

**Item:** Finance Report for the month ending 31 October 2023  
**To:** Executive Leadership Team (ELT)  
**For:** ELT meeting 28 November 2023 (via email circulation)  
**Prepared by:** Emma Gillard, Manager Finance & Administration

## Recommendations

It is recommended that ELT:

- Note** that the total operating budget for financial year 2023/24 is \$134.193m with an expected deficit of \$11.308m.
- Note** that the 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 and the 9(2)(b)(ii)
- Discuss** budgeted costs that could be reduced or stopped during the period December to June 2024.

## 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)
<b>Surplus / (Deficit)</b>	<b>11,199</b>	<b>17,115</b>	<b>(5,916)</b>	<b>5,352</b>	<b>7,635</b>	<b>(2,283)</b>	<b>(14,267)</b>	<b>(11,308)</b>	<b>(2,959)</b>

- Total expenditure for the month of October, our biggest expenditure month, was (\$5.862m) unfavourable to budget. This is a significant variance and is largely due to higher-than-expected Field Staff costs, particularly the HQ, or support staff. More analysis is required to understand the drivers of the significant overspend in HQ's, and the duration of this overspend (November period shows a \$2m overspend in Field staff wages). Additional resources were required due to new processes introduced after the setting of the budgets, and delays to beginning vote counts were also contributors to the overspend, but these additional costs were not factored into the forecasts. There is also a timing difference variance due to Broadcasting Allocations payments being incurred earlier than expected resulting in \$500k unfavourable variance to budget.
- 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 87,300hours (9%) more worked than budgeted. Also contributing to the overspend is the unbudgeted costs to cover for the required security protocols and resilience.

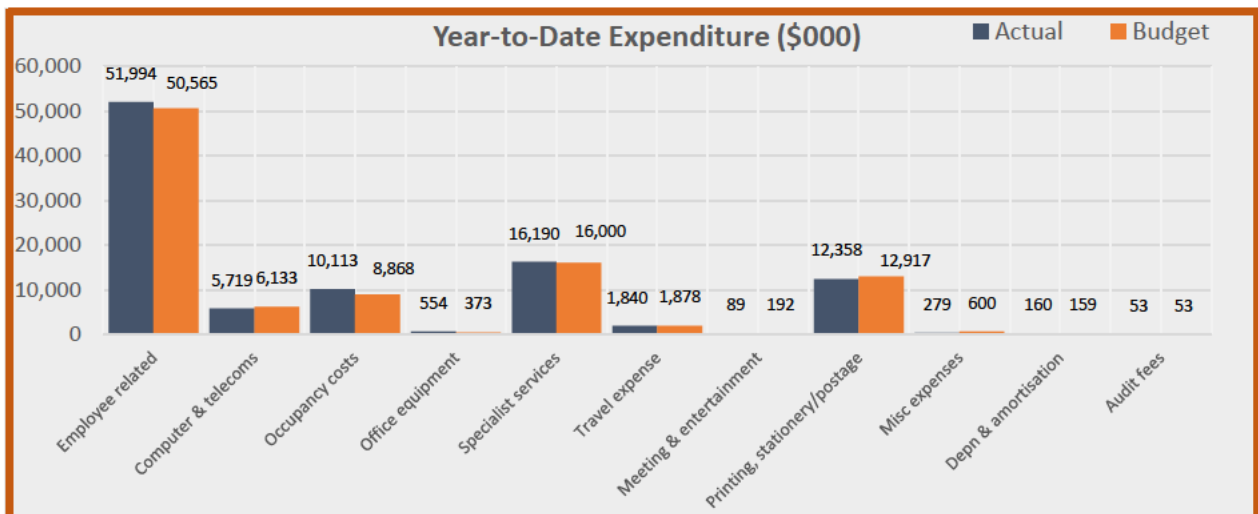
6. **Forecast** indicates that the Commission will end up with a deficit of \$14.267m which is approximately 26% higher than budget. Forecast is calculated based on FY24 budget plus \$2.845m approved funding request for unbudgeted operating expenditure. The forecast also includes \$0.378m unfunded costs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

9(2)(b)(ii)

9(2)(b)(ii)

### Year-to-Date Operating Expenditure

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



### Favourable variance

8. **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.
9. **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)
10. **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.

11. **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

12. **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.

13. **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.

14. **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	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>99,348</b>	<b>97,738</b>	<b>(1,610)</b>	<b>138,742</b>	<b>134,193</b>	<b>(4,549)</b>

15. 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).

16. Excluding EAF, INT & Broadcasting Allocation, the YTD overspend is \$2.098m. The 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)	70,681	69,656	(1,025)
Computer & telecommunications	5,716	6,124	408	8,474	8,023	(451)

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	19,482	18,902	(580)
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	-
<b>Total Expenditure</b>	<b>95,300</b>	<b>93,201</b>	<b>(2,098)</b>	<b>131,921</b>	<b>127,372</b>	<b>(4,549)</b>

## Operating Expenditure by Event

17. 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).

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

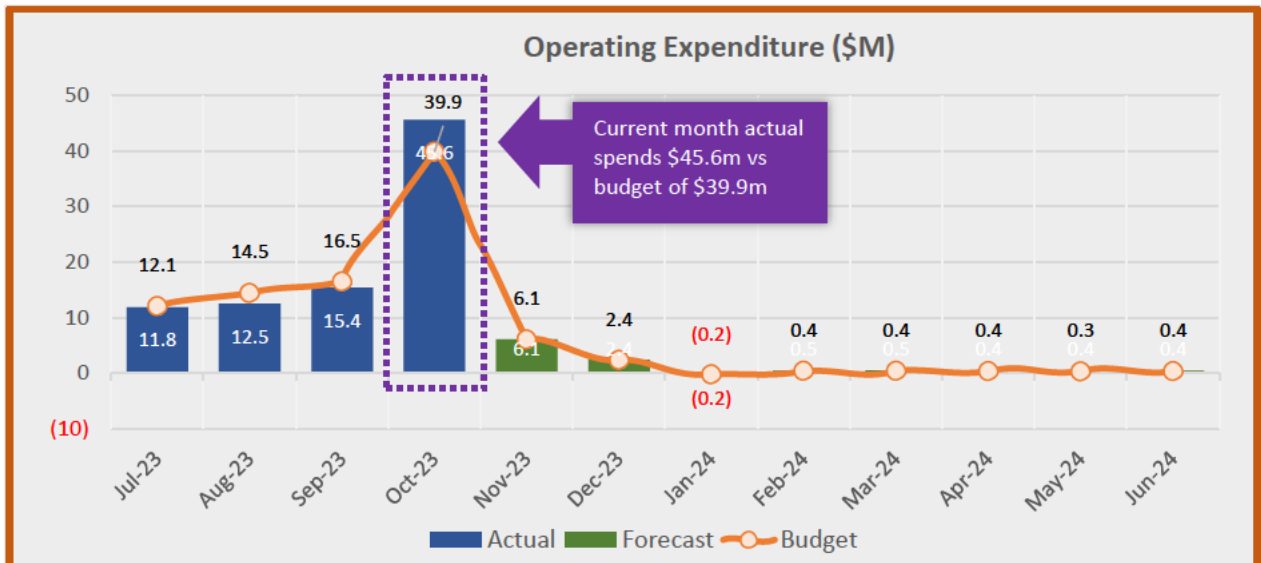
Event \$000	Year-to-Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
EV1001 – GE2023	85,404	82,902	(2,502)	95,640	93,139	(2,501)
EV2000 – By-Election	(1)	-	1	-	-	-
EV2001 – By-Election Port Waikato	86	-	(86)	1,968	-	(1,968)
EV3000 – Representation Commission	-	-	-	200	200	-
EV4001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

19. 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)
<b>Total Expenditure</b>	<b>95,300</b>	<b>93,201</b>	<b>(2,098)</b>	<b>131,921</b>	<b>127,372</b>	<b>(4,549)</b>

## General Election 2023

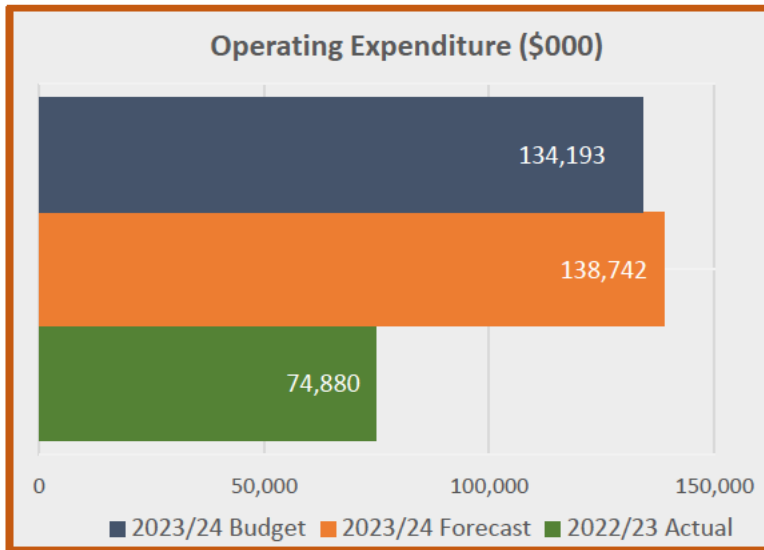
20. YTD operating expenditure is \$2.502m higher than budget, and forecast at year-end is tracking an overspend at similar level. The overspends are mainly due to more hours worked by field staff within Voting Services than anticipated (9% higher than budget).



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	-
<b>Total Expenditure</b>	<b>85,404</b>	<b>82,902</b>	<b>(2,502)</b>	<b>95,640</b>	<b>93,139</b>	<b>(2,501)</b>

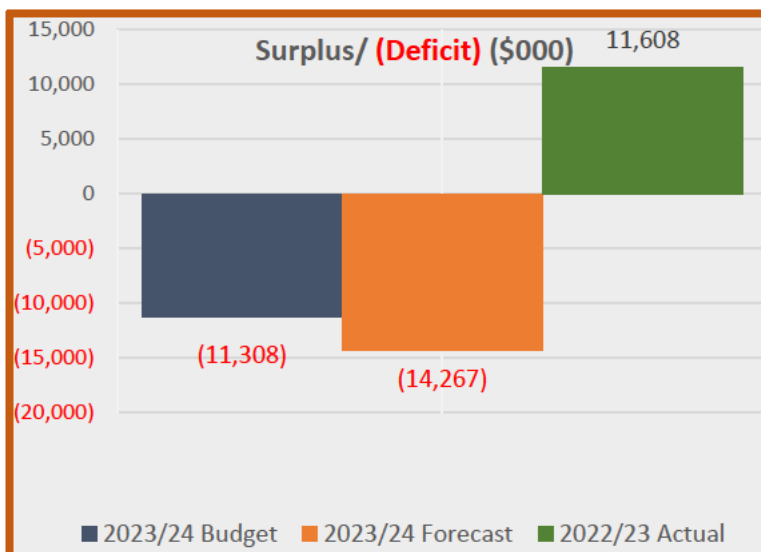
Expected overspend in GE event at year-end - \$2.501m

## Full Year Budget vs Forecast



21. 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.



22. 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, 9(2)(b)(ii)



## FY2024 Budget Risks

23. 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.
24. 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 for executive spend 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.
25. 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 as per the Boards instructions. It is important to recognise that any contingencies that were set aside during the budget process have been utilised to fund the unbudgeted but approved costs. Further overspends will put the Commission under significant financial pressure, and a forecast review process is underway to identify possible savings.
26. 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 (See para 6)	(\$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	-
<b>Estimated contingency fund (in addition to minimum reserves of \$2.221m)</b>	<b>\$29,491</b>

## Discussion

27. The total operating budget for financial year 2023/24 is \$134.193m with an expected deficit of \$11.308m.
28. 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).
29. To ensure we finish the year with reserves at least at the Board approved minimum level of \$2.221m, ELT needs to discuss what areas of spend that are budgeted for over the next 7 months that we can reduce or stop. These areas could include recruitment for current or new vacancies, travel, and advertising. Work is currently underway to understand our people costs, including future needs and how this compares to our budget for our permanent and fixed term people. This will be reported on in January 2024.