

Item: Finance Report for the month ending 31 January 2024
To: Executive Leadership Team (ELT)
For: ELT meeting 20 February 2024
Prepared by: Emma Gillard, Manager Finance & Administration

Recommendations

It is recommended that ELT:

- Note** that the opening Reserves as at 1 July 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.
- Note** that the projected total operating expenditure for 2023/24 is \$137.439m with an expected deficit of \$11.982m, approximately 6% higher than budgeted deficit of \$11.308m. However the deficit is net of \$1.900m surplus resulting from the release of unused Election Access Fund (EAF).

Financial Overview

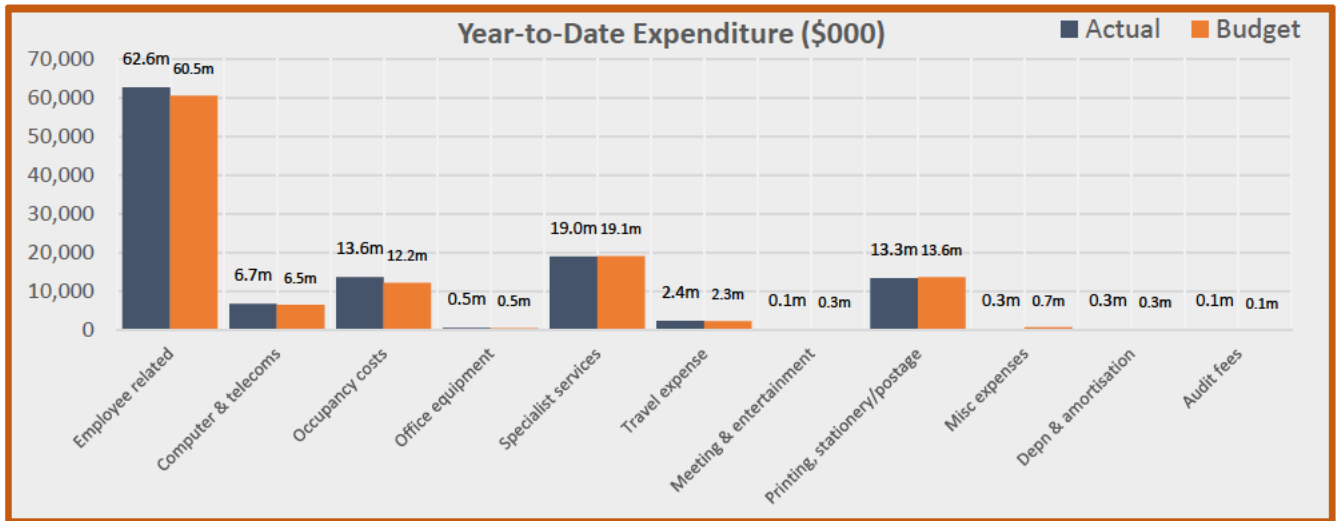
Financial Summary \$000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Revenue	270	345	(75)	111,751	106,135	5,616	125,458	122,885	2,573
Expenditure	2,439	3,033	594	118,980	115,964	(3,016)	137,439	134,193	(3,246)
Surplus / (Deficit)	(2,169)	(2,689)	520	(7,228)	(9,829)	2,601	(11,982)	(11,308)	(674)

- Total expenditure for the month of January is **\$2.439m**, 20% lower than budget resulting mainly from underspend in personnel related expenses due to higher annual leave taken than anticipated, and some vacancies. Annual leave balance in January has reduced by \$0.314m (19%) compared to previous month.
- Year-to-date deficit** is 26% lower than budget due to the early receipt of \$5.000m funding from the Crown through Ministry of Justice (MoJ) in December. However this is partly offset by higher-than-expected field staff costs, particularly the headquarters and support staff. Year-to-date (YTD) hours worked for field personnel is 131,640 hours (14%) more worked than budgeted. This is a key driver of the YTD 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.
- Forecast** indicates that the Commission will end up with a deficit of \$11.982m which is approximately 6% higher than budget.

9(2)(b)(ii)

Year-to-Date Operating Expenditure

6. YTD operating expenditure is 3% higher than budget of \$115.964m. Comparison of actual versus budget is outlined below by expense category.



Favourable variance

7. **Meeting and entertainment** are below budget by \$0.168m, 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.
8. **Printing, stationery, and postage** are lower than budget by \$0.288m, 9(2)(b)(ii)
9. **Miscellaneous expenses** are also below budget by \$0.371m, 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

10. **Employee related expenses** are higher than budget by \$2.089m, largely due to higher-than-expected field staff costs resulting from the delay of offboarding headquarter staff due to quality review undertaken on the official election results as well as the electorate vote recounts. Included in the overspend is \$0.775m relating to the Port Waikato by-election, fully offset by revenue.
11. **Occupancy costs** including office equipment are higher than budget by \$1.470m due to unbudgeted costs to cover for the required security protocols and resilience in Voting services.
12. **Computer and telecommunications** are also higher than budget by \$0.269m 9(2)(b)(ii)

Operating Expenditure by Business Group

Business Group \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Office of the Chief Executive	1,788	1,929	142	2,974	3,150	177
Enterprise Services	16,797	16,591	(206)	23,740	23,780	40
Operations	93,531	88,832	(4,699)	100,724	95,658	(5,066)
Strategy, Governance & Development	1,729	3,314	1,585	3,441	4,965	1,523
Programme Management Office	704	833	129	1,237	1,394	157
Māori Advisory	209	195	(14)	380	332	(48)
Legal & Policy	4,222	4,270	47	4,693	4,913	220
Projects	-	-	-	250	-	(250)
Total Expenditure	118,980	115,964	(3,016)	137,439	134,193	(3,247)

13. YTD overspend is **\$3.016m** which is largely contributed by Operations (\$4.699m) 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 (\$0.206m) 9(2)(b)(ii)
[REDACTED] However, this is partly offset by underspend in Strategy, Governance & Development (\$1.585m) mainly due to timing of expenses for International (INT) Assistance, and grants relating to Election Access Fund (EAF).

14. Excluding EAF, INT & Broadcasting Allocation, the YTD overspend is **\$4.374m**. The breakdown by expense category is shown below.

Operating Expenditure Excluding EAF, INT & Broadcasting \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Employee related expenses	62,163	59,608	(2,555)	72,511	69,656	(2,854)
Computer & telecommunications	6,738	6,458	(279)	8,287	8,023	(264)
Occupancy costs	13,596	12,132	(1,464)	14,544	13,105	(1,439)
Office equipment	540	447	(93)	599	506	(93)
Specialist services	15,078	15,159	82	18,784	18,902	119
Travel expense	2,154	1,874	(280)	2,332	2,061	(271)
Meeting & entertainment	116	255	140	164	382	218
Printing, stationery & postage	13,323	13,427	104	13,728	13,754	27
Miscellaneous expenses	307	279	(28)	376	345	(31)
Depreciation & amortisation	278	278	-	477	477	-
Audit fees	93	93	-	160	160	-
Total Expenditure	114,385	110,011	(4,374)	131,961	127,372	(4,589)

Operating Expenditure by Event

15. The YTD overspend of **\$3.016m** (or **\$4.374m** 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 \$1.550m YTD cost associated with the Port Waikato by-election, however this is fully offset by revenue received.

Event \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
EV1001 – GE2023	95,871	91,149	(4,722)	98,213	93,139	(5,074)
EV2000 – By-Election	(1)	-	1	(1)	-	1
EV2001 – By-Election Port Waikato	1,550	-	(1,550)	1,590	-	(1,590)
EV3000 – Representation Commission	-	-	-	71	200	129
EV4001 – MEO2023	626	749	123	664	787	123
EV9999 – BAU	20,933	24,065	3,132	36,902	40,067	3,165
Total Expenditure	118,980	115,964	(3,016)	137,439	134,193	(3,247)

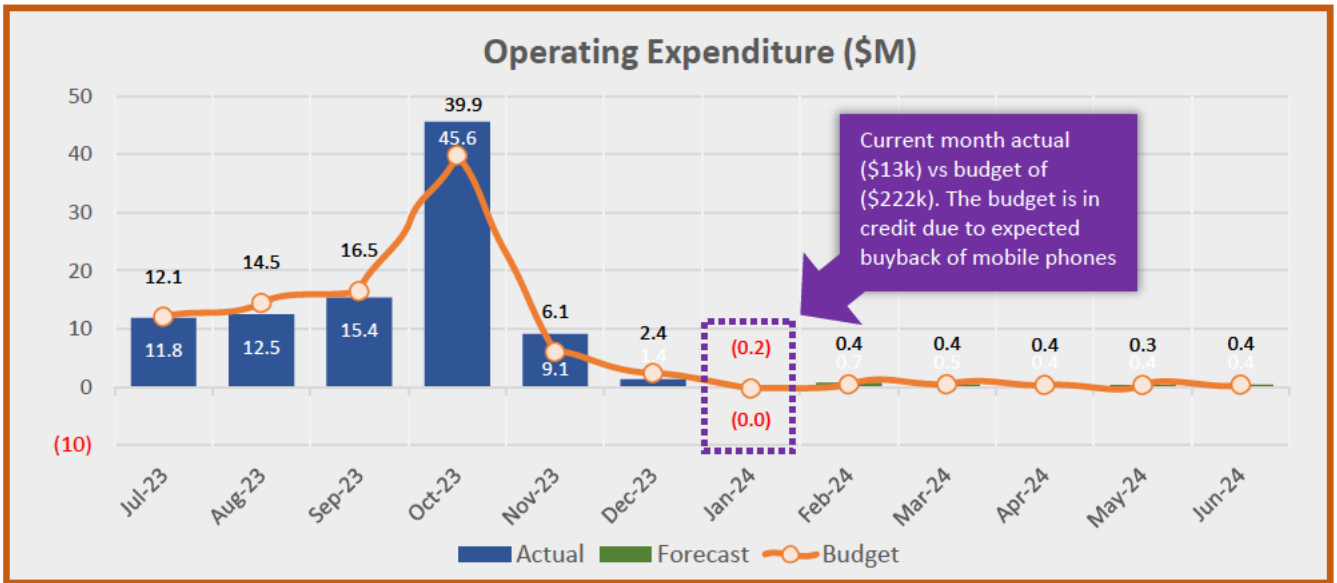
16. GE event includes EAF and Broadcasting Allocation expenses, whilst BAU includes INT expenses, however, these expenses are fully offset by revenue.

17. Excluding EAF, INT and Broadcasting Allocation, the YTD overspend is \$4.374m 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	92,186	87,079	(5,107)	94,471	89,018	(5,453)
EV2000 – By-Election	(1)	-	1	(1)	-	1
EV2001 – By-Election Port Waikato	1,550	-	(1,550)	1,590	-	(1,590)
EV3000 – Representation Commission	-	-	-	71	200	129
EV4001 – MEO2023	626	749	123	664	787	123
EV9999 – BAU	20,024	22,184	2,159	35,165	37,367	2,202
Total Expenditure	114,385	110,011	(4,374)	131,961	127,372	(4,589)

General Election 2023

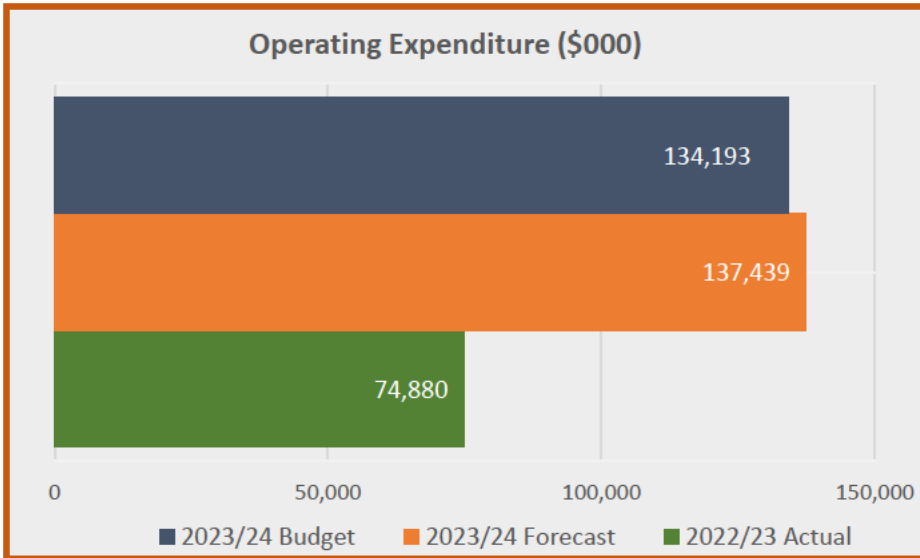
18. YTD operating expenditure is \$4.722m higher than budget, and forecast at year-end is expected at \$98.213m which is 5% higher than budget. The overspends are mainly due to more hours worked by field staff within Voting Services than anticipated (14% higher than budget).



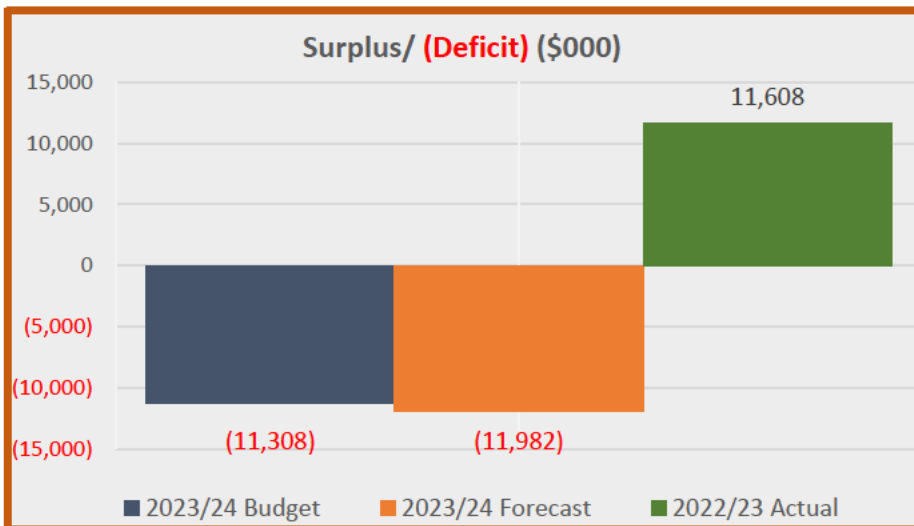
Operating Expenditure \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Employee related expenses	48,941	46,536	(2,404)	50,707	47,854	(2,852)
Computer & telecommunications	4,262	4,520	257	4,262	4,576	313
Occupancy costs	12,481	10,839	(1,642)	12,694	10,898	(1,796)
Office equipment	458	365	(93)	458	365	(93)
Specialist services	14,788	13,872	(917)	15,143	14,414	(728)
Travel expense	1,893	1,497	(396)	1,900	1,507	(393)
Meeting & entertainment	94	73	(21)	96	76	(20)
Printing, stationery & postage	12,727	12,943	216	12,727	12,943	216
Miscellaneous expenses	227	505	279	227	505	279
Total Expenditure	95,871	91,149	(4,722)	98,213	93,139	(5,074)

Expected overspend in GE event at year-end - \$5.074m

Full Year Budget vs Forecast



19. Full year operating expenditure forecast is ~2% higher than budget of \$134.193m. Approximately 53% of costs relates to employee related expenses, 17% relates to specialist services, 10% relates to printing, stationery & postage, 11% relates to occupancy costs, and the remaining 9% is for other expenses.



20. End-of-year forecast is expected at **\$11.982m 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 headquarter 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. The overspend is partly offset by favourable variance in revenue due to the release of \$1.900m unused EAF from balance sheet into profit and loss.

FY2024 Budget Risks

21. 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 \$11.982m so this leaves a balance of \$2.201m inclusive of \$1.900m surplus from the Election Access Fund.
22. As the year progresses, permanent savings from employee related expenses have been identified due to vacancies, however this is offset by overspend in Voting Services particularly in field personnel. 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 commitments will put the Commission under significant financial pressure so there is still a risk of depleting Reserves that have been set aside as per the Board's instructions.
23. 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
Opening Reserves 1 July 2023	\$16,404
Less Expected FY2024 deficit	(\$11,982)
Projected closing reserves, 30 June 2024	\$4,422
Less Board approved minimum reserves	(\$2,221)
Less EAF excess funds to be returned to Crown	(\$1,900)
Projected funds available	\$301

Discussion

24. 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.
25. 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 ensure that budget managers monitor their spending for the remaining months of the year, and mitigate the impact of any potential risks by developing a plan to manage, eliminate, or limit setbacks as much as possible.