



5 December 2023

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 7 November 2023. You requested the following (numbered for ease of response):

*For each calendar year as far back as your records allow searching:*

- 1. how many people overpay their final payment because the system forces them to retain the M SL code when there is no automatic mechanism to only pay the remaining balance;*
- 2. what was the total amount overpaid due to this discrepancy in the Student Loan repayment system;*
- 3. how many days (minimum, maximum, mean, median & mode) did Inland Revenue retain the overpaid funds before returning them to the borrower;*
- 4. how much interest or other revenue did Inland Revenue earn from the overpaid amounts while it was held by Inland Revenue;*
- 5. has any policy work, papers, reports, briefings, aides memoire or other communications been written or prepared where this issue is acknowledged, in part or in full;*
- 6. is any work currently underway or planned to address this discrepancy and if so (i) what are the timelines for completion and implementation, and (ii) what are the project costs? As a guide this work might include (for example, but not limited to) not sending employers advice to change tax codes back to M SL if the loan balance is expected to be fully repaid based on modelling of repayments made to date, etc.*

### **Student Loan Payment Cessation**

For New Zealand based borrowers, when their loan balance is less than \$1,000, Inland Revenue advises the borrower that they are getting close to repaying their loan. If a borrower is earning salary or wages and only has one employer, Inland Revenue notifies the employer to adjust the last loan payment to clear the loan balance and to change the employee's tax code. Once the last payment has been received, confirmation is sent to the borrower and employer confirming that student loan deductions are no longer required. Inland Revenue will also inform overseas based borrowers that they are getting close to repaying their loan. As overseas based borrowers do not have New Zealand based employers or deductions, they will be provided with guidance on how to close off their student loan via their myIR account. Any overpayments received with the final deduction will be repaid to the borrower provided Inland Revenue holds details for an active bank account.

Before student loans moved into a different system as part of Inland Revenue's Business Transformation, cessation of a student loan was a manual process. Overall, each account took about 40 to 45 days to finalise and required considerable follow up (calls and letters) with employers, customers, and other agencies. All system-related processes relating to straight forward loans are now fully automated, with all but the more complex cases closed with no human intervention.

Payday filing has enabled almost immediate identification of fully paid loans, enabling automated overnight loan closures and refunds.

**Information being released**

The data provided is for student loan cases ceased after 1 May 2020. Data prior to this is from Inland Revenue’s old system and retrieving this information would be extremely difficult and require significant manual effort. Also, cases may have taken up to 45 days to complete due to the amount of additional checks required. The data provided for the following questions is as at 1 December 2023.

**Question 1 and 2**

Since May 2020, 93,731 customers have overpaid their student loan through deductions from their wages. As the deductions were not ceased immediately after the loan was ceased 257,000 refunds were issued, an average of 2.7 refunds per customer. The total amount refunded \$32.2m. The average refund per customer was \$344.26.

**Question 3**

The number of days (minimum, maximum, mean, median & mode) Inland Revenue retained the overpaid funds before returning them to the borrower are detailed in the table below. This data is as at 1 December 2023, for any loan ceased, where there has been a refund since 1 May 2020.

|                         |       |
|-------------------------|-------|
| Average days to refund* | 16.15 |
| Minimum days to refund  | 0     |
| Maximum days to refund* | 1,213 |
| Median days to refund   | 2     |
| Mode days to refund     | 1     |

\*The average and maximum days to refund are higher as IR is dependent on having an active bank account to refund the overpayment into. Over 51% of refunds are issued within 1 day with a further 21% issued with 2 days.

**Question 4**

Inland Revenue does not earn interest or other revenue on student loan overpayments.

**Question 5**

Four documents are within the scope of your request. Documents regarding Inland Revenue’s Business Transformation contain reference in part about student loan cessations and overpayments.

Three documents detailed in the table below are available on Inland Revenue’s website and are therefore refused under section 18(d) of the OIA, as the information requested is publicly available.

| Item | Document description   | Website address   |
|------|--|---|
| 1.   | Inland Revenue’s July 2020- Cabinet paper (paragraph 16)       | <a href="https://www.ird.govt.nz/Transformation-news-july-2020.pdf">Transformation-news-july-2020.pdf (ird.govt.nz)</a>                                 |
| 2.   | Programme Business Case Addendum October 2020 (pages 9 and 16) | <a href="https://www.ird.govt.nz/Programme-business-case-addendum-october-2020.pdf">Programme-business-case-addendum-october-2020.pdf (ird.govt.nz)</a> |
| 3.   | FINAL Programme Business Case Addendum March 2022 (page 16)    | <a href="https://www.ird.govt.nz/2021-22-programme-business-case-addendum.pdf">2021-22-programme-business-case-addendum.pdf (ird.govt.nz)</a>           |

One report *Transformation status update: April 2020* is attached as an **Appendix**. Paragraphs 25 and 26 relate to student loan overpayments. Some information has been withheld under the following section of the OIA:

- 9(2)(a) - to protect the privacy of natural persons.

### **Question 6**

No policy work is currently underway on this issue.

### **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 ([www.ird.govt.nz](http://www.ird.govt.nz)) as this information may be of interest to other members of the public. This letter, with your personal details removed, will 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



Andrew Robertson  
**Segment Management Lead, Individuals**

# Appendix



**Inland Revenue**  
Te Tari Taake

## **Inland Revenue report: Transformation status update: April 2020**

|                        |               |                       |            |
|------------------------|---------------|-----------------------|------------|
| <b>Date:</b>           | 01 May 2020   | <b>Priority:</b>      | Medium     |
| <b>Security level:</b> | In confidence | <b>Report number:</b> | IR2020/128 |

### **Action sought**

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

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

| <b>Name</b> | <b>Position</b>                     | <b>Telephone</b> |
|-------------|-------------------------------------|------------------|
| Greg James  | Deputy Commissioner, Transformation | s 9(2)(a)        |

01 May 2020

Minister of Finance  
Minister of Revenue

## Transformation status update: April 2020

### Executive summary

1. This report summarises the progress and highlights of transformation for April 2020. It also responds to the request from the Minister of Finance for a further update on Release 4 in the week beginning 28 April 2020.

2. Release 4 went live as planned on 16 April 2020. Contact centres were re-opened from 8am and myIR was available from 4.30pm. Our systems and processes are working effectively and the Pou Whirinaki (extended support period) team is up and running to manage any post go-live challenges. While it is early days, the release is going smoothly so far. We have not seen any unusual trends in customer demand and the number of issues being raised is 50% fewer than following Release 3 go-live.

3. Although things are going smoothly with Release 4 so far, Inland Revenue is operating under considerable pressure given the current environment. We are stretched and have very little spare capacity. Our priorities continue to be supporting customers, supporting the government's response to COVID-19, and ensuring Release 4 is successful. There is a way to go yet with Release 4. Our planning assumption is that early life support will end on 31 July 2020.

4. Transformation's Red, Amber, Green (RAG) status remains at amber overall this month (as shown in table 1 below). The issues key has improved to light amber following a successful Release 4 go-live. The benefits key has deteriorated to amber reflecting the impact of COVID-19 on Inland Revenue's ability to fully realise administrative savings in the timeframe expected.

Table 1: Transformation's RAG status

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

5. Table 2 on the next page provides information about expenditure on the programme to date, and planned expenditure for the current year.

Table 2: Transformation expenditure

| \$ millions                |                    | Operating expenditure<br>(excluding depreciation and capital charge) |          |          | Capital expenditure |          |          |
|----------------------------|--------------------|--|----------|----------|---------------------|----------|----------|
|                            |                    | Budget   | Actual   | Variance | Budget              | Actual   | Variance |
| <b>Previous phases</b>     |                    |  |          |          |                     |          |          |
| Pre-Design/Design          | 1 Jul 14-31 Dec 15 | \$85.1   | \$74.4   | \$10.7   | \$1.4               | \$0.6    | \$0.9    |
| Delivery-Stage 1           | 1 Jan 16-28 Feb 17 | \$131.8  | \$114.7  | \$17.1   | \$76.3              | \$72.6   | \$3.7    |
| Delivery-Release 2         | 1 Mar 17-30 Jun 18 | \$248.4  | \$224.8  | \$23.5   | \$114.8             | \$111.4  | \$3.4    |
| Delivery-Release 3         | 1 Jul 18-30 Jun 19 | \$179.4  | \$169.5  | \$9.9    | \$96.3              | \$93.8   | \$2.5    |
| Total for completed phases |                    | \$644.6  | \$583.4  | \$61.2   | \$288.9             | \$278.4  | \$10.5   |
| <b>Current phase</b>       |                    | Budget   | Forecast | Variance | Budget              | Forecast | Variance |
| Delivery-Release 4         | 1 Jul 19-30 Jun 20 | \$205.6  | \$191.2  | \$14.4   | \$98.8              | \$95.1   | \$3.7    |
| Contingency                | 1 Jul 19-30 Jun 20 | \$4.2  | \$4.2    | \$0      | \$0.1               | \$0.1    | \$0      |
| Total for current phase    |                    | \$209.8  | \$195.4  | \$14.4   | \$98.9              | \$95.2   | \$3.7    |

### Budget performance to date

6. As previously reported (IR2020/007 refers), between 1 July 2014 and 30 June 2019, the programme spent \$583.4 million in operating, and \$278.4 million in capital. Any under-spending to date has either been moved to later periods or returned to the Crown.

### 2019/20 budget

7. Excluding the remaining contingency held by the Commissioner in 2019/20, the overall budget for the transformation is \$205.6 million for operating expenditure and \$98.8 million for capital expenditure. On 23 April 2020, the Portfolio Governance Committee (PGC) approved a drawdown of \$1.3 million from the capital contingency for the next stage in the development of our information hub. The hub is being developed incrementally, with new guided help functionality for our frontline teams going live on 25 March 2020. When complete, the hub will connect several information sources through a single home page to help ensure our people can find the right information at the right time to support the work they do.

### Costs to complete transformation

8. We had planned to complete detailed budget planning for Release 5 and decommissioning activities by June 2020. We are now re-planning all remaining work and until this is complete we will not be in a position to provide an updated risk assessment to help confirm our level of confidence in the remaining costs of transformation. The risk assessment will also determine our remaining contingency requirements.

**Recommended action**

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

Noted

Noted

**Greg James**  
Deputy Commissioner, Transformation  
01 May 2020

**Hon Grant Robertson**  
Minister of Finance  
/ /2020

**Hon Stuart Nash**  
Minister of Revenue  
/ /2020

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## Key risks and issues

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10. The transformation programme's risk profile remains amber with a future trend of amber. An amber profile means risks and mitigations are reasonably defined and understood, and support is needed from senior leaders to actively manage specific issues in some areas.

11. The programme has a total of 64 open risks, of which 22 are reported to the PGC. This is unchanged since the last report and changes are expected following the successful go-live of Release 4.

12. Risks and issues have not been reviewed individually this month, given the go-live of Release 4 over Easter weekend. We expect to report a number of changes in next month's report. In particular, the following risks will be closed:

- the Release 4 go-live date not being met
- testing of the transitional KiwiSaver business-to-business solution not being completed before go-live
- inability to decommission the Student Loans business-to-business heritage solution.

13. There may also be some changes in risk levels for some risks.

14. On the issue reported to the PGC during March 2020 (IR2020/061 refers), we continue to keep a watch for any potential impacts on customers and scheme providers resulting from challenges with our historical KiwiSaver data. While we have had a few minor issues with KiwiSaver, they have been resolved quickly and have not at this stage impacted customers, providers or our people.

## Release 4

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15. Release 4 went live on 16 April 2020 as planned and our systems and processes are working effectively. From 16 April to 28 April 2020, approximately 400,000 returns were processed including approximately:

- 254,000 employment information returns
- 105,000 GST returns
- 17,000 individual tax returns.

16. Approximately 357,000 Working for Families payments were made over the same period.

17. When Release 4 went live we had a backlog of 7.5 million payment messages for KiwiSaver. The backlog related to KiwiSaver member contributions due to be processed by our heritage system in late April 2020. These contributions were held until we were confident that member contribution data was correct in START.

18. In addition, we received further contributions during the shutdown period. Payment message volumes coming out of START are higher than they were out of our heritage system as a result of payday filing.

19. We are progressively clearing the backlog and have been passing on the messages and payments to KiwiSaver scheme providers as quickly as possible. We have had to ensure that payment message volumes are manageable from a provider perspective as some of the providers do have capacity constraints.



20. The highest number of payment messages we sent in one day was 1.17 million. From 20 to 30 April 2020, we sent as many messages to scheme providers as we have for any whole month previously. We have also transferred approximately \$96 million in contributions in a single day, whereas we usually send about \$700 million per month (excluding the one-off annual Government contribution).

21. As at 29 April 2020, we have cleared more than half the backlog and expect to have cleared it completely by 6 May 2020.

22. Logins to myIR are up on last year as expected, as people log in to look at the additional information, they can now see all the new services available. From 16 April to 28 April 2020, there were 2.7 million logins to myIR, significantly above the 1 million recorded for the same period last year. This is not a true like-for-like comparison however, as myIR was unavailable last year from the afternoon of 18 April to the morning of 26 April 2019 when Release 3 went live. Performance levels for myIR have been as expected, since the slow login issue was resolved on 17 April 2020.

23. Our Pou Whirinaki (extended support period) team is up and running and are focusing on providing support for customers, our people, our operations, and technical issues where needed.

### **Customers as at 28 April 2020**

24. Customers are reacting to the things that are different for them and are seeking support and guidance from us as they interpret information or work out what actions they need to take. A small number of customers are telling us that they are confused about these changes, especially at a time when they have a lot of other things impacting them.

25. We amended the wording on our website to make it clear that overpayments of student loans are refunded on request after some confusion about whether refunds would be held by us or paid out. Previously, borrowers had to contact us to ask for a refund of their overpaid loan, now they can do it online.

26. We have seen an increase in student loan customers making contact in response to seeing interest added to their student loan in error when they are New Zealand based. We are also seeing an increasing number of student loan customers contacting us to query why they have a student loan debt showing when they have already paid their student loan in full. We are working on clarifying exactly what these issue are and will resolve them once we are clear about what needs to be fixed.

27. We are closely monitoring a couple of issues raised by employers. The summary balance for employers showing in myIR includes future debt, which is the amount they need to pay in the following month and not yet due. Some employers using the file upload option are doing so incorrectly and, as a result, are not able to check their employment information before they send it to us. Some employers have reported that payments and returns filed are not showing in their accounts.

28. Initial feedback from KiwiSaver scheme providers is that things are going reasonably well. They are expecting that there will be some teething issues and are comfortable with this.

29. One customer took the time to contact us to say thanks for making it easier for them to see and reconcile their KiwiSaver contributions. *"I would like to say a big "Thank you" to the team who rolled-out the latest update to the myIR website, especially around the Kiwisaver interface. Before that upgrade I could never completely reconcile the IRD transactions against what I knew had been provided via my employer, and what I knew had been passed-on to my Kiwisaver fund. It all works now, down to the very last cent :) I like that a lot; it was doing my head in before that".*

30. Our social media and complaints channels have remained relatively quiet since cutover.

### **People – as at 28 April 2020**

31. Initial feedback from our people is that they like having customer information in one place and can see the possibilities of our new capabilities. However, it is too early for any process efficiencies to be evident.

32. Site leads, key users and union delegates continue to report that Release 4 is going smoothly and that appropriate support for our people is in place.

33. On the whole, while our people are managing well, most are dealing with some lockdown challenges. These include their family situations, equipment set-up, internet connection quality and adapting to new work patterns. Our leadership teams are engaging regularly with our people to check on their wellbeing. This is the case across Inland Revenue, not just for our customer-facing teams.

### **Operations – as at 28 April 2020**

34. Overall we have not seen any unusual trends in customer contacts due to Release 4.

35. Online dashboards are providing transparent information about the status of the release. They are enabling the right information to quickly get to the right people and teams to support decision-making.

### **Technical – as at 28 April 2020**

36. Since go-live we have implemented approximately 200 changes, representing a mix of changes to START and business support changes such as updates to training material.

37. The level of issues being raised is less than 50% of those raised at the same time following Release 3 go-live. Many of the issues raised have been resolved by deskside support teams. Initial observations are that this is the result of our people now being very familiar with START, a consequence of working remotely, and the nature of the products within this release.

38. Deskside support is being provided remotely and is working very well. Due to the lower volume of issues being raised, some sites have redeployed some of their key users back to business-as-usual work. They can quickly return to deskside support if the number of issues being raised increases.

39. The transformation programme team have been raising issues and proactively resolving them before they become visible to or impact our people and customers.

### **Other updates**

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#### **Policy**

40. On 24 April 2020, we reported to the Minister of Revenue seeking policy decisions on the review of Unclaimed Money Act 1971 (IR2020/221 refers).

41. The Child Support Amendment Bill is awaiting the completion of its first reading.

## Cheques

42. Since 10 September 2019 when we announced we would stop accepting cheques from 1 March 2020, we have been closely monitoring the number of cheques we receive. The year-on-year decrease each month is very pleasing so far as can be seen in the table below.

Table 3: Cheque volumes

|                        | Sep    | Oct    | Nov    | Dec    | Jan    | Feb    | Mar    |
|------------------------|--------|--------|--------|--------|--------|--------|--------|
| Received Sep 18-Mar19  | 19,517 | 47,694 | 22,340 | 22,240 | 50,758 | 27,407 | 35,024 |
| Received Sep 19-Mar 20 | 12,600 | 28,189 | 11,657 | 12,025 | 27,107 | 13,101 | 4,498  |
| % decrease             | -35%   | -41%   | -48%   | -46%   | -47%   | -52%   | -87%   |

43. Early indications for April 2020 show a 96% decrease compared to April 2019.

44. Proactive outbound calling, educating customers who continue to pay by cheque (without an approved exception) is underway, with most customers able to change to another payment option. However, some customers are unable to change and, to date, we have made 279 exceptions based on the customer's specific situation. Generally these have been due to the customer being elderly and/or rural.

45. A new phone payment option is now available to customers following Release 4 go-live. This is a self-service option which can be used from any phone (landline or cell). Following an initial set up (customers are assisted by our contact centre team), credit/debit card details will be stored and customers will be able to easily self-manage phone payments 24/7.

## Release 5

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46. The impact of COVID-19 on Release 5 is hard to forecast at this point in time. Given current levels of uncertainty, we are considering our options for implementing the remaining changes and completing the transformation programme. We have adopted some core principles to help us assess the most realistic option(s):

- During 2020 and 2021, our focus will be on supporting customers, responses to COVID-19, and other government priorities. We must be able to accommodate emerging government priorities, optimise what has been delivered to date, and complete delivery of new systems and processes.
- The impact of COVID-19 on our business and customers will be a key consideration. The final products to be migrated to new systems and processes can be implemented progressively at the most appropriate time. Minor products such as unclaimed monies could be implemented at any time.
- We will run a lean and flexible change delivery process. This will be the basis for delivering changes once transformation has been completed and will help to ensure that Inland Revenue is sustainable in the long-term.
- The programme team will work closely with Inland Revenue's business units to progressively transition new capabilities, methods and enduring services to the post-transformation operating model.

47. We will keep you informed as our thinking develops and options become clearer.

## **Coming up in the next two months**

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48. Key activities over the next two months include:

### **May 2020**

- Hyper care period of Pou Whirinaki/early life support ends.
- 2020 automatic assessment process begins (this is being led by business-as-usual teams with support from the programme).
- Re-planning of Release 5.

### **June 2020**

- Continuing to prioritise and respond to requests for Release 4 support.
- Finalise the July 2020 Transformation update for consideration by the Cabinet Government Administration and Expenditure Review Committee.

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