

**Item#:** 23.13-08 03  
**Item:** Finance Report for the month ending 31 July 2023  
**To:** Electoral Commission  
**For:** Board meeting 13 September 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	43,938	44,295	(357)	43,938	44,295	(357)	122,885	122,885	-
Expenditure	15,433	16,620	1,187	15,433	16,620	1,187	136,938	134,193	(2,746)
<b>Surplus / (Deficit)</b>	<b>28,505</b>	<b>27,675</b>	<b>830</b>	<b>28,505</b>	<b>27,675</b>	<b>830</b>	<b>(14,053)</b>	<b>(11,308)</b>	<b>(2,746)</b>

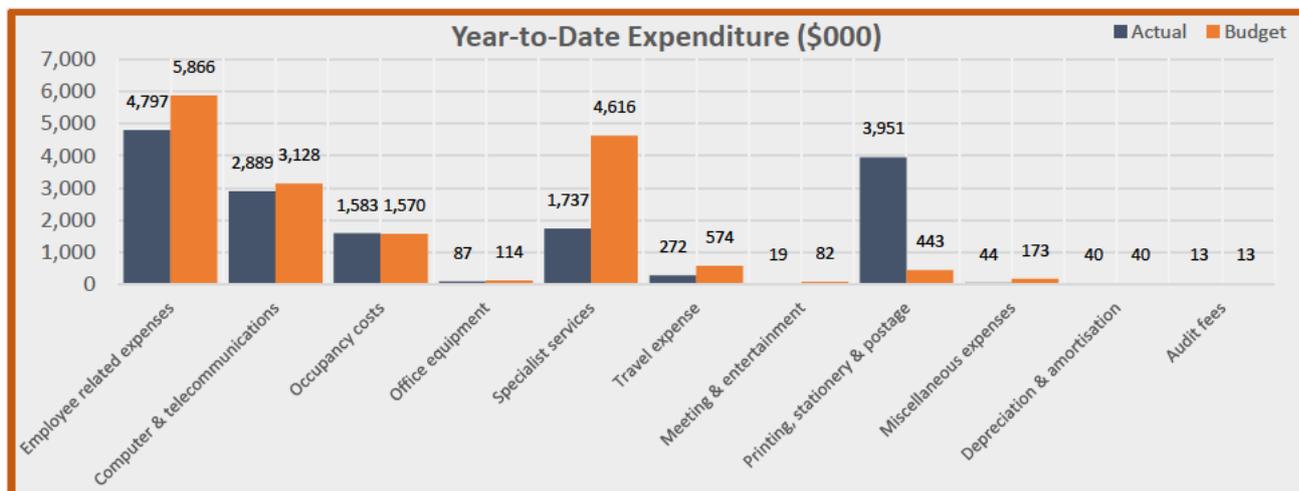
Surplus in July (YTD) is 3% higher than budget due to lower **Expenditure** (~7% lower than budget), however this is partly offset by lower **Revenue** (~1% lower than budget).

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 \$14.053m which is approximately 24% higher than budget.

9(2)(b)(ii)

## Year-to-Date Operating Expenditure

YTD operating expenditure is 7% lower than budget of \$16.620m. Comparison of actual versus budget is outlined below by expense category.



**Employee related expenses** are below budget by \$1.069m, mainly driven by underspends in Operations due to number of vacancies. However recruitment is ramping up, so it is expected to fill vacant roles in between August and September. **Specialist services** are also below budget by \$2.879m largely due to timing for advertising & publicity (\$1.811m), archiving and storage of Voting Services supplies (\$0.546m), and consultancy (\$0.459m). These underspends are partly offset by overspends in printing, stationery & postage by \$3.509m, mainly due to postage and couriers (\$3.403m) that have incurred earlier than anticipated. The rest of the variance relates to underspends in travel, computer & telecommunications, and miscellaneous expenses.

## 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	250	299	50	250	299	50	3,230	3,150	(80)
Enterprise Services	4,545	4,759	214	4,545	4,759	214	23,780	23,780	-
Operations	10,044	10,109	65	10,044	10,109	65	98,324	95,658	(2,666)
Strategy, Governance & Development	277	812	535	277	812	535	4,965	4,965	-
Programme Management Office	107	153	46	107	153	46	1,394	1,394	-
Māori Advisory	24	28	4	24	28	4	332	332	-
Legal & Policy	136	459	323	136	459	323	4,913	4,913	-
Projects	49	-	(49)	49	-	(49)	-	-	-
<b>Total Expenditure</b>	<b>15,433</b>	<b>16,620</b>	<b>1,187</b>	<b>15,433</b>	<b>16,620</b>	<b>1,187</b>	<b>136,938</b>	<b>134,193</b>	<b>(2,746)</b>

YTD underspend is \$1.187m which is largely contributed by Strategy, Governance & Development (45%) mainly due to timing on expenses for International Assistance, and grants relating to EAF; Legal & Policy (27%) due to timing of advertising & publicity; and Enterprises Services (18%) due to underspends in computer & telecommunications; and all others (10%).

YTD underspend excluding EAF and International is \$0.690m. Its breakdown by expense category is shown below.

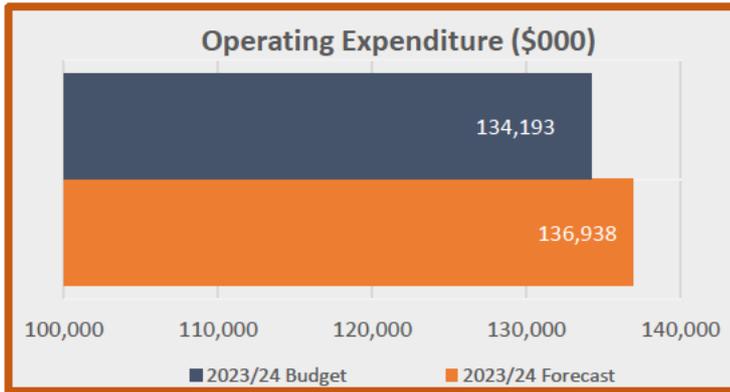
Operating Expenditure Excluding EAF & International \$000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Employee related expenses	4,737	5,719	981	4,737	5,719	981	69,562	69,562	-
Computer & telecommunications	2,888	3,121	233	2,888	3,121	233	8,015	8,015	-
Occupancy costs	1,583	1,545	(38)	1,583	1,545	(38)	14,538	13,105	(1,433)
Office equipment	87	84	(3)	87	84	(3)	506	506	-
Specialist services	1,663	4,518	2,855	1,663	4,518	2,855	22,686	22,506	(180)
Travel expense	229	487	258	229	487	258	2,014	2,014	-
Meeting & entertainment	19	79	60	19	79	60	372	372	-
Printing, stationery & postage	3,951	270	(3,682)	3,951	270	(3,682)	14,879	13,746	(1,133)
Miscellaneous expenses	22	48	26	22	48	26	340	340	-
Depreciation & amortisation	40	40	-	40	40	-	477	477	-
Audit fees	13	13	-	13	13	-	160	160	-
<b>Total Expenditure</b>	<b>15,233</b>	<b>15,924</b>	<b>690</b>	<b>15,233</b>	<b>15,924</b>	<b>690</b>	<b>133,548</b>	<b>130,803</b>	<b>(2,746)</b>

### Operating Expenditure by Event

Event \$000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
EV1001 – GE2023	11,848	12,069	221	11,848	12,069	221	95,804	93,139	(2,666)
EV3000 – Representation Commission	-	-	-	-	-	-	200	200	-
EV4001 – MEO2023	525	722	198	525	722	198	867	787	(80)
EV9999 – BAU	3,060	3,828	769	3,060	3,828	769	40,067	40,067	-
<b>Total Expenditure</b>	<b>15,433</b>	<b>16,620</b>	<b>1,187</b>	<b>15,433</b>	<b>16,620</b>	<b>1,187</b>	<b>136,938</b>	<b>134,193</b>	<b>(2,746)</b>

The YTD underspend of \$1.187m is largely driven by BAU activities which constitute 65% of the total underspends, followed by General Elections 2023 (19%). BAU includes International expenses that are fully offset by revenue. If we exclude International and EAF, the underspend for BAU is \$0.339m, mainly attributable to vacancy lags and minor underspends across multiple categories.

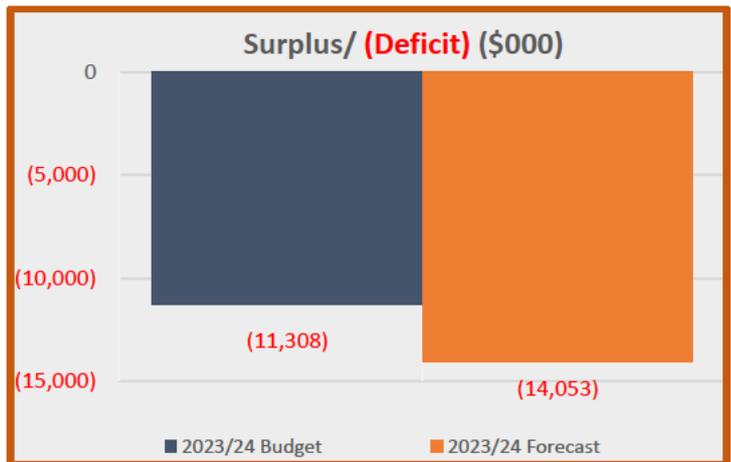
### Full Year Budget vs Forecast



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 \$14.053m deficit as compared to budgeted deficit of \$11.308m.

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### FY2024 Budget Risks

Budgeted closing reserves at 30 June 2024 are \$5.096m. The \$5.096m was allocated as follows: \$1.890m discretionary funds, to be requested through the ELT, \$0.985m Contingency fund for Executive spending, thus leaving the Reserves at the level agreed by the Board of \$2.221m.

Of the \$1.890m discretionary funds, there have been requests totalling \$3.153m, and approvals by ELT of \$2.746m, leaving a deficit of \$0.855m 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, but only leaves \$0.129m 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 \$0.981m permanent savings in Employee related expenses. We anticipate this trend will continue through the year and allow the Contingency fund to be rebuilt.

Table below shows the funding summary.

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	(\$2,745,509)
<b>Forecasted Reserves balance as at 30 June 2024</b>	<b>\$2,350,491</b>
Less Board approved minimum reserves	\$2,221,000
<b>Funding available for distribution as at 30 June 2024</b>	<b>\$129,491</b>
<hr/>	
<i>Permanent Savings YTD</i>	<i>\$981,000</i>
<b>Estimated Contingency Fund (in addition to minimum Reserves of \$2.221m)</b>	<b>\$1,110,491</b>

## Statement of Financial Position

YTD working capital is 9% higher than budget of \$39.560m due to higher cash balance. The details are shown below.

Working capital \$000	As at 31 July 2023			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Current assets	67,648	54,962	12,686	4,332	4,195	137
Current liabilities	24,370	15,402	8,968	3,176	3,176	-
<b>Working capital</b>	<b>43,277</b>	<b>39,560</b>	<b>3,718</b>	<b>1,156</b>	<b>1,019</b>	<b>137</b>
<b>Working capital ratio</b>	<b>278%</b>	<b>357%</b>		<b>136%</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 July, the current ratio is 278% against a budget of 357%, i.e., there is \$2.78 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 July is \$67.568m. The Commission has received a total funding from the Crown through Ministry of Justice of \$46m, this represents 34% of the total Crown funding for the year.

YTD balance of cash and cash equivalents is 35% higher than budget due to higher net cash inflows from operating activities resulting from lower payments made to employees and suppliers than anticipated. Also debtors and other receivables is significantly lower than budget. 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 July 2023 \$000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Revenue</b>									
Revenue from Crown	43,657	43,724	(67)	43,657	43,724	(67)	119,840	119,840	-
Interest received	129	10	119	129	10	119	120	120	-
International assistance programme	147	548	(401)	147	548	(401)	2,700	2,700	-
Other income	5	13	(8)	5	13	(8)	225	225	-
<b>Total revenue</b>	<b>43,938</b>	<b>44,295</b>	<b>(357)</b>	<b>43,938</b>	<b>44,295</b>	<b>(357)</b>	<b>122,885</b>	<b>122,885</b>	<b>-</b>
<b>Expenditure</b>									
Employee related expenses	4,797	5,866	1,069	4,797	5,866	1,069	71,074	71,074	-
Computer & telecommunications	2,889	3,128	239	2,889	3,128	239	8,043	8,043	-
Occupancy costs	1,583	1,570	(13)	1,583	1,570	(13)	14,588	13,155	(1,433)
Office equipment	87	114	27	87	114	27	544	544	-
Specialist services	1,737	4,616	2,879	1,737	4,616	2,879	23,113	22,933	(180)
Travel expenses	272	574	302	272	574	302	2,656	2,656	-
Meeting & entertainment	19	82	63	19	82	63	412	412	-
Printing, stationery & postage	3,951	443	(3,509)	3,951	443	(3,509)	15,091	13,959	(1,133)
Miscellaneous expenses	44	173	129	44	173	129	780	780	-
Depreciation & amortisation	40	40	-	40	40	-	477	477	-
Audit fees	13	13	-	13	13	-	160	160	-
<b>Total expenses</b>	<b>15,433</b>	<b>16,620</b>	<b>1,187</b>	<b>15,433</b>	<b>16,620</b>	<b>1,187</b>	<b>136,938</b>	<b>134,193</b>	<b>(2,746)</b>
<b>Surplus / (Deficit)</b>	<b>28,505</b>	<b>27,675</b>	<b>830</b>	<b>28,505</b>	<b>27,675</b>	<b>830</b>	<b>(14,053)</b>	<b>(11,308)</b>	<b>(2,746)</b>

## Appendix B – Statement of financial position

Statement of financial position As at 31 July 2023 \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Assets</b>						
Current assets						
Cash and cash equivalents	67,568	49,908	17,660	3,629	4,134	(505)
Debtors and other receivables	23	4,939	(4,916)	647	5	642
Inventory	21	47	(26)	20	20	-
Prepayment	36	68	(32)	36	36	-
<i>Total current assets</i>	<i>67,648</i>	<i>54,962</i>	<i>12,686</i>	<i>4,332</i>	<i>4,195</i>	<i>137</i>
Non-current assets						
Property, plant and equipment	520	520	-	412	412	-
Intangible assets	1,196	1,184	12	867	855	12
<i>Total non-current assets</i>	<i>1,716</i>	<i>1,704</i>	<i>12</i>	<i>1,279</i>	<i>1,267</i>	<i>12</i>
<b>Total assets</b>	<b>69,364</b>	<b>56,666</b>	<b>12,698</b>	<b>5,611</b>	<b>5,462</b>	<b>149</b>
<b>Liabilities</b>						
Current liabilities						
Revenue in advance	4,575	3,067	(1,508)	1,294	1,294	-
Creditors and other payables	10,519	5,395	(5,124)	1,719	723	(996)
Goods and services tax	5,873	4,912	(961)	(1,212)	(216)	996
Employee entitlements (current)	3,404	2,029	(1,375)	1,375	1,375	-
<i>Total current liabilities</i>	<i>24,370</i>	<i>15,402</i>	<i>(8,968)</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>24,446</b>	<b>15,462</b>	<b>(8,984)</b>	<b>3,252</b>	<b>3,241</b>	<b>(11)</b>
<b>Net assets</b>	<b>44,917</b>	<b>41,204</b>	<b>3,713</b>	<b>2,359</b>	<b>2,221</b>	<b>137</b>
<b>Equity</b>						
Opening equity	16,412	13,529	2,883	16,412	13,529	2,883
Surplus / (deficit)	28,505	27,675	830	(14,053)	(11,308)	(2,746)
Capital contributions	-	-	-	-	-	-
<b>Total equity</b>	<b>44,917</b>	<b>41,204</b>	<b>3,713</b>	<b>2,359</b>	<b>2,221</b>	<b>137</b>

## Appendix C – Statement of cash flows

Statement of cash flows For the period ending 31 July 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>									
Receipt from Crown	43,657	43,724	(67)	43,657	43,724	(67)	119,840	119,840	-
Interest received	129	10	119	129	10	119	239	120	119
Receipt from other revenue	(47)	(4,550)	4,504	(47)	(4,550)	4,504	(1,297)	975	(2,272)
Payments to employees	(4,110)	(5,932)	1,822	(4,110)	(5,932)	1,822	(72,415)	(71,788)	(627)
Payments to suppliers	(5,229)	(11,175)	5,946	(5,229)	(11,175)	5,946	(68,821)	(67,716)	(1,105)
Goods and services tax (net)	7,240	6,279	961	7,240	6,279	961	155	1,151	(996)
<b>Net cash flows from operating activities (see Appendix D)</b>	<b>41,640</b>	<b>28,356</b>	<b>13,284</b>	<b>41,640</b>	<b>28,356</b>	<b>13,284</b>	<b>(22,299)</b>	<b>(17,418)</b>	<b>(4,881)</b>
<b>Cash flows from investing activities</b>									
Receipts from sale of property, plant, and equipment	-	-	-	-	-	-	-	-	-
Purchase of property, plant, and equipment	-	-	-	-	-	-	-	-	-
Purchase of intangible assets	-	-	-	-	-	-	-	-	-
<b>Net cash flows from investing activities</b>	<b>-</b>	<b>-</b>	<b>-</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>Net increase / (decrease) in cash and cash equivalents</b>	<b>41,640</b>	<b>28,356</b>	<b>13,284</b>	<b>41,640</b>	<b>28,356</b>	<b>13,284</b>	<b>(22,298)</b>	<b>(17,418)</b>	<b>(4,881)</b>
Opening balance	25,928	21,552	4,376	25,928	21,552	4,376	25,928	21,552	4,376
<b>Surplus / (Deficit)</b>	<b>67,568</b>	<b>49,908</b>	<b>17,660</b>	<b>67,568</b>	<b>49,908</b>	<b>17,660</b>	<b>3,629</b>	<b>4,134</b>	<b>(505)</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>28,505</b>	<b>27,675</b>	<b>830</b>	<b>28,505</b>	<b>27,675</b>	<b>830</b>	<b>(14,053)</b>	<b>(11,308)</b>	<b>(2,746)</b>
Add / (less) non-cash items									
Depreciation and amortisation expense	40	40	-	40	40	-	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>40</b>	<b>40</b>	<b>-</b>	<b>477</b>	<b>482</b>	<b>(5)</b>
<b>Working capital movements</b>									
(Increase) / decrease in debtors and other receivables	-	(4,934)	4,934	-	(4,934)	4,934	(623)	-	(623)
(Increase) / decrease in inventory	4	3	1	4	3	1	5	30	(25)
(Increase) / decrease in prepayment	74	3	71	74	3	71	73	35	38
Increase / (decrease) in revenue in advance	(199)	(177)	(22)	(199)	(177)	(22)	(3,480)	(1,950)	(1,530)
Increase / (decrease) in creditors and other payables	5,288	(467)	5,755	5,288	(467)	5,755	(3,512)	(5,139)	1,627
Increase / (decrease) in goods and services tax	7,240	6,279	961	7,240	6,279	961	155	1,151	(996)
Increase / (decrease) in employee entitlements (current)	688	(65)	753	688	(65)	753	(1,341)	(719)	(622)
<b>Net movements in working capital</b>	<b>13,094</b>	<b>641</b>	<b>12,454</b>	<b>13,094</b>	<b>641</b>	<b>12,454</b>	<b>(8,723)</b>	<b>(6,592)</b>	<b>(2,131)</b>
<b>Net cash flows from operating activities (see Appendix C)</b>	<b>41,640</b>	<b>28,356</b>	<b>13,284</b>	<b>41,640</b>	<b>28,356</b>	<b>13,284</b>	<b>(22,299)</b>	<b>(17,418)</b>	<b>(4,881)</b>