

Item: Finance Report for the month ending 31 January 2024

To: Electoral Commission Board

For: Board meeting 13 March 2024

Prepared by: Emma Gillard, Manager Finance & Administration

Recommendations

It is recommended that the Board:

- 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.
- 2. 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). Statement of revenue and expense is detailed in Appendix A.

Financial Overview

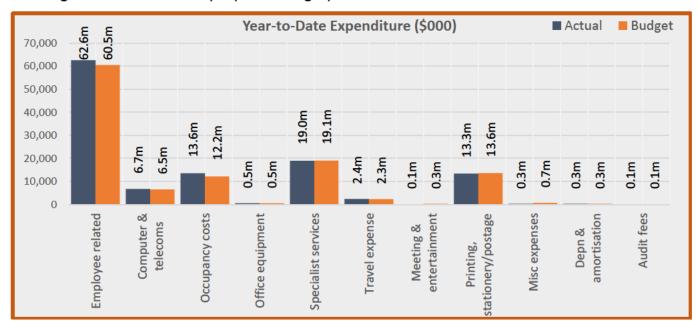
Financial Summary Current Month			١	ear-to-Date	e	Full Year			
\$000	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Revenue	270	345	(75)	111,751	106,135	5,616	125,458	122,885	2,573
Expenditure	2,439	3,033	594	118,980	115,964	(3,016)	137,439	134,193	(3,246)
Surplus / (Deficit)	(2,169)	(2,689)	520	(7,228)	(9,829)	2,601	(11,982)	(11,308)	(674)

- 3. 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.
- 4. 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.
- 5. 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 due to a conservative estimate of mobile phones buyback.

Operating Expenditure by Business Group

Business Group	١	∕ear-to-Dat∈	:	Full Year			
\$000	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)

 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	١	∕ear-to-Date			Full Year	
Excluding EAF, INT & Broadcasting \$000	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.

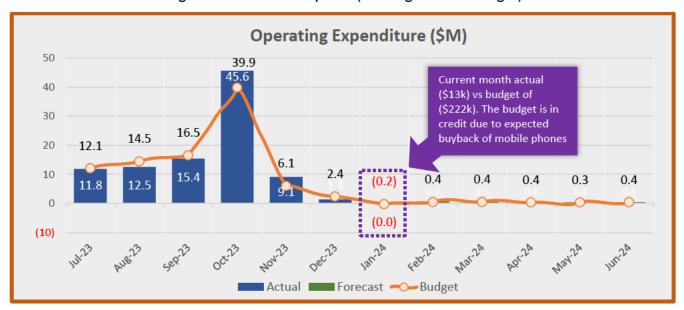
Event	١	∕ear-to-Date	:	Full Year			
\$000	Actual	Budget	Variance	Forecast	Budget	Variance	
EV1001 – GE2023	95,871	91,149	(4,722)	98,213	93,139	(5,074)	
EV2000 – By-Election	(1)	-	1	(1)	-	1	
EV2001 – By-Election Port Waikato	1,550	-	(1,550)	1,590	-	(1,590)	
EV3000 – Representation Commission	-	-	-	71	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 &	١	∕ear-to-Date	:	Full Year			
Broadcasting Allocation \$000	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

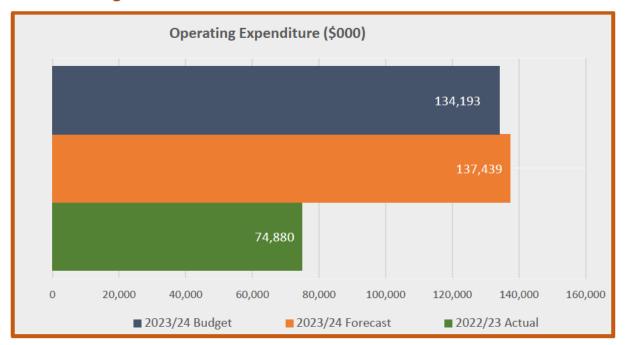
18. YTD operating expenditure is \$4.722m higher than budget, and forecast at year-end is expected at \$98.213m which is 5% higher than budget. The overspends are mainly due to more hours worked by field staff within Voting Services than anticipated (14% higher than budget).



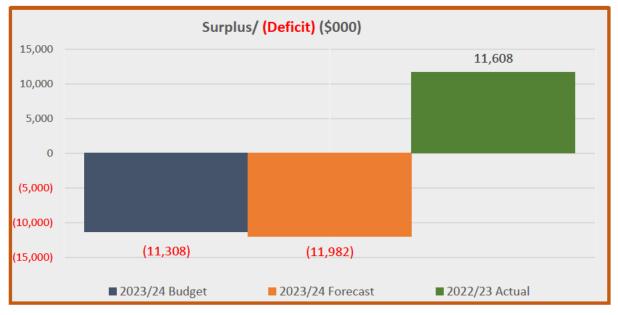
Operating Expenditure		Year-to-Date			Full Year	
\$000	Actual	Budget	Variance	Forecast	Budget	Variance
Employee related expenses	48,941	46,536	(2,404)	50,707	47,854	(2,852)
Computer & telecommunications	4,262	4,520	257	4,262	4,576	313
Occupancy costs	12,481	10,839	(1,642)	12,694	10,898	(1,796)
Office 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

Statement of Financial Position

24. Working capital as at 31 January is 239% higher than budget of \$2.294m due to higher cash balance resulting from an early drawdown of funding from the Crown through Ministry of Justice. Also the Commission is expecting cash payout from buy back of mobile phones and laptops. The details are shown below.

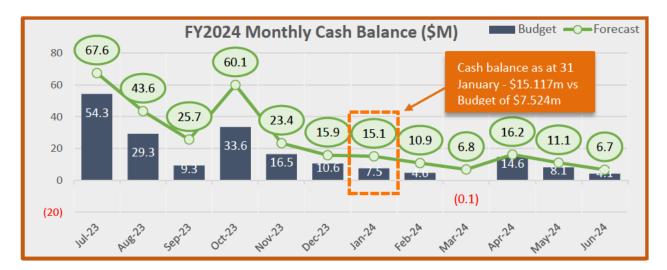
Working capital	As at	31 Janua	ry 2024		2022/23		
\$000	Actual Budget Variance F			Forecast	Budget	2022/25	
Current assets	15,822	7,747	8,075	7,586	4,440	3,146	27,453
Current liabilities	8,041	5,452	2,589	4,359	3,421	938	12,721
Working capital	7,781	2,294	5,487	3,227	1,019	2,208	14,732
Working capital ratio	197%	142%		174%	130%		216%

25. Working capital ratio reflects the fact that it factors in current assets and current liabilities, which are generally defined as being able to be converted into cash within a year. As of 31 January, the

current ratio is 197% against a budget of 142%, i.e., there is \$1.97 current asset to cover for every \$1 current liability, so the Commission can theoretically pay off all its liabilities with its existing assets. Statement of financial position is illustrated in Appendix B.

Statement of Cash Flows

26. Cash and cash equivalents as of 31 January is \$15.117m. Year to date, the Commission has received a total funding from the Crown through Ministry of Justice of \$110.195m including \$3.605m for Broadcasting allocation and \$1.590m for the Port Waikato By-Election. Funding received represents 91% of the total expected Crown funding for the year and is presented net of GST.



27. YTD balance of cash and cash equivalents is **101% higher** than budget due to early drawdown of \$5m funding from the Crown as well as additional funding received for the Port Waikato By-Election, partly offset by higher payments made to suppliers and employee related expenses than anticipated. The detailed statement of cash flows is shown in Appendix C & D.

Discussion

- 28. 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.
- 29. 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.

Appendices

Appendix A – Statement of revenue and expense For the period ending 31 January 2024

Statement of revenue and expense		Year-to-Dat	e		Full Year		2022/22
\$000	Actual	Budget	Variance	Forecast	Budget	Variance	2022/23
Revenue							
Revenue from Crown	110,254	104,071	6,183	122,970	119,840	3,130	84,441
Interest received	514	70	444	564	120	444	454
International assistance programme	908	1,881	(973)	1,736	2,700	(964)	1,485
Other income	75	113	(38)	188	225	(37)	108
Total Revenue	111,751	106,135	5,616	125,458	122,885	2,573	86,488
Expense							
Employee related expenses	62,566	60,477	(2,089)	73,477	71,074	(2,403)	33,633
Computer & telecommunications	6,743	6,473	(270)	8,297	8,043	(254)	4,488
Occupancy costs	13,596	12,182	(1,414)	14,544	13,155	(1,389)	9,269
Office equipment	540	484	(56)	599	544	(55)	2,465
Specialist services	19,003	19,072	69	22,827	22,933	106	14,347
Travel expense	2,380	2,296	(84)	2,731	2,656	(75)	1,413
Meeting & entertainment	117	285	168	166	412	246	140
Printing, stationery & postage	13,344	13,632	288	13,749	13,959	210	8,029
Miscellaneous expenses	320	691	371	413	780	367	402
Depreciation & amortisation	278	278	-	477	477	-	582
Audit fees	93	93	-	160	160	-	110
Toral Expenses	118,980	115,964	(3,016)	137,439	134,193	(3,246)	74,880
Surplus / (deficit)	(7,228)	(9,829)	2,601	(11,982)	(11,308)	(674)	11,608

Appendix B – Statement of financial position As at 31 January 2024

Statement of financial position	As a	it 31 January	2024		2022/22		
\$000	Actual	Budget	Variance	Forecast	Budget	Variance	2022/23
Assets							
Current Assets							
Cash and cash equivalents	15,117	7,524	7,593	6,656	4,134	2,522	25,928
Debtors and other receivables	638	5	633	638	5	633	23
Goods and services tax receivable	-	-	-	236	245	(9)	1,367
Inventory	31	33	(2)	20	20	-	25
Prepayment	36	51	(15)	36	36	-	109
Total current assets	15,822	7,612	8,210	7,586	4,440	3,146	27,453
Non-Current Assets							
Property, plant, and equipment	459	461	(2)	410	412	(2)	530
Intangible assets	1,019	1,004	15	870	855	15	1,226
Total non-current assets	1,478	1,466	12	1,280	1,267	13	1,756
Total Assets	17,301	9,077	8,224	8,866	5,707	3,159	29,209
Liabilities							
Current Liabilities							
Revenue in advance	4,767	897	(3,870)	2,242	1,294	(948)	4,774
Creditors and other payables	1,359	2,881	1,522	743	752	9	5,211
Goods and services tax	509	(135)	(644)	-	-	-	-
Employee entitlements (current)	1,406	1,675	269	1,375	1,375	-	2,736
Total current liabilities	8,041	5,317	(2,724)	4,359	3,421	(938)	12,721
Non-Current Liabilities							
Employee entitlements (non-current)	76	60	(16)	76	65	(11)	76
Total non-current liabilities	76	60	(16)	76	65	(11)	76
Total Liabilities	8,117	5,377	(2,740)	4,436	3,486	(950)	12,797
Net Assets	9,184	3,700	5,484	4,430	2,221	2,209	16,412
Net Assets	3,104	3,700	3,404	4,430	2,221	2,203	10,412
Equity							
Opening equity	16,412	13,529	2,883	16,412	13,529	2,883	4,804
Surplus / (deficit)	(7,228)	(9,829)	2,601	(11,982)	(11,308)	(674)	11,608
Capital contributions	-	-	-	-	-	-	-
Total Equity	9,184	3,700	5,484	4,430	2,221	2,209	16,412

Appendix C – Statement of cash flows For the period ending 31 January 2024

Statement of cash flows		Year-to-Date				2022/23 ¹	
\$000	Actual	Budget	Variance	Forecast	Budget	Variance	2022/25
Cash flows from operating activities							
Receipts from Crown	110,195	103,605	6,590	121,214	119,624	1,590	83,961
Interest received	514	70	444	564	120	444	454
Receipts from other revenue	420	113	307	533	1,191	(658)	4,787
Payments to employee related expenses	(63,896)	(60,896)	(3,000)	(74,838)	(71,788)	(3,050)	(32,870)
Payments to suppliers	(59,920)	(58,151)	(1,769)	(67,875)	(67,687)	(188)	(37,701)
Goods and services tax (net)	1,876	1,232	644	1,131	1,122	9	(1,198)
Net cash flows from operating activities	(10,811)	(14,028)	3,217	(19,272)	(17,418)	(1,854)	17,432
Cash flows from investing activities							
Receipts from sale of property, plant, and equipment	-	-	-	-	-	-	-
Purchase of property, plant, and equipment	-	-	-	-	-	-	(28)
Purchase of intangible assets	-	-	-	-	-	-	-
Maturity of short-term investments	-	-	-	-	-	-	30,000
Placement of short-term investments	-	-	-	-	-	-	(30,000)
Net cash flows from investing activities	-	-	-	-	-	-	(28)
Cash flows from financing activities							
Receipts of capital contributions	-	-	-	-	-	-	-
Net cash flows from financing activities	-	-	-	-	-	-	
Net increase / (decrease) in cash and cash equivalents	(10,811)	(14,028)	3,217	(19,272)	(17,418)	(1,854)	17,404
Opening balance	25,928	21,552	4,376	25,928	21,552	4,376	8,524
Closing balance	15,117	7,524	7,593	6,656	4,134	2,522	25,928

¹ Some items in the statement of cash flows have been reclassified to be consistent with the statement of revenue and expense classification. As a result, prior year comparative information has been restated. The changes are purely presentation and do not have an impact on final balances and accounting policies.

Appendix D - Reconciliation of net surplus / (deficit) to net cash flow from operating activities

Reconciliation of net surplus/(deficit) to net cash flow		Year-to-Date			Full Year		2022/22
from operating activities (\$000)	Actual	Budget	Variance	Forecast	Budget	Variance	2022/23 ²
Net surplus / (deficit)	(7,228)	(9,829)	2,601	(11,982)	(11,308)	(674)	11,608
Add / (less) non-cash items							
Depreciation and amortisation expense	278	278	-	477	477	-	582
Loss / (gain) on disposal of assets	-	-	-	-	-	-	-
Increase / (decrease) in employee entitlements (non-current)	-	-	-	-	5	(5)	21
Total non-cash items	278	278	-	477	482	(5)	603
Working capital movements							
(Increase) / decrease in debtors and other receivables	(615)	-	(615)	(615)	-	(615)	2,683
(Increase) / decrease in inventory	(6)	18	(24)	5	30	(25)	19
(Increase) / decrease in prepayment	74	20	54	73	35	38	(3)
Increase / (decrease) in revenue in advance	(7)	(2,347)	2,340	(2,532)	(1,950)	(582)	31
Increase / (decrease) in creditors and other payables	(3,852)	(2,981)	(871)	(4,468)	(5,110)	642	2,947
Increase / (decrease) in goods and services tax	1,876	1,232	644	1,131	1,122	9	(1,198)
Increase / (decrease) in employee entitlements (current)	(1,330)	(419)	(911)	(1,361)	(719)	(642)	742
Net movement in working capital	(3,860)	(4,478)	618	(7,767)	(6,592)	(1,175)	5,222
Net cash flows from operating activities	(10,811)	(14,028)	3,217	(19,272)	(17,418)	(1,854)	17,432

² Some items in the statement of cash flows have been reclassified to be consistent with the statement of revenue and expense classification. As a result, prior year comparative information has been restated. The changes are purely presentation and do not have an impact on final balances and accounting policies.