

2015/16 Amended Budget and revised 2016-2018 budgets

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Purpose of Paper: Seek Council approval of the revised 2015/16 Budget as per RN 18/15 and the revised forecast for 2016/2018 as per RN21/15.

Introduction

This paper presents the revised 2015/16 as per RN20/15 that required the draft budget be amended to include the provisions as follows: \$80k for moving expenses (INZ share), \$40k for rent related to new premises, and the \$90k in community funding referred to in RN 18/15, and the approved amendment to the operational expenditure limit of \$4.322m for the 2015/16 year.

1. Budget 2015/16

	2015/16 Staff Proposal	2015/16 Council Agrees	+/-
Internet New Zealand Incorporated			
Income			
	3524	3852	329
Expenses			
Internet Issues	679	679	0
Community Development	1093	1183	90
Internet Governance	249	249	0
Core Operations	1411	1590	179
Governance and Members	426	426	0
International Events	255	255	0
Total Expenses \$000s	4113	4382	269
Net Ordinary Income \$000s	-589	-529	59

Reconciliation to:

Operational Expenditure reconciliation

Total Expenses \$000s	4382
Less subsidiaries rent	-59
Recharged - refer Income increase in detail	
APPROVED Operational Limit RN 18/15	4323

2. Detailed comparison

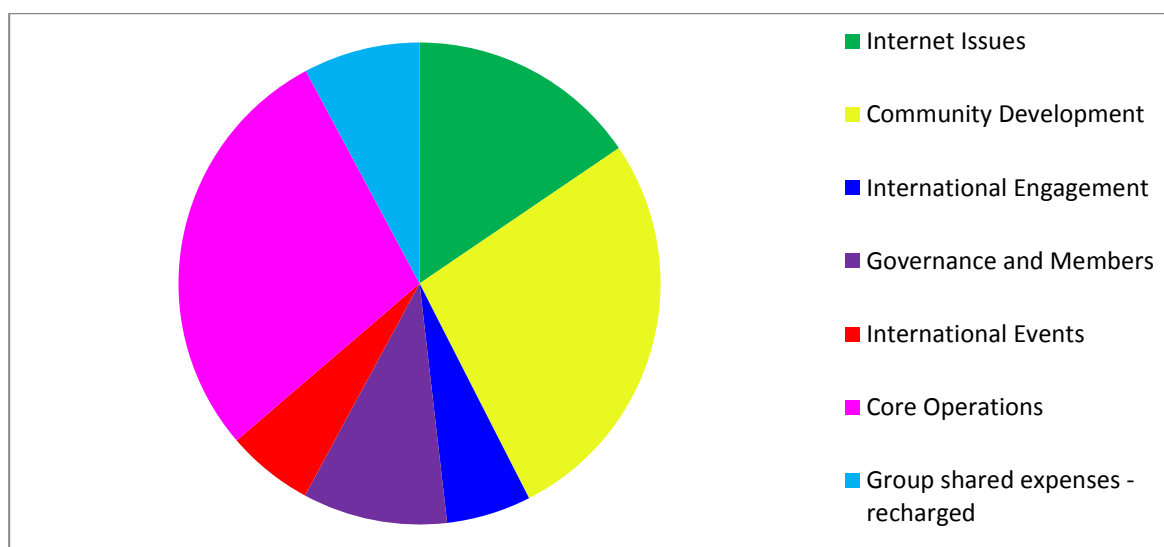
	Internet New Zealand Incorporated	Staff Proposed 2015-16 Budget	Council Agreed 2015-16 Budget	+/-
Income				
Dividends		3157	3427	270
Membership		14	14	0
Group Shared Expenses reimbursement		284	343	59
Interest		69	69	0
		3524	3852	329
Expenses				
Internet Issues				
Internet Issues Programme		186	186	0
Internet Connectivity		137	137	0
Internet Use		81	81	0
Internet Technology		100	100	0
Internet Law & Rights		100	100	0
Issues Operating Costs		74	74	0
Internet Issues		679	679	0
Community Funding				
Funding Rounds		240	330	90
Strategic Partnerships		260	260	0
Community Funding Engagement Research, improve reporting and impact measure/monitoring		10	10	0
		15	15	0
Community Funding Operating Costs		164	164	0
Community Engagement				
NetHui		130	130	0
Sponsorship		50	50	0
NetHui community initiatives: NZIRF		15	15	0
Speaker Series		5	5	0
Oceania Internet Governance Summer/Spring School		10	10	0
Community Engagement Operating Costs		194	194	0
Community Development		1093	1183	90
Internet Governance				
International Collaboration		249	249	0
Internet Governance		249	249	0
Core Operations				
Remuneration		626	626	0
Depreciation		60	60	0
Operating Expenses		402	402	0
Overhead		323	503	179

Core Operations	1411	1590	179
Governance and Members			
Council & Members	396	396	0
.nz Stewardship	30	30	0
Governance and Members	426	426	0
International Events			
Apricot	191	191	0
ANZIA	64	64	0
International Events	255	255	0
Total Expenses \$000s	4113	4382	269
Net Ordinary Income \$000s	-589	-529	59
Operational Expenditure reconciliation			
Total Expenses \$000s		4382	
Less subsidiaries rent – recharged refer income section		-59	
APPROVED Operational Limit RN 18/15		4323	

3. 2015/16 Executive Summary

The following table and chart provide a visual breakdown of InternetNZ's 2015/16 expense budget.

Activity	FTE		Expenses		Capex	
Internet Issues	3.3	28%	\$679,262	16%		0%
Community Development	2.75	23%	\$1,182,580	27%	\$30,000	24%
International Engagement	0.4	3%	\$248,922	6%		0%
Governance and Members	1.32	11%	\$425,700	10%	\$30,000	24%
International Events	0.25	2%	\$255,247	6%		0%
Core Operations	3.4	28%	\$1,247,364	28%	\$65,000	52%
Group Services Recharged ¹	0.58	5%	\$342,587			
Grand Total	12	100%	\$4,381,663	92%	\$125,000	100%



¹ Historically Core Operation expenses have been reported net of subsidiary expenses, and subsidiary expenses have not been reported, future reports will report subsidiary costs separately.

4. Revised three year Profit & Loss projections

Council at the April meeting requested THAT the CE bring a revised three-year budget plan that leads to a balanced budget as soon as possible but no later than 2017/18 to the June 2015 Council meeting (RN21/15).

To achieve this, the following adjustments have been made:

- Community funding increase of \$60k per year has been reduced to \$20k over the three years.
- Remuneration costs have been reduced by \$189k over the three years; this has been achieved by reducing recruitment costs. Recruitment costs for 2015/16 were based on four plus new employees, this was then rolled over for 2016-2018. An assumption has been made that this level of recruitment will not be required.
- Work Programme areas expenditure has been reduced by 5% for 2016/17, and no increase has been budgeted for 2017/18 from 2016/17.
- The stakeholder review of \$25k has been removed for 2016/17, as a review will be done in the financial year 2015/16, and another review is budgeted for in 2017/18.
- The standard 3% increase used for forecasting as been reduced to 1% for operating and overheads for the financial years 2016/17 and 2017/18.

Below is the detailed revised three year profit and loss projection, based on the preceding adjustments.

InternetNZ Budget 2015-2016	TOTAL	TOTAL	TOTAL
	Apr 15 - Mar 16	Apr 16 - Mar 17	Apr 17 - Mar 18
Ordinary Income/Expense			
Income			
Operating Income			
Shared Group Services	342,587.01	405,058.20	409,108.78
Membership - Corporate	5,800.00	5,858.00	5,916.58
Membership - Individual	7,800.00	7,878.00	7,956.78
Total - Operating Income	356,187.01	418,794.20	422,982.14
Investment Income			
Dividends	3,427,454.00	3,354,666.00	3,533,631.00
Interest	68,752.00	60,000.00	65,000.00
Total Investment Income	3,496,206.00	3,414,666.00	3,598,631.00
Total Income	3,852,393.01	3,833,460.20	4,021,613.14
Expense			
Total - Remuneration	1,394,486.00	1,356,930.86	1,369,878.92
Operating Expenses			
Accountancy Fees	28,300.00	28,583.00	28,868.83
Advertising & Marketing	6,750.04	6,817.54	6,885.72
Audit Fees	10,000.00	10,100.00	10,201.00
Bank Charges	2,182.15	2,203.97	2,226.01
Conferences	10,000.00	10,100.00	10,201.00

Consultants/ICT/Bus Dev	185,620.00	162,476.20	184,100.96
Domain Names	442.00	446.42	450.88
General Office Expenses	36,005.20	36,365.25	36,728.90
Governance Training	40,000.00	40,400.00	40,804.00
Honoraria	200,249.50	200,249.50	200,249.50
Legal Fees	49,000.00	49,490.00	49,984.90
Meeting Costs	92,280.00	93,202.80	94,134.83
Postages & Couriers	4,209.72	4,251.82	4,294.34
Repairs and Maintenance	2,897.59	2,926.57	2,955.83
R & M - Software	8,393.00	8,476.93	8,561.70
Printing & Stationery	23,086.08	23,316.94	23,550.11
Subscriptions	29,268.78	29,561.47	29,857.08
Telecommunications	66,132.00	66,793.32	67,461.25
Travel & Accommodation - International	14,000.00	14,140.00	14,281.40
Travel & Accommodation - National	73,070.00	73,800.70	74,538.71
Web Site Updates & Hosting	4,560.00	4,605.60	4,651.66
Issues Programme Header			
Internet Issues Programme			
Total - Internet Issues Programme	60,000.00	57,000.00	57,000.00
Total - Internet Law & Rights Portfolio	20,000.00	19,000.00	19,000.00
Total - Internet Use Portfolio	35,000.00	33,250.00	33,250.00
Total - Internet Connectivity Portfolio	60,000.00	57,000.00	57,000.00
Total - Internet Technology Portfolio	65,000.00	61,750.00	61,750.00
Total - Internet Governance Portfolio	238,099.97	166,915.00	166,915.00
Total - Issues Programme	478,099.97	394,915.00	394,915.00
Community Funding			
Strategic Partnerships	260,000.00	260,000.00	260,000.00
On Demand Grants	10,000.00	10,000.00	10,000.00
Community Funding Engagement	10,000.00	9,500.00	9,500.00
Research,	15,000.00	14,250.00	14,250.00
Community Grants	320,000.00	250,000.00	260,000.00
Total - Community Funding	615,000.00	543,750.00	553,750.00
Community Engagement			
NetHui	130,000.00	130,000.00	130,000.00
NetHui community initiatives: NZIRF	15,000.00	14,250.00	14,250.00
Sponsorship	50,000.00	50,000.00	50,000.00
Speaker Series	5,000.00	4,750.00	4,750.00
Oceania Internet	10,000.00	9,500.00	9,500.00
Total - Community Engagement	210,000.00	208,500.00	208,500.00
International Event			
APRICOT 2016	175,000.00	0.00	0.00
Other International Event	60,000.00	0.00	68,000.00
Total - International Event	235,000.00	0.00	68,000.00
Total - Operating Expenses	2,424,546.03	2,015,473.03	2,120,153.61
Overheads			

Cleaning Costs	39,792.00	40,189.92	40,591.82	
Electricity	19,020.00	19,210.20	19,402.30	
Insurance	10,502.04	10,607.06	10,713.13	
Rent Paid	349,531.90	387,123.60	387,123.60	
Moving Costs	80,000.00	0.00	0.00	
Security	3,720.00	3,757.20	3,794.77	
Total - Overheads	502,565.94	460,887.98	461,625.62	
Total Expense	4,321,597.97	3,833,291.87	3,951,658.16	
Net Income	-469,204.96	168.33	69,954.99	
Depreciation	60,000.00	60,000.00	50,000.00	
Accounting Basis Operating deficit	-529,204.96	-59,831.67	19,954.99	
Managed Funds Income @7.34%	174,283.58	174,283.58	174,283.58	Mandate change required to include
	-354,921.39	114,451.91	194,238.56	
Cash flow Opening	4,577,995	3,401,683	3,456,135	
Cash flow Closing	3,401,683	3,456,135	3,580,374	

Recommendations

1. That Council **approve** the revised 2015/16 budget.
2. That Council **note** the revised three year budget framework.

Jordan Carter
Chief Executive

21 May 2015