



Inland Revenue report: Transformation status update: April 2019

Date:	08 May 2019	Priority:	Medium
Security level:	In confidence	Report number:	IR2019/145

Action sought

	Action sought	Deadline
Minister of Finance	Note the contents of this report	None
Minister of Revenue	Note the contents of this report	None

Contact for telephone discussion (if required)

Name	Position	Telephone
Greg James	Deputy Commissioner, Transformation	Withheld under s18(c)(i) of the OIA

08 May 2019

Minister of Finance
Minister of Revenue

Transformation status update: April 2019

Executive summary

1. This report summarises the progress and highlights of transformation for April 2019. The order of content is slightly different this month, reflecting a successful go-live for Release 3 on 26 April 2019 as planned. Although it is early days, we are pleased with how things are going. We are dealing with a small number of issues as expected.
2. Approximately 9.6 million customer accounts are now managed in START, including 1.8 million companies and 7.8 million individuals. As all customer data is now in START, when customers log on to our systems they now use our new online services. Since go-live, we have had more than 1.1 million successful individual logins to myIR.
3. We successfully made 160,000 Working for Families payments on 30 April 2019 for the first weekly payment out of START. Between 26 April and midday 30 April 2019, we received 67,260 payday returns, 51,867 GST returns, 17,632 Individual income tax returns, 12,718 address updates and 5,887 donation tax receipts received through myIR.
4. We are providing ongoing support to customers as needed, including visits to tax agents and bookkeepers, on-going advertising of the change to the year-end process for individuals, and educating and supporting employers for payday filing. We have additional staff on the phones and our offices are open for longer hours until the end of June 2019.
5. Our attention is now increasingly turning to Release 4, which will see KiwiSaver and Student Loans migrate to new systems and processes in April 2020 and some legislative changes introduced. This will mean changes for approximately 3 million New Zealanders and a number of external stakeholders.
6. Transformation's Red, Amber, Green (RAG) status continues to track amber overall (as shown in table 1 below), while the status of some keys has changed.

Table 1: Transformation's RAG status

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

7. The scope key deteriorated slightly to light green during the month as we had some additional scope items for Release 4, which is now under stringent scope control. The

resources key has deteriorated to amber. This is the result of the design and test teams for Release 4 scaling up and needing the skills and expertise of some people whose priority remains Release 3. The amber rating reflects this contention for key people. There is no impact on the planned April 2020 go-live date for Release 4. The delivery partners key has improved to light green as all known payroll providers and software developers provided payday filing solutions for their customers ahead of Release 3 go-live.

Recommended action

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

Noted

Noted

Greg James
Deputy Commissioner, Transformation
08 May 2019

Hon Grant Robertson
Minister of Finance
/ /2019

Hon Stuart Nash
Minister of Revenue
/ /2019

Release 3

9. Release 3 went live on 26 April 2019. More than 270 people worked around the clock to ensure that more than 1,150 tasks were completed, so we could re-open to customers at 8am as planned. During cutover we migrated 19.7 million accounts, 18.1 million returns, and 8.3 million web logons. Loading data into START and removing it from FIRST took around 60 hours in total. These numbers and the effort involved are significantly higher than for earlier releases (please refer to annex 1).

10. Approximately 9.6 million customer accounts are now managed in START, including 1.8 million companies and 7.8 million individuals. As all customer data is now in START, when customers log on to our systems they now use our new online services. IRD numbers are now created in START.

11. The legislative, system and process changes introduced in Release 3 will further improve our ability to make tax and payments simpler and more certain for millions of New Zealanders. Most people will pay and receive the right amounts during the year without having to do anything.

12. Our Pou Whirinaki (extended support period) team is now up and running. The team are meeting every day to ensure that everyone has the same understanding of what is happening and that our customers and people are getting the support they need. As noted in last month's update (IR2019/053 refers), Pou Whirinaki are focusing on providing support for customers, our people, our operations, and technical issues.

Customers – as at 30 April 2019

13. We successfully made 160,000 Working for Families payments on 30 April 2019 for the first weekly payment out of START. There were some comments from dissatisfied customers who did not realise the Monday Working for Families payment would now be made on Tuesday. We had communicated this extensively through marketing and direct contact with customers including email and texts.

14. Some customers have commented about some differences they are seeing and questioning if things are working as they should. For example, START has a more efficient credit handling process which means customers are more quickly refunded money we should not be holding (e.g. where customers make an error).

15. START identifies any payment that does not include information about where it should be allocated. If there is no outstanding debt on other accounts, the payment will automatically be refunded. This is an overnight process. Previously money might have sat with us until the customer's tax agent told us which tax account to apply it to.

16. The following themes have emerged on our social media sites:

- wait times on calls
- challenges with logging in to myIR
- learning how to do things a new way or how they are presented in a new way.

Operations – as at 30 April 2019

17. As expected, we experienced high call volumes in the week immediately after go-live. Some Working for Families customers did contact us to query the change in payment date. We do have more people answering calls when needed to help provide the best customer experience possible.

18. A large number of customers have been coming into our offices, with a new record in Manukau on 26 April 2019 of 1,350 customer visits.

People – as at 30 April 2019

19. There are no significant issues to report. Our people are generally positive about the changes.

Technical – as at 30 April 2019

20. Since go-live, we have consistently seen a high volume of traffic to myIR. From go-live through to 30 April 2019 we had more than 1.1 million successful individual logins to myIR, with most days exceeding 300,000 logins. The biggest day to date had 361,000 logins. This is an increase on our biggest day in 2018, which had 289,000 logins. While this volume is considerably higher than previously experienced, it is in line with our projections and what we performance tested against.

21. As a result, in general, response times for login have been in the 1-2 second range which is considerably faster than previously. We did however experience poorer performance for about a 10-hour period on 6 May 2019 when login times were over 10 seconds. This has been traced back to a capacity issue on a shared network component at our data centre provider.

22. Between 26 April and midday 30 April 2019, we received 67,260 payday returns, 51,867 GST returns, 17,632 Individual income tax returns, 12,718 address updates and 5,887 donation tax receipts received through myIR.

23. We are working on resolving ten priority 2 (high impact) technical issues. All are in hand with teams working on them and we are deploying fixes every night.

24. Both Spark and Vodafone experienced issues at the end of April 2019 which affected customers who called our contact centres. Although both Spark and Vodafone resolved these issues quickly, they did result in some frustration for people working in our contact centres and for customers trying to call us.

Customer support

25. We are providing on-going support to customers.

26. We have extended our front-of-house hours in all our sites for customers looking for face-to-face help. Our offices will open earlier and close later from Friday 26 April to Friday 28 June 2019.

27. We made the decision to extend our hours as we are expecting more walk-in customers, in addition to many more calls to our contact centres. Opening for longer will help us to be as available to our customers as we possibly can and help to take the pressure off our contact centres.

Individuals

28. As noted in last month's report (IR2019/053 refers), advertising will continue to run until 31 July 2019 as part of a wider campaign for individual customers.

29. Advertising will be split into two phases:

- From 26 April to 20 May 2019, advertising will focus on letting people know to expect some communication from Inland Revenue, managing their expectations, and providing reassurance (so they don't call us).
- From 20 May until late July 2019, advertising will focus on specific timings, i.e. when customers can expect to see their refund or tax to pay.

30. Examples of the campaign material, which includes radio, print and online advertising, can be found in annex 2.

Employers

31. Our payday filing team remain on standby to support employers through the extended support period as needed.

32. We are undertaking research with employers filing payday returns for the first time. The results indicate that two thirds of employers say it is easy and one third say it is difficult. For those finding it difficult, the major reasons are extra effort, the process not being clear, a view that it is hard to find their way around and use the online service and being unsure of the payment process. We are monitoring trends and making changes if required to improve customer experiences. Our education activities continue to support customers to get the best out of payday reporting.

Tax agents and bookkeepers

33. We are visiting tax agents we have identified as a high priority and also visiting bookkeepers who have registered with us as tax preparers.

34. Most tax agents are reporting they are happy with the changes but need time to become familiar with new processes and services.

Release 4

35. Release 4 will see KiwiSaver and Student Loans migrate to new systems and processes in April 2020 and some legislative changes introduced. The changes being made mean that information will be processed more quickly, and new online services will make it easier for people to do more for themselves online.

36. Some site-specific code and configuration will be required. For example, tracking KiwiSaver contributions end-to-end and tracking loan obligations. FAST will build these requirements into their core product so that we do not end up with a bespoke solution just for New Zealand.

37. The design and test preparation teams are currently behind schedule. This is the result of resource contention with Release 3, as early life support is the priority in the near-term. This may mean the business function definition (which describe what the solution needs to do for a particular activity, for example register a customer) phase runs for longer and business system testing (making sure START works as expected) starts later than expected. This is not a cause for concern at this stage and the go live date of April 2020 is not currently under threat.

38. Release 4 will mean changes for approximately 3 million New Zealanders and a number of external stakeholders. As at 30 June 2018 (the date of our most recent Annual Report), there were 2.9 million people enrolled in KiwiSaver and 719,000 Student Loan customers. During the year ended 30 June 2018, we transferred \$6 billion of contributions to more than 25 KiwiSaver scheme providers and collected more than \$1.3 billion in loan repayments. We jointly administer Student Loans with the Ministry of Education and the Ministry of Social Development.

39. As part of Release 4 we will also make some enhancements to improve the administration of income tax and Working for Families and will further enhance our digital services. For example, customers will be able to offset their current Working for Families entitlement against a prior year's overpayment or debt. They will be able to do this for themselves, through myIR.

40. Collection of hours paid information is in the scope of Release 4. This information will be collected from employers who file through software and who already record their payroll on this basis. Not all employers will be required to provide this information. We expect more to do so as digital uptake increases over time. Collecting this information will help to improve the administration of Working for Families and Child Support. These payments are partly determined by the hours people are paid for. Once collected, we will be sharing this information with Statistics NZ so that it can be used to support broader Government priorities such as pay equity, social wellbeing, and better understanding productivity.

41. The social policies remaining on FIRST are complex products in their own right and their payment calculations rely on income information. Therefore, the risks of co-existence with our old and new systems operating in parallel remain high until Release 5 (Child Support) is implemented in 2021, enabling FIRST to be decommissioned. The best way to manage this risk is to maintain our momentum and complete transformation as quickly as possible.

Key risks and issues

42. The 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 defined areas.

43. One new issue (risks that have been realised) was reported to the Portfolio Governance Committee (PGC) since the transformation status update for March 2019 (IR2019/053 refers). This related to the ability of START developers to access our systems remotely. It has since been resolved.

44. As at April 2019, the programme had a total of 53 open risks, of which 14 are reported to the PGC. Many of these are longer-term risks relating to the programme, rather than shorter-term risks related to individual releases.

45. The status of the risk relating to performance testing potentially affecting customers' ability to log in and use our online services has improved since the last status update (IR2019/053 refers). Performance testing concluded on 18 April 2019 and we did not experience any impacts to our production systems.

46. Two risks reported to the PGC were reassessed during the month, with no change in status for either risk. These two risks related to Government's confidence in Inland Revenue's ability to deliver and contingency funding being applied to competing pressures/priorities.

47. The top risks for transformation are unchanged (support for heritage systems ending in 2021, the time taken to resolve major incidents, retaining people, and timing of benefit realisation). Mitigations are in place for all risks.

Finances

48. The overall budget (excluding the contingency held by the Commissioner) for the transformation programme from 1 July 2018 until 30 June 2019 is \$182.3 million for operating expenditure and \$93.45 million for capital expenditure. As part of the March Baseline Update, \$26.3 million of operating expenditure budgeted for co-existence and people transition costs was moved from the current financial year to the 2020/21 financial year.

49. From 1 July 2018 to 31 March 2019, operating expenditure was \$16.9m under budget and capital expenditure was \$2.2m under budget. Based on current forecasts, we expect to complete the delivery of Release 3 within budget (including the contingency held by the Commissioner).

50. As noted above, the operating expenditure contingency held by the Commissioner for the period 1 July 2018 to 30 June 2019 has been moved to the 2020/21 financial year. The remaining contingency for capital expenditure held by the Commissioner for the period 1 July 2018 to 30 June 2019 is \$2.38 million.

Coming up in the next two months

51. Key activities over the next two months include:

May 2019

- Supporting customers and staff as they use new services for the first time.
- Prioritising and responding to requests for support.
- Begin communicating with individual customers about their outcome for the 2018/19 year from the new year-end process.

June 2019

- Continuing to prioritise and respond to requests for support.
- Continuing to communicate with individual customers about their outcome for 2018/19 year from the new year-end process.
- Begin business system testing for Release 4.

Annex 1 – Comparison of release go-live figures

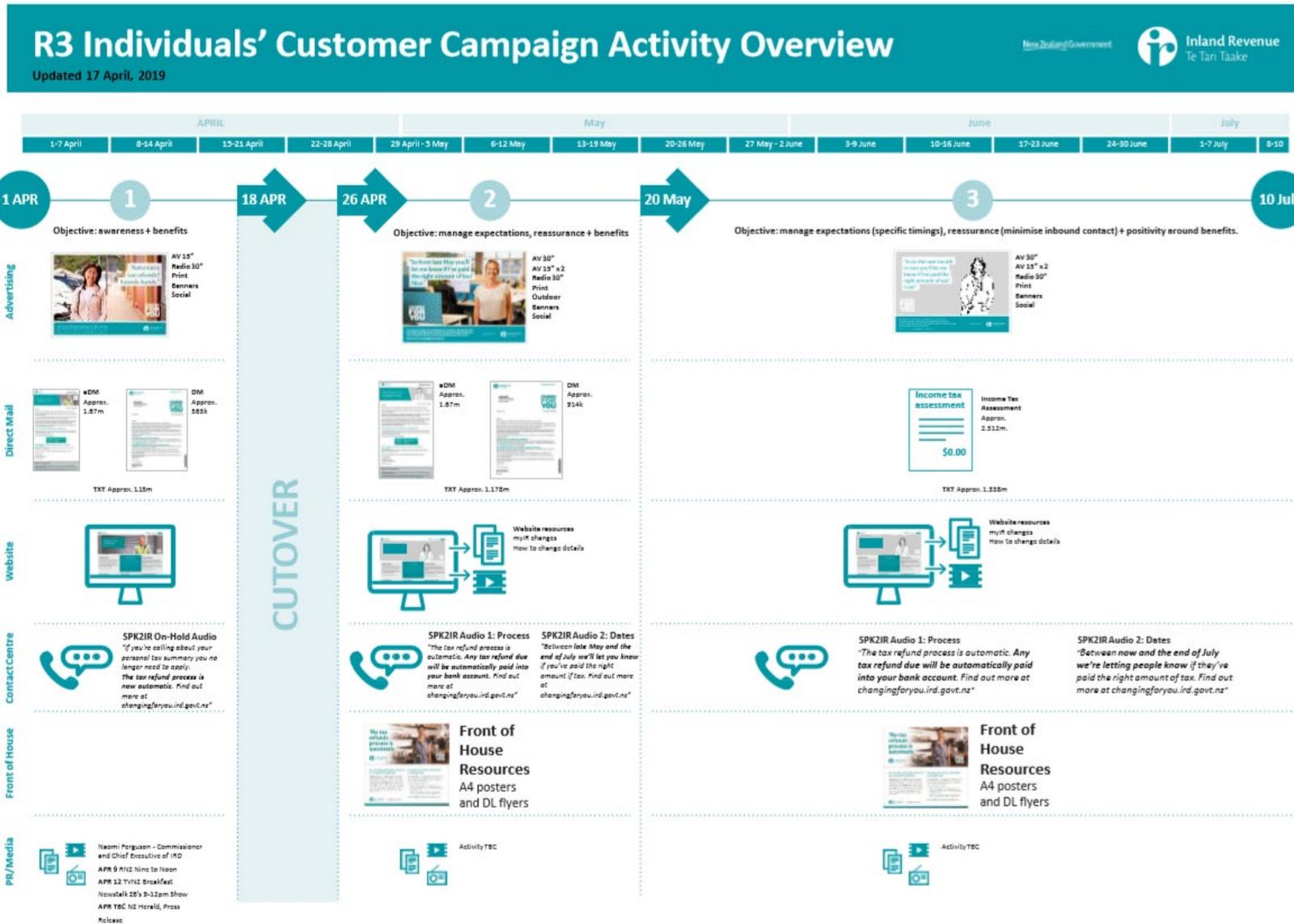
(Information as at 29 April 2019)

	Release 1 Feb 2017	Release 2 April 2018	Release 3 April 2019
Products migrated to START	GST	<ul style="list-style-type: none"> • Withholding taxes • Fringe benefit tax • Payroll subsidy • Gaming machine duty 	<ul style="list-style-type: none"> • Income tax • Working for Families
% of total tax revenue managed in START	26% for year ended 30 June 2017	31% ¹ for year ended 30 June 2018	100% ² for year ending 30 June 2019
Customer readiness			
Seminars for customers	0	250	350
Webinars for customers	3	15	15
Customers contacted	630,000	368,000	2,000,000
Programme readiness			
Accounts migrated	880,000	1 million	19.7 million
Returns migrated	8.1 million	13 million	18.1 million
Transactions migrated	23.6 million	2 million	100 million
Web logons updated	0	0	8.3 million
Time to load data into START	17 hours	8 hours	30 hours
Time to remove data from FIRST	13 hours	11 hours	30 hours
Number of cut-over tasks	More than 350	More than 540	More than 1,150
Hours to cut-over	113 hours	93 hours	185 hours
Total tests completed	15,462	46,304	94,204
Business readiness			
Staff trained (classroom)	2,700	2,700	3,600
Classroom sessions (before go-live)	142	More than 260	More than 370
Items of data corrected	N/A	N/A	138 million

¹ PAYE is not included in this figure as it is processed in FIRST

² This figure includes PAYE as customers will manage all their tax affairs using new services

Annex 2 – examples of material being used as part of the individuals' campaign



2 Before Auto Calc | 26 Apr- 19 May

Key objectives: Letting people know to expect something from IR, manage expectations around when and what it is, reassurance (minimise inbound contact),

Advertising

AV 30" Script

Voice of IR: From this year onwards, the tax refunds process is automatic.

Talent 1: So... sometime from late May until the end of July, inland Revenue will let me know if I've paid the right amount of tax? Sweet.

Talent 2: Yeah, I've probably paid the right amount, but it would be good to know for sure.

Talent 3: Yeah, I'd like to know where I stand.

Talent 4: Then, any tax refund due will be paid automatically into my bank account? Sounds... good.

Voice of IR: if you'd like to find out more, go to changingforyou.ird.govt.nz

Radio 30" Script

Talent 1: Hey, I'm Amresh. Yeah, I work in sales. So... sometime from late May until the end of July, inland Revenue are gonna tell me if I've paid the right amount of tax? I've probably paid the right amount anyway, but it would be good to know where I stand. And err, any tax refund I'm owed, will be paid automatically into my bank account? I like that!

Voice of IR: From this year onwards, the tax refunds process will be automatic. Find out more at changingforyou.ird.govt.nz inland Revenue. Changing for you.

Print



Outdoor



Banners



Social



AV 15" x2 Scripts

Radio and Print ads translated

Direct to customer

eDM
Approx. 1.67m

Mail
Approx. 914k

TXT
Approx. 1.178m

Example message ready for automatic refunds.

	W/C 29 April	W/C 6 May	W/C 13 May
PTS		DM 150k eDM 500k TXT 536k	
PTSi		DM 150k eDM 517k TXT 246k	
PTSx		DM 620k eDM 350k TXT 226k	
WIF		TXT 320k	
IR3		N/A	

Contact Centre



SPK2IR Audio 1: Process
"The tax refund process is automatic. Any tax refund due will be automatically paid into your bank account. Find out more at changingforyou.ird.govt.nz"

SPK2IR Audio 2: Dates
"Between late May and the end of July we'll let you know if you've paid the right amount of tax. Find out more at changingforyou.ird.govt.nz"

Community Compliance support



Resources
A4 posters and DL flyers – plus translated versions

Changing for you/website



Resources
myIR changes
How to change details



Video/Content Resources
Changes explained
Income Tax Assessment explained
myIR

PR/Media



Activity
Mid MAY Press Release (about autocalc)

3

During Auto Calc | 20 May - late July

Key objectives: Continue managing expectations about what to expect and when with specific timing (ie 'May to July' and 'this month'), reassurance to minimise inbound contact,

Mana Whakataunga Government



Advertising

AV 30" Script

Voice of IR: Between now and the end of July, we're letting people know if they've paid the right amount of tax.

Talent 1: So sometime <in the next month or two/>this month, Inland Revenue will let me know how much tax I've paid over the last year? Cool.

Talent 2: It'll be nice to see if I'm due a tax refund or not.

Talent 3: So you'll let me know when it's ready? No worries then.

Talent 4: I've probably paid the right amount, but it would be good to know where I stand.

Voice of IR: If you'd like to find out more, go to changingforyou.ird.govt.nz

Radio 30" Script

Talent 1: Hello, I'm Zarmisha, and I'm in finance. So... between now and the end of July, Inland Revenue will let me know if I've paid the right amount of tax? Sounds like a plan. I've probably paid the right amount anyway, but it would be good to know where I stand. And after that, if I'm owed a tax refund, it will be paid automatically into my bank account? Nice.

Voice of IR: From this year onwards, the tax refunds process is automatic. Find out more at changingforyou.ird.govt.nz

Print



Banners



Social



AV 15" x1 Script

Radio and Print ads translated

Direct to customer



Income Tax Assessment
Approx. 2.513m

TXT
Approx. 1.338m
Example message: Content TBC.

	W/C 20 May	June	July
PTS	Income Tax Assessment 2.512m		
PTSi	TXT sent 3 days after Income Tax Assessment sent 1.338m		
PTSx			
WIF			
IR3	BAU Activity		

Contact Centre



SPK2IR Audio 1: Process
"The tax refund process is automatic. Any tax refund due will be automatically paid into your bank account. Find out more at changingforyou.ird.govt.nz"

SPK2IR Audio 2: Dates
"Between now and the end of July we're letting people know if they've paid the right amount of tax. Find out more at changingforyou.ird.govt.nz"

Community Compliance support



Resources
A4 posters and DL flyers plus translated versions

Website



Resources
myIR changes
How to change details



Video/Content Resources
Changes explained
Income Tax Assessment explained
myIR

PR/Media



Activity TBC