

AGENDA - COUNCIL MEETING

Friday 10 April 2015

Level 9 16 Willis Street Wellington			
8.45 am		Refreshments on arrival	
9.00am		Meeting start	
10.15am		Morning tea	
1.00 pm		Lunch	
3.30 pm		Meeting close	
Section 1 - Council Governance			
		Agenda	S1 1
9.00-9.40am	1	Welcome	
	2	Council Only	
	3	Council and CE only	
9.40-10.15am	4	Apologies	
	5	Councillor's Declaration of Interest	S2
	6	Confirm Minutes - February 2015 Meeting	S2
	7	Actions from February 2015 Meeting	S2
	8	Membership update	S2
	9	Evote ratification	S2
	10	Industry Scan - Issues & Opportunities	
Section 2 - Strategic Priorities			
10.15-10.30am		Morning Tea	
10.30-11.15am	11	Activity Plan & Budget 2015/16	S1 3
Section 3 - Matters for Decision			
11.15-11.30am	12	Financial Reporting <ul style="list-style-type: none"> .Audit & Risk minutes 	S2
11.30-midday	13 14	Governance Framework <ul style="list-style-type: none"> Governance Manual Policy Development policy 	S1 35
Section 4 - Matters for Discussion			
Midday-12.15pm	15.	CEO Report & Property update	S2

12.15-1.00pm	16.	Management reporting: <ul style="list-style-type: none"> • Business Plan report • Internet Issues report • International report • Community report • Strategic Partnership report 	S2
1.00-1.30pm		Lunch	
Section 5 - Subsidiaries			
1.30-2.30pm		Alone time (Chairs, CE and Council - confidential) Subsidiaries reports	
	17	• .nz fee recommendation	S2
	18	• 3 rd quarterly report NZRS	S1 41
	19	• Statement of Directions and Goals (SoD&G)	
	20	• .nz Framework (verbal)	
		Business Development	S2
		Any general items	
Section 6 - Other Matters			
2.30-2.50pm	21.	Matters for Communication - key messages <ul style="list-style-type: none"> • Communications in general • Council governance training update 	
2.50-3.30pm	22.	General Business <ul style="list-style-type: none"> • Grants Committee discussion • Honorarium • Appointments Panel Committee 	S2

SET 1

11. Business Plan & Budget 2015/16

2015-2016

Activity Plan and Budget

Introduction

This Activity Plan and Budget for 2015/16 is a fresh approach to setting out InternetNZ's plans for the year.

In the coming year, our focus is on the following areas of work:

- An **Internet Issues programme** tackling the key policy and technical issues facing the Internet
- A **Community programme** that helps people shape the Internet's development, and delivers a grants and partnerships funding programme
- An **International programme** to draw insight from global developments, and shares Kiwi views and perspectives in important global processes
- A **refreshed and revised membership proposition**
- Top quality **core operations** that represent rising quality and improving value for money for the organisation.

By presenting the Activity Plan and the Budget together, we aim to make it easier for members and other interested stakeholders to find out what we do, and what it costs.

For those familiar with previous planning documents, there are two high level changes from previous years in this presentation:

- This is an "Activity Plan" not a "Business Plan" – such a title more accurately conveys our role and approach. InternetNZ is a membership organisation and a charity, not a business.
- Material from the InternetNZ Strategic Plan¹ isn't duplicated in this Activity plan, as it has been in the past (the "why we do it" material), to keep this paper short. Refer to the Strategic Plan for our long range goals.

This Activity Plan and Budget will be signed off by Council at its April meeting, and is subject after that to formal ratification at the 2015 AGM.

I welcome any feedback and input on the content and on the approach taken.

Jordan Carter

Chief Executive

¹ Available at <https://internetnz.nz/strategic-and-business-plans>

Executive Summary

The following major projects are core features of our planned activity in 2015/16.

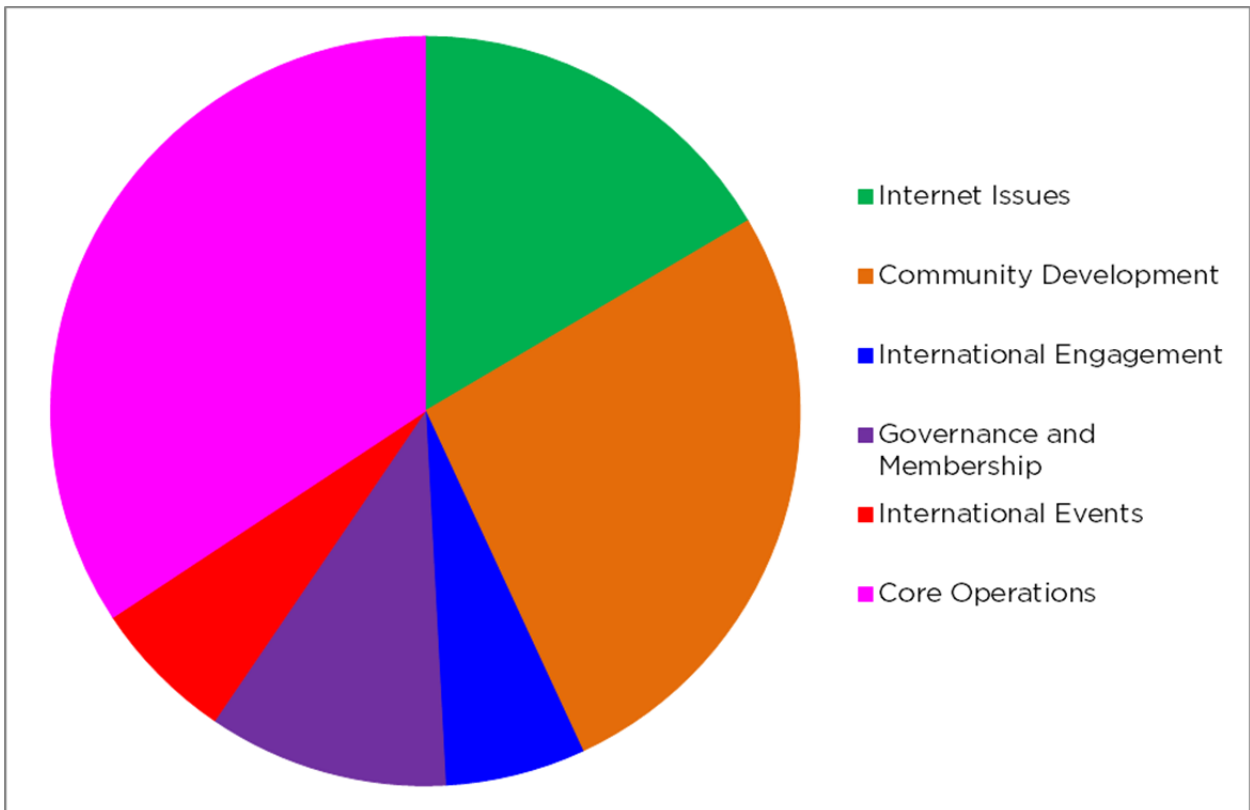
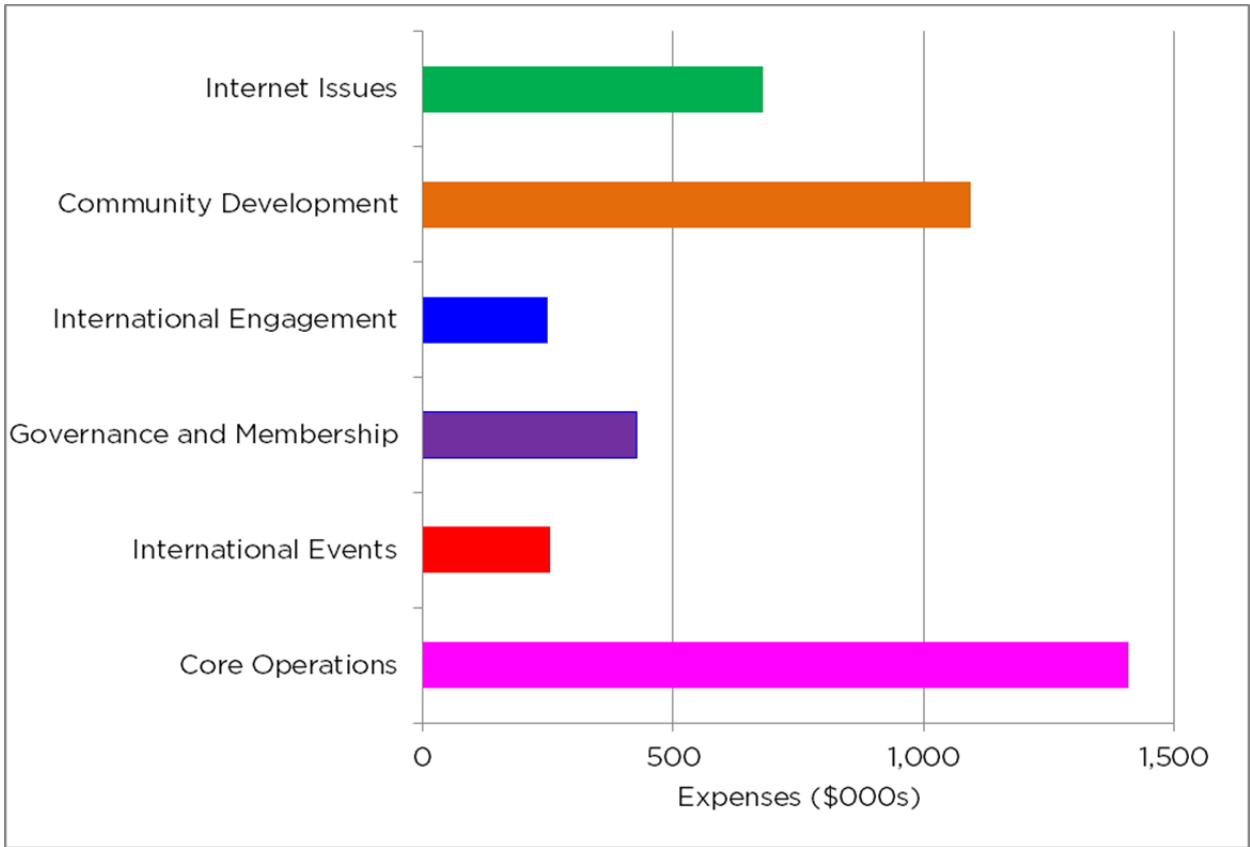
- Delivery of the Internet Issues Programme, as a series of projects across the five portfolios of Internet Use, Connectivity, Law and Rights, Technology and Security.
- Utilising our Community Programme to make a “step change” in how we develop the Internet Community.
- Continuing to address some key challenges to the Open Internet on the international stage via our International Programme, and sharing those learnings at home.
- Optimising our operational support of the organisation, while ensuring that the three programmes continue to be effectively supported across Core Operations, Communications and Events.
- Refreshing our membership offering and getting clear on how these members can positively support and engage in the work we do.

Budget Summary

Aside from Core Operations, the largest components of the Budget for the coming year are in the Community, Internet Issues, Members & Governance and International parts of the programme, constituting almost 60% of expenditure and around 65% of staff.

The following table and charts provides a breakdown of the 2015/16 Budget.

	People (FTE)		Expenses (\$000s)	
Internet Issues	3.3	28%	679	17%
Community Development	2.75	23%	1,093	27%
International Engagement	0.4	3%	249	6%
Governance and Membership	1.32	11%	426	10%
International Events	0.25	2%	255	6%
Core Operations	3.98	33%	1,410	34%
Total	12	100%	4,112	100%



1. Internet Issues Programme

The goal of the Internet Issues Programme for FY15/16 is to build off the foundation year of 14/15 by ***delivering real change to the Internet in New Zealand through clarity of roles and clear prioritisation***. By the end of this year, we will have a new Issues team in place that will be clear about what they do and what they work on; and that InternetNZ members are also clear about what their role is in both determining priority and in delivering our work on issues. We will have laid the foundation for increased authority in line with our Strategic Plan by being accepted by our external stakeholders, and by them understanding the work that our Internet Issues Programme delivers and the perspective that it represents.

We will measure our success in delivering to this goal with reference to the following:

1. Member satisfaction in Issues Programme involvement as shown in the Membership survey.
2. Stakeholder perception survey results showing engagement and respect for InternetNZ
3. Staff satisfaction in working efficiently on a limited number of deeply engaged issues, as shown in internal staff survey.

The Activities that are listed below are what we see as the key policy and technical issues facing the Internet. They have gone through a process of prioritisation that has focussed upon their relative investment versus their relative outcomes, our ability to resource and deliver, and alignment with our Strategic Plan, Objects and Policy Principles.

Activities - Baseline

- **Building the State of the Internet Report (SOTI) into being “the source” for data on the Internet in NZ**, supported by staff to ensure updated, analysed and discussed.

This is building off the deployment of the InternetNZ data portal in 14/15, with WikiNZ, and continuing to use this to make it “the” source for information on the Internet in NZ.

- **Develop a new model for parliamentary and stakeholder engagement**, with Community Programme, centred around a speaker series.

This is intended to be in collaboration with the Community Programme, and its speaker series initiative.

- **Revitalise and utilise the InternetNZ membership as an effective contributor to the Internet Issues Programme.**

Activities – Key Projects

- **Local Government programme** – engagement to lift capacity in local government to lead digital strategies and advocacy across New Zealand.

Local Government is an underutilised component of promoting and protecting the Internet in NZ. INZ is also approached reasonably regularly for help and advice on Digital Strategies. This initiative is designed to capacity build, through the development of content and guides to assist Local Government undertake initiatives in their communities.

- **Internet Law & Rights: Privacy Act review** – participation to ensure privacy law remains Internet aligned.

The Privacy Act review is scheduled for this year, and if so this will need to be a large focus to ensure that this appropriately contemplates the challenges that the internet raises for privacy.

- **Internet Connectivity: Telecommunications Regulatory review process**

The Ministry for Business, Innovation and Employment has commenced the very first stages of their telecommunications review process. This process is very significant in terms of how it will seek to define the regulatory and policy perspective post-2020. MBIE has also signalled that this review will consider issues of convergence with Broadcasting, and other related issues across the legislative suite relevant to the internet in New Zealand.

- **Internet Use: Innovation Partnership** – lead this group into an action-oriented realiser of change and opportunity through the Internet.

The Innovation Partnership has become quite effective at highlighting opportunity, particularly in Internet use. InternetNZ is stepping up to a greater role in this body, with the objective of making the IP an agent for realising these opportunities too.

- **Internet Technology:** Craft approach to being consumer “technical” advisor on ISP configuration and performance.

Providing consumers with information and analysis that would allow greater ability to make informed choices about ISP services in NZ.

- **Internet Security:** Work toward implementation of an all of economy/society Computer Security Incident Response Team (CSIRT) function

Building off the CSIRT work in 14/15 to see this implemented.

Internet Issues Programme Budget Summary

Internet Issues Programme	Expenses	%
Internet Issues Programme	\$185,606	27%
Internet Connectivity	\$137,245	20%
Internet Use	\$81,352	12%
Internet Technology	\$100,191	15%
Internet Law & Rights	\$100,452	15%
Issues Operating Costs	\$74,416	11%
Internet Issues Programme	\$679,262	100%

2. Community Development Programme

The Internet community is made up of all the New Zealanders who can shape the Internet's growth, development and use, including in business, government, academia, technical and community-based organisations and as individuals. We work to empower and develop that Internet community, as integral to the ongoing development of the Internet in the public interest.

Because of the decentralised nature of Internet and its development, supporting the Internet community is of critical importance to the future of the Internet for New Zealand and towards our cause, the Open Internet. In this area we work to empower and develop the Internet community to take responsibility for and to shape the future of the Internet in New Zealand. There are two primary roles through which this work is undertaken - through our Community Engagement Portfolio and the Community Funding Portfolio. The Community Development Activity Plan for 2015-16 builds a foundation for and take first steps towards achieving the strategic transformations and goals for the InternetNZ 2015-18 Strategic Plan.

The goal of this plan is on *step changing our involvement in our Internet Community by creating a coherent Community Programme aimed at community development*. This plan includes continuing and leveraging existing flagship activities of NetHui and the community grants and strategic partnerships, as well as continuing development of the NZ Internet Research Forum, our sponsorship of events, and support of community organisations. In addition, a few new areas of focus will help fill gaps in the community development work of InternetNZ. Externally we plan to seek to catalyse and support an Oceania Summer School of Internet Governance, to help build and develop leadership capacity in the Internet community; host a speaker series for the wider community; engage more proactively and strategically with community grant recipients and to start work to develop the concept of a potentially model for locally owned and run NetHui- to likely be implemented in 2016-17. Internally there will be a strong focus on community grants operations and impact assessment, as we prepare for the planned increase in community funding over 2015-20.

We will measure our success in delivering to this goal with reference to the following:

1. Community awareness of the community role as part of decentralised development of the Internet is enhanced.
2. Impact is made in terms of community capacity, connections between and actions able to be taken.
3. Engagement and funding activities are interrelated

Activities - Baseline

- **Community Grants:** Two funding rounds (one focused on Internet Research and one on community projects, with a conference attendance grant component of each round) coordinated with community engagement events
- **Strategic Partnerships:** community funding support of partners and collaborate on areas of focus, facilitating interaction between partners and the Internet community.
- **NetHui 2015:** support the fifth annual national NetHui as a national platform for the New Zealand Internet Community
- **Community Sponsorship:** reach new communities and events through strategic sponsorship to support community development goals

Activities - Key Projects

- **NetHui Initiatives:** coordinate 2015-16 New Zealand Internet Research Forum and scope and develop "NetHui in a box" local model
- **Community Grants Evaluation and Reporting:** research and improve reporting and impact measurements and monitoring
- **Oceania Summer School on Internet Governance:** develop regional community development training event in collaboration with regional and national partners.
- **Community Speaker Series:** using community relationships to host engagement and education event series, in collaboration with Issues programme.
- **Community Organisation Support:** engage and support Internet community organisations as capacity allows, both informally and through MoUs, working through collaboration as well as in-kind support

Community Development Budget Summary

Community Funding

Funding Rounds	\$500,000	46%
Funding Support	\$25,000	2%
Funding Operating costs	\$163,990	15%

Community Engagement

NetHui	\$130,000	12%
Sponsorship	\$50,000	5%
Engagement Support	\$30,000	3%
Engagement Operating cost	\$193,590	18%

Community	\$1,092,580	100%	²
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3. International Engagement

The International Programme is the area of work that seeks to connect local discussion about Internet issues and technology with what is happening globally, to meet our responsibilities as the designated manager for the .nz ccTLD, and to reflect New Zealand interests and views outside New Zealand to shape the Internet's growth and development. In all cases we focus on protecting the open Internet.

The shorthand most often used for the subject matter of this work is "Internet Governance". Internet Governance refers to the matrix of institutions, trends and norms that shape the Internet's evolution. Institutions involved in it:

- encourage **debate** and the sharing of **ideas** (e.g. the Internet Governance Forum),
- encourage the **spread of knowledge** and ideas about Internet technologies (e.g. APRICOT),
- define and **develop technical Internet standards** (e.g. the IETF),
- **allocate scarce technical resources** (e.g. the Regional Internet Registries or the ITU), or
- **set policies** applying to key Internet technologies (e.g. ICANN).

Internet Governance happens in private institutions, public institutions (e.g. the

² Note: The Community Development Programme is a new combination of what was previously two separate areas of funding - Community Engagement and Community Funding. As this is new, the budget for administration costs has not been separated to the degree that is reflected in other areas of this budget. It is anticipated that in future budgets, this administration cost will be split into the constituent parts to reflect more accurately the time and cost spent in these areas.

ITU or the United Nations), and at the global, regional and national levels.

Our focus in this year's Activity Plan is to continue to shape Internet Governance abroad, while being much more effective at bringing it into the New Zealand context. We will do more to share information and perspectives locally, and to draw local views into the global environment more transparently and reliably than we do today.

Activities - Baseline

- **Stronger communications & local engagement on international matters.**

Compared with the Internet Issues and Communities programmes, our communications approach for the International programme is ad-hoc and not as visible as it should be. This will change with new efforts to reach out to those parts of the local Internet community interested in these issues.

Activities - Key Projects

- **Contributing to a successful transition in IANA Stewardship to the global multistakeholder community.**

Keith Davidson's participation in the IANA Stewardship Transition Coordination Group (ICG) and Jordan Carter's participation in the Cross-Community Working Group in Enhancing ICANN Accountability (CCWG-ACCT), along with group-wide contributions to the debate across a wide range of forums, are the main features of this activity which should complete in the 2015/16 business year (on current information).

- **Hosting APRICOT 2016 successfully.**

APRICOT 2016 is the major technology conference and training opportunity for Internet network operators. By bringing this to New Zealand we give the local Internet community easy access to high quality training and leading thinking from across the Asia Pacific.

International Engagement Budget Summary

International

International Collaboration	\$248,922	100%
International	\$248,922	100%

International Events Budget Summary

International Events

APRICOT	\$191,198	75%
ANZIA	\$64,049	25%
International Events	\$255,247	100%

Note: International Events are net costs of hosting, not total project costs.

4. Operations

This section of the Activity Plan brings together work in three areas:

- **Core Operations:** the work of the team that provides the administrative and operational support that makes the organisation work (finances, administration, HR, policy and more).
- **Communications:** projecting our voice outward into the environment so that our views can be known, through a strategic, professional and consistent approach to communications with the right set of audiences.
- **Events:** a critical support service for the work of the three Programmes set out above, given the importance of events to each of them.

The unifying feature of this area of the plan is that these services, done well, allow the organisation to achieve its purpose. If they are not done well, productivity across all other areas of work is diminished and staff spend time covering gaps.

Our aim across operations is to operate effectively, efficiently and reliably so that those supported by the operations of InternetNZ have confidence in the work we do and can rely on us to get the job done – right first time.

4.A Core Operations Team

The work of this team covers the following areas:

- Financial management
- Human Resources management
- Internal policies and procedures
- Council administration
- Member administration
- Legal and Governance compliance
- Risk management
- Facilities management
- Office ICT management
- File management

- Internal coordination
- Health and Safety management
- Travel management

The team provides many of these areas for the whole InternetNZ group, which means dealing with around ~35 personnel at the time of writing. Historically this area of work has been neglected in terms of clear thinking regarding structure and organisation of work, resulting in some challenges to efficiency and reliability. Since October 2014 this has begun to change: an analysis of the operational requirements facing the team has been completed, and responsibilities for each area of work clearly allocated with duplication reversed. This is already having a flow-on effect into more reliable service provision and a considerably happier team.

Our goal for this year is therefore to be ***strong in our portfolios***. We will measure our delivery to this goal through the following:

1. Demonstrated delivery & measurement of all activities
2. Staff/service recipient surveys to build a baseline and then monitor performance and gain feedback
3. Demonstrated and active responsiveness to feedback
4. Review the new structure

Activities - Baseline

- Financial Management: Maintain and improve the providing of accurate timely information, while always seeking efficiencies
- Financial Management: Provide more financial information to the team, and seek more feed back
- Reception: provide advanced services to the group catering for potential
- Community Programme Support: Easy flow of decisions/feedback from internal & external reviewers to gain huge efficiencies, time, information
- Member Management: Members can easily subscribe/unsubscribed to members optional mailing list (i.e. PAG, members-discuss) via their members profile
- Travel Management: Provide solution based travel management to the group
- COT Team Support: All COT members to provide support to each other and adhere to the staff charter and code of conduct in all situations

Activities - Key Projects

- Executive support: develop a working plan for CE office

- Executive support: refocus for CE and WPD - internal and external
- Facilities Management: Relocation of three entities - INZ, DNCL, NZRS to one location
- Reception: overview of duties given to gain enhancements and develop a more indepth work plan for services
- Community Programme Support: Web-based/ Online Grants Management solution in place
- ICT Management: One-stop shop IT solution provider for both WLG & AKL office.

Core Operations Budget Summary

Core Operations

Remuneration	\$625,810	44%
Depreciation	\$60,000	4%
Operating Expenses	\$401,575	28%
Overhead	\$323,444	23%
Core Operations	\$1,410,829	100%

Note: of this total budget for Core Operations \$284,000 is funded through recharge to subsidiary companies for services provided to them, e.g. overhead charges, cleaning, power, rent, and security, the remaining balance is for accounting and reception services, video conferencing, general office expenses, and printing and stationery costs

4.B Communications

Communications is a vital function for an organisation whose core activity is sharing information with others. It is integral to the three main programmes of work (Internet Issues, Community and International), as it is closely related to how these programmes are perceived and even in many cases whether their outcomes can be achieved.

As such, communications is largely an ancillary portfolio, designed to support the main programmes. It also has a strong internal component. We take a strategic and considered approach to our communications efforts to ensure that key audiences are aware of us and build positive perceptions of our work, and to contribute to the reality of InternetNZ's positive impact for the local Internet community.

Our goal for this year is that *members and stakeholders have a clear perception of our role and work due to high quality, regular communications across the organisation's work.*

We will measure success in this area through:

1. All fixed timetable events are communicated clearly and well subscribed (e.g. funding rounds)
2. 'No surprises' – PAG and Members are not surprised, nor disappointed by InternetNZ's position on any given issue
3. Qualitative and quantitative research into communications effectiveness & stakeholder perceptions demonstrates improvement

Activities – Baseline

- Communication goes out monthly with work updates on Issues, Community and International Programmes
- A plan is developed to shape perceptions of InternetNZ among key stakeholders to explain our mandate
- Stakeholder perception survey is held annually

4.C Events

Events is also a support function that primarily supports the Internet Issues and Community Development aspects of this plan. It also plays an important role in internal member communications, in keeping the membership base informed about InternetNZ's work. Our goal for this year in events is *to deliver a series of fantastic, engaging events, professionally.*

Activities – Baseline

- NetHui 2015 – July 2015
- Member meetups (October and March)

Activities – Key Projects

- ANZIAs – August 2015
- APRICOT 2016 – February 2016

5. Governance and Membership

As an incorporated society, InternetNZ is made up of members – both individuals and organisations. The members elect the Council: the governing body of the organisation.

Our vision for the membership area is that membership is buoyant and growing, and that the organisation gives members tools to engage effectively in its work, connect with each other, and hold InternetNZ to account. It is some time since the

work of members was reviewed. A committee of Council is engaged in a review now, and while we think the likely conclusions will fit within the transformations set out below, new ideas may arise which will be incorporated as required.

Note that the transformations set out below are based on those in the 2015-2018 Strategic Plan and so are on a three-year timeframe.

5.A Membership

As a membership organisation, InternetNZ has an obligation to be open and accessible to current and new members interested in the organisation's cause and mission. Internet Community members join and participate in the organisation to contribute to the cause and to be part of the Internet community's development.

Operationally, the organisation needs to explain and promote membership and its role properly, and administer membership competently. While it is likely that our membership will only ever comprise a small part of the Internet community, the more broadly based it is the better connection there will be between InternetNZ and the Internet community.

It is a joint responsibility of the operational staff, the elected Council, and the membership more broadly to develop and grow our membership. The transformations set out here cannot be achieved by staff action alone.

Our goal this year is to refresh the membership offer, so that people can easily join, and have a positive experience in contributing to our work when they do. Measures are still being developed for this goal.

Activities - Baseline

- **Membership Survey:** done biennially rather than annually, in June and December, and questions revised to be more useful (without losing continuity with previous surveys).

Activities - Key Projects

- **Membership Campaign:** once the membership offer is refreshed, materials to allow for a range of small scale membership campaigns will be developed and we will try a range of approaches to work out what yields best 'bang for buck'.
- **Contacting Previous Members:** once the new offer is developed and in place, we will reach out to past members who have not renewed, and see if the new approach attracts them back.

5.B Governance

InternetNZ is a membership-based organisation which is governed by a Council of twelve members, elected by and from the Membership and comprising a President, Vice President and ten Councillors. This section sets out the transformations and activities that relate to the governance role including our role as the designated manager for the .nz country code top level domain.

Activities - Baseline

- **Elections and AGM:** Each year there is an election for Council members. This year a President, Vice President and two Councillors will be elected, with the results being finalised at the AGM to be held at the end of July.
- **Regular Council meetings:** the Council meets six times a year to govern the organisation.

Activities - Key Projects

- **A new .nz Framework policy and updated Operating Agreements and Statements of Expectations for subsidiaries in place.**

Following the work of the .nz Framework review, there is a need to consolidate the new settlement in a single overarching Governance Policy that sets out the roles and relationships for the three parts of the group in the management of .nz. Subsequent to this the Operating Agreements for each subsidiary need updating, and then the 2016/17 Statements of Expectations will be updated as well.

- **Commence planned reviews of the Governance Policy framework.**

While the Governance Policy framework has been reviewed and made more coherent leading up to this business year, it is time to commence the regular planned reviews of the policies it contains. This will be ongoing work through the year with various policies reviewed at each Council meeting

Governance & Membership Budget Summary

Governance and Membership

Council & Members	\$395,700	93%
.nz Stewardship	\$30,000	7%
Governance and Membership	\$425,700	100%

Draft 2015/16 Budget

Author: Jordan Carter, Chief Executive

Purpose of Paper: Seek Council approval of the budget for 2015/16.

Introduction

This paper sets out the 2015/16 Budget, the background information regarding that budget, and proposes the budget for Council's agreement along with associated notes.

1. Budget Strategy 2015/16

The overall context for Budget 2015/16 is of uncertainty in income for InternetNZ, and a planned deficit that is smaller than that in 2014/15 in the uncertain environment we face.

With the arrival of hundreds of new registrant choices with new global top level domains, and the opening of registrations direct at the second level in .nz, there is considerable uncertainty about the future of .nz registrations, and thus of the overall income the InternetNZ group has. This feeds through to InternetNZ through the dividend from NZRS.

Initial discussions with NZRS have indicated the possibility of a smaller than expected (and requested) dividend for the year than that expected when the initial budget was prepared in December. Staff have responded to this by reducing planned expenditure by around \$250k compared with the December plan.

At the end of the financial year we anticipate around \$4.5m in reserves. This allows the possibility of proceeding with this year's budget planning a deficit - smaller than that planned last year.

Within the proposed expenditure limit, key priorities will be resourced and the organisation's overall expenditure will grow by a modest 1% - a real-terms cut in expenditure compared with inflation.

This Budget paper needs to be read in conjunction with the 2015/16 Activity Plan and Budget paper, to give readers the full picture on planned activity.

2. Changes since December 2014 Budget draft

The proposed 2015/16 Budget presented in December (refer below) was based on the following:

- An increase in the dividend from NZRS compared with 2014/15 (as was always forecast for the 2015/16)

- A degree of reassurance that globally, new gTLDs haven't placed as much pressure on ccTLD markets as seemed possible or likely
- A strategic direction across the group to seek additional revenue from new markets
- Recognition that to deliver the current set of functions required of the InternetNZ business unit in a way that is fair on and sustainable for staff, additional personnel resources are required.

	2015/16 December Draft Budget	2014/15	2015/16	Change over last year	
	Internet New Zealand Incorporated	Reallocated Budget	Dec Draft Budget	Amount	%
Income		3047	4156	1040	34%
Expenses					
Internet Issues		600	644	44	7%
Community Development		881	1042	161	18%
International Engagement		211	458	247	117%
Core Operations		1686	1656	-30	-2%
Governance & Membership		677	574	-103	-15%
Total Expenses \$000s		4055	4374	319	8%
Net Ordinary Income \$000s		-1008	-218	721	-72%

However, since December circumstances have changed in one very significant material respect. This draft Budget relied on forecast dividend figures remaining the same as those provided in the NZRS SoD&G dated May 2014, and as set out as a Council expectation in the Statement of Expectations agreed with NZRS at the December Council meeting.

Since December NZRS have provided a new indicative dividend figure of \$3.157 million for 2015/16. This is a **very significant reduction** from the forecast \$3.790 million – a reduction of \$633k. Without InternetNZ changing its spending plans, the result would have blown out the planned \$218k deficit (above) to an \$851k deficit.

The team considered this result and those of future years based on the updated indicative dividends provided for 2016/17 & 2017/18, and concluded that proposing a deficit of this magnitude to Council would be financially irresponsible.

We undertook a review of the proposed expenditure, and found reductions across the organisation to the value of \$262k, without placing the current business plan in jeopardy.

This paper is not the place to consider the reasons behind the sharp downward revision of the dividend forecasts, but that matter must be discussed by Council at this meeting.

3. 2015/16 Budget comparison with the budget presented at the December Council meeting.

The following sets out the updated “March Budget” as the central proposal for Council to adopt, and compares it with that presented in December for transparency:

	Internet New Zealand Incorporated	2015/16 Dec Draft Budget	2015/16 March Budget	Reduction Amount	%
Income		4156	3524	-632	-15%
Expenses					
Internet Issues		734	679	-55	7%
Community Development		1129	1093	-36	-3%
International Engagement		273	249	-24	-14%
Core Operations		1480	1411	-69	-5%
Governance and Membership		474	426	-48	-10%
International Events		290	255	-35	-12%
Total Expenses \$000s		4374	4113	-261	-6%
Net Ordinary Income \$000s		-218	-589	-371	170%

4. Detailed comparison budget of the 2014/15 with the 2015/16 Budget

The 2015/16 budget compared to last year:

	Internet New Zealand Incorporated	2014/15 Reallocated Budget	2015/16 Draft Budget	Change over last year Amount	%
Income					
Dividends		2756	3157	401	15%
Membership		9	14	5	51%
Group Shared Expenses reimbursement		282	284	2	1%
Interest		0	69	69	100%
		3047	3524	477	16%

		2014/15	2015/16	Change over last year	
		Reallocated Budget	Draft Budget	Amount	%
Internet New Zealand Incorporated					
Expenses					
Internet Issues Programme					
Internet Issues		60	186	126	210%
Internet Connectivity		124	137	13	11%
Internet Use		155	81	-73	-47%
Internet Technology		158	100	-58	-36%
Internet Law & Rights		100	100	1	1%
Issues Operating Costs		71	74	4	5%
Internet Issues Programme		667	679	12	2%
Community Funding					
Funding Rounds		157	240	83	53%
Strategic Partnerships		323	260	-63	-20%
Community Funding Engagement Research, improve reporting and impact measure/monitoring		20	10	-10	-50%
Community Funding Operating Costs		25	15	-10	-40%
		106	164	58	54%
Community Engagement					
NetHui		120	130	10	8%
Sponsorship		50	50	0	0%
NetHui community initiatives: NZIRF		20	15	-5	-25%
Speaker Series		5	5	0	0%
Oceania Internet Governance Summer/Spring School		0	10	10	0%
Community Engagement Operating Costs		106	194	87	82%
Community Development		933	1093	160	17%
International Engagement					
International Collaboration		374	249	-125	-33%
International Engagement		374	249	-125	-33%
Core Operations					
Remuneration		593	626	33	6%
Depreciation		96	60	-36	-38%
Operating Expenses		549	402	-147	-27%
Overhead		317	323	6	2%
Core Operations		1555	1411	-144	-9%
Governance and Membership					
Council & Members		391	396	5	1%
.nz Stewardship		50	30	-20	-40%
Governance and Membership		441	426	-15	-3%
International Events					
APRICOT		83	191	108	130%
ANZIA		0	64	64	100%
International Events		83	255	172	208%

Total Expenses \$000s

4053 4113 60 1%

Net Ordinary Income \$000s

-1006 -589 417 -41%

Reconciliation to:

2014/15 Approved reworked budget from the October Council meeting

Less Income offset	-293	
Reallocated Budget presented		
At the October		
Council Meeting	3760	RN72/14
This amount includes the rollovers		
Community Funding rollover	-96	RN20/14
Reconciliation back to original budget	3664	RN39/14

The 2015/16 proposed Budget has had the allocation of staffing resources applied to the appropriate work area, in keeping with our change of reporting nature versus function. The 2014/15 version as shown above has had this treatment applied as well, so it is truly comparable.

The 2015/16 Budget is to allow the implementation of the Activity Plan, also going to Council at this meeting.

Another change in presentation is the separation of income from expenses; previous budgets have been presented net of income e.g. overheads net of recharge to the subsidiaries. For the sake of transparency a separation of income and expenses has been adopted where possible (not, at this stage, for major events).

The budget shows an operational budget limit of \$4.113 million for 2015/16, an increase of 1% or \$60,000 compared with the 2014/15 operating limit of \$4.053 million.

5. 2015/16 Executive Summary

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

Activity	FTE		Expenses		Capex	
Internet Issues Programme	3.3	28%	\$679,262	17%		0%
Community Development	2.75	23%	\$1,092,580	27%	\$30,000	24%
International Engagement	0.4	3%	\$248,922	6%		0%
Core Operations	3.98	33%	\$1,410,828	34%	\$65,000	52%
Governance and Membership	1.32	11%	\$425,700	10%	\$30,000	24%
International Events	0.25	2%	\$255,247	6%		0%
Grand Total	12	100%	\$4,112,541	100%	\$125,000	100%

Operating Expenditure 2015

Internet Issues Programme

Operating Costs
Law & Rights
Technology
Use
Connectivity
Internet Issues

Community Development

Engagement Operating Cost
Engagement Support
Sponsorship
NetHui
Funding Operating Costs
Funding Support
Funding

International Engagement Core Operations

Int'l Collaboration

Overhead
Operating Expenses
Depreciation
Remuneration

Governance and Membership

.nz management
Council & Members

International Events

ANZIA's
APRICOT

6. 2015/16 Budget explanations by area

Income:

Internet New Zealand Incorporated		2015/16 Draft Budget	% of Income
Income			
	Dividends	3157	90%
	Membership	14	0%
	Group Shared Expenses reimbursement	284	8%
	Interest	69	2%
		3524	100%

Income explanation:

- Reduction in dividend from the December draft budget
- Membership remaining at current levels
- Group Shared Expenses reimbursement - is the amount invoiced to the subsidiaries to recover the costs incurred by InternetNZ on their behalf. The majority of this revenue relates to overhead charges, cleaning, power, rent, and security, the remaining balance is for accounting and reception services, video conferencing, general office expenses, and printing and stationery costs.

Internet Issues Programme:

Internet New Zealand Incorporated	2014/15 Reallocated Budget	2015/16 Draft Budget	+/- Increase from last year	%
Internet Issues Programme				
Internet Issues	60	186	126	210%
Internet Connectivity	124	137	13	11%
Internet Use	155	81	-73	-47%
Internet Technology	158	100	-58	-36%
Internet Law & Rights	100	100	1	1%
Issues Operating Costs	71	74	4	5%
Internet Issues Programme	667	679	12	2%

Internet Issues	Connectivity	Use	Technology	Law & Rights	Operating Costs
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Internet Issues Programme:

This finances the Activity Plan commitments for the Internet Issues area. The “programme” costs line increases because there is a transition under way from primarily contractor-based operations to staff-based operations.

The December budget presented an increase of expenditure in this area of 7%, but after the review of expenditure budgeted project costs were reduced by \$50k, and also a reduction in the training budget across all areas from 5% to a still reasonable 3%, has limited the increase to 2% when compared to last year.

Community Development:

Internet New Zealand Incorporated	2014/15 Reallocated Budget	2015/16 Draft Budget	+/- Increase from last year	%
Community Funding				
Funding Rounds	157	240	83	53%
Strategic Partnerships	323	260	-63	-20%
Community Funding Engagement Research, improve reporting and impact measure/monitoring	20	10	-10	-50%
Community Funding Operating Costs	106	164	58	54%
Community Engagement				
NetHui	120	130	10	8%
Sponsorship	50	50	0	0%
NetHui community initiatives: NZIRF	20	15	-5	-25%
Speaker Series	5	5	0	0%
Oceania Internet Governance Summer/Spring School	0	10	10	0%
Community Engagement Operating Costs	106	194	87	82%
Community Development	933	1093	160	17%

Funding	Funding Support	Funding Operating Costs	NetHui	Sponsorship	Engagement Support	Engagement Operating Cost

Community Development:

Note: The Community Development Programme is a new combination of what was previously two separate areas of funding - Community Engagement and Community Funding. As this is new, the budget for administration costs has not been separated to the degree that is reflected in other areas of this budget. It is anticipated that in future budgets, this administration cost will be split into the constituent parts to reflect more accurately the time and cost spent in these areas.

The programme is set out in the Activity Plan, and continues with current \$0.5m commitments to strategic partners and community grants, and NetHui in 2015. The additional expenditure relates to plans to hire a new staff member to expand our community engagement efforts.

The December budget presented an increase of expenditure in this area of 18%. After the review of expenditure the budgeted costs remain the same, as this area of work is key in delivering the strategic plan, however there was still a small reduction, due to reduction in training, limiting the increase to a slightly lesser 17%.

Council has been advised that timing won't allow the 2014/15 Research Round to be paid out in the current year. To cover this, I recommend that \$80,000 for the

Research round be provided for in the financial year 2015/2016, noting that this amount simply won't be spent in 2014/15 (though budgeted for).

It is also recommended to Council that the balance of \$10,000 from the On-demand grants be reallocated to the financial year 2015/2016.

Neither of the two preceding amounts are included in the itemised budget above, as they have already been approved in previous years, and only have an impact on the 2015/16 cash-flow.

International Engagement:

Internet New Zealand Incorporated	2014/15 Reallocated Budget	2015/16 Draft Budget	+/- Increase from last year	%
International Engagement				
International Collaboration	374	249	-125	-33%
International Engagement	374	249	-125	-33%

Int'l Collaboration

International Engagement

This programme provides for key areas of focus as per the Activity Plan, and mainly funds travel and accommodation needs for participation in global events. The major time-limited focus in the year, besides usual activity, is the focus on the transition of IANA stewardship responsibility from the US government to the Internet community.

The substantial reduction in this area is due to the reduction in charges of International Director Role, and the completion of the handover from Keith to current staff leading to a reduction in the International Travel area.

Core Operations:

Internet New Zealand Incorporated	2014/15 Reallocated Budget	2015/16 Draft Budget	+/- Increase from last year	%
Core Operations				
Remuneration	593	626	33	6%
Depreciation	96	60	-36	-38%
Operating Expenses	549	402	-147	-27%
Overhead	317	323	6	2%
Core Operations	1555	1411	-144	-9%

Remuneration	Depreciation	Operating Expenses	Overhead
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Core Operations:

This area, as noted in the Activity Plan, is the core operational area for InternetNZ. In particular, remuneration that isn't directly related to activity functions already covered above is funded here.

The December budget presented an increase of expenditure in the core operations area of 5%. In contrast to this, the present budget reports a reduction of 9% in expenditure. This reduction is attributable to cuts in the following areas: \$75k on business development, a reduction in the cost of outsourcing ICT support \$8k, national travel by \$26k, meeting costs \$8k, and the training reduction to 3% of total rem.

Council should note that in effect, this means there are **no funds available for business development in this Budget**. All financial responsibility will need to lie with NZRS, from the funds available for business development there.

It should be noted that the revenue of \$284k identified under the income section needs to be offset against the costs in this area, producing a net expenditure result for core operations for InternetNZ of \$1.127million.

Governance and Membership:

Internet New Zealand Incorporated	2014/15 Reallocated Budget	2015/16 Draft Budget	+/- Increase from last year	%
Governance and Membership				
Council & Members	391	396	5	1%
.nz Stewardship	50	30	-20	-40%
Governance and Membership	441	426	-15	-3%

Council & Members	.nz management
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Governance and Membership:

The Activity Plan sets out the detail for this area. Besides usual services for Council and members, there is now a transparent provision for advice related to our role as the

designated manager for the .nz ccTLD, which in 2015/16 will mainly relate to policy development and updates to operating agreements.

The Council and members budget presented at the December Council meeting reported a reduction compared to 2014/15 of 15%, this included the saving from the exit of the International Director role this has now been reallocated into the International Governance area of work. The reduction of \$20k from the .nz stewardship results in keeping a small 3% reduction.

International Events:

Internet New Zealand Incorporated	2014/15 Reallocated Budget	2015/16 Draft Budget	+/- Increase from last year	%
International Events				
APRICOT	83	191	108	130%
ANZIA	0	64	64	100%
International Events	83	255	172	208%

APRICOT	ANZIA'S

International Events:

There are two major International Events in the Budget: hosting APRICOT 2016 in February, and hosting the Australia New Zealand Internet Awards (ANZIAS) in August.

This International Events budget remains as per the one presented in the December papers, but it must be noted that these figures are presented net of revenue, and as more detailed information comes to hand, Council will be presented with a completely detailed revenue vs expense budget for both events.

Further Notes

- o No Provision is made in this budget for operational expenditure for moving premises, as the costs of any change have not been established. All three business units across the group are taking this approach.
- o All amounts are exclusive of GST.

7. Funding Operational Expenditure

The operating expenditure limit will be largely funded by the dividend from NZRS, with the balance being funded from retained earnings. Reserves would be approximately \$3.8m at the end of 2015/16 if cash expectations for 31 March are accurate, and if expenditure and income plans come to pass.

8. Capital Expenditure Budget

The proposed capital budget is \$125,000 (c.f. current year \$120,000), made up of the following items:

Item	Amount
Computers/Software	\$80k
New phone system	\$25k
Auckland Furnishings (Reception chairs, tables and a Sofa)	\$10k
Misc. capex (Desks and chairs)	\$10k

- The “Computers/Software” item is high for the following reasons:
 - Need for an automated online system for managing community funding
 - Possibility of a new online system for managing Council papers
 - The need to integrate our membership management software with our email list software to reduce high staff time commitments and inaccuracies arising from manual processes
- No allowance of capital expenditure has been identified for office relocation. Details of required expenditure will be reported once a decision has been made.

9. Reserves Requirement

Based on projected operational expenditure limits the financial reserves for 2015/16 as required by the Reserves Policy are to be maintained at a level of \$1,220,000 (current year: \$1,149,000).

10. Community Funding

No increase in Community Funding (grants rounds & partnerships) has been budgeted for the financial year 2015/16; instead the focus is on building up the support system so to deliver the strategic plan.

In the three year projection 2016-2018 the Community Funding budget has been increased by \$240k, with a further \$260k planned for 2018-2020, achieving the targeted \$1 million as per the Strategic Plan.

11. Three year Profit & Loss projections

Below is the detailed three year profit and loss projection. The critical underlying assumption is that dividends from NZRS are broadly in line with the amounts notified to staff as NZRS prepared their Statement of Directions and Goals for 2015.

InternetNZ Budget 2015-2018	TOTAL Apr 15 - Mar 16	TOTAL Apr 16 - Mar 17	TOTAL Apr 17 - Mar 18
Ordinary Income/Expense			
Income			
Operating Income			
Shared Group Services	284,005.00	292,525.15	301,300.90
Membership - Corporate	5,800.00	5,974.00	6,153.22
Membership - Individual	7,800.00	8,034.00	8,275.02
Total - Operating Income	297,605.00	306,533.15	315,729.14

Investment Income			
Dividends	3,157,456.00	3,219,000.00	3,234,000.00
Interest	68,752.00	60,000.00	65,000.00
Total - Investment Income	3,226,208.00	3,279,000.00	3,299,000.00
Total Income	3,523,813.00	3,585,533.15	3,614,729.14
Expense			
Total - Remuneration	1,394,486.00	1,436,320.58	1,479,410.20
Operating Expenses			
Accountancy Fees	28,300.00	29,149.00	30,023.47
Advertising & Marketing	6,750.04	6,952.54	7,161.12
Audit Fees	10,000.00	10,300.00	10,609.00
Bank Charges	2,182.15	2,247.61	2,315.04
Conferences	10,000.00	10,300.00	10,609.00
Consultants/ICT/Bus Dev	185,620.00	191,188.60	196,924.26
Depreciation	60,000.00	61,800.00	63,654.00
Domain Names	442.00	455.26	468.92
General Office Expenses	36,005.20	37,085.36	38,197.92
Governance Training	40,000.00	41,200.00	42,436.00
Honoraria	200,249.50	206,256.99	212,444.69
Legal Fees	49,000.00	50,470.00	51,984.10
Meeting Costs	92,280.00	95,048.40	97,899.85
Postages & Couriers	4,209.72	4,336.01	4,466.09
Repairs and Maintenance	2,897.59	2,984.52	3,074.05
R & M - Software	8,393.00	8,644.79	8,904.13
Printing & Stationery	23,086.08	23,778.66	24,492.02
Subscriptions	29,268.78	30,146.84	31,051.25
Telecommunications	66,132.00	68,115.96	70,159.44
Travel & Accommodation - International	14,000.00	14,420.00	14,852.60
Travel & Accommodation - National	73,070.00	75,262.10	77,519.96
Web Site Updates & Hosting	4,560.00	4,696.80	4,837.70
Issues Programme Header			
Internet Issues Programme			
Total - Internet Issues Programme	60,000.00	61,800.00	63,654.00
Total - Internet Law & Rights Portfolio	20,000.00	20,600.00	21,218.00
Total - Internet Use Portfolio	35,000.00	36,050.00	37,131.50
Total - Internet Connectivity Portfolio	60,000.00	61,800.00	63,654.00
Total - Internet Technology Portfolio	65,000.00	66,950.00	68,958.50
Total - Internet Governance Portfolio	238,099.97	180,971.00	186,400.13
Total - Issues Programme	478,099.97	428,171.00	441,016.13
Community Funding			
Strategic Partnerships	260,000.00	300,000.00	360,000.00
Community Funding Engagement	10,000.00	10,300.00	10,609.00
Research, improve reporting and impact measure/monitoring		15,000.00	15,450.00
Community Grants	240,000.00	300,000.00	360,000.00
Total 878 - Community Funding	525,000.00	625,750.00	746,522.50
Community Engagement			

NetHui/Regional	130,000.00	133,900.00	137,917.00
NetHui community initiatives: NZIRF	15,000.00	15,450.00	15,913.50
Sponsorship	50,000.00	51,500.00	53,045.00
Speaker Series	5,000.00	5,150.00	5,304.50
Oceania Internet Governance Summer/Spring School	10,000.00	10,300.00	10,609.00
Total - Community Engagement	210,000.00	216,300.00	222,789.00
International Event			
APRICOT 2016	175,000.00	0.00	0.00
ANZIA's	60,000.00	0.00	68,000.00
Total - International Event	235,000.00	0.00	68,000.00
Total - Operating Expenses	2,394,546.03	3,681,381.03	3,961,822.46
Overheads			
Cleaning Costs	39,792.00	40,985.76	42,215.33
Electricity	19,020.00	19,590.60	20,178.32
Insurance	10,502.04	10,817.10	11,141.61
Rent Paid	250,409.52	257,921.81	265,659.46
Security	3,720.00	3,831.60	3,946.55
Total - Overheads	323,443.56	333,146.87	343,141.27
Total Expense	4,112,475.59	4,014,527.89	4,304,963.73
Net Ordinary Income	-588,662.59	-428,994.74	-690,234.58
	-588,662.59	-428,994.74	-690,234.58

Recommendations

1. That Council **approve** an operational budget limit of \$4.112 million and a draft capital budget limit of \$125,000 for 2015/16.
2. That Council **approve** the recommendation to rollover the balance of \$80,000 for the Research Funding Round and \$10,000 for On-demand Grants funding to the 2015/2016 financial year.
3. That Council **note** and **agree in principle** that should income turn out to be lower than expected, the operational and capital budget limits will be maintained, with funding to come from retained earnings.

Jordan Carter
Chief Executive

26 March 2015

SET 1

13 & 14. Governance Framework

- Governance Manual (separate document)
- Policy Development Policy

DRAFT: Policy Development Policy

Policy	PDP: Policy Development Policy
Version	1.0
Date in force	
Planned review	

Council member skills

1 Introduction

- 1.1 This policy sets out the Council's Policy Development process.
- 1.2 It explains the various types of governance policy created by the Council, and how the Council establishes them.
- 1.3 It also specifies the consultation and approvals processes required for each policy type.
- 1.4 Generally speaking the Council will abide by this PDP. If an extraordinary situation demands swift changes, the approach in section 6 applies.

2 Types of policy in this PDP

- 2.1 The policies the Council will establish generally fall into one of the following categories:
 - 2.1.1 **Governance policies:** policies which set out how the Council fulfils its governance role for InternetNZ, or relating to the Boards of subsidiaries. This PDP is an example of such a policy.
 - 2.1.2 **Group policies:** policies which are to apply across the InternetNZ Group, creating obligations for subsidiaries as well as for InternetNZ. These will generally set out a high-level framework, with individual business units detailing the implementation of that framework themselves. The Business Development Policy is an example of such a policy.
 - 2.1.3 **.nz governance policies:** policies which set out the structure for the management of the .nz domain name space. The .nz Framework Policy is an example of such a policy.
- 2.2 All of the policies will be listed in the Governance Policy Register.

- 2.3 All policies are reviewed on a regular basis as agreed at the time the policy is adopted, or as changed by Council from time to time.

3 Governance policies

- 3.1 Governance policies are created by the Council to manage its governance responsibilities.
- 3.2 The general approach to the creation and revision of such policies is as follows:
 - 3.2.1 InternetNZ staff will prepare a draft of the policy for Council review, with an explanatory cover note setting out the rationale for the policy and/or the rationale and impact of proposed changes.
 - 3.2.2 The draft/revisions will be provided to Council two weeks before a meeting and notified to members at that time so that input can be provided if required.
 - 3.2.3 Council will consider the draft/revisions and any feedback from members or subsidiaries, and either adopt the draft/revised policy, make minor changes and adopt the policy, or send it back for redrafting and consideration at a subsequent meeting.
- 3.3 Where a governance policy has, in the Council's view, a direct or significant impact on subsidiaries, the Chief Executive will involve subsidiary CEs in its development prior to initial presentation to Council. Subsidiary Board comments will be solicited in the two week period before the meeting or where practical before the proposal is finalised.

4 Group policies

- 4.1 Group policies are created by the Council to apply across the InternetNZ Group, to drive consistent behaviour across the group.
- 4.2 Group policies may be instigated by any part of the Group.
- 4.3 The general approach to the creation and revision of group policies is as follows:
 - 4.3.1 The initiating entity in the group will identify the need for such a policy or revision to existing policy and communicate it to other parts of the group through CEs.

- 4.3.2 InternetNZ staff will prepare a draft of the policy in collaboration with other CEs.
 - 4.3.3 All group governance bodies will be consulted across a meeting cycle on the draft policy/revisions.
 - 4.3.4 Following such consultation and amendments as required, InternetNZ staff will finalise the draft policy/revisions and provide these to Council two weeks before a meeting and notified to members at that time so that input can be provided if required.
 - 4.3.5 Council will consider the draft/revisions and any feedback from members or subsidiaries, and either adopt the draft/revised policy, make minor changes and adopt the policy, or send it back for redrafting and consideration at a subsequent meeting.
- 4.4 If a subsidiary has a fundamental objection to the final draft (as communicated by its board chair to the President within one week of the Council meeting), the group policy concerned will not be introduced or will remain in force without amendment until the subsequent Council meeting (which may be an intersessional meeting called to resolve the issue). If the Council recommits to its decision, then the revised/new policy is then in force.

5 .nz governance policies

- 5.1 .nz governance policies are created by the InternetNZ Council to set out the structure for the management of the .nz domain name space.
- 5.2 .nz governance policies may be instigated by any part of the Group.
- 5.3 The general approach to the creation and revision of such policies is as follows:
 - 5.3.1 The initiating entity in the group will identify the need for such a policy or changes to existing policy and communicate it to other parts of the group through CEOs.
 - 5.3.2 InternetNZ staff will prepare a draft of the policy in collaboration with other Chief Executives.
 - 5.3.3 All group governance bodies will be consulted across a meeting cycle on the draft policy. If the policy change is of a fundamental nature in the view of the Council or any

subsidiary, two meeting cycles will be allowed for discussion and debate.

- 5.3.4 Once a draft is agreed, Council will approve it and seek input from members and from the public at large on that draft, for at least four weeks. Council will also identify whether it is appropriate to ask DNCL to participate in, share, or conduct entirely the public consultation process.
 - 5.3.5 Feedback will be taken into account by staff across the group in preparing a revised draft.
 - 5.3.6 Council will consider the revised draft and discuss it with the subsidiaries at its next meeting, and make any changes.
 - 5.3.7 A final version of the policy will be adopted by the subsequent Council meeting, to allow a considerable period of time for public input.
- 5.4 If a subsidiary has a fundamental objection to the final draft (as communicated by its board chair to the President within one week of the Council meeting), the .nz governance policy concerned will not be introduced or remain as previously in force until the subsequent ordinarily-scheduled Council meeting. If the Council recommits to its decision, then the revised/new policy is then in force.

6 General matters

- 6.1 Any of the timeframes set out in this PDP may be extended, but not shortened unless in the case of a clear emergency required by circumstances beyond the control of the Council.
- 6.2 Where shorter timeframes are required by such circumstances, best efforts will be used to ensure the views of relevant parties are taken into account before decisions are made. Further, the decision will be placed on the agenda for the subsequent Council meeting with the intention of then following the normal policy development process as set out in this policy.
- 6.3 All policies come into force at the date specified by the Council resolution adopting them.

19. Statement of Directions and Goals (SoD&G)

- **DNCL**



Statement of Direction and Goals

March 2015

Contents

Introduction and Background	2
Strategic Goals	3
New and Emerging Environmental Factors	4
DNCL Strategy	7
Key Priorities and Performance Indicators	7
Three year budget	8

Introduction

This DNCL Statement of Direction and Goals responds to the InternetNZ Statement of Expectations and sets out the key areas that DNCL will be focusing on in the 2015-2016 financial year.

Background

InternetNZ holds the delegation for the .nz ccTLD. Under the terms of the Operating Agreement between DNCL and InternetNZ, DNCL manages this delegation and has been appointed to manage and administer the .nz domain name space on behalf of InternetNZ. DNCL operates as the regulator of the .nz domain name space and, as such, oversees the operation of .nz aspects of the registry. In doing so, DNCL ensures the operation of a competitive market for the provision of registration services to the local Internet community, including .nz registrants. DNCL's functions and responsibilities include approving operational policies, authorising registrars, reviewing the performance of the shared registry service to ensure a competitive market, approving technical changes and providing information to the public about the operation of .nz.

The DNCL policy framework operates through private contractual arrangements between the DNCL and Registrars, NZRS and Registrars and between Registrars and Registrants. That DNCL policy framework sets out the requirements for those wishing to operate registration businesses in the .nz domain name space. These policies are the foundation of formal agreements, such as the Authorisation Agreement between DNCL and authorised Registrars. All .nz policies are subject to regular, public reviews with each policy having been reviewed at least twice since the current system was implemented. A component of this policy framework is oversight of the shared registry service that Authorised Registrars may access in order to provide services to .nz registrants.

Oversight of the shared registry services, operated by NZRS, is maintained through a Service Level Agreement that sets out the standards the shared registry service must meet, and the requirement for it to report to DNCL. The registry reports separately to Council as the shareholder on its company performance. This SLA was last reviewed in August 2011, with the next review now due following the completion of the .nz Framework.

All DNCL policies and related agreements reflect the principles for operating .nz as defined by InternetNZ and the requirements of a ccTLD manager. These include protecting the rights of registrants, operating fairly to ensure a competitive market in which the registry does not, for example, offer registrations to the public or discriminate between Registrars, and respecting the rights of all those associated with the .nz domain name space. It is within this overall regulatory framework that DNCL has developed strategic goals for the management and administration of the .nz domain name space.

Strategic Goals

Management and Administration of the .nz Domain Name Space

To ensure effective long term management of the .nz domain name space a set of strategic goals for .nz has been developed and adopted by DNCL. These strategic goals are:

1. Ensure .nz is operated as a respected registry that meets the needs of the Local Internet Community
2. Maintain confidence in .nz by operating DNCL as a fair regulator of the market
3. Promote the reputation and value proposition of .nz to encourage .nz as the choice of registration
4. Secure and maintain high levels of registrant trust and satisfaction in .nz
5. Promote .nz objectives internationally to position .nz as a credible ccTLD and leader in its field
6. As part of the InternetNZ Group share our skills to advance the Internet experience of New Zealanders

Within this overall framework, Council has noted in its Statement of Expectations that DNCL's core role is to operate, maintain, develop and enforce the policy framework for the .nz ccTLD, and to monitor and hold accountable NZRS's performance against SLA standards of operation for .nz.

In advancing this core role, DNCL is expected to provide the following core functions:

- Maintain and develop the policy framework that sets out how .nz operates, and enforce its requirements on relevant parties
- Provide a service for resolving disputes between registrants consistent with the .nz policy framework
- Monitor and develop as required the SLA that specifies the service levels required for the operation of the SRS and the DNS
- Oversee the .nz market and provide support and advice for members of the public.

DNCL is also expected, along with NZRS, to provide:

- .nz international representation consistent with the group international strategy and plan
- Development of the .nz product consistent with the group strategy goal regarding .nz being a world-class ccTLD.

In particular, InternetNZ expects DNCL will work on the following specific tasks:

- Continue the work programme involved with rolling out registrations direct at the second level
- Conduct with NZRS and InternetNZ a full review and debrief of the registrations direct at the second level project

- Develop and share the company's approach to succession planning at the board and management level, to provide assurance as to the resilience of the company
- Work with the shareholder to re-establish common premises for all business units

The SoE also sets out that in order to ensure the InternetNZ Group functions effectively overall, it is essential for the three Chief Executives to understand each other's thinking, concerns and priorities. The DNCL Chief Executive is therefore expected to attend meetings convened to discuss common group interests and to work collaboratively and effectively on strategic as well as operational matters.

New and Emerging Environmental Factors

ccTLDs operate as a niche within the broader market of Top Level Domains. But changes are occurring in the TLD space that could have significant impacts on ccTLDs such as .nz, and the DNCL strategy must respond accordingly.

Views of .nz registrants and changes to the .nz structure

.nz has always prided itself on considering the views of the local Internet community and the DNCL continues to monitor community views of how .nz functions and consider whether change may be beneficial. Over the last year the final consultation was completed with the Local Internet Community on our proposal to allow registrations at the second level. This was in line with the 2014-2015 Statement of Expectations.

The process around the second level registrations proposal demonstrated DNCL's commitment to open, public consultation with submissions properly considered as part of the decision making process. Three separate consultations were undertaken before the implementation process started. The first focused on whether we should or shouldn't allow second level .nz registrations, with the second focused on how it might be implemented if we did and the third and final consultation asking for comments on the policy and process.

Overall there was an unprecedented level of interest in the consultations with 178 submissions received over the three, 115 from the first. The final policy implemented reflected comments made by submitters including the introduction of a free two year reservation period.

Since announcing that second level registrations would be introduced, the feedback to the DNCL office has generally been positive with interest in obtaining the names starting immediately after the announcement was made. Though there were complaints from a few people, the majority are accepting of the change. This was borne out with the level of interest in registering the direct .nz names when they were implemented on 30 September 2014.

DNCL believes it is important to ensure that .nz remains relevant into the future and considers the introduction of second level registrations as a .nz option is part of that. DNCL will continue to monitor how the policy changes operate in preparation for the review of the policy two years after implementation.

New gTLDs

2014 saw the creation of a number of new gTLDs, including .kiwi. The impact of these new TLDs on .nz has not really been significant to date as the registration within the new options continues to be below the expectations of many. DNCL continues to monitor the uptake of registrations in the new gTLDs, particularly in .kiwi where it is likely people and organisations based in New Zealand may choose to register if they seek a gTLD name.

At the end of December 2014 there were just under 9,000 names registered in the .kiwi space so it does not appear that there has been a significant impact on .nz registrations. It should be noted however, that the introduction of second level .nz registrations on 30 September 2014 stimulated the .nz market and it is possible a similar increase may also be seen at the end of the preferential registration period on 30 March 2015.

As one measure to ensure .nz remains competitive, InternetNZ have given responsibility to NZRS to actively market .nz domain names. DNCL will ensure we assist NZRS as appropriate for them to meet their obligation to the InternetNZ Council while still maintaining the integrity of the .nz model.

Security

Retaining, and extending, confidence in .nz continues to be very important. We see there will be a continued focus on security matters given this remains an area of concern for many as the reliance on the Internet for business and trade increases.

Over the last year, there has been a significant increase in DNCL's engagement with Law Enforcement, Regulators and teams involved in investigations (both in the public and private sectors). This engagement has primarily involved DNCL briefing and training them about Domain Names and sources of information to support their work. However, this also promotes confidence in .nz and has numerous other positive outcomes. This work will continue and is also something DNCL is sharing and promoting across the AP region.

Work has also continued promoting the benefits of DNSSEC to Registrars, Registrants and DNS Operators. The rollout of DNSSEC is continually being reviewed and its ongoing implementation closely monitored as part of an ongoing project. In the future, DNSSEC will also be supplemented by security related policies and compliance to ensure defined standards are met.

DNCL will continue to provide an experienced resource for the InternetNZ Group to contribute to projects identified, and overseen, by InternetNZ. This will include involvement in Government security related strategies.

Opportunities and Challenges

The changing environment provides opportunities and challenges. Promoting and marketing the benefits of .nz is seen to be important as the range of registration options increases with the ongoing arrival of a greater range of open gTLDs. Promoting the benefits of .nz and raising general awareness of why .nz is a sensible and safe choice for Registrants is an ongoing task for DNCL. Registrants, and

potential Registrants, should be informed about domain names and what having a domain name can do for them, their business or organisations.

In this dynamic environment of expanding choice for registrants, a key challenge is to ensure that the benefits of .nz registrations remain strong, clear and up to date. We have reviewed the strategic goals for .nz and consider these remain appropriate for the .nz ccTLD manager, and are critical to ensure a fair and competitive market for .nz registrations and uphold core InternetNZ principles. DNCL will ensure that the fundamental policy framework that governs .nz remains and that .nz registrants continue to be supported within existing strategic objectives and regulatory oversight.

DNCL plans over this year to do a review of the overall .nz policy framework to ensure it continues to meet the needs of Registrants and Registrars and is respected and trusted. It is vital that we continue to improve the domain name experience of .nz domain name Registrants where possible and appropriate. DNCL has carried out a number of improvements including policies for oversight of the roll out of DNSSEC, expanded search functionality for registrants, developing an interface with the Companies Office and the introduction of internationalised domain names. It is timely to look how all the changes made have integrated into the overall policy framework, and also to review how the policies can best reflect the current market conditions and strengthen the public perception and value proposition of .nz.

We have recently expanded the range of choices within the .nz domain name spaces and, in doing so strengthened the .nz experience and open competition and choice for registrants. Reviewing and considering change to the .nz space, in order to keep it current and relevant, is part of the environment we now find ourselves in.

Managing legal risks

The holder of any TLD delegation is exposed to serious and significant risks, including litigation from third parties and action by law enforcement and other government authorities. InternetNZ has taken steps to protect itself from this risk by delegating management of the ccTLD space to DNCL. DNCL manages this risk through principled, fair and impartial administration of .nz in the public good, as outlined in RFC 1591. Management of this legal risk remains a high priority for DNCL.

In the court of public opinion, the credibility of the .nz domain name space also rests on strong dispute resolution policies and fair, competitive contractual arrangements that ensure properly authorised and competent Registrars, upholding compliance of our policy framework and oversight of NZRS in respect of .nz. Changes in gTLD policy as well as new and emerging security issues mean that DNCL must be extremely vigilant in managing legal risks to .nz and continuing to maintain high levels of regulatory standard setting and oversight.

Contribution to INZ group

DNCL is committed to supporting InternetNZ Group strategies and awareness of issues affecting the wider strategic focus. This area, however, generally has only a minor impact on DNCL day to day activities with our “business as usual” functions around policy and compliance remaining the clear priority and major work requirement.

DNCL Strategy

The DNCL Statement of Expectations and Goals responds to this environment and to Council's Directions, through a strategy of:

- Effective management and administration of the .nz ccTLD domain name space
- Promoting the benefits of .nz registration
- Expanding the choices available to .nz registrants
- Improving the .nz registration experience

Working with NZRS on a Joint .nz Strategy

The .nz "advantage" is multi-faceted, with DNCL ensuring a safe, secure and fair environment governed by New Zealand law and the registry providing a robust and reliable service. DNCL will work with NZRS to develop a shared .nz strategy. The .nz strategy will not only respond to the current environment and provide an avenue for each organisation, in their respective roles, to promote .nz objectives it will look at what we can do together to ensure a strong, long-lived and valued ccTLD.

DNCL's regulatory oversight role inevitably gives rise to tensions in the management and administration of the .nz domain name space, particularly where views differ with NZRS about the options for promoting, marketing, selling .nz domain names, or business development opportunities using information derived from .nz services. DNCL have started work on proposed policy changes to avoid any policy impediments to business development and will continue to ensure, through continued reviews and analysis, that the .nz policy framework and regulatory environment aids the development of .nz and its services.

Key Priorities and Performance Indicators

1. DNCL's main focus remains the effective oversight and administration of the .nz domain name space on behalf of InternetNZ. This involves, in part, managing the operation of the .nz domain name space, including monitoring activity and regulating the use of the space as necessary. It also includes overseeing the performance of NZRS in line with the standards set out in the Service Level Agreement between DNCL and the registry.
 - DNCL will report quarterly to InternetNZ Council regarding core activities so that Council can monitor DNCL performance.
 - DNCL will report on NZRS' performance against the SLA, both to InternetNZ Council and publicly through the DNCL website
 - No upheld complaints or successful court action against DNCL should result from DNCL's operations.
 - DNCL will document and report to InternetNZ Council their approach to succession planning for both key staff and Board
2. Key projects will be the review of the complete .nz policy framework and a major review of the WHOIS policy. A review of the implementation of registrations at the second level will also be undertaken in conjunction with NZRS.

- DNCL will review the overall .nz policy framework and report on any proposed changes
 - DNCL will undertake a public review of WHOIS principles and operations in .nz
 - In conjunction with NZRS, DNCL will review and report on the project to implement .nz registrations at the second level.
3. Proactively develop and implement steps to strengthen the public perception and value proposition of .nz. We will focus on three areas:
- Promoting DNSSEC as a valuable security tool; and
 - Implementing, with NZRS, joint initiatives for promoting .nz.
 - Identifying, with NZRS, additional products that will enhance the .nz space.
4. DNCL will promote .nz objectives internationally. We will support international developments that align with .nz objectives and share the .nz experience and success at an international level, in conjunction with NZRS.
- Reports relating to international meeting attendance, presentations and assistance to other ccTLDs will be provided as part of DNCL's reporting to Council. These will demonstrate the contribution .nz is making internationally.
5. DNCL will focus on a greater contribution to wider industry DNS trust and security matters. We will strengthen .nz policies to include greater security measures.
- Contribution to Internet security matters will be demonstrated in reports to Council and Council will be advised of policy developments in respect of security matters.
6. As part of the InternetNZ Group, DNCL will contribute to initiatives undertaken in respect of group strategic priorities, including advising InternetNZ where such initiatives have implications for the policy and compliance framework of the .nz domain name space. Key activities will include the ongoing development of a.nz strategy in conjunction with NZRS
- .nz strategy developed and presented to the InternetNZ Council

Draft Three Year Budget

Under the terms of the Operating Agreement between DNCL and InternetNZ, the company operates on a "break even" basis and sets the management fee to ensure the current contingency fund of around \$800,000 does not increase significantly, and also does not breach the requirement that it not exceed 60% of the annual operating budget.

	2015/16 Draft Budget	2016/17 Draft Budget	2017/18 Draft Budget
INCOME			
Management Fee	\$1,869,840	\$1,869,840	\$1,869,840
Authorisation Fees	\$6,000	\$6,000	\$6,000
DRS Complaint Fees	\$40,000	\$30,000	\$30,000
Interest	\$17,000	\$17,000	\$17,000
Total	\$1,932,840	\$1,922,840	\$1,922,840
EXPENSES			
Staff and Office Costs	\$1,220,640	\$1,197,514	\$1,171,038
Professional Services and Communications	\$192,000	\$122,500	\$123,000
Dispute Resolution Service	\$125,750	\$108,000	\$108,000
DNCL and DNC activities	\$204,750	\$191,250	\$196,588
International	\$233,000	\$253,000	\$253,000
Total	\$1,976,140	\$1,872,264	\$1,851,626
Capital depreciation	\$53,500	\$36,000	\$23,000
Gross surplus/deficit	-\$96,800	\$14,576	\$48,214

Note: Decrease in expenses over years two and three reflect that additional costs are being incurred this year due to the ongoing management of conflicted names as part of implementing registrations at the second level.

It is noted that the Statement of Expectations sets a task for DNCL to work with the shareholder to re-establish premises for all business units. DNCL understands InternetNZ's Councils' preference to have all three business units in the same premises and will work as required to evaluate options and act on any decisions made. The budget above does not take into account any increase in rent or expenses that may result from any change in premises.

David Farrar

David Farrar
Chair, DNCL