

Our Ref DOIA 21-237

2 June 2021

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Dear [s 9(2)(a)]

Response to your official information request

Thank you for your official information request received on 7 May 2021 for "all policy decisions (including Cabinet papers) relating to the Accredited Agents or Accredited Suppliers policy, all high-level policy guidelines, procedures and standards and regulations and statutes that relate to Accredited Agents or Accredited Suppliers."

Please find enclosed the information requested.

The accreditation system was established via a Cabinet paper in 1997, following the restructuring and outsourcing of operational functions for the buying and selling of land by the Crown. It is operated by Toitū Te Whenua Land Information New Zealand (LINZ) as the regulator for the Public Works Act 1981 (the Act). Accredited suppliers are engaged by agencies acquiring or disposing of land under the Act, who submit work to LINZ for decisions by the Minister for Land Information, the Chief Executive, or their delegates. This Cabinet paper and minute are enclosed.

There is information about the accreditation system, including the process and criteria for becoming an accredited supplier, as well as the Standards and Guidelines which accredited suppliers must follow on the LINZ website: <https://www.linz.govt.nz/crown-property/acquisition-and-disposal-land/accredited-crown-property-service-providers>.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

If you wish to discuss this decision with us, please feel free to contact Craig Harris Commissioner of Crown Lands charris@linz.govt.nz.

Yours sincerely



Jerome Sheppard
Deputy Chief Executive Crown Property



**CABINET COMMITTEE ON
GOVERNMENT
ADMINISTRATION**

CGA (97) M 12/2

Copy No: 40

cc S Austin
14/1/07.

This paper is the property of the New Zealand Government. As it includes material for Cabinet or Cabinet Committee purposes it must be handled with particular care, and in accordance with any security classification or other endorsement assigned to it. The information in it may be released only by persons having proper authority to do so, and strictly in terms of that authority.

MINUTES of a meeting of the Committee held on **Wednesday, 27 August 1997** at **8.30 am**

PRESENT: Hon Jack Elder (Chair)
Dr Hon Lockwood Smith
Hon Maurice Williamson
Hon Brian Donnelly

IN ATTENDANCE: Officials from Department of the Prime Minister and Cabinet
Treasury
State Services Commission
LINZ

**INDEPENDENT REVIEW OF PROPERTY SYSTEMS AND MANAGEMENT
ACCOUNTABILITIES IN LAND INFORMATION NEW ZEALAND: IMPLICATIONS**

Reference: CGA (97) 42

The Committee agreed to recommend that Cabinet:

BACKGROUND

- a note that the independent Ernst and Young review of the systems and management accountabilities in the property area of Land Information New Zealand (LINZ) has:
- i concluded that another Dreux situation is unlikely to occur [CAB (97) M 9/4E(2) refers];
 - ii recommended improvements in systems and management accountabilities; and
 - iii recommended that the core business definition be reviewed in respect of acquisition and disposal of surplus Crown land;
- b note that the recommendations relating to improvements in systems and management accountabilities are in the process of being implemented;
- c note that the core business in the property area has been reviewed and that it principally comprises the regulatory role, standard setting and auditing;

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FISHERIES / LANDS

DATE 27/8

RESTRUCTURING OF LINZ PROPERTY AREA

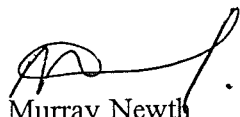
- d agree in principle (subject to the evaluation of costs and benefits of the restructure referred to in paragraph (f) below) to a restructure of the LINZ property area based on the following principles:
 - i outsourcing of non-core functions relating to property acquisition, management and disposal to accredited agents;
 - ii from 1 July 1998, acquisition and disposal of surplus Crown land on behalf of other government-owned agencies should no longer constitute a core function of LINZ and be transferred to those organisations;
 - iii responsibility in relation to other agencies' property acquisition and disposal will be confined to statutory and regulatory processing (so maintaining Crown consistency and protecting the public interest);
 - iv disposal of properties inherited by LINZ (and predecessor organisations), and future acquisitions on behalf of the Crown are to be outsourced through accredited agents;
 - v management of LINZ's property liabilities be centralised;
 - vi implementation will involve restructuring of the property service area of LINZ;
 - vii the property regulatory group will have a purchasing function (in particular purchasing services from Crown Property Services and Regional Services), and a land information stewardship function in addition to its current functions of setting standards and monitoring compliance with those standards;

FURTHER WORK

- e note that the proposed restructure of the property area has no additional Treaty of Waitangi implications;
- f direct officials to report back to the Cabinet Committee on Government Administration (CGA) and the Cabinet Committee on Expenditure Control and Revenue (ECR) by 15 December 1997 with a detailed cost benefit analysis, including staffing, financial, organisational and output delivery implications for LINZ and affected departments;
- g note that the report back referred to in paragraph (f) above will include a zero-based forecast of revenue and expenditure for Output Class D5: Crown Property Services in Vote: Lands;
- h note that the report back referred to in paragraph (f) above will also include implications for the repositioning of the other regulatory/service delivery areas (survey, titles, topography/hydrography, regional services) to ensure organisational consistency throughout LINZ;

RELEASE OF REPORT

- i agree to the release of the Ernst and Young report attached to the submission under CGA (97) 42.



Murray Newth
Secretary

COPIES TO:

Cabinet Committee on Government Administration
Chief Executive, PM&C
Mr Alan Wright, PM&C
Treasurer
Mary Anne Thompson, Office of the Deputy Prime Minister
Secretary to the Treasury
Mr Jim Brumby, Treasury
Minister of Finance
State Services Commissioner
Chief Executive, Crown Company Monitoring Advisory Unit [SOEs]
Mrs L Provost, SSC
Minister in Charge of Treaty of Waitangi Negotiations
Director, Office of Treaty Settlements
Minister of Māori Affairs
Chief Executive, Te Puni Kōkiri
Chief Executive, LINZ
Legislation Programme Coordinator
Chief Parliamentary Counsel
Monitoring System
Secretary, ECR



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Shane Collett 30/8 - copy returned
S Brown
P Jackson
Brian Woodward
B 26/108 cc S Austin 16/1/97
+ Karin Knecker
K Turner 7/5/01
C Collett 26/6/97

**CABINET COMMITTEE
ON GOVERNMENT
ADMINISTRATION**

CGA (97) 42

25 August 1997

Copy No: 37

NB. Minister agreed to release copy of paper (but not cover sheet) to staff. Advised by Jane 10/9/97

This paper is the property of the New Zealand Government. As it includes material for Cabinet or Cabinet Committee purposes it must be handled with particular care, and in accordance with any security classification or other endorsement assigned to it. The information in it may be released only by persons having proper authority to do so, and strictly in terms of that authority.

Title **INDEPENDENT REVIEW OF PROPERTY SYSTEMS AND
MANAGEMENT ACCOUNTABILITIES IN LAND INFORMATION
NEW ZEALAND: IMPLICATIONS**

Purpose The Committee is invited to agree in principle to a restructure of the Land Information New Zealand (LINZ) property area.

**Previous
Consideration** In March 1997 Cabinet noted that the Chief Executive of LINZ was going to commission on independent review of the systems and management accountabilities in the property area [CAB (97) M 9/4E(2) refers].

The proposals in the paper relate to matters not covered by the Coalition Agreement.

Summary The proposals have been developed in response to a report entitled "*Independent Review of Land Information New Zealand property Systems and Management Accountabilities*" undertaken by Ernst and Young. A copy of the review is attached on page 11 for Ministers' information.

The review's recommendations in respect of property systems and management accountabilities are currently being implemented.

Structural reorganisation, however, will be required to implement the recommendations relating to the repositioning of the property area to concentrate on core functions. The paper seeks agreement in principle for a restructuring of the property service delivery and regulatory areas within Land Information New Zealand. This will involve:

- the outsourcing of Land Information New Zealand's property service delivery function (ie property acquisition, management and disposal);
- transfer of the acquisition and disposal function for other government agencies' properties (that would be outsourced under the new arrangement) back to the land holding agencies effective from 1 July 1998;
- retention of existing Land Information New Zealand regulatory, standard setting and auditing roles, thereby ensuring protection of the public interest and Crown consistency in the property acquisition and disposal area; and
- expanding the roles of the property regulatory group to include a purchase (contracting) function and responsibility for the core land record held in regional and district offices.

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FISHERIES / LANDS

DATE 26/8

The paper describes the principles and implications of the proposed restructure.

It is proposed that officials report back in December 1997 with a detailed cost/benefit analysis, including staffing, financial, organisational and output delivery implications for LINZ and affected departments.

**Baseline
Implications**

The restructure may require a one off allocation for implementation and redundancy costs in order to produce long-term savings. This will be determined once the details of the restructure in the property area of Land Information New Zealand national, regional and district offices have been worked through and reported back.

**Legislative
Implications**

Legislative amendment will be required to change the assignment of statutory responsibilities currently residing with the Chief Executive, LINZ to the chief executive of any government owned agency for acquisition and disposal of their land. This will require priority and a suitable legislative vehicle.

Timing Issues

It is proposed that the new structures be in place by 1 July 1998.

Announcement

It is proposed that the attached Ernst and Young report be released.

Consultation

The Minister indicates that consultation with the Coalition Partner Spokesperson has taken place and consultation with government caucuses is not required.

The Minister of Lands recommends that the Committee:

- a note that the independent Ernst and Young review of the systems and management accountabilities in the property area of Land Information New Zealand has:
 - i concluded that another Dreux situation is unlikely to occur;
 - ii recommended improvements in systems and management accountabilities; and
 - iii recommended that the core business definition be reviewed in respect of acquisition and disposal of surplus Crown land;
- b note that the recommendations relating to improvements in systems and management accountabilities are in the process of being implemented;
- c note the core business in the property area has been reviewed and that it principally comprises the regulatory role, standard setting and auditing;
- d agree in principle (subject to the evaluation of costs and benefits of the restructure outlined in paragraph (e) below) to a restructure of the Land Information New Zealand property area based on the following principles:
 - i outsourcing of non-core functions relating to property acquisition, management and disposal to accredited agents;
 - ii from 1 July 1998, acquisition and disposal of surplus Crown land on behalf of other government-owned agencies should no longer constitute a core function of Land Information New Zealand and be transferred to those organisations;

- iii responsibility in relation to other agencies' property acquisition and disposal will be confined to statutory and regulatory processing (so maintaining Crown consistency and protecting the public interest);
 - iv disposal of properties inherited by Land Information New Zealand (and predecessor organisations), and future acquisitions on behalf of the Crown are to be outsourced through accredited agents;
 - v management of Land Information New Zealand's property liabilities be centralised;
 - vi implementation will involve restructuring of the property service area of Land Information New Zealand;
 - vii the property regulatory group will have a purchasing function (in particular purchasing services from Crown Property Services and Regional Services), and a land information stewardship function in addition to its current functions of setting standards and monitoring compliance with those standards;
- e direct officials to report back to Cabinet Committee on Government Administration (CGA) and the Cabinet Committee on Expenditure Control and Revenue (ECR) by 15 December 1997 with a detailed cost benefit analysis, including staffing, financial, organisational and output delivery implications for Land Information New Zealand and affected departments;
 - f note that the report back referred to in paragraph (e) above will include a zero-based forecast of revenue and expenditure for Output Class D5: Crown Property Services in Vote: Lands;
 - g note that the report back referred to in paragraph (e) above will also include implications for the repositioning of the other regulatory/service delivery areas (survey, titles, topography/hydrography, regional services) to ensure organisational consistency throughout Land Information New Zealand;
 - h note that the proposed restructure of the property area has no additional Treaty of Waitangi implications;
 - i agree to the release of the Ernst and Young report attached to the submission under CGA (97) 42.

(Signed) Margot Christeller

COPIES TO:

Cabinet Committee on Government Administration
 Chief Executive, PM&C
 Mr Alan Wright, PM&C
 Treasurer
 Mary Anne Thompson, Office of the Deputy Prime Minister
 Secretary to the Treasury
 Mr Jim Brumby, Treasury
 Minister of Finance
 State Services Commissioner
 Chief Executive, Crown Company Monitoring Advisory Unit [SOEs]
 Mrs L Provost, SSC
 Minister in Charge of Treaty of Waitangi Negotiations

Director, Office of Treaty Settlements
Minister of Māori Affairs
Chief Executive, Te Puni Kōkiri
Chief Executive, LINZ
Legislation Programme Coordinator
Chief Parliamentary Counsel

Released under the Official Information Act 1982

Chair
Cabinet Committee on Government Administration

**IMPLICATIONS OF THE INDEPENDENT REVIEW OF PROPERTY SYSTEMS AND
MANAGEMENT ACCOUNTABILITIES IN LAND INFORMATION NEW ZEALAND
PROPOSAL**

- 1 This paper proposes a package comprising the principles and timetable for a restructuring of the Crown property area of Land Information New Zealand. This proposal has been developed in response to an *Independent Review of Land Information NZ property Systems and Management Accountabilities* undertaken by Ernst and Young.

EXECUTIVE SUMMARY

- 2 This paper reports on the Ernst and Young review of systems and accountabilities in the property area of Land Information NZ which was commissioned following Cabinet's consideration of the Dreux liability.
- 3 The Ernst and Young review concluded that another Dreux type liability is unlikely to occur. The review's recommendations in respect of property systems and management accountabilities are currently being implemented.
- 4 Structural reorganisation, however, will be required to implement the other recommendations relating to the repositioning of the property area to concentrate on core functions. This will involve:
 - the outsourcing of Land Information NZ's property service delivery function (i.e. property acquisition, management and disposal);
 - transfer of the acquisition and disposal function for other government agencies' properties (that would be outsourced under the new arrangement) back to the land holding agencies, effective from 1 July 1998;
 - retention of existing Land Information NZ regulatory, standard setting and auditing roles, thereby ensuring protection of the public interest and Crown consistency in the property acquisition and disposal area; and
 - expanding the roles of the property regulatory group to include a purchase (contracting) function and responsibility for the core land record held in regional and district offices.
- 5 The proposed structural reorganisation will:
 - remove the monopoly that Land Information NZ and its predecessor organisations have had for property acquisition and disposal on behalf of client government agencies;
 - outsource property acquisition and disposal;
 - focus Land Information NZ on its core statutory, regulatory and information stewardship roles;
 - lower costs through contestability among accredited service providers;
 - enable introduction of cost recovery for the standard setting, auditing and statutory approvals function of Land Information NZ; and
 - increase transparency.
- 6 The paper seeks agreement in principle for a restructuring of the property service delivery and regulatory areas within Land Information NZ. It describes the principles and implications of the proposed restructure, and outlines a timetable for further investigations. These are to be reported

back in December 1997 so that Cabinet can make a final decision on the proposal. If Cabinet agrees, this timing would enable the new structures to be in place by 1 July 1998.

RELATIONSHIP TO COALITION AGREEMENT

7 This matter is not covered by the Coalition Agreement.

BACKGROUND

8 In the course of considering settlement of the Dreux liability that transferred to Land Information NZ upon its establishment on 1 July 1996, Cabinet:

directed LINZ to include the following criteria in its terms of reference for an independent review of the Lands and Property division:

- i the extent to which the Crown may be exposed to other, currently unknown, fiscal risks within LINZ;*
- ii that systems are in place within LINZ to minimise the incurrence of liabilities;*
- iii the value of the Crown's surplus land portfolio is maximised by LINZ (including assessing the baselines for accuracy as to forecasting methodologies and costings) [CAB (97) M 9/4E(2) refers].*

9 Terms of reference for a review of current systems and accountabilities were agreed by Ministers. In particular, the review was to identify any changes required to ensure quality systems, policies and procedures for:

- the efficient management and conduct of responsibilities in the property area which comprises a portfolio of around 5600 properties on the Crown balance sheet with an aggregate value of \$575 million and some 1500 properties for disposal on behalf of government agencies; and
- minimisation and management of risk; and maximisation of the value of the Crown's surplus land portfolio.

10 This review only deals with part of Cabinet's directive. The remaining part and other matters raised by Cabinet in connection with the Dreux litigation are the subject of three other report backs relating to the land and property area as detailed in Appendix 1.

11 Also, in May 1997, Ministers agreed that Land Information NZ and the Treasury submit a joint paper to Ministers in time for the October baseline update on a zero based forecast of revenue and expenditure for Output Class D5: Crown Property Services in Vote: Lands. This review of the output class was requested by the Chief Executive of Land Information NZ because of his inability to commit to achieving the outputs in this output class within the resource baseline inherited from the Department of Survey and Land Information. The review will be based on information in the new Land Information Property System, the agreed forecasting methodology and the outcome of the independent Ernst and Young review of property systems and management accountabilities.

COMMENT

Summary of the Ernst and Young Review

12 Ernst and Young successfully tendered for the review of property systems and management accountabilities. Their report makes nineteen recommendations which, with one exception, focus on what is required to meet a future desired state based on best practice. The recommendations fall in two broad categories:

- those requiring structural or major organisational changes; and

- those requiring establishment, improvement or enhancement of systems and procedures.
- 13 The exception mentioned above is a noting recommendation (I), namely *“that the review team considers it is unlikely another situation similar to Dreux will occur”*. This conclusion was based on a comparison of the factors which contributed to this liability when it was managed by the Department of Survey and Land Information on one hand, and the systems and procedures that are now in place (or being developed) to provide for the early identification and management of potential and existing contingent liabilities in Land Information NZ on the other hand. In addition, procedures are being developed for Land Information NZ personnel to evaluate the properties including liabilities and risks *prior* to undertaking responsibility for the property. Ernst and Young also comment that accountability has improved due to the changes in structure and culture that have taken place in Land Information NZ.
- 14 Ernst and Young did, however, point out that there is still an unknown level of risk within the existing portfolio and the review team could not rule out the possibility that contingent liabilities of a similar magnitude may exist. Such potential liabilities arise from past transactions connected with properties that were transferred to Land Information NZ for management and disposal. To protect the Crown’s interest, systems have already been put in place to identify potential liability issues at an early date, i.e. an early warning system to facilitate proactive management of liabilities. The results of Audit New Zealand’s audit of these systems that is currently underway will be reported to ECR [CAB (97) M 9/4E(2) refers].

Implementation of Ernst and Young Recommendations Relating to Systems and Procedures

- 15 All 12 recommendations to establish, improve or enhance systems and procedures relating to risk and general management, administration and accountabilities in the property area are being actioned (see Appendix 2). Milestones relating to a number of the recommendations are part of the 1997/98 Purchase Agreement with the Minister of Lands.

Ernst and Young Recommendations with Implications for Organisation and Structural Change

- 16 Six recommendations (numbered as in the Ernst and Young report) relate to a proposed new reduced role for the property area within Land Information NZ:
- a *that the core business definition be reviewed with the view to shifting the acquisition and disposal of surplus Crown land [client government owned land] from Land Information NZ to client government owned organisations;*
 - b *that Land Information NZ retain the management and control of the properties on its balance sheet (i.e., Crown properties on the Land Information NZ part of the Crown’s balance sheet);*
 - e *that areas of potentially high risk (e.g., the acquisition and disposal of properties which have the potential to be politically risky) be centralised to Head Office Crown Property Services, with their management being directly handled by the General Manager Crown Property Services;*
 - q *that the positions of Chief Crown Property Officer, General Manager Crown Property Services, and General Manager Regional Services be retained in the roles outlined in the body of this [Ernst and Young] report;*
 - r *that a review [be undertaken] of regional resourcing requirements to re-assess appropriate staff resources; and*
 - s *that the following milestones be further developed into a detailed work plan to institute the suggested changes made above:*

- *develop implementation programme, July 1997;*
- *obtain CEO agreement to programme by the end of August 1997;*
- *obtain Government and other external approvals as necessary by end of September 1997 (this may be optimistic);*
- *review regional offices resourcing for future scenario, October 1997;*
- *assess personnel capabilities for proposed National Office structure, November 1997;*
- *National Office structure in place by December 1997;*
- *appointments confirmed, April/May 1998;*
- *commence wind-down of [Crown Property Services function in] regional offices, April 1998;*
- *full implementation by July 1998.*

Repositioning of the Property Area of Land Information NZ

- 18 The outcome of the in-house review arising from Ernst and Young's recommendation (a) was that the department should outsource property acquisition and disposal work. The question then arises whether, in such an outsourcing regime, it would still be appropriate to undertake property acquisition and disposal work on behalf of other government agencies. Continued maintenance of this function could not be justified if:
 - the public interest was protected;
 - Crown consistency continued to be maintained;
 - there was a positive fiscal advantage; and
 - that there were no additional risks arising from outsourcing.
- 19 Separation of core from non-core functions is consistent with the direction of government policy over recent years to focus the role of the state. Future acquisitions and disposals of surplus properties on behalf of client government owned organisations is not considered core business and this function should therefore be transferred from Land Information NZ to the property owning organisations. This will place the responsibility and accountability for decisions on rationalising departments' property holdings with the Chief Executive of the client government owned organisation rather than with the Chief Executive of Land Information NZ as at present.
- 20 Land Information NZ's current client portfolio is approximately 1500 properties. Land Information NZ has forecast client revenue of \$5 million for 1997/98 for acquisition, management and disposal. Major clients include the Office of Treaty Settlements, Transit NZ, Ministry of Education, Department of Social Welfare, Ministry of Defence and Crown Health Enterprises.
- 21 Many government agencies already have wide contracting experience and contract out their property management function. Therefore, the transfer of the acquisition and disposal functions to these agencies is not expected to result in any problems particularly as the supporting infrastructure of accredited agents and regulatory framework is already in place as part of the establishment of Land Information NZ. The accreditation process ensures that only competent, appropriately qualified or experienced persons with good personal covenant, back up support and systems of organisation, and liability insurance are accredited. It provides assurance of the standards necessary to maintain statutory obligations. Government agencies would be expected to make savings on the amount that they would otherwise have had to pay Land Information NZ in what currently is essentially a monopoly environment.
- 22 As a general observation, previous contracting experience also indicates that contracting out a function in an area where there is a competitive market for service provision is likely to result in efficiency gains. The proposal is also consistent with the philosophies underpinning the Public Sector reforms, the financial management provisions of the Public Finance Act 1989, and Chief Executive accountabilities.

The properties and liabilities that are on the Land Information NZ part of the Crown's balance sheet would need to continue to be managed and controlled by Land Information NZ. The associated property management and any disposal aspects would be contracted out to accredited providers and the contracts should be centrally administered. In many cases, these properties and liabilities were transferred to Land Information NZ's predecessors from agencies that have disappeared in the course of restructuring of the Public Service (e.g. Ministry of Works and Development, Electricity Department, Railways etc.). There is no other agency that would be as well placed as Land Information NZ to manage these and Ministers may wish to continue to allocate residual lands to Land Information NZ on a case by case basis.

- 24 However, the setting and monitoring of standards together with efficient oversight and/or management of Crown land purchase and disposal regulatory instruments remain a core function of the department and will not be devolved beyond Land Information NZ. This will ensure that there is an overarching framework in place to ensure broad consistency across the public sector and compliance with the law whilst allowing those agencies to make business decisions on their property acquisitions and disposals.
- 25 The outsourcing of the acquisition and disposal work, enabling government agencies to undertake disposal of properties on their balance sheets and acquire properties for their needs, and centralising the management of high risk properties all have important implications for the structure of both national and regional offices of Land Information NZ. These implications were noted in the Ernst and Young report and they recommended that the positions of Chief Crown Property Officer, General Manager Crown Property Services and General Manager Regional Services be retained but with some changes of roles and that a review be undertaken of resourcing requirements to reassess appropriate staff resources.
- 26 The functions of the Chief Crown Property Officer (property regulatory group) within Land Information NZ (in addition to current functions of setting standards and monitoring compliance), should be expanded to include:
 - a a purchase (contracting) function:
 - purchasing property regulatory and record management services from Regional Services;
 - purchasing property management services and acquisitions and disposals work from Crown Property Services; and
 - stewardship of the core land record;
 - b stewardship of the Land Information Property System. This involves ensuring the quality, completeness, consistency and usability of information, and the integrity of associated information practices;
- 27 The Crown Property Services Group will become the purchasing agent on behalf of the regulatory group for contracting acquisition and disposal work and property management. Crown Property Services will also be commissioned to administer and maintain the Land Information Property System and provide information in support of its departmental reporting requirements.
- 28 Regional office operations will involve only statutory processing (recognising that local knowledge is an important consideration in retaining this function in the regions) and property records will continue to be retained locally to provide ready access to accredited agents and other users under appropriate security conditions.

Implications for the Structure of Land Information NZ

- 29 The proposed repositioning of the service delivery and regulatory arms of the property area (so that the regulatory arm now has all purchasing (contracting) and land information stewardship functions), will coincide and be consistent with Government decisions associated of the establishment of the Office of the Valuer-General within Land Information NZ.

There are important staffing reduction implications which will affect, in particular, the number of staff undertaking property related work in regional offices, associated administrative support and legal functions, and relationship management with clients. This permanent reduction in staff numbers will result in a reduction in overall cost to the government but will initially be offset by a one-off financial allocation in order to implement the restructuring and cover associated redundancy costs. Currently, options to reduce these costs are being investigated, e.g. by transferring staff to SOEs that have a requirement for staff with property knowledge and skills, and whether incentives can be offered to staff to become accredited agents. Quantification of the financial benefit of the proposed restructure is currently underway.

- 31 The restructure of the property area also has implications for the responsibilities and structures of the other regulatory groups within Land Information NZ. To achieve consistency across the organisation, all purchasing and information stewardship functions will need to reside within each of the regulatory groups.

Proposed Time Line for Restructure

- 32 Full implementation of the restructure in the property area by July 1998 will involve the following sequence of events:

TASK	DATE
Definition of the roles and responsibilities of the various regional and national office property units	September 1997
A review of the business plan for the property area (forecasted outputs over the next 3 years)	October
Development of detailed structures for each of the property units consistent with their roles and responsibilities and efficient and effective achievement of identified outputs	November
Production of detailed budgets for each unit and aggregation into an Output Class D5 budget for 1998/99 with a three year forecast	December
Identification of staff transfer and redundancy costs	December
Report back to CGA/ECR on the above structural and staffing implications	15 December
Negotiate staff transfer process with PSA	February 1998
Transfer/appoint staff into new structures in Land Information NZ	March/May
Movement of operational staff into accredited agent positions external to Land Information NZ	October 1997 - June 1998
Commence operation in new structure	1 July 1998

- 33 If Cabinet agrees in principle to the restructure and the principles underpinning the restructuring of the property area, this will delay the earlier agreed report back to Ministers on the October base line update (refer para 11 above) until the 15 December 1997. This report will be provided to CGA and ECR and include details of the restructure, an associated zero-based budget for 1998/99 and out years for Output Class D5, and any additional financial issues associated with the implementation of the restructuring (e.g. staff transfer and redundancy costs).

Treaty of Waitangi Considerations

- 34 The proposed restructure and, in particular, the transfer of responsibility for disposal of properties on the asset registers of government agencies from Land Information NZ to those agencies does not alter land ownership and therefore does not create additional risks for Treaty settlements.

Land Information NZ's regulatory functions will continue to cover the operation of the Protection Mechanism.

- 35 The proposed restructuring of the property area in Land Information NZ does not impact on earlier decisions relating to provision of land information services to Maori. The Government provides some funding for advising Maori on how to go about investigating land rights matters, where services can be obtained and the likely cost of such services. However, Land Information NZ is not funded to undertake actual research or investigation into land claims but can do so on a user pays basis. Claimants can still apply to the Maori Land Court to pay for the cost of such services from Land Information NZ, Terralink or other sources.
- 36 There is a wider issue involving the public sector wide potential shortage of specialised resources required to deal with anticipated future levels of activity in the Treaty claim/settlement area. The proposed property restructure will probably shift a small fraction of these resources to the private sector. It is likely that they still will be able to be purchased (by either government agencies or private individuals) resulting in a change of provider rather than an actual loss of available resources.

Release of Ernst and Young Report

- 37 The Ernst and Young report has not been released pending Cabinet's consideration of proposals for implementing the recommendations. In view of the high level of interest in the outcome of the review and the effect of possible restructuring of the property area of Land Information NZ, release of the report would be appropriate together with a communication of Cabinet's decision.

CONSULTATION

- 38 The Treasury, State Services Commission and the Department of Prime Minister and Cabinet have been consulted in the preparation of this paper. Wider consultation with government agencies and other affected stakeholders will be undertaken in connection with the report back for 15 December 1997.

FINANCIAL IMPLICATIONS

- 39 The restructure may require a one off allocation for implementation and redundancy costs in order to produce long-term savings. This will be determined once the details of the restructure in the property area of Land Information NZ national, regional and district offices have been worked through and reported back.

LEGISLATIVE IMPLICATIONS

- 40 Legislative amendment will be required to change the assignment of statutory responsibilities currently residing with the Chief Executive of Land Information NZ to the chief executive of any government owned agency for acquisition and disposal of their land. This will require priority and a suitable legislative vehicle. Transitional arrangements will be able to be put in place if this is not enacted by 1 July 1998 (e.g. certification of certain aspects by the Chief Executive of the land selling department prior to authorisation by the Chief Executive of Land Information NZ).

RECOMMENDATIONS

- 41 It is recommended that the Cabinet Committee on Government Administration:
- a note that the independent Ernst and Young review of the systems and management accountabilities in the property area of Land Information NZ has:
 - i concluded that another Dreux situation is unlikely to occur;
 - ii recommended improvements in systems and management accountabilities; and

- iii recommended that the core business definition be reviewed in respect of acquisition and disposal of surplus Crown land;
- b note that the recommendations relating to improvements in systems and management accountabilities are in the process of being implemented;
- c note the core business in the property area has been reviewed and that it principally comprises the regulatory role, standard setting and auditing;
- d agree, in principle (subject to the evaluation of costs and benefits of the restructure outlined in (e) below) to a restructure of the Land Information NZ property area based on the following principles:
 - i outsourcing of non-core functions relating to property acquisition, management and disposal to accredited agents;
 - ii from 1 July 1998, acquisition and disposal of surplus Crown land on behalf of other government owned agencies should no longer constitute a core function of Land Information NZ and be transferred to those organisations;
 - iii responsibility in relation to other agencies' property acquisition and disposal will be confined to statutory and regulatory processing (so maintaining Crown consistency and protecting the public interest);
 - iv disposal of properties inherited by Land Information NZ (and predecessor organisations), and future acquisitions on behalf of the Crown are to be outsourced through accredited agents;
 - v management of Land Information NZ's property liabilities be centralised;
 - vi implementation will involve restructuring of the property service area of Land Information NZ;
 - vii the property regulatory group will have a purchasing function (in particular purchasing services from Crown Property Services and Regional Services), and a land information stewardship function in addition to its current functions of setting standards and monitoring compliance with those standards
- e direct officials to report back to CGA and ECR by 15 December 1997 with a detailed cost benefit analysis, including staffing, financial, organisational and output delivery implications for Land Information NZ and affected departments;
- f note that the report back in (e) will include a zero-based forecast of revenue and expenditure for Output Class D5: Crown Property Services in Vote: Lands;
- g note that the report back in (e) above will also include implications for the repositioning of the other regulatory/service delivery areas (survey, titles, topography/hydrography, regional services) to ensure organisational consistency throughout Land Information NZ;
- h note that the proposed restructure of the property area has no additional Treaty implications;
- i agree to the release of the Ernst and Young report; and
- j refer this paper to the Cabinet Committee on Expenditure Control and Revenue, for its information.


Hon John Luxton
MINISTER OF LANDS

Appendix 1: Other Report Backs Associated with Cabinet's Consideration of the Implications of the Dreux Liability

The following matters raised by Cabinet in connection with the Dreux litigation are the subject of three other report backs relating to the land and property:

- A Audit of Land Information NZ's procedures and systems for the identification and management of its liabilities [CAB (97) M 9/4E(2) refers].

Terms of reference for this audit were agreed by Ministers and the audit is currently underway as part of the annual audit of Land Information NZ.

- B Set of standards and specifications prescribing good forecasting practice for the land and property revenue and expenditure forecasts to which all future forecasting exercises should comply [CAB (97) M 10/14(6) refers].

The Treasury and Land Information NZ have agreed to an independent audit of the functioning of the Land Information Property System in order to determine the accuracy of the forecasts it produces and the need for any modifications. In the course of this, the Treasury and Land Information NZ will review the need for mid-point estimates for forecasts. The audit should be undertaken before the October Baseline Update in order to ensure that the forecasts used in Update are robust and meet Treasury standards.

- C Investigation of the circumstances leading to litigation by Dreux Holdings Limited, and the subsequent proposal for settlement.

This is being led by the State Services Commission and is to be reported back to the Cabinet Committee on Expenditure Control and Revenue by 27 August 1997 [CAB (97) M8/3D(4) and CAB (97) M 25/8E refer].

Appendix 2: Implementation of Ernst and Young Recommendations Relating to Property Management, Administration and Accounting Activities

Recommendations [*]	Implementation/Action Status	Revised Completion Date
c An overall risk management framework be completed.	<ul style="list-style-type: none"> Milestone 4(h) in 1997/98 Purchase Agreement with Minister of Lands.. 	30 June 1998
d That the Crown contingent liability framework be regarded by staff as a guide and that it is made clear that staff are still expected to be responsible to address all relevant issues, and that this framework be integrated into the overall risk management framework.	<ul style="list-style-type: none"> Instruction issued to staff; Incorporation into relevant staff members' performance agreements; Integration into risk management framework. 	Completed; By 31 August 1997 and by 1 July 1998 onwards; By 24 December 1997.
f That, by 30 September 1997, for all regional offices to have appropriate security arrangements in place for access to the historical files, including the provision of viewing rooms.	<ul style="list-style-type: none"> Instruction under action by regional managers. 	30 September 1997.
g That an office by office inventory of files be completed.	<ul style="list-style-type: none"> Under action as part of milestone 12(c) in 1997/98 Purchase Agreement with Minister of Lands. 	30 June 1998
h That, by 24 December 1997, to have a computerised index of the historical files in operation for use by Land Information NZ and the public with an agreed access policy.	<ul style="list-style-type: none"> Milestone 12(c) in 1997/98 Purchase Agreement with Minister of Lands. 	30 June 1998.
i That the suggested procedural changes for the handling of ministerial correspondence be implemented.	<ul style="list-style-type: none"> Implementation details of new process under discussion. 	30 September 1997.
j That, as part of a succession plan, to institute an apprenticeship/understudy concept for staff likely to become warranted officers.	<ul style="list-style-type: none"> Milestone 3(p) in 1997/98 Purchase Agreement with Minister of Lands. 	31 March 1998.
k That a focused training programme be introduced for warranted officers and those staff likely to become warranted officers.	<ul style="list-style-type: none"> Development milestone 3(o) in 1997/98 Purchase Agreement with Minister of Lands. 	Draft document due 31 December 1997.
m That an audit of 5% of the 200 average active properties per property manager be carried out on an annual basis to provide assurance regarding the risk profile of the portfolio.	<ul style="list-style-type: none"> Milestone 8(e) in 1997/98 Purchase Agreement with Minister of Lands. 	30 June 1998.
n That Land Information NZ develop a communication strategy to provide enhanced communications between National Office and the regional offices.	<ul style="list-style-type: none"> Milestone 11(e) in 1997/98 Purchase Agreement with Minister of Lands Underway. 	31 August 1997.
o That an operation review of the Land Information Property System (LIPS) be done within six months of operation.	<ul style="list-style-type: none"> Agreed. To be included in quarterly review of milestone 3(j) of 1997/98 Purchase Agreement with Minister of Lands. 	30 September 1997 (LIPS review to be completed by 24 December 1997).
p That no significant enhancements of LIPS be undertaken.	<ul style="list-style-type: none"> Noted. 	N/A

^{*} Alphabetical references to recommendations in Ernst and Young report.

CONSULTATION ON CABINET AND CABINET COMMITTEE SUBMISSIONS/ RELATIONSHIP TO COALITION AGREEMENT

Certification by Department:

The Cabinet Office will reject submissions if the necessary consultation does not appear to have taken place. The form which accompanies a submission sent to the Cabinet Office must have the original signatures of the Minister and official.

I certify that the attached submission: [tick appropriate box]

☐ relates to policy developed in accordance with the National-New Zealand First Coalition Agreement

☒ relates to matters not covered by the policies of the Coalition Agreement

and has implications for the following departments, whose views have been sought and are accurately reflected in the submission:

The Treasury, SSC, DPraC

Signature of Official <i>S. P. Cotton</i>	Name and Title <i>Gen Policy</i>	Date <i>22/8/97</i>
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Certification by Minister:

I certify that the attached submission: [tick appropriate box]

☐ relates to policy developed in accordance with the National-New Zealand First Coalition Agreement

☒ relates to matters not covered by the policies of the Coalition Agreement

and that consultation on the issues raised in this paper with:

	Has taken place	Will be needed	Is not required
the Coalition Partner Spokesperson	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
the National party caucus			<input checked="" type="checkbox"/>
the New Zealand First party caucus			<input checked="" type="checkbox"/>
other parliamentary parties ¹			<input checked="" type="checkbox"/>
other interested groups ²			<input checked="" type="checkbox"/>

⁽¹⁾ List parties which have been/are to be consulted:

.....

⁽²⁾ List main interested groups:

.....

Signature of Minister <i>[Signature]</i>	Name and Portfolio <i>Lands (LIXTON)</i>	Date <i>22/08/97</i>
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CABINET

CAB (97) M 34/11

This paper is the property of the New Zealand Government. As it includes material for Cabinet or Cabinet Committee purposes it must be handled with particular care, and in accordance with any security classification or other endorsement assigned to it. The information in it may be released only by persons having proper authority to do so, and strictly in terms of that authority.

Minister of Lands

COPIES TO:

Prime Minister
Deputy Prime Minister
Treasurer
Minister of Finance
Minister of State Services
Minister for State Owned Enterprises
Minister in Charge of Treaty of Waitangi Negotiations
Minister of Maori Affairs
Secretary, CGA
Secretary, ECR
Chief Parliamentary Counsel
Legislation Coordinator
Monitoring System

INDEPENDENT REVIEW OF PROPERTY SYSTEMS AND MANAGEMENT ACCOUNTABILITIES IN LAND INFORMATION NEW ZEALAND: IMPLICATIONS

Reference: CAB (97) 679; CGA (97) M 12/2; paper: "Proposed Restructuring of the Property Area of Land Information New Zealand - Impacts on Other Agencies and the Treaty Settlement Process" tabled by the Minister of Lands

At the meeting on 8 September 1997, following reference from the Cabinet Committee on Government Administration, Cabinet:

BACKGROUND

- a noted that the independent Ernst and Young review of the systems and management accountabilities in the property area of Land Information New Zealand (LINZ) has:
- i concluded that another Dreux situation is unlikely to occur [CAB (97) M 9/4E(2) refers];
 - ii recommended improvements in systems and management accountabilities; and
 - iii recommended that the core business definition be reviewed in respect of acquisition and disposal of surplus Crown land;

- b noted that the recommendations relating to improvements in systems and management accountabilities are in the process of being implemented;
- c noted that the core business in the property area has been reviewed, and that it principally comprises the regulatory role, standard setting and auditing;

RESTRUCTURING OF LINZ PROPERTY AREA

- d agreed in principle (subject to the evaluation of costs and benefits of the restructuring referred to in paragraph (f) below) to restructure the LINZ property area based on the following principles:
 - i outsourcing of non-core functions relating to property acquisition, management and disposal to accredited agents;
 - ii from 1 July 1998, acquisition and disposal (after the requirements of section 40 of the Public Works Act 1981 and of Treaty of Waitangi protection mechanisms have been complied with) of surplus Crown land on behalf of other government-owned agencies should no longer constitute a core function of LINZ, and be transferred to those organisations;
 - iii responsibility in relation to other agencies' property acquisition and disposal will be confined to statutory and regulatory processing (so maintaining Crown consistency and protecting the public interest);
 - iv disposal of properties inherited by LINZ (and predecessor organisations), and future acquisitions on behalf of the Crown are to be outsourced through accredited agents;
 - v management of LINZ's property liabilities be centralised;
 - vi implementation will involve restructuring of the property service area of LINZ;
 - vii the property regulatory group will have a purchasing function (in particular purchasing services from Crown Property Services and Regional Services), and a land information stewardship function in addition to its current functions of setting standards and monitoring compliance with those standards;
- e noted that the proposed restructuring of the property area has no additional Treaty of Waitangi implications;

FURTHER WORK

- f directed officials to report back to the Cabinet Committee on Government Administration (CGA) and the Cabinet Committee on Expenditure Control and Revenue (ECR) by 15 December 1997 with a detailed cost benefit analysis, including staffing, financial, organisational and output delivery implications for LINZ and affected departments;
- g noted that the report back referred to in paragraph (f) above will include a zero-based forecast of revenue and expenditure for Output Class D5: Crown Property Services in Vote: Lands;

- h noted that the report back referred to in paragraph (f) above will also include implications for the repositioning of the other regulatory/service delivery areas (survey, titles, topography/hydrography, regional services) to ensure organisational consistency throughout LINZ;

RELEASE OF REPORT

- i agreed to the release of the Ernst and Young report attached to the submission under CAB (97) 679.



Secretary of the Cabinet