

In Confidence

Office of the Minister for Land Information

Chair, Cabinet Government Administration and Expenditure Review Committee

## **Modernising Landonline – update to Cabinet December 2022**

### **Proposal**

1. This paper updates Cabinet on progress of the Toitū Te Whenua Land Information New Zealand (LINZ) Modernising Landonline programme.

### **Executive Summary**

2. Programme status has remained at Amber since my last update to Cabinet in August 2022 [GOV-22-MIN-0026 refers]. Difficult IT recruitment conditions and high workforce turnover remains the programme's highest risk and challenge. Turnover has improved, but is expected to remain changeable.
3. New products and services continue to be developed, piloted and released. Following a milestone release on 31 October 2022 all legal professionals can now use the new platform to complete almost all straightforward property re-financing and sale and purchase transactions (collectively two-thirds of Landonline transactions). The application, launched after pilot testing with customers, has been well received for its ease of use and time-saving features.
4. More than 500 of Landonline's 1,862 registered survey customers are using the new platform to submit and validate survey plans. LINZ expects all surveyors will be using the platform by March 2023.
5. LINZ is completing the induction of a new governance Board comprised of three experienced independent members and the LINZ Chief Executive. The independent Board members have been provided with background information and are due to meet with the Chief Executive and programme's senior responsible owner. The first formal Board meeting is expected to take place in February 2023. The Board will oversee and govern the programme to ensure delivery within scope, time and budget, and realisation of benefits expected for LINZ and New Zealand.

### **Background**

#### *Programme Business Case approved in 2018*

6. In October 2018 Cabinet agreed to the preferred investment option and delivery pathway for modernising Landonline (the Survey and Title Enhancement Programme, STEP) as outlined in a programme business case. This pathway involved rebuilding Landonline while retaining the data and business logic from the legacy system (rather than migrating to a new platform), and delivering the rebuild

incrementally using Agile development methodology with New Zealand ICT resources. [GOV-18-MIN-0078 refers].

*Landonline is important economic infrastructure*

7. Landonline is the technology system that provides New Zealand's record of land ownership, maintains the official record of property boundaries, and is used by all land surveyors and conveyancers to conduct land transactions.
8. Buyers and sellers rely on the LINZ-provided central register of survey and title information, and the Crown guarantees that the issued title is correct. The system underpins private property rights in New Zealand.
9. The Modernising Landonline programme is an important contributor to LINZ's role in supporting individual and collective wellbeing. It does this by ensuring public confidence in the property system by providing high-quality information on public assets and other New Zealand property; collecting and using data to inform better decisions and generate knowledge; and ensuring Māori interests in land are accurately recorded and can be legitimately exercised.

*Modernisation will maintain confidence in our property system*

10. The Landonline system is over 20 years old and based on technology that is time-consuming to update, less flexible and higher risk than modern systems. Forty-five percent of overall programme benefits will be realised when LINZ removes risks to Landonline and the Crown posed by the aging IT platform that could impact the security and integrity of the system. The Modernising Landonline programme will deliver:
  - 10.1. a flexible and modular technology platform that replaces the current platform with a secure and more readily adaptable system that can meet future needs of customers
  - 10.2. improved quality and range of survey and title services
  - 10.3. improved productivity and information flows by enabling the future integration of Landonline property data with systems such as the Māori Land Court's Māori Land Information System
  - 10.4. better access to property information for the public and decision-makers.
11. STEP is an in-house programme that since April 2019 has been building LINZ capability to work with customers to deliver and continuously improve New Zealand's survey and title system. Building internal capability will allow LINZ to continually update Landonline without future one-off investments by government.
12. Cabinet's October 2018 decision to pursue an in-house rebuild and modernisation programme followed a five-year phase of exploring and analysing all possible options. This included considering an "as a service" approach, purchasing an existing off the shelf solution (and then customising it), and a bespoke new build. LINZ's analysis, which Cabinet agreed with, was 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. It would also allow LINZ to maintain control and ownership of the new system, to make changes more quickly, and deliver better functionality.

### *August 2022 Cabinet decisions*

13. In August 2022 Cabinet noted LINZ was managing the impacts of job market conditions that had caused greater than expected programme workforce turnover, which had affected productivity and delivery timeframes. Consequently, the cost of the programme's capital build was forecast to rise from \$128.2 million to \$175.7 million over the 12 year whole-of-life period to 2030, and the delivery timeframe had increased by three years to 2026. Associated operating expenditure was forecast to increase from a projected \$51.7 million to \$76.1 million [GOV-22-MIN-0026 refers].
14. Cabinet noted LINZ will not seek additional Crown funding beyond the capital injection authorised by Cabinet in 2018, as the additional capital expenditure needed to complete the programme can be funded through Landonline user charges and from LINZ's depreciation reserves. The additional costs add approximately 7% per annum overall to survey and title operating costs. However, this would not automatically flow to higher fees paid, 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. Cabinet also noted that LINZ was establishing a new governance board to oversee programme delivery [paragraphs 27-29].
15. Under the extended delivery timeframe outlined in paragraph 13 LINZ will have turned off legacy Landonline and all survey and title transactions will be conducted on the modernised platform by 2025. Shifting all users onto the new platform enables productivity and process efficiencies and removes the security and continuity risks posed by the legacy platform. By 2026, the programme will have delivered significant additional enhancements to current services such as 3-D visualisation of survey plans.

### **Delivery – milestone release of Title transaction functionality**

16. The programme has been continuously developing, piloting and releasing new products and services. Since April 2019 the programme has delivered 41% of the value LINZ expected to generate (up from 30% reported in July 2022).
17. On 31 October 2022 LINZ released a significant upgrade enabling conveyancers to transact all straightforward house sale and purchase transactions<sup>1</sup> on the new platform using a modernised interface. Straightforward property sales and purchases make up around two-thirds of all Landonline title transactions. This first open release of title transaction functionality is a significant milestone achieved after successful pilots and has been well received by conveyancers. Feedback from conveyancers has included *"It saves my firm time because the new technology is so easy to use"*,

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<sup>1</sup> Straightforward sale or purchases transactions are those involving a discharge or registration of a mortgage and the transfer of a property title to new owners.

*“It follows the same process as before but is more intuitive and straightforward” and “Biggest benefit is time savings.”*

18. LINZ is now supporting and encouraging conveyancers to adopt the new functionality. Work will continue on adding more complex land title dealings over the next 12 months. LINZ expects 80% of all titles transactions will be enabled on the new platform by December 2023.
19. A pilot that enables surveyors to submit and validate survey plans on the new platform had expanded to more than 500 of Landonline’s 1,862 registered survey customers by end October 2022. LINZ plans to make the new system available to all survey customers by March 2023, a major step toward the planned decommissioning of the legacy survey capture system later in 2023, at which point LINZ support staff will also be able to process all survey plans on the new platform.
20. Uptake of Search and Notices services developed and released over the programme’s first two years continues to grow. Search and Notices services are a suite of property transaction notification tools for conveyancers, councils and banks, and modern web-based property search services for the public and registered customers. Fifty-four of 67 councils are now using the Notice of Change service and this figure is expected to increase to 63 by December 2022. Conveyancers use the service to automatically notify a council when a property transaction is completed, allowing councils to accurately update rating databases. In September 2022 councils were notified of over 60% of property transactions (9000+) via Notice of Change, which was up from just 30% in May. Eleven financial institutions are using a similar Notice to Mortgagee service that notifies lenders when a mortgage is registered against a property.

### **Programme status is Amber**

21. The programme’s overall status (as of 31 October 2022) has remained unchanged at Amber since my last report to Cabinet.
22. LINZ continues to manage the productivity and cost impacts of challenging IT-sector job market conditions which has led to high workforce turnover. There are signs of an improving outlook, with annualised turnover of permanent, fixed term and contract workers falling from 44% recorded in July 2022 to 29.2% by the end of October 2022. The implementation of recruitment and retention strategies have contributed to this improvement. These turnover figures are expected to remain changeable.
23. LINZ has taken on more contractors than forecast in recent months to ensure delivery is maintained given the high workforce turnover. Contractors comprised 53% of the programme’s workforce (152 FTEs) at the end of September; whereas the programme business case contained a 50:50 contractor/staff ratio. LINZ expects that contractor numbers will even out as job market conditions ease over time.

### **Risk and Assurance**

24. As noted above, recruitment conditions and the resulting impacts on workforce turnover are the programme’s greatest risk.

25. LINZ is also managing greater than anticipated complexity of some aspects of the rebuild, in particular in the survey area. Without mitigations, the complexity of work needed to support the long-term maintainability and architecture of the new platform has some potential to slightly extend the programme timeframe. LINZ is responding by continuing to focus on the highest priority work; considering options for simplifying the system build; boosting recruitment and taking on more people (within the programme's funding envelope) to increase delivery throughout; and identifying less critical aspects of the rebuild that can be deferred until after the legacy Landonline system is turned off.
26. The programme is subject to the Government Chief Digital Officer's (GCDO) mandatory assurance requirements for government IT programmes. Feedback from the GCDO's regular review of programme assurance has been incorporated into the programme's assurance plan and risk reporting has been enhanced. Independent advisors Independent Quality Assurance NZ have reported that programme maturity is high compared with other government agencies implementing Agile delivery methodology and that the LINZ approach is being referenced by other agencies as a standard to work towards.

### **Induction of Independent Governance Board**

27. LINZ is completing the induction of a new governance Board comprised of three experienced independent members and the LINZ Chief Executive. The board will oversee and govern the programme to ensure delivery within scope, time and budget, and realisation of benefits expected for LINZ and New Zealand.
28. The Board members are:
  - Jenn Bestwick – current Chair Tertiary Education Commission
  - Murray Jack – former Chair and Chief Executive of Deloitte NZ, current Chair of Chartered Accountants Australia and New Zealand
  - Rogan Clarke – Director of Digital Change at Inland Revenue.
29. Board members have been provided with background information and are due to hold induction meetings with the LINZ Chief Executive and programme's senior responsible owner. The Board is due to hold its first formal meeting in February 2023. The Board will also consider the form and frequency of reporting to joint Ministers. Six-monthly Cabinet updates will continue.

### **Benefit delivery**

30. The STEP programme expects to fully realise or exceed its forecast benefits of reduced risk, improved ability to meet customer needs, improved productivity and economic value. To quantify this the programme's Benefits Realisation Management Plan is being revised. A full reassessment of quantified benefits will include benefits that are expected to exceed forecast and also cover emerging benefits – for example, the significant efficiency savings expected from a new tool that will enable digital visualisation of survey plans.

## Consultation

31. The Treasury and Office of the Government Chief Digital Officer were consulted on the contents of this paper. The Department of Prime Minister and Cabinet and Te Kawa Mataaho Public Service Commission were informed.

## Financial Implications

32. The programme's capital spend from November 2018 to 31 October 2022 is \$64.3 million, 37% of the reforecast \$175.7 million modelled capital budget that was agreed in August 2022.
33. The STEP capital build is funded from a combination of:
  - 33.1. repayable tagged contingency funding totalling \$103 million that was allocated to the programme in Budget 2018 [CAB-18-MIN-0158.18 refers]
  - 33.2. LINZ capital reserves of \$32.9 million
  - 33.3. ongoing recycled Landonline depreciation funding.
34. Since April 2019 joint Ministers responsible for the programme (Minister for Land Information, Minister of Finance, Minister for the Digital Economy and Communications) have authorised capital expenditure totalling \$109.3 million and authorised repayable capital injections from tagged contingency [paragraph 33.1] toward that expenditure of \$77.8 million. Current expenditure approvals are expected to maintain programme activity to December 2023.

## Legislative, regulatory, human rights, population, or climate change implications

35. This paper does not contain proposals with legislative implications or require inclusion of a regulatory impact analysis. Nor does it contain proposals with implications for human rights, populations, or climate change policy.

## Publicity

36. LINZ will work with my office to plan for and respond to media enquiries arising from this paper.

## Proactive Release

37. I propose to publish this Cabinet paper on the LINZ website, subject to redactions as appropriate under the Official Information Act 1982.

## Recommendations

I recommend that Cabinet:

1. **Note** that in 2018 Cabinet [GOV-18-MIN-0078 refers]:
  - 1.1. noted that confidence in property rights and accurate land information is critical for New Zealand, with buyers and sellers relying on services that Land Information New Zealand (LINZ) provides through its central register of survey and title information, and the Crown guaranteeing that the issued title is correct;

- 1.2. agreed a preferred investment option and delivery pathway for modernising Landonline in four tranches over five years at a capital cost of \$128.2 million and associated operating costs of \$51.7 million;<sup>2</sup>
2. **Note** Cabinet decisions in August 2022 [GOV-22-MIN-0026] that:
  - 2.1. Noted LINZ was managing the impacts of job market conditions that have caused high programme workforce turnover and affected productivity and delivery timeframes;
  - 2.2. Agreed to reforecast additional costs totalling \$72 million (an increase to capital expenditure of \$47.5 million and operating expenditure of \$24.4 million);
  - 2.3. Noted LINZ can complete the programme within capital funding arrangements agreed by Cabinet in October 2018 and was not seeking additional Crown funding;
  - 2.4. Agreed to extend the delivery completion timeframe to 2026 (originally 2023);
  - 2.5. Noted the establishment of an independent programme governance board.
3. **Note** that programme status remains at Amber while LINZ continues to manage the impacts of job market conditions on programme delivery;
4. **Note** that the Modernising Landonline programme continues to develop, pilot and release new products and services;
5. **Note** that all straightforward house sale and purchase transactions (the majority of New Zealand property transactions) can now be conducted on the new platform after a successful release of new functionality to all conveyancers on 31 October 2022;
6. **Note** the programme spend from November 2018 to 31 October 2022 is \$64.3 million (37%) of the reforecast \$175.7 million modelled capital budget that was agreed in August 2022;
7. **Note** that LINZ is completing the induction of an independent programme governance Board and that the Board will meet for the first time in February 2023;
8. **Invite** the Minister for Land Information to provide a further update to the Cabinet Government Administration and Expenditure Review Committee in July 2023.

Authorised for lodgement

Hon Damien O'Connor

Minister for Land Information

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<sup>2</sup> Excluding capital charge and depreciation.