

Item: Finance Report for the month ending 30 September 2023

To: Electoral Commission Board

For: Board meeting 8 November 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. **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.

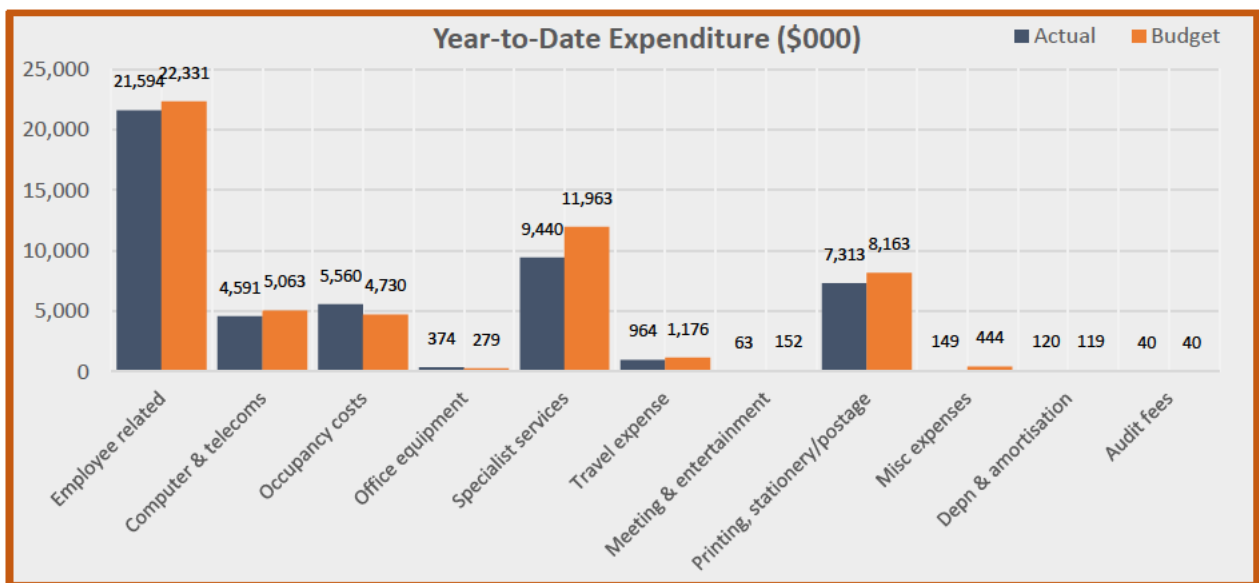
Year-to-date deficit is 38% lower than budget due to underspends in **Expenditure** (~8% lower than budget), however this is partly offset by lower **Revenue** (~1% lower than budget). The underspend is largely driven by the timing of advertising, publicity, and freight in the GE event.

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.

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 spends particularly in freight, printing, stationery, and equipment consumables in the GE event.

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.

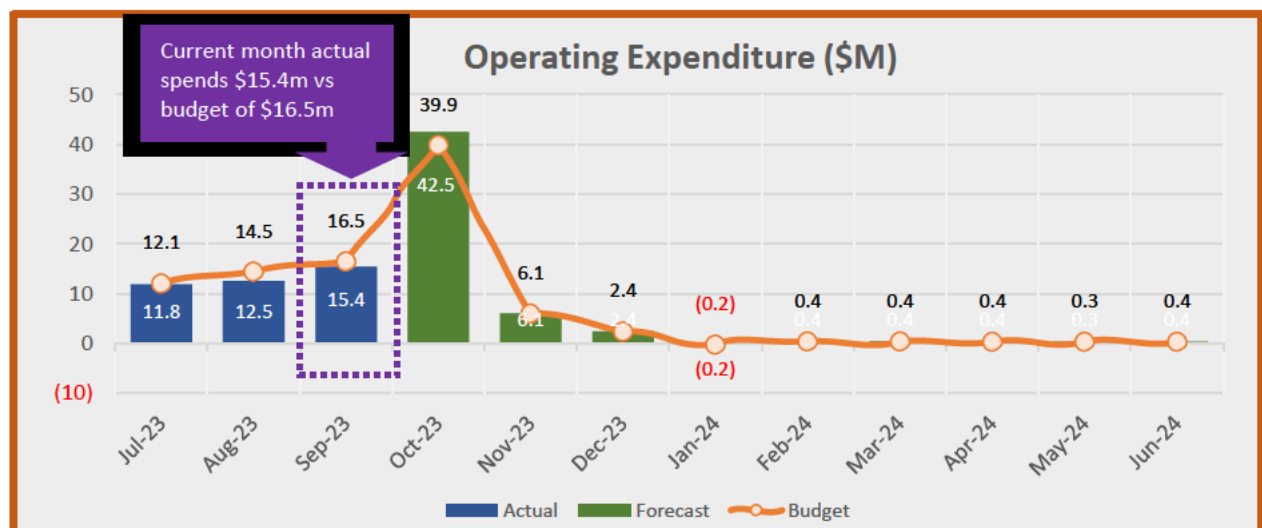
Event \$000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
EV1001 – GE2023	15,395	16,522	1,127	39,759	43,049	3,291	95,804	93,139	(2,666)
EV2000 – By-Election	(1)	-	1	(1)	-	1	-	-	-
EV3000 – Representation Commission	-	-	-	-	-	-	200	200	-
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,

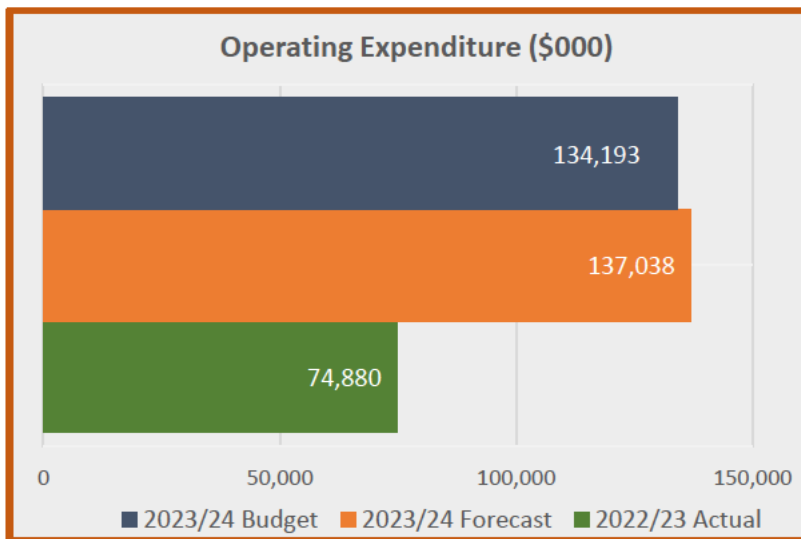
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Operating Expenditure \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Employee related expenses	15,657	16,143	486	47,854	47,854	-
Computer & telecommunications	3,616	4,203	587	4,576	4,576	-
Occupancy costs	5,141	4,155	(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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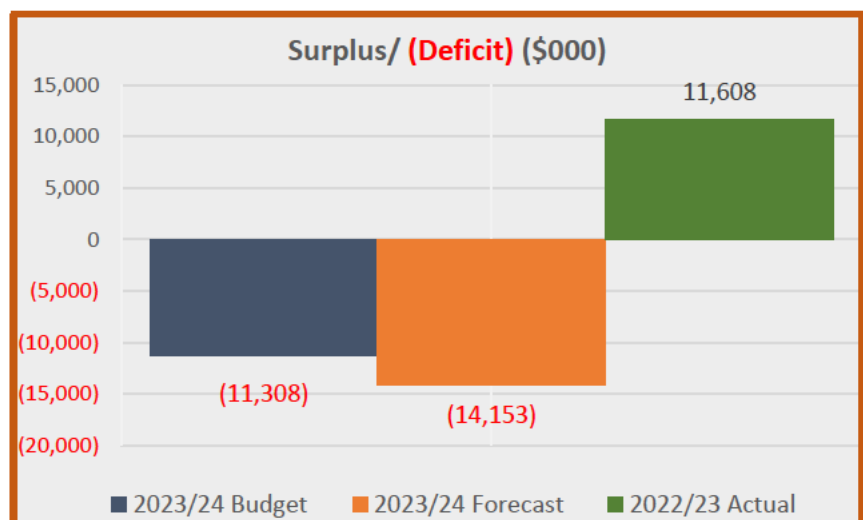
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FY2024 Budget Risks

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

Statement of Financial Position

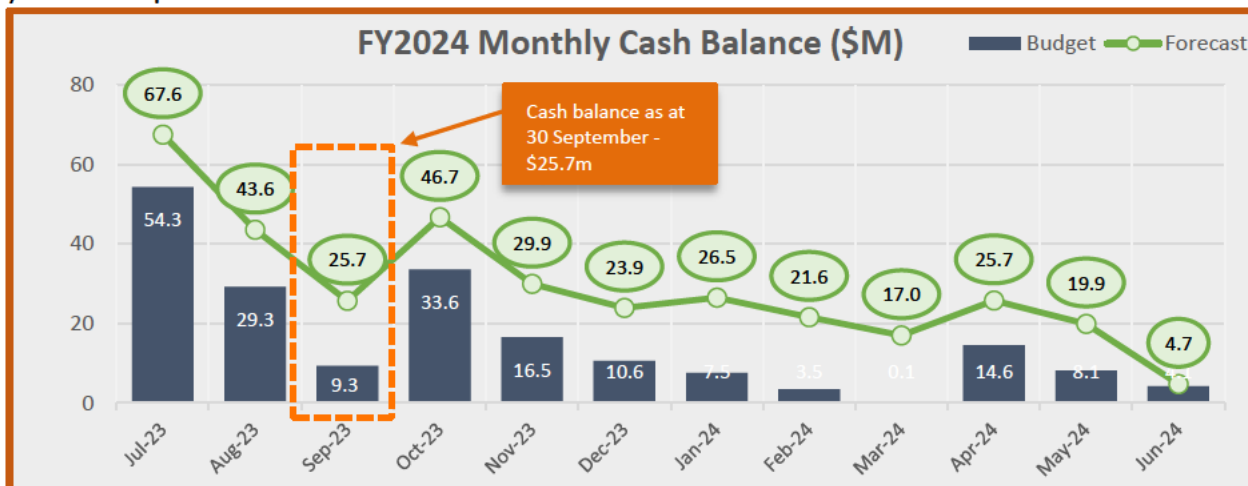
Working capital as at 30 September is **262% higher** than budget of \$2.484m due to higher cash balance resulting from an early drawdown of funding from the Crown through Ministry of Justice. The details are shown below.

Working capital \$000	As at 30 September 2023			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Current assets	27,428	10,918	16,510	5,548	4,440	1,108
Current liabilities	18,424	8,434	9,990	4,492	3,421	1,071
Working capital	9,004	2,484	6,520	1,056	1,019	36
Working capital ratio	149%	129%		124%	130%	

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 30 September, the current ratio is 149% against a budget of 129%, i.e., there is \$1.49 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 30 September is **\$25.667m**. Year to date, the Commission has received a total funding from the Crown through Ministry of Justice of \$43.6m including \$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 **176% higher** than budget due to higher net cash inflows from operating activities resulting from lower payments made to suppliers and employee related expenses than anticipated. Aside from a lag in invoicing from vendors, it is also expected that 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. Forecast does not reflect the costs of running the Port Waikato By-Election.

Appendices

Appendix A – Statement of revenue and expense

Statement of revenue and expense For the period ending 30 September 2023 \$000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Revenue									
Revenue from Crown	26	112	(86)	43,692	43,949	(257)	119,840	119,840	-
Interest received	36	10	26	275	30	245	120	120	-
International assistance programme	112	190	(78)	379	965	(585)	2,700	2,700	-
Other income	6	13	(7)	17	38	(21)	225	225	-
Total revenue	180	325	(145)	44,362	44,981	(619)	122,885	122,885	-
Expenditure									
Employee related expenses	10,263	10,351	88	21,594	22,331	737	71,074	71,074	-
Computer & telecommunications	1,204	1,089	(115)	4,591	5,063	472	8,043	8,043	-
Occupancy costs	2,261	1,606	(655)	5,560	4,730	(830)	14,588	13,155	(1,433)
Office equipment	117	81	(35)	374	279	(95)	544	544	-
Specialist services	2,690	3,979	1,289	9,440	11,963	2,523	23,213	22,933	(280)
Travel expenses	354	313	(41)	964	1,176	212	2,656	2,656	-
Meeting & entertainment	21	37	15	63	152	89	412	412	-
Printing, stationery & postage	1,676	2,259	582	7,313	8,163	850	15,091	13,959	(1,133)
Miscellaneous expenses	65	131	67	149	444	295	780	780	-
Depreciation & amortisation	39	40	1	120	119	(1)	477	477	-
Audit fees	13	13	-	40	40	-	160	160	-
Total expenses	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)

Appendix B – Statement of financial position

Statement of financial position As at 30 September 2023 \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Assets						
Current assets						
Cash and cash equivalents	25,667	9,300	16,367	4,717	4,134	583
Debtors and other receivables	23	5	18	23	5	18
Goods and services tax receivable	1,654	1,508	145	752	245	507
Inventory	49	43	7	20	20	-
Prepayment	36	62	(27)	36	36	-
<i>Total current assets</i>	<i>27,428</i>	<i>10,918</i>	<i>16,510</i>	<i>5,548</i>	<i>4,440</i>	<i>1,108</i>
Non-current assets						
Property, plant, and equipment	500	501	(1)	412	412	-
Intangible assets	1,137	1,124	13	867	855	12
<i>Total non-current assets</i>	<i>1,637</i>	<i>1,625</i>	<i>12</i>	<i>1,279</i>	<i>1,267</i>	<i>12</i>
Total assets	29,065	12,543	16,522	6,827	5,707	1,120
Liabilities						
Current liabilities						
Revenue in advance	4,308	1,935	(2,372)	1,858	1,294	(564)
Creditors and other payables	9,197	4,584	(4,613)	1,259	752	(507)
Employee entitlements (current)	4,919	1,914	(3,005)	1,375	1,375	-
<i>Total current liabilities</i>	<i>18,424</i>	<i>8,434</i>	<i>(9,990)</i>	<i>4,492</i>	<i>3,421</i>	<i>(1,071)</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>
Total liabilities	18,500	8,494	(10,006)	4,568	3,486	(1,082)
Net assets	10,565	4,049	6,516	2,259	2,221	37
Equity						
Opening equity	16,412	13,529	2,883	16,412	13,529	2,883
Surplus / (deficit)	(5,847)	(9,480)	3,633	(14,153)	(11,308)	(2,846)
Capital contributions	-	-	-	-	-	-
Total equity	10,565	4,049	6,516	2,259	2,221	37

Appendix C – Statement of cash flows

Statement of cash flows For the period ending 30 September 2023 \$'000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Cash flow from operating activities									
Receipts from Crown	-	-	-	43,605	43,605	-	119,624	119,624	-
Interest received	36	10	26	275	30	245	120	120	-
Receipts from other revenue	6	13	(7)	17	38	(20)	226	1,191	(965)
Payments to employee related expenses	(7,589)	(10,411)	2,822	(19,411)	(22,511)	3,100	(72,435)	(71,788)	(647)
Payments to suppliers	(10,455)	(9,928)	(527)	(24,459)	(33,272)	8,813	(69,361)	(67,687)	(1,674)
Goods and services tax (net)	113	337	(224)	(287)	(141)	(145)	615	1,122	(507)
Net cash flows from operating activities (see Appendix D)	(17,889)	(19,979)	2,091	(261)	(12,252)	11,991	(21,211)	(17,418)	(3,793)
Cash flows from investing activities									
Receipts from sale of property, plant, and equipment	-	-	-	-	-	-	-	-	-
Purchase of property, plant, and equipment	-	-	-	-	-	-	-	-	-
Purchase of intangible assets	-	-	-	-	-	-	-	-	-
Net cash flows from investing activities	-	-	-	-	-	-	-	-	-
Cash flows from financing activities									
Receipts of capital contributions	-	-	-	-	-	-	-	-	-
Net cash flows from financing activities	-	-	-	-	-	-	-	-	-
Net increase / (decrease) in cash and cash equivalents	(17,889)	(19,979)	2,091	(261)	(12,252)	11,991	(21,211)	(17,418)	(3,793)
Opening balance	43,556	29,279	14,276	25,928	21,552	4,376	25,928	21,552	4,376
Surplus / (Deficit)	25,667	9,300	16,367	25,667	9,300	16,367	4,717	4,134	583

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
Net surplus / (deficit)	(18,523)	(19,573)	1,051	(5,847)	(9,480)	3,633	(14,153)	(11,308)	(2,846)
Add / (less) non-cash items									
Depreciation and amortisation expense	39	40	(1)	120	119	1	477	477	-
Loss / (gain) on disposal of assets	-	-	-	-	-	-	-	-	-
Movements in employee entitlements (non-current)	-	-	-	-	-	-	-	5	(5)
Total non-cash items	39	40	(1)	120	119	1	477	482	(5)
Working capital movements									
(Increase) / decrease in debtors and other receivables	-	-	-	1	-	1	1	-	1
(Increase) / decrease in goods and services tax receivable	113	337	(224)	(287)	(141)	(145)	615	1,122	(507)
(Increase) / decrease in inventory	(19)	3	(22)	(24)	8	(31)	5	30	(25)
(Increase) / decrease in prepayment	-	3	(3)	74	9	65	73	35	38
Increase / (decrease) in revenue in advance	(138)	(302)	164	(466)	(1,309)	842	(2,916)	(1,950)	(966)
Increase / (decrease) in creditors and other payables	(2,035)	(426)	(1,609)	3,986	(1,278)	5,264	(3,952)	(5,110)	1,158
Increase / (decrease) in employee entitlements (current)	2,674	(60)	2,734	2,183	(180)	2,363	(1,361)	(719)	(642)
Net movements in working capital	595	(446)	1,041	5,467	(2,891)	8,358	(7,535)	(6,592)	(943)
Net cash flows from operating activities (see Appendix C)	(17,889)	(19,979)	2,091	(261)	(12,252)	11,991	(21,211)	(17,418)	(3,793)