

**To: Minister of Finance (Hon Grant Robertson)**

**Minister for Government Digital Services (Hon Kris Faafoi)**

**Minister for Land Information (Hon Eugenie Sage)**

## **Survey and Title Enhancement Programme: Quarterly report to 31 December 2019**

<b>Rā / Date</b>	5 March 2020	<b>Kōmakatanga / Classification</b>	In confidence
<b>LINZ reference</b>	BRF 20-385	<b>Whakaarotau / Priority</b>	Medium

### **Ngā mahi e hiahiatia ana / Action sought**

<b>Minita / Minister</b>	<b>Hohenga / Action</b>	<b>Deadline</b>
Minister for Land Information <b>(Hon Eugenie Sage)</b>	<b>Note</b> the contents of the report.	23 March 2020
Minister of Finance <b>(Hon Grant Robertson)</b>	<b>Agree</b> to the alternative approach to programme funding requests outlined in this report.	
Minister for Government Digital Services <b>(Hon Kris Faafoi)</b>		

### **LINZ Contacts**

<b>Ingoa / Name</b>	<b>Tūnga / Position</b>	<b>Contact number</b>	<b>First contact</b>
Murray Young	DCE Business Transformation	027 298 6475	<input checked="" type="checkbox"/>

**Te Tari o te Minita ki te Whakaoti / Minister for Land  
Information's office to complete**

1 = Was not satisfactory						2 = Fell short of my expectations in some respects						3 = Met my expectations					
4 = Met and sometimes exceeded my expectations						5 = Greatly exceeded my expectations											
<b>Overall Quality</b>		<input type="checkbox"/>	1	<input type="checkbox"/>	2	<input type="checkbox"/>	3	<input type="checkbox"/>	4	<input type="checkbox"/>	5						
<b>Comments</b>																	
<div><input type="checkbox"/> Noted</div> <div><input type="checkbox"/> Seen</div> <div><input type="checkbox"/> Approved</div> <div><input type="checkbox"/> Overtaken by events</div> <div><input type="checkbox"/> Withdrawn</div> <div><input type="checkbox"/> Not seen by Minister</div> <div><input type="checkbox"/> Referred to:</div>																	

## Pūtake / Purpose statement

The purpose of this briefing is to report progress of the Survey and Title Enhancement Programme (STEP) to 31 December 2019. We also seek agreement from joint Ministers to vary our approach to requests for programme funding as outlined by this report.

## Pānui whāinga / Key messages

1. This report outlines the progress made in the period 1 October to 31 December 2019 on the STEP tranche 1 Single Stage Business Case (SSBC) approved by joint Ministers on 1 April 2019. Tranche 1 is due to be completed in June 2020. In this quarter:
  - The STEP Board returned the programme's overall status from Red to Amber in December. The Board was satisfied that LINZ had satisfactorily addressed delivery challenges (primarily integration of STEP outputs with LINZ processes and strategies) that emerged early in the programme (reported to you under LINZ briefing 20-144). LINZ is now actively working to raise the programme status to Green.
  - LINZ continued to develop "search" and "notices" products. Pilot releases of new property search products received positive feedback from select Landonline customers and members of the public.
  - The programme continued building capacity and Agile delivery capability, and lessons learned to date have informed planning for the more substantive work of rebuilding Landonline commencing later in 2020.
  - LINZ's Executive Leadership Team completed defining the scope and objectives of the broader business transformation activity that will wrap around delivery of STEP. A Business Transformation team will be in place by the second quarter of 2020. This team will be responsible for delivering STEP and working across LINZ to ensure optimal uptake of opportunities from modernised Landonline services.
  - LINZ's chief executive decided that the Landonline database of survey and title information would be hosted in New Zealand instead of an offshore public cloud service as proposed by the 2018 Programme Business Case (PBC).
    - Use of a public cloud service remains our objective given the efficiencies and flexibility such services offer. However, at this stage of the programme, with a decision needed on where the database would be hosted, we believe further agency guidance is necessary – in particular on managing the social and cultural licence implications of hosting a nationally significant database offshore – before that decision can be taken. We will continue working with the Government Chief Digital Officer, other government agencies and our stakeholders.
    - We are now assessing options for New Zealand database hosting that, as far as possible, offers the efficiencies and future flexibility anticipated by the PBC. At this stage we expect the impacts of our decision will not be financially material to the programme.
  - Expenditure from 1 April 2019 to 31 December 2019 was \$8.46 million compared with the modelled cost of \$13.65 million forecast for the period. The underspend is largely due to more permanent staff involved in the programme (63 per cent) than the 50:50 staff/contractor split projected by the PBC). Other factors included a later start to the programme and delays in recruitment.
  - An update on programme progress was noted by Cabinet in November 2019.



## Future requests for programme funding

2. We expect to present joint Ministers with a request for the next tranche of programme funding by June 2020 once detailed planning for the next phases of work has been completed. Funding approval from joint Ministers at this time will provide us with planning certainty for the following 12–18 months.
3. We seek approval from joint Ministers to vary our approach to future programme funding requests. From our experience so far, we have learned that we need flexibility to adapt and re-sequence our work to optimise delivery – an approach more in keeping with Agile methodology.
4. We propose making requests for tranches of funding that enable us to maintain and when necessary adjust our capacity to match our work requirements as sequenced by the Agile approach. The Treasury have advised that such requests could be made with a streamlined supporting business case that conforms with the Better Business Case requirements with a focus on the Economic, Financial and Management cases.
5. This differs from the current expectation set out by the 2018 PBC that we make funding requests approximately every 12 months supported by a comprehensive single stage business case for tranches of fixed deliverables within certain timeframes, with each SSBC reporting progress against deliverables and spending projections.
6. To ensure joint Ministers have a clear and up-to-date view of programme progress when considering funding requests, we further propose significantly enhancing our quarterly reporting. This will give joint Ministers a regular and more detailed view of how work has progressed and is tracking toward completion (including financial performance). We also propose offering face-to-face programme briefings to joint Ministers in addition to quarterly reporting. In this way we believe joint Ministers will have sufficient information available and confidence in delivery when considering funding requests.
7. No changes to overall programme scope and timing are proposed, and oversight and governance arrangements remain in place, including Central Agency monitoring, Gateway reviews, independent quality assurance and independent external advice on the progress and direction of LINZ's business transformation.
8. We have the support of Central Agencies for the approach outlined here, which we believe will provide a better and more regular flow of information to joint Ministers about how the programme is performing.
9. Officials are available to discuss this proposal with joint Ministers if necessary.

## Tohutohu / Recommendations

It is recommended that you:

1. **manatu / note** the contents of this report.

**Noted**

2. **manatu / note** that LINZ seeks approval to vary its approach to programme funding requests to allow flexibility to adapt and re-sequence work to optimise delivery and seek programme funding when required to continue programme activity.

**Noted**

3. **manatu / note** that LINZ proposes providing more detailed information in its quarterly reports to joint Ministers that provides a fuller and more regular account of programme performance and projections.

**Noted**

4. **Āmine / Agree** to the alternative approach to programme funding requests.

**Agreed / disagreed**



Murray Young

**DCE Business Transformation**

Date 5 / 3 / 2020

Hon Eugenie Sage

**Minister for Land Information**

Date / /

Hon Grant Robertson

**Minister of Finance**

Date / /

Hon Kris Faafoi

**Minister Government Digital Services**

Date / /

## Te Horopaki / Background

1. This quarterly report to joint Ministers reports progress on the Landonline rebuild (the Survey and Title Enhancement Programme – STEP) for the period 1 October to 31 December 2019. Agreement to proceed with this first tranche of programme activity was given by joint Ministers on 1 April 2019.
2. The rebuild of Landonline as a modern modular ICT platform (at a capital cost of \$128.3 million<sup>1</sup>) was approved by Cabinet in October 2018 [GOV-18-MIN-0078]. The rebuild is being conducted in-house using New Zealand ICT resources over five years using Agile delivery methodology. Agile is an incremental and iterative approach in which work is broken down and completed in smaller portions in frequent, repeated cycles. Agile teams closely engage with the actual users and customers of the product so that quality can be built in and tested during development.
3. LINZ has used this first phase of work to build capacity and capability in Agile programme delivery while also delivering a number of low risk service improvements to Landonline customers. This preparatory phase will ensure LINZ is ready to undertake the substantive task of rebuilding the core Landonline system that will begin later in 2020.
4. Rebuilding Landonline is a priority for LINZ to ensure the long-term stability of New Zealand's property rights system. The rebuild will create strategic value for the Government and offer significant improvements for users. Landonline is 20 years old and its core software is reaching end of life. There is increasing demand from partners in the property system and data consumers for seamless integration between their systems and Landonline. Modernising Landonline is essential if New Zealanders are to have continued confidence in property rights and accurate land information.
5. The overall aims of the rebuild are to:
  - address growing risks to confidence in property rights resulting from Landonline's aging technology platform
  - make land information more accessible and easier for the public to use
  - deliver significant benefits for customers
  - improve LINZ's processes, reduce business continuity risks and meet expectations in terms of both quality and cost.

## Tūranaga / Current status

### *Overall programme status*

6. We reported in November 2019 that the STEP Board had earlier placed the programme into Red status to ensure resolution of issues regarding the integration of STEP products with wider LINZ business processes and strategies, and LINZ's change and engagement capacity. In December the board was satisfied that these issues had been mitigated and returned the programme's overall status to Amber.
7. The programme has successfully built capacity and Agile capability, and lessons learned are informing planning now underway for the rebuild of core Landonline systems due to commence in 2020. We continue making good progress delivering search and notices products (discussed below).
8. We are now focusing on work needed to move the programme status to Green.

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<sup>1</sup> This is to be funded by a \$95.4 million repayable capital injection and \$32.9 million from LINZ capital reserves (primarily depreciation).



## Tūkupu / Comment

### *Programme delivery*

9. Work has continued on development of products for release. Pilot releases of new search products (providing improved online access to Landonline survey and title information) have been well received. The registered search technical pilot has expanded to 216 individual users and 1362 Landonline products have been sold. No users have reverted to the existing search service. The closely related public web search product, released in early December 2019 to 10 individuals, has also received positive feedback.
10. A pilot release of the notice of change of ownership and occupancy product (advising territorial authorities of changes to property ownership or occupancy) is scheduled for April 2020. We are working on this release with a technical advisory group involving conveyancers and territorial authorities. The pilot of the notice to mortgagee product that would advise financial institutions when mortgages are registered or discharged against a property is also due for release in April.
11. Technical work developing proofs of concept for migrating the current Landonline database to a modern environment was completed. As a result, work on migrating the database will commence earlier than initially planned.
12. We have built a strong team and implemented Agile practices to deliver outcomes to date. These practices are being expanded to support the expansion of our team ahead of the rebuild of our core systems.

### *Spending remains within budget*

13. Programme spending remains within tranche 1 approved funding of \$33 million. This is being funded by LINZ capital reserves (\$26.36 million, primarily depreciation funding), a Crown capital injection (\$3.65 million) and operating expenditure of \$3.38 million paid by fee paying Landonline users.
14. Expenditure from 1 April 2019 to 31 December 2019 was \$8.46 million compared with the modelled cost of \$13.65 million.

Period	Budget (modelled cost – millions)	Actual (millions)
1 April – 30 June 19	\$4.34	\$2.22
1 July – 30 September 19	\$4.80	\$2.93
1 October - 31 December 19	\$4.51	\$3.31
<b>Total</b>	<b>\$13.65</b>	<b>\$8.46</b>

15. On current projections we expect to have expended about \$18 million by June 2020, approximately \$15 million less than forecast to that point. Expenditure to date has been funded from LINZ capital reserves and operational funding. The Crown capital injection has not yet been drawn down.
16. Reasons for the underspend include:
  - more permanent staff are involved in the programme than the 50:50 staff/contractor split projected by the 2018 Programme Business Case (PBC). At 31 December 2019, 63 per cent of the STEP team were permanent staff, and the remainder contracted resources. This accounted for about 77 percent of the budget variance

- programme work began a month later than planned (in April instead of March as anticipated by the PBC) and recruitment took longer than expected
- work on notices products started later than anticipated and therefore will only be piloted with a few customers by 30 June 2020

17. The balance of the approved tranche 1 funding will support the programme as it scales up and commences the replacement of Landonline. We will continue to expend LINZ depreciation funding before needing to draw on Crown capital funding.

*Future requests for funding – varying our approach*

18. We expect to present joint Ministers with a request for the next tranche of programme funding in by June 2020 once detailed planning for the next phases of work has been completed. Funding approval from joint Ministers at this time will provide us with planning certainty for the following 12-18 months.
19. We seek approval from joint Ministers to vary our approach to future programme funding requests. From our experience so far we have learned that we need flexibility to adapt and re-sequence our work to optimise delivery – an approach more in keeping with Agile methodology.
20. The current expectation set out by the 2018 PBC is that we make funding requests approximately every 12 months supported by a comprehensive single stage business case for tranches of fixed deliverables within certain timeframes. Each SSBC would report progress against deliverables and spending projections.
21. We propose instead making requests for tranches of funding that enable us to maintain and when necessary adjust our capacity to match our work requirements as sequenced within the Agile approach. Treasury have advised that such requests could be made with a streamlined supporting business case that conforms with the Better Business Case requirements that focus on the Economic, Financial and Management cases.
22. At the same time, we propose significantly enhancing our quarterly reporting (including an A3 dashboard) to give joint Ministers a regular and more detailed view of how work has progressed and is tracking toward completion (including financial performance and benefits realisation). We also propose offering face-to-face programme briefings to joint Ministers in addition to quarterly reporting. In this way we believe joint Ministers will have sufficient information available and confidence in delivery when considering funding requests.
23. No changes to overall programme scope and timing are proposed, and oversight and governance arrangements remain in place, including Central Agency monitoring, Gateway reviews, independent quality assurance and independent external advice on the progress and direction of LINZ's business transformation.
24. We have the support of Central Agencies for the approach outlined here, which we believe will provide a better and more regular flow of information to joint Ministers about how the programme is performing.
25. Officials are available to discuss this proposal with joint Ministers if necessary.

*STEP now positioned within the scope of a wider LINZ business transformation*

26. The 2018 PBC anticipated that the impacts of the Landonline rebuild would be transformative for LINZ and that structured collaboration between regulatory, operational and programme teams would be required if LINZ was to maximise the opportunity STEP offered to modernise the wider property system.
27. We have now defined the objectives and scope of business transformation activity that will wrap around the programme. The work will be led by LINZ DCE Business Transformation Murray Young, who has responsibility for:
- delivering the STEP programme scope as currently defined, and



- working across LINZ to take a joined-up approach to related business transformation to take best advantage of the modernisation of our core systems.

28. A Business Transformation team will be in place by the second quarter of 2020. We expect that both STEP and business transformation activity can be funded from within LINZ baseline funding and programme funding approved by Cabinet in 2018.

*The Landonline database will be hosted in New Zealand*

29. We have decided that the Landonline database of survey and title information will be hosted in New Zealand instead of an offshore cloud hosting service as proposed by the 2018 PBC (subject to due diligence). A decision on hosting the database offshore was needed to inform programme planning.
30. Use of a public cloud service remains our objective given the efficiencies and flexibility such services offer. Our due diligence of the proposal focused on the data sovereignty and social and cultural licence implications of offshore storage of a nationally significant dataset such as that held in Landonline. This work found that further investigations and guidance on navigating social and cultural licence were needed before that step could be taken. We will consider offshore data storage when there is clearer guidance that supports agency use of these services, or if a major global cloud hosting provider establishes in New Zealand. We will continue working towards this objective with the Government Chief Digital Officer, other agencies and stakeholders.
31. In the meantime we are assessing options for New Zealand database hosting that, as far as possible, offer the efficiencies and future flexibility anticipated by the PBC. At this stage of our investigations, the overall financial and efficiency impacts of this decision are not expected to be material to the programme.

*Benefits refresh*

32. Work on revalidating programme benefits slowed given the programme's focus on planning and integration. This work will progress in the period to 31 March 2020.
33. We are redefining and baselining the measures the programme will use to track and report on business case benefits to ensure that they provide a precise and accurate view of benefits realisation as the programme progresses.
34. We are also refreshing the benefits management approach and plan to align with the programme's Scaled Agile Framework (SAFe) methodology. The purpose of this is to ensure that products and deliverables are prioritised according to their business benefits and value.
35. To achieve this, STEP plans to assign value points to its business case benefits and distributing these across the various products/features to be delivered by the programme. This will allow us to report on the contribution individual products make toward the achievement of high-level programme benefits.

*Review of survey and title fees*

36. Fee design work was undertaken in this period and cost modelling work has commenced. Initial external stakeholder engagement began in February with a small number of key stakeholders. The aim of these engagements was to discuss the high-level design for potential changes to the survey and title fees. The stakeholders include the New Zealand and Auckland District Law Societies, the Institute of Cadastral Surveying, Consulting Surveyors of NZ, Kāinga Ora and Survey and Spatial New Zealand and the Māori Land Court. We are also in discussion with Te Arawhiti to determine the most effective way of engaging with Māori.
37. The modelling and design work for revised fees will continue until mid 2020. Exact timeframes are still to be confirmed and depend on the time required to model revised fee options. The consultation process and approval of the revised fees will occur later this year with the aim of introducing new fees in early to mid 2021.

*Stakeholder engagement*

38. External engagement continued with key stakeholders in the surveying, conveyancing, territorial authority and data communities. This has included seminars with lawyers and legal executives throughout the country, a territorial authority focus group working with STEP on development of notices products, and a successful three-monthly system demonstration in December that involved all stakeholder groups. Surveyors responded favourably to a new visualisation tool we have developed for viewing survey plan data.
39. Insights through engagement with our external and internal stakeholders is being fed directly into product design, planning and decision-making. We have also developed good relationships with the Ministry of Education and Ministry of Social Development and learning from their experiences with large scale Agile programme delivery.

**Fourth quarter focus (1 January to 30 March 2020)**

40. The focus of this quarter is on:

- programme planning and scaling-up resources for future delivery phases
- continuing foundational work need to support the scaling
- preparatory work for migrating Landonline database to new software environment
- finalising the Business Transformation structure and operating model
- progressing the review of programme benefits
- continuing the review of survey and title fees and charges
- preparing for the pilot release of notices products
- expanding the pilot of search products to wider audiences, including internal users.

**Next quarterly report**

41. The next quarterly report will be provided to joint Ministers in April 2020.