

## Item 5

### New Zealand Fish and Game Council Meeting 143

#### Friday 24 April @ 10am via Microsoft Teams Financial Impacts of Covid-19

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##### Purpose

1. The purpose of this paper is to (a) model the financial position of Fish & Game as an organisation to the end of the current 2019 – 2020 financial year, and suggest options on how to respond to whatever financial position occurs , and (b) model the potential impacts on the organisation's budget for the next two financial years in light of the impacts on licence income relating to a reduction in non resident revenue and an anticipated depression.

##### The Role of the NZC

2. The NZC is a statutory regulator of a public resource and collects, holds and spends public monies. It is responsible to parliament and has a statutory responsibility to ensure the financial viability of the entire organisation i.e., itself and the 12 regions.
3. The statutory powers to deliver on these responsibilities are setting national policy, levying, paying of grants, advising the Minister and auditing. These powers are set out in statute to be used by NZC councillors, who are accountable for the entire organisation.

##### Understanding Our Financial Position

4. To understand our financial position, we need to know our income, our expenses and reserves. Note a regions licence income does not determine their budget which is the amount they get to spend each year. Note the amount a region spends each year, or their budget, is not set or linked in any way to a formula or formal policy.
5. Income: Understanding income is a reasonably straight forward exercise as our income is almost exclusively from fishing and game bird licence sales.
6. Expenses (or the amount we spend): Our expenses are also reasonably straight forward as they are divided among 12 regional entities and one national entity. Individual region expenses, or the amount they spend, are referred to as their 'budgets' which is the amount of licence holder funds a region retains after the NZC levy, or the amount a region has from both licence holder funds and NZC grants. There may be some difficulty in understanding the details of expenses in individual regions as we do not have detailed visibility of spending, especially in the wages and salary area, which makes up around 60% of the overall organisation's budget (for regions however, this ranges from 63% to 76% of budgets).
7. Reserves: It is very important to understand our reserves, which is the cash available to draw on. Reserves are either general, dedicated, or restricted. The ability to use reserves is a determining factor in how the organisation can respond to the present and future financial positions. Note restricted reserves are assumed not to be available due to third party restrictions.

## Assumptions

8. Any modelling requires assumptions. The NZC need to agree on these assumptions in order to agree on the outcome of the modelling. In relation to reserves, we have taken each region's reserves, as at 31 August 2019 and assumed what they will be at 31 August 2020, as being available at the end of the year. (we have asked each region not to spend any reserves in April).
9. In relation to Income we have made the following assumptions:
  - Either 25% loss or 100% loss from gamebird licences: If the game bird season takes place it will be affected by the Alert levels, and we assume a loss of licence sales of up to 25%. If the season is cancelled or cannot take place due to the impacts of Alert levels then we have modelled a 100% loss of licence income, as we will have to refund all licences sold to date.
  - While each region has received government salary support, this has not be taken into consideration as it is may have to be paid back.
  - No more fishing licence sales (this is a worse case scenario).
10. In relation to Expenses, we have asked each region to let us know what they anticipate will be their total spend for the remainder of the financial year (March to August). If regions have made any savings we anticipate they will have been accounted for. In most cases these savings where not significant and so the Regions original Budget has been used.
11. All staff are and will be paid at their existing salaries and wage levels.
12. In relation to NZC expenses we have assumed the following savings of \$430k from our overall budget of 3,003,037 (but increased to \$3,102,007 with \$99K for NC additional grant). This represents a 16% saving of the NZC budget. These savings are mainly driven by assuming no more new legal or RMA spending other than \$100k for the Lindis and no more new spending on research. No more spending on meetings of regional staff or managers and only one more NZC meeting in person in this financial year. Meetings will continue online.
13. In relation to assets replacements (ARF) we have assumed the net outflow from the purchase and sale is equivalent to the budgeted ARF figure.
14. Note: in the 25% scenario one we have assumed all levying and grants agreed at the beginning of the year will be received and paid. However, in scenario two the modelling assumes that all grants and levies up until the end of March has been paid and no further levies and or grants will be paid until the NZC decides on the outcome they wish to achieve for the financial year.
15. Note: At the time of writing it looks like there will be a shorter game bird season, which makes scenario one the most likely.

*Recommendation One: Agree to the above assumptions in relation to modelling the impact of Covid-19 on the 2019/20 financial year.*

## Modelled Position

16. Based on the information we have from the regions and on the assumptions above we believe Fish and Games financial position at the end of this financial year will be as follows in the two scenarios below.

<b>Modelled Positions 2019/20</b>			
	<b>Original Budget</b>	<b>Scenario 1</b>	<b>Scenario 2</b>
		25% loss Game Bird And no more fish sales	100% loss game bird. And no more fish sales
Net Fish Licences	8,348,088	7,406,244	7,406,244
Net Game Licence	2,625,185	1,968,889	0
<b>Total Net licence Income</b>	10,973,273	9,375,132	7,406,244
Net Expenses: NZC	3,102,037	2,671,633	2,671,633
Net Expenses: Total Regions	8,247,231	8,247,231	8,247,231
<b>Total Operating Expenses</b>	11,349,268	10,918,864	10,918,863
<b>Total Surplus/(Deficit)</b>	<b>(375,995)</b>	<b>(1,543,732)</b>	<b>(3,512,619)</b>
<b>Cash Reserves Position 1/9/19</b>	5,939,420	5,939,420	5,939,420
<b>FORECAST CASH Position 31/8/20</b>	5,563,425	4,395,688	2,426,801

17. As the modelling shows, even if we had a year unaffected by Covid-19 we would be using \$375k of reserves to cover operating loses. Note that there would also be another potential loss of around \$200,000 in fishing licence sales based on trends up until February 2020.

18. In Scenario One where we lose of 25% of game bird licence sales we have a deficit of \$1.54 million to cover. If we have a loss of 100% then we have a deficit of \$3.5 million to cover. Importantly, both of these deficits could be covered from existing reserves and allow enough to support every region for cash flow purposes.

*Recommendation Two: Agree to the above assumptions in relation to modelling the impact of Covid-19 on the 2019/20 financial year.*

## Taking Account of Differing Regional Positions

Any actions the NZC agree must take into account the differing positions of each region in terms of their reserves. The table below sets out each region's total reserves forecast as 31 August 2020 under each scenario.

	Reserves Forecast 2019/20 Original Budget	Reserves Scenario 1 25% loss game bird	Reserves as a % of budget Scenario 1	Reserves Scenario 2 100% game bird	Reserves as a % of budget Scenario 2
Northland	336,235	300,894	56%	107,118	20%
Auckland/Waik	376,649	210,911	26%	(124,122)	(15%)
Eastern	534,130	303,064	26%	220,492	19%
Hawke's Bay	460,530	404,883	104%	312,795	81%
Taranaki	113,648	79,279	19%	(99,651)	(24%)
Wellington	426,391	347,332	43%	44,355	6%
Nelson/Marlb	206,912	199,045	43%	161,773	35%
North Canterbury	126,047	(68,394)	(9%)	98,968	13%
West Coast	211,951	165,851	44%	90,997	24%
Central South Is	524,259	249,790	32%	592,904	77%
Otago	685,746	432,665	43%	699,796	69%
Southland	610,895	389,936	51%	453,858	60%
NZC	950,034	1,380,438	42%	(132,179)	(4%)
<b>Total Reserves</b>	<b>5,563,425</b>	<b>4,395,693</b>		<b>2,426,801</b>	

19. Note how some regions go up and some down which is due to the differing impact of gamebird licence sale income in scenario one and in scenario two due to the impact of NZC not levying or paying grants and the differing levels of game bird licence sales.
20. Under Scenario One only North Canterbury needs to have their reserves increased to ensure all regions are solvent.

### What outcome does the NZC want to achieve for the overall organisation?

21. The NZC need to be very clear on what outcome or goal they wish to achieve for the overall organisation as at the end of this financial year. We assume from the modelling above that there will be a reduction in game bird licence income, and that the impact of that licence reduction will be variable across the regions. To start the conversation, I believe an appropriate goal is:
  - a. *That each region has been treated equitably in relation to the impact of Covid.*
  - b. *That each region can continue to carry out their statutory functions, and each region has a similar minimum level of reserves to cover operations until the end of the 2019/2020 financial year.*
22. The key word in the proposed goal is 'equitably' and needs to be described in more detail. For each region to be treated 'equitably' means that each region and NZC is in a similar financial position at the end of the financial year, i.e.,
  - a. Everyone has the ability to spend their NZC approved 2019/20 budget and
  - b. All currently employed staff remain employed on the same terms and conditions for the remainder of this financial year.
  - c. Those region with the most reserves pay the most levies.
23. It is worth noting the proposed goal and definition of 'equitably' are subjective and need discussion. Clearly some regions have more reserves than others and may feel they need to retain them at a higher level because that is what has happened in

the past. There may also be arguments that regions have higher reserves because they are more prudent financial managers. All these views need to be discussed.

24. It is also worth noting that regardless of individual regional financial positions the NZC must come to a decision on where it wants the overall organisation to be in terms of a financial position at the end of this year. This is important so we have a known starting point to respond to the drop in licence income we know is coming. The responsibility to plan for this and deliver on that plan rests solely with the NZC following consultation with the regions.

### **Operationalising the Goal Across the Organisation**

25. Once the NZC have agreed a goal we then have four months remaining in this financial year to take actions and define goals to create the NZC desired outcome across the organisation.
26. If operationalising that goal requires shifting funds across the organisation, the NZC has two legislative powers to achieve this:
  - a. Our levying power and
  - b. Our granting power.
27. In order to prioritise and review what levy to send to what region and what grant to pay to which region; requires the NZC to take a position on a region by region basis. These positions will then need to be sent out to the regions for consultation, before the NZC make their final decisions.
28. Understandably, there will be a lot of concern in the regions about the NZC trying to achieve an organisational wide financial goal and some regional governors and staff may be unaware what powers NZC have under our Act.
29. In order to have the funds required, under each scenario, to pay a grant to regions or generate income for the NZC, we will need to levy those regions with the most reserves as a percentage of their budget.
30. The NZC need to agree on what levy is paid by what region in order to bring about the organisational goal agreed above.
31. Based on the modelling above, and if the NZC want an equitable outcome, we recommend that an addition round of levying take place if scenario one occurs shifting funds from Northland, Hawkes Bay and Southland to North Canterbury and Taranaki.
32. We recommend for scenario two that levying and granting be used to ensure every region has a minimum level of reserves of no less than 20%

*Recommendation Three: Agree levies for each particular region to achieve an equitable outcome across the organisation for the 2019/20 year.*

*Recommendation Four: Agree that an addition round of levying take place if scenario one occurs shifting funds from Northland, Hawkes Bay and Southland to North Canterbury and Taranaki.*

*Recommendation Five: Agree if scenario two occurs that levying, and granting be used to ensure every region has a minimum level of reserves of no less than 20%*

*Recommendation Six: Agree to consult with regions on the proposed levying designed to achieve an equitable outcome across the organisation for the 2019/20 year.*

**Potential Covid impacts on the organisations Licence Income for the next two financial years**

33. It is clear that the impacts of Covid-19 on the economy are going to be significant and felt for a long time. Some economic commentators are taking about double digit unemployment, and soaring government debt. We know at the very least that next year non-resident licence income is likely to be non existent and much reduced in years to come due to a significant reduction in international tourism.
34. This situation will require some hard decisions to be made by the NZC which will be the subject of future meetings. As a starting point the NZC need to agree on the following assumptions so we can model the impact on licence sales for the 2020/21 and 2021/22 years, which in turn will indicate the levels of reform we will have to consider.
35. The assumptions are as follows for 2020/21:
  - a. No non-resident licence income: based on closed borders until vaccine in available.
  - b. 10% reduction on 2019/2020 resident licence sales: this is based on the assumption of double-digit unemployment and a general slow down in the economy. Note based on past recessions such as the GFC where there was not much of an impact at all on licence sales so assuming 10% maybe too high. The problem is we have never faced an economic situation like this so is very difficult to assume the impacts.
36. The assumptions for 2021/22 are as follows:
  - a. 10% of 2019/20 non-resident income returns in 2021/22: based on some high end tourism continuing but not much else considering 75%+ loss of international flights and an associated increase in the cost of flying.
  - b. 5% reduction on 2019/20 resident licence sales: Assume some sort of economic recovery, in year two post pandemic.
  - c. Licence Prices and categories stay the same.
37. Based on the above assumptions the overall licence income for the organisation would be as follows:

	<b>2019/20 Budgeted Year Non Covid</b>	<b>2020/21 modelling</b>	<b>Licence Loss based on 2019/20</b>	<b>2021/22 modelling</b>	<b>Licence Loss based on 2019/20</b>
NET Licence Income	10,973,276	8,893,228	(2,080,047)	9,540,164	(1,433,111)
Total surplus/deficit based on 2019/20 spending	(375,995)	(2,456,040)		(1,809,104)	

*Recommendation Seven: Agree to the assumptions above when modelling the impacts of Covid-19 on the 2020/21 and 2021/22 year.*

## **Recommendations**

*Recommendation One: Agree to the above assumptions in relation to modelling the impact of Covid-19 on the 2019/20 financial year.*

*Recommendation Two: Agree to the above assumptions in relation to modelling the impact of Covid-19 on the 2019/20 financial year*

*Recommendation Three: Agree levies for each particular region to achieve an equitable outcome across the organisation for the 2019/20 year.*

*Recommendation Four: Agree that an addition round of levying take place if scenario one occurs shifting funds from Northland, Hawkes Bay and Southland to North Canterbury and Taranaki.*

*Recommendation Five: Agree if scenario two occurs that levying, and granting be used to ensure every region has a minimum level of reserves of no less than 20%*

*Recommendation Six: Agree to consult with regions on the proposed levying designed to achieve an equitable outcome across the organisation for the 2019/20 year.*

*Recommendation Seven: Agree to the assumptions above when modelling the impacts of Covid-19 on the 2020/21 and 2021/22 year.*

Attached is the Strategic Financial Review Committee's recommendation that may aid our thinking with respect to the meeting on our financial position into the future.

Martin's paper deals with the next four months, beyond that we need to plan for the following three years notwithstanding conditions will be difficult and remain unclear and fluid.

The attached lists a series of recommendations for better governance of Fish and Game but under more "normal" market conditions. However, there are recommendations we can leverage off under the current, significantly altered conditions.

Accordingly, we have the following recommendations to make with respect to the current and continuing situation:

1. That the NZC of Fish and Game immediately establishes a permanent Standing Finance Committee (SFC) to oversee and drive the financial planning for Fish and Game.
2. That the committee is comprised two governors and two suitably qualified individuals.
3. That a reference group is formed to support the SFC comprised of the CFO, CEO and two Regional Managers.

The SFC will need to develop and execute a work plan and work closely with the regions.

#### Organisational Risks

- A. We need to work with the 13 councils to reach consensus. It will greatly hamper progress if NZC attempts to impose restrictions through the use of the levy or grants.
- B. We need to remove parochialism. To pro rate capacity and capability on the basis of historical revenue will be a mistake. We have to start from the premise that the overall survival of Fish and Game is the primary objective and to achieve that we have to maintain a productive capability in the regions.
- C. As events unfold our plan should have sufficient flexibility to move between the scenarios developed by the SFC.
- D. Notwithstanding the above, we should continue to seek financial support from Government and attempt to generate revenue from non-licence sources.
- E. A suitable reporting and oversight regime should be developed so all 13 councils are fully engaged and informed.
- F. With limited resources, we are going to have to make some hard decisions about what our core functions will be and what we may have to abandon for the time being.

# Strategic Financial Review Committee Recommendations

## Executive Summary

Fish and Game Councils have a statutory responsibility to develop 10-year management plans and policies under the Conservation Act 1987 (Sec 17L, M and N). The New Zealand Council, under the Act, has to represent the interests of anglers and hunters and provide coordination of the management, enhancement and maintenance of sports fish and game (Sec 26B(1)).

The Strategic Financial Review supports the role of the New Zealand Council of Fish and Game (NZC) under the Conservation Act Sec 26C (1a) “to develop, in consultation with Fish and Game Councils, national policies for the carrying out of its functions for sports fish and game, and effective implementation of relevant general policies established under the Wildlife Act 1953 and this Act”.

Accordingly, the Strategic Finance Sub-Committee of the NZ Fish and Game Council, after due deliberation and consultation with Fish and Game Councils, makes the following national policy recommendations:

1. That Fish and Game (the 13 councils) adopt a coordinated, integrated financial planning methodology that includes:
  - a. A 10-year plan for the entire Fish and Game organization that is outcome based, aspirational and forms the headline document to all subsequent planning, resource allocation and financial decisions.
  - b. A 3-year strategic plan that is the aggregate of the 3-year strategic plans to be prepared by each of the 13 Councils, based on their 10 year Management Plans, and reflecting both their Statutory Functions (Sec. 26C and 26Q of the Conservation Act) and their regional priorities, and is coordinated by the New Zealand Council in its statutory role.
  - c. An annual operational plan that is the aggregate of the 13 councils’ operational plans.

Out of this three-tier financial planning process the budgets and forecasts are derived.

2. A Standing Finance Committee is established with overall responsibility for the planning and budgeting process.
3. A new reserves policy is developed that better reflects the needs of Fish and Game into the future.
4. An Audit and Risk Committee is established to formally define and manage Organizational risk and to oversee regular audits of all 13 councils.

## Preamble

This Strategic Financial Review (SFR) was set up in July 2019 to “develop and recommend to the New Zealand Fish and Game Council and the twelve Regional Councils a five year budget and supporting business plan for the entire Fish and Game organization which will form the basis of financial decisions for Fish and Game such as the contestable funding process and reserves policy.”<sup>1</sup>

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<sup>1</sup> Terms of Reference for the Strategic Financial Review Sub Committee – See Appendix 1.

While this report and recommendations have been kept to a minimum, the background explanation has been written recognizing the nature of the organization which has periodic change in governors due to the three-year election cycle. Accordingly, the rationale and recommendations have been written with a view to informing future governors as well as a basis for decisions for current governors in their role of determining national policy for Fish and Game.

At times the committee struggled with the scope of the exercise. Many financial decisions would be made far easier if the organization had an integrated strategic financial plan looking out 3-5 years. However, a strategic financial plan can only be developed if there is an overall strategic plan. The committee recommends an integrated strategic planning process for the organization which, while out of scope, is an essential base for much of what has to be achieved with respect to the ongoing financial viability of Fish and Game Inc.

Further to this point, the original scope of the committee was to recommend a five-year budget and supporting business plan to Fish and Game Inc. What became apparent during the committee's deliberations is that such an ambition can only be achieved within a framework of planning and coordination that has yet to be established. The SFR recommends a three-year, rather than a 5 year, rolling cycle of planning and budget allocation that is fully integrated across the 13 councils.

This report and its recommendations do not resolve all of the issues but rather, set a pathway to solving the long-term challenge of equitable and efficient application of funds to best meet the needs of license holders while providing transparency, both internally and to external parties, that have an interest in the business of Fish and Game.

In reading the report, *Fish and Game Inc* refers to the 13 councils as a whole. While it is recognized they are separate legal entities under the Conservation Act 1987, to function efficiently and effectively there is a greater need for coordination and cooperation across the organization.

## **Background**

During the budgeting process for 2019/20 NZC developed a series of scenarios that forecast future revenues against future expenditure. Under all scenarios the forecast expenditure exceeded projected income with reserves fully depleted in the next four to six years.

The NZC set up the SFR as a mechanism to meet the challenge of providing financial viability and reversing the trend of declining reserves.

The first action of the SFR Committee was to send out a questionnaire to all the councils (addressed to both the Regional Manager/CE and Regional Chair) setting out the position and asking for feedback on the current system, what works, what doesn't and what changes might be made to meet the challenges of Fish and Game Inc into the future.

Below is a summary of the feedback from the thirteen councils:

In general, the processes associated with striking regional and national budgets have grown up (and been modified) over time. They are dependent on a high degree of cooperation between the 13 Councils. However, it was recognized the processes have a number of limitations:

1. The majority of regional expenditure (78%) is in salaries and related HR costs. Effectively, the bulk of budgets are fixed and tied to the terms of the aggregated employment contracts of some 78 staff.
2. Over time, contestable funds have become part of each councils' base funding. In effect, there has been "budget or funding creep". In a number of cases the original purpose of the funding has either been achieved or abandoned but the funding remains in the annual baseline budget and has been applied to other areas.
3. There is a significant lack of financial transparency across the Organisation
4. The process of ranking contestable funding bids (for work over and above baseline funding but within the overall budget of Fish and Game Inc) has been determined utilizing a cooperative model between the regional Managers/CE's. Determining budgets is a governance function while operationalizing budgets is a management function. The system generally works but it is open to significant criticism from external parties. For example, it can be argued there is potential for stronger managers to gain advantage, or for projects with popular appeal to prevail over projects of national significance and, beyond NZC's signoff, there is little or no external review of decisions.
5. The process leads to short-termism. The system tends to enshrine the status quo because budgets are struck annually without the context of an overall strategic plan spanning multiple years. For example, over the last decade (or more) angler effort has moved geographically south but budgets and resourcing have remained largely unchanged because the annual budget process is not designed to recognize and match resources to shifting angler effort.
6. There are significant differences in the way each council accounts for both assets and expenditure. It is therefore difficult to compare budgets between councils and determine what are adequate levels of funding and reserves.
7. There are a number of different types of reserve. Reserves policies vary as does the accounting treatment of reserves. Many appear to lack any proper governance structure and are, therefore, potentially open to manipulation and mis-application. Because of the complexity of the reserves held in regions and at a national level, it is impossible to assess whether the current level of reserves is appropriate or if Fish and Game is locking away unused funds to the detriment of license holders.

## **Recommendations**

1. Fish and Game Inc lacks a coordinated, standardized planning process across the 13 councils. As a result, there are significant embedded inefficiencies across all of Fish and Game Inc's activities. Therefore, Fish and Game Inc needs to develop a planning process that includes:
  - a. A 10-year plan for the organization that is outcome based, aspirational and forms the headline document to all subsequent planning and resource allocation decisions. The 10-year plan should be focused on Fish and Game's key responsibilities; gamebirds, gamefish, habitat and lobbying for recognition of these in local, regional and central government legislation and regulation. The 10-year plan should also identify key risks and mitigation strategies. The 10-year plan should forecast movements in resources to match shifting license holder activity to ensure a smooth transition of resources over time.
  - b. A three-year rolling strategic plan that is results focused and coordinates the efforts of the 13 councils. The strategic plan will contain indicative three-year budgets that inform Fish and Game Inc policy and annual planning.

- c. Each council should develop its own 3 year strategic plan, based on its Statutory 10 Year Management Plan, under which it can determine operational priorities and forecast desired results to which it can commit financial and physical resources; followed by an annual operational plan that determines the annual budgets, and coordinates the organizational effort .
2. To manage a more complex planning process it is recommended that a Standing Finance Committee is established. Key responsibilities will be:
- a. Oversee the annual budget process.
  - b. The process should commit funds for the year, forecast funding needs for the next three years (based on the 3-year rolling strategic plan) and forecast reserves out of Levy income for 5 years to ensure the one and three year plans are achievable and projects, once initiated, can be maintained
  - c. Oversee a zero-based budget for all councils every 5 years. The objective is to reset budgets and align them with changes in resourcing and strategy over time.
  - d. Standardize accounting practices so budgets can be compared council to council. The objective is to ensure the Levy is applied fairly.
  - e. Establish and maintain standardized templates.
  - f. Establish and maintain standardized accounting practices including:
    - i. All assets are recorded in balance sheets at their Rating Value including land and buildings and recreational areas such as wetlands.
    - ii. Depreciation and maintenance are recorded.
    - iii. All rents are accounted for including nominal rents for buildings owned by each council.
    - iv. Income from Levy and license sales is clearly separated from other income.
  - g. Develop a new Asset Replacement Policy. At present there are several ARP models being utilized from sinking funds to financing at the time of purchase. The planning process proposed above should include asset replacement and a sinking fund should be established either centrally or within each region.
  - h. Oversee annual reporting from councils in a standardized template. Projects should be evaluated annually to ensure their continuing viability. A general principle of “use it or lose it” should be applied to funds that have not been used unless there are clear, extenuating circumstances.
  - i. The committee should be a sub-set of the NZC and contain at least two NZC governors and be composed of no more than 4 suitably qualified individuals. Consideration should be given to at least one independent member and/or a member appointed by the Department of Conservation.
3. A new Reserves Policy should be developed. Key recommendations are:
- a. The New Zealand Council should, in consultation with Regional Councils, build up and maintain a central reserve against medium to long term risks and manage projects of national importance out of that reserve.
  - b. Dedicated and restricted reserves remain with each council. However, each reserve needs a guiding document and, in the case of perpetual reserves, consideration should be given to setting them within a Trust. For example, there are dedicated reserves where the principal is held and the interest is used annually for specific purposes such as establishing wetlands.
  - c. Councils should report annually on movements in dedicated and restricted reserves and how they have been applied.

- d. The appropriate level of general reserve held by each council varies according to differing income patterns. Once standardized accounting has been implemented, each council should calculate the appropriate level of general reserve to enable the council to carry out its functions and have sufficient surplus to meet identified short term risks. Beyond that, all general reserves should be available centrally for untoward events and to meet identified Organisational risks.
  - e. Interest derived from reserves should accrue where the reserve is held. Budgets should forecast interest income at nominal, conservative rates to avoid past problems associated with falling interest rates.
4. An Audit and Risk Committee should be established to oversee regular audits of all 13 councils.
- a. Audits can be both operational and financial.
  - b. Should be carried out on a regular cycle.
  - c. Should be positive in nature i.e. designed to assist improvements in council operations.
  - d. Be carried out by suitably qualified individuals which may include managers, governors and independent subject matter experts.
  - e. The findings of audits are confidential to the audited council and the NZC.
5. All committees, standing committees, sub-committees and projects should be subject to the same governance. This includes:
- a. A Terms of Reference that includes scope of work.
  - b. Clearly defined key outcomes.
  - c. A timeline.
  - d. A budget.
  - e. A regular reporting regime.

## **Appendix 1 Terms of Reference for the Strategic Financial Review Committee**

1. The name of the committee shall be the Strategic Financial Review Sub Committee.
2. The purpose of the committee is to develop and recommend to the New Zealand Fish and Game Council and the twelve Regional Councils a five-year budget and supporting business plan for the entire Fish and Game organization which will form the basis of financial decisions for Fish and Game such as the contestable funding process and reserves policy.
3. The terms of reference for the committee are a living document and can be changed as agreed with the New Zealand Fish and Game Council in consultation with the twelve Regional Councils.
4. The committee shall be a Sub Committee of the New Zealand Fish and Game Council.
5. The committee has the ability to appoint any suitably qualified person required for advice, assistance and support.
6. The committee will consist of two New Zealand Council councilors and two suitably qualified persons nominated by the twelve Regional Councils.
7. The Sub Committee will be supported by and can have input from NZC staff.
8. The committee shall report to the New Zealand Fish and Game Council and shall be bound by the Governance Policies of the New Zealand Fish and Game Council.
9. The committee shall be funded by the National Budget as agreed by the New Zealand Fish and Game Council.
10. The committee shall, for membership, draw on the voluntary contribution of governors and Regional Managers within Fish and Game who have the appropriate expertise and experience to carry out the functions of the committee. Normal expenses incurred in the course of the committee's activities will be reimbursed from the National Budget.
11. The committee recognizes the legislative autonomy of individual Regional Councils in providing a national budgetary framework that will support greater efficiency and alignment within Fish and Game.
12. The committee shall seek financial information from Regional Councils in discharging its purpose. Such information will be used strictly to aid the purpose of the committee.
13. The committee shall report on activities to the New Zealand Council of Fish and Game and the twelve Regional Councils periodically and aligned with the meeting schedule of the New Zealand Fish and Game Council.
14. All deliberations of the committee shall remain confidential to Fish and Game.

## **Appendix 2 Issues raised by regions but deemed out of scope.**

1. Recommendation 2, above, calls for the establishment of a Standing Finance Committee. It also points out any strategic financial plan should be in the context of an overall strategic plan. Fish and Game Inc should give consideration to establishing a Standing Planning Committee that will, firstly, implement a coordinated planning process and then convene from time to time to maintain the process.
2. The strategic planning process should be based on sound methodologies such as PEST and SWOT analysis.
3. The strategic planning process has to incorporate risk analysis with mitigation strategies embedded in the overall plan.
4. Regional Amalgamation. This is a complex issue that requires far greater study than the SFR Sub-Committee had time to apply. There may be financial savings, however, these may be outweighed by the tyranny of distance and loss of operational efficiency.
5. There is a need for governance training in line with the recommendations in this report.
6. Councils should be prepared to co-opt individuals if the council lacks specific, necessary skills.
7. A number of respondents to the questionnaire suggested national work committees should be re-established.
8. Do the recommendations above need to be enshrined in an MOU between the 13 councils possibly superseding the Managers Accord?
9. A number of respondents to the questionnaire posed the same question; "what's our key strategy? Increase license sales, increase license fees or increase participants".
10. What is the right balance between centralized resources and regionalized resources?
11. There needs to be national coordination of research programme and research funding and external funding for research should be sought. The research programme is a responsibility under the Conservation Act 1987 (Sec 26C (1c)) and, therefore, needs formal governance.
12. Our marketing strategy appears to be solely focused on R3 however, there are many messages outside R3 that Fish and Game Inc should agree on and pursue that will raise participation and improve habitat.
13. Several respondents pointed out the three-year review of the license categories conducted in 2019 was cursory and a full review should be carried out as, anecdotally, the categories appear to be reducing revenue while not increasing participation.