

**Item:** Finance Report for the month ending 31 December 2023  
**To:** Executive Leadership Team (ELT)  
**For:** ELT meeting 30 January 2024  
**Prepared by:** Emma Gillard, Manager Finance & Administration

## Recommendations

It is recommended that ELT:

1. **note that:**
  - a. the opening Reserves as at 1 July 2023 is \$16.404m
  - b. with the Board approved minimum reserves of \$2.221m, the maximum deficit that the Commission can afford for financial year 2023/24 is \$14.183m
2. **note that** the projected total operating expenditure for 2023/24 is \$137.786m with an expected deficit of \$14.113m, approximately 25% higher than budgeted deficit of \$11.308m
3. **discuss** forecasted costs that could be reduced, deferred, or stopped during the period covering from January to June 2024.

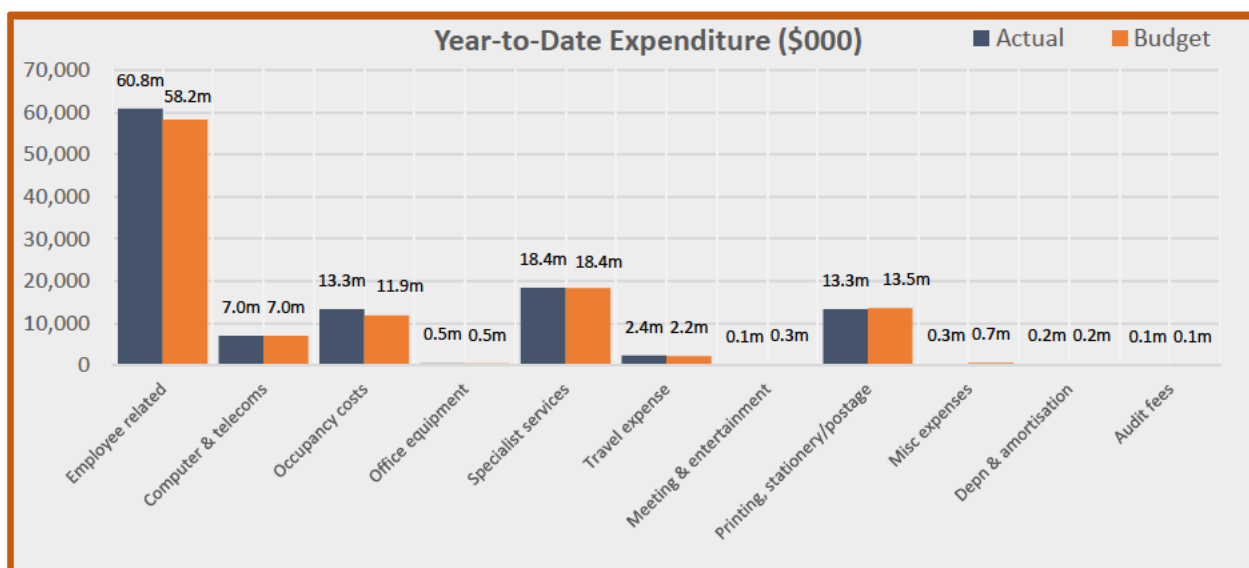
## Financial Overview

Financial Summary \$000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Revenue	5,634	200	5,434	111,481	105,790	5,691	123,673	122,885	788
Expenditure	4,277	5,765	1,487	116,541	112,930	(3,611)	137,786	134,193	(3,593)
<b>Surplus / (Deficit)</b>	<b>1,357</b>	<b>(5,564)</b>	<b>6,922</b>	<b>(5,060)</b>	<b>(7,140)</b>	<b>2,081</b>	<b>(14,113)</b>	<b>(11,308)</b>	<b>(2,805)</b>

1. Total expenditure for the month of December is **\$4.277m**, 26% lower than budget resulting mainly **9(2)(b)(ii)**
2. **Year-to-date deficit** is 29% lower than budget due to the early receipt of \$5m funding from the Crown through Ministry of Justice in December. However, this is partly offset by higher-than-expected field staff costs, particularly the HQ and support staff. YTD hours worked for field personnel is 131,640 hours (14%) more worked than budgeted for. This is a key driver of the Budget overspend. There are also costs that have not been factored into the budget such as additional resources required due to new processes introduced after the setting of the budgets, and delays to commencement of the vote counts. In addition, there are unbudgeted costs to cover for the required security protocols and resilience in Voting Services.
3. **Forecast** indicates that the Commission will end up with a deficit of \$14.113m which is approximately 25% higher than budget. This is largely driven by an expected overspend in the General Election (5% higher than budget of \$93.139m), partly offset by underspend in BAU (5% lower than budget of \$40.067m).

## Year-to-Date Operating Expenditure

4. YTD operating expenditure is 3% higher than budget of \$112.930m. Comparison of actual versus budget is outlined below by expense category.



### Favourable variance

5. **Meeting and entertainment** are below budget by \$0.135m, mainly due to underspend in meeting hire or lease. The underspend has been expected as more usage of internal premises or voting places for staff meetings and functions.
6. **Printing, stationery, and postage** are lower than budget by \$0.223m, [REDACTED]  
9(2)(b)(ii)
7. **Miscellaneous expenses** are also below budget by \$0.359m, 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

8. **Employee related expenses** are higher than budget by \$2.617m, largely due to higher-than-expected field staff costs resulting from the delay of offboarding HQ staff due to quality review undertaken on the official election results as well as the electorate vote recounts. Contributing also to the overspend is \$0.768m relating to the Port Waikato by-election, fully offset by revenue.
9. **Occupancy costs** including office equipment are higher than budget by \$1.486m due to unbudgeted costs to cover for the required security protocols and resilience in Voting Services.
10. **Specialist services** are higher than budget by \$0.058m. Major factor to the overspend is \$0.382m relating to the Port Waikato by-election, fully offset by revenue.
11. **Travel expenses** are also higher than budget by \$0.173m due to higher usage of car rental and mileage than anticipated in the GE event.

## Operating Expenditure by Business Group

Business Group \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Office of the Chief Executive	1,574	1,677	104	3,021	3,150	129
Enterprise Services	16,223	15,984	(239)	23,833	23,780	(53)
Operations	92,311	87,377	(4,934)	100,678	95,658	(5,019)
Strategy, Governance & Development	1,448	2,866	1,418	3,608	4,965	1,357
Programme Management Office	650	730	80	1,322	1,394	72
Māori Advisory	187	167	(20)	385	332	(53)
Legal & Policy	4,148	4,129	(19)	4,690	4,913	224
Projects	-	-	-	250	-	(250)
<b>Total Expenditure</b>	<b>116,541</b>	<b>112,930</b>	<b>(3,611)</b>	<b>137,786</b>	<b>134,193</b>	<b>(3,593)</b>

12. YTD overspend is **\$3.611m** which is largely contributed by Operations (\$4.934m) due to hours worked by field staff with a total year-to-date of 131,640 hours (14%) more worked than budgeted, and Enterprise Services (\$0.239m) mainly due to overspend in personnel related expenses resulting from contractors filling in vacancies. However, this is partly offset by underspend in Strategy, Governance & Development (\$1.418m) mainly due to timing of expenses for International (INT) Assistance, and grants relating to Election Access Fund (EAF).

13. Excluding EAF, INT & Broadcasting Allocation, the YTD overspend is **\$4.775m**. The breakdown by expense category is shown below.

Operating Expenditure Excluding EAF & INT \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Employee related expenses	60,485	57,474	(3,011)	73,222	69,656	(3,565)
Computer & telecommunications	7,014	7,017	3	8,022	8,023	1
Occupancy costs	13,322	11,867	(1,455)	14,314	13,105	(1,209)
Office equipment	529	436	(94)	345	506	161
Specialist services	14,596	14,564	(32)	18,932	18,902	(30)
Travel expense	2,158	1,837	(321)	2,371	2,061	(310)
Meeting & entertainment	114	231	116	172	382	210
Printing, stationery & postage	13,308	13,363	54	13,793	13,754	(39)
Miscellaneous expenses	302	266	(36)	383	345	(38)
Depreciation & amortisation	239	239	-	478	477	(1)
Audit fees	80	80	-	160	160	-
<b>Total Expenditure</b>	<b>112,147</b>	<b>107,372</b>	<b>(4,775)</b>	<b>132,191</b>	<b>127,372</b>	<b>(4,819)</b>

## Operating Expenditure by Event

14. The YTD overspend of **\$3.611m** (or **\$4.775m** excluding EAF, INT and Broadcasting Allocation) is largely driven by the GE event. These overspends are mainly due to more hours worked by field staff within Voting Services than anticipated (14% higher than budget). Also contributing to the overspend is \$1.503m year-to-date cost associated with the Port Waikato by-election, however this is fully offset by revenue received.

15. GE event includes EAF and Broadcasting Allocation expenses, whilst BAU includes INT expenses, however, these expenses are fully offset by revenue.

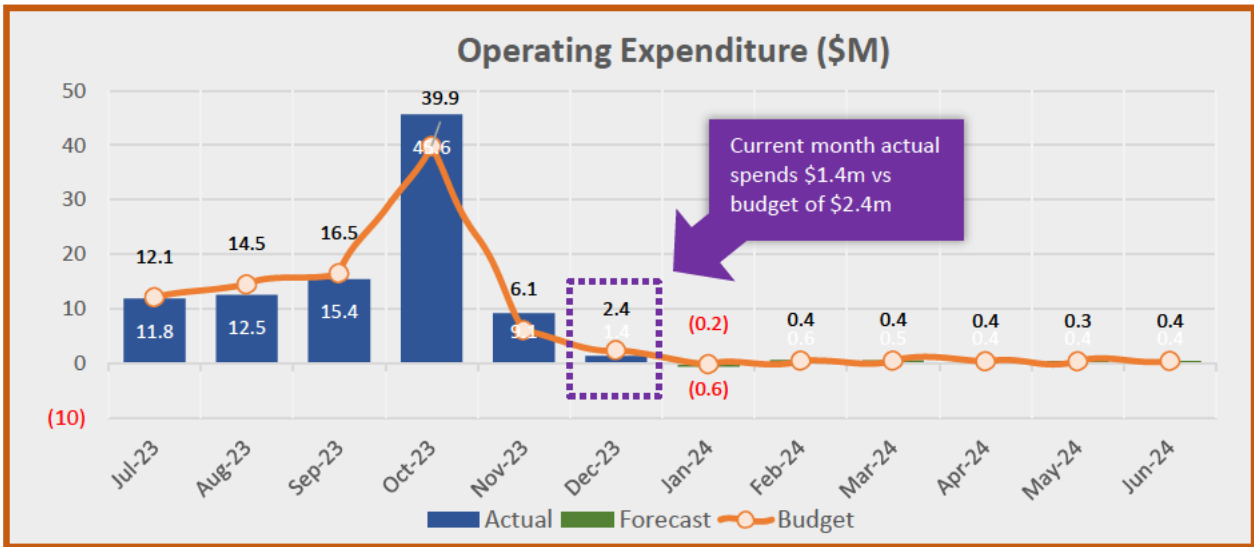
Event \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
EV1001 – GE2023	95,884	91,371	(4,514)	97,486	93,139	(4,347)
EV2000 – By-Election	(1)	-	1	(1)	-	1
EV2001 – By-Election Port Waikato	1,503	-	(1,503)	1,590	-	(1,590)
EV3000 – Representation Commission	-	-	-	71	200	129
EV4001 – MEO2023	624	749	126	661	787	126
EV9999 – BAU	18,530	20,810	2,280	37,978	40,067	2,089
<b>Total Expenditure</b>	<b>116,541</b>	<b>112,930</b>	<b>(3,611)</b>	<b>137,786</b>	<b>134,193</b>	<b>(3,593)</b>

16. Excluding EAF, INT and Broadcasting Allocation, the YTD overspend is \$4.775m as broken down below by event.

Event – Excluding EAF, INT & Broadcasting Allocation \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
EV1001 – GE2023	92,221	87,383	(4,838)	93,764	89,018	(4,746)
EV2000 – By-Election	(1)	-	1	(1)	-	1
EV2001 – By-Election Port Waikato	1,503	-	(1,503)	1,590	-	(1,590)
EV3000 – Representation Commission	-	-	-	71	200	129
EV4001 – MEO2023	624	749	126	661	787	126
EV9999 – BAU	17,800	19,240	1,440	36,106	37,367	1,261
<b>Total Expenditure</b>	<b>112,147</b>	<b>107,372</b>	<b>(4,775)</b>	<b>132,191</b>	<b>127,372</b>	<b>(4,819)</b>

## General Election 2023

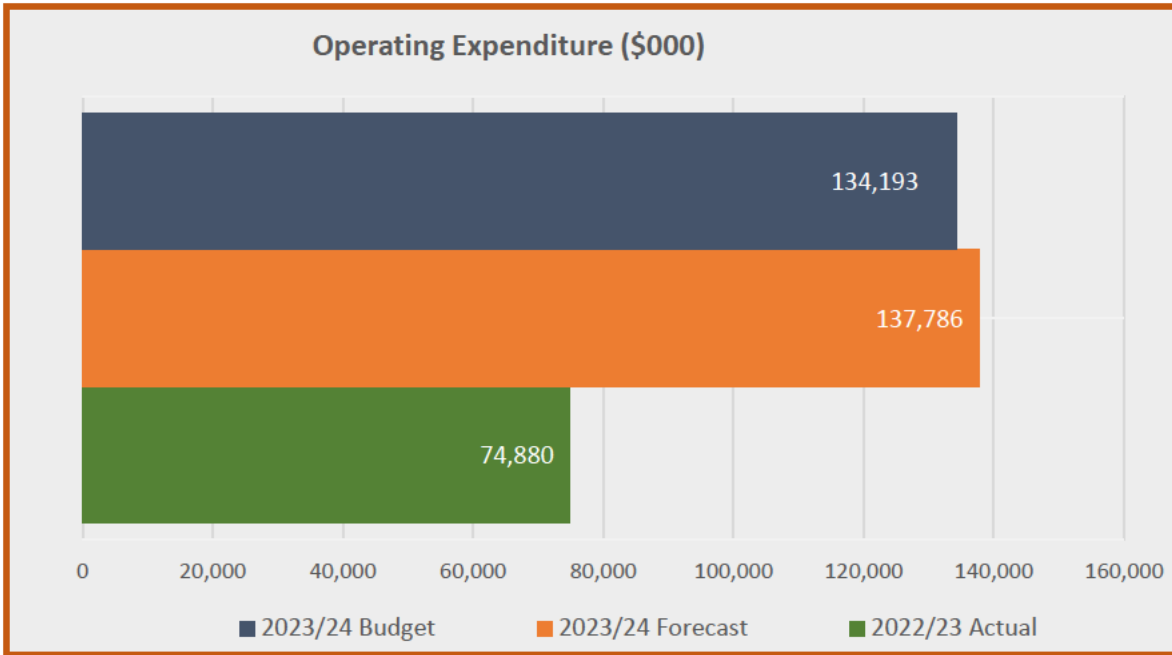
17. YTD operating expenditure is \$4.514m higher than budget, and forecast at year-end is expected at \$97.486m which is 5% higher than budget. The overspends are mainly due to more hours worked by field staff within Voting Services than anticipated (14% higher than budget).



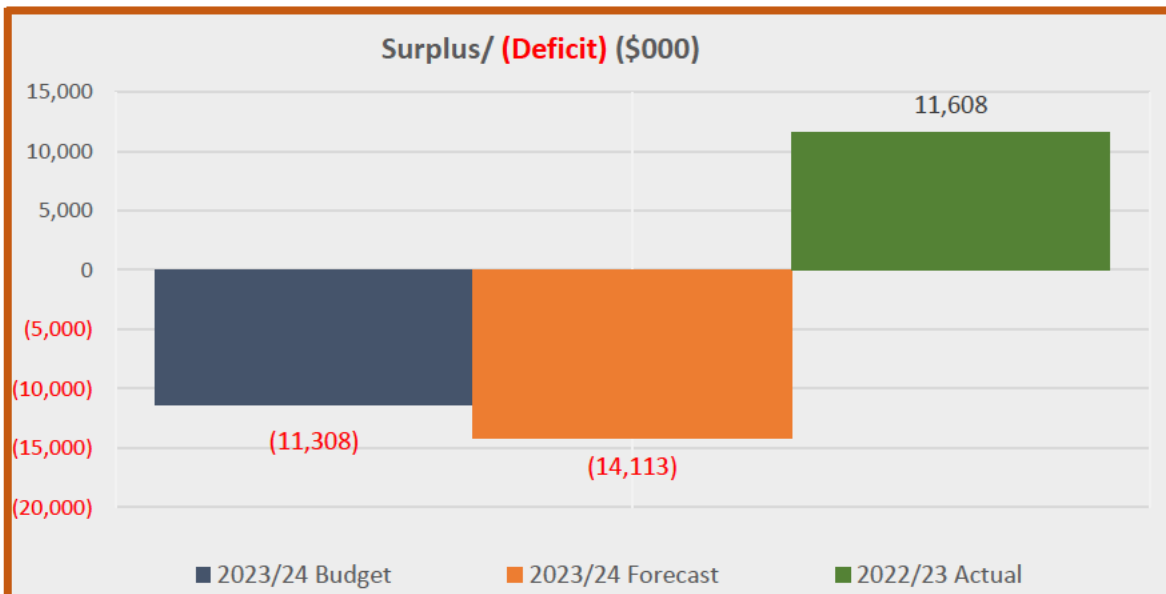
Operating Expenditure \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Employee related expenses	48,699	46,198	(2,501)	50,820	47,854	(2,966)
Computer & telecommunications	4,901	5,322	421	4,070	4,576	506
Occupancy costs	12,336	10,758	(1,578)	12,476	10,898	(1,578)
Office equipment	459	365	(93)	204	365	162
Specialist services	14,560	13,711	(848)	14,976	14,414	(562)
Travel expense	1,899	1,496	(403)	1,907	1,507	(400)
Meeting & entertainment	93	73	(20)	95	76	(19)
Printing, stationery & postage	12,719	12,943	224	12,719	12,943	224
Miscellaneous expenses	219	505	286	219	505	287
<b>Total Expenditure</b>	<b>95,884</b>	<b>91,371</b>	<b>(4,514)</b>	<b>97,486</b>	<b>93,139</b>	<b>(4,347)</b>

Expected overspend in GE event at year-end - \$4.347m

## Full Year Budget vs Forecast



18. Full year operating expenditure forecast is ~3% higher than budget of \$134.193m. Approximately 54% of costs relates to employee related expenses, 17% relates to specialist services, 10% relates to printing, stationery & postage, 10% relates to occupancy costs, and the remaining 9% is for other expenses.



19. End-of-year forecast is expected at **\$14.113m deficit** as compared to budgeted deficit of \$11.308m. This is mainly due to hours worked by field staff with a total year-to-date of 131,640 hours (14%) more worked than budgeted resulting from the delay of offboarding HQ staff due to quality review undertaken on the official election results as well as the electorate vote recounts. In addition, there is unbudgeted cost for the required security protocols and resilience in Voting Services.

## FY2024 Budget Risks

20. The closing Reserves as at 30 June 2023 is \$16.404m. With the Board approved minimum reserves of \$2.221m, the maximum deficit that the Commission can afford for financial year 2023/24 is \$14.183m. Based on the latest forecast, the expected deficit is now at \$14.113m so this leaves a balance of \$0.070m.
21. As the year progresses, no permanent savings from employee related expenses have been identified so there is a risk of depleting Reserves that have been set aside as per the Board's instructions. It is important to recognise that any contingencies set aside during the budget process have been fully utilised to fund for unbudgeted but approved expenditure. Further overspends will put the Commission under significant financial pressure.
22. Table below shows the movement of operating reserves.

Movements in Reserves (\$000)	
Reserves as at 30 June 2019	\$6,070
Surplus 2019/20	\$19,345
Deficit 2020/21	(\$11,096)
Deficit 2021/22	(\$9,515)
Surplus 2022/23	\$11,600
<b>Opening Reserves 1 July 2023</b>	<b>\$16,404</b>
Less Board approved minimum reserves	(\$2,221)
<b>FY2024 Maximum affordable deficit</b>	<b>\$14,183</b>
Less Expected FY2024 deficit	(\$14,113)
<b>FY2024 Projected Reserves balance</b>	<b>\$70</b>

## Discussion

23. The closing Reserves as at 30 June 2023 is \$16.404m. With the Board approved minimum reserves of \$2.221m, the maximum deficit that the Commission can afford for financial year 2023/24 is \$14.183m.
24. To ensure that the Commission finishes the year with Reserves of at least at the Board approved minimum level of \$2.221m, ELT needs to discuss what areas of spend that are forecasted that could be reduced, deferred, or stopped during the period covering from January to June 2024. These areas could include recruitment for current or new vacancies, travel, and advertising, among others.