



# Cabinet Economic Growth and Infrastructure Committee

EGI Min (13) 1/7

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## Minute of Decision

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### Vote Lands: Technical Changes to Appropriation to Support More Transparent Reporting and Funding of Tenure Review of Pastoral Leases

#### Portfolio: Land Information

On 13 February 2013, the Cabinet Economic Growth and Infrastructure Committee:

#### Tenure review

- 1 **noted** that tenure review occurs under Part 2 of the Crown Pastoral Land Act 1998 which allows the lessees of Crown pastoral leases to opt into a process which sees:
  - 1.1 areas most suited to farming being freeholded to the lessee;
  - 1.2 areas with significant conservation values becoming part of the conservation estate;
- 2 **noted** that Land Information New Zealand (LINZ) is adopting a new, simpler and more transparent approach to the way it conducts reports and accounts for tenure review (the market value approach);
- 3 **noted** that the market value approach is based around two values:
  - 3.1 the value of the pastoral lease;
  - 3.2 the value of the land to be freeholded;
- 4 **noted** that the market value approach replaces an approach based on the value of the interests exchanged between the lessor and lessee (the exchange of interests approach);
- 5 **noted** that the exchange of interests approach:
  - 5.1 relied on complex valuation methods;
  - 5.2 was difficult to understand;
  - 5.3 complicated negotiations with lessees;
  - 5.4 did not transparently focus on the most important elements of what occurs in tenure reviews;

## Financial implications

- 6 **noted** that tenure reviews are funded by a three year multi-year appropriation in Vote Lands created in Budget 2011, and that the multi-year appropriation was calculated using the old exchange of interests approach;
- 7 **noted** that there are annual baseline forecasts for 2014/15 – 2016/17 and outyears, and that these forecasts were also calculated using the old exchange of interests approach;
- 8 **noted** that the multi-year appropriation and annual baseline forecasts should be recalculated to reflect the way LINZ is now conducting, reporting, and accounting for tenure reviews;
- 9 **noted** that:
- 9.1 it is desirable that the changes to the multi-year appropriation and annual baseline forecasts are made sooner than would be possible if changes were considered on the normal timetable for changes to LINZ's four-year budget plan;
- 9.2 changes to multi-year appropriations during the life of the appropriation require Cabinet approval (Treasury Circular 2007/05);
- 10 **agreed** that the current multi-year appropriation "Land Tenure Reform Acquisitions MYA" be changed so that the remaining balance is calculated using the aggregated value of pastoral leases expected to complete tenure review during the remaining period of the appropriation (an increase of \$284.128 million);
- 11 **agreed** that the annual baseline forecasts for Land Tenure Reform Purchases in each of the years 2014/15 – 2016/17 and outyears be calculated so that the forecast is the aggregated value of pastoral leases expected to complete tenure review during each of those years (an increase of \$85.447 million in each year);
- 12 **approved** the following changes to appropriations and annual baseline forecasts, with no impact on the Crown's operating balance or debt:

Vote Lands: Minister for Land Information	\$m increase/(decrease)					
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
Non-Departmental Capital Expenditure Land Tenure Reform Acquisitions MYA		284.128				
Non-Departmental Capital Expenditure Land Tenure Reform Purchases				85.447	85.447	85.447

- 13 note that the indicative spending profile for Tenure Review Reform Acquisitions/Purchases described above is as follows:

Indicative annual spending profile	\$m – increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
	106.153	177.975	85.447	85.447	85.447

- 14 **noted** that forecast capital receipts are as follows:

Vote Lands Minister for Land Information	\$m – increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
Non-Departmental Capital Receipts Land Tenure Reform Sales	106.153	177.975	85.447	85.447	85.447

- 15 **agreed** that the additional expenditure in the multi-year appropriation from 1 July 2011 to 30 June 2014 be included in the 2012/13 Supplementary Estimates and, in the interim, be met from Imprest Supply;

- 16 **noted** that:

16.1 the market value approach being adopted by LINZ will involve a total increase in Land Tenure Reform Sales of \$540.469 million over the same period as the multi-year appropriation and the annual baseline forecasts;

16.2 the changes referred to in paragraphs 10-15 above are fiscally neutral and will have no net effect on the Crown's financial position;

- 17 **noted** that the changes referred to in paragraphs 10 to 15 above will not affect or interfere with the process for Budget 2013;

## General

- 18 **noted** that LINZ intends in its annual report to set out the number of tenure reviews completed, tenure review sales, acquisitions of pastoral leases, the net costs of tenure reviews, and the value of land to be transferred to the conservation estate;
- 19 **noted** that LINZ has a communications plan for high country policy matters, and that this plan is being updated to clearly communicate the new approach described in the paper under EGI (13) 4;

20 **noted** that the paper under EGI (13) 4 and the accompanying Cabinet minute will be made publicly available.