require manual action – a proportion of these will be the result of duplicates from DIA registrations.

As such, finalising a principal caregiver's income tax assessment is held until a partner's assessment is finalised, and vice versa.

For families who have received the first year of Best Start only, this delay is unnecessary because a partner's return of income will not alter the value of the WFF entitlement. The delay causes frustration where income tax refunds are pending.

There is also a question of whether the first year of Best Start should be used to offset income tax liability at square-up, given that it is intended to be a universal weekly payment and cannot be used to offset other WFF overpayments (via accumulative adjustments). However, this is likely a consequence of tight implementation timeframes and the decision to adopt as many of the existing WFF rules as possible.


#### Onboarding families for other WFF tax credits

Families registering via SmartStart have not provided information sufficient for IR to determine entitlement to WFF tax credits other than Best Start.

To be onboarded for instalment payments for other tax credits, families need to provide additional information, primarily estimates of income. If this does not occur, the Family tax credit is calculated and paid to the customer at end of year square-up.


This can result in duplicate registrations, delays in payments or missing entitlements<sup>13</sup>, and a timely IR onboarding process for all WFF tax credits becomes more important under a single payer administration model, as low-income beneficiary families register their newborns via SmartStart.

s 9(2)(g)(i)

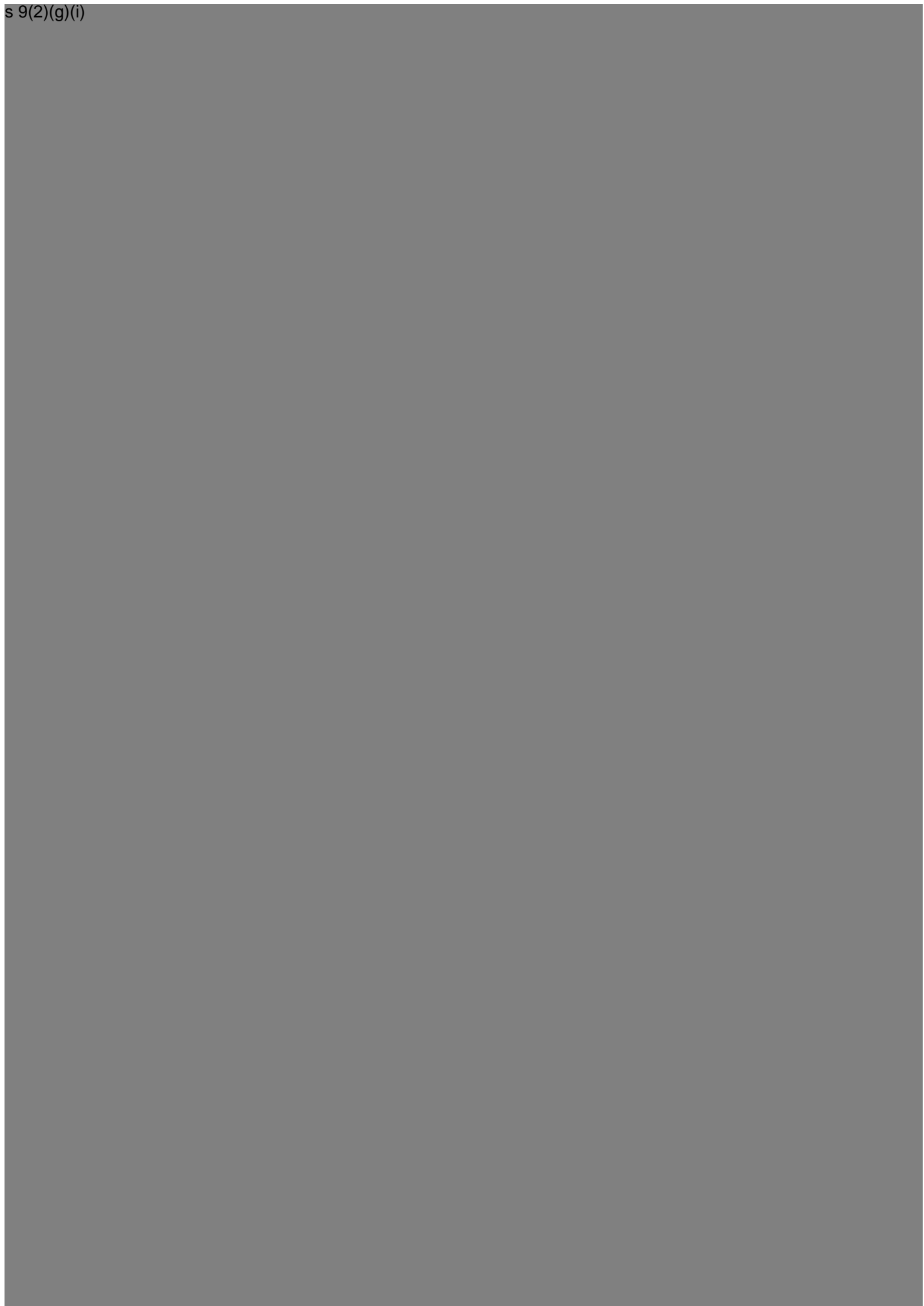


<sup>13</sup> Analysis indicates approximately 11-14K families are eligible for IWTC but do not receive it each tax year.


s 9(2)(g)(i)




s 9(2)(g)(i)




s 9(2)(g)(i)



s 9(2)(g)(i)



s 9(2)(g)(i)

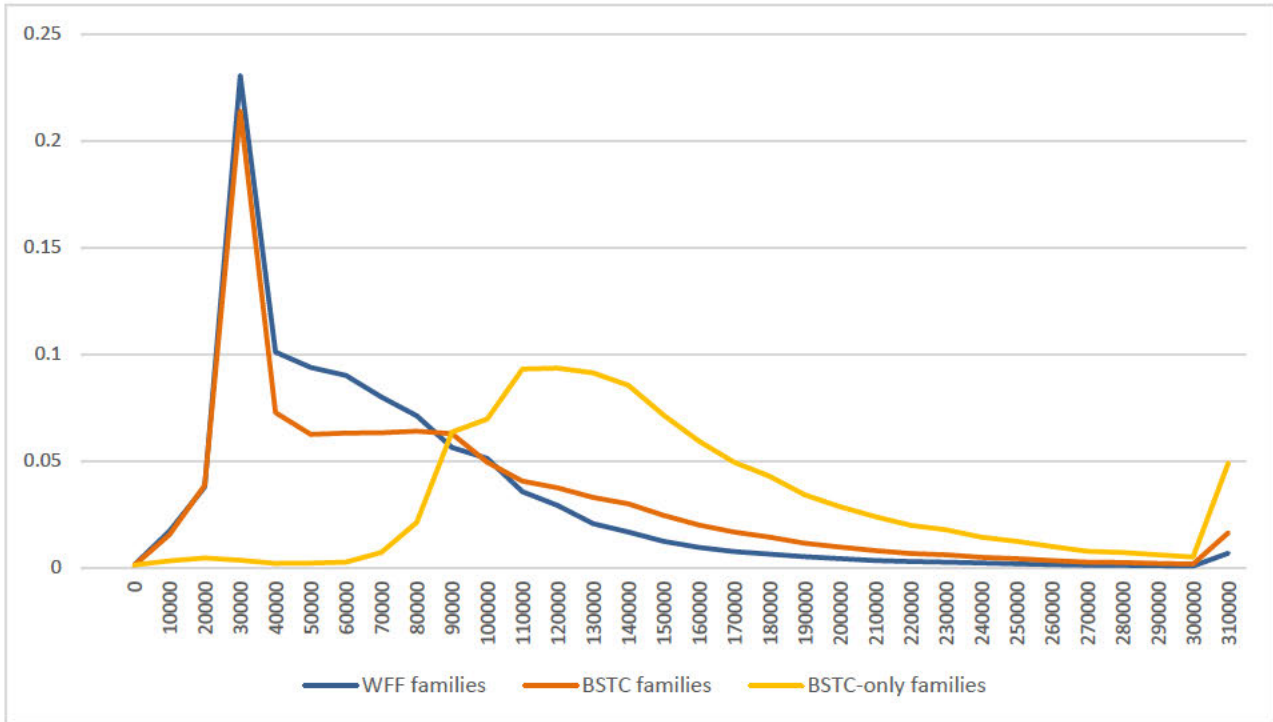


**Appendices**

***How Best Start-only families differ from the general WFF population***

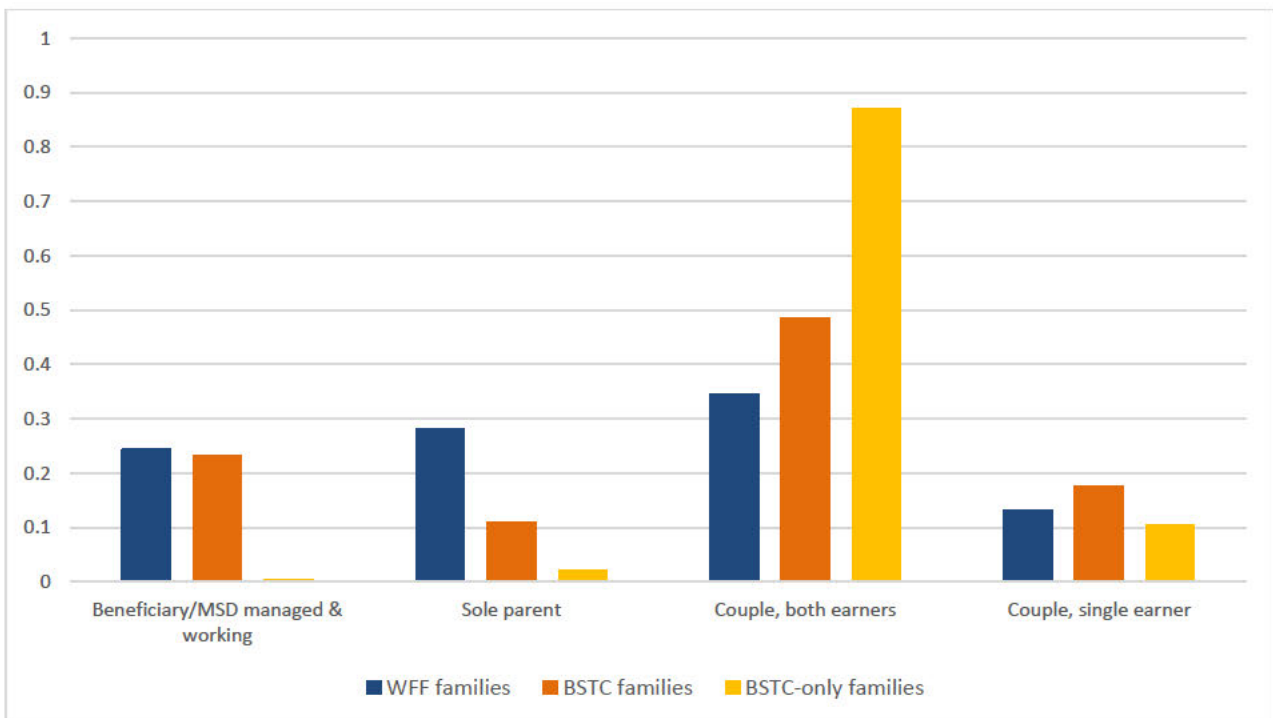
The following data illustrates the differences between Best Start-only families and the general WFF population. To ensure like-for-like comparison, the proportions of the different populations are presented rather than actual volumes.

BSTC-only families have higher levels of family scheme income.



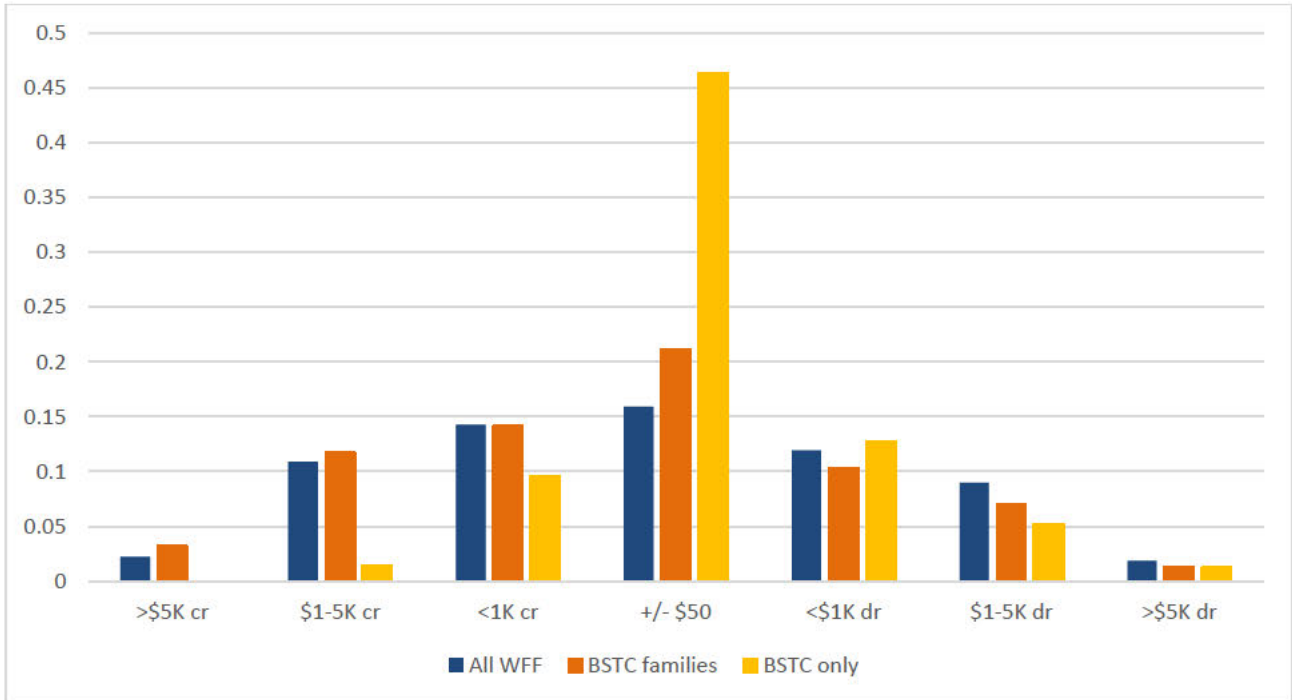
WFF recipients, BSTC recipients and BSTC-only recipients by family scheme income, 2022 tax year

Most BSTC-only families are couples who are both in work.



WFF recipients, BSTC recipients and BSTC-only recipients by household type, 2022 tax year

BSTC-only families are more likely to receive correct payments in year, and less likely to be underpaid. The lower level of underpayments can be attributed to IR systematically making BSTC back-payments during the year.




WFF recipients, BSTC recipients and BSTC-only recipients by square-up value<sup>17</sup>, 2022 tax year

<sup>17</sup> Excludes lump sum customers and those who were not squared up by IR.



s 9(2)(g)(i)

s 9(2)(g)(i)



## Background note

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Date: July 2024  
Author: Hilary Rodgers  
Subject: Policy design parameters for the In Work Tax Credit  
Version: v1.0 Final

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### **Purpose**

Inland Revenue is currently conducting a stewardship project on Working for Families tax credits and income support delivered through the tax system, (Project Keymaster).

This note covers the In Work Tax Credit (IWTC), including current settings, identification of issues and options to address, and recommendations.

### **Introduction**

The In-work tax credit (IWTC) was introduced in 2006 to replace the Child tax credit and is available to families who are in work and not receiving a main benefit or a student allowance. The IWTC was intended to 'make work pay' by supporting families with dependent children to take up and remain in employment and increase the income they receive from work.

International evidence demonstrates that poverty, particularly child poverty, can be reduced if parents work<sup>1</sup>. Family incomes and wellbeing can increase over time as parents upskill and contribute to wider economic growth.

IWTC has the same abatement settings as the Family tax credit FTC (a rate of 27% for incomes over \$42,700) however it abates after FTC. Larger families (with more than three dependent children) receive a higher rate of payment.

If a child is in shared care, both parents/carers can each receive the full value of IWTC, provided they meet the eligibility criteria.

### **Definition of 'earner'**

To be eligible for the IWTC, either the principal caregiver or their spouse/partner must be an 'earner' and derive an income in the week they are an earner (i.e. be in paid work in a week). Usually, the 'earner' has to be receiving a payment that fits the definition of a PAYE income payment (e.g., salary and wages, shareholder salary). There are alternative forms of income listed under s MD 9 of the Act.

### **Two-week grace period**

To avoid families losing their IWTC entitlements over small unpaid gaps in employment, a two-week grace period was introduced from April 2021. Families will be deemed to have derived income for two weeks after they stop earning. The effect of this change allows families to remain entitled to the IWTC for two weeks as they transition out of work, between jobs, or go unpaid for a short period. However, this grace period ceases if families go onto a main benefit or student allowance.

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<sup>1</sup> [TC-3 2021-06-02 IWTC stocktake V1.0](#)

### Hours-test

The IWTC originally incorporated an 'hours test'. This required a family to be normally working a minimum of 20 hours per week in the case of a sole parent or, for a couple, a minimum of 30 hours per week between them. This requirement was repealed from July 2020 but remains in place for the Minimum family tax credit (MFTC).

It is worth noting that IR does not currently hold the data to administer an hours-test well.

For those earning employment income, we receive hours paid data from employers, but provision of this information is not mandatory and can differ from actual hours worked. As such, our processes simply infer when someone is likely to *not* meet an hours-test by using the minimum wage as a proxy. This skews monitoring activity towards those with the lowest incomes.

For those earning business income, we are reliant on customer declaration, and there is no independent mechanism to verify.

An hours-test also increases the compliance burden on customers, especially for families that work variable or uncertain hours. Those who may or may not meet an hours-test on a week-to-week basis need to transition between agencies (IR and MSD) to access different supports. The consequence is those who are compliant have worse outcomes than those who do not keep their details up to date.

### Data

For the 2022 tax year, 170K families (48% of WFF customers) received \$503M in In Work Tax Credit payments. Most families received payments by instalment during the year, while 19%<sup>2</sup> chose lump sum payments from IR. The average value of IWTC entitlement was \$2,946.

Paying agency	Instalment payments		Lump sum
	IR	MSD	IR
No. of families	137,142 (80%)	760 <sup>3</sup> (<1%)	28,845 (19%)
Amount paid in year	\$373.90M	-	-
Amount paid at square up <sup>4</sup>	\$39.45M	\$0.87M	\$88.57M
Total value of entitlement	\$413.35M	\$0.87M	\$88.57M

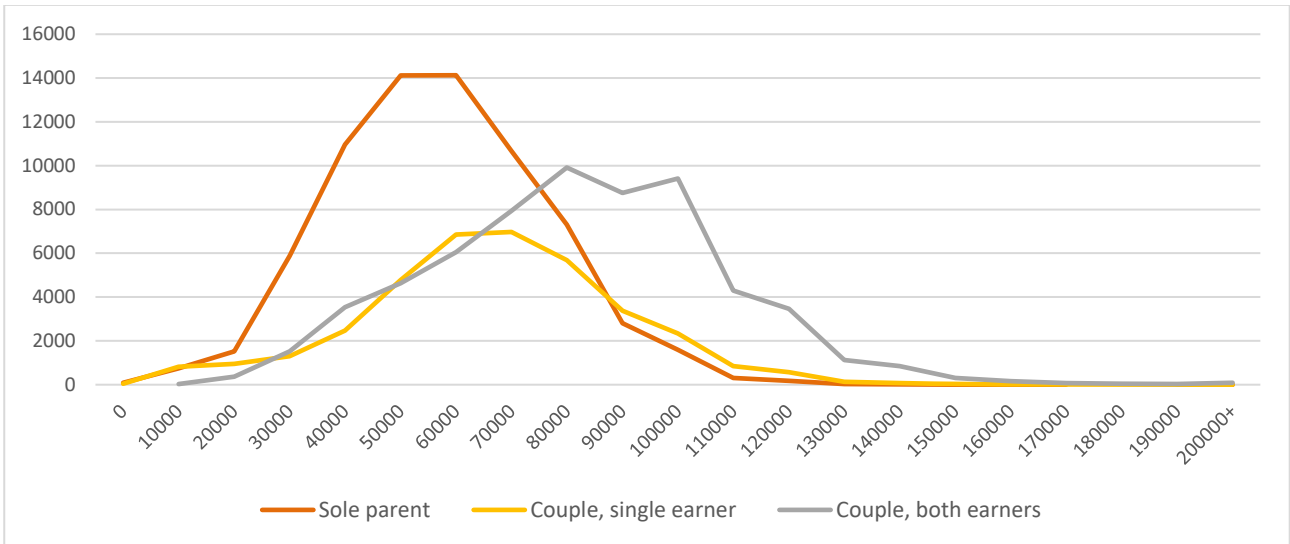
In Work Tax Credit recipients and value of entitlement by paying agency, 2022 tax year

The average annual family scheme income for IWTC recipients in 2022 was \$63,332. This varied for sole parent families (\$52,036), couples with a single earner (\$61,941) and couples with two earners (\$77,177).

<sup>2</sup> Higher than FTC (11%), likely due to the order of abatement.

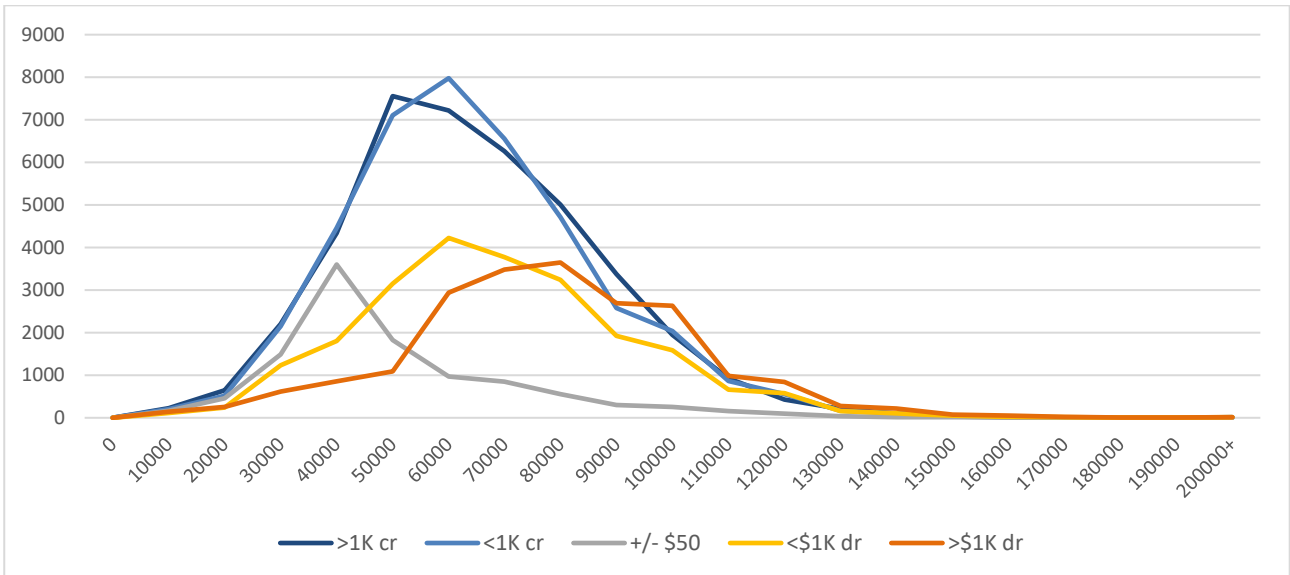
<sup>3</sup> A small number of families were paid by MSD during the year but had an IWTC entitlement at square up. These are primarily families moving off benefit in mid-late March.

<sup>4</sup> This is the net amount and will comprise both under and overpayments.



In Work Tax Credit recipients by family income and household type, 2022 tax year

Of the 137K IWTC recipients who received in year payments, 8% received their correct WFF entitlement, across all tax credits, 58% were underpaid by more than \$50, and 32% overpaid by more than \$50. 2% of customers have not yet been squared up.



In-work Tax Credit recipients by square up outcome and family income, 2022 tax year

**Literature summary**

**Welfare Expert Advisory Group report<sup>5</sup> (2019)**

The WEAG was established in 2018 to provide advice on the future of New Zealand’s social security system. Their report, released in February 2019, laid out 42 key recommendations on how the welfare system could be changed to better meet the needs of New Zealanders.

The report laid out 10 principles to redesign the income support system (Recommendation 19), including that:

- Income support ensures people are always better off in paid work and high effective marginal tax rates are avoided as much as possible.

And included the following recommendation in relation to the In Work Tax Credit:

<sup>5</sup> [Welfare Expert Advisory Group Report | Welfare Expert Advisory Group - Kia Piki Ake \(waag.govt.nz\)](https://www.waag.govt.nz/)

- Replace the In-Work Tax Credit, Minimum Family Tax Credit and Independent Earner Tax Credit with a new Earned Income Tax Credit, available to people with and without children (Recommendation 23).

### ***In-work tax credit stocktake<sup>6</sup> (2021)***

As part of the Working for Families review, an internal briefing note was drafted on the In-work tax credit. The note provides a comprehensive background of the history, payment rates, eligibility, and other settings for this tax credit. The following issues are noted:

- Difficulties for families who are moving on and off benefits.
- Poor targeting, due to IWTC being skewed towards relatively higher income families.<sup>7</sup>

### **Issues, options and analysis**

#### ***Current IWTC settings do not always incentivise work effectively***

A general principle of New Zealand's income support system is that paid employment is often the best route out of poverty and for improving wellbeing outcomes at the individual level<sup>8</sup>. Poor financial work incentives are the result of families seeing little or no increase in their incomes as they work more. If people are unable to improve their financial situation through employment, it can create a sense of disengagement with the labour market.

#### *Issues*

##### Second earners are not directly incentivised to work

The In-work tax credit is a per family payment available provided that either the principal caregiver or their partner is an earner. In practice, this means that there is no financial incentive payment available for a second earner to start work or increase their hours of work.

Second earners are typically the principal caregivers of dependent children, and longer periods of time out of the workforce (due to birth of a child) correlate to a greater earnings disadvantage on re-entering the labour market regardless of prior employment, education and earnings. However, the greatest economic impact is to those on low incomes who are much less likely to return to work at all<sup>9</sup>.

Depending on family circumstances and wage/salary rates, second earners can experience very high effective marginal tax rates. For example, a second earner on the minimum wage can face EMTRs at over 90%, where FTC, BSTC and Accommodation supplement abatement overlaps. If the second earner also has a student loan, EMTRs exceed 100%. An indicative example is included in the Appendices.

For families who receive the IWTC, 37,263 (roughly 22%) are couples with a single earner, and 62,594 (37%) are couples with two earners.

##### Interaction with main benefits

The In-work tax credit is only available to families who are not receiving a main benefit. The current abatement rate of main benefits is at 70% for income earned over \$160 p/week (for couples) or \$250 p/week (for sole parents)<sup>10</sup>.

<sup>6</sup> [TC-3 2021-06-02 IWTC stocktake V1.0.docx](#)

<sup>7</sup> This is more a feature of abatement design (FTC abating prior to IWTC) rather than targeting.

<sup>8</sup> In New Zealand, the proportion of non-working households in poverty is 66% compared to 7% of families where at least one parent has a job (IDI, 2019).

<sup>9</sup> [Parenthood and the labour market - MfW 2018](#)

<sup>10</sup> Sole parent support abates at 30% for income between \$160-\$250 per week, and then at 70% from \$250 per week.

This creates high EMTRs, reducing the financial return from working more. For example, a sole parent working 10-20 hours per week on the minimum wage has an effective marginal tax rate of around 89%.

Once a sole parent is working at least 20 hours per week, they will qualify to receive the MFTC which abates at a rate of 100%. This results in a long run of high EMTRs, making it very difficult for low-earning sole parents to effectively transition into full time work (a "poverty trap"). An indicative example is included in the Appendices.

The binary nature of the on/off benefit test also creates problems in terms of continuity of support, and this is exacerbated by the current joint administration model. For low-income families who are moving off main benefit and into work, a lack of certainty or any delay in weekly support can have a significant impact. Often benefit status changes are back-dated, changed, or future-dated as MSD manage the uncertainty of new employment and timings of pays for clients fending off hardship through this period. In the 2022 tax year, 28,032 families who received IWTC also received a main benefit at some point during the tax year (roughly 20%).


#### Entitled to IWTC but not receiving

Analysis indicates that approximately 11-14K families are eligible for IWTC but do not receive it each tax year.


For families who receive weekly or fortnightly payments during the year, early interventions run regularly to identify those who are newly eligible or no longer eligible for IWTC and correct their payments. However, these processes do not currently run for periods where a family is receiving Best Start only and all children are aged under 1 year.

For families who receive payments as a lump sum, IWTC is not automatically included in the end-of-year square-up calculation. With the retirement of the minimum hours test in 2020, in many cases IR holds sufficient information to correctly determine entitlement without customers needing to provide further details.

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s 9(2)(g)(i)

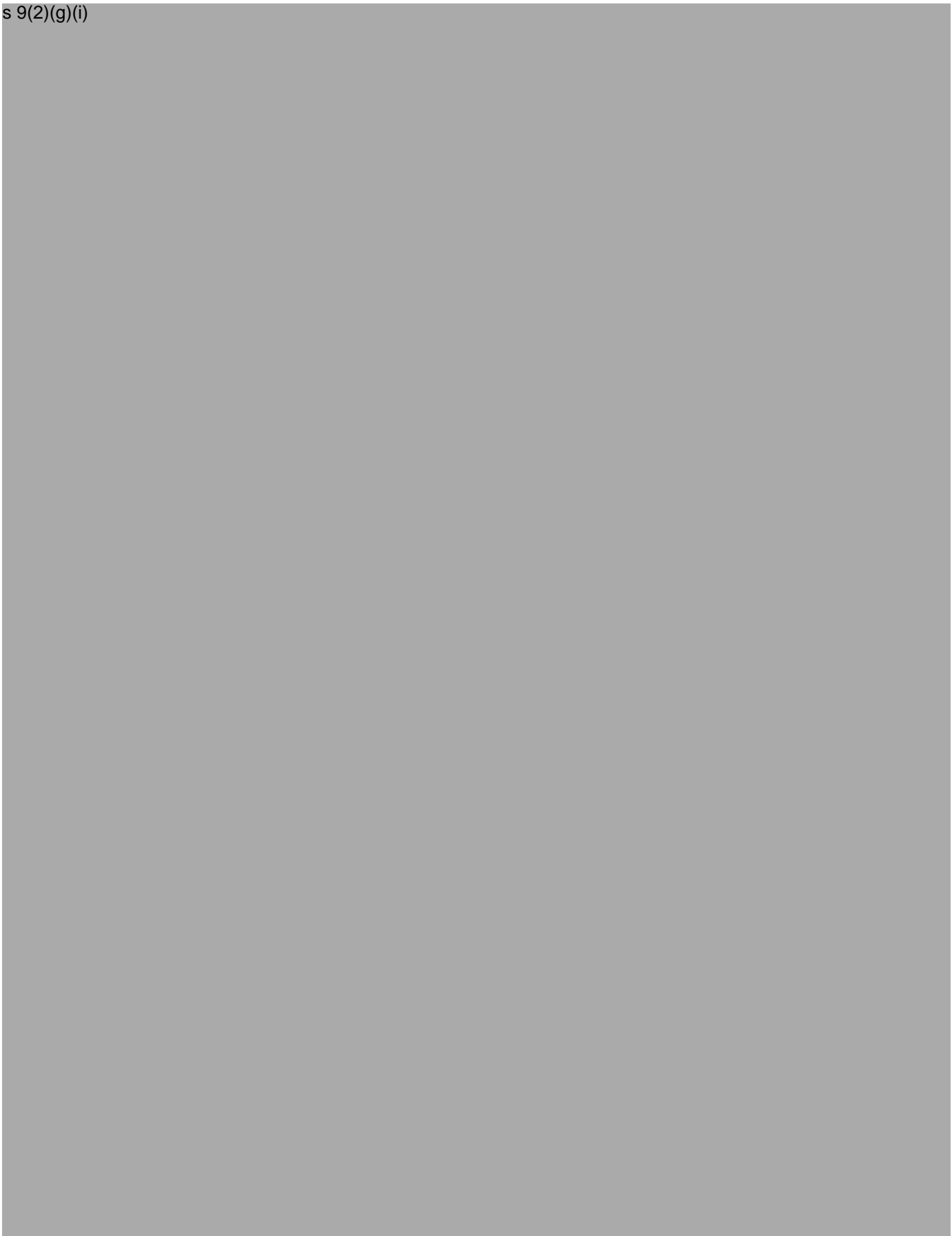




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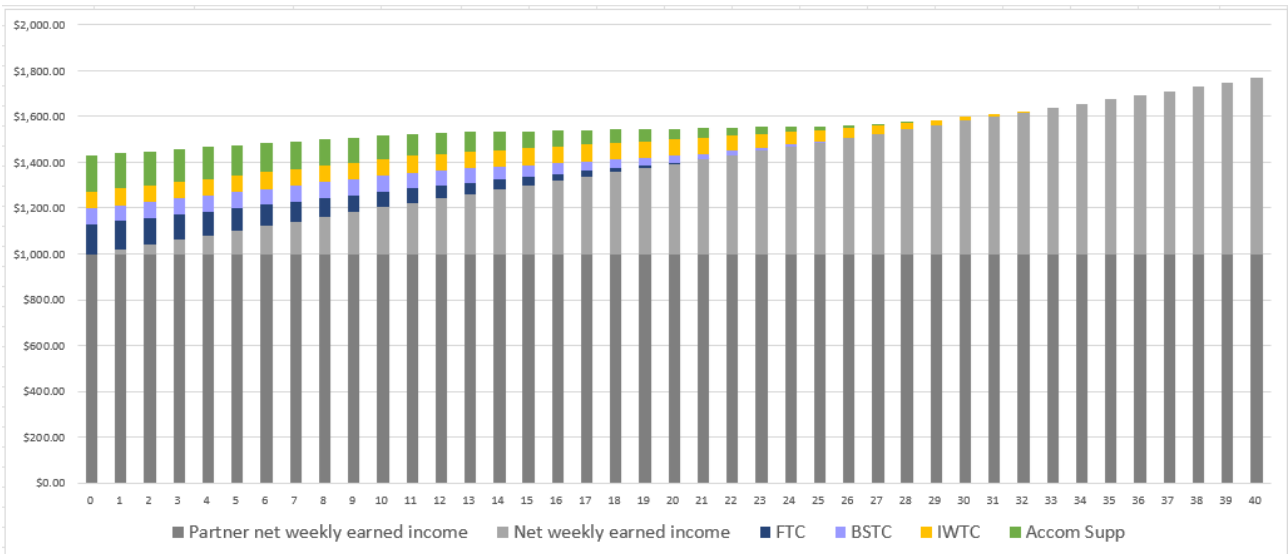
**Appendices**

**Effective marginal tax rates for second earners**

The following example illustrates effective marginal tax rates for second earners starting work/working more hours.

This scenario assumes a couple with two children (aged 1 and 3 years), second earner on the minimum wage and partner working full time (40 hrs per week) on the median wage. The couple live in the Wellington region, with weekly rental costs of \$550.00. All rates are effective for the 2024 tax year<sup>12</sup>.

EMTRs for a second earner are up to 92% as FTC/IWTC, BSTC and the Accommodation supplement abate at the same time.



Couple weekly income composition by second earner hours worked, minimum wage, 2024 tax year

If the second earner also has a student loan, EMTRs will exceed 100%, from around 20 hours worked<sup>13</sup>.

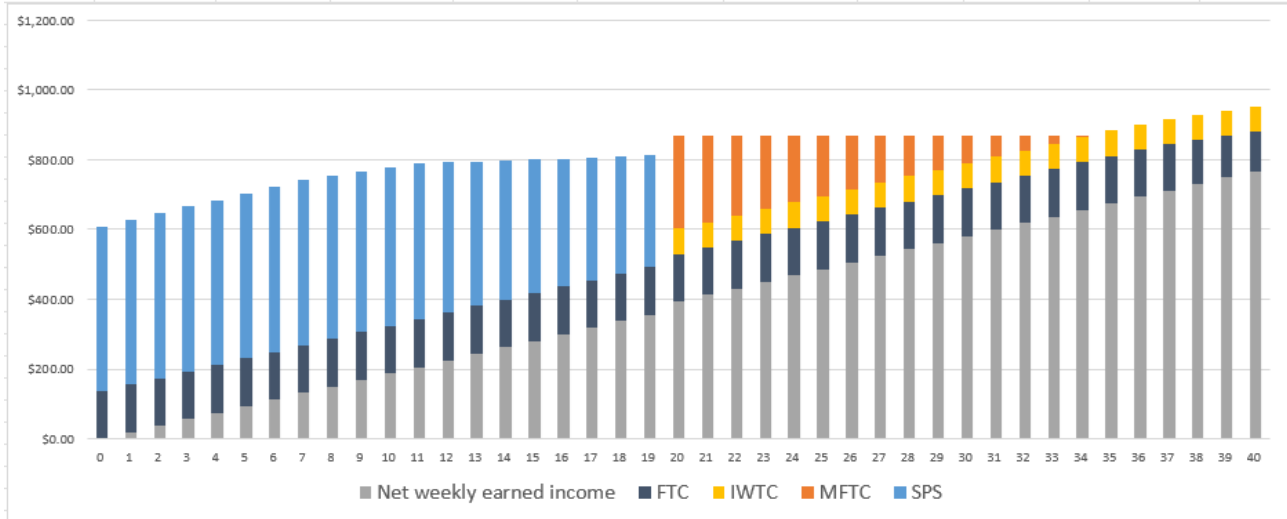
<sup>12</sup> FTC annual first child rate \$7,121, FTC annual second child rate \$5,802, IWTC annual rate \$3,770, BSTC annual rate \$3,632, Accommodation supplement Area 2 (rent) \$220 per week, NZ minimum hourly wage \$22.70, NZ median hourly wage \$31.61.

<sup>13</sup> The Student loan repayment rate is 12% and current threshold is \$22,828, or around 20 hours on the minimum wage.

**Effective marginal tax rates for sole parents moving off benefit**

The following example illustrates effective marginal tax rates for sole parent beneficiaries starting work/working more hours.

This scenario assumes a sole parent with one child (aged 3 years) earning the minimum wage. All rates are effective for the 2024 tax year<sup>14</sup>. EMTRs for a sole parent are up to 89% as the main benefit abates, and then over 100% for the duration of MFTC.



Sole parent weekly income composition by hours worked, minimum wage, 2024 tax year

<sup>14</sup> FTC annual first child rate \$7,121, IWTC annual rate \$3,770, MFTC annual threshold \$34,216 (net), Sole parent support weekly rate \$472.79 (net), NZ minimum hourly wage \$22.70.