

AGENDA - COUNCIL MEETING

Wednesday 28th March 2018

InternetNZ, Level 11, 80 Boulcott St, Wellington			
12:00 pm	Lunch on arrival		
12:15 pm	Meeting start		
2:00 pm	Meeting close		
12:15 – 12:45pm	Section 1 – Activity Plan & Budget		
	1.1	API: Our Plan for 2018/19: Activity Plan & Budget Summary	3
	1.2	B1: 2018/19 Budget Explanation Paper	13
12:45 – 2:00 pm	Section 2 – For Decision		
	2.1	Internet Research Grant recommendations <i>(Confidential paper)</i>	-
	2.2	Governance Policies: <ul style="list-style-type: none"> Treasury Policy (incl reserves) Investment Policy 	25
	2.3	Organisational Change decisions <ul style="list-style-type: none"> Merger resolutions 	-

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Our Plan for 2018-19

21 March 2018



Introduction & context

This draft Plan for 2018/19 is our high-level plan for this year.

This year is a big year for the organisation, being the first year where the old InternetNZ and NZRS are merging together. Drawing on the strengths of NZRS and InternetNZ, we are working to build a new organisation that can serve the local Internet community reliably and effectively.

In this year, we are managing competing demands that haven't faced the group before:

- Maintenance of critical business-as-usual activity
- Completing the merger and developing our new operating model, our team and our culture
- Reassigning some functions from Domain Name Commission Ltd to InternetNZ
- A review of the group's Strategy

Doing this programme of work without overloading the team means there is less capacity for some items, and less detail at this point in the year in this plan, than would usually be the case.

We anticipate there will be adjustments to this plan in the course of the year, as the new insights and collaborations arising from the merger are applied to our work. We will be aiming to do a six-month review and adjustment leading up to 1 October to incorporate new insights and priorities.

The year ahead will see ongoing change. We are excited to be working on this, and in working with you to build an organisation that can serve New Zealanders well.

Here's to a successful 2018!

A handwritten signature in black ink, appearing to read 'Jordan Carter', with a stylized flourish at the end.

Jordan Carter
Chief Executive

Technical Research

How we can make InternetNZ the authoritative source of data and insight related to the Internet in New Zealand?

The Technical Research function continues the work of the NZRS Technical Research team. This team is responsible for collecting, understanding and providing insights about the Internet in general and specifics about New Zealand's Internet. It contributes to our aim to be the authority on Internet issues.

Goals for 2018/19

We aim to use innovative methods to collect and analyse data that can be of great value for our community, within New Zealand and across other ccTLDs as well. We plan to cover three main areas: Understanding the composition of the .nz register by implementing new insights, take a closer look at the New Zealand's Internet inner structure with regular data collections and make the .nz namespace better by analysing the quality of domain names.

The Technical Research team is committed to make their knowledge, code and data openly available whenever it's possible.

Key Projects for 2018/19

Work item	Description	Delivery
Industry coding of domains	This project uses machine learning to assign an ANZ Standard Industry Code to as many domain names as possible, based on the text found on the web site of that domain.	Q3
Domain retention prediction	Using predictive analytics to develop a model of how likely an individual domain is to stay on the register. High level models already exists and used for growth forecast and as benchmark for individual registrars.	Q3
Domain popularity algorithm	Verification of previously developed algorithm and investigation of alternative approaches.	Q2
Internet topology maps	Mapping the topology of the NZ Internet using open data sources and active probing and presenting that as interactive maps. Combine both BGP (passive) and IP (active) datasets into one, provide analytics and publish the aggregated data	Q4

Outreach & Engagement

How do we connect with the Internet Community, learn from their insights and support their development; and how do we share our work and build our profile to allow us to achieve our goals more effectively?

The Outreach & Engagement function brings together the Community team with Communications, Events and Membership. It is responsible for leading our relationships, messages and listening with our members, stakeholders, supporters and the wider Internet community – to ensure that InternetNZ is listening and understands how we can best make a contribution to a better world through a better Internet.

Goals for 2018/19

This year we will be working to build this new function at InternetNZ while also delivering events and engagement with our members, stakeholders and community. We will be taking the NetHui Roadtrip back out around New Zealand and engaging new parts of the Internet Community in discussions about what potential and projects they see for the Internet in New Zealand. We'll provide \$800,000 in funding via grants rounds and partnerships to help the Internet Community deliver projects and research on what matters to them. We'll review and revitalise the InternetNZ brand in line with our new strategy and complete the overhaul of the membership experience at InternetNZ.

Key Projects for 2018/19

Work item	Description	Delivery
Brand framework	As a result of the organisational review, and of the further strategic planning to be done this financial year, we will comprehensively review the InternetNZ brand framework – including the InternetNZ, old NZRS, dotNZ, and NetHui brands.	Q3
NetHui 2018	Ask three communities to host and support local delivery of three one-day regional NetHui events. We will also explore other topic or community-specific NetHui events during this year.	Q2 & Q3
Community Grants	We will finalise the impact framework for grant-making at InternetNZ, and use this framework to revitalise the approach to the Research, Community Projects and Conference attendance rounds.	Q2, 3 & 4

Policy

What policy ideas and insights will help the Internet support New Zealand's future?

The purpose of the Policy team is to undertake work on policy issues relevant to the Internet, and to lead continuous improvement and ideation that supports InternetNZ's vision of a better world through a better Internet. It includes the Issues team from the old-InternetNZ as well as the new responsibility for managing the .nz policy function, previously held in the Domain Name Commission, and for coordinating our presence internationally.

Goals for 2018/19

The Policy team will be working to explore and address some of the big opportunities and challenges for the Internet in New Zealand. We will participate in the wide range of legislation and policy developments across the Internet and telecommunications space, domestic and international, which are anticipated in the coming year.

We will continue to explore and communicate with New Zealanders about Internet issues with the Discussion Paper process and we will build engagement with members of Parliament through the Parliamentary Internet Forum. We will continue work on three focus areas: -Access, Trust and Creative Potential- as project work, listed below. Delivery of a State of the Internet Report and the development of a new .nz Policy Framework are also planned. Finally, we will begin some initial investigation into how the Internet can help deal with the environmental challenges the country, and the world, are facing.

Key Projects for 2018/19

Work item	Description	Delivery
Focus Area Work	The Policy team will lead and deliver on the following focus area work: <ul style="list-style-type: none">• Access Focus Area: Digital Divides Map and Community Engagement work• Trust Focus Area: Engaging in debate on and uptake of Transparency Reporting• Creative Potential Focus Area: Championing creation-enabling Copyright	Ongoing
2018 State of the Internet Report	The State of the Internet report will analyse and explain the current state of the Internet in NZ and our data expertise. This will be delivered in collaboration with the Technical Research team.	Q3
.nz Policy Framework Development	Policy processes and needs for .nz will be reviewed and resourced as a function within InternetNZ, including the establishment of a .nz policy committee of Council.	Q2

Commercial

How can we sustainably maximise our income?

The Commercial team is responsible for leading the commercial development of InternetNZ's existing and new products and services to ensure long-term success. This includes leading the potential for, and development of, new products and services, effective channel management and business intelligence.

Goals for 2018/19

2018/19 will be the first year that InternetNZ has had a dedicated Commercial function, incorporating this responsibility from NZRS as part of the merger. Our goals in this year will be to review and plan our efforts; to make sure we are marketing and selling the range of solutions and products that we have already developed and reviewing our commercial activities in line with the new strategy for the new InternetNZ. We will continue our approach to effective channel management and engagement of our customers, including through the annual Registrar Conference. By the end of this year, we will be able to confidently step forward in developing the commercial interests of InternetNZ, both in terms of core product development of domain names, but also into new products and services.

Key Projects for 2018/19

ork item	Description	Delivery
Market intelligence framework	The outcomes of market research will be used to define a market intelligence framework for .nz. This framework will seek to define market growth drivers and dynamics for domain name growth forecasting and scenario building purposes.	
Consolidate .nz online presence	Information on .nz for new and existing registrants is spread across a number of sites run by both NZRS and DNCL. This project aims to consolidate those to give registrants and one-stop shop for all .nz related information.	
Marketing lesser known services	Develop and implement a marketing plan for the lesser known services of PGP, NTP and RPKI along with analytics and reporting on usage. This work is dependent on the rebranding/future of the NZRS website. Work will commence in 2018/19 once the website work is complete.	

Organisational Services

How can our organisation be as well organised, effective and efficient as possible?

The Organisational Services function is responsible for leading, developing and executing InternetNZ's core corporate operations and financial management. It includes responsibility for all shared service functions, including Finance, Human Resources, internal IT services, planning, reporting and administration. This team aims to provide these services to the rest of InternetNZ as efficiently and effectively as possible, with the goal of positioning InternetNZ well for further growth.

Goals for 2018/19

Organisational Services will be focused on building new processes, procedures and tools to support the New InternetNZ - while also providing all those services at the same time. This team will be responsible for supporting activities across the organisation, and for realising the potential, the opportunities and the savings from building the New InternetNZ. This will be done through careful financial management, and through proactively redesigning services as required to support the new functional teams of InternetNZ.

Key Projects for 2018/19

Work item	Description	Delivery
BAU Activity	This team is primarily responsible for providing BAU services across the organisation. For simplicity, these are not broken down - future reporting will break out each of the functional areas of the Organisational Services team and include a status indicator of these areas.	Ongoing
Human Resources function	We will build a human resources function within the new InternetNZ, capable of coordinating all aspects of human resource management.	Q3
New planning and reporting	We will build new information management, planning and reporting systems for the newly integrated organisation so that it is easy to decide what we do, and monitor what we do.	Q1-2

Technology Services

How do we maintain high quality, reliable services on time and to budget?

The Technology Services team are the engine room and heart beat of the organisation, not always visible but a vital component. Our team is responsible for leading, developing and executing InternetNZ's technology and operations functions assuring the quality of core products and technology.

Goals for 2018/19

One of our core functions is the operation of the Shared Registry System and the authoritative DNS infrastructure for .nz. This infrastructure is necessary to enable .nz domain names to work and consequently has to be available 100% of the time to ensure that there is never a time when .nz domain names cannot be used.

Maintaining critical infrastructure 24 hours a day, 7 days a week is never easy and the Technical Services team will be focused on delivering and developing our world class registry system, maintaining other existing systems and delivering new products and services for InternetNZ.

We will deliver this through sound project management, continuous improvement programs, ongoing innovation and development, threat assessments, risk management, capacity planning, robust software delivery and quality assurance.

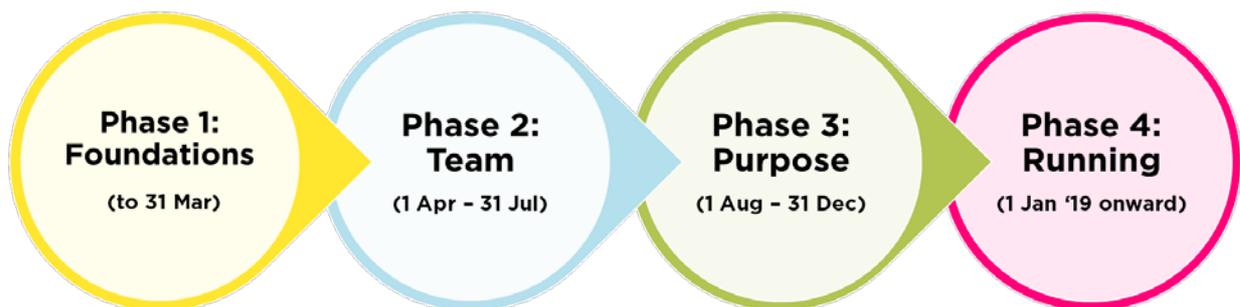
Key Projects for 2018/19

Work item	Description	Delivery
.nz dashboard	Collection and display of data related to the Service Commitment to registrars and the performance of .nz, taken from both the register and the DNS.	Q1
Registrar portal new features	We expect regular releases of the registrar portal as new features are introduced. Some of these new features will come from user feedback, some to support our operational work and some building on the technical research projects.	On going
Additional .nz DNS anycast site	To extend the number of local New Zealand based anycast sites by one to improve diversity and redundancy	Q3
Broadband Map	Satellite and Mobile coverage added to Broadband Map	Q2

Building the New InternetNZ

Realising the potential of our new structure

This Activity Plan for 2018/19 includes this separate section, as a major component of our deliverables for this financial year is continuing to build the new-InternetNZ following the Organisational Review process of 2017.



The key deliverables for this plan are included in the functional teams, and are not separately listed here. In doing so, we are guided in implementation by the following goals:

Where will we be at the end of Phase 1:

We would have discussed and designed a large part of our new organisation together; have a single shared identity and have laid the foundations for the rest of this process.

Where will we be at the end of Phase 2:

We will have a fully functioning team capable of fully delivering to our current strategy, with role clarity for everyone. We would have started defining what we could be in the future.

Where will we be at the end of Phase 3:

We will be clear about why we exist as an organisation, and we as well as our members, audiences and stakeholders will have clarity about how all of our work is connected with that purpose.

Where will we be at the end of Phase 4:

We will have successfully built the new InternetNZ. We will be trying new ideas and constantly refining and improving, armed by the clarity of our new strategy.

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B1: 2018/19 Budget Explanation Paper

Author:	Jordan Carter, Chief Executive
Purpose of Paper:	To set out the strategy, summary and detail of the proposed 2018/19 Budget and seek Council approval.

Introduction

This paper sets out the strategy for the 2018/19 Budget, the background information regarding that budget, and proposes for Council's agreement a draft budget along with associated notes. It should be read alongside the 2018/19 Activity Plan.

1. Budget Strategy 2018/19

The proposed 2018/19 Budget is based on the following key points:

- An assumption of revenue growth through a 3% increase in .nz domain name registrations (falling for planning purposes to 2% in the outyears)
- Maintaining cost controls so that the group runs a surplus
- The operational priority of maintaining our usual work as we conduct the merger of InternetNZ and NZRS
- A selected range of new or major projects that allow us to do work of the merger as well as BAU without causing staff overload
- Embedding a "cross functional" or horizontal projects approach where this will allow us to work more effectively
- Providing for a recalculation of the group's Strategy in the 2018/19 year

In the current business year, the new team will come together, and this will unlock new perspectives and ideas, new projects and suggestions. The strategy process around the middle of the year will do the same, incorporating member, stakeholder and Council input.

This new thinking will in turn lead to adjustments to the annual plan and budget, which we plan to propose for agreement following the Strategy Day and starting around 1 October (the half year point).

2. 2018/19 Proposed Budget compared with 2018/19 outline.

This paper provides the detail of the outline budget that was presented at the December Council meeting. It proposes a limit of \$2.220 million for direct costs and a limit of \$8.846 million for other operating expenses (Total limit of \$11.066 million) for 2018/19, a budget that finances "business as usual" for new-InternetNZ and provides for implementation of the Organisational Review (including building the new-InternetNZ).

	Original 2018/19 Forecast		Revised BAU 2018/19 Draft Budget		Merged BAU 2018/19 Draft Budget	Change
	NZRS	INZ	NZRS	INZ	INZ	+/-
Income						
Registry Fees	10,550		10,815		10,815	265
Broadband Map	105		54		54	-51
Domain Analytics	150		50		50	-100
Year End Deferred Adjustment's	-48		-48		-48	0
Shared Service Recharge		398		227	227	-171
Membership		15		15	15	0
Interest Received	285	57	285	57	342	0
Sundry Income		124		48	48	-76
Total Income	11,042	594	11,156	347	11,503	-133
Less Direct Expenses						
DNC Fee	1,800		1,320		1,320	-480
Other Direct Costs	895		900		900	5
Total Direct Expenses	2,695	0	2,220	0	2,220	-475
Less Other Expenses						
Communications		130		139	139	9
Community Engagement		491		348	348	-143
Community Funding		800		800	800	0
Governance Costs	203	439		559	559	-83
International Engagement/Travel	126	128	90	234	324	70
Issues		317		321	321	4
Office Costs	1,503	932	1,283	892	2,175	-260
Staff Costs	2,000	1,857	1,514	2,666	4,180	323
Total Other Expenses	3,832	5,094	2,887	5,959	8,846	-80
Total Expenses	6,527	5,094	5,107	5,959	11,066	-555
Net Profit (Loss)	4,515	-4,500	6,049	-5,612	437	422

3. 2018/19 Budget: Breakdown by Area

Income

The income budget presented here is based on the following

- Registry Fees on the actual number of domain names as at the date 31 March 2018, and a change from the 2% growth assumptions to 3% for 2018/19
- Actual deferred Income as at 31 March 2018
- The reduction to the Broadband and Domain Analytics revenue is due to reducing the budgeted amounts to current actuals
- Shared Services recharges reduces with the removal of shared expenses to NZRS (corresponding expense reduction for NZRS office costs)
- Sundry Income reduces due to the National NetHui being replaced by regional events

Income	Original 2018/19 Forecast		Revised BAU 2018/19 Draft Budget		Merged BAU 2018/19 Draft Budget	Change
	NZRS	INZ	NZRS	INZ	INZ	+/-
Registry Fees	10,550		10,815		10,815	265
Broadband Map	105		54		54	-51
Domain Analytics	150		50		50	-100
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Sundry Income		124		48	48	-76
Total Income	11,042	594	11,156	347	11,503	-133

Expenditure

Technology Services & Commercial

The area of Technology Services and Commercial are the costs associated with running of core products and technology.

Technology Services and Commercial budget has decreased by \$948k due to the disestablishment of a dedicated CE, and COO, also costs associated with International Travel, Operational Services and the Governance are now presented separately.

The largest direct cost, the DNCL fee, has reduced by \$480k from the \$1.8m that was forecast for 2018/19, due to cost reductions within DNCL. Other direct costs have increase marginally by \$22k.

		2017/18	2018/19	Change over Last Year	
		Budget	Draft Budget	Amount	%
Technology Services & Commercial					
.nz Operations	Direct Costs	2644	2168	-476	-18%
.nz Operations	Operational Costs	2534	1983	-551	-22%
.nz Marketing	Direct & Operational Costs	390	384	-6	-2%
Broadband	Direct & Operational Costs	91	147	56	62%
Domain Analytics	Operational Costs	28	57	29	104%
Technology Services & Commercial Total		5687	4739	948	17%

Technical Research

Research & Innovation budget has reduced by \$190K this reduction is also due to the disestablishment of a dedicated CE, and COO, and costs associated with International Travel, Operational Services and the Governance are now presented separately.

		2017/18	2018/19	Change over	
		Budget	Draft Budget	Last Year	%
				Amount	
Technical Research					
Technical Research	Operational Costs	580	462	-118	-20%
Biz Development	Direct & Operational Costs	134	62	-72	-54%
Technical Research Total		714	524	190	27%

Outreach & Engagement

The Outreach & Engagement function brings together the Community, Communications, Events and Membership teams into a consolidated budget. The proposed increase in budget of \$356k comes from an increase in funding of \$100k as per the Strategy, incorporation of Events & Membership (previously reported in Operational Services and Governance). This budget provides for a fully resourced team so delivery of the proposed Activity Plan for 2018/19 can be achieved.

		2017/18	2018/19	Change over	
		Budget	Draft Budget	Last Year	%
				Amount	
Communication/Outreach					
Community Funding					
	Funding Rounds	235	390	155	66%
	Strategic Partnerships	400	400	0	0%
	Funding Other	65	10	-55	-85%
Community Engagement					
	NetHui **Gross costs**	235	100	-135	-57%
	NetHui community initiatives	60	10	-50	-83%
	Sponsorship	50	75	25	50%
	Speaker Series	10	12	2	20%
	Membership	46	55	9	20%
	Community Operating Costs	462	710	248	54%
Communication					
	Communication Strategy & Outreach	90	91	1	1%
	UMR research	25	25	0	0%
	Communication Operating Costs	213	369	156	73%
Communication/Outreach Total		1891	2247	356	19%

Policy

The Policy work includes the Issues work and the responsibility for managing the .nz policy function, this additional work is proposing a new budget line of \$170k, the remaining increase in budget of \$76k is related to costs associated with the new organisation reporting design. While the issues operational net costs increase of \$76k is attributable to the new leadership design.

		2017/18	2018/19	Change over	
		Budget	Draft Budget	Last Year	%
				Amount	
Policy					

Internet Issues	65	65	0	0%
Access	83	95	12	14%
Creative Potential	80	28	-52	-65%
Trust	65	65	0	0%
Issues Operating Costs	397	513	116	29%
.nz Policy Development				
.nz Policy Development	0	170	170	100%
Policy Total	690	936	246	36%

International Engagement

As outlined earlier all International Engagement is now reported under this area, this includes previous engagement done by the NZRS team, and a new area around supporting the .nz policy. The proposed budget increase of \$164k has an allocation of additional resources of \$48k, the .nz policy support of \$44k, increased work in the ICANN, Pacific and IGF areas.

International Engagement	2017/18	2018/19	Change over Last Year	
	Budget	Draft Budget	Amount	%
ICANN	65	91	26	40%
Centr	25	23	-2	-8%
Registrar's	10	6	-4	-40%
Technical	63	51	-12	-19%
Pacific IGF	48	109	61	127%
Support nz policy	0	44	44	100%
International Collaboration	22	70	48	218%
International Engagement Total	233	394	161	69%

Organisational Services

Organisation Services budget as reduced due to the reallocation of Events into Outreach, and costs associated to the Deputy CE being reallocated under the new leadership design. Offset against these reallocations are a new FTE for Organisational Services under the new leadership organisational design. Inflationary increases amount for the small increase in operating and overheads of \$25k.

Organisational Services	2017/18	2018/19	Change over Last Year	
	Budget	Draft Budget	Amount	%
Remuneration	1016	832	-184	-18%
Depreciation	120	120	0	0%
Operating Expenses	269	282	13	5%
Overheads	478	490	12	3%
Organisational Services Total	1883	1724	-159	-8%

Governance

Governance is budgeting for a decrease of \$21k due to the organisational review costs ceasing but sees an increase of \$20k for recruitment of possible directors and an allocation of resources attributable to the support of Council.

		2017/18	2018/19	Change over	
		Budget	Draft Budget	Last Year	%
				Amount	
Governance					
	Governance	378	454	76	20%
	Organisational Review	115	18	-97	-84%
	Maori Engagement	30	30	0	0%
Governance Total		523	502	-21	-4%

International Events

There are no International Events planned for the financial year 2018/19.

4. 2018/19 Budget

The following tables provide a summary breakdown of 2018-19 financial and staffing resources over the work areas.

Activity	Expenses (\$000s)		% Revenue
Technology Operations & Commercial	\$4,739	43%	41%
Research &, Innovation	\$524	5%	5%
Outreach & Engagement	\$2,247	20%	20%
Policy & Ideas	\$936	8%	8%
International Engagement	\$394	4%	3%
Organisational Services	\$1,724	16%	15%
Governance	\$502	5%	4%
Total	\$11,066	100%	

Activity	People FTE	
Technology Operations & Commercial	13.70	38%
Research &, Innovation	3.74	10%
Outreach & Engagement	7.57	21%
Policy & Ideas	4.25	12%
International Engagement	0.32	1%
Organisational Services	6.03	17%
Governance	0.14	0%
Total	35.75	100%

5. Capital Expenditure Budgets

The proposed Technical capex budget is as follows:

Work item	Assets	Salaries
SRS application architecture implementation		\$100,000
.nz real time dashboard	\$10,000	\$40,000
Virtual server hosts hardware refresh	\$255,000	
Registrar Portal new features		\$40,000
RDAP R&D		\$11,000
WHOIS web frontend		\$11,000
Tape Backup hardware refresh	\$60,000	
EPP Extensions		\$22,000
Portal Rewrite R&D		\$5,500
.nz HTTPS Scan		\$5,000
Full web scan of .nz		\$10,000
Additional .nz DNS anycast site	\$20,000	
Consolidate .nz online presence	\$5,000	
Publicising technical research outputs	\$5,000	
Domain Analytics		\$TBD
Satellite and Mobile coverage added to Broadband Map		\$TBD
Broadband Map architecture change		\$25,000
Marketing lesser known services	\$10,000	
SUBTOTAL	\$365,000	\$269,500
Other Capital (Misc. HW/SW & Office furniture)	\$100,000	
Work Item TOTAL	\$465,000	\$269,500
TOTAL Capital Expenditure	\$734,500	

The proposed Non-technical capex budget is \$198,000 (c.f. current year \$185,000), made up of the following items:

Item	Amount
Shared Common areas (matching reception area)	\$25k
Telephone System	\$25k
Joan Meeting Room Assistant	\$8k
ICT Replacement	\$20k
Furniture & Fitting Wgtn (New staff)	\$10k
Diligent Boardbooks and associated ICT equipment	\$25k
Core ICT improvements	\$20k
Video Equipment	\$10k
Website development phase 3	\$30k
Membership System	\$25k

6. Other Matters

a) Reserves

The reserves have been calculated based on a recommendation from Deloitte, of which the details are in the new proposed Treasury Policy being presented at this meeting. The Deloitte recommendation was based upon a combination of the best of InternetNZ and NZRS's reserves and Liquidity policies, without being overly conservative.

Based on this recommendation the reserves will now include the Deferred Income, which on average last year equated to \$8.5m, the remaining reserves as would be required based on the proposed policy are to be maintained at a level of \$3,580,000 (2017/18: \$2,398,000). This is higher due to merger of NZRS with InternetNZ.

b) Community Funding

In the three-year projection 2018-2021 the Community Funding budget comes close to the \$1m target set out in the Strategic Plan. This year's Budget shows a further \$100k increase in funding, to \$800k.

8. Three-year Profit & Loss projections

Below is a high level, three-year profit and loss projection. The critical underlying assumptions are:

1. Growth in the .nz domain name space continues at 2% for the outyears.
2. The DNC fee remains constant with 2018/19
3. Inflation is set at 2% for the 2019-2021 years. The latest RBNZ figures have inflation well anchored at 2% in the long term¹
4. That InternetNZ (new) continues to operate the same scope of activities in 2019/20 and 2020/21. Significant changes in organisational scope would change these forecasts.

	2018/19 Draft Budget	2019/20 Draft Budget	2020/21 Draft Budget
Income	INZ	INZ	INZ
Registry Fees	10,815	11,031	11,252
Broadband Map	54	55	56
Domain Analytics	50	51	52
Year End Deferred Adjustment's	-48	-48	-48
Shared Service Recharge	227	232	236
Membership	15	15	15
Interest Received	342	349	356
Sundry Income *	48	98	49
Total Income	11,503	11,782	11,968
Less Direct Expenses			
DNC Fee	1,320	1,320	1,320
COS/Other IT	900	918	936

<https://www.rbnz.govt.nz/-/media/ReserveBank/Files/Publications/Monetary%20policy%20statements/2018/mpsfeb18.pdf>

Total Direct Expenses	2,220	2,238	2,256
Less Other Expenses			
Communications	139	142	145
Community Engagement	348	513	362
Community Funding	800	900	1,000
Governance Costs	559	570	582
International Engagement/Travel	324	330	337
Issues	321	327	334
Office Costs	2,175	2,219	2,263
Staff Costs	4,180	4,110	4,192
Total Other Expenses	8,846	9,111	9,214
Total Expenses	11,066	11,349	11,471
Net Profit (Loss)	437	433	497

* National NetHui in 2019/20

A three-year Statement of Financial Position forecast, and Cash flow will be available after the year-end audit when both entities accounts will be merged.

Recommendations

1. That Council **receive** this paper and **agree** the strategy and high level composition of expenditure for the 2018/19 Budget.
2. That Council **approves** for 2018/19 an operational budget limit of \$11.066 million and a capital budget limit of \$734,500 for technical and \$198,000 for non-technical.

Appendix A

2017/18 EOY Forecast for InternetNZ only

The preliminary result for the year-ending 2017/18 is a surplus of \$652k, compared to a budgeted surplus of \$326k; an improvement of \$326k.

This positive variance is predominantly explained by two major movements:

1. An increase in dividend wash-up payment in July of \$65k,
2. Under-spend of expenditure of \$256k.

This is offset by the budgeted usual dividend payment being \$136k lower than budgeted.

Note that there are also myriad other smaller movements as explained in the detailed financial information that fully account for the differences.

The following table highlights the areas that are over or under.

2017/18 EOY Forecast	2017/18	2017/18	Variance	
Internet New Zealand Incorporated	EOY Forecast	Budget	Amount	%
Income	5,281	5,321	-40	-1%
Expenses				
Internet Issues	573	690	-117	-17%
Community Funding	700	700	0	0%
Community Engagement	719	827	-108	-13%
International Engagement	90	107	-17	-16%
Communications/Outreach	227	328	-101	-31%
Operations	1,216	1,296	-80	-6%
Overheads	470	478	-8	-2%
Governance & Membership	634	569	65	11%
Total Expenses \$000s	4,629	4,995	-366	-7%
Net Ordinary Income \$000s	652	326	326	100%
Operational Expenditure reconciliation				
Total Expenses \$000s	4,629	4,995		
Less subsidiaries reimbursement of shared services	-387	-387		
Total Expenses \$000s	4,242	4,608		

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GOVERNANCE POLICY REVIEW CONSEQUENTIAL TO ORG REVIEW

Author: Andrew Cushen

Purpose of Paper: To recommend for approval consequential Governance Policy changes from the Organisational Review.

The following policies have been approved by Council by evote:

CNL-CRF: Council Role Functions

CNL-DID: Document Information Disclosure

CNL-ETH: Code of Ethics

CNL-COI: Conflicts of Interest

CNL-CRD: Councillor Role Descriptions

FIN-MIS: Reporting Cases of Misappropriation

GRP-AST: Audit Service Tender

GRP-CTR: Contracting for Councillors and Directors

GRP-REM: Remuneration for Council and Boards

OTH-DEL: Chief Executive Delegations

SUB-INF: Internal Information Sharing

Policies that required further consideration following Council discussion, and are now recommended to Council for approval:

GRP-PSD: Product and Service Development

Previous changes as shared with Council has been accepted. Further changes to require a business case and project plan to be presented to Council for approval prior to any new product or service development. Removes specific reporting requirements to standardise Product and Service Development with other operational reporting.

SUB-APT: Board Appointments and Roles

The question asked by the President was whether this policy was still required in the new structure, given that only the Domain Name Commission Limited requires appointed Directors. That is not quite right, yet; the policy amendments recommended to you now include important transitional arrangements as part of this Organisational Change process. These are recommended to Council as drafted now.

It is highly likely that this policy will require further amendment in 2018; any further amendments and changes should be done at this point.

Policies that have been considered and reviewed by the Audit and Risk Committee, and are recommended to Council for approval:

FIN-INV: Investment Management (was Funds Investment Management)

Consideration of the appropriate risk levels for different types of held funds – i.e. retained surpluses vs registrar prepayments.

Please note that this continues to be done on the basis of consequential to the organisational change amendments only, and the Audit and Risk Committee is satisfied on that basis. The Audit and Risk Committee intends to continue to consider the appropriate basis for managing our investments on a more strategic basis during 2018.

FIN-TSY: Treasury

Inserted new reserves calculation following advice from Deloitte. Some tidy up wording as recommended by the Committee.

Policies that are still to be reviewed (not attached)

SUB-NZF: .nz Framework:

Dependent on the final design and wording of the Services Agreement with the Domain Name Commission Limited (DNCL). This agreement will be concluded in April 2018; this policy will then be amended according to that agreement and be presented to Council at its May 2018 meeting.

Recommendations

1. THAT Council approves the following policies:
 - GRP-PSD: Product and Service Development
 - FIN-INV: Investment Management
 - FIN-TSY: Treasury
 - SUB-APT: Appointments

Product and Services Development

Policy	GRP-PSD: Product and Services Development
Version	Version 2.0
Date in force	May 2016
Reviewed	March 2018
Planned review	November 2018

About this document

This Product and Services Development Group Policy has been prepared to be the policy that sits alongside the Product and Services Development Strategy. A previous draft was known as GRP-BUS (Business Development Policy), based on the policy agreed in 2014.

Product and Services Development Strategy

InternetNZ's Group Strategic Plan sets out the imperative for business development: to diversify income beyond that arising from .nz domain name registrations.

A Product and Services Development Strategy that sets out the strategic approach to product and services development has been prepared. That is the document that sets out the rationale for product and services development and the overall approach taken. Actions under this policy must be aimed at achieving, and be consistent with, the Product and Services Development Strategy.

Purpose of this policy

The purpose of this policy is therefore to:

1. Establish authority and responsibility for product and services development;
2. Describe the high level test of eligibility by which product and services development opportunities are measured;
3. Establish limits to the resources applied to product and services development;
4. Outline return expectations for product and services development;
5. Establish transparency requirement for product and services development; and
6. Ensure that governance bodies, staff and members are appropriately involved throughout the decision making process.

Authority & Responsibility

Progress in delivering the strategy will be formally reported to Council on an annual basis at the end of each financial year, and a public version of such report will be published.

[Council must approve a detailed business case and project plan for any new product or service that InternetNZ proposes to develop. These business cases and project plans must include:](#)

- [Estimated direct costs in developing a product or service.](#)
- [Estimated indirect or overhead costs, through a best-efforts estimate of staff salaries devoted to product and services development \(both development of opportunities and implementation of projects\).](#)

Council may consult members and the public on individual opportunities where it identifies particular issues or sensitivities that make this necessary. Otherwise, all product and services development projects will include stakeholder and member engagement plans.

Eligibility

For any opportunity there are a number of key steps that are not related to the potential viability of a proposal that need to be addressed first.

[Step 1:](#)

Does the proposal help deliver the objects of InternetNZ?

Proposals have to deliver the Objects of InternetNZ in a demonstrable way.

[Step 2:](#)

Would the proposal endanger the charitable status of InternetNZ?

Charitable status is of considerable financial benefit to InternetNZ. Any proposition likely to endanger this would need special consideration.

[Step 3:](#)

Would the proposal result in significant stakeholder conflict?

The existence of a competitor in the same area would not necessarily disqualify a business case from being advanced but it would need special consideration.

Resource limits

Pursuant to the Strategy, the Council may, by resolution, set limits on the resources available to the development of new product and services. These limits may be financial (either operating expenditure or capital expenditure) or staff availability, or any other limitation that the Council sees fit.

Expectations of return

There are three levels of financial return that may be provided by any new product or service:

1. Profitable, returning dividend to InternetNZ.
2. Financially self-sustaining through commercial activity.
3. Running at a loss and requiring ongoing financial investment.

The decision on the expected return of any individual opportunity will be made on a case-by-case basis. It may be that a single service could be provided in different ways, each with a different level of financial return, in which case all options should be considered at the same time.

Where product and services development work suggests a new project or service that isn't commercial (i.e. service development not business development) it is not covered by this Policy. Any business unit contemplating such a project must discuss it with Council prior to committing direct financial resources.

Transparency

Product and services development is conducted on a “no surprises” basis – Council will never be put in a position of being surprised by product and service development by InternetNZ. Regular reports on product and services development will be provided by InternetNZ to the membership of InternetNZ, and public versions made available on the website.

It is recognised that commercial confidentiality may restrict the general principle of transparency that the group adopts, but this restriction should only be applied where necessary, in as limited a manner as possible and for a limited a period as possible.

~~Regular reporting on projects and overall progress will be done as part of regular operational reporting to the meetings of the Council.~~

Implementation

The expenditure limit on direct costs for developing new products and services set out above is designed to allow InternetNZ to finance the initial phases of a project. When a project has developed to the point it is considered viable, InternetNZ will recommend to Council for decision what legal structure and financial arrangements should be put in place around that opportunity in order to:

- Partition risk.
- Allocate and make best use of resources.
- Make best use of skills and expertise.

The options for legal structure are:

1. As an ongoing project within an existing entity (InternetNZ or one of its subsidiaries).
2. A new subsidiary of InternetNZ.
3. A new subsidiary of an existing subsidiary.
4. Disposal of the business activity (sale to another).
5. Licensing of the product/service or relevant IP.

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The resources deployed in conducting product and services development, and the income gained, will be transparently reported on as follows:¶

Deleted: <#>Direct costs in developing a product or service will be accounted for and reported on in the quarterly product and services development reports to Council. ¶
<#>Indirect or overhead costs will be disclosed in the quarterly product and services development reports to Council,, through a best-efforts estimate of staff salaries devoted to product and services development (both development of opportunities and implementation of projects).¶

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Deleted: <#>in the quarterly product and services development reports to Council , and will include a public version which will be published.

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Board Appointments and Roles

Policy	SUB-APT: Board Appointments and Roles
Version	2.0
Date in force	April 2015
Reviewed	March 2018
Planned review	November 2019

Introduction

This Policy sets out the following matters:

- Key principles for Board appointments
- Specific principles applying to Council members
- Terms of appointment
- The Appointments Panel
- Appointment process for subsidiary directors
- Re-appointment of directors
- Induction of new directors
- Board functions
- Linkage to Owner
- Board approach and focus
- Board Code of Ethics and Proper Practice
- Conflict of Interest
- Chair Role description

Organisational Change - Transition arrangements in 2018

1. Following two public consultations, at the InternetNZ Council meeting in October 2017 changes to the Organisational structure of the InternetNZ Group were agreed
2. The changes included; disestablishment of NZRS with all Registry functions moving to InternetNZ, a change in scope of tasks for DNCL, reduction in the size of the DNCL Board to three Directors, and appointment of the InternetNZ CEO as Chair of the DNCL Board
3. To ensure that there is a smooth transition to the new Organisational structure, the InternetNZ CEO will be appointed as a Director of both subsidiary companies in February 2018
4. Following completion of the Organisational changes at the start of the 2018/19 financial year the InternetNZ CEO will be appointed Chair of DNCL, and if NZRS continues to exist as a company at that time will be the sole company Director until such time as the company is de-registered.

Key principles

1. All appointments to the boards of any subsidiaries are made by the Council of InternetNZ
2. All nominations for appointment must come through the Appointments Panel of the InternetNZ Council
3. The process for nominations and appointments to the boards of subsidiaries must be consistent across all boards
4. The size, skills and experience of any subsidiary board will be determined by the Terms of Reference for that subsidiary board, as approved by the InternetNZ Council.
5. InternetNZ Councillors may be appointed to a subsidiary board. Any limitations on the number of Councillors that may be so appointed will be specified in the Terms of Reference for that subsidiary board.
6. Any Council member appointee to each board will go through the same process as the independent directors (i.e. they will be assessed and interviewed by the Appointments Panel)
7. A non-Council board member may be appointed to the boards of more than one of the subsidiaries, where there are sound reasons to do so, and it does not create any conflict of interest.

8. Where Council decides not to make an appointment, it instructs the Appointments Panel to conduct the process again. It does not short-cut the process by making its own selection
9. All vacancies for directors must be advertised to members of InternetNZ as well as more generally, to help create the widest possible pool of potential applicants
10. All appointees to boards of subsidiaries must become members of InternetNZ and must maintain that membership throughout their appointment term

Specific principles applying to Council members

- a member of Council may serve on only one subsidiary board at any one time
- a Council member may not be the Chair of a subsidiary board
- Council members serving on a subsidiary board are not representatives of the Council: they are fully participating ordinary members of the board. They are expected to provide a connection with and convey the views and position of the Council but are required generally to act in the best interest of the subsidiary itself
- no Council member may participate in proceedings of the Appointments Panel which he/she is being considered for appointment or re-appointment to a subsidiary board

Terms of Appointment

- directors of subsidiary boards are generally to be appointed for three year terms
- the maximum consecutive term for appointment to an individual subsidiary board is three three-year terms. In the case of a director appointed as chair during their second three-year term, an extension may be available in order not to prevent that person serving in the chair role for two three-year terms
- where a Council member appointed to a subsidiary board finishes his/her term on Council, the Council may agree to that person completing their current three year term as a director

Appointments Panel

- a standing committee of the Council

- four members
- standing members will be the President and one other member of the Council
- additional members will be:
 - the Chair of the relevant subsidiary board (except when the Chair him/herself is the subject of the process, when the Chair of one of the other subsidiary boards would be co-opted),
 - an independent, experienced governance practitioner (e.g. recommended by the Institute of Directors) who is remunerated on a consultancy basis
- where the Chair of a board is the subject of the process, additional information will be sought from the board to ensure that any contextual issues are taken into account in the nominations process
- will be supported by InternetNZ staff

Appointments Process

A 5 stage process

- I. The relevant board, in conjunction with the Appointments Panel, recommends to Council the skills, experience and other attributes it believes are desirable in the appointee, as well as succession planning requirements. If a current director is being considered for reappointment, the Chair of the relevant board should also provide confidential advice to the Council about the performance of the director.
- II. The Council agrees/decides the skills, experience and other attributes it is seeking for the position taking into account the input from the relevant board.
- III. The Appointments Panel conducts a search, shortlisting, interview and due diligence process and provides substantive documentation on the candidates to enable an informed decision to be made by Council.
- IV. The Council accepts or rejects the nomination(s). In the event that it rejects a nomination, the Council will instruct the Appointments Panel to conduct the process again – the Council does not short-cut the process by making its own selection.

- V. Notification to the successful appointee, notification to unsuccessful candidates and public announcement of the appointment.

Further details for some of the stages are set out below.

Stage I

Stage I should commence at least four months prior to the expiry of the current term.

Stage III

The Search Process

- The critical issue is the widest possible canvassing for high quality candidates.
- Potential appointees to boards can be identified in various ways including:
 - advertising the vacancy to members on the InternetNZ website
 - advertising the vacancy publicly in other relevant publications/websites
 - advertising the vacancy with the Institute of Directors
 - seeking suggestions from current chairs and directors
 - seeking suggestions from the Institute of Directors
 - seeking names from professional networks or personal contacts
- All candidates' expectations should be carefully managed throughout any personal contact so that there is no implication or expectation of appointment.

Information from Candidates

- It should be clear to all candidates the information that is sought from them so that there can be a consistent review of the qualities and skills of all candidates.
- Candidates should be asked to identify whether they (or a partner, child or other close family member or friend) have or are likely to have any financial, personal or professional interests that might create a conflict if they were to be appointed.

Shortlisting

- All candidates should be assessed against the same critical requirements for the role. The potential for conflicts of interest should also be considered at this stage.

Interviews

- Interviews should be handled in a consistent way and against clear criteria, so that fair comparisons can be made of all short-listed candidates.
- The membership of the panel for an appointment should remain the same, unless exceptional circumstances arise.
- An objective record should be kept of all interviews.

Recommendations to Council

- The Appointments Panel will provide substantive documentation to the InternetNZ Council to enable the Council to make a choice between the appointable candidates.
- The Appointments Panel may choose to rank appointable candidates and make recommendations on its preferred candidate(s) for appointment.

Stage V

Letter of appointment

- A letter of appointment should be sent from the President of InternetNZ to the new director setting out as a minimum:
 - the position being appointed to and a role description
 - the proper name of the business unit
 - the term of appointment
 - the fees relating to the appointment
 - a clear indication that there is no guarantee of appointment for a further term
 - termination reasons and procedures.
- Existing directors being re-appointed should be sent a similar letter though the level of detail required would be less.
- Letters sent on the appointment of a new chair should contain additional detail and information about that particular role.

Unsuccessful candidates

- Advising unsuccessful candidates should be left until after Council has made the appointment decision in respect of the vacancy. The notification should then be done promptly and sensitively.
- Where a person has been interviewed for a board vacancy, the Chair or another nominated member of the **Appointments Panel** should speak to the unsuccessful nominee. In all cases, a letter should be sent notifying the unsuccessful candidates of the decision of non-appointment.
- The notification of unsuccessful candidates must occur prior to any public announcement of an appointment being made.

Re-appointment of Directors

- Directors should not be given any expectation that they will be offered a subsequent term of appointment.
- There is a balance between the benefits derived from continuity of service on a board, the value of the board gaining new ideas and perspectives, and the need to avoid the board losing a number of experienced directors over a short space of time. The board's goals, its overall skills needs, and/or a director's performance may have changed since their term began.
- Where a reappointment is being considered, the following points should be considered by the Appointments Panel:
 - the number of terms already served
 - are the current director role description and the contribution made by the incumbent still relevant to the work of the subsidiary and the mix of skills now on the board?
 - how well does the current composition of the board match the current and future work programme, governance requirements and general needs of the subsidiary?

Induction

Induction of new directors is the responsibility of the board of the subsidiary to which the appointment is made.

Each board must have a comprehensive induction programme to help new directors contribute confidently to the work of the board.

Board Functions

The function of any subsidiary board will be determined by the Terms of Reference agreed for that subsidiary board, as approved by Council.

Board approach and Process

The Board will govern with an emphasis on:

- outward vision rather than inward focus
- leadership rather than administrative detail
- collective rather than individual decisions
- future focus
- a clear distinction between governance and operational matters
- a formally adopted set of Governance Principles.

The Board will govern through:

- cultivating a sense of group responsibility based on achieving a high level of governance excellence
- committing to excellence in all matters coming before it including the adoption of a code of ethics and proper practice (see below)
- formally inducting and training new directors on their role
- carrying out regular self-reviews of its performance against these policies.

Board Code of Ethics and Proper Practice

The Board is committed to ethical conduct in all areas of its responsibilities and authority.

This means that directors as individuals will:

1. act honestly and in good faith at all times in the best interests of the company and its shareholder (InternetNZ)
2. carry out their duties and responsibilities in a lawful and business-like manner, and ensure that the company carries out its business likewise
3. avoid conflicts of interest in as far as this is possible, and where such conflicts arise, will act within the Board's Conflicts of Interest policy set out below
4. attend Board meetings and devote sufficient time to preparation for Board meetings to allow for full and appropriate participation in the Board's decision making

5. observe the confidentiality of non-public information acquired by them in their role as directors, and not disclose information that might undermine the role of the company
6. interact with the Board and staff in a positive and constructive manner
7. be loyal to the collective nature of the Board, abiding by Board decisions once reached
8. not do anything that in any way denigrates the company or harms its image.

Directors as a whole will:

1. monitor the performance of management and the company, ensuring that appropriate monitoring and reporting systems are in place and utilised to provide accurate and timely information to the Board
2. ensure there is an appropriate separation of duties and responsibilities between itself and the chief executive, and that no-one has unfettered powers of decision making
3. ensure that the independent views of directors are given due consideration and weight in arriving at decisions
4. ensure that the shareholder (InternetNZ) is provided with an accurate and balanced view of the company's performance including of its agreed role/s and of its financial performance
5. regularly review its own performance as the basis for its own development and quality assurance
6. carry out its meetings in such a manner as to ensure fair and full participation of all directors
7. ensure that the company's assets are protected through a suitable risk management strategy
8. adherence to any Governance Principles adopted by the Board.

The Constitution of the company requires the directors of all subsidiary companies to put the interest of the shareholder (i.e. InternetNZ) above the interest of the company, should there be a conflict.

Conflict of Interest

The Board places importance on making clear any existing or potential conflicts of interest for its directors. Directors should not have a conflict of interest (e.g. in the case of DNCL through their participation in the .nz market as a registrar entity or reseller or such association) that could give rise to challenges of conflicts of interest.

Accordingly,

1. Any business or personal matter which is, or could be, a conflict of interest involving the individual and his/role and relationship with the company, must be declared and registered in the Conflicts of Interest Register
2. The Register will be presented to the Board and formally received at each meeting
3. Where a conflict of interest is identified and/or registered, the director concerned shall not vote on that issue and may only with unanimous agreement participate in any Board discussion on that topic
4. The Chair must take whatever steps are necessary to ensure that any conflict is managed in an appropriate manner according to this policy
5. Individual directors, aware of a real or potential conflict of interest of another director, have a responsibility to bring this to the notice of the Board.
6. Examples of such conflicts of interest are:
 - o When a director, or his/her immediate family or business interests, stands to gain financially from any business dealings, programmes or services of the company
 - o When a director him or herself offers a professional service to the company
 - o When a director stands to gain personally or professionally from any insider knowledge if that knowledge is used to his or her personal or professional advantage
 - o Where a director is on another body that may have competing or conflicting interests or where knowledge of company views or information might unduly favour the director's other appointment/organisation.

Chair Role Description

The Chair has the lead role for assuring the integrity of the Board's governance process and represents the Board to outside parties, and in so doing relies on the active support and participation of the other four directors of the Board.

Success in this position will mean that: the Board behaves consistently within its own rules and the constitution; meeting and discussion content will be only those issues which, according to Board policy, clearly belong to the Board, not the chief executive, to decide; and deliberation will be fair, open, and thorough as well as timely, orderly, and to the point.

Specifically, the Chair is responsible for:

1. the efficient functioning of the board and setting the agenda for board meetings
2. ensuring that all directors are enabled and encouraged to play their full part in the activities of the board and have adequate opportunities to express their views
3. ensuring that all directors receive sufficient and timely information to enable them to be effective board members

In addition, the Chair will be available upon request to meet with the President and Vice-President of InternetNZ and the Chairs of any other subsidiaries of InternetNZ, to discuss areas of common interest, to avoid duplication and to ensure that the activities of the subsidiary are aligned with both the strategic direction of InternetNZ and the activities of the other subsidiaries.

The authority of the Chair consists in making decisions that fall within Board policies except where the Board specifically delegates otherwise. The Chair is authorised to:

1. use any reasonable interpretation of the provisions in these policies
2. chair Board meetings, with all the commonly accepted power of that position
3. work closely with the chief executive without cutting across the chief executive's prerogatives and responsibilities as set out in the chief executive's Role Description and Delegations Statement
4. call on individual directors to address and take responsibility for specific issues or serve on sub-committees
5. co-ordinate the annual self-review by the Board of its performance against the governance policy
6. represent the Board to outside parties and the shareholder

7. delegate this authority to another director (while remaining accountable for its use).

In addition to the skills and attributes outlined in the Director Role Description, the Chair should have previous experience in chairing a governance body.

Investment Management

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Policy	FIN-INV: Investment Management
Version	Version <u>2.0</u>
Date in force	August 2012
Reviewed	<u>March 2018</u>
Planned review	<u>November 2019</u>

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Deleted: March 2018

This policy applies only to InternetNZ and not subsidiaries

Purpose

Maximise InternetNZ's long-term return on investments while appropriately managing obligations and risks.

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Principles

InternetNZ holds two separate pools of investments:

- 1) Invested Funds are any and all other financial assets that are not Registrar Prepayments.
Invested funds are accounted for separately from the InternetNZ operating budget as a distinct balance sheet line item. Expenditure of a part or the whole of the funds held under this policy requires an appropriate resolution from Council.
- 2) Registrar Prepayments are investments comprised of any domain name fees that have been prepaid to InternetNZ by registrars for registry services. .nz policy, as reflected in the .nz Connection Agreement, provides for Registrants to register domain names for periods of up to 10 years (120 months). InternetNZ requires registrars to pay the full domain name fee for the entire period of registration at the first invoicing point. InternetNZ does not treat all of this payment as earned income but follows the accepted accounting practice of only recognising income as and when service is provided, with the rest of the payment being treated as deferred income. This is shown as a liability on the balance sheet reflecting that the organisation has yet to provide the service to which the prepaid fees related. Each month, one month's worth of deferred income for each prepaid domain is recognised as income on the profit and loss account, reducing the deferred income held for those domains.

Policy

- 1) The organisation shall adhere to the Constitution, Council Bylaws and to all relevant laws governing Incorporated Societies in its undertaking of any investment.
- 2) The organisation will manage Invested Funds and Registrar Prepayments separately. This ensures that Registrar Prepayments are able to be managed in a very conservative manner, appropriate to that they are prepayments for services to be rendered in the future. Accordingly, the following investment principles apply:
 - a) For Invested Funds, the organisation shall favour investments that entail minimal risk and which require the minimum of active management or participation by the organisation, its Officers, or those appointed to oversee the investment process. "Minimal risk" investments are those that have a rating of at least A by Standard & Poor's or equivalent and are held by a NZ registered bank.

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b) For Registrar Prepayments, the organisation shall favour investments that entail very low risk and which require the minimum of active management or participation by the organisation, its Officers, or those appointed to oversee the investment process. "Very low risk" investments are those that are cash or term-deposit based; that have a rating of at least A by Standard & Poor's or equivalent and are held by a NZ registered bank.

- 3) The organisation has an obligation to establish investments that are likely to yield the best possible rate of return, subject and subordinate to the requirements of paragraphs (1) and (2).
- 4) In order to manage risk of bank default, any investments will be split between at least three different New Zealand trading banks. The amount managed by each bank will be kept roughly equal. Returns earned on invested funds shall be added back to the investment funds unless there is Council agreement directing otherwise.
- 5) InternetNZ Councillors, Officers, or those appointed to oversee the investment process are required to disclose any interest they may have, or know of, concerning an investment held by the organisation, to the Council through the President.
- 6) The Chief Executive of InternetNZ shall have the responsibility to explore, establish and manage investments in accordance with this overall policy.
- 7) The Chief Executive shall report any change in the status of investments held by the organisation as part of his/her regular reporting to Council.
- 8) The organisation shall include an abbreviated non-specific summary of investments in the annual report.

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Treasury Policy

Policy	FIN-TSY – Treasury Policy
Version	2.0
Date in force	May 2017
Reviewed	March 2018
Planned review	November 2019

Purpose and Scope

This policy has been developed to enable treasury risks within InternetNZ to be prudently managed.

InternetNZ will ensure sufficient liquidity to enable operational and capital expenditure commitments to be met; [will respect the requirements for prudent management of any prepayments made by Registrar customers of InternetNZ](#), and will invest in investments with a reasonably low risk of short term (annual) loss.

Responsibilities

While the Council has final responsibility for the policy governing the management of InternetNZ's risks, it delegates overall responsibility for the day to day management of such risks to the Chief Executive.

[Council acknowledges that there are various financial risks from its treasury activities. These include variations in interest or currency rates, changes in liquidity criteria, and credit terms. InternetNZ will avoid incurring additional risk as a result of its treasury activities.](#)

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InternetNZ is a risk averse entity and does not wish to incur additional risk from its treasury activities.

The Chief Executive of InternetNZ shall have the responsibility to explore, establish and manage investments in accordance with this policy.

Cash Management

Managers with budget delegations will provide the Finance Manager timely information regarding planned expenditure, and "no surprises" information regarding changes.

The Finance Manager will:

- calculate and maintain comprehensive cash flow projections on a monthly basis. These cash flow projections will determine InternetNZ's borrowing requirements and surplus for investment.
- maximise the return from available funds by ensuring significant payments are made within the vendor's payment terms, but no earlier than required, unless there is a financial benefit from doing so.

Financial Reserves

Required reserves will be calculated on the basis of:

- Deferred income;
- Plus 1.5 x current liabilities;
- Plus one month's average budgeted salaries;
- Plus estimated redundancy based on a beginning of the year calculation;
- Plus 12 months of monthly premises lease obligations;
- Plus \$500,000 of working capital.

Financial Reserves are to be held in interest bearing call and term deposit accounts with major financial institutions.

Authorised Signatories

The authorised signatories to the bank accounts of InternetNZ are as follows:

- Chief Executive
- Nominated councillors

Any authorisations required for managing online banking will be the same as the authorised signatories.

Cheque, Savings and Call Deposit Accounts

- All payments, whether by cheque, telegraphic transfer or direct credit must be authorised by two approved account signatories.
- Under no circumstances is an account signatory to sign a blank cheque.
- InternetNZ bank accounts must be in the name of Internet New Zealand Incorporated only.
- Operational expenditure is funded from the InternetNZ Current a/c (cheque) only.
- Interest-bearing savings accounts are to be used to hold a buffer of cash that can be applied should finance be required in the short term.
- All bank accounts must be with a registered NZ trading bank.

Community Funding Management Bank Accounts

These accounts will be used to manage the Community Funding, as defined payment dates are unknown, funds will be transferred to the higher interest-bearing account at the time the grant has been approved by Council.

Authorised signatures on the account are per those identified in the authorised signatories section.

All banks accounts must be with a registered NZ trading bank.

Term Deposits

Term Deposits are invested in line with InternetNZ's Investment Policy.

Maturity dates of Term deposits will be spread sufficiently to enable InternetNZ's Financial commitments to be met.

Deleted: <#>Two years of lease obligation. This allows for considerable time to sub-lease and provides some flexibility should it not be possible to sub-lease at the same rate as the current lease.¶
 <#>Three months of operating expenses, including staff remuneration. Operating expenses should not include all costs, but those that will be required to be paid during a wind up process. Excluded should be:¶
 <#>Advertising/marketing¶
 <#>Consultants¶
 <#>Depreciation¶
 <#>Entertainment¶
 <#>Repairs & maintenance for computers and office equipment¶
 <#>Subscriptions where ceasing payment would make operational and financial sense¶
 <#>¶
 <#>One additional month of Operating expenses to provide working capital to meet contractual commitments (including Community Grants), operating expenditure and any other operating cost shortfall created by the timing of dividend payments.¶
 <#>¶
 <#>One month of staff remuneration to cover holiday pay owed¶

New banking requirements now require 31 days' notice to break term deposits before their maturity date.

Foreign Exchange Management

[InternetNZ will not deal in borrow, hedge, invest or speculate in foreign currencies.](#)

Where InternetNZ's foreign exchange exposures (for either receipts or payments in foreign currency) are less than the equivalent of NZD\$400,000 in any forecast 12-month period, the Finance Manager will manage and report this foreign exchange exposure as part of the monthly financial reporting process.

Where InternetNZ's forecast foreign exchange exposures (for either receipts or payments in foreign currency) exceed the equivalent of NZD\$400,000 in any forecast 12-month period, the Finance Manager will advise the Chief Executive. The Chief Executive will then advise Council of the appropriate methodology for managing this foreign exchange exposure to minimise financial risk to InternetNZ, taking into account the types of instruments, limits, authorisations and appropriate internal control and reporting mechanisms.

All foreign exchange transactions will be conducted in accordance with anti-money laundering legislation and processes.

All foreign currency bank accounts are to be held with a registered NZ trading bank. Authorised signatures on the account will be as per the authorised signatories section that follows.

Funds will be held in the account and converted at the most advantageous rate available to InternetNZ, or when the funds are needed. Foreign Currency will be recorded in the accounting system at the rate as provided on: <http://www.oanda.com/currency/converter/> or other recognised rates such as the Inland Revenue rates or those of an accounting software provider.

Managed Funds

InternetNZ shall adhere to the Constitution, Council Bylaws and to all relevant laws governing Incorporated Societies in its undertaking of managed funds.

Managed Funds are invested in line with InternetNZ's Investment Policy.

Payments

All payments shall be authorised, on behalf of InternetNZ, in compliance with the following:

- when any payment is authorised, the person doing so shall have the full details of that payment available to them at the time they authorise the payment.
- neither the Chief Executive, nor any Council Member, nor any member of staff may authorise a payment for which they are the payee;
- neither the Chief Executive, nor any Council Member, nor any member of staff may authorise a payment that they have created;

Deleted: InternetNZ will not borrow or invest in foreign currencies. InternetNZ will not utilise any foreign exchange hedging products. InternetNZ will not deal in speculative foreign currency trading of any sort.¶

- for all payments, two authorisers are required;
 - where the value of the payment is up to \$10,000 then the authorisers may be two senior members of staff, or a senior member of staff and the Chief Executive or a Council Member;
 - where the value of the payment is up to \$50,000 then the authorisers may be two senior members of staff, or a senior member of staff and a Council Member;
 - where the value of the payment is between \$50,000 and \$100,000 then the authorisers shall be the Chief Executive and a Council Member, or two Council Members;
 - where the value of the payment is over \$100,000 the authorisers shall be two Council Members.
- the daily online banking authorisation limit of the Chief Executive is \$300k.

Petty Cash

Petty cash funds provide a convenient way to pay for small expenses, but keeping cash in any office entails risk of misuse or theft. This policy provides procedures designed to mitigate these risks.

Petty cash funds should not to be used as an operating fund, i.e., to pay invoices for goods or services, to pay salaries or wages, or to make advances or loans.

Petty cash funds provide cash to cover minor expenses, such as reimbursement of staff members and visitors for small expenses like such as taxi fares, postage, milk, newspaper, office supplies, generally not to exceed \$50.

The Wellington office of InternetNZ has a petty cash float of \$400. Petty cash is to be kept in a lockbox in a locked cabinet.

Borrowings

In the event that InternetNZ borrows funds, including overdraft facilities, this will need to be approved by Council as part of the Annual Planning process or by resolution of Council before the borrowing is undertaken.