

The Treasury

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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Vote Lands

Four-year Budget Plan

26 November 2010

Submitted by:

Land Information New Zealand

Section 1: New Baseline and Summary of Changes

Direction of Change

The priorities and strategy for the Vote over the next four years, including any changes to existing service delivery or the mix of services provided and how these will contribute to achieving Government priorities, are as follows:

Overall Impact

Operating	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Current baseline	109,486	113,469	100,769	100,103	99,496
Cost of new/increased activities	-	-	-	-	-
Amount reprioritised	-	-	-	-	-
New baseline	109,486	113,469	100,769	100,103	99,496

Capital	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Capital proposals seeking new funding in Budget 2011	-	-	-	-	-
Capital proposals seeking decisions in Budget 2011 funded within baselines	-	-	-	-	-
Total capital intentions	-	-	-	-	-

Section 2: Vote Priorities and Pressures

The priorities and pressures for the Vote from 2011/12 to 2014/15 are as follows:

1. What LINZ intends to achieve over the next four years

The top three priorities in the Land Information portfolio for 2011 are:

1. Delivering available, accessible and useable geospatial information and infrastructure to New Zealanders
2. Implementing the earning capacity rent policy in the South Island High Country, and
3. Contributing to the Treaty of Waitangi settlements process.

Priority one – Delivering available, accessible and useable geospatial information and infrastructure to New Zealanders

Increasing the use of geospatial information and technology is a considerable productivity driver of medium-term economic growth in New Zealand, and the most significant contribution LINZ can make in supporting the Government's economic objectives.

Geospatial information is being coupled with new technologies, leading to innovative business solutions across a diverse range of markets and sectors.

LINZ has leadership of the New Zealand geospatial strategy and we are playing an active role in shaping geospatial policies, standards, regulatory and technology frameworks to:

- stimulate innovation by improving access to existing government-held data
- accelerate the adoption of technology across the economy, and
- build capability in the spatial sector.

In doing so, we are supporting several of the policy drivers for meeting the Government's economic objectives: Investment in Infrastructure; Better, Smarter Public Services for Less; and Innovation and Business Assistance.

The New Zealand Geospatial Strategy will accomplish greater access to government-held data by developing an effective spatial data infrastructure, which connects providers and users of information. This will support:

- productivity growth in the economy through businesses gaining easier access to the government geospatial data for business planning, and
- better, smarter public services for less through enabling:
 - central and local government agencies to use geospatial information systems as a tool for enhanced decision-making, and
 - greater cost-effectiveness in the collection, maintenance and storage of geospatial data by government agencies.

LINZ is now in the position to begin the 'delivery' phase of the New Zealand Geospatial Strategy, which includes implementing a national spatial data infrastructure and developing datasets of national priority. Specific focus areas include continuing to:

- lead New Zealand's Geospatial Strategy and within that clarify issues of mandate
- build the strategic framework for a New Zealand spatial data infrastructure

- support the growth of the spatial industry by working with industry leaders and the wider economic development sector to address capability issues, and
- strengthen trans-Tasman partnerships especially to leverage the strengths of each nation, and align research and development and spatial infrastructure activities.

LINZ will also continue to provide leadership with our own important datasets. We are working with an external provider, and seeking input from the wider community, to deliver an online service that will allow users of spatial information to easily locate and download our data online. We aim to launch this service in mid-2011.

In the short term, LINZ will absorb costs and invest in our leadership function and our work in unleashing our data for others to use. For the work programme in out years, LINZ will look to:

- a further reorganisation of our outputs, and
- wider contributions from other agencies to support the strategy.

Priority two - Implementing the earning capacity rent policy in the South Island High Country

The South Island High Country has been a Government priority for LINZ over the past two years, given the area's economic, environmental and tourism significance. A new strategic direction for the High Country was approved by Cabinet in August 2009, being:

- Effective stewardship of the land
- Better economic use
- Improved relationships with lessees and high country communities.

Our focus in 2011 shifts to:

- finalising legislation to implement the earning capacity rent policy
- implementing the new system for earning capacity rents, and
- resolving the cases taken to the Land Valuation Tribunal by pastoral lessees.

Resources have already been shifted to support this work. Operationalising earning capacity rents will ensure lessees can continue to productively farm their land and protect its value, and will provide the Crown with a simpler and cheaper system for administering pastoral leases and rents.

Priority three - Contributing to the Treaty settlements process

LINZ will continue to play a key role in supporting the Office of Treaty Settlements (OTS) in processing historic Treaty of Waitangi settlement claims. We are involved in all settlements at multiple stages. Our services include:

- providing policy and land transaction advice
- managing land held for future settlements
- obtaining valuation information and, where appropriate, undertaking direct negotiations on price with claimant groups (particularly for Crown forestry licence land)
- identifying Treaty settlement requirements on land titles when settlements are reached
- processing land transactions at the stage when Crown-owned lands (including Crown forestry licence land) are transferred to iwi, and

- ensuring the disposal of property by government agencies meets all Treaty settlements requirements.

The objective of reaching fair and durable settlement of all historical Treaty of Waitangi claims by 2014, and the complex nature of the work involved, has required LINZ to re-prioritise our capability and capacity to ensure the work can be delivered within existing baseline funding.

LINZ has also focused on aligning our work programmes and timeframes with OTS and other involved agencies. OTS has provided resources to assist us with servicing the increasing volume of official place names arising from settlements. In addition, we have funding for a coordination role of our activities to support the settlement process.

LINZ will continue the good partnership approach developed with OTS in 2010 to ensure timeframes and deliverables are aligned.

We will also need to plan for the continuing provision of necessary appropriate skills and specialist expertise, including:

- staff to monitor progress and coordinate planning and procedures, and
- land-related work from external property professionals such as LINZ-accredited suppliers, surveyors and valuers.

LINZ has previously signaled that we may need additional funding to meet these commitments. However, for 2010/11 we will meet these commitments from within baseline.

2. How these achievements link to the Government's priorities

An efficient and productive State Services is a key element in the Government's plan for a faster-growing economy. LINZ contributes to New Zealand's economic performance and is, therefore, aligned to government priorities for: better public services, encouraging innovation, reforming regulations, boosting infrastructure, as well as Treaty of Waitangi and constitutional issues.

In particular, LINZ has had a five-year focus on reforming our regulations around the theme of optimal regulation to balance lower compliance costs with minimising the Crown's risk in the areas we regulate. The principle of optimal regulation is to regulate as little as possible, and as much as necessary.

Across government, we are looking to take on Crown land portfolios where our management processes can more efficiently administer such land at a reduced cost to the Crown. Recent examples are the Ministry for the Environment and Wairakei tourism land portfolios. In taking on any new land portfolios, LINZ will determine any associated funding and resourcing that may be necessary, such as in biosecurity where there are potential unknown, ongoing costs.

In line with the government priority on Treaty settlement and constitutional issues, we have also identified the opportunity for our expertise to be used to host property rights registers to Māori customary title under the proposed Coastal Marine arrangements.

3. Relative to Government priorities, identify the lowest value programmes within the Vote

LINZ has core functions in areas that do not impact specifically on Government priorities, yet still contribute strongly to a well-run government. Examples include international obligations for hydrography charting and the Surveyor-General's advisory role to the Electoral Commission on electorate boundaries.

4. The major pressures facing the Vote over the forecast period

LINZ has funding from both Crown and third party sources, supporting distinct businesses, and providing discrete funding issues.

The survey and title processing business, funded from user fees and charges, faces unprecedented funding pressures resulting from what now appears to be structural change to the property market. The correction in the number of property market transactions, including green field subdivision and the turn over of existing properties, is now forecast to remain at significantly reduced levels for the next five to seven years. LINZ officials will be working with Treasury to manage through a short-term cash shortfall as a result of the emerging property market correction and resulting reduced transaction volumes. [2]

As LINZ relies on fees and charges from such transactions to provide the revenue to run our transaction system, there is a need for strict fiscal control in the short term and in the longer term an investigation of a new sustainable business model for our operations.

LINZ has already realised long-term savings from the bringing forward of office closures and other efficiencies from electronic processing, and expects to realise further savings from a restructure of IT suppliers supporting the Landonline system. The real issue for LINZ is ensuring a reliable and sustainable business that provides security for property rights in an environment of changing transaction volumes, where the costs are met by transactional fees.

Longer term, LINZ relies on our Landonline electronic system for recording and transacting property ownership. This system, which was rolled out in 2000, will eventually require an upgrade that could not be funded from within existing capital funding. This upgrade is indicatively timed from 2014/15, though no capital bid has been identified yet.

On the Crown side, our first priority is an expansion of the geospatial business within LINZ, including provision of an online data service to unleash our data to others. Additional costs of up to \$0.700m per annum are expected. Funding for these costs is likely to be a combination of efficiency savings from across the organisation, as well as contributions (in funding or in kind) from other agencies that may benefit from geospatial initiatives.

LINZ has identified a need to improve the quality of the geodetic system, which is an essential underpinning system for key infrastructure such as roads, water and sewage and in turn supports the survey and topographic databases. This is expected to cost up to \$1.5m per annum in 2012/13 and 2013/14. Funding for this initiative is yet to be determined.

LINZ administers 8% of the land in New Zealand as the Crown's owner of land held under the Land Act 1948. The introduction of regional pest management plans and associated

costs means there is an unknown biosecurity cost to meeting our obligations for this part of the Crown estate.

5. The drivers of costs in the Vote

LINZ is a personnel and IT orientated agency in terms of structure for delivering our work programme. As such, our major spend is in these two areas, and both salary expectations and the rate of technology change uptake impact on our baseline. Approximately 38% of total costs are salaries, and a significant contribution to cost pressures arises from meeting salary expectations. Another 30% of total costs arises from contracts for out-sourced services, and these costs are under ongoing pressure from suppliers attempting to pass on cost-growth.

The survey and title transaction processing system contains a significant element of fixed costs (such as accommodation, salaries and technology) relative to the overall costs. As such, the total cost is relatively inflexible to changes in demand arising from fluctuations in transaction volumes. This means that our ability to reduce costs in line with the current volume reductions is limited in the short to medium term.

6. The measures being put in place to manage these pressures within the Vote

To manage pressures, LINZ is looking at our systems and processes across the organisation to drive savings and efficiencies. Currently, we are:

- making immediate cash savings in 2010/11 to meet a forecast shortfall in third-party fees and charges revenue
- initiating a fees and charges review for 2011/12 to align them with the emerging property market correction
- examining our discretionary spending, such as the budget available for salary movement and pay for performance
- establishing a productivity working group with the PSA
- reviewing accommodation for our National Office to secure cheaper leased premises from 2012,¹ and
- examining potential savings in the topography and hydrography areas for map warehousing (shifting from paper to electronic storage systems).

In the medium term, LINZ will develop a set of activities to develop a sustainable business model. This will ensure our costs can be recovered notwithstanding property market volatility and its effect on our third-party revenue. Contributing activities include:

- investigating a longer-term funding model for providing certainty in property rights through the land transaction system
- an IT supplier review to combine and drive more efficient and cost-effective delivery of our key IT supplies
- leveraging whole-of-government procurement initiatives, such as print and stationery purchasing
- implementing our customer strategy to ensure all services provided are those needed by customers, and

¹ The National Office accommodation move will mean a one-off transition cost in 2012 before the annual savings are realised.

- investigating whether these services can be provided more cost-effectively, or by others.

7. What risks do these pressures create?

The most pressing risk is the sustainability of LINZ's current business model, given our exposure to the property market downturn and subsequent emerging correction. A lack of stability in funding has the risk of impacting on our ability to run a highly effective and efficient operation, and to meet the expectations of our customers and our obligations under the current regulatory regime.

Section 3: Proposed Changes for Budget 2011 (Reprioritisation)

- 1. What is new or different compared to what is currently being delivered?**
- 2. The contribution of the activity to your priorities**
- 3. Summary of information supporting the proposed changes**

No changes are proposed.

Section 4: Summary of Financial Movements

A nil return.