

Item: Finance Report for the month ending 31 August 2023

To: Executive Leadership Team (ELT)

For: ELT meeting 26 September 2023

Prepared by: Emma Gillard, Manager Finance & Administration

Recommendations

It is recommended that ELT:

1. **Note** that the total operating budget for financial year 2023/24 is \$134.193m with an expected deficit of \$11.308m.
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)
Surplus / (Deficit)	(15,830)	(17,582)	1,752	12,676	10,093	2,582	(14,153)	(11,308)	(2,846)

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.

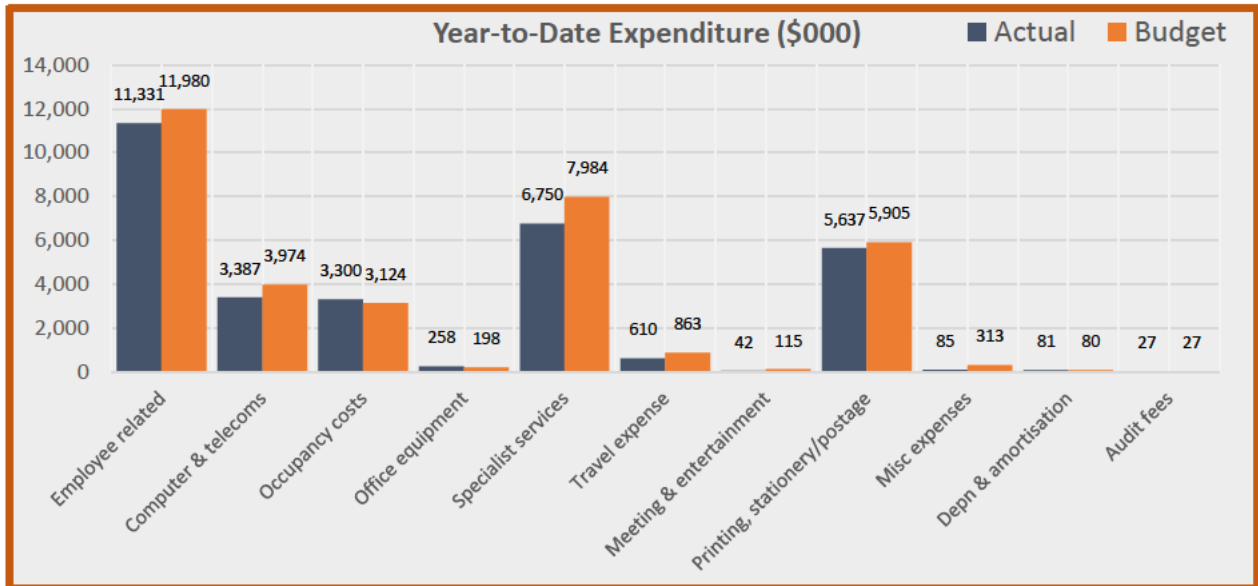
YTD Surplus is 26% higher than budget due to lower Expenditure (~9% lower than budget), however this is partly offset by lower Revenue (~1% lower than budget). The underspend is largely driven by the timing of advertising, publicity, archiving, and storage services in the GE event.

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.

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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)	-	-	-
Total Expenditure	16,074	17,943	1,869	31,506	34,563	3,056	137,038	134,193	(2,846)

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	-
Total Expenditure	15,945	17,596	1,651	31,178	33,520	2,342	133,648	130,803	(2,846)

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.

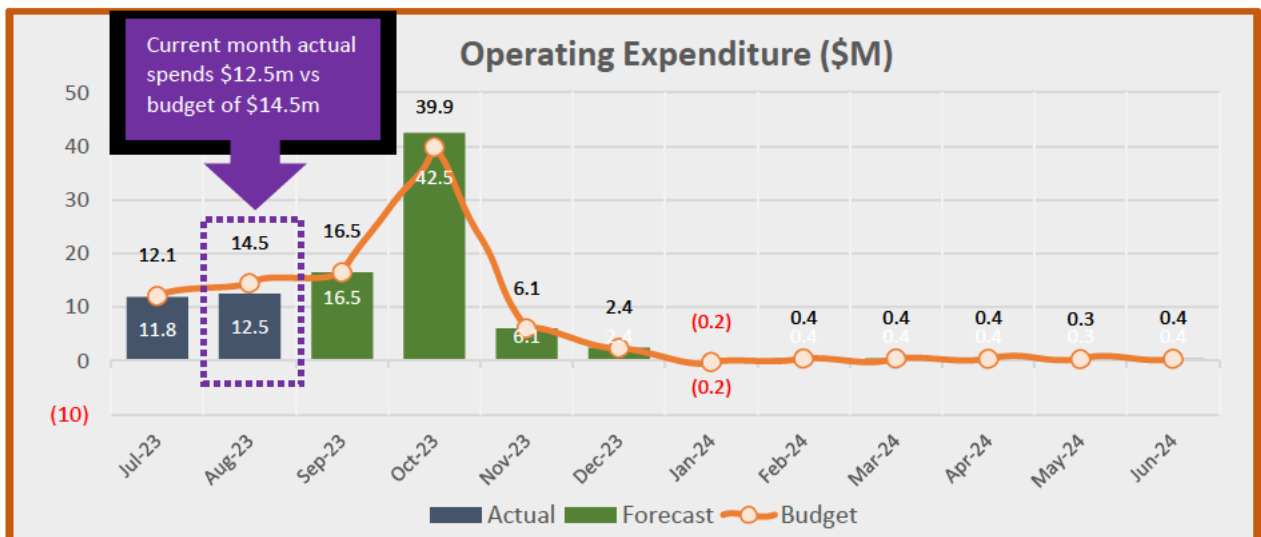
Event \$000	Current Month			Year-to-Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
EV1001 – GE2023	12,515	14,458	1,943	24,363	26,527	2,164	95,804	93,139	(2,666)
EV3000 – Representation Commission	-	-	-	-	-	-	200	200	-
EV4001 – MEO2023	128	27	(101)	653	749	96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

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, namely:

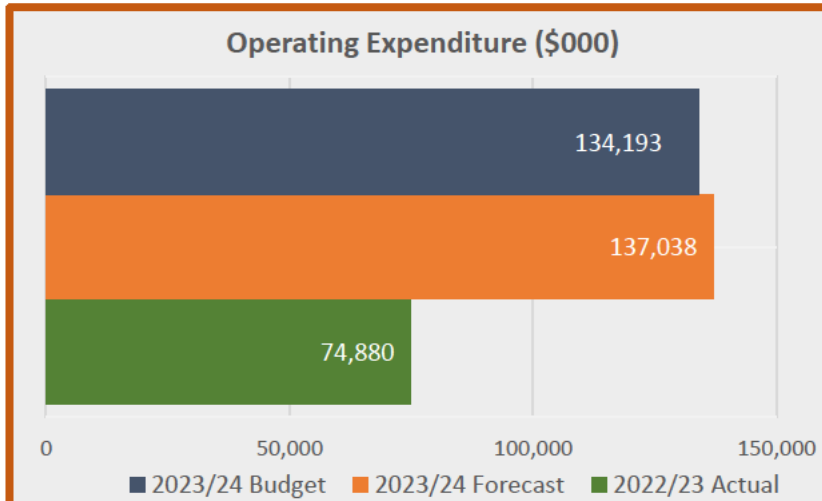
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Operating Expenditure \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Employee related expenses	7,346	7,732	386	47,854	47,854	-
Computer & telecommunications	2,803	3,427	624	4,576	4,576	-
Occupancy costs	3,039	2,734	(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	-
Total Expenditure	24,363	26,527	2,164	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.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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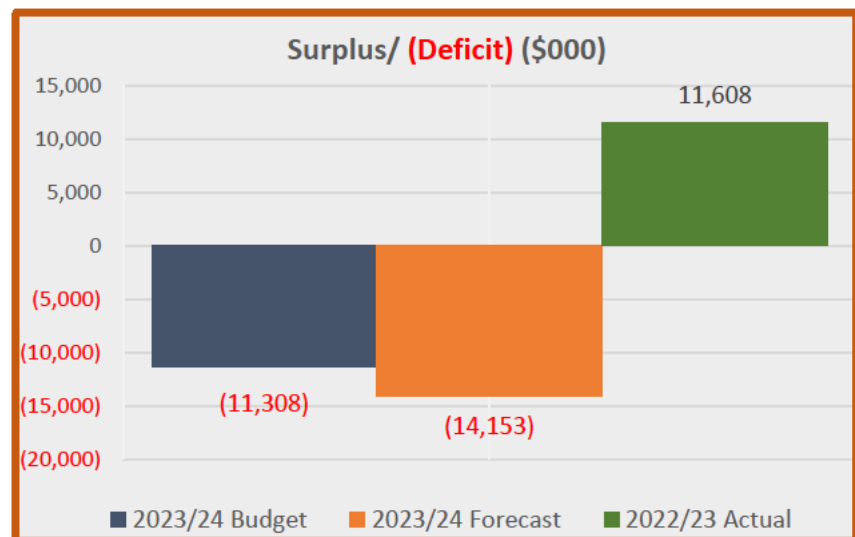
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[REDACTED]

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FY2024 Budget Risks

Budgeted closing reserves at 30 June 2024 are \$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 \$0.492m 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	\$492,000
Estimated contingency fund (in addition to minimum reserves of \$2.221m)	\$521,491

Discussion

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3. The forecast is set to commence by September this year and will be reviewed quarterly thereafter.