



Inland Revenue report: Business Transformation Programme: Status update for Joint Ministers – March 2015

Date:	24 April 2015	Priority:	Medium
Security level:	In confidence	Report number:	IR2015/171

Action sought

	Action sought	Deadline
Minister of Finance	Note the attached status updates	None
Minister of Revenue	Note the attached status updates	None

Contact for telephone discussion (if required)

Name	Position	Telephone
Greg James	Deputy Commissioner, Change	Withheld under s9(2)(a) of the OIA

24 April 2015

Minister of Finance
Minister of Revenue

Business Transformation Programme: Status update for Joint Ministers – March 2015

Attached is the status update for March 2015. The update has been sent to Central Agencies and is due to be discussed at the regular Corporate Centre (Central Agencies) meeting on 28 April 2015.

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Highlights and challenges

Highlights

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- The Minister of Revenue had a very successful launch, on 31 March 2015, of the first two policy discussion papers, "Making Tax Simpler - A Government Green Paper on Tax Administration" and "Making Tax Simpler - Better Digital Services". The papers will be open for public consultation until 29 May 2015 and 15 May 2015 respectively.
- The COTS RFP was released on 19 March 2015, and we have met with vendors to brief them and answer questions. Site reference visits have been confirmed for the period 9 to 22 April, as part of the RFP evaluation process.

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Design

- A series of workshops to develop the business solution blueprints for high level design are underway. The blueprints will outline what we need the new systems to deliver. At this stage the high level design is on track for completion by the end of July 2015.
- Detailed design planning has started, and deliverables for Design Partner and COTS provider services are being developed.

Engaging New Zealand

- As part of co-design with payroll and accounting software providers, we have asked providers for views on a number of potential early release initiatives. We are also engaging separately with Xero and MYOB. A concept document for Tranche 1 of the early release initiative is scheduled for early April, and a business case is planned for consideration in June/July.
- Customer testing on concepts for improvements to MyIR, Inland Revenue's secure website, has confirmed the approach for this project. The initial assessment for a delivery date for this project is October 2015.

Finance

- The results for March are tracking under budget; actual spend to date is \$10.22m; an underspend of \$2.18m against a pro-forma budget of \$12.40m. The estimate at completion (EAC) is currently within our approved budget of \$84m. Our forecast assumes we will receive approval for the requested in-principle and expense transfers, to ensure funding is available in the financial years required.

Challenges

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- The volume of stakeholder requests for presentations and information is increasing. Maintaining focus on producing the High Level and Detailed Designs, while still meeting these requests, and engaging appropriately, will require careful planning.
- We expect an increased level of external and media interest in the programme in 2015. A proactive media strategy is being developed to help manage this.
- The Design process will be intensive and requires strong governance and management.

Recommended action

I recommend that you:

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Noted

Noted

(b)Note that we have secured the GCIO's agreement to our preferred option, and that the J2FM business case has now been approved.

Noted

Noted

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Noted

Noted

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Noted

Noted

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Noted

Noted



Greg James

Deputy Commissioner, Change

Inland Revenue

24 April 2015

Hon Bill English

Minister of Finance

/ /2015

Hon Todd McClay

Minister of Revenue

/ /2015



Joint Ministers' Status Update - March 2015

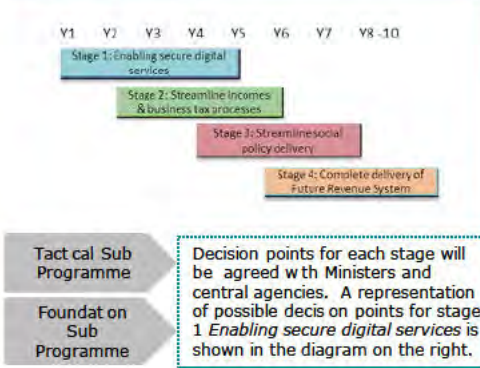
The Business Transformation Programme

Cabinet has agreed in principle to a business-led, technology-enabled transformation of the revenue system. The business transformation programme will implement the infrastructure and capability required to modernise the revenue system.

The programme's investment objectives

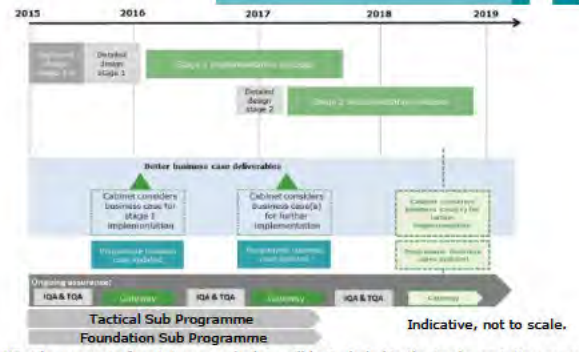
1. Improve agility so that policy changes can be made in a timely and cost effective manner.
2. Minimise the risk of protracted system outages and immediate systems failure.
3. Improve the customer experience by making it easier and simpler for taxation and social policy customers (i.e. where possible reduce compliance costs).
4. Deliver more effective services to improve customer compliance and help support the outcomes of social policies.
5. Increase the secure sharing of intelligence and information across government to improve delivery of services to New Zealanders and improve public sector performance.
6. Improve productivity and reduce the cost of providing Inland Revenue's services.

Programme roadmap



The Current Phase of Work

1. Select a suitable COTS Application Suite of Software for the Core Tax, Social Policy and Savings and Loans elements of BT, by 30 June 2015.
2. Based on the selected COTS Application Suite of Software for the Core elements, complete the Detailed Design for Stage 1 of BT, incorporating both the Core and Non-Core Elements, by 30 March 2016.
3. Based on the selected COTS Application Suite of Software for the Core elements complete the High Level Design for Stages 1 to 4 of BT, ie, incorporating both the Core and Non-Core Elements.
4. Obtain all agreements, including business cases, funding and contract approvals for IR to engage with the service provider(s) and commence the Implementation Phase for Stage 1 of the Programme.
5. Obtain all agreements, including business cases, funding and contract approvals required to progress the Tactical and Foundation Sub Programmes.
6. Engage and contract with a service provider(s) to support the Implementation Phase for the Core Solution for Stage 1 of the Programme in accordance with the agreed scope of services. This is to be completed before 30 March 2016.
7. Progress organisational impact assessments and the finalisation of the supporting organisational change management strategies.



NB: The concept of prototypes and pilots will be included in the implementation approach.

8. Progress policy and legislation to ensure all required amendments to policy and / or legislation are identified and scheduled, and work progressed as required.
9. Finalise the required implementation, deployment and coexistence strategies for the Implementation Phase of the Programme, specifically for Stage 1, ie, by 30 March 2016.
10. Progress all co-design work with key affected parties, ie, to ensure full alignment with the High Level and Detailed Designs.
11. Ensure IR is ready to manage and govern the ongoing delivery of the Programme.

Outcomes for New Zealand in 2015

Initiative	When
Design of the future revenue system: <ul style="list-style-type: none"> • Completing High Level Design • Detailed Design of Stage 1 • Updated Programme Business Case and Stage 1 Implementation Business Case recommending the shape of the future revenue system 	By July 2015 Aug 2015 - Mar 2016 By March 2016
Engaging with New Zealanders: <ul style="list-style-type: none"> • More than 20 NZ software development companies to co-design better collection of GST and PAYE information 	Feb - Dec 2015
Future policy and legislative opportunities: <ul style="list-style-type: none"> • Making Tax Simpler - A Government Green Paper on Tax Administration, and Making Tax Simpler - A Government discussion document on Better Digital Services, released for public consultation • Further discussion documents submitted 	Completed (Mar 2015) By Oct 2015
Sourcing: <ul style="list-style-type: none"> • Select Commercial off-the-shelf (COTS) solution for the core revenue system 	By July 2015
Improving Digital Services: <ul style="list-style-type: none"> • Improvements in digital usage via the Tactical Reducing Paper Outputs, Turn Off Cheques, and Dr/Cr Card improvement initiative. • Working with third parties to allow simple GST returns to be provided directly from accounting packages • Improving the usability of MyIR: Inland Revenue's secure online service • Improving the usability of www.ird.govt.nz and delivering high-use content for mobile/tablet 	By Sep 2015 By Dec 2015 By Dec 2015

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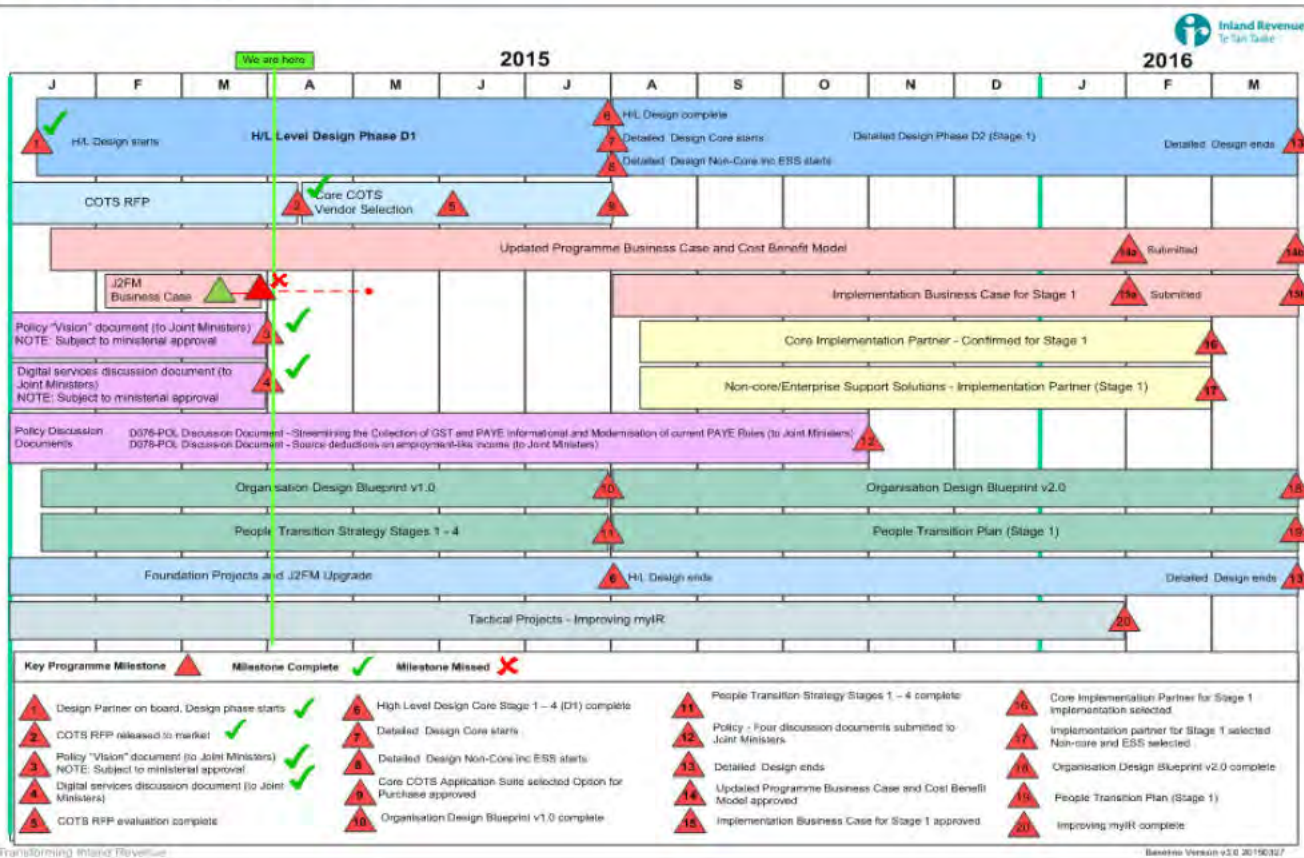
Challenges

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Progress Against Plan



No.	Milestone	Date Completed
1	Design Partner team on board, Design Phase starts	12/01/15
2	COTS RFP released to market	19/03/15
3 & 4	Launch of public consultation on: <i>Making Tax Simpler - A Government Green Paper on Tax Administration and Better Digital Services</i>	31/03/15
No.	Milestone	Completed by
5	COTS RFP Evaluation complete	30/06/15
6	High Level Design Stages 1 to 4 (D1) complete	31/07/15
7	Detailed Design Core Stage 1 (D2) starts	01/08/15
8	Detailed Design Non-Core including Enterprise Support Systems (D2) starts	01/08/15
9	Core COTS Application Suite selected, Option for Purchase approved	31/07/15
10	Organisation Design Blueprint v1.0	31/07/15
11	People Transition Strategy Stages 1 – 4 complete	31/07/15
12	Policy Discussion Documents (PAYE and GST, and source deductions) submitted to Ministers	30/10/15
13	Detailed Design ends	31/03/16
14a/b	Updated Programme Business Case submitted (14a) and considered by Cabinet (14b)	31/01/16 (a) 31/03/16 (b)
15a/b	Implementation Business Case for Stage 1 submitted (15a) and considered by Cabinet (15b)	31/01/16 (a) 31/03/16 (b)
16	Core Implementation Partner for Stage 1 Implementation selected	28/02/16
17	Implementation partner for Stage 1 Non-core and ESS selected	28/02/16
18	Organisation Design Blueprint v2.0 complete	31/03/16
19	People Transition Plan (Stage 1)	31/03/16
20	Improving myIR complete	31/01/16

At the end of the design phase, Inland Revenue will have:

- delivered an overall design of the future revenue system that will enable:
 - far greater certainty of programme costs, benefits and sequencing;
 - implementation to commence, subject to Government's approval to proceed.
- selected the COTS core solution, and identified common, all-of-government capabilities that will be adopted;
- determined how best to interface with RealMe, the government's secure online identity verification service, and the New Zealand Business Number (NZBN);
- recommended future policy and legislative opportunities to frame and support the modernisation of the revenue system;
- engaged with and understood the change impacts on customers, third parties, other agencies, and the department itself including:
 - impacts for all customer groups – that is, individuals, businesses, tax agents, and other intermediaries, and government agencies; and
 - impacts on Inland Revenue itself – that is, its role, future organisational boundaries, the services that will be provided (directly and by other parties) and the capabilities required to support this future state.

1a. Programme Status Summary

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Programme Status Summary (cont'd)

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