



COUNCIL MEETING - October 11th 2019

## 2019/20 Budget review and update

---

ITEM NO: 4.3  
AUTHOR: Catherine Fenwick  
FOR: Information  
PURPOSE: To update Council on Budget review and major expenditure.  
DATE WRITTEN: 04/10/2019

### Summary

The purpose of the paper is to update the council on the mid year review of the approved budget.

In March Council approved a budget with an operational expenditure limit of \$12.8m and capital expenditure limit of \$1.73m This budget included \$300,000 of savings unidentified at the time in order to meet the target of \$12,800,000 operational costs.

We can report that these savings have now been identified and allocated in the budget across the business. In achieving this we did not change the structure or impact of the agreed projects but have made some operational changes to reach our target - areas included employment costs, engagement external spend and a Technology Services review of operational costs.

As at the end of August 2019 the actuals and realigned budget are as follows (please note full Financial report will be published on September YTD actuals are available)

	Actual (5mths)	Budget(12mths)
Revenue/Income	\$4,940,334	\$12,037,188
Operational Expenditure	\$4,091,523	\$12,844,000
Surplus/(Deficit)	\$848,810	(\$806,812)

Please note that the timing of major expenditure items such as grants, launch of new non .nz products and marketing are all phased to the last 6 months - therefore there is a temporary strongly positive position at the end of August.

Capital Expenditure	\$257,546	\$1,720,660
---------------------	-----------	-------------

Some of the larger capital projects are also in the September to March period for completion - Web presence, Premises refit and new product development.

## Update on Revenue/Income

Revenue is in line with forecast flat growth for the first 6 months of the financial year. Industry consolidation and the resulting retraction in register numbers has slowed and .nz marketing activities begin in October 2019. We expect to see revenue growth in the second half of the financial year, however October (and March) are typically peak months for domain cancellations which may counter some of the anticipated growth.. Lessons from marketing activity this year will feed into budget planning for 2020/2021.

The Defenz DNS Firewall is now operational with sales forecast from November. We expect some early adopter customers to onboard in October to help refine the customer experience after which there will be focused sales activity to drive new product revenue.

Investment income is above budget to date, but first 5 months have been volatile on returns.

## Update on Significant Expenditure Changes

The update on the significant changes are based on knowledge as at today as we continue to prioritise our work in line with our agreed 5 Strategic Goals.

The Hadoop Hardware replacement project where we had allocated \$200,000 of Capital expenditure in the Budget has been reviewed and the preferred solution is a cloud solution. This will preserve the rich .nz datasets we have been collecting over the years, modernise the way we store and process that data and save money by not building in-house. Revised Capex expenditure - \$0.

The investment in the .nz registry replacement project was not something we had budgeted for this year and the costs for the project will not be defined until the business case is completed - but these costs will be significant. These costs will be capitalised where possible and funded from reserves as agreed. Transparent reporting will show the accumulated costs. Estimated cost through to the end of the first (Expression of Interest) phase in FY2019/20 - \$90,000.

## Recommendation

THAT the Budget review and update be noted.

Catherine Fenwick

**Organisational Services Director**