

## Intellectual Capital Statement

### Department of Lands Fast Facts

#### The Department

- Recreated in 2003, the Department of Lands has a long history and was originally established in 1856.

#### Our Functions

- The Department is comprised of:
  - o three business operational divisions - Land and Property Information, Crown lands and the Soil Conservation Service;
  - o the Office of Rural Affairs, which provides support to the Regional Community Consultative Committee and advice to government and
  - o internal corporate support areas, including Financial Services, Management Services, the People and Performance Development Group, Legal Services, Corporate Governance, Information Communications and Technology and the Communication Solutions Group.
- Lands also provides administrative support to the Board of Surveying and Spatial Information and the Geographical Names Board.

#### Our Employees

- We have 1,427 staff.
- The average age of our staff is 45 years.
- 36.4 % of our staff are women.
- 15.3 % of staff identify as being of Non English Speaking Background (NESB)

#### Service Delivery

- We encourage online service delivery; providing access to our information resources wherever our clients are located.
- Lands also provides 'over the counter' services at 54 metropolitan and regional locations around the State.

#### External Relations

- Lands provides grants and other research funding relating to areas such as spatial information, marine cadastre administration and intellectual capital reporting frameworks.
- Lands maintains customer liaison groups which provide a regular forum for exchange of information between the department and professionals involved in the property conveyancing sector.

- The Emergency Information Co-ordination Unit facilitates a collaborative data sharing system on behalf of Emergency Service Organisations.
- Lands chairs several Interdepartmental Committees concerning multi-agency policy matters including availability of public burial space and spatial information.
- Lands is a shareholder in PSMA (Public Sector Mapping Agencies) Australia Limited an unlisted public company limited by shares and owned by the state, territory and Commonwealth governments of Australia which acts as a clearing house for national datasets of spatial information.
- Lands is involved in cross-government and national initiatives such as the CRC for Spatial Information, the Australian Government Consultative Committee on Knowledge Capital and the National E-Conveyancing project.

#### Finances

- Lands is funded primarily through revenues it generates from product and service sales to its customers (\$158.7 million (71%), State Government funding to meet the costs of Crown Land administration and policy development (\$45.4 million (20%)) and grants (\$13.3 million (6%)).
- In terms of expenditure \$88.3 million (51%) is used to meet employee related expenses, \$56.6 million (33%) is expended on other operating expenses with \$14.5 million (8%) being paid in grants and subsidies. Depreciation costs of the department amount to \$12 million.
- In 2004/05, the department also generated revenue of \$115 million from Crown leases and licences and sales of Crown land. This revenue is not retained by the Department but is paid to the Crown Entity within the Consolidated Fund.

#### Innovation

- Lands has been involved in 6 research and development projects with Australian Universities.
- We encourage teamwork and learning, nurturing an innovative internal organisational environment.
- We also provide leadership in spatial information, environmental soils management and the management of public land assets.

#### Public Value

- Lands maintains several public land information registers, providing reliable information which underpins conveyancing and local government rating processes and, as a consequence, the economic fabric of the State.

- Through the management of Crown lands, we provide community facilities and land and water based coastal and estuary assets to meet a diverse range of industry, community and environmental needs.
- Our extensive experience in integrated soil and water resource conservation is utilised to ensure sustainable management of our natural resources and productive capacity of our land including the protection of public and private assets.

**Extended performance reporting**

During the 2004 - 2005 reporting period the Department of Lands has continued to build upon research work undertaken in the 2003 - 2004 financial reporting year in relation to Intellectual Capital Reporting.

Traditionally, like many organisations, our reporting processes have focused on the financial aspects of our business. We acknowledge that changes in reporting are occurring in the private sector, particularly in relation to intangible assets, and recognise that this style of reporting brings added value to the way in which we manage and plan for the future.

To this end the Department of Lands, together with the assistance of a team of researchers led by Professor James Guthrie, of the University of Sydney, has adapted a framework for extended performance reporting.

The Department is also participating in a wider program initiated by the Australian Government Consultative Committee on Knowledge Capital, which will enable the Department to share its experiences and to learn from other organisations involved in similar projects within Australia and internationally.

**What is intellectual capital?**

Intellectual capital been defined by Thomas Stewart as ‘the sum of everything everybody in an organization knows that gives it a competitive edge...Intellectual Capital is intellectual material, knowledge, experience, intellectual property, information...that can be put to use to create wealth.’ (or value).

Intellectual capital is described as having three aspects:

**Human capital** - the knowledge, motivation, abilities and skills of the employees with the organisation.

**External capital** - also generally known as relational capital, which reflects the value of external relationships with the Department. Typically this would include stakeholders, customers, suppliers and other government and non-government agencies.

**Internal capital** - knowledge which has become embedded in the organisational structure such as

commonly held values, culture, processes, digital data systems, policies, procedures and organisational structures. The value of internal relationships between employees and with management is also relevant to this aspect.

This framework is used as a diagnostic tool to examine intellectual capital management, measurement and reporting practices within Lands. The advantage of this model is that it assists in establishing a link between intellectual capital and value creation. The emphasis in this process is not in establishing a stock value for intellectual capital, but in understanding the process of creation and the development of organisational and social value.

Intellectual capital is acknowledged as a vital asset in the creation and maintenance of a sustainable competitive advantage. In the public sector context, intellectual capital may also be viewed as essential to innovation and public value creation.

The identification, measurement and management of intellectual capital is key to ensuring that knowledge applied to value creation is captured, utilised and renewed for the best advantage of the organisation, its employees and the government and community we serve.

**Why have an intellectual capital statement?**

An intellectual capital statement offers an objective image of the intangible resources of the Department of Lands. It provides greater transparency by providing balanced disclosure of information relating to our internal, external and human capital and benefits internal management processes by providing information on how to improve the decision making process.

Internally, managers need to know which activities to encourage and what investments to make in intellectual capital or intangible assets which will further improve overall organisational performance in the future. To concentrate only upon fiscal measures may cause managers to miss out on critical information important to current and future performance.

By measuring and reporting upon non-financial aspects of the agency, which may have been overlooked in traditional reporting frameworks, we hope to provide a clearer more balanced view of our organizations strategies, challenges and general performance. In particular we hope to demonstrate that our intangible resources are essential assets, requiring investment and development to ensure that we can continue to deliver quality products and services in the future.

Through managing, measuring and reporting upon intangible resources we envision a more innovative, more productive Department capable of effectively utilising all

The Department of Lands

Land and Property Information Division

LPI Division Financial Statements

Crown Lands Division

Soil Conservation Service

Office of Rural Affairs

The Department of Lands Financial Statements

BOSSI

BOSSI Financial Statements

Appendices

Glossary

Index

available resources in delivering services to the people of New South Wales.

The intellectual capital statement provides a form of extended performance reporting. This reporting process not only balances the financial and non-financial information available to the public, but also seeks to provide balance to a broader range of information relevant to our decision-making processes - both in the short and the long term.

### Department of Lands Intellectual Capital Statement

This is the first intellectual capital statement of the Department of Lands. This statement provides the baseline from which we will continue to refine and improve our reporting ability. It is anticipated that future reports will demonstrate changes in the indicators and objectives as we improve the reporting framework, develop more refined or 'mature' performance indicators and respond to changes in our organisational environment.

The Department of Lands has adopted an extended reporting framework based on research undertaken by Professor James Guthrie and his team, with input from our management and staff. An overview of the framework is provided in the diagram below. This diagram also reflects the structure of our first Intellectual Capital Statement, which integrates our Strategic Orientation, Managerial Efforts and Performance Results.

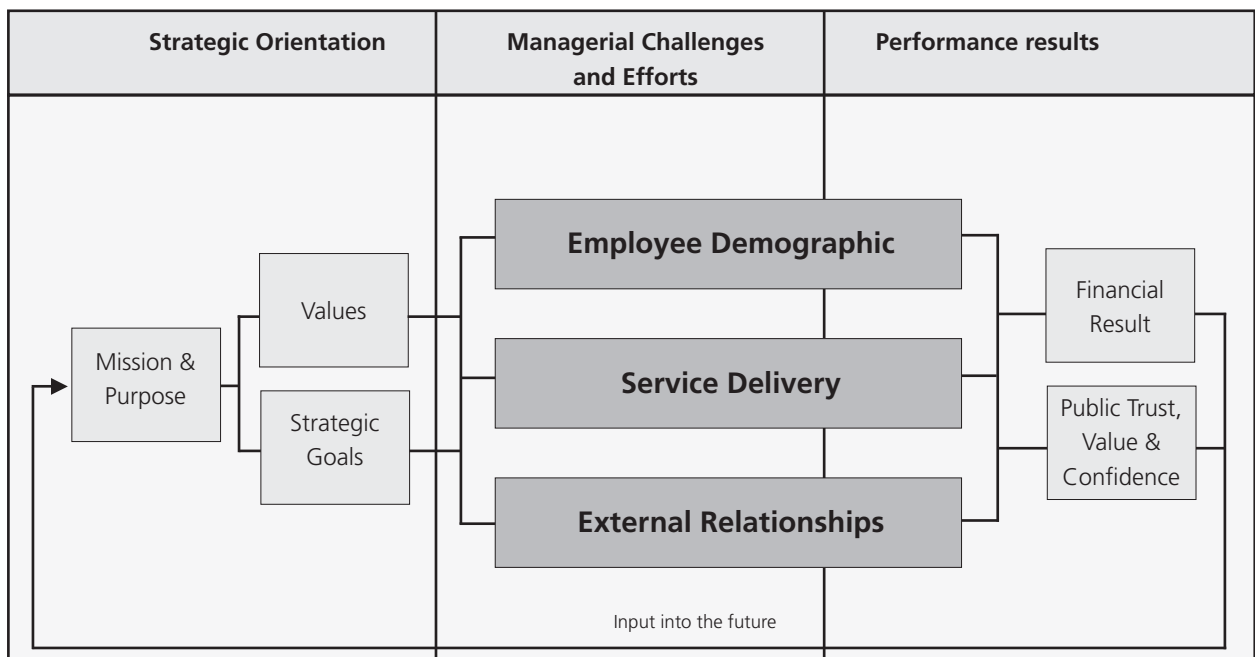
### Strategic Orientation

The Department of Lands provides a variety of land administration and land management products and services. These include land ownership information, surveying and mapping, land valuation services, stewardship and development of Crown lands and soil, water and environmental conservation works and consultancy services. Our products and services underpin the economic well being of the State of New South Wales by providing sound, accurate land information, which assists in generating economic growth and investment in New South Wales, and in informing planning, policy development and decision making across the public sector.

The Office of Rural Affairs has a special role, contributing to the development of rural and regional policy development.

Our skilled and experienced staff, robust information technology and communication systems and efficient and effective internal processes enable provision of timely, quality products and services to the public. These capabilities are enabled by our corporate service areas, which provide services to our business divisions, presenting integrated solutions, which derive whole of agency benefits.

Figure 1 - Lands Intellectual Capital Framework



## Our Purpose

**To provide quality, timely and reliable geospatial information, and land management products and services based on client needs.**

### Our Values

#### Customer Service

We are committed to identifying customer needs and providing excellent products and services to clients in all locations.

#### Accountability

We provide our services in accordance with government and community expectations and manage government finances with strict probity to achieve value for money.

#### Innovation

We seek to develop innovative strategies and solutions to provide customer services and meet government needs

#### Respect

We treat all people with dignity, respect and fairness, acknowledging the different value systems which exist within our multicultural society.

#### Integrity

We behave with integrity and in the public interest when using Departmental resources, managing business and personal information and conducting business transactions.

#### Teamwork

We encourage a team approach to work, learning and problem solving.

#### Leadership

We are committed to providing leadership to the community and the public sector in areas of geospatial information and land management, and at all levels across the organization.

### Strategic Goals

Promote the development and adoption of a comprehensive spatial data infrastructure and a 'one land cadastre' policy across New South Wales.

Promote our expertise in soil, water and environmental conservation for the benefit of publicly and privately held lands

Engaging in legislative and business reform to enhance the stewardship and development of Crown lands in New South Wales

Implement innovative business solutions, which promote and encourage the effective and efficient management of public and private resources.

Encourage strategic partnerships and alliances across the public and private sectors.

Review internal processes with the view to improving productivity and capturing explicit organisational knowledge.

Engage information technology and communication solutions that deliver improved, customer-focused service delivery options.

Create a 'learning organisation' environment, which supports and encourages the development of knowledge and skills.

The provision of efficient, effective and appropriate, quality products and services to the people of New South Wales

Articulate and demonstrate the public value created by the Department of Lands.

## Management Challenges

As a result of investigation and review undertaken in the past year a number of managerial challenges were identified which are aligned with the elements of intellectual capital. These challenges are summarised as follows:

### **Employee Demographics (Human Capital)**

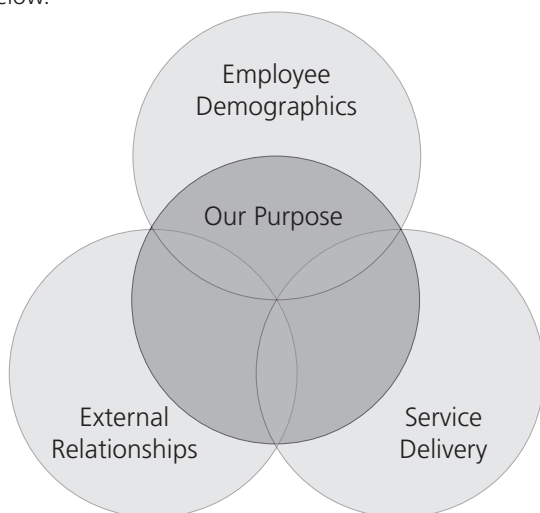
- identifying, sharing and retaining knowledge; employee attitudes and motivations; learning and development and innovation.

**Service Delivery (Internal Capital)** - developing cross functional processes; agile organizational structures; integrated information technology systems and a dynamic knowledge culture; and

### **External Relationships (External Capital)**

- improving relationships with the community, other agencies and organisations; multi-channel distribution strategies; customer focus and responsiveness and our corporate image and identity.

These management efforts have been encapsulated in a simplified model, represented diagrammatically at Figure 2 below.



**Figure 2**

The central circle reflects the Departmental purpose. This purpose is achieved by responding to three significant management challenges indicated in the interlinking spheres. These challenges require long term planning, extending beyond the budget cycle, to ensure that the organisation's future capacity and capability are developed. Further, the sustainability of the organisation depends on meeting these challenges and preparing our organisation to meet the challenges ahead. It is our obligation to plan, prepare and invest now to ensure that we can continue to meet the service delivery requirements of the future.

## Performance Results

In this first Lands Intellectual Capital Statement we seek to report on the three areas of managerial effort - employee demographics, service delivery and the management of external relationships. As indicated earlier, it is our intention that, over time, these indicators will change to reflect our improved understanding of these areas of management focus.

Innovation, public trust, value and confidence and the significance of financial results are also key reporting criteria. In the case of innovation public trust, value and confidence these issue are addressed briefly later in this Intellectual Capital Statement. The financial results are outlined later in the Annual Report.

## Employee demographics

Employee Demographics	02/03	03/04	04/05	Desirable trend
Number of full time equivalent employees as at 30 June	1458	1441	1427	→
Average age of employees	-	-	45	↘
Learning and Development - External Courses - no. of staff attending	-	246		↗
Learning and Development - Internal Courses - no. of staff attending	-	462		↗
% of staff who identify as being of NESB*	15.3	15.7	15.3	↗
Women as a % of total staff as at 30 June* * further information about trends in EEO groups can be found in the Annual Report appendices	34.8	35	36.4	↗

Like many public sector organizations we are seeking to address the changing demographics of our workforce. The average age of a Department of Lands employee is 45 years of age. Over the next 5 - 10 years we anticipate that approximately 44 % of our staff will be eligible for retirement.

We are fortunate that many members of our staff and management have remained with the organization for decades. This longevity of service has contributed to the development of a huge resource of knowledge, expertise and skills within the Department. Reflecting a more traditional model of employment many staff members began as cadets or juniors within the organization. While many undertook complementary tertiary studies to obtain technical or professional qualifications in recent years learning and development has occurred largely within the workplace, through the transfer of knowledge from older members of staff in an apprenticeship style of work relationship. Staff members also took the opportunity to undertake further external studies while they continued to work for the organization, returning to apply their learning in the workplace.



While these forms of learning and development remain relevant in the modern workplace, the pressures of time, available resources and professional development needs of staff, new opportunities are being trialled. For example, two areas within the Department of Lands have developed Certificate III courses in partnership with TAFE NSW to provide training relevant to workplace skills requirements as well as a recognized educational qualification.

Like many organisations, explicit organizational knowledge has been captured in databases, manuals, procedures, guidelines and policies. Systems have already

been developed with input from our staff to record and support the development of efficient, quality processes to support typical business transactions.

However, the tacit knowledge of our workforce - the know-who, know-how, know-why, know-where - the informal networks, recollections and experiences that enable our staff to respond to more complicated issues is more difficult to transfer. One solution involved a retiring staff member conducting a series of internal seminars or lectures to present an overview of his work and experiences and for questions and answers about particular issues. Other options are also being explored include support networks, mentoring arrangements and training programs.

## Service Delivery

Service Delivery	02/03	03/04	04/05	Desirable trend
Average number (monthly) internet feedback requests (based on 9 months of records)	-	-	285	
Average number (monthly) hits on Lands web site	-	-	1,848,046	

Technology has brought about a number of changes in the way we deliver services. We provide a growing range of information products and service online as we seek to provide equity of service delivery across the State.

The demand for continuous, integrated, quality service delivery requires us to think 'smarter' about our internal processes and to use available technology and communication solutions to deliver cost effective and equitable services to our clientele wherever they are located. However we continue to maintain 'shop fronts' providing 'over the counter' services in 54 offices in metropolitan and regional locations around the State.



The adoption of marketing tools and the development of client profiles have assisted Lands in improving service delivery opportunities across the State.

Improved client relationships and service delivery outcomes are underpinned by the adoption of quality management methodologies, which ensure that feedback from clients is integrated into improving systems and delivery mechanisms.

The monthly hits on the website reflects a rapid increase in the usage of the Lands Internet site over the reporting year. To better utilise the website data feedback, we recognise a need to capture more detailed information to assist us improving access to information.

Further information concerning electronic service delivery initiatives and Land and Property Information dealing and plan lodgments are available later in this Annual Report.

## External Relationships

External Relationships	02/03	03/04	04/05	Desirable trend
Number of significant committees and statutory bodies involving Lands representatives	40	32	35	
Research partnerships	2	2	6	

The Department of Lands services a wide variety of client groups, community groups, industry groups and other public sector agencies through provision of its products and services. Although we interact with particular communities on a daily basis, we are also mindful that we serve the government of the day and the wider interests of the public of New South Wales.

Our staff maintain memberships and links with a variety of professional associations and interagency committees. Involvement with these groups provide access to current issues within areas such as surveying, soil conservation, valuation, law, policy development and public sector management, ensuring a high standard of professionalism is maintained within the Department.

The knowledge and expertise of our staff has been recognised through awards such as the 2004 "Case" Earth

Awards presented to staff of the Soil Conservation Service in relation to the construction and project management of the Tingha sewerage scheme.

Lands supports a variety of research and development projects aligned with the interests of the Department, such as the Intellectual Capital Project. This work is being developed in the 2005 - 2006 financial year with further research to be undertaken with input from the University of Sydney, Macquarie Graduate School of Management, the University of New South Wales, Cranfield University (United Kingdom) and the Bocconi University. Other research projects include spatial information projects such as marine administration, the further development of qualitative measures provided by the Valuer-General, and national spatial data initiatives concerning built and natural environment datasets.

## Innovation

In the course of preparing this Intellectual Capital Statement we have come to realise that innovation is an integral part of many of the managerial challenges and efforts. As a result, in Figure 1 we have depicted the management challenges, efforts and performance reporting endeavours as being incorporated in an environment of innovation.

Innovation is linked with the change process. Challenges in the workplace, whether they are in the area of human, internal or external capital, require innovation and creativity to ensure that our products and services continue to be relevant and create value for the community.

Innovation involves conceptualising and implementation of new ideas, new ways of delivering services and products and new ways of working. Innovation is also, generally, linked with commercial success. Lands has exhibited a willingness and capacity to innovate - whether through the adoption of new technologies, policies and work practices or in leading ventures in new areas of research and discovery such as the spatial information field or in the management, measurement and reporting of the intangible assets which exist in our organisation.

We acknowledge the need to develop indicators, which help us to express how innovation benefits our organisation, to compliment narrative style reporting. While some information already appears in other areas of measurement, for example the number of research partnerships we are involved with or the increase in online services, developing indicators of innovation remains our challenge for the 2005 - 2006 reporting year.

## Public Value, Confidence and Trust

Unlike a business, the Department of Lands is not measured only on its ability to deliver quality services within its budget but on its ability to deliver to the public services that instil public trust and confidence and provide public value.

## Value

Another aspect of value to the public is in the way the services are valued by the public. As the Department of Lands has continually improved its service delivery by making more information available in electronic format and as a result cheaper to access, users are seen to be using the information in new and different ways. This has resulted in an increase in the demand for information from the Department of Lands. This is evidenced in the growing trend for titling information that is supplied at a cheaper cost to the public.

## Trust and Confidence

The Department of Lands encourages public trust and confidence in its products and services in several ways. Over time we have developed a reputation as fair and equitable providers of quality information and sound advice. For example, our titling services underpin land conveyancing processes; our expertise in environmental Soil Conservation Service is well recognised through industry awards and we continue to manage public land assets fairly and equitably to ensure the best social, economic and environmental returns to the community.

Together with the Valuer General, the Department of Lands has actively sought to improve public confidence in the land valuation system by improving available information concerning the valuation process to landholders by way of a newsletter and by providing supporting sales information and clarification of valuation issues to landholders upon objection. The success of this process may be measured by the number of Local Councils that are including the valuation newsletter with their rate notices and by the relatively low number of valuation objections received by the Department of Lands, which has one of the lowest objection rates of any Australian State.

## Financial

Financial reporting has traditionally been the strongest aspect of performance reporting in the public sector.

The Department's financial statements follow and include separate accounts for the Department of Lands and Land and Property Information New South Wales (LPI). The reason for the two sets of accounts is that LPI, although organizationally part of the Department, is required by a Treasury directive to prepare separate accounts in respect to its business operations.

The department's accounts are annually audited by The Auditor General. His Independent Audit Report is enclosed as to the adequacy of the financial accounts included as the first page in this section with the financial accounts.

These audit reports indicate that the department's accounts are in accordance with the Australian Accounting Standards and other mandatory reporting requirements and present fairly the financial transactions during 2004/05. If the financial accounts failed to meet these standards the Auditor General would advise this as part of his Independent Audit Report.



## Internal Reporting using the Balanced Scorecard

The Balanced Scorecard, first introduced by Kaplan and Norton more than ten years ago, introduced a multidimensional view of corporate performance reporting. From a single focus on financially based metrics, including cost and budget variation, the Balanced Scorecard extended reporting to include learning and growth, internal business process and customer perspectives as well as the traditional financial view. These perspectives are not intended to be isolated viewpoints of the organisation, but are interlinked and layered, reflecting causal connections, for example, between customer satisfaction and financial growth.

The nature of the public sector is such that appropriate measures must include issues as service outcomes (quality and efficiency), social outcomes (social equality and stakeholder satisfaction) as well as traditional financial measures.

The Balanced Scorecard framework complements extended performance reporting seeking a balanced and comprehensive view of service outcomes. As a management tool, the Balanced Scorecard helps to motivate staff by linking operational performance with the purpose and strategies of the organisation. Through performance and action measures we are able to align individual, divisional and organisational goals and to test, provide feedback on and adjust the organisations strategy.

Together Balanced Scorecard and Intellectual Capital Reporting provide a dynamic view of Departmental performance.

These management systems enable us to:

- Clarify and gain consensus about strategy and goals;
- Communicate strategic objectives and performance, improving transparency in reporting both internally and externally;
- Provide a better understanding of the non financial assets of the department and their importance in creating value;
- Obtain feedback to learn and improve our strategies and performance.

The diagram below shows the relationship between Intellectual Capital and Balanced Scorecard reporting that will be used by the Department of Lands. While the four reporting areas of Balanced Scorecard Reporting do not directly align with the three reporting areas of Intellectual Capital Reporting, there is a strong correlation.

Intellectual Capital		Balanced Scorecard	
External Capital	< >	Customer and Community	
Internal Capital	< >	Financial Results	Service Delivery
Human Capital	< >	Learning and Development	

## Next Steps

In the 2005 -2006 reporting year, Lands intends to:

- Build upon the research already undertaken and continue to enhance extended performance reporting;
- Strengthen the connection between strategic planning objectives and operational performance;
- Broaden and improve the management, measurement and reporting of intangible assets;
- Operationalise internal reporting processes with a focus on continuous reporting on intangible assets within the organisation; and
- Encourage further pilot projects within the organisation which assist in building a sustainable knowledge-based learning organisation.