

BRF 23-030 Cabinet Paper talking points - Modernising Landonline: Progress Update

Ki / To: Minister for Land Information

Rā / Date: 28 July 2022

Pūtake/Purpose statement

- 1 To provide you with talking points in support of the revised Cabinet paper "Modernising Landonline – Update June 2022" which you will present to the Government Administration and Expenditure Review Committee (GOV) meeting on 4 August 2022.

Ngā mahi e hiahiatia ana/Actions required

- 2 Note the talking points provided below.

LINZ Whakapā / LINZ Contacts

Ingoa/Name	Tūnga/Position	Nama waea/ Contact number	Whakapā tuatahi/ First contact
Murray Young	Kaihautū Digital Delivery	027 600 1433	<input checked="" type="checkbox"/>
Gaye Searancke	Chief Executive	027 307 6572	

Taipitopito/Details

Updated Cabinet paper talking points — Modernising Landonline: Progress Update

This paper will be discussed by the Government Administration and Expenditure Review Committee (GOV) at 10.30 a.m. on Thursday 4 August 2022.

Chief Executive Gaye Searancke and Kaihautū Digital Delivery Murray Young will be available outside the meeting to support you if required.

Purpose of the paper

- The paper updates Cabinet on the Toitū Te Whenua Land Information New Zealand (LINZ) programme to modernise Landonline, New Zealand's central register of survey and title information. Cabinet previously noted progress in May 2021 and November 2021.
- Information in the paper covering programme governance, programme background and the October 2021 Gateway review has been revised after discussion by GOV on 9 and 30 June 2022 [GOV 22 MIN 0021 refers].

CONTEXT

STEP is building an enduring capability at LINZ

- Modernising Landonline (via the Survey and Title Enhancement Programme, or STEP) is an in-house programme that since 2019 is building an enduring capability at LINZ to work directly with customers to upkeep a modern New Zealand survey and title system.
 - The in-house approach outlined in the 2018 programme business case was developed as a counterfactual to a preferred supplier's capital build proposal. Analysis concluded that an in-house build would be more cost-effective and deliver the same benefits, security and customer-focused outcomes without the risks of dealing with a third-party provider.
 - The approach to the rebuild will allow Landonline to be continually updated without future one-off government investments.
 - The Landonline technology platform is critical economic infrastructure underpinning property transactions in New Zealand. It is used by all surveyors and conveyancers to conduct land transactions.
 - Landonline is over 20 years old and based on technology that is time-consuming to update, less flexible and higher risk than modern systems
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KEY TALKING POINTS

1. Programme governance has been enhanced

- LINZ has reviewed the governance approach used by IR. In response to this review I am proposing to put in place a new programme governance structure.
- The new governance board will comprise three experienced independent members and the LINZ Chief Executive. The programme's Senior Responsible Officer will be a standing attendee.
- A long-standing Stakeholder Reference Group will remain in place. This group comprises senior people from Survey & Spatial NZ; Property Law Section of NZ Law Society; Property

Law Committee of Auckland District Law Society; and the Chief Registrar of the Māori Land Court.

- Further independent assurance is provided by 12-weekly programme quality assurance reporting by Independent Quality Assurance New Zealand.
- Additional monitoring and guidance is provided by Central agencies: Te Tai Ōhanga The Treasury, the Government Chief Digital Officer (GCDO), Department of Prime Minister and Cabinet and Te Kawa Mataaho Public Service Commission.
- The programme is subject to the GCDO's mandatory assurance requirements for government IT programmes.

2. No extra funding is being sought from government to cover increased costs

- The programme is not seeking extra government funding to cover increased costs. These costs will be met from recycled LINZ depreciation reserves funded by users of Landonline through transaction fees.
- The original 2018 programme business case approved by Cabinet noted the programme required capital of \$128.2M, and that this would be funded from a combination of LINZ capital reserves (\$32.9M) and a repayable capital injection of \$95.4M (from tagged contingency of \$103M).
- LINZ still plans to repay the \$95.4M over 10 years as proposed in the original business case.

3. Summary of cost pressures driving the forecast increase

- LINZ forecasts that the capital build will now cost \$175.7M over the 12 year whole-of-life period to 2030 (up from \$128.2M estimated in 2018) and will now be delivered in 2026 (instead of 2023). Operating expenditure is forecast to rise from \$51.7M to \$76.1M.
- External factors account for \$65 million (90%) of the total cost movement of \$72 million. The main drivers are COVID-related impacts that have led to steep rises in contractor rates and high workforce turnover that has impacted productivity and delivery timeframes.
- The financial impact of these external factors are:
 - increased rates for current contractors above original budget (\$10 million)
 - impact of inflation (based on Treasury projections) (\$7 million)
 - impact of workforce turnover leading to productivity losses (\$38 million). This was modelled at six months productivity loss per new team member, with a turnover rate of 40%.
 - reduced savings in platform hosting costs caused by the longer delivery timeframe (\$10 million).
- Note that because this forecast was based on industry conditions in early 2022 (which are currently improving) it's possible that actual spend will be lower if conditions continue to improve.

4. LINZ is actively managing the workforce turnover situation

- LINZ has put in place a number of measures to reduce the turnover rate and these appear to be working. LINZ has been faced with contractors leaving for higher paying opportunities, and permanent staff switching to contractor status. LINZ was not prepared to set a precedent by re-engaging former employees in the programme as contractors. The annual workforce turnover rate to July 2022 was 45% compared with less than the budgeted 6% turnover in the programme's first two years

- Turnover peaked in January 2022 but is now improving, with the most recent three-month average at around 22%.

5. Fee-paying stakeholders are engaged, understand the costs reforecast and remain supportive

- The programme's Stakeholder Reference Group have been taken through the reforecast in detail and remain supportive.
- This reforecast is projected to increase users' costs by 7% per annum over 10 years. However, this will not automatically flow through to a fee change as a range of factors (including transaction volumes, the balance of the survey and title memorandum account and the property market outlook) determine when or if a fee adjustment is appropriate.

6. The programme has made good progress and is receiving positive customer feedback

- LINZ has been steadily developing, piloting and releasing new products and services since April 2019.
- 45 territorial authorities are now using the Notice of Change service that lets conveyancers automatically notify a council when property changes hands.
 - Auckland Council indicates that in the first two months of using the Notice of Change service they have halved the processing time for updating rating database property files.
 - Auckland-based solicitors comment that the service is simple, easier and faster to use, and has reduced duplication. They report 5 to 10 minute time-savings per property transaction which are being passed on to clients.
- 10 financial institutions are using a similar service notifying them when a mortgage is registered against a title.
- Land records are being ordered at a rate of 10,000 a month via a new public land record search service (compared with 3000 a month via the manual ordering service).
- 30% of the overall value the programme was expected to generate has already been realised through the release of property search and automated property transaction notification services. These have enabled 75% of the \$119.4-\$142.9 million in monetised benefits estimated by the 2018 programme business case to start being realised.
- Several straightforward aspects of a property sale or purchase can now be transacted on the new platform by pilot users and all survey plans can be imported and validated in the new system.
- LINZ is working toward enabling in October 2022 all conveyancers to conduct straightforward property transactions (about two-thirds of all Landonline property transactions) on the new platform. A survey pilot is to be expanded from 200 users to 500.
- Feedback from customers involved in pilots is resoundingly positive about the programme's customer-centric delivery approach.
- For example the Auckland District Law Society commented that the opportunity to work collaboratively to ensure final products were functional and user-friendly was highly valued, and that it was "refreshing to have a government entity proactively working so closely with the industry".

7. October 2021 Gateway Review

- A Gateway review in September 2021 rated the programme's likelihood of delivering on its objectives as Green. Further detail is provided separately under BRF 23-031.