

**Item:** Finance Report for the month ending 31 August 2023

**To:** Electoral Commission Board

**For:** Board meeting 11 October 2023

**Prepared by:** Emma Gillard, Manager Finance & Administration

## Recommendations

It is recommended that the Board:

1. **Note** that the total operating budget for financial year 2023/24 is \$134.193m with an expected deficit of \$11.308m. Statement of revenue and expense is detailed in Appendix A.
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. **Agree** that forecast is set to commence by September this year and will be reviewed quarterly thereafter.

## Financial Overview

Financial Summary \$000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Revenue	244	361	(117)	44,182	44,656	(474)	122,885	122,885	-
Expenditure	16,074	17,943	1,869	31,506	34,563	3,056	137,038	134,193	(2,846)
<b>Surplus / (Deficit)</b>	<b>(15,830)</b>	<b>(17,582)</b>	<b>1,752</b>	<b>12,676</b>	<b>10,093</b>	<b>2,582</b>	<b>(14,153)</b>	<b>(11,308)</b>	<b>(2,846)</b>

**Deficit** for the month of August is \$15.830m, which is 10% lower than budget. This is mainly due to timing of postage and couriers in the General Election (GE) event.

**YTD Surplus** is 26% higher than budget due to lower **Expenditure** (~9% 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, archiving, and storage services in the GE event.

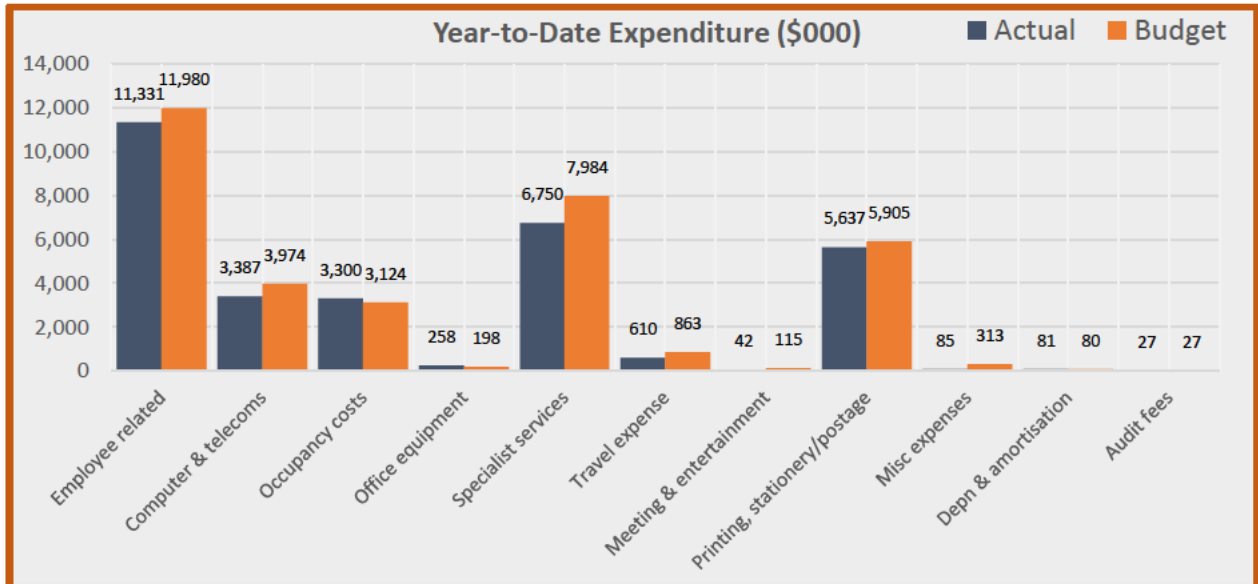
Forecast is based on FY24 budget *plus* any approved funding request for unbudgeted operating expenditure as shown in the table below. Forecast indicates that the Commission will end up with a deficit of \$14.153m which is approximately 25% higher than budget.

9(2)(b)(ii)

9(2)(b)(ii)

### Year-to-Date Operating Expenditure

YTD operating expenditure is 9% lower than budget of \$34.563m. Comparison of actual versus budget is outlined below by expense category.



#### Favourable variance

**Employee related expenses** are below budget by \$0.649m, mainly contributed by budget phasing in Operations. Recruitment is ramping up, so it is expected to fill vacant roles from September in time for the general election.

**Specialist services** are below budget by \$1.234m largely due to timing of advertising, publicity, archiving, and storage services in the GE event.

**Computer and telecommunications** are below budget by \$0.587m resulting from underspend in software support and maintenance due to lower consumption in Microsoft licensing.

**Printing, stationery, and postage** are also below budget by \$0.268m due to timing of spends particularly in freight, stationery, and equipment consumables.

**Travel expenses** are below budget by \$0.253m, also due to timing difference. It is expected to ramp up spending on domestic travel closer to the general election.

**Miscellaneous expenses** are also below budget by \$0.228m, 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** are higher than budget by \$0.175m due to timing difference in rental for advanced voting and election day voting places including security.

## 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	261	283	22	511	582	71	3,150	3,150	-
Enterprise Services	2,315	2,408	92	6,861	7,167	306	23,780	23,780	-
Operations	12,911	14,126	1,215	22,955	24,235	1,280	98,504	95,658	(2,846)
Strategy, Governance & Development	228	488	260	505	1,300	795	4,965	4,965	-
Programme Management Office	123	121	(2)	230	274	44	1,394	1,394	-
Māori Advisory	45	28	(17)	68	56	(12)	332	332	-
Legal & Policy	175	489	315	311	949	638	4,913	4,913	-
Projects	16	-	(16)	65	-	(65)	-	-	-
<b>Total Expenditure</b>	<b>16,074</b>	<b>17,943</b>	<b>1,869</b>	<b>31,506</b>	<b>34,563</b>	<b>3,056</b>	<b>137,038</b>	<b>134,193</b>	<b>(2,846)</b>

YTD underspend is \$3.056m which is largely contributed by Operations (42%) mainly due to timing of advertising and publicity; Strategy, Governance & Development (26%) mainly due to timing of expenses for International (INT) Assistance, and grants relating to Election Access Fund (EAF); and Legal & Policy (21%) due to timing of advertising and publicity in Broadcasting Allocation; and all others (11%).

Excluding EAF and INT services, the YTD underspend is \$2.342m. 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	6,469	5,980	(489)	11,206	11,698	492	69,562	69,562	-
Computer & telecommunications	498	845	346	3,387	3,966	579	8,015	8,015	-
Occupancy costs	1,717	1,555	(162)	3,300	3,099	(200)	14,538	13,105	(1,433)
Office equipment	171	84	(87)	258	168	(90)	506	506	-
Specialist services	4,993	3,324	(1,669)	6,656	7,842	1,186	22,786	22,506	(280)
Travel expense	294	221	(73)	523	708	185	2,014	2,014	-
Meeting & entertainment	22	27	5	40	106	66	372	372	-
Printing, stationery & postage	1,685	5,462	3,777	5,636	5,732	95	14,879	13,746	(1,133)
Miscellaneous expenses	42	46	4	64	93	29	340	340	-
Depreciation & amortisation	40	40	-	81	80	(1)	477	477	-
Audit fees	13	13	-	27	27	-	160	160	-
<b>Total Expenditure</b>	<b>15,945</b>	<b>17,596</b>	<b>1,651</b>	<b>31,178</b>	<b>33,520</b>	<b>2,342</b>	<b>133,648</b>	<b>130,803</b>	<b>(2,846)</b>

## Operating Expenditure by Event

The YTD underspend of \$3.056m (or \$2.342m excluding EAF and INT) is largely driven by the GE event which constitutes 71% of the total underspends, followed by BAU (26%). 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.

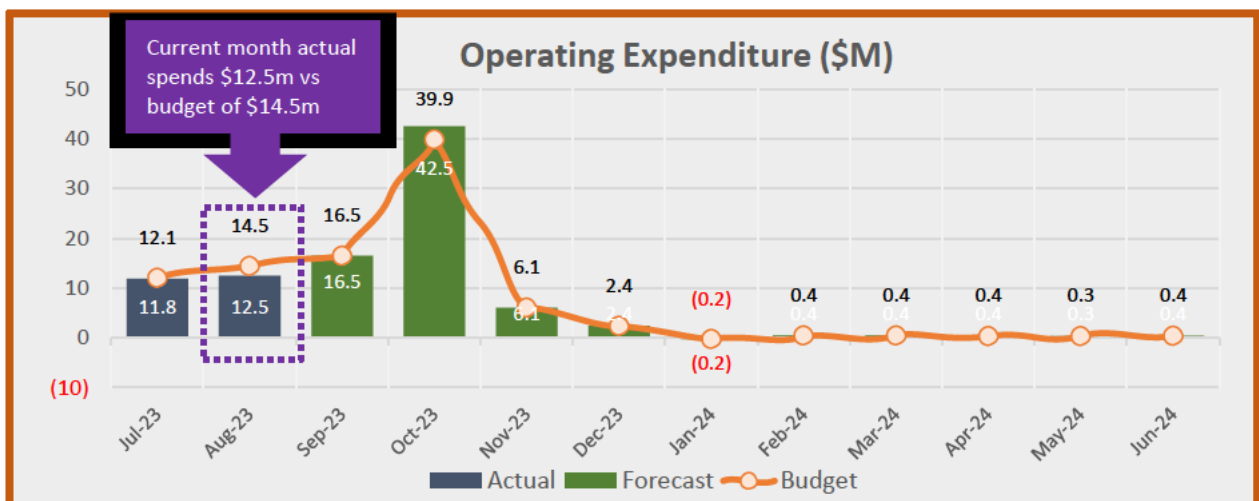
Event \$000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
EV1001 – GE2023	12,515	14,458	1,943	24,363	26,527	2,164	95,804	93,139	(2,666)
EV3000 – Representation Commission	-	-	-	-	-	-	200	200	-
EV4001 – MEO2023	128	27	(101)	653	749	96	787	787	-
EV9999 – BAU	3,431	3,458	28	6,490	7,286	796	40,247	40,067	(180)
<b>Total Expenditure</b>	<b>16,074</b>	<b>17,943</b>	<b>1,869</b>	<b>31,506</b>	<b>34,563</b>	<b>3,056</b>	<b>137,038</b>	<b>134,193</b>	<b>(2,846)</b>

Excluding EAF and INT, the underspend for GE 2023 and BAU is \$1.993m and \$0.253m, respectively.

### General Election 2023

YTD operating expenditure is **\$2.164m** below budget, however forecast is tracking an overspend of **\$2.666m** at year-end, mainly due to approved additional funding requests for unbudgeted expenditure,

9(2)(b)(ii)



Operating Expenditure \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Employee related expenses	7,346	7,732	386	47,854	47,854	-
Computer & telecommunications	2,803	3,427	624	4,576	4,576	-
Occupancy costs	3,039	2,734	(305)	12,331	10,898	(1,433)
Office equipment	233	141	(92)	365	365	-
Specialist services	5,026	6,056	1,030	14,514	14,414	(100)
Travel expense	412	559	148	1,507	1,507	-
Meeting & entertainment	36	58	22	76	76	-
Printing, stationery & postage	5,422	5,595	173	14,076	12,943	(1,133)
Miscellaneous expenses	47	226	179	505	505	-
<b>Total Expenditure</b>	<b>24,363</b>	<b>26,527</b>	<b>2,164</b>	<b>95,804</b>	<b>93,139</b>	<b>(2,666)</b>

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



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
<b>Total expected Reserves as at 30 June 2023</b>	<b>\$16,404,000</b>
Plus Expected FY2024 surplus/(deficit)	(\$11,308,000)
<b>Total Minimum level of Reserves as at 30 June 2024</b>	<b>\$5,096,000</b>
Less ELT approved unbudgeted expenditure	(\$2,845,509)
<b>Adjusted Reserves balance as at 30 June 2024</b>	<b>\$2,250,491</b>
Less Board approved minimum reserves	\$2,221,000
<b>Funding available for distribution as at 30 June 2024</b>	<b>\$29,491</b>
Add Permanent YTD savings from employee related expenses	\$492,000
<b>Estimated contingency fund (in addition to minimum reserves of \$2.221m)</b>	<b>\$521,491</b>

### Statement of Financial Position

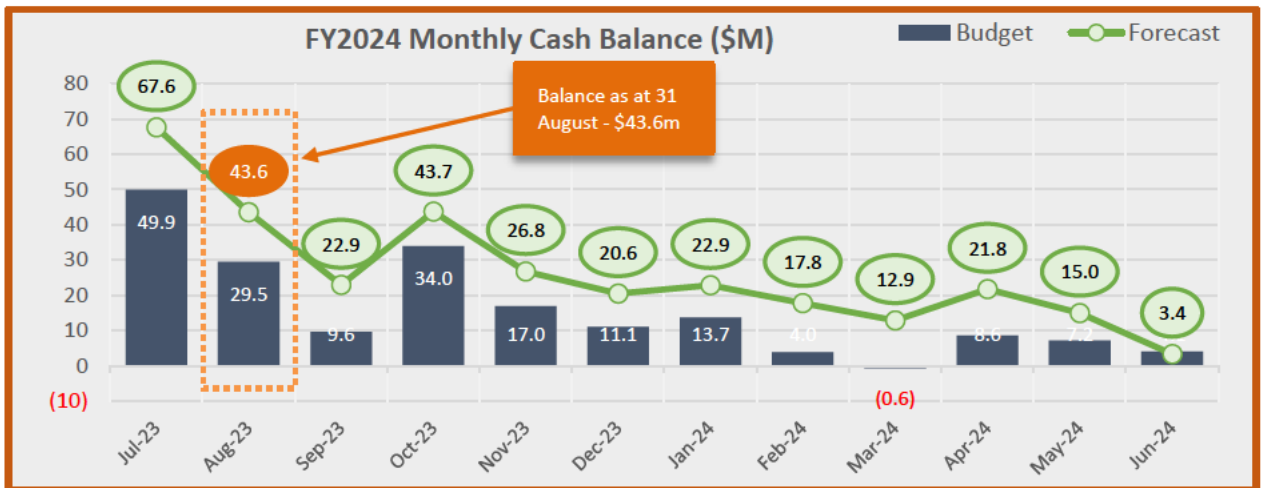
Working capital as at 31 August is **25% higher** than budget of \$22.018m due to higher cash balance resulting from an early drawdown of funding from the Crown through Ministry of Justice. The details are shown below.

Working capital \$000	As at 31 August 2023			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Current assets	43,645	30,005	13,640	4,233	4,195	37
Current liabilities	16,156	7,987	8,169	3,176	3,176	-
<b>Working capital</b>	<b>27,488</b>	<b>22,018</b>	<b>5,470</b>	<b>1,057</b>	<b>1,019</b>	<b>37</b>
<b>Working capital ratio</b>	<b>270%</b>	<b>376%</b>		<b>133%</b>	<b>132%</b>	

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 August, the current ratio is 270% against a budget of 376%, i.e., there is \$2.70 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

Cash and cash equivalents as of 31 August is **\$43.556m**. Year to date, the Commission has received a total funding from the Crown through Ministry of Justice of \$40m plus \$3.6m for Broadcasting allocation. Funding received represents 36% of the total Crown funding for the year and is presented net of GST.



YTD balance of cash and cash equivalents is 48% higher than budget due to higher net cash inflows from operating activities resulting from lower payments made to suppliers than anticipated. This is just a lag in invoicing; however it is expected that the spend will catch up after the election period as the invoices for the larger pieces of work are processed. The detailed statement of cash flows is shown in Appendix C & D.

### Discussion

1. The total operating budget for financial year 2023/24 is \$134.193m with an expected deficit of \$11.308m.
2. 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. The forecast is set to commence by September this year and will be reviewed quarterly thereafter.

## Appendices

### Appendix A – Statement of revenue and expense

Statement of revenue and expense For the period ending 31 August 2023 \$000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Revenue</b>									
Revenue from Crown	8	113	(104)	43,666	43,837	(171)	119,840	119,840	-
Interest received	110	10	100	238	20	218	120	120	-
International assistance programme	120	226	(106)	267	775	(507)	2,700	2,700	-
Other income	6	13	(7)	11	25	(14)	225	225	-
<b>Total revenue</b>	<b>244</b>	<b>361</b>	<b>(117)</b>	<b>44,182</b>	<b>44,656</b>	<b>(474)</b>	<b>122,885</b>	<b>122,885</b>	<b>-</b>
<b>Expenditure</b>									
Employee related expenses	6,534	6,114	(420)	11,331	11,980	649	71,074	71,074	-
Computer & telecommunications	499	847	348	3,387	3,974	587	8,043	8,043	-
Occupancy costs	1,717	1,555	(162)	3,300	3,124	(175)	14,588	13,155	(1,433)
Office equipment	171	84	(87)	258	198	(60)	544	544	-
Specialist services	5,013	3,368	(1,645)	6,750	7,984	1,234	23,213	22,933	(280)
Travel expenses	338	289	(49)	610	863	253	2,656	2,656	-
Meeting & entertainment	23	33	10	42	115	73	412	412	-
Printing, stationery & postage	1,685	5,462	3,777	5,637	5,905	268	15,091	13,959	(1,133)
Miscellaneous expenses	41	139	99	85	313	228	780	780	-
Depreciation & amortisation	40	40	-	81	80	(1)	477	477	-
Audit fees	13	13	-	27	27	-	160	160	-
<b>Total expenses</b>	<b>16,074</b>	<b>17,943</b>	<b>1,869</b>	<b>31,506</b>	<b>34,563</b>	<b>3,056</b>	<b>137,038</b>	<b>134,193</b>	<b>(2,846)</b>
<b>Surplus / (Deficit)</b>	<b>(15,830)</b>	<b>(17,582)</b>	<b>1,752</b>	<b>12,676</b>	<b>10,093</b>	<b>2,582</b>	<b>(14,153)</b>	<b>(11,308)</b>	<b>(2,846)</b>



## Appendix B – Statement of financial position

Statement of financial position As at 31 August 2023 \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Assets</b>						
Current assets						
Cash and cash equivalents	43,556	29,480	14,076	3,395	4,134	(739)
Debtors and other receivables	23	416	(393)	782	5	777
Inventory	30	45	(14)	20	20	-
Prepayment	36	65	(29)	36	36	-
<i>Total current assets</i>	<i>43,645</i>	<i>30,005</i>	<i>13,640</i>	<i>4,233</i>	<i>4,195</i>	<i>37</i>
Non-current assets						
Property, plant, and equipment	509	510	(1)	411	412	(1)
Intangible assets	1,166	1,154	12	867	855	12
<i>Total non-current assets</i>	<i>1,676</i>	<i>1,664</i>	<i>11</i>	<i>1,278</i>	<i>1,267</i>	<i>11</i>
<b>Total assets</b>	<b>45,320</b>	<b>31,669</b>	<b>13,651</b>	<b>5,511</b>	<b>5,462</b>	<b>49</b>
<b>Liabilities</b>						
Current liabilities						
Revenue in advance	4,446	2,889	(1,557)	1,294	1,294	-
Creditors and other payables	11,237	4,927	(6,309)	723	723	-
Goods and services tax	(1,767)	(1,793)	(27)	(216)	(216)	-
Employee entitlements (current)	2,240	1,963	(277)	1,375	1,375	-
<i>Total current liabilities</i>	<i>16,156</i>	<i>7,987</i>	<i>(8,169)</i>	<i>3,176</i>	<i>3,176</i>	<i>-</i>
Non-current liabilities						
Employee entitlements (non-current)	76	60	(16)	76	65	(11)
<i>Total non-current liabilities</i>	<i>76</i>	<i>60</i>	<i>(16)</i>	<i>76</i>	<i>65</i>	<i>(11)</i>
<b>Total liabilities</b>	<b>16,233</b>	<b>8,047</b>	<b>(8,186)</b>	<b>3,252</b>	<b>3,241</b>	<b>(11)</b>
<b>Net assets</b>	<b>29,088</b>	<b>23,622</b>	<b>5,465</b>	<b>2,259</b>	<b>2,221</b>	<b>37</b>
<b>Equity</b>						
Opening equity	16,412	13,529	2,883	16,412	13,529	2,883
Surplus / (deficit)	12,676	10,093	2,582	(14,153)	(11,308)	(2,846)
Capital contributions	-	-	-	-	-	-
<b>Total equity</b>	<b>29,088</b>	<b>23,622</b>	<b>5,465</b>	<b>2,259</b>	<b>2,221</b>	<b>37</b>

## Appendix C – Statement of cash flows

Statement of cash flows For the period ending 31 August 2023 \$'000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Cash flow from operating activities</b>									
Receipts from Crown	8	113	(104)	43,666	43,837	(171)	119,840	119,840	-
Interest received	110	10	100	238	20	218	338	120	218
Receipts from other revenue	(2)	439	(441)	(49)	34	(84)	(1,531)	975	(2,506)
Payments to employees	(7,697)	(6,179)	(1,518)	(11,807)	(12,111)	304	(72,415)	(71,788)	(627)
Payments to suppliers	(8,791)	(12,251)	3,460	(14,020)	(23,426)	9,406	(69,917)	(67,716)	(2,201)
Goods and services tax (net)	(7,639)	(6,705)	(934)	(400)	(426)	27	1,151	1,151	-
<b>Net cash flows from operating activities (see Appendix D)</b>	<b>(24,012)</b>	<b>(24,573)</b>	<b>561</b>	<b>17,628</b>	<b>7,928</b>	<b>9,700</b>	<b>(22,534)</b>	<b>(17,418)</b>	<b>(5,116)</b>
<b>Cash flows from investing activities</b>									
Receipts from sale of property, plant, and equipment	-	-	-	-	-	-	-	-	-
Purchase of property, plant, and equipment	-	-	-	-	-	-	1	-	1
Purchase of intangible assets	-	-	-	-	-	-	-	-	-
<b>Net cash flows from investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>Cash flows from financing activities</b>									
Receipts of capital contributions	-	-	-	-	-	-	-	-	-
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(24,012)</b>	<b>(24,573)</b>	<b>561</b>	<b>17,628</b>	<b>7,928</b>	<b>9,700</b>	<b>(22,533)</b>	<b>(17,418)</b>	<b>(5,115)</b>
Opening balance	67,568	54,053	13,514	25,928	21,552	4,376	25,928	21,552	4,376
<b>Surplus / (Deficit)</b>	<b>43,556</b>	<b>29,480</b>	<b>14,076</b>	<b>43,556</b>	<b>29,480</b>	<b>14,076</b>	<b>3,395</b>	<b>4,134</b>	<b>(739)</b>

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

Reconciliation of net surplus / (deficit) to net cash flow from operating activities \$000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Net surplus / (deficit)</b>	<b>(15,830)</b>	<b>(17,582)</b>	<b>1,752</b>	<b>12,676</b>	<b>10,093</b>	<b>2,582</b>	<b>(14,153)</b>	<b>(11,308)</b>	<b>(2,846)</b>
Add / (less) non-cash items									
Depreciation and amortisation expense	40	40	-	81	80	1	477	477	-
Loss / (gain) on disposal of assets	-	-	-	-	-	-	-	-	-
Movements in employee entitlements (non-current)	-	-	-	-	-	-	-	5	(5)
<b>Total non-cash items</b>	<b>40</b>	<b>40</b>	<b>-</b>	<b>81</b>	<b>80</b>	<b>1</b>	<b>477</b>	<b>482</b>	<b>(5)</b>
<b>Working capital movements</b>									
(Increase) / decrease in debtors and other receivables	-	378	(378)	-	(411)	411	(758)	-	(758)
(Increase) / decrease in inventory	(9)	3	(12)	(5)	5	(10)	5	30	(25)
(Increase) / decrease in prepayment	-	3	(3)	74	6	67	73	35	38
Increase / (decrease) in revenue in advance	(129)	(177)	49	(328)	(355)	27	(3,480)	(1,950)	(1,530)
Increase / (decrease) in creditors and other payables	718	(467)	1,185	6,006	(934)	6,940	(4,508)	(5,139)	631
Increase / (decrease) in goods and services tax	(7,639)	(6,705)	(934)	(400)	(426)	27	1,151	1,151	-
Increase / (decrease) in employee entitlements (current)	(1,163)	(65)	(1,098)	(476)	(131)	(345)	(1,341)	(719)	(622)
<b>Net movements in working capital</b>	<b>(8,223)</b>	<b>(7,031)</b>	<b>(1,191)</b>	<b>4,872</b>	<b>(2,245)</b>	<b>7,116</b>	<b>(8,857)</b>	<b>(6,592)</b>	<b>(2,265)</b>
<b>Net cash flows from operating activities (see Appendix C)</b>	<b>(24,012)</b>	<b>(24,573)</b>	<b>561</b>	<b>17,628</b>	<b>7,928</b>	<b>9,700</b>	<b>(22,534)</b>	<b>(17,418)</b>	<b>(5,116)</b>