



AGENDA

Council Meeting: Friday 22 March 2024, 9:00am - 11:00am

Venue: Online Meeting

Section 1 – Meeting Preliminaries

9:00am	1.1	Council only (in committee)
9:15am	1.2	Council and Tumu Whakarae (CE) alone time (in committee)
9:25 am	-	Short Break
9:30am	1.3	MEETING OPEN Karakia, apologies, agenda review

Section 2 – Strategic Priorities

9:35am	2.1	2024/25 Strategic Goals
9:50am	2.2	2024/2025 Budget
10:40am	2.3	DNCL Plan/Budget 2024/25

Section 3 – Consent Agenda

10:50	3.1	Minutes of the meeting of 9 February 2024
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Section 4 – Other Matters

10:55am	4.1	CONTINGENCY (for any overflow)
	4.2	Matters for communication – key messages
	4.3	General business
	4.4	Meeting review
11:00am	4.5	Meeting close (karakia)



COUNCIL MEETING - 22 March 2024

InternetNZ Strategic Goals 2024/25

ITEM NO: 2.1
 AUTHOR: Tumu Whakarae (CE) - Vivien Maidaborn
 FOR: Council
 PURPOSE: To provide the Strategic Goals for 2024/25 to Council for approval
 DATE WRITTEN: 13/03/2024

	Alignment
Ipurangi Aotearoa Strategy 2022-2025	This paper connects the overall strategy with specific goals for 2024/25, based on learning from 2023 goals.
Te Tiriti o Waitangi	Centering Te Tiriti o Waitangi is a Strategic Priority. Proposed Annual Goals for 2024/25 identify opportunities for continuing to centre Te Tiriti across all the work programmes of INZ Group

Purpose of this paper

At the February 2024 Council meeting, the CE presented draft 2024/25 annual goals and measures incorporating prior feedback from Council, staff and members / stakeholders.

Following feedback from Council during the meeting, and a workshop with staff at the recent staff wānanga, a final version is presented for approval today. This set of goals taken as a whole provide the work programme for the last year of the 2022-2025 strategic plan.

Recommendation

THAT Council **approve** the 2024/2025 Strategic Goals.

<p>2024/25 Goals</p> <p>What we will focus on</p>	<p>Goal value</p> <p>The value this goal will deliver, why it is important</p>	<p>Measures</p> <p>How we measure success of progress to the goal</p>
<p>Goal 1 - A thriving .nz operation that is resilient and sustainable</p>	<p>InternetNZ provides .nz as a public good. Aotearoa New Zealand has a high trust domain name service, and a well-functioning internet as critical infrastructure.</p> <p>A thriving .nz provides funding to invest back into our communities so we support an internet that benefits all.</p> <p>InternetNZ will increasingly be able to measure the impact its operation has on the climate.</p>	<p>100% availability DNS.</p> <p>99.9% availability registry services (excluding scheduled maintenance).</p> <p>Identify how to quantify InternetNZ's and .nz's carbon footprint.</p> <p>.nz rules annual plan prioritised and published Q1 2024/25. Create systems and processes that result in efficient and effective rule changes.</p> <p>Research, design and draft internship plan.</p>
<p>Goal 2 - Revenue growth year-on-year by:</p> <ul style="list-style-type: none"> ● Increase registrar engagement to support competitive market ● Provide wholesale domain name services to two other registries 	<p>A focus on business growth through new services and stimulated growth will support InternetNZ's strategy and goals.</p> <p>Understanding the drivers of our business model and public impact funding enables InternetNZ's business model to be resilient and better able to respond to future changes.</p>	<p>Passive growth in .nz revenue of 1% (distinct from stimulated growth).</p> <p>Stimulated growth of 15,000 .nz registrations in a 12 month period, attributable to campaigns.</p> <p>Launch Registry Lock (Lite) with revenue and customers in 2025.</p> <p>Conduct a low risk experiment to create new revenue streams by delivering wholesale domain name services to other TLDs.</p>

<p>2024/25 Goals</p> <p>What we will focus on</p>	<p>Goal value</p> <p>The value this goal will deliver, why it is important</p>	<p>Measures</p> <p>How we measure success of progress to the goal</p>
<p>Goal 3 - Centering Te Tiriti o Waitangi in InternetNZ</p>	<p>InternetNZ strengthens Te Tiriti o Waitangi within our own internet community and internet governance.</p> <p>InternetNZ’s journey to being a Te Tiriti o Waitangi centric organisation is visible to our kaimahi, partners and internet communities.</p> <p>Te Ao Māori perspectives increasingly inform our mahi.</p> <p>The comprehensive Te Tiriti Plan provides focus and definition of what Te Tiriti centred means for INZ Group in any particular year.</p>	<p>Māori internet communities, and InternetNZ partners tell us Ipurangi Aotearoa is an ally in giving practical effect to Te Tiriti o Waitangi.</p> <p>We actively engage Māori in co-design of key events and projects (e.g. Constitution review, Nethui, .nz Rules).</p> <p>A comprehensive (whole of InternetNZ group) Te Tiriti o Waitangi plan is developed by December 2024 that incorporates action across every goal.</p>
<p>Goal 4 - New Zealand’s voice is heard and contributes to good global internet governance</p>	<p>A clear NZ perspective and narrative on internet governance policy supports an open, free, secure and interoperable Internet because it’s critical to Aotearoa’s economic growth and social and cultural wellbeing.</p> <p>InternetNZ advocates for a single, global Internet and its multistakeholder governance. We work to model, defend and improve this model of internet governance.</p> <p>InternetNZ participates in forums and processes to help shape an internet that benefits all the people of Aotearoa.</p>	<p>The NZ voice contributes into ICANN and related processes clearly and visibly within the national and international internet governance community.</p> <p>A paper is provided to Council by June 2024 that articulates a cohesive internet governance work programme across InternetNZ.</p> <p>InternetNZ’s advice is sought from the government through strengthened government networks.</p> <p>We deliver NetHui 2024 as our internet governance forum. And produce internet community positions</p>

<p>2024/25 Goals</p> <p>What we will focus on</p>	<p>Goal value</p> <p>The value this goal will deliver, why it is important</p>	<p>Measures</p> <p>How we measure success of progress to the goal</p>
	<p>NZ’s voice is informed by our internet communities’ perspectives. We are able to present their perspectives and our insights into national, regional, and international forums and meetings.</p>	<p>and a NetHui 2024 report so that NZ’s voice can be shared nationally and internationally.</p>
<p>Goal 5 - Revitalised InternetNZ through</p> <ul style="list-style-type: none"> ● modernising our constitution ● refreshing our brand/identity ● Centering Te Tiriti 	<p>Modernise the InternetNZ Constitution to reflect the legal requirements and being a Te Tiriti centric organisation</p> <p>InternetNZ and our environment has changed since 2019. We need a refreshed brand that represents us as a Te Tiriti - centric organisation.</p>	<p>Māori are engaged and actively participating in the constitutional review across 2024.</p> <p>Members are engaged and have the ability to participate in the constitution review.</p> <p>The engagement process for InternetNZ in 2024/25 results in a minimum of 50 new InternetNZ members.</p> <p>The approach to brand refresh is explored and a recommended approach is brought to Council by YE 2025.</p> <p>Annual report 2024 and 2025, includes progress on centering Te Tiriti within InternetNZ group including any ongoing actions relating to the Systemic Racism Review.</p>

<p>2024/25 Goals</p> <p>What we will focus on</p>	<p>Goal value</p> <p>The value this goal will deliver, why it is important</p>	<p>Measures</p> <p>How we measure success of progress to the goal</p>
<p>Goal 6 - The role of the Domain Name Commission is valued by market participants</p>	<p>Registrars understand their obligations and implement best practices.</p> <p>Registrars are responsive to Domain Name Holder requests.</p> <p>Domain Name Holders are aware they can contact the Domain Name Commission with complaints and enquiries.</p>	<p>Registrar Authorisation Agreement is reviewed and updated by the end of FY.</p> <p>A Registrar Licensing Guide is developed and published.</p> <p>A Registrar Training pack is developed and implemented.</p>
<p>Goal 7 - Partnership and collaboration with diverse communities for an internet that benefits all of Aotearoa</p>	<p>As a membership organisation InternetNZ continues to provide a number of avenues for membership to engage on accountability, strategy, public policy and key projects.</p> <p>InternetNZ builds strong reciprocal partnerships and relationships that support engagement with Māori communities and the internet community.</p> <p>We ensure we have sustainable funding models into the future.</p> <p>Our internet governance role is supported through community partnerships and grants, relationships and collaborations.</p> <p>We demonstrate InternetNZ’s public good role through the sharing of insights, research, and case studies of impact.</p>	<p>Deliver to Council a recommendation on new approaches to public impact through partnerships and grants in InternetNZ by July 2025.</p> <p>Funding to Māori partners and organisations increases as an overall percentage in 2024.</p> <p>The Membership Engagement Plan is implemented by March 2025.</p> <p>Complete DPMC funding for mis/disinformation and provide a final report by August 2024.</p> <p>Delivery on 1st tier deliverables of the Broadband Map Strategy in 2024.</p>



Council Meeting - March 2024

Budget 2024/25

ITEM NO: 2.2
 AUTHOR: Tumu Whakarae (CE), Vivien Maidaborn
 DATE: 14/03/2024

	Alignment
Ipurangi Aotearoa Strategy 2022-2025	This paper recommends a Budget to implement the overall strategy, focused on strategic goals for 2024/25.
Te Tiriti o Waitangi	Centering Te Tiriti o Waitangi is a Strategic Priority. Proposed Budget for 2024/25 identifies opportunities for continuing to centre Te Tiriti across all the work programmes of INZ Group.

Purpose of this paper

To set out the strategy and detail of the proposed 2024/25 Budget toward achieving Council approval

Key Messages

We are proposing a three-year budget roadmap that balances short-term needs with our long term business vision. It provides a detailed Budget for 2024/25 that should be read alongside the 2024/25 Goals.

A longer term funding roadmap will support a sustained effort on the business-led growth identified by Council as the preferred approach to financial sustainability in February 2024. This roadmap supports the approved .nz product strategy and resets key assumptions about our business model.

Recommendations

That Council **approve** for 2024/25 an operational expenditure budget limit of **\$14,560,058** and capital expenditure of **\$519,200**.

That Council **approve** the new funding model and the distribution of **\$900,000** funding in 2024/25.

That Council **note** the Revenue target of **\$14,635,470**.

Overview

- In recent years InternetNZ has prioritised investment on delivering public impact for communities in Aotearoa, and this has resulted in less focus on growing our core product - .nz.
- Currently INZ faces increasing fiscal challenges with static or reducing numbers of Domains under Management (DUM), increasing operating costs, a recommitment to key initiatives like .nz rules, and NetHui, as well as ongoing commitment to making progress on the strategic goals. These activities are all placing pressure on our annual budget envelope and on our ability to fully deliver across all these areas.
- We have an opportunity to get ahead of this looming challenge. We have a healthy balance sheet and we need a clear investment strategy that provides a ring-fenced funding stream for public impact.
- Our strategy is to rebalance our focus back to revenue growth by increasing our investment in marketing .nz and other new revenue streams while looking at sustainable funding models for public impact partnerships and funding.
- If we start now we can maximise the time available for business growth, and have time to develop a strategic approach to a funding stream and partnerships that support public impact.
- Over the three year period, business growth and increased revenue will result in more money and InternetNZ can again balance investment in business growth and public impact.
- For the budget this means expenditure shifts from public impact into .nz business growth in the short term.

Structure of the Paper

- Current Financial Health
- 2024/25 Detailed Budget
- Proposed Funding model - 3 scenarios
- Three-year projection
- Capital expenditure

Current Financial Health 2023/24

The results in the Profit and Loss and our Balance sheet have put us in a strong position heading into the new financial year.

Our current forecast for year-end 2023/24 is that we will have **a minor surplus before investment income**, noting the original approved budget was a \$892k deficit.

We are **projecting an investment income of \$893k to year-end** March 2024 based on improvements in the market over the last few months.

See [Appendix A](#) for more details.

2023-2024 Year-End Forecast	2023/24	2023/24	+/-
Compared to budget	Budget Approved	Year-End Forecast	
Description			
.nz registry	13,624,242	13,475,602	(148,640)
Other Products	76,500	43,300	(33,200)
Misc (incl Shared services)	361,528	417,805	56,277
Total Revenue	14,062,270	13,936,707	(125,563)
DNCL	1,635,000	1,635,000	0
Direct Costs	2,232,273	2,180,215	52,058
Employment Costs	6,391,256	5,925,876	465,380
Operational Costs	2,367,116	1,949,758	417,358
Governance	374,424	369,010	5,414
International	229,439	329,173	(99,734)
Marketing	144,500	115,951	28,549
Funding	1,202,000	1,200,000	2,000
Engagement/Comms	295,000	80,983	214,017
Depreciation/Write-offs	84,000	147,974	(63,974)
Total Costs	14,955,008	13,933,939	1,021,069
Surplus/Deficit	(892,738)	2,768	895,506
Investment Income	658,290	893,332	235,042
Surplus/Deficit post Interest	(234,448)	896,100	1,130,548

Current Balance Sheet Position

InternetNZ has a strong Balance sheet and retained earnings position. As of the end of February 2024, our Cash Position is **\$17.7m**:

- Cash in Bank/Term Deposit - \$12.2m
- Invested in Managed Funds - \$5.5m

These funds have **returned an income to the end of February of \$874k**, and we forecast \$893k at year-end based on a number of term deposits maturing.

The forecast position for retained earnings as of March 31st 2024 is **\$11.5m**.

2024/25 Operational budget

Our proposed 2024/25 operational budget is .nz business growth led in order to create a more sustainable future income/revenue

2024-2025 InternetNZ Budget	2023/24	2024/25	+/-
	Forecast	Draft Budget	
Description			
.nz registry	13,475,602	13,625,584	149,982
Other Products	43,300	369,000	325,700
Misc (incl Shared services)	417,805	380,886	(36,919)
Total Revenue	13,936,707	14,375,470	438,763
DNCL	1,635,000	1,650,000	(15,000)
Direct Costs	2,180,215	2,476,254	(296,039)
Employment Costs	5,925,876	6,880,200	(954,324)
Operational Costs	1,949,758	1,919,645	30,113
Governance	369,010	356,764	12,246
International	329,173	253,100	76,073
Marketing	115,951	438,000	(322,049)
NetHui (net of Income)	0	189,136	(189,136)
Engagement/Comms	80,983	321,700	(240,717)
Depreciation/Write-offs	147,974	75,259	75,259
Total Costs	12,733,939	14,560,058	(1,823,575)
Surplus/Deficit pre-funding/Interest	1,202,768	(184,588)	(1,387,355)
Interest Income	893,332	420,000	(473,332)
Surplus/Deficit post Interest	893,332	235,412	(657,920)
Cumulative result over two years	893,332	1,128,744	

Interest Income for 2024/2025 is based on the remaining cash flow available of \$7m, @ 6% return(after \$10m Funding Model)

There are a number of underlying drivers/assumptions we have used to build the proposed operational budget for 2024/25:

- .nz revenue 2% growth based on combination of
 - Domains under Management (DUM) growth
 - Launch of new product - Registry Lock
 - Diversified income, leveraging our core capabilities
- Investment in marketing increased to over \$400k to stimulate growth, directly attributable to campaigns.
- Salary increase funding pool included, based on market data from an external source the pool is based on 4% of current salaries.
- Stable organisational structure with no substantive staffing changes - assumes all roles remain filled.
- While inflation was last reported at 4.7% we have not made an across the board assumption on CPI increases on expenditure and aim to balance against efficiencies.
- The previous capital investment in the new IRS platform has an annual operating cost of \$500k plus and is included in direct costs.

In addition, we have a number of larger time-limited projects in 2024/25 that support our goals, but also have significant resource and expenditure requirements:

- Diversifying income
- .nz policy and rules work programme
- Constitutional review
- Nethui - October 2024

Proposed Funding model - 3 scenarios

In order to grow sustainable future income/revenue streams, we need to rebalance public impact spending in the short term while we consider new models for partnering and grants. Part of the change process to the new model includes a 6 monthly assessment of the budget spend with decision points that would include moving funds toward additional reinvestment in the business model, additional funding or retained earnings as required.

We have considered three scenarios and, as part of this process, have focused on these key considerations:

- How much do we want to utilise the balance sheet in the medium term?
- Create options that would facilitate introducing a new funding model that creates a visible funding stream so a move toward more funding partnerships and impact are easier to explore.
- Other potential revenue avenues and cost efficiencies.
- Risks with each scenario.

Balance Sheet and Funding Model Scenarios - 2024/25

(\$000's)			
2024/25	2024/25	2024/25	2024/25
Funding Model Scenarios	Scenario 1	Scenario 2	Scenario 3
Initial Contribution - Balance Sheet	\$10,000	\$10,000	\$10,000
Interest Revenue	\$600	\$600	\$600
Sub Total	\$10,600	\$10,600	\$10,600
Funding Scenarios	\$1,200	\$900	\$600
Sub Total	\$9,400	\$9,700	\$10,000
INZ Contribution EBIT	\$0	\$0	\$0
Fund Balance	\$9,400	\$9,700	\$10,000

Should the result for INZ be a surplus, the INZ contribution above will reflect it.

A public impact funding model could be based around the following parameters:

1. Setting up a funding model where \$10m cash is isolated and invested solely for the purposes of partnerships and grant funding.
2. Funds are invested based on the revised Investment Policy (still in draft).
3. All Interest is reinvested into the fund.
4. Surplus funds from operations, and after consideration of the business needs are assessed, will be invested in the fund as they become available.

Scenario 1 (0% Decrease in Funding)

Scenario 1 is based on creating the new funding model and leaving the level of public impact funding as per 2023/24. Interest is based on investing available initial funds of \$10m and assumes a 6% return.

Outcome: the initial funds could reduce by \$600k in the year based on these assumptions. But the level of public impact funding for partnerships and grants remains at \$1.2m.

Risks considered - if the expected level of \$600k interest earnings is not met, then it will result in a reduction in the fund and affect retained earnings.

Scenario 2 (25% decrease in funding)

Scenario 2 is based on creating the new funding model as per scenario 1 but the level of funding is reduced to \$900k, a 25% decrease on 2023/24 level.

Outcome: the fund reduces by \$300k in 2024/25 based on these assumptions. But we have adequate levels of partnership/grants funding available temporarily.

Risks considered if the expected level of interest earned is not met then it will result in a reduction in the fund and affect the retained earnings by \$300k. There is some possible reputation risk with reduced funding being available short term.

Scenario 3 (50% decrease in Funding)

Scenario 3 is based on creating the new funding model as per scenario 1 but the level of funding is reduced to support current partnerships and limited grants only.

Outcome: the fund could break even within a year, but reduced funding in the first year would have an impact on the community of organisations/individuals who look to us across digital access, research, equity and mis/disinformation areas.

Risks considered if the level of interest earned is not met, then it will result in a reduction in the fund and affect retained earnings. A higher reputation risk to InternetNZ in an already constrained funding context, even for a short term may be seen to not align well with our purposes of an internet that benefits all.

Our preferred scenario is Scenario 2 as we believe this will allow us to balance the .nz business growth and public impact in the short and medium term.

Three-year projection

The proposed 3-year financial roadmap outlines our projections on revenue and explores public impact funding models. We have selected Scenario 2 (as per our recommendation) to establish Year 1 for future years' projections.

In balancing short-term need and longer-term vision, the projections for future years are built on the foundations of the revised business model to support business growth for future sustainability.

The projections include the following drivers and assumptions:

- Growth in .nz estimated at 3% in outer years
- An increase of \$3 to the .nz wholesale fee will be introduced during 2026/27
- increase each year in funding/partnerships funded

- Salary review based on 3% in outer years
- Substantive work on Constitution completed 24/25
- NetHui every two years
- Static investment income

Three year Budget Projections

2024/2025 Budget	2023/24	2024/25	2025/26	2026/27
Three Year Projection	Forecast	Year 1	Year 2	Year 3
Description				
.nz registry	13,475,602	13,625,584	14,271,816	16,254,485
Other Products	43,300	369,000	679,000	989,000
Misc (incl Shared services)	43,300	380,886	398,312	416,262
Total Revenue	13,562,202	14,375,470	15,349,128	17,659,747
DNCL	1,635,000	1,650,000	1,666,500	1,683,165
Direct Costs	2,180,215	2,476,254	2,800,067	3,290,070
Employment Costs	5,925,876	6,880,200	6,857,026	7,062,737
Operational Costs	1,949,758	1,919,645	1,938,842	1,958,230
Governance	369,010	356,764	381,737	381,737
International	329,173	253,100	263,224	273,753
Marketing	115,951	438,000	525,600	630,720
NetHui (net of Income)	-	189,136	0	204,267
Engagement/Comms	80,983	321,700	257,360	257,360
Depreciation/Write-offs	147,974	75,259	44,314	36,000
Total Costs	12,733,939	14,560,058	14,734,670	15,778,039
Surplus/Deficit pre funding/Interest	828,263	(184,588)	614,458	1,881,708
Interest Income	893,332	420,000	445,200	471,912
Surplus/Deficit post Interest	893,332	235,412	1,059,658	2,353,620
Cumulative result over four years	893,332	1,128,744	1,573,944	2,045,856
Interest Income based on the remaining assets (after the \$10m Funding Model) of \$7m, @6% return				

This Three year Funding Model projections 2024/25 - 2026/27

(\$000's)			
Funding Model Scenario 2	2024/25	2025/26	2026/27
Three-year Projection	Year 1	Year 2	Year 3
Initial Contribution - Balance Sheet	\$10,000	\$9,700	\$9,896
Interest Revenue	\$600	\$582	\$594
Sub Total	\$10,600	\$10,282	\$10,490
Funding	\$900	\$1,000	\$1,200
Sub Total	\$9,700	\$9,282	\$9,290
INZ Contribution EBIT	\$0	\$614	\$1,882
Cumulative result over three years	\$9,700	\$9,896	\$11,172

Should the result for INZ be an increased surplus, the contribution above will reflect it.

Monitoring and reporting

We believe that it is key for us to closely monitor the financials as we transition to this new model and that any surplus/deficits to the budget in revenue, expenditure, funding and interest are reported. This will allow us to highlight the implications and inform decision-makers in organisations on a timely basis. We would suggest a 6 month more formal review.

We will also actively monitor the risks by developing a detailed risk register to ensure we can achieve the strategic and financial goals set.

2024/25 Budget: Capital Expenditure

The proposed Capex budget below is divided into the following categories:

- .nz Investment
- Other capital activities to support the business

Capex Budget	2024/25
.nz Investment	\$120,000.00
Infrastructure/Other	\$132,000.00
Staff Computer Equipment	\$63,800.00
Web Development	\$150,000.00
Broadband Map	\$25,000.00
Misc	\$28,400.00
Total	\$519,200.00

Appendix A

Year-end forecast 2023/24

Our current forecast for year-end 2023/24 is that we will have **a minor surplus before investment income**, noting the original budget was for a \$892k deficit.

We are also projecting an investment income of \$893k to the end of March 2024 based on the improvements in the market over the last few months.

While our 2023/24 revenue for .nz registry fees was down by \$149k we have initiated the planned reductions in expenditure and made savings against the original budget over a large number of areas - notably:

- **Employment costs - \$465k below budget** - the staff turnover figures have been high this year and we chose not to recruit immediately in a planned attempt to reduce costs. There have also been some roles that have been difficult to recruit to which have led to further delays in spend.
- **Operating Costs - \$417k below budget**, with the main contributors being lower external consultants costs, reduced legal costs and reduction in third party licensing/support costs.
- **Engagement and Communication - \$214k below budget** - we planned a larger amount of external engagement in areas such as constitution refresh and Maori Engagement but due to weather events, planning processes and timing of getting people on board, some of this work was delayed. (Note 2024/25 budget submission now includes some of these costs).



COUNCIL MEETING - March 2024

DNC Management Fee for FY 2024/25

ITEM NO: 2.3
 AUTHOR: Vivien Maidaborn , Chair of the DNC Board
 PURPOSE: Approval of the Domain Name Commission Management Fee for 2024/25.
 DATE: 14/03/2024

	Alignment
Ipurangi Aotearoa Strategy 2022-2025	This paper recommends a Management Fee to implement the overall strategy, focused on strategic goals for 2024/25.
Te Tiriti o Waitangi	Centering Te Tiriti o Waitangi is a Strategic Priority for DNCL The Management Fee for 2024/25 includes the work programme for DNC in centering Te Tiriti

Recommendation

That the Council **receives** the budget for FY 2024/25 with three year projection.

That the Council **approve** the DNC Management fee for 2024/25 at \$1,650,000.

Strategic Context

The current [DNC Strategy](#) has been refined for FY 24/25 with focus on four goals.

Goal 1 - Revitalise the DNC through centering Te Tiriti o Waitangi throughout our systems, culture and core functions

Goal 2 -The role of the Domain Name Commission is valued by market participants

Goal 3 - To ensure the DNC’s systems and processes are fit for purpose and we understand the risk landscape across .nz

Goal 4 - DNC has a highly engaged team with the right skills and experience and opportunities to thrive

Desired Outcomes 2024/25:

- i) building DNC's internal capability, to develop a regulator mindset and minimise key person risk across the team.
- ii) to set minimum standards and expectations of Registrars.
- iii) to develop an understanding of the risk and issues across the .nz domain name space (including Registrar risks, operational risks and DNS abuse issues).
- iv) to develop systems and processes that are fit for purpose (record keeping, data analysis, outcomes reporting, compliance red flag reporting etc).
- v) bring DNC into line with the InternetNZ Group priority to centre te Tiriti o Waitangi.

Budget

FY 2023/2024 had an overall budget deficit of \$150,110 approved by the DNC Board. The end of year forecast deficit is unlikely to be realised, we are tracking towards a forecasted position of circa \$72,118.59 surplus. This is due largely to a programme of review for all vendors, subscriptions and services that were either no longer required or reduced over the period.

Given the FY 2023/2024 outlook of \$72,118.59 surplus and in order to build the capability and processes around DNC's core functions, the DNC Board approved a budget deficit of \$42,744.46 for FY 2024/2025. This was approved on the understanding that the budget moves back to a break even position after FY 24/25 and conditional on the proposed management fee being agreed. A three year projection is attached as an appendix.

The management fee proposed is \$1,650,000.

Budget 2024/2025 (with three year projection)

Profit & Loss

Domain Name Commission Limited
For the year ended 31 March 2024

Account	FY 2024-2025	FY 2025-2026	FY 2026-2027
Trading Income		<i>inflation rate assumption 4% for expenses</i>	<i>inflation rate assumption 4% for expenses</i>
Authorisation Fees	12,000.00	12,000.00	12,000.00
Income - DRS Complaint Fees	30,000.00	30,000.00	30,000.00
Management Fees	1,650,000.00	1,650,000.00	1,650,000.00
Total Trading Income	1,692,000.00	1,692,000.00	1,692,000.00
Gross Profit	1,692,000.00	1,692,000.00	1,692,000.00
Operating Expenses			
Communications	63,000.00	65,320.00	67,732.80
Compliance	89,000.00	60,760.00	47,590.40
Director Expenses	53,470.00	55,608.80	57,833.15
Dispute Resolution Service	122,500.00	108,500.00	108,500.00
Memberships	12,000.00	12,480.00	12,979.20
Moderators	23,300.00	23,300.00	0.00
Office and Administration Expense	491,267.00	502,125.69	518,650.72
Personnel and Staff Costs	774,154.69	799,368.77	832,255.27
Professional Services	70,000.00	25,000.00	25,000.00
Projects	0.00	0.00	0.00
Registrars	10,000.00	10,400.00	10,816.00
Depreciation	66,052.77	65,047.85	17,296.78
Total Operating Expenses	1,774,744.46	1,727,911.11	1,698,654.32
Surplus/(Deficit) from Operating Activities	(82,744.46)	(35,911.11)	(6,654.32)
Investing Activities			
Interest Income	40,000.00	40,000.00	40,000.00
TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR	(42,744.46)	4,088.89	33,345.68



COUNCIL MEETING - 9 February 2024

MINUTES

COUNCIL MEETING

Status:

[Draft-to-be-ratified]

Date

9 February 2024 / 9:00am

Present:

Joy Liddicoat (President), Brenda Wallace (Vice President), Richard Hulse, Kate Pearce, Potaua Biasiny-Tule, Anthony Bow, Jeff Montgomery Whetu Fala, Anjum Rahman, Stephen Judd and Alpana Roy

In attendance:

Vivien Maidaborn (Tumu Whakarae), Catherine Fenwick, Tim Johnson, Whitiua Ropitini, Rose Jamieson and Michael Elwood-Smith (Pou Ārahi | Council Secretary).

Meeting opened: 10:00am

Section 1 - Meeting Preliminaries

1.1 Council only (in committee)

1.2 Council and CE alone time (in committee)

1.3 Karakia, apologies, interests register

Cr Potaua opened the meeting with Karakia.

Apologies for partial participation from:

- Cr Montgomery unavailable between 11:30am and 1:30pm
- Cr Roy left the meeting at 11:00am
- Cr Rahman left the meeting at 11:45am, returning at 12:30pm

There were no changes to the interest register.

1.4 Agenda Review and Action Register

Agenda was reviewed. Action register was discussed and updated.

Section 2 – Strategic Priorities Discussion

<p>2.1</p>	<p>Constitution work plan and timetable</p> <p>Vivien outlined the planning for the constitutional review and the first report on progress.</p> <p>Council were reminded of the two key principles that influence the process for constitutional review:</p> <ul style="list-style-type: none"> • Recommendation of the Systemic Racism Review by Dr Hana O’Regan for co-design with Māori with relation to fair election processes. • The co-design process treats all parts of the constitution together, and does not attempt to separate out two tranches of work to be approved at different times. <p>Co-design involves people from the beginning of a process and this is reflected in the work plan timetable and engagement process. A facilitator expert in codesign processes has been engaged and will ensure our codesign achieves our intent to have Māori voice involved from the beginning of the process.</p> <p>Council discussed the work plan and co-design process, confirming:</p> <ul style="list-style-type: none"> • The three work streams of; general compliance, governance and membership improvements and the objects, be developed and presented to members through the engagement processes together. • That the co-design group should be focused on Māori and members, and not broadened to wider members of the community. <p>Council further encouraged developing an online component to the constitutional review process, with online documents and tools to increase accessibility to the work and be more inclusive.</p> <p>RN01/24 That Council receives the first progress report on the Constitution Project.</p> <p>(Cr Hulse / Cr Fala)</p> <p style="text-align: right;">CARRIED</p>
<p>2.2</p>	<p>Budget key questions: Strategic scenarios</p> <p>In preparation for the 2024/25 budget, Council discussed scenarios considering the impact of .nz revenue growth slowing.</p> <p>InternetNZ strategy experiences two core tensions; maximising our public impact investments, and/or investment in business growth.</p>

	<p>Council noted that public impact work is a core part of InternetNZ values and value proposition, at the same time funds available for public impact are limited by available revenue.</p> <p>Council asked the CE to prepare budget scenarios that focus on new business growth and to continue our commitment to reaching a profit/loss break-even in a 3-5 year period.</p> <p>Council provided clear focus to help management prepare the budget for presentation to Council for sign off in March.</p> <p>RN02/24 Council agree to a budget focus on new business growth.</p> <p>(Cr Hulse / Cr Fala)</p> <p style="text-align: right;">CARRIED</p> <p>AP01/24 CE present a budget for Council approval at the March Council meeting.</p>
<p>2.3</p>	<p>Update on 2024/25 Strategic goals and measures</p> <p>CE presented the current draft of 2024/25 strategic annual goals and measures incorporating prior feedback from Council, staff and members / stakeholders. Council discussed each goal and measure, and provided feedback.</p> <p>RN03/24 Council receive the summary of feedback on the draft 2024/25 goals; and provided further comment for the CE to consider.</p> <p>(Cr Hulse / Cr Fala)</p> <p style="text-align: right;">CARRIED</p>
<p>2.4</p> <p>2.4.1</p> <p>2.4.2</p>	<p>Rei kura: a Te Tiriti o Waitangi centric organisation</p> <p>Debrief from Waitangi</p> <p>Te Tiriti o Waitangi work programme</p> <p>Vivien introduced the 2024/25 Te Tiriti o Waitangi work programme identifying strategic priorities, projects and work streams. The work programme aligns work streams across the organisation, embeds Te Ao Māori values, concepts and principles and centres kaupapa Māori into the core of our work.</p> <p>Reflecting on Māori cultural competency work stream, Cr Biasiny-Tule noted there is also an element of Māori cultural safety - that staff may know what to do, but the practice also needs to be considered and developed across the organisation in an ongoing way.</p>

	<p>Council noted alignment to Te Māramataka Māori (Māori calendar) with Waitangi, Matariki and Nethui.</p> <p>RN04/24 Council receive the report.</p> <p>RN05/24 Council thank staff for their work.</p> <p>(Cr Hulse / Cr Fala)</p> <p style="text-align: right;">CARRIED</p>
<p>2.4.3</p>	<p>SRR Q3 2023/24 Recommendations Progress Update</p> <p>Vivien presented the report outlining progress towards addressing the recommendations from the Systemic Racism Review. Many of the actions to implement the recommendations are now complete or have been integrated with the Te Tiriti o Waitangi work programme. Vivien noted that many of the cultural change processes will be ongoing - not just one-off, and this work will be represented in the ongoing 'centering Te Tiriti' work plan that connects to our 90 day planning cycles.</p> <p>Council discussed the progress towards each recommendation, and recommended a number of adjustments to the report to reflect more of the proactive things the organisation has been doing.</p> <p>RN06/24 Council receive the report.</p> <p>(Cr Hulse / Cr Fala)</p> <p style="text-align: right;">CARRIED</p> <p>AP02/24 CE to make adjustments to the SRR Q3 2023/24 Recommendations Progress Update report.</p>

Section 3 – Matters for Decision

<p>3.1</p>	<p>Special resolution - Altering DNCL Constitution</p> <p>A special resolution was proposed to approve a decision by Council on 17 October 2017, to transition the number of directors in DNCL to a size of three directors. The decision was not enacted at the time.</p> <p>At this meeting Council considered a recommendation to amend the DNCL Constitution to set the number of directors to three, and make other ancillary amendments as proposed.</p> <p>The recommendation is that Council pass a special resolution, in InternetNZ's capacity as 100% shareholder of DNCL, to amend the DNCL Constitution.</p>
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	<p>RN07/24 Council approve the special resolution (attached) to amend the Domain Name Commission Limited Constitution including the changes to the Number of Directors (clause 13.2).</p> <p>(Cr Hulse / Cr Wallace)</p> <p style="text-align: right;">CARRIED</p>
<p>3.2</p>	<p>Risk Management Policy Update</p> <p>Council received the Enterprise Risk Management Update report, noting risks that have been identified or have changed in likelihood or significance over the last quarter.</p> <p>The Risk management policy provides a risk management framework that ensures all significant risks associated with InternetNZ strategic objectives are effectively identified, assessed and managed. The policy has been reviewed and recommended by the Audit and Risk Committee to Council.</p> <p>RN08/24 That Council approve the revised Risk Management Policy.</p> <p>(Cr Hulse / Cr Wallace)</p> <p style="text-align: right;">CARRIED</p>

Section 4 – Matters for Discussion

<p>4.1</p>	<p>President’s Report</p> <p>The President’s report was received.</p>
<p>4.2</p>	<p>InternetNZ Quarterly Reporting</p> <p>The Q3 2023/24 Quarterly Report was discussed, noting good progress towards achieving goals, and the value of the product strategy and .nz standing report.</p>
<p>4.2.1</p>	<p>.nz Standing report (confidential)</p> <p>The .nz Standing report was received.</p>

<p>4.3</p> <p>4.3.1</p> <p>4.3.2</p> <p>4.3.3</p> <p>4.3.4</p>	<p>Report Back from Committees</p> <p>Audit and Risk Committee</p> <p>Committee met, reviewed the risk management policy, approved the work plan for the merged committee and are happy with the Audit Findings report. The committee is working on a draft reserves policy and plan to bring it to the March Council meeting for approval.</p> <p>Governance Committee</p> <p>The Governance Committee met in December 2023, discussing the Constitution review programme, Document Information Disclosure Policy, work plan and Council training.</p> <p>Komiti Whakauru Māori</p> <p>Te Komiti participated in Waitangi. Council noted the wider mahi now spread throughout the organisation, and potential change in structure of Komiti under consideration to suit the work for 2024.</p> <p>.nz Advisory Committee</p>
<p>4.4</p>	<p>Council Skills & Diversity Assessment</p> <p>Council received a report of the assessment of skills, experience and diversity attributes of the current Council, as tested against the agreed Skills and Diversity Matrix.</p> <p>Council discussed the process leading up to the election of Councillors; noting that the skill capacity of elected Councillors is low in finance and Te Ao Māori, and there is a continued requirement for independent directors with these skills.</p> <p>Council also noted the lowest representation of diversity attributes is a lack of young people. And noted that while there is currently sufficient DNS expertise, this is an ongoing need for this skill.</p> <p>Budget for skills training for Councillors is available, and Council members are appointed to address gaps in skills and diversity in Council.</p> <p>RN09/24 That Council recieve the skills and diversity assessment report.</p> <p>(Cr Hulse / Cr Wallace)</p> <p style="text-align: right;">CARRIED</p>

4.4.1	<p>Appointed Council Members</p> <p>The President recommended that a decision on the re-appointment of current Appointed Council members be made at the March Council meeting.</p> <p>RN10/24 That Council note that the terms of current Appointed Council members expire in July 2024.</p> <p>RN11/24 That Council ask the Governance Committee to prepare a recommendation on appointments.</p> <p>(Cr Hulse / Cr Wallace)</p> <p style="text-align: right;">CARRIED</p> <p>AP03/24 CE to bring a decision to the March Council meeting for the re-appointment of Appointed Council members.</p>
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Section 5 - Consent Agenda

5.1	<p>Health, Safety and Wellbeing Update</p>
5.2	<p>Minutes of the previous meeting</p> <p>RN12/24 That Council approve the minutes of 1 December 2023.</p> <p>(Cr Biasiny-Tule / Cr Hulse)</p> <p style="text-align: right;">CARRIED</p>
5.3	<p>E-vote Ratification</p>
5.4	<p>Quarterly and Operational Reports</p> <p>5.4.1 Group Financial Report</p> <p>Council discussed the financial report noticing the budget underspend is largely caused by challenges with recruiting in the first part of the year, and phasing alignment of budget for community investment.</p> <p>5.4.2 Membership Update</p> <p>Membership report was noted.</p> <p>5.4.3 DNCL Quarterly Report</p> <p>Vivien reported that a decision has been made to outsource dispute resolution. This is allowable under the rules as long as DNCL retains point of contact.</p> <p>The report notes more proactive work on compliance with registrars,</p>

	<p>and introduces new metrics as these become available.</p> <p>RN13/24 That Council receive the reports.</p> <p>(Cr Biasiny-Tule / Cr Hulse)</p> <p style="text-align: right;">CARRIED</p>
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Section 6 – Other Matters

6.1	CONTINGENCY (for any overflow)
6.2	Matters for communication – key messages
6.3	<p>General business</p> <p>Council and committee meeting timetable for 2024/25</p> <p>A proposal was made to reduce the number of Council meetings from six to four quarterly meetings (scheduled mid-quarter) plus the budget approval meeting, to better align with quarterly reporting. Additional Council meetings and events were noted, including the Council strategic retreat, Council training and Nethui.</p> <p>Council expressed concern with the proposal and preference to keep the current 6 Council meetings per year.</p> <p>Reflection on Waitangi Day</p> <p>Cr Biasiny-Tule thanked Council for endorsing Te Komiti Whakauru Māori to attend Waitangi as a rōpū, Vivien and kaimahi for organisation.</p> <p>Over three days, the rōpū visited the marae, went to the government pōhiri and attended the dawn ceremony. There were many discussions and every evening the rōpū held a nightly debrief.</p> <p>Cr Biasiny-Tule asks that Council send a letter of thanks to the Waitangi Treaty Grounds committee in recognition.</p> <p>AP04/23 President to send a letter of thanks to the Waitangi Treaty Grounds committee.</p>
6.4	Meeting review
6.5	<p>Meeting close (karakia or waiata)</p> <p>Cr Biasiny-Tule led Council in a closing karakia.</p>