

Item: Finance Report for the month ending 30 September 2023

To: Executive Leadership Team (ELT)

For: ELT meeting 24 October 2023

Prepared by: Emma Gillard, Manager Finance & Administration

Recommendations

It is recommended that ELT:

1. **Note** that the total operating budget for financial year 2023/24 is \$134.193m with an expected deficit of \$11.308m.
2. **Note** that no forecast exercise has been undertaken this month, therefore for reporting purposes, forecast is calculated based on FY24 budget *plus* any approved funding request for unbudgeted operating expenditure.
3. **Note** that forecast does not reflect the costs of running the Port Waikato By-Election.

Financial Overview

Financial Summary \$000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Revenue	180	325	(145)	44,362	44,981	(619)	122,885	122,885	-
Expenditure	18,703	19,898	1,195	50,209	54,461	4,252	137,038	134,193	(2,846)
Surplus / (Deficit)	(18,523)	(19,573)	1,051	(5,847)	(9,480)	3,633	(14,153)	(11,308)	(2,846)

Deficit for the month of September is \$18.523m, which is 5% lower than budget. This is mainly due to timing of advertising and publicity in the General Election (GE) event. EasyVote printing and postage costs are also underspent for the month, again this is attributable to timing.

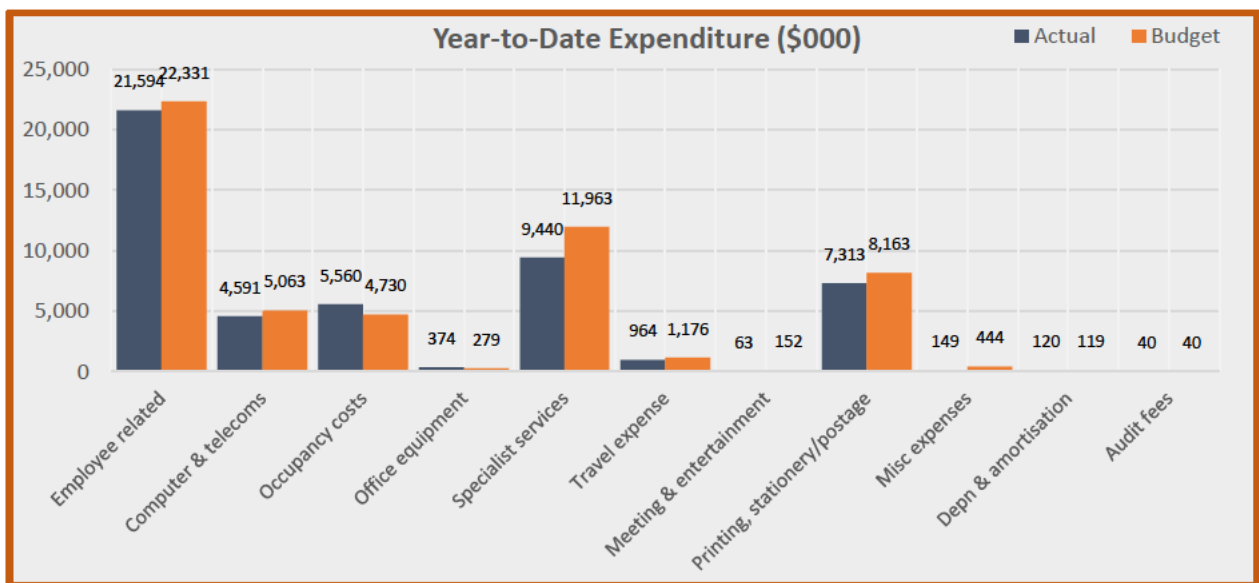
Year-to-date deficit is 38% lower than budget due to underspends in **Expenditure** (~8% lower than budget), however this is partly offset by lower **Revenue** (~1% lower than budget). The underspend is largely driven by the timing of advertising, publicity, and freight in the GE event.

Forecast is based on FY24 budget *plus* any approved funding request for unbudgeted operating expenditure as shown in the following table. Forecast indicates that the Commission will end up with a deficit of \$14.153m which is approximately 25% higher than budget.

9(2)(b)(ii)

Year-to-Date Operating Expenditure

YTD operating expenditure is 8% lower than budget of \$54.461m. Comparison of actual versus budget is outlined below by expense category.



Favourable variance

Employee related expenses are below budget by \$0.737m, mainly contributed by budget phasing in Operations. It is expected to ramp up spending during the month of October.

Specialist services are below budget by \$2.523m largely due to timing of advertising and publicity in the GE event particularly in Broadcasting Allocation. Again, this is expected to correct in October.

Computer and telecommunications are below budget by \$0.472m resulting from underspend in software support and maintenance due to lower consumption of Microsoft licences for July and August.

Printing, stationery, and postage are also below budget by \$0.850m due to timing of spend particularly in freight, printing, stationery, and equipment consumables in the GE event. ■

9(2)(b)(ii)

Travel expenses are below budget by \$0.212m, also due to timing difference. It is expected to ramp up spending on domestic travel during the month of October.

Miscellaneous expenses are also below budget by \$0.295m, mainly due to underspend in Election Access Fund grants. These grants are normally offset by revenue, so it's cost neutral to the Commission.

Unfavourable variance

Occupancy costs including office equipment are higher than budget by \$0.925m due to timing difference in rental for advanced voting places and temporary premises including security in the GE event.

Operating Expenditure by Business Group

Business Group \$000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Office of the Chief Executive	292	265	(27)	803	847	44	3,150	3,150	-
Enterprise Services	2,811	2,606	(206)	9,672	9,772	101	23,780	23,780	-
Operations	14,700	15,261	562	37,655	39,497	1,842	98,504	95,658	(2,846)
Strategy, Governance & Development	229	440	210	734	1,739	1,005	4,965	4,965	-
Programme Management Office	117	116	(1)	347	389	43	1,394	1,394	-
Māori Advisory	32	27	(4)	100	83	(17)	332	332	-
Legal & Policy	588	1,184	597	899	2,133	1,234	4,913	4,913	-
Projects	(65)	-	65	-	-	-	-	-	-
Total Expenditure	18,703	19,898	1,195	50,209	54,461	4,252	137,038	134,193	(2,846)

YTD underspend is **\$4.252m** which is largely contributed by Operations (43%) mainly due to timing of advertising and publicity in the GE event; Legal & Policy (29%) due to timing of advertising and publicity in Broadcasting Allocation; and Strategy, Governance & Development (24%) mainly due to timing of expenses for International (INT) Assistance, and grants relating to Election Access Fund (EAF); and all others (4%).

Excluding EAF and INT services, the YTD underspend is **\$3.369m**. Its breakdown by expense category is shown below.

Operating Expenditure Excluding EAF & INT \$000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Employee related expenses	10,205	10,211	6	21,411	21,909	498	69,562	69,562	-
Computer & telecommunications	1,202	1,088	(113)	4,588	5,054	466	8,015	8,015	-
Occupancy costs	2,261	1,606	(655)	5,560	4,705	(855)	14,538	13,105	(1,433)
Office equipment	117	81	(35)	374	249	(125)	506	506	-
Specialist services	2,670	3,935	1,266	9,326	11,778	2,452	22,786	22,506	(280)
Travel expense	302	273	(30)	825	981	155	2,014	2,014	-
Meeting & entertainment	20	37	17	60	142	82	372	372	-
Printing, stationery & postage	1,676	2,259	583	7,313	7,990	678	14,879	13,746	(1,133)
Miscellaneous expenses	57	46	(11)	121	139	18	340	340	-

Depreciation & amortisation	39	40	1	120	119	(1)	477	477	-
Audit fees	13	13	-	40	40	-	160	160	-
Total Expenditure	18,562	19,588	1,027	49,739	53,108	3,369	133,648	130,803	(2,846)

Operating Expenditure by Event

The YTD underspend of \$4.252m (or \$3.369m excluding EAF and INT) is largely driven by the GE event which constitutes 77% of the total underspends, followed by BAU (19%). These underspends are mainly attributable to timing of advertising and publicity in the GE event.

GE event includes EAF expenses, whilst BAU includes INT expenses. However these expenses are fully offset by revenue.

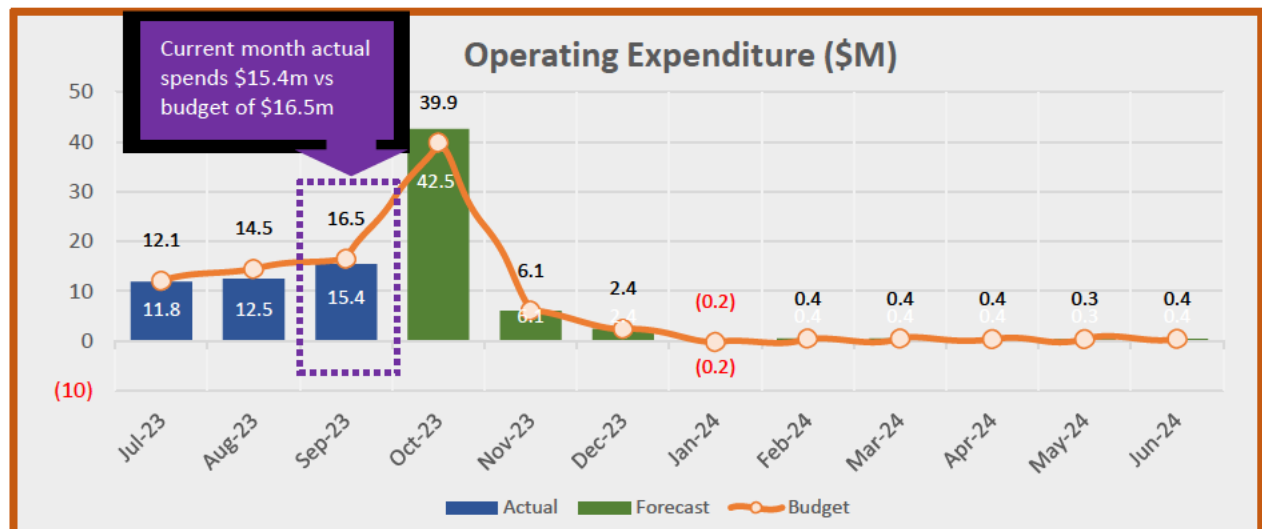
Event \$000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
EV1001 – GE2023	15,395	16,522	1,127	39,759	43,049	3,291	95,804	93,139	(2,666)
EV2000 – By-Election	(1)	-	1	(1)	-	1	-	-	-
EV3000 – Representation Commission	-	-	-	-	-	-	200	200	-
EV4001 – MEO2023	(50)	-	50	603	749	147	787	787	-
EV9999 – BAU	3,358	3,376	18	9,849	10,663	814	40,247	40,067	(180)
Total Expenditure	18,703	19,898	1,195	50,209	54,461	4,252	137,038	134,193	(2,846)

Excluding EAF and INT, the YTD underspend for GE 2023 and BAU is \$3.034m and \$0.188m, respectively.

General Election 2023

YTD operating expenditure is \$3.291m below budget, however forecast is tracking an overspend of \$2.666m at year-end,

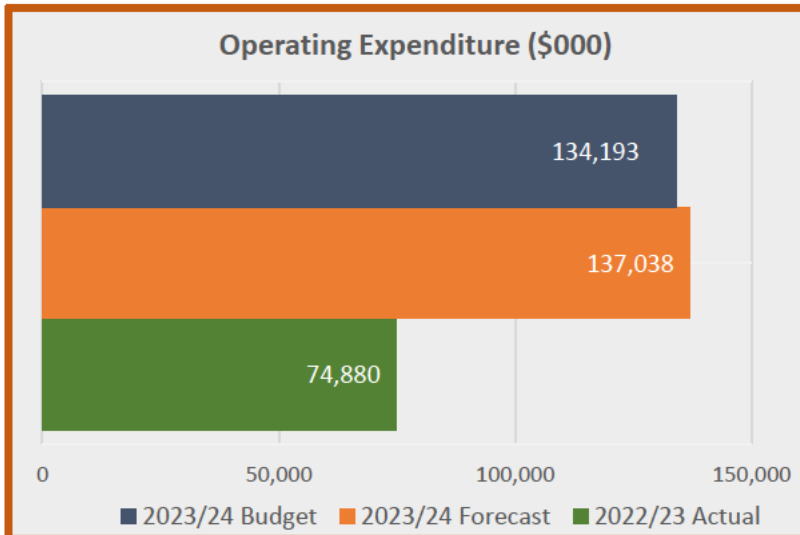
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Operating Expenditure \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Employee related expenses	15,657	16,143	486	47,854	47,854	-
Computer & telecommunications	3,616	4,203	587	4,576	4,576	-
Occupancy costs	5,141	4,155	(986)	12,331	10,898	(1,433)
Office equipment	328	212	(116)	365	365	-
Specialist services	7,170	9,358	2,188	14,514	14,414	(100)
Travel expense	706	791	85	1,507	1,507	-
Meeting & entertainment	54	63	9	76	76	-
Printing, stationery & postage	6,994	7,787	792	14,076	12,943	(1,133)
Miscellaneous expenses	93	339	246	505	505	-
Total Expenditure	39,759	43,049	3,291	95,804	93,139	(2,666)

Expected overspend in GE event at year-end - \$2.666m

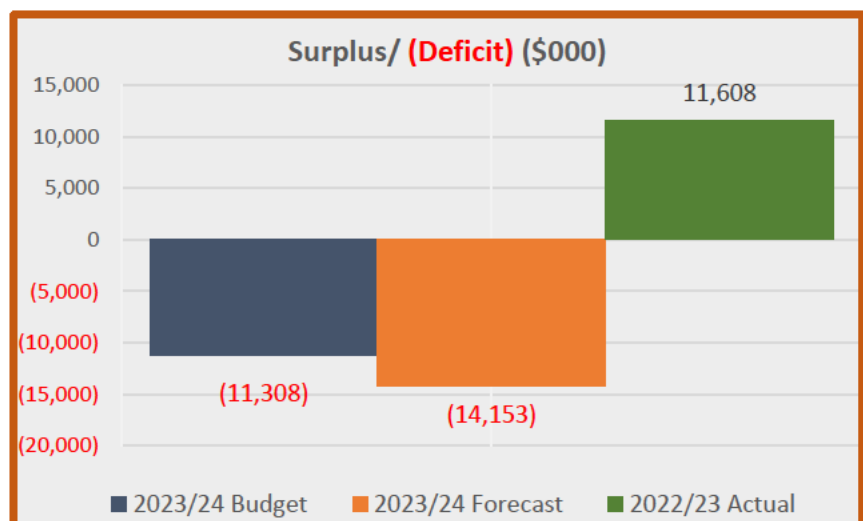
Full Year Budget vs Forecast



Full year operating expenditure forecast is ~2% higher than budget of \$134.193m. Approximately 53% of the costs relates to employee related expenses, 17% relates to specialist services, 11% relates to printing, stationery & postage, 11% relates to occupancy costs, and the remaining 8% is for other expenses.

End-of-year forecast is expected at **\$14.153m deficit** as compared to budgeted deficit of \$11.308m.

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FY2024 Budget Risks

Budgeted closing reserves balance at 30 June 2024 is **\$5.096m**, comprises of \$1.890m discretionary funds, to be requested through the ELT; \$0.985m contingency fund for Executive spending; and \$2.221m agreed level of reserves as approved by the Board.

Of the \$1.890m discretionary funds, there have been requests totalling \$3.253m, and approvals by ELT of \$2.846m, leaving a deficit of \$0.956m against the discretionary fund allocation. This deficit can be offset by the contingency fund of \$0.985m, which allows Reserves of \$2.221m to be maintained, thus this leaves only \$0.029m as the remaining balance for contingency funding.

As the year progresses, we will be able to release funds that have arisen from “permanent savings”. YTD we have **\$0.498m** permanent savings in employee related expenses (net of savings associated with EAF and INT). We anticipate this trend will continue through the year and allow the contingency fund to be replenished.

Table below shows the breakdown of contingency funds.

FY2024 Funding Summary	FORECAST
Reserves as at 30 June 2022	\$4,804,000
Plus FY2023 Underspend (Unaudited)	\$11,600,000
Total expected Reserves as at 30 June 2023	\$16,404,000
Plus Expected FY2024 surplus/(deficit)	(\$11,308,000)
Total Minimum level of Reserves as at 30 June 2024	\$5,096,000
Less ELT approved unbudgeted expenditure	(\$2,845,509)
Adjusted Reserves balance as at 30 June 2024	\$2,250,491
Less Board approved minimum reserves	\$2,221,000
Funding available for distribution as at 30 June 2024	\$29,491
Add Permanent YTD savings from employee related expenses	\$498,000
Estimated contingency fund (in addition to minimum reserves of \$2.221m)	\$527,491

Discussion

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