

# **Briefing for the Incoming Minister 2002**

## **Section 2: Ownership Information**



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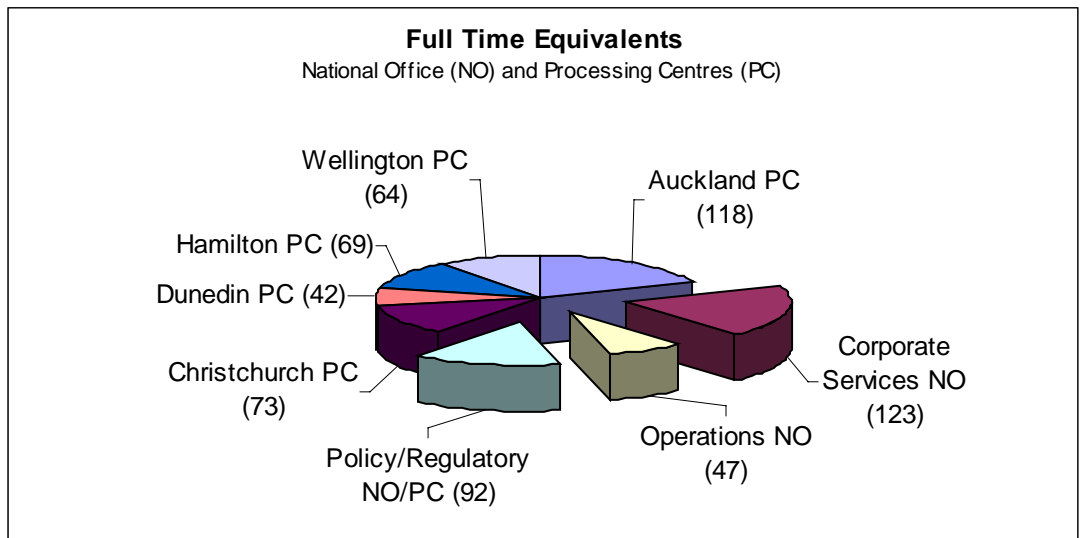


# Introduction

Part Two of the Briefing for the Incoming Minister provides information about the way that Land Information New Zealand (LINZ) conducts its business. It sets out how the organisation is staffed, structured, managed, how it interacts with its stakeholders, and how its business is funded.

# People

At 1 July 2002, LINZ had 628 full time equivalent staff members located in six offices around New Zealand. A breakdown of staff numbers by location is shown in the following figure:



Forty-two percent of the staff of LINZ are women and just over 5% identify themselves as Maori. The turnover rate for the department for the year ending 30 June 2002 was 13.09 % for all staff including those on fixed term contracts. The turnover rate for permanent staff was 6.4 %.

## Governance and Management

### *LINZ Business Groups*

#### *The Office of the Chief Executive*

The Office of the Chief Executive provides the leadership and direction for the department. The Office includes the Risk and Quality Assurance area and the *Landonline* Automation Project.

#### *The Policy Group*

The Policy Group develops policy advice for the Government on land, property and seabed information matters, reviews legislation, undertakes strategic planning and reporting functions, and assists the Minister for Land Information in the execution of his or her duties.

#### *The Regulatory Group*

The Regulatory Group includes the:

- Property Regulatory Group (including the Valuer-General and the Commissioner of Crown Lands);
- National Topographic/Hydrographic Authority;
- Office of the Registrar-General of Land; and
- Office of the Surveyor-General.

These groups are responsible for setting standards, monitoring compliance and preparing an annual work programme for service delivery in their area of responsibility. Specialist contracting services are provided by the Contracts Group to support the Regulatory Groups in purchasing services on behalf of the Government.

#### *The Operations Group*

The Operations Group is responsible for the delivery of survey, land title and electoral services and providing access to Crown property records.

#### *Business Support*

Business Support comprises Crown Property Management, Finance and Administration (this includes Strategic Procurement), Human Resources, Legal Services, Communications, Information and Technology, and Solutions. These groups support best-practice standards, effective management and the strategic direction of the department.

The Crown Property Management Group is located within Business Support. Its purpose is to manage and monitor Crown property disposal, management and liabilities.

Appendix One shows LINZ's key relationship groups. Appendix Two shows LINZ's management structure.

### *Management and Control Structures*

To achieve LINZ's goals and ensure that the department actively contributes to Government's key outcomes, LINZ recognises that it must have robust decision making and risk management systems in place and regularly review progress and evaluate results against intended outcomes.

LINZ's systems and processes are intended to ensure that:

- statutory requirements are complied with and delegations set appropriately;
- the outcomes required by the Government are achieved in a cost effective and timely manner;
- reliable information is available to decision makers;
- where choices need to be made and priorities assigned to competing objectives, the costs and benefits are assessed and the legitimate interests of customers, stakeholders and staff are taken into account;
- challenging but achievable performance targets are set;
- accountabilities for achieving results are clear;
- risks are identified and managed appropriately;
- alternative methods of achieving results are regularly considered and evaluated;
- the department's capability in people and systems is maintained and enhanced;
- the department operates as a good employer and expectations of staff are clear and understood; and that
- opportunities for improving our systems, processes and methods are recognised, evaluated and acted on where appropriate.

A number of committees within LINZ assist in achieving best practice outcomes. These include:

- the Executive Committee chaired by the Chief Executive and containing key members of the

senior management team, to make policy and administrative decisions;

- committees for day-to-day decision making and projects involving senior management;
- committees for special projects that may include representatives of stakeholders, customers and independent experts.

#### *Monitoring and reporting*

A key component of good governance is regular and meaningful monitoring and progress reporting, both internally to the Chief Executive and to the Minister for Land Information. These monitoring reports include:

- monthly internal reports to the Chief Executive on progress against targets;
- quarterly reports to the Minister for Land Information against the Chief Executive's Performance Agreement; and
- 6 monthly reports to the Minister for Land Information against Purchase Agreement targets.

In addition, LINZ provides the Minister with a weekly Status Report that provides an update on Cabinet Reports and ongoing issues. This report is a key tool in LINZ's policy of 'no surprises'.

#### *Review and Evaluation*

The department ensures that it continues to be an interactive and adaptive organisation by regularly reviewing its direction, scanning its operating environment and identifying, monitoring and evaluating internal performance measures.

The strategic goals are reviewed annually by the LINZ Corporate Board (comprising the Chief Executive and 17 members of the management team nation-wide) to:

- measure progress towards their achievement and make adjustments as required;
- ensure that they remain consistent with the Government's strategic framework;
- check that they are still relevant and attainable; and
- monitor progress on performance improvement.

### *Strategic planning*

LINZ produces and annually updates a Strategic Business Plan (SBP). This document records the five-year goals and strategies LINZ develops to support the Government's outcomes and goals. LINZ develops and reports on annual work programmes supporting the SBP through the following key planning and accountability documents:

- The Chief Executive's Performance Agreement with the Responsible Minister states annual milestones against the Government's key goals based on LINZ's SBP:
- The Department's Purchase Agreement sets out the outputs the Purchase Minister will purchase from the department, together with standards of performance:
- Business and Individual Performance Plans for the department's business groups identify objectives, activities and performance measures and standards for each group's responsibilities. Individual performance plans identify the contributions of individuals to those plans:
- Estimates, the Departmental Forecast Report, and the Annual Report are tabled in Parliament. They summarise the objectives, trends, departmental and non-departmental outputs, statement of service performance and revenue and receipts. The Annual Report reviews significant events and reports on departmental performance against agreed standards and action steps.

For the 2003/04 year new arrangements for planning and accountability will come into effect. A Statement of Intent, which incorporates material currently in the Departmental Forecast Report and the SBP will be introduced and there may also be changes to the Chief Executive's Performance Agreement and to the Purchase Agreement. These changes are intended to better manage opportunities and risks and to improve planning and reporting to the Minister.

The department undertakes regular internal audits to ensure that its business groups are complying with lawful requirements, departmental policies and standards, and are meeting targets and deadlines. The process of internal reviews is facilitated by separation of service delivery groups from regulatory groups that

## **Changes resulting from Implementation of *Landonline* and eLINZ**

set standards, purchase services and monitor compliance. Senior managers also undertake an annual self-review of performance, systems and policies to ensure that their direction is still consistent with the internal and external environment.

The implementation of *Landonline* Stage Two later this year and the move to eLINZ have required greater coordination and consistency across the department. This includes the regulatory group's core standard setting and audit functions and working to a 'single business' philosophy in the Operations Group. By employing and training versatile people and sharing resources across the organisation, LINZ will be able to improve its ability to work with other agencies as the e-government strategy moves ahead. LINZ will also be able to offer its customers a standard level of service regardless of location.

With the implementation of *Landonline* Stage 1, the Operations Group has become a national processing business that is able to process survey and title transactions in any location. The move from regionally focused service delivery to a single business has required the operations structure to be realigned, thus:

- former regional offices are now known as "processing centres";
- regulatory roles in the processing centres have been separated from the Operations structure and these report directly, either to the Registrar-General of Land or to the Surveyor-General;
- a National Customer Manager role has been established in National Operations (previously Operations Support);
- a systems management team will be responsible for the technical maintenance and development of the *Landonline* system;
- a new group has been formed within LINZ by merging the Office of the Chief Crown Property Officer and the Office of the Valuer-General. The new group is called the Property Regulatory Group and is headed by the General Manager - Property Regulation. The statutory roles of Valuer-General, and Commissioner of Crown Lands remain in the group.

## **Cross-Government Initiatives**

There is an increasing emphasis on agencies working collectively in a cross-government environment. Examples of LINZ's involvement in cross-government initiatives include LINZ:

- assisting the E-Government Unit to develop and implement metadata standards;
- piloting the use of a secure shared Internet web space for policy development and communication with stakeholders and customers;
- working with emergency services to develop specifications for spatial information used to direct officers to incidents;
- working with other agencies to develop a strategic framework for the integrated management of New Zealand's marine interests (the Oceans Policy);
- working with central agencies and other departments' chief executives on the implementation of the Review of the Centre;
- working with Te Puni Kokiri and the Maori Land Court to improve Maori land tenure systems and access to Maori land information; and
- working with other agencies to manage and maintain the electoral process.

## **Capability**

LINZ maintains a range of highly skilled people who work within the department. Other skills necessary for the department's operation are located in the private sector to which services are outsourced. To improve the performance of LINZ employees and the suppliers from whom services are sourced, recent emphasis has been on improving competencies in standard setting, auditing, contract management, the use of information technology, risk management and customer relations.

### *Recruitment*

Where specialist land information skills are required, LINZ has defined the skills and competencies that are necessary to undertake the department's work. To meet the work requirements LINZ recruits from both the private and public sectors. LINZ also works with tertiary training institutions in the development of appropriate courses to satisfy our recruitment needs.

The development of core competencies has had an impact on performance assessments and recruitment. Competencies are used as a benchmark in assessing applicants for roles as well as for assessing their performance to ensure training and development is targeted to close any skill gap.

### *Retention*

LINZ provides very good development opportunities for its staff who are actively sought by the market, particularly in the information technology area. To retain staff, LINZ must remain competitive in terms of remuneration and opportunity. It is important that LINZ is able to continue the momentum of its current delivery if quality staff who may be sought by other employers are to be retained in the future. LINZ's Capability Strategy and eLINZ address the retention issues.

### *Training*

The development of core competencies has assisted the identification of staff training needs as competencies provide a benchmark against which shortfalls in performance can be measured. Appropriate training and development may then be recommended. LINZ commits 4% of its salary budget to staff training.

Management development sessions are planned for 2002/2003 as part of the Corporate Training Programme. A centralised training enabler is being established within LINZ to ensure that training is delivered in a consistent and coordinated way that focuses on LINZ's strategic priorities.

### *Outsourcing*

LINZ contracts third parties to deliver services to the department and provide some services on behalf of the department, particularly where outsourcing provides access to specialised skills and more efficient and effective delivery of services. However, the department remains responsible for the functions and activities undertaken by external parties and is accountable for ensuring that the work and products produced meet LINZ and Government standards.

Most of the information required to maintain LINZ's core topographic, hydrographic and geodetic databases is now purchased via contestable contracts. Much of LINZ's work relating to the management, purchase and disposal of land on behalf of the Crown is now undertaken by third parties.

LINZ considers that for the activities that the department outsources, with the exception of hydrographic survey providers, there are sufficient numbers of potential providers to ensure that there are benefits of competition. This situation is subject to ongoing monitoring.

Outsourcing has also focused attention on issues such as the quality of service delivery and compliance with established standards and guidelines. Accreditation of suppliers and service delivery agents has been introduced in order to facilitate quality assurance and reduce risks. Accredited suppliers are firms or individuals that are judged by LINZ to have the necessary skills and experience to undertake various functions associated with the department's responsibilities for the maintenance of core databases and for the acquisition, management and disposal of land owned by the Crown. In the latter case, accredited suppliers are required to comply with standards and guidelines issued by the Property Regulatory Group, which is also responsible for certifying their work.

## **Collective Employment Agreement**

The altered political environment and associated changes in employment legislation have encouraged a return to collective bargaining and employment agreements. There has also been an ongoing development of a 'good faith' relationship between LINZ and the Public Service Association (PSA). In the wider Government sphere the 'Partnership for Quality' has forged a pro-active relationship between the unionised workforce and the Government as an employer.

In August 2002, a new Collective Agreement was ratified for a term of 12 months. The settlement provided for a rewrite of a new collective agreement that is better aligned to the new post-*Landonline* business environment. LINZ has a remuneration system, based on job size which is linked to movements in public sector salary levels. This marker-linked system removes the need to negotiate salary movements as part of Collective Agreement renegotiations.

The new Agreement has the same terms and conditions as the expired Collective. LINZ and the PSA have made a commitment over the one-year term of the recently ratified agreement, to rewrite a new single Collective Agreement. This will be developed through the Partnership for Quality programme.

All LINZ PSA members will be covered by the 2002 Collective Employment Agreement, with the exception of positions with budget and/or staff management responsibilities.

In recognition of the contribution PSA members have made to LINZ through 'Partnership for Quality', and of their commitment to continue their participation as a collective partnership, members of the PSA will receive a single lump sum payment from LINZ following ratification of the Agreement.

## Responsiveness to Maori

As an agency of the Crown, LINZ has a responsibility to recognise, and give effect to, the principles of the Treaty of Waitangi and to acknowledge the special relationship that Maori have to the land.

To assist in improving its responsiveness to Maori, the department has a Responsiveness to Maori Policy. In 2001 a strategy and plan to implement the policy was developed and implemented. The plan is currently being reviewed for the 2002/03 year. The strategy includes methods to attract, retain and reward Maori employees as well as introducing a graduate recruitment programme and identifying the level and types of services LINZ will provide to Maori. In particular, LINZ:

- administers the Mauriora ki te Ao Scholarship (involving LINZ, Ministry of Agriculture and Forestry, Ministry of Fisheries, Ministry for the Environment and the Ministry of Research Science and Technology);
- has introduced the Sam Brown Memorial Scholarship for LINZ staff members of Maori descent;
- is establishing a specialist role to provide advice and guidance on Maori language and protocol and to provide support to the LINZ whanau network; and
- is a member of the Maori Land Liaison Committee established by Cabinet for the purpose of ensuring better and more effective co-ordination of services, practices and procedures affecting Maori land.

## **Maori Consultation**

Maori expect to be consulted from the earliest stages of policy development, through to implementation of policies or legislation, and on operational matters. There is also an expectation of direct involvement in decision making. When managing discrete policy issues, it is not always possible to accommodate Maori views and there is a risk that when consultation, or the outcome of the consultation fails to meet Maori expectations, perceptions of bad faith and claims to the Waitangi Tribunal may follow.

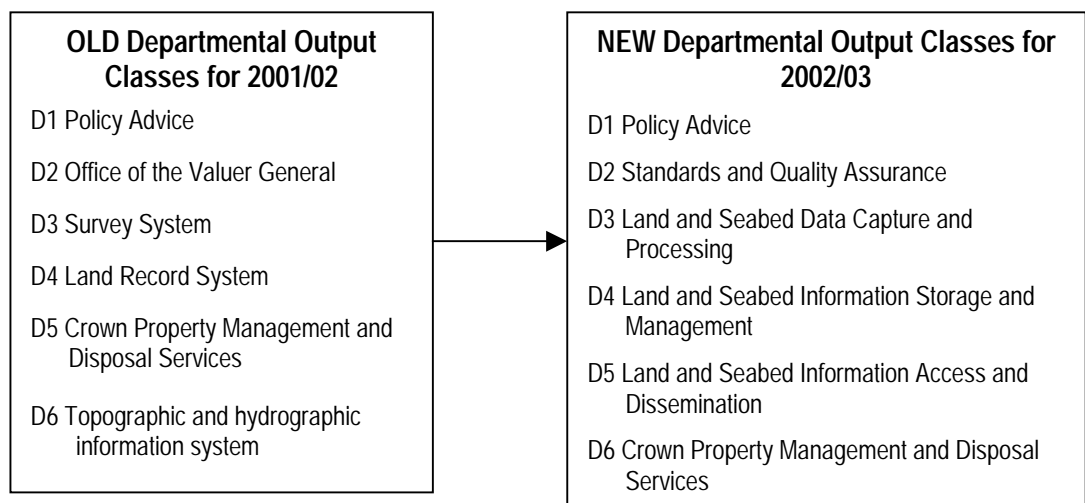
The nature and extent of any consultation requires considerable judgement and needs to be tailored to the particular issue. Full scale and on going consultation of the kind undertaken in the review of the Public Works Act is likely to occur relatively infrequently, and only on major matters because of the cost and resourcing requirements.

LINZ is in the process of documenting best practice guidelines for consultation with Maori.

# Financial Management

Under the public sector management framework, LINZ is accountable to the Vote Minister for the delivery of outputs specified in the annual Purchase Agreement and for funds appropriated by Parliament for this purpose. A copy of the LINZ Purchase Agreement and the Chief Executive's Performance Agreement for 2002/03 will be provided for the Minister. The Minister may wish to consider modifications to these agreements.

In line with LINZ's SBP for 2001-2006, which takes account of its state service responsibilities and the e-Government strategy, Government approved in December 2001 a new departmental output class structure for Vote: Lands for 2002/03 onwards. The following diagram compares the previous output classes with the new output classes for 2002/03:



LINZ's previous output classes were designed in 1996 to align with the department's main business groups and were geared to an unintegrated manual operating environment.

The new output class structure recognises the changing nature of the government information environment as a direct result of the growth of Internet use, the availability of increasingly complex global technology, and more sophisticated customer requirements. All data and information held and managed by LINZ, whether its nature is topographic,

hydrographic, cadastral or about Crown land, needs to be managed in the same way in an electronic environment. The department's activities identified for the next five years are aimed at enhancing the:

- quality and efficiency of the collection, security, authority and usability of information and related services;
- provision of access to this information; and
- the ability of land professionals to transact on the database.

The new structure recognises that the increasingly important tasks of managing information in an electronic environment (eg. database management, security and modes of access) underpin all the information management activities for which LINZ is responsible.

### **Role of the Minister in the Budget Process**

The Treasury has provided a document that outlines the role of Ministers in the budget process. This is attached as an Appendix 4.

### **Departmental Revenue and Expenditure**

LINZ reports on expenditure and revenue to its Vote Minister on a monthly basis. The table below sets out a summary of the output classes and capital contribution for Vote: Lands for 2002/03, their cost, and sources of funding.

<b><u>DEPARTMENTAL OUTPUT CLASSES</u></b> <b><u>(GST INCL)</u></b>	<b>Total Cost</b>	<b>Revenue Crown</b>	<b>Revenue Other (3rd Party)</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
	<b>GST incl</b>	<b>GST excl</b>	<b>GST excl</b>
Class of Outputs 1: Policy Advice	2,039	1,812	0
Class of Outputs 2: Standards and Quality Assurance	10,925	7,462	2,249
Class of Outputs 3: Land & Seabed Data Capture & Processing	48,754	19,529	23,851
Class of Outputs 4: Land & Seabed Information Storage & Management	41,848	3,188	42,328
Class of Outputs 5: Land & Seabed Information Access & Dissemination	5,254	1,116	3,554
Class of Outputs 6: Crown Property Management and Disposal Services	14,418	12,816	0
Capital contributions to the department	24,238	n/a	0
<b>Total Departmental Appropriation 2002/03:</b>	<b>147,476</b>	<b>45,923</b>	<b>71,982</b>

The following activities in output classes 2, 3, 4, and 5 are funded through fees paid by third parties:

- Output Class 2: - The standard setting and quality assurance functions for property valuation for rating purposes system;
- The clearances sign-off of acquisitions and disposals;
- Output Class 3: - delivery of the land rights registration and cadastral survey systems;
- delivery of the Crown property clearance service;
  - updates to the electoral spatial reference dataset; and
  - generation and authorisation of geodetic survey information (part Crown);
- Output Class 4: - ongoing maintenance of an information system infrastructure that protects the integrity and security of authoritative databases;
- Land Record Automation Project (*Landonline*); and
- Output Class 5: Provision of access to information and services (part Crown).

The costs of land titles and survey services and the systems that support them are fully recovered from those individuals who make use of those services, for example, to obtain titles to land or search the database. Revenue is dependent on the level of activity in the property market but the activity is forecast to return a surplus of \$9.406 million in the current year. The operating component of the *Landonline* programme is cost recovered and managed by way of a memorandum account that is separate from the departmental accounts so that any surplus generated over the five year period of implementation can be returned to users when the programme has been completed. The capital for the project is appropriated each year.

## **Crown Funding**

LINZ is also appropriated funds to undertake various land and property activities as the Crown's agent. These include:

- management and remediation of Crown contaminated sites and hydro lakes;
- management of Crown-owned land related liabilities (including the purchase of capital assets);
- management of the Crown's financial obligations in respect of liabilities, rates and rentals.

Funds appropriated for these purposes in 2002/03 are \$7.070 million (GST inclusive). LINZ also has a multi-year appropriation of \$10.621m for 2002/03 to 2004/05 relating to capital purchases required for Crown pastoral lease tenure reviews.

Many of the liabilities managed by LINZ have been inherited from departments and Crown agencies that no longer exist. In some instances the liabilities only come to light many years later. Liabilities, including contaminated sites, are managed on a reactive basis. LINZ has a formal process by which liabilities are notified, assessed and managed. The listing of Crown contingent liabilities is updated on a monthly basis and provided to the Treasury and the Vote Minister. Acknowledgment of Crown liability and payment of compensation is only made after a legal opinion has been obtained to support this course of action. Where the cost of settling a claim will result in LINZ exceeding an appropriation, Cabinet authority and additional appropriation is sought prior to any settlement.

## **Crown Revenue**

The department returns revenue to the Crown from pastoral lease rentals, rents from, and sales of, surplus Government properties, sales of paper maps and sales on behalf of Transit New Zealand. This is estimated to be \$33.047 million in 2002/03. LINZ also returns capital revenue to the Crown from the sale of surplus Government properties on its balance sheet. The disposal target for the current year is about \$17 million.

**Allocation (priorities)  
for Crown funding  
(Process and Issues)**

LINZ has an internal prioritisation process for assessing its requirements over a period of four years. The process scores each activity within LINZ according to weighted criteria, these being government outcomes, ownership interest, contribution towards the SBP, risk mitigation and cost savings. Senior management reviews the outcome of the scoring exercise and makes final allocation decisions. This system allows management to make decisions for each activity based on an understanding of the main risk factors.

## Statutory Boards Administered by LINZ

- LINZ administers the Geographic Board from its baseline.
- The Valuers Registration Board is administered by LINZ but funded by fees recovered from the valuation profession.
- The Cadastral Surveyors Licensing Board maintains its own administration and is funded by professional surveyors.

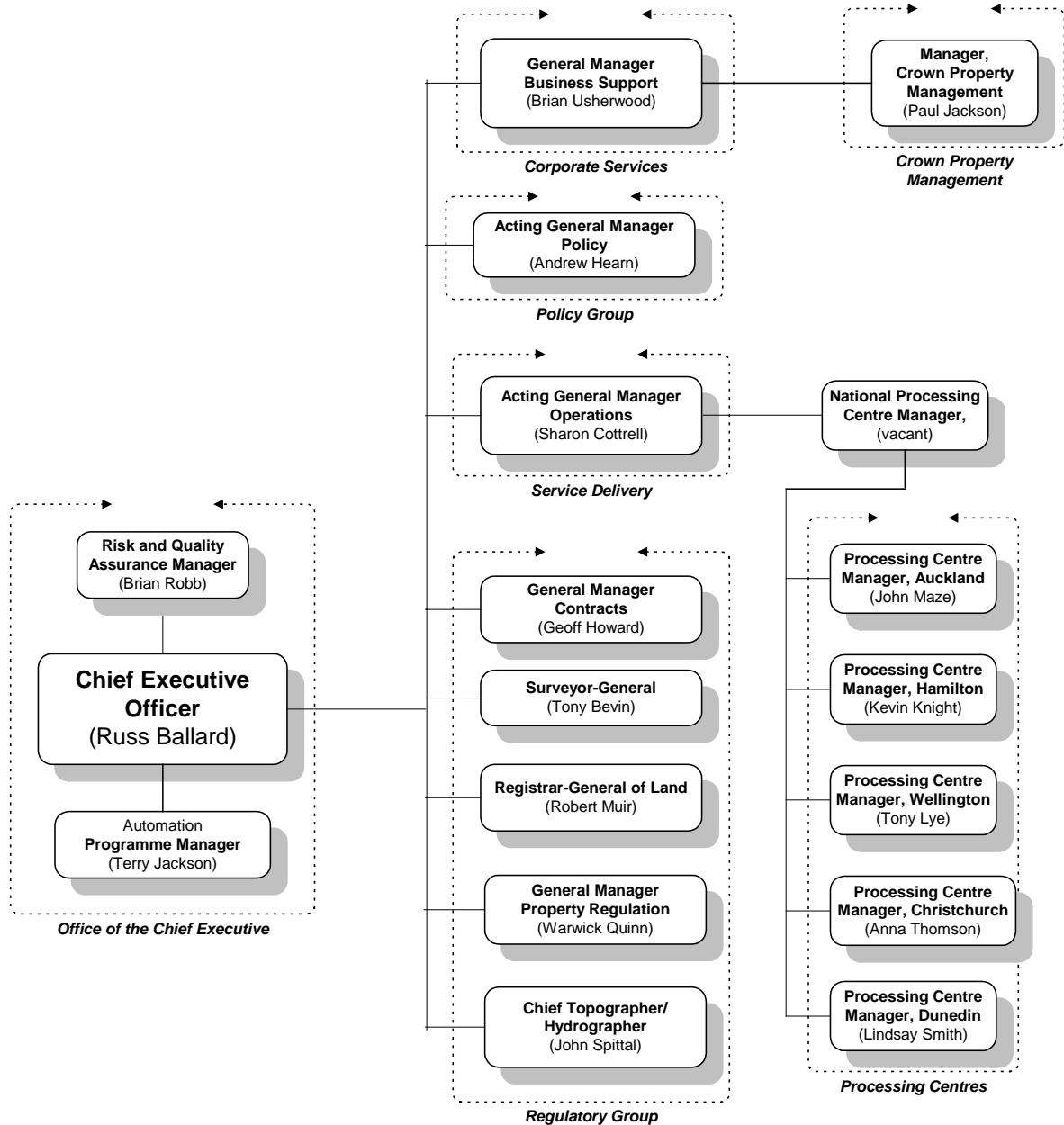
The appointments process to these Boards is discussed in Part One of this document.

# Appendix 1: LINZ's Key Responsibilities towards Major Relationship Groups

Relationship Group	Our Responsibilities in the Relationship
<p><b>Owners</b></p> <p>The Government</p> <p>Minister for Land Information</p>	<ul style="list-style-type: none"> <li>• Deliver the Government's core land and seabed information requirements.</li> <li>• Manage LINZ's funding.</li> <li>• Provide policy advice on land and seabed information.</li> <li>• Maintain and develop LINZ's capabilities.</li> <li>• Manage the Government's ownership interest in land (outside of the conservation estate).</li> <li>• Undertake prudent risk minimisation.</li> </ul>
<p><b>Government Agencies</b></p> <p>Central Agencies</p> <p>The Treasury</p> <p>State Services Commission</p> <p>Department of Prime Minister and Cabinet</p> <p>Government departments including:</p> <p>Conservation</p> <p>Courts</p> <p>Defence</p> <p>Economic Development</p> <p>Emergency Management</p> <p>Internal Affairs</p> <p>Justice</p> <p>Ministry for Environment</p> <p>Ministry of Research, Science &amp; Technology</p> <p>Office of Treaty Settlements</p> <p>Police</p> <p>Statistics</p> <p>Te Puni Kokiri</p>	<ul style="list-style-type: none"> <li>• Manage land liabilities.</li> <li>• Ensure Government's ownership interest in land and seabed information is managed appropriately on behalf of other Government agencies.</li> <li>• Administrate collective policy interests - e.g. Treaty of Waitangi property rights, government-held information management.</li> <li>• Share and provide access to core land information databases and systems.</li> <li>• Collaborate on e-government relationships.</li> <li>• Provide purchasing, acquisition, management and disposal services for Crown property.</li> </ul>
<p><b>Associated Professional Groups</b></p> <p>Accredited suppliers</p> <p>International links</p> <p>New Zealand Institute of Conveyancers</p> <p>New Zealand Institute of Surveyors</p> <p>New Zealand Institute of Valuers</p> <p>New Zealand Law Society</p> <p>New Zealand Property Institute</p> <p>Property professionals</p> <p>Search agents</p>	<ul style="list-style-type: none"> <li>• Regulate survey, conveyancing and valuation professions.</li> <li>• Establish and review regulatory standards.</li> <li>• Provide input to development of policies and standards.</li> <li>• Ensure quality and availability of core data.</li> </ul>
<p><b>Customers</b></p> <p>Central Government agencies</p> <p>Crown lessees</p> <p>Developers</p> <p>Emergency services</p> <p>Finance agents</p> <p>Land agents</p> <p>Landowners</p> <p>Local authorities</p> <p>Maori</p> <p>Mariners</p> <p>Public</p> <p>Valuers/surveyors/conveyancers</p>	<ul style="list-style-type: none"> <li>• Ensure access to authoritative land and seabed information</li> <li>• Recognise and respond to customer needs.</li> <li>• Deliver service to service delivery standards cost-effectively.</li> <li>• Align service quality and customer expectations.</li> <li>• Provide technical standards.</li> </ul>
<p><b>Advisory Groups</b></p> <p>Automation</p> <p>Continental Shelf Programme</p> <p>New Zealand Geographic Board</p> <p>Officials Committee on Geospatial Information</p> <p>Official Hydrographic Information Advisory Group</p> <p>Cadastral Surveyors Licensing Board</p> <p>Valuers Registration Board</p>	<ul style="list-style-type: none"> <li>• Ensure sector-wide approach in relevant areas such as standards development and legislative review, through Involvement with representative groups.</li> <li>• Encourage best practice within LINZ through enabling private sector input to projects.</li> </ul>
<p><b>Suppliers</b></p> <p>Accredited providers</p> <p>Contractors</p>	<ul style="list-style-type: none"> <li>• Set standards and specifications to ensure consistent quality.</li> <li>• Provide for accreditation of suppliers to gain the benefits of competition.</li> <li>• Ensure fairness in LINZ contracting processes.</li> </ul>
<p><b>Public Service Association (PSA)</b></p>	<ul style="list-style-type: none"> <li>• Work in partnership with the PSA, and employees and employee representatives on employment-related issues.</li> </ul>

## Appendix 2: LINZ Management Structure (1 July 2002)

LINZ MANAGEMENT STRUCTURE (as at 1 July 2002)



## Appendix 3: Ministerial Portfolio – Land Information<sup>1</sup>

<b>Minister</b>	Minister for Land Information <sup>2</sup>
<b>Department</b>	Land Information New Zealand
<b>Crown Entities</b>	None
<b>Other Organisations</b>	Cadastral Surveyors Licensing Board New Zealand Geographic Board Valuers Registration Board
<b>Votes</b>	Vote Lands
<b>Legislation</b>	Cadastral Survey Act 2002 Crown Grants Act 1908 Crown Pastoral Land Act 1998 Deeds Registration Act 1908 (jointly with the Ministry of Justice) Hunter Gift for the Settlement of Discharged Soldiers Act 1921 Land Act 1948 Land Transfer Act 1952 (jointly with the Ministry of Justice) Land Transfer (Computer Registers and Electronic Lodgement) Amendment Act 2002 New Zealand Geographic Board Act 1946 Public Works Act 1981, Part II - VI, and Part VIII Rating Valuations Act 1998 Reserves and Other Lands Disposal Acts Unit Titles Act 1972 (jointly with the Ministry of Justice) Valuation Department (Restructuring) Act 1998 Valuers Act 1948

<sup>1</sup> Source: [www.dpmc.govt.nz/cabinet](http://www.dpmc.govt.nz/cabinet)

<sup>2</sup> Includes statutory responsibilities of the Minister of Lands

# Appendix 4: Introductory Information for Ministers

## INTRODUCTION

1. This paper outlines the key elements of the public sector management system. The particular emphasis of the paper is on Ministers' roles within the system and the tasks involved in the budget process. The paper covers two areas:

*the budget process* - identifying key budget phases and Ministers' involvement; and

*the public sector management framework* - outlining key concepts, roles and accountability mechanisms.

## THE BUDGET PROCESS

2. The Budget process allows the Government to:

set its fiscal objectives in respect of revenue, expenditure, debt repayment and investment (as required by the Fiscal Responsibility Act);

maintain effective fiscal control and plan for the coming year and beyond;

allocate the available resources, consistent with the Government's objectives and priorities;

fulfil the legislative requirements for the Budget, as set out in the *Public Finance Act* (PFA) and the *Fiscal Responsibility Act* (FRA); and

seek authority from Parliament for spending.

3. All Ministers have a role in the budget process. Together, they agree on the Budget strategy and priorities for spending. On an individual level, Ministers identify priorities for departmental chief executives to guide preparation of Budget submissions. Ministers drive the development, fine-tuning and negotiation of budget and baseline submissions and packages in their Vote areas.

### *Specific Phases of the Budget*

4. The Budget process can be divided into four distinct phases:

*Strategic Phase (i.e. setting the priorities)*

5. This covers Ministers' development of an overall strategy for the Budget, including policy priorities, and targets for overall Government spending, revenue, the projected Budget surplus, and public debt intentions.

6. Decisions taken during the strategic phase are reflected in the Government's *Budget Policy Statement (BPS)*, which is generally published in December of each year, along with the *December Economic and Fiscal Update (DEFU)*.

7. As part of the Strategic Phase the Government will decide on allocations of funding (both operating and capital) for new policy initiatives in the Budget. The allocations of funding are set on the basis of:

- “top down” information, based on what level of funding (operating and capital) is affordable within the Government's overall fiscal strategy, i.e. the desired tracks for the Budget surplus and debt;
- “bottom up” information on the Government's spending priorities, commitments, and funding pressures.

8. The key piece of legislation that guides the strategic phase of the Budget is the FRA. The FRA sets out the principles for formulating fiscal policy in New Zealand. The FRA requires the Government to:

- follow (broadly defined) principles of responsible fiscal management;
- publish fiscal intentions and objectives. The required reports are the *Budget Policy Statement (BPS)* and the *Fiscal Strategy Report (FSR)* published at the time of the Budget;
- publish a range of reports resulting in a comprehensive set of fiscal information prepared under GAAP (generally accepted accounting practice). These cover the:
  - the *Budget Economic and Fiscal Update (BEFU)*, tabled on Budget day;
  - the *December Economic and Fiscal Update (DEFU)*, tabled between 1 and 31 December; and
  - the *Pre-election Economic and Fiscal Update*, usually published between 28 and 42 days before a general election.
- refer all fiscal policy reports required under the Act to a parliamentary select committee.

*Initiatives Phase (i.e. matching spending to priorities)*

9. Based on decisions made in the strategic phase, the initiatives phase covers the development and review of Budget submissions, up to final Cabinet decisions on the Budget package. Ministers' submissions have usually been considered on two separate tracks: *Baseline Update submissions*, which update departmental budgets for the next four years for any technical adjustments required under *existing policy*, and *Budget Initiative submissions*, which detail proposals for *new policy* initiatives.

10. The main task of the initiatives phase is to prioritise Ministers' submissions so that they meet the Government's objectives for the Budget and are consistent with the Government's fiscal strategy.

11. In particular this involves deciding which new policy initiatives will be approved, whether any initiatives need to be scaled back or modified, identifying possible offsetting savings, and assessing any tradeoffs between operating and capital spending. Preparation of departments' Statements of Intent is important in contributing to this process.

*Parliamentary Phase (i.e. seeking Parliament's agreement to spending)*

12. The process for obtaining Parliamentary support for the Government's Budget package. This includes examination of the Estimates for each Vote by the appropriate Select Committee.

*Implementation Phase (i.e. spending the money)*

13. This also covers any subsequent amendments to the Budget. Where additional appropriations are needed during the course of the year, spending is authorised by Parliament before the end of the financial year, via the *Appropriation (Supplementary Estimates) Act*. Before this is enacted, authority for additional spending is provided by an *Imprest Supply Act*.

14. The key piece of legislation for the parliamentary and implementation phases of the Budget process is the PFA. This provides a framework for government financial activity and expenditure of public money. The PFA is a significant document for Ministers given that it:

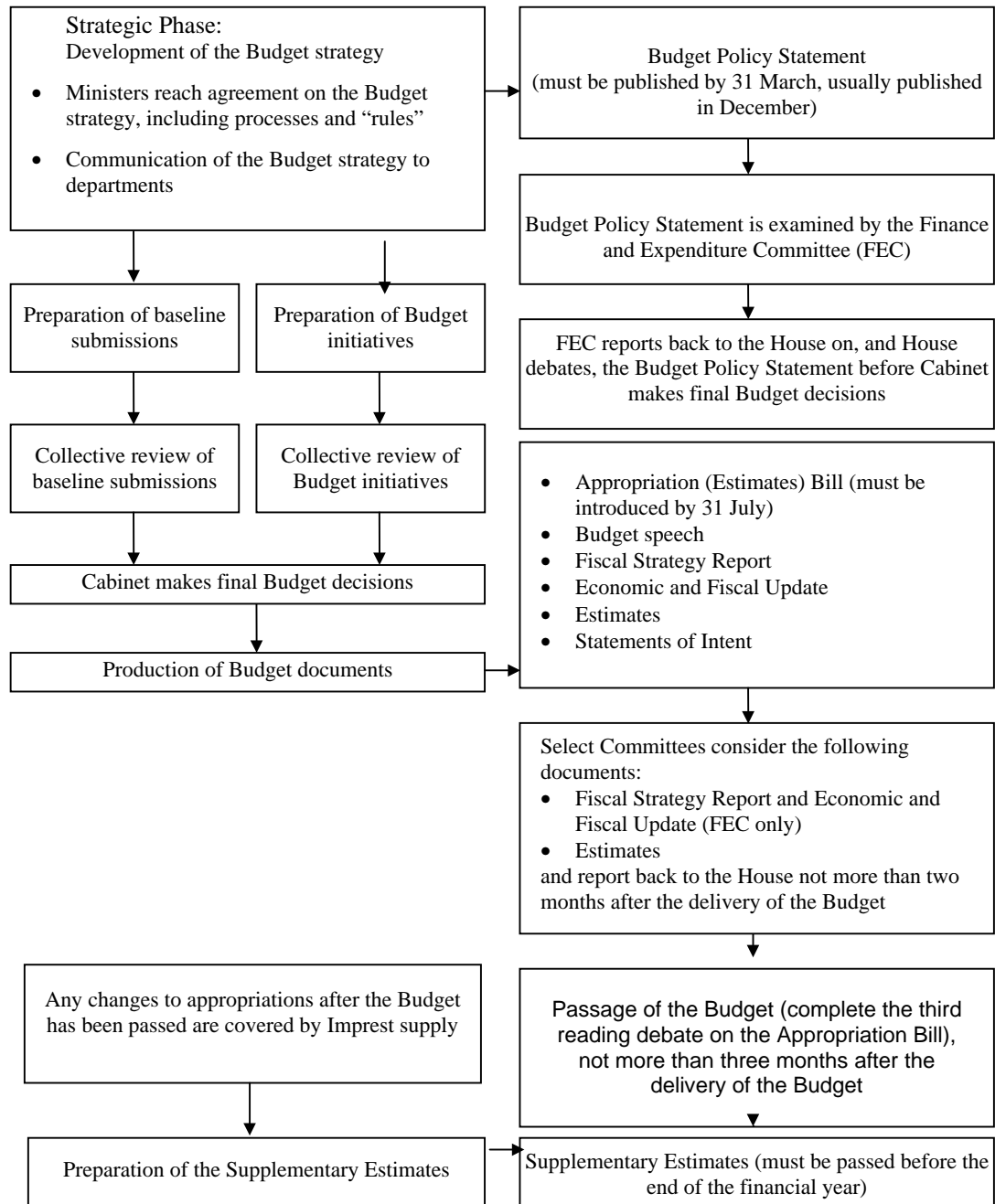
- provides the basis for the appropriation and management of public resources;
- specifies how the Crown, government departments and Crown entities report to the House on their intentions and results;
- requires an appropriation by Act of Parliament for all expenditure of public money; and
- determines the way Parliament votes appropriations to Ministers.

15. The following diagram outlines the relationship between Executive and Parliamentary roles in the Budget.

### Key Phases in the Budget

#### Executive

#### Parliamentary



## Budget Process Summary Table

16. The table below sets out the phases and timetable of the Budget process as it has operated in recent years. The timetable is likely to be similar for the 2003 Budget, given the timing of the General Election.

<b>BUDGET PROCESS</b>		
<b>Stage</b>	<b>Usual Timing</b>	<b>Ministers' Role</b>
<b>Executive</b>		
Strategic Phase	Sept-Dec	<ul style="list-style-type: none"> <li>Ministers collectively develop the Budget Strategy, including desired fiscal track, and the plans and priorities to be published in the Budget Policy Statement (BPS)</li> <li>Ministers identify priorities and process for departments</li> <li>Ministers also communicate Budget strategy to departments</li> <li>Departments begin preparation of Statements of Intent and discuss priorities with their Ministers and related agencies</li> </ul>
Budget Initiatives Phase	Jan-April	<ul style="list-style-type: none"> <li>Consistent with the agreed strategy, Ministers and chief executives prepare draft budgets and begin to prepare purchase agreements for the coming year, and make plans for the following three years</li> <li>Budget submissions are signed off to Finance Ministers</li> </ul>
<i>Preparation of Submissions</i>	Jan-Feb	
<i>Collective Review of Submissions</i>	Feb-April	<ul style="list-style-type: none"> <li>Finance Ministers negotiate adjustments to Budget submissions with Ministers (e.g. via bilateral meetings).</li> <li>Agreed Budget submissions are reviewed by a group of Ministers ("Budget Ministers") who then recommend a draft package to Cabinet</li> <li>Cabinet makes final Budget decisions</li> </ul>
Document Production	April-May	<ul style="list-style-type: none"> <li>Ministers sign off the text of the Estimates for each Vote and the Statements of Intent for each department</li> <li>The Budget is introduced to the House before 31 July</li> <li>In line with strategic priorities Ministers sign off Purchase Agreements/Output Plans with chief executives by June and Performance Agreements by June-September</li> </ul>
Budget Day	May	<ul style="list-style-type: none"> <li>Tabling of the Budget in Parliament</li> </ul>
<b>Parliament</b>		
Parliamentary Consideration	May - August	<ul style="list-style-type: none"> <li>Ministers may be required to appear before the appropriate Select Committee as part of the examination of the Appropriation (Estimates) Bill</li> </ul>
<b>Implementation</b>		
Subsequent Amendments	From August	<ul style="list-style-type: none"> <li>Ministers may request that Cabinet approve changes to appropriations, for example due to forecasting changes, fiscally neutral adjustments or policy decisions. These are authorised by the Appropriation (Supplementary Estimates) Bill towards the end of the financial year. Until this bill is passed, spending is covered by an Imprest Supply Act</li> <li>Unappropriated spending occurs when expenditure against an individual appropriation exceeds the maximum level in the Appropriation Act.</li> </ul>

## Public Sector Management Framework

### Performance Management Model

17. In essence, New Zealand's public sector management system is a *performance management* model. It seeks to support better decision-making and to clarify roles and expectations of Ministers and public sector agencies (in this context, departments and Crown entities). To this end:

- Ministers set the objectives (*outcomes* or impacts of interventions on the community) and priorities that the Government wishes to achieve;
- Ministers decide the mix of goods and services (*outputs* such as policy advice, services to the public, and regulatory functions) they wish to be provided to most effectively achieve the Government's objectives;
- Ministers agree expected performance in advance and hold agencies accountable for delivering outputs;
- Departmental chief executives manage resources (*inputs* such as capital, personnel and equipment) used in producing the services required;
- Ministers seek parliamentary authority through appropriations for use of public money; and
- Parliament holds Ministers accountable for their performance.

18. The Government has two key roles in dealing with the public sector – procuring services and managing assets owned by the Crown:

- Ministers use appropriations to fund and obtain the supply of classes of outputs or to incur expenses on behalf of the Crown (such as payment of welfare benefits). Currently, outputs to be provided are scheduled in purchase agreements with departments and Crown entities.
- Ministers are concerned with individual agencies' performance, capability, risk and balance sheets in order to manage the Crown's investment interest.

19. The 2001 Review of the Centre made a large number of proposals for improving aspects of the performance management model, on which work is proceeding. It identified, for instance, the need for greater emphasis on achievement of outcomes (as well as outputs), for output plans recognising services funded by third parties (as well as by Ministers), for more flexibility in the operation of vote structures, and for new mechanisms directed at better alignment and more coordination across agencies to support whole-of-government perspectives.

### Roles of Departments, Central Agencies and Crown Entities

20. The State Sector Act 1988 and the Public Finance Act 1989 devolve responsibility to *departmental chief executives* to manage their departments and ensure sound financial management. They are responsible for capital budgeting, risk management and maintenance of capability. The counterpart of this freedom to manage is accountability for performance.

21. *Central agencies* are responsible for providing policy advice to their Ministers and for monitoring departmental performance:

- the Treasury focuses on financial performance, and efficient and effective use of resources;
- the State Services Commission appoints chief executives and manages their performance, makes judgements about strategy, capability and performance of departments, and advises the Government on the public management system and machinery of government;
- the Department of the Prime Minister and Cabinet facilitates Ministerial decision-making at the strategic level.

22. In addition, the Audit Office advises Parliament on the efficiency, effectiveness and accountability of public entities.

23. *Crown entities*, rather than departments, have the major responsibility for service delivery in some sectors like health, education and transport. Typically, Crown entities are governed by a board, which appoints a chief executive to manage the agency. The board has to account to the Minister and to Parliament for the agency's performance. Crown entities are usually monitored by their Minister's department.

### Planning and Reporting Requirements

24. The table below shows departmental planning and reporting requirements, which assist Ministers in both setting expectations and monitoring performance:

Setting expectations up front	Review and monitoring
<p><b>Estimates</b></p> <p>The <i>Estimates</i> are published records of the authority sought for the upcoming financial year. They indicate how the appropriations will be spent, significant changes in each Vote, how performance will be managed, and differences from previous years.</p>	<p>Each Vote is allocated by the Finance and Expenditure Committee to a 'subject' select committee for examination.</p>
<p><b>Output Plans</b></p> <p><i>Output plans</i> (currently called purchase agreements) outline expected outputs and their associated performance measures. In responding to departments' or Crown entities' proposals, Ministers make trade-offs between quantity, quality, and cost of outputs and suppliers within a given budget. The agreements specify requirements for reporting actual performance against the expectations agreed at the start of the year. Ministers can obtain independent purchase advice.</p>	<p>Departments and Crown entities report to Ministers against their output plans.</p> <p>Ministers may seek performance reports on a regular basis for formal feedback on outputs produced, allowing performance to be evaluated and risks to be managed.</p>

Setting expectations up front	Review and monitoring
<p><b>Statements of Intent/Departmental Forecast Reports</b></p> <p><i>Statements of Intent</i> (SOIs) have a medium-term (three-year plus) focus and aim to improve alignment with the Government's objectives through better planning for the contribution of outputs to outcomes and for capability. SOIs include a statement of objectives relating to output and financial performance. The expectations specified form the basis for assessing actual performance in terms of delivery and cost SOIs replace <i>departmental forecast reports</i> for all departments from the 2003 Budget. SOIs are also required from many Crown entities.</p>	<p><b>Annual Reports</b></p> <p>Departments' and Crown entities' annual reports must contain financial statements that include statements of service performance. These statements report classes of outputs produced during the year and are audited against statements of objectives. Annual reports may also report on the outcomes departments have achieved.</p>
<p><b>Chief Executive Performance</b></p> <p>SOIs and output plans provide the main basis for assessing chief executive performance. Other expectations agreed by Ministers and chief executives may be recorded in writing.</p>	<p>The SSC assesses the performance of departmental chief executives and departments.</p>