

Item#: 23.17-10 03
Item: Finance Report for the month ending 31 October 2023
To: Electoral Commission
For: Board meeting 6 December 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 forecast is calculated based on 2023/24 budget *plus* any approved funding request for unbudgeted operating expenditure including additional budget bid approved for the Port Waikato By-Election 9(2)(b)(ii).

Financial Overview

Financial Summary \$000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Revenue	60,338	60,392	(54)	104,701	105,373	(672)	124,475	122,885	1,590
Expenditure	49,139	43,277	(5,862)	99,348	97,738	(1,610)	138,742	134,193	(4,549)
Surplus / (Deficit)	11,199	17,115	(5,916)	5,352	7,635	(2,283)	(14,267)	(11,308)	(2,959)

Surplus for the month of October is \$11.199m, which is 35% lower than budget. This is mainly driven by overspend in field personnel due to more hours worked prior to Election Day than budgeted. The variance between HQs for staffing has highlighted the need for more focus on staff rostering at an Electorate level, and aligning that with the budget set at National Office level. In addition, the budget does not cover for hours of service provided prior to Election Day in care homes, hospitals, prisons, in Police cells, Defence Force bases and other organisations caring for more vulnerable voters. Broadcasting Allocation is 170% higher than budget due to timing has also contributed to the overspend for the month.

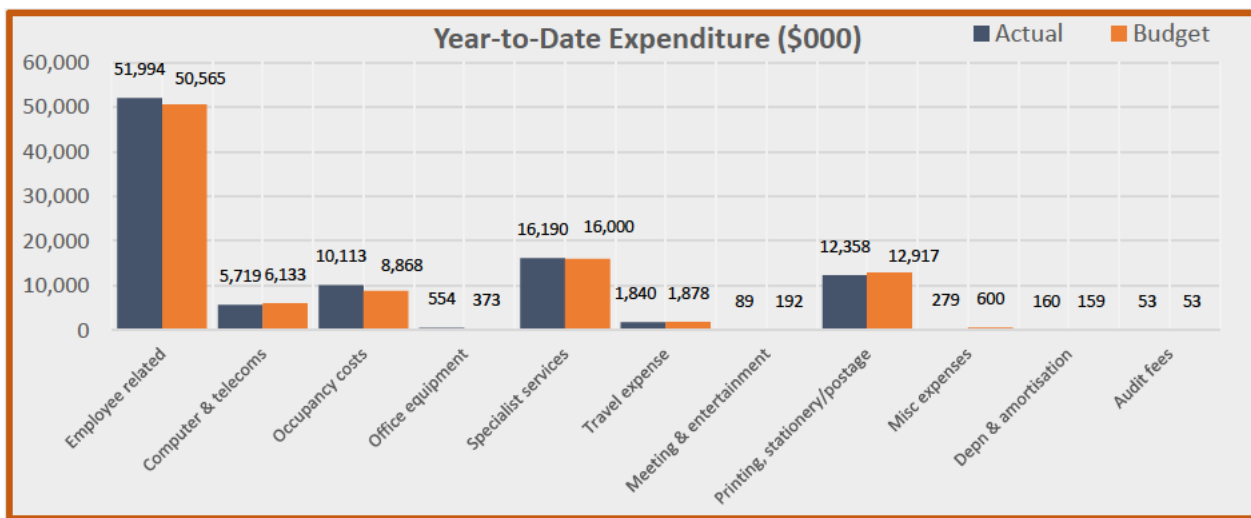
Year-to-date surplus is 30% lower than budget due to overspends in **Expenditure** (~2% higher than budget), however this is partly offset by lower **Revenue** (~1% lower than budget). This is mainly driven by overspend in field personnel due to hours worked with a total year-to-date of 87,300 hours (9%) more worked than budgeted. Also contributing to the overspend is the unbudgeted costs to cover for the required security protocols and resilience.

Forecast indicates that the Commission will end up with a deficit of \$14.267m which is approximately 26% higher than budget. Forecast is calculated based on FY24 budget *plus* \$2.845m approved funding request for unbudgeted operating expenditure. The forecast also includes \$0.378m unfunded costs for the Port Waikato By-Election 9(2)(b)(ii).

9(2)(b)(ii)

Year-to-Date Operating Expenditure

YTD operating expenditure is 2% higher than budget of \$97.738m. Comparison of actual versus budget is outlined below by expense category.



Favourable variance

Computer and telecommunications are below budget by \$0.414m 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 \$0.559m due to timing of spend particularly in freight and printing in the GE event. 9(2)(b)(ii)

Meeting and entertainment are also below budget by \$0.103m, 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.

Miscellaneous expenses are also below budget by \$0.321m, 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

Employee related expenses are higher than budget by \$1.428m, mainly contributed by overspend in field personnel due to hours worked with a total year-to-date of 87,300 hours (9%) more worked than budgeted.

Occupancy costs including office equipment are higher than budget by \$1.426m due to unbudgeted costs to cover for the required security protocols and resilience in the GE event.

Specialist services are higher than budget by \$0.190m largely due to timing of advertising and publicity in the Broadcasting Allocation wherein 96% of funds has already been utilised (20% higher than budget).

Operating Expenditure by Business Group

Business Group \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Office of the Chief Executive	1,071	1,128	57	3,150	3,150	-
Enterprise Services	12,458	12,358	(100)	24,608	23,780	(829)
Operations	80,377	78,076	(2,301)	99,379	95,658	(3,720)
Strategy, Governance & Development	971	2,218	1,248	4,965	4,965	-
Programme Management Office	460	508	48	1,394	1,394	-
Māori Advisory	128	111	(16)	332	332	-
Legal & Policy	3,885	3,337	(547)	4,913	4,913	-
Projects	-	-	-	-	-	-
Total Expenditure	99,348	97,738	(1,610)	138,742	134,193	(4,549)

YTD overspend is \$1.610m which is largely contributed by Operations (\$2.301m) due to hours worked by field staff with a total year-to-date of 87,300 hours (9%) more worked than budgeted, and Legal & Policy (\$0.547m) due to timing of advertising and publicity in Broadcasting Allocation. However this is partly offset by underspend in Strategy, Governance & Development (\$1.248m) mainly due to timing of expenses for International (INT) Assistance, and grants relating to Election Access Fund (EAF).

Excluding EAF, INT & Broadcasting Allocation, the YTD overspend is \$2.098m. Its breakdown by expense category is shown below.

Operating Expenditure Excluding EAF & INT \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Employee related expenses	51,757	50,054	(1,703)	70,789	69,656	(1,133)
Computer & telecommunications	5,716	6,124	408	8,297	8,023	(274)
Occupancy costs	10,113	8,843	(1,270)	14,710	13,105	(1,605)
Office equipment	554	343	(211)	506	506	-
Specialist services	12,577	12,901	324	19,551	18,902	(649)
Travel expense	1,673	1,594	(79)	2,062	2,061	(1)
Meeting & entertainment	87	172	85	382	382	-
Printing, stationery & postage	12,358	12,746	389	14,642	13,754	(887)
Miscellaneous expenses	251	212	(39)	345	345	-
Depreciation & amortisation	160	159	(1)	477	477	-
Audit fees	53	53	-	160	160	-
Total Expenditure	95,300	93,201	(2,098)	131,921	127,372	(4,549)

Operating Expenditure by Event

The YTD overspend of **\$1.610m** (or \$2.098m 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 (9% higher than budget).

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

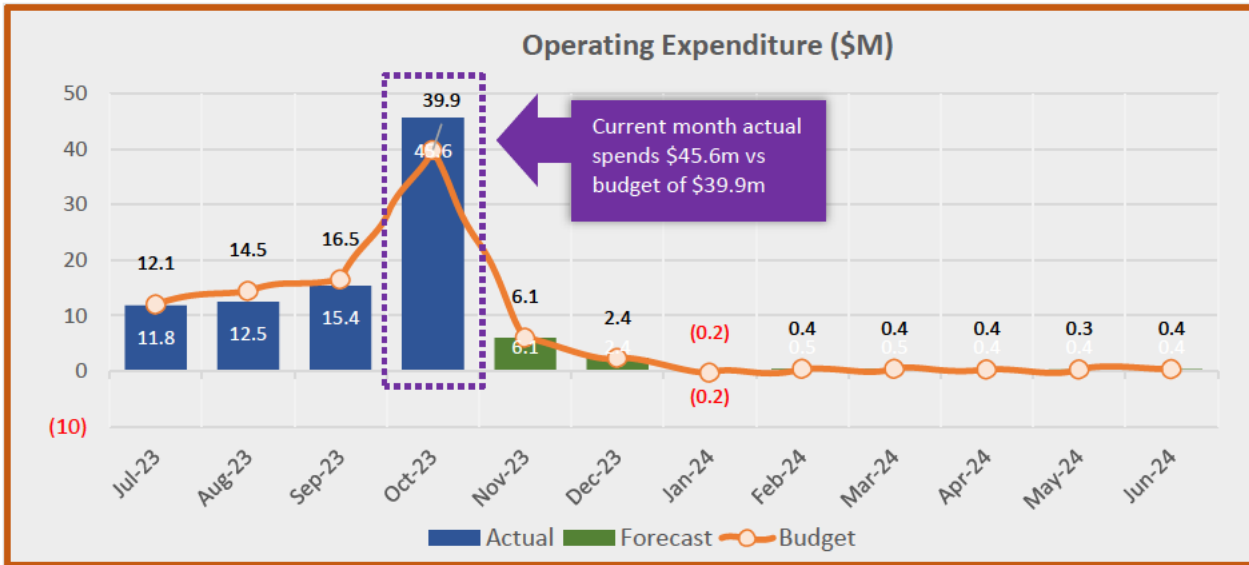
Event \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
EV1001 – GE2023	85,404	82,902	(2,502)	95,640	93,139	(2,501)
EV2000 – By-Election	(1)	-	1	-	-	-
EV2001 – By-Election Port Waikato	86	-	(86)	1,968	-	(1,968)
EV3000 – Representation Commission	-	-	-	200	200	-
EV4001 – MEO2023	603	749	147	787	787	-
EV9999 – BAU	13,256	14,087	831	40,147	40,067	(80)
Total Expenditure	99,348	97,738	(1,610)	138,742	134,193	(4,549)

Excluding EAF, INT and Broadcasting Allocation, the YTD overspend is \$2.098m 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	81,844	79,584	(2,260)	91,519	89,018	(2,501)
EV2000 – By-Election	(1)	-	1	-	-	-
EV2001 – By-Election Port Waikato	86	-	(86)	1,968	-	(1,968)
EV3000 – Representation Commission	-	-	-	200	200	-
EV4001 – MEO2023	603	749	147	787	787	-
EV9999 – BAU	12,767	12,868	101	37,447	37,367	(80)
Total Expenditure	95,300	93,201	(2,098)	131,921	127,372	(4,549)

General Election 2023

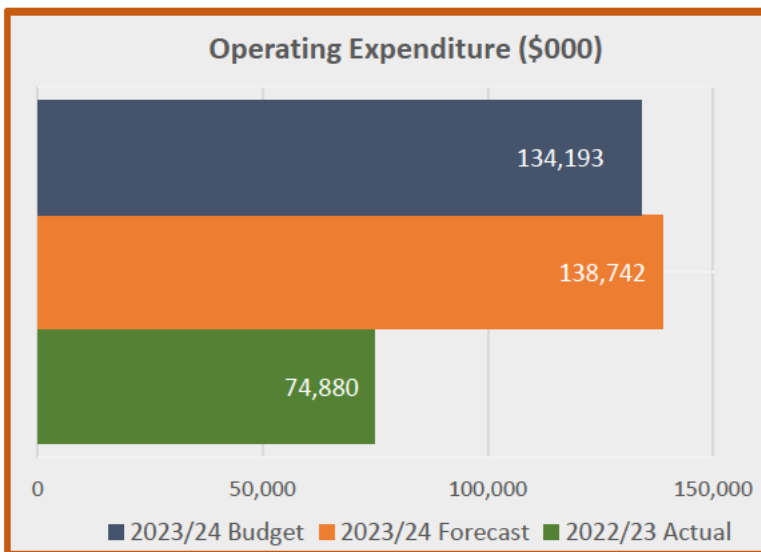
YTD operating expenditure is **\$2.502m** higher than budget, and forecast at year-end is tracking an overspend at similar level. The overspends are mainly due to more hours worked by field staff within Voting Services than anticipated (9% higher than budget).



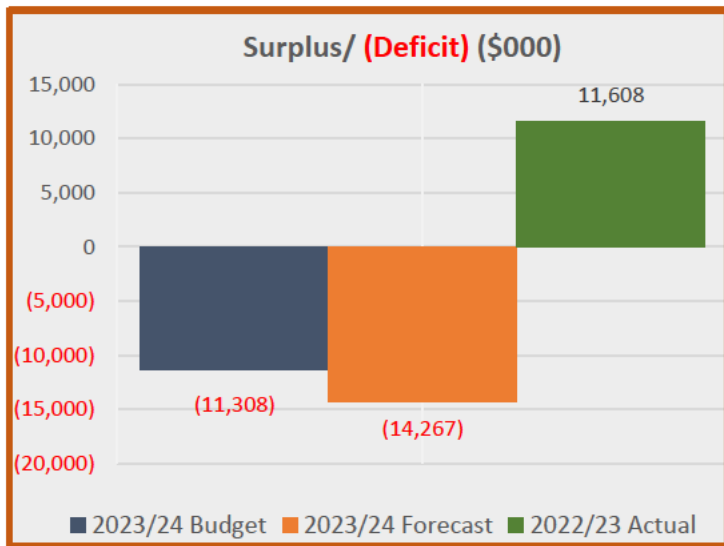
Operating Expenditure \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Employee related expenses	44,093	42,418	(1,675)	47,992	47,854	(138)
Computer & telecommunications	4,380	4,998	618	4,576	4,576	-
Occupancy costs	9,569	8,106	(1,463)	12,331	10,898	(1,433)
Office equipment	488	295	(193)	365	365	-
Specialist services	13,368	12,720	(647)	14,614	14,414	(200)
Travel expense	1,507	1,349	(158)	1,507	1,507	-
Meeting & entertainment	77	68	(10)	76	76	-
Printing, stationery & postage	11,718	12,471	753	13,674	12,943	(731)
Miscellaneous expenses	204	477	273	505	505	-
Total Expenditure	85,404	82,902	(2,502)	95,640	93,139	(2,501)

Expected overspend in GE event at year-end - \$2.501m

Full Year Budget vs Forecast



Full year operating expenditure forecast is ~3% higher than budget of \$134.193m. Approximately 52% of 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 9% is for other expenses.



End-of-year forecast is expected at **\$14.267m deficit** as compared to budgeted deficit of \$11.308m. This is mainly driven by \$2.845m approved additional funding request for unbudgeted operating expenditure *plus* \$0.378m unfunded costs for the Port Waikato By-Election, [REDACTED]

[REDACTED]
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 9(2)(b)(ii)
 [REDACTED]

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 \$3.273m, 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, no permanent savings from employee related expenses have been identified so there is a risk of depleting our reserves that have been set aside to cover for contingencies.

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	-
Estimated contingency fund (in addition to minimum reserves of \$2.221m)	\$29,491

Statement of Financial Position

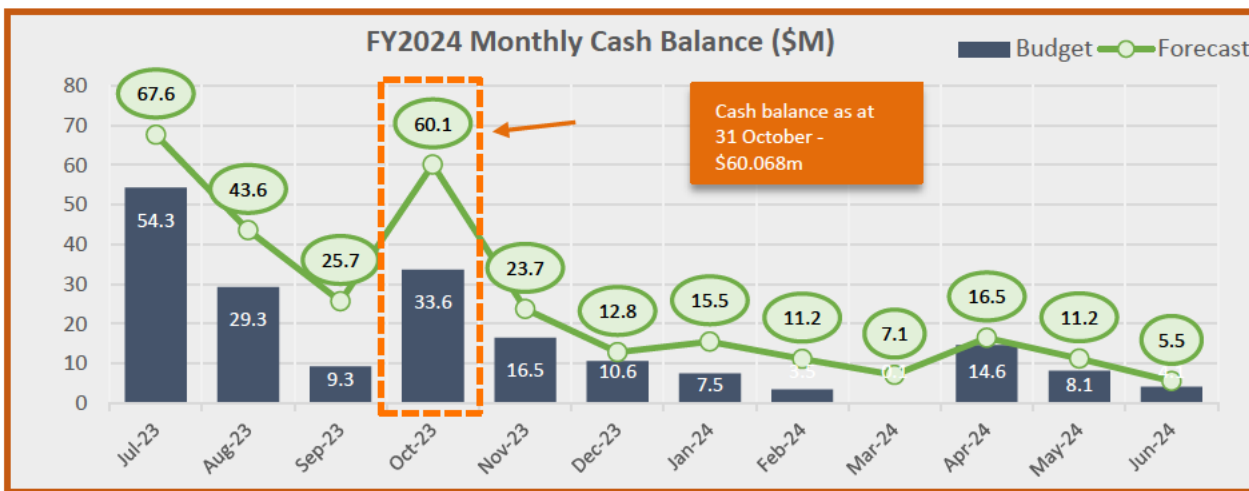
Working capital as at 31 October is **3% higher** than budget of \$19.639m due to higher cash balance resulting from an early drawdown of funding from the Crown through Ministry of Justice. The details are shown below.

Working capital \$000	As at 31 October 2023			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Current assets	61,301	33,711	27,590	6,325	4,440	1,885
Current liabilities	41,057	14,072	26,985	5,383	3,421	1,962
Working capital	20,244	19,639	605	942	1,019	(77)
Working capital ratio	149%	240%		118%	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 31 October, the current ratio is 149% against a budget of 240%, 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 31 October is **\$60.068m**. Year to date, the Commission has received a total funding from the Crown through Ministry of Justice of \$105.195m including \$3.605m for Broadcasting allocation and \$1.590m for the Port Waikato By-Election. Funding received represents 87% of the total Crown funding for the year and is presented net of GST.



YTD balance of cash and cash equivalents is **79% 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. Also contributed to the higher cash balance is the receipt of \$1.590m additional funding for the by-election. Due to lag in invoicing from vendors, it is expected to ramp up payments in November including payments to Inland Revenue for GST and PAYE. 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. Forecast is calculated based on 2023/24 budget *plus* any approved funding request for unbudgeted operating expenditure including additional budget bid approved for the Port Waikato By-Election

9(2)(b)(ii)

3. To ensure we finish the year with reserves at least at the Board approved minimum level of \$2.221m, ELT will be discussing areas where savings can be found.

Appendices

Appendix A – Statement of revenue and expense

Statement of revenue and expense For the period ending 31 October 2023 \$000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Revenue									
Revenue from Crown	60,092	60,090	2	103,784	104,039	(255)	121,430	119,840	1,590
Interest received	113	10	103	388	40	348	120	120	-
International assistance programme	110	255	(145)	489	1,219	(731)	2,700	2,700	-
Other income	23	38	(15)	39	75	(36)	225	225	-
Total revenue	60,338	60,392	(54)	104,701	105,373	(672)	124,475	122,885	1,590
Expenditure									
Employee related expenses	30,399	28,234	(2,165)	51,994	50,565	(1,428)	72,207	71,074	(1,133)
Computer & telecommunications	1,128	1,070	(58)	5,719	6,133	414	8,317	8,043	(274)
Occupancy costs	4,553	4,137	(415)	10,113	8,868	(1,245)	14,760	13,155	(1,605)
Office equipment	180	94	(86)	554	373	(181)	544	544	-
Specialist services	6,749	4,037	(2,713)	16,190	16,000	(190)	23,582	22,933	(649)
Travel expenses	876	702	(174)	1,840	1,878	38	2,658	2,656	(2)
Meeting & entertainment	26	40	15	89	192	103	412	412	-
Printing, stationery & postage	5,045	4,753	(292)	12,358	12,917	559	14,846	13,959	(887)
Miscellaneous expenses	130	156	26	279	600	321	780	780	-
Depreciation & amortisation	40	40	-	160	159	(1)	477	477	-
Audit fees	13	13	-	53	53	-	160	160	-
Total expenses	49,139	43,277	(5,862)	99,348	97,738	(1,610)	138,742	134,193	(4,549)
Surplus / (Deficit)	11,199	17,115	(5,916)	5,352	7,635	(2,283)	(14,267)	(11,308)	(2,959)

Appendix B – Statement of financial position

Statement of financial position As at 31 October 2023 \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Assets						
Current assets						
Cash and cash equivalents	60,068	33,607	26,462	5,542	4,134	1,408
Debtors and other receivables	1,148	5	1,143	44	5	39
Goods and services tax receivable	-	-	-	683	245	438
Inventory	49	40	9	20	20	-
Prepayment	36	59	(24)	36	36	-
<i>Total current assets</i>	<i>61,301</i>	<i>33,711</i>	<i>27,590</i>	<i>6,325</i>	<i>4,440</i>	<i>1,885</i>
Non-current assets						
Property, plant, and equipment	489	491	(2)	413	412	1
Intangible assets	1,108	1,094	13	867	855	12
<i>Total non-current assets</i>	<i>1,596</i>	<i>1,585</i>	<i>11</i>	<i>1,279</i>	<i>1,267</i>	<i>13</i>
Total assets	62,898	35,296	27,602	7,604	5,707	1,897
Liabilities						
Current liabilities						
Revenue in advance	6,656	1,591	(5,065)	2,818	1,294	(1,524)
Creditors and other payables	16,093	4,158	(11,935)	1,190	752	(438)
Goods and services tax payable	7,525	6,468	(1,057)	-	-	-
Employee entitlements (current)	10,783	1,854	(8,929)	1,375	1,375	-
<i>Total current liabilities</i>	<i>41,057</i>	<i>14,072</i>	<i>(26,985)</i>	<i>5,383</i>	<i>3,421</i>	<i>(1,962)</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	41,134	14,132	(27,001)	5,459	3,486	(1,974)
Net assets	21,764	21,164	600	2,145	2,221	(76)
Equity						
Opening equity	16,412	13,529	2,883	16,412	13,529	2,883
Surplus / (deficit)	5,352	7,635	(2,283)	(14,267)	(11,308)	(2,959)
Capital contributions	-	-	-	-	-	-
Total equity	21,764	21,164	600	2,145	2,221	(76)

Appendix C – Statement of cash flows

Statement of cash flows For the period ending 31 October 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	61,590	60,000	1,590	105,195	103,605	1,590	121,214	119,624	1,590
Interest received	113	10	103	388	40	348	120	120	-
Receipts from other revenue	(142)	37	(180)	(125)	75	(200)	1,164	1,191	(27)
Payments to employee related expenses	(24,535)	(28,294)	3,759	(43,946)	(50,805)	6,859	(73,568)	(71,788)	(1,780)
Payments to suppliers	(11,804)	(15,423)	3,620	(36,263)	(48,695)	12,432	(70,000)	(67,687)	(2,313)
Goods and services tax (net)	9,179	7,976	1,202	8,892	7,835	1,057	684	1,122	(438)
Net cash flows from operating activities (see Appendix D)	34,401	24,306	10,095	34,141	12,055	22,086	(20,385)	(17,418)	(2,968)
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	34,401	24,306	10,095	34,141	12,055	22,086	(20,385)	(17,418)	(2,968)
Opening balance	25,667	9,300	16,367	25,928	21,552	4,376	25,928	21,552	4,376
Closing balance	60,068	33,607	26,462	60,068	33,607	26,462	5,542	4,134	1,408

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)	11,199	17,115	(5,916)	5,352	7,635	(2,283)	(14,267)	(11,308)	(2,959)
Add / (less) non-cash items									
Depreciation and amortisation expense	40	40	-	160	159	1	477	477	-
Loss / (gain) on disposal of assets	-	-	-	-	-	-	-	-	-
Movements in employee entitlements (non-current)	-	-	-	-	-	-	-	5	(5)
Total non-cash items	40	40	-	160	159	1	477	482	(5)
Working capital movements									
(Increase) / decrease in debtors and other receivables	(1,125)	-	(1,125)	(1,125)	-	(1,125)	(21)	-	(21)
(Increase) / decrease in inventory	-	3	(3)	(24)	10	(34)	5	30	(25)
(Increase) / decrease in prepayment	-	3	(3)	74	12	62	73	35	38
Increase / (decrease) in revenue in advance	2,348	(344)	2,692	1,882	(1,653)	3,535	(1,956)	(1,950)	(6)
Increase / (decrease) in creditors and other payables	6,896	(426)	7,322	10,882	(1,703)	12,586	(4,021)	(5,110)	1,089
Increase / (decrease) in goods and services tax	9,179	7,976	1,202	8,892	7,835	1,057	684	1,122	(438)
Increase / (decrease) in employee entitlements (current)	5,864	(60)	5,924	8,047	(240)	8,287	(1,361)	(719)	(642)
Net movements in working capital	23,162	7,152	16,010	28,628	4,261	24,368	(6,596)	(6,592)	(4)
Net cash flows from operating activities (see Appendix C)	34,401	24,306	10,095	34,141	12,055	22,086	(20,385)	(17,418)	(2,968)