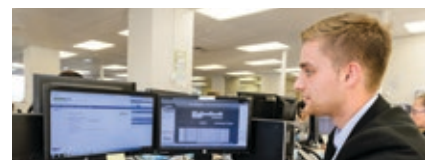
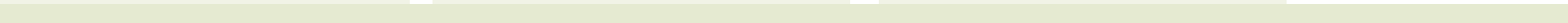
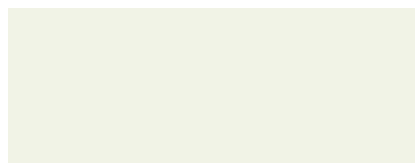
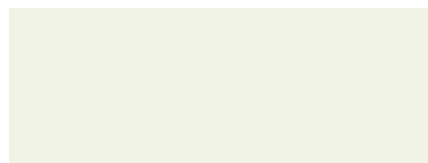
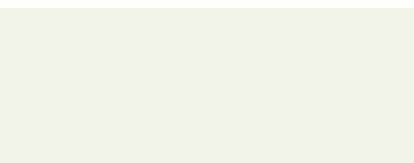


Statement of Intent

2016–2020




EDUCATION PAYROLL
LIMITED



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2016–2020

EDUCATION PAYROLL LIMITED

STATEMENT OF INTENT

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CHAIR'S FOREWORD

This Statement of Intent sets out our strategic intentions for the next four years.

I am pleased to present Education Payroll Limited's (EPL) Statement of Intent (SOI) for 2016–2020.

Since the transition of the Novopay payroll service to EPL there have been significant improvements in the delivery of schools' payroll service. The payroll has been working well for some time now and every fortnight EPL makes sure schools' payrolls are delivered, and teachers and support staff are paid the right amount on time.

In 2016 and beyond EPL will be looking to ensure that the service is sustainable for the long term and continues to meet the requirements of schools and the Ministry in the short term. We are focused on improving the experience and value for customers. EPL aims to make the payroll service more efficient for schools so that they spend the least time possible in administering the payroll.

Shareholding Ministers have indicated that they expect EPL to:

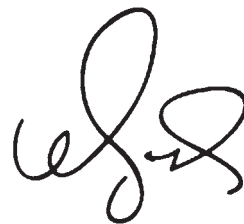
- deliver a reliable, accurate and efficient payroll service to schools;
- develop/change the service model to better serve schools;
- improve the efficiency of the schools payroll while maintaining or increasing service levels;
- continue to work to build a financially sustainable company; and
- improve the material state of EPL assets and the overall sustainability.

EPL is well on the way to delivering on these expectations. This includes the adoption of the *Better Every Day* continuous improvement approach, initially focused on a school focused service delivery model, the development of a Detailed Business Case to ensure a sustainable payroll service, and improvements to technology to ensure the ongoing performance of the payroll system.

The Board is accountable to EPL's Shareholding Ministers (the Minister Responsible for Novopay and the Minister of Finance) as set out in the Crown Entities Act 2004. This SOI shows how EPL will fulfil its statutory requirements under that Act. It sets out a picture of the results EPL seeks to achieve and how we will measure progress towards those results. ■■■



Dame Patsy Reddy
Chair
Education Payroll Limited



Murray Jack
Chair of Audit and Risk Committee
Education Payroll Limited

WHO WE ARE

EPL provides accurate, reliable and timely school payroll services on behalf of the Ministry of Education.

The schools' payroll is the largest payroll in New Zealand.

We pay around 90,000 schools' employees (principals, teachers and support staff) in 2,500 schools every fortnight. Approximately \$170 million is paid each pay period. At \$4.4 billion per annum, this comprises almost five per cent of government expenditure.

EPL is a Crown company incorporated on 27 August 2014. Ownership is held between two shareholding Ministers, the Minister Responsible for Novopay and the Minister of Finance. EPL is governed by a Crown appointed Board of Directors. 

EPL VALUES

We are committed to our customers

Quality is everyone's responsibility

We back each other to win

We learn and improve continually

We trust and respect each other

WHAT WE DO

EPL acts as the central payroll service for schools. Every fortnight we make sure schools' payroll is delivered and teachers and support staff are paid the right amount on time.

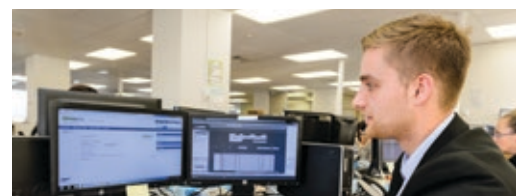
EPL's purpose is to provide a schools payroll service to schools on behalf of the Ministry of Education that ensures school payroll information and entitlements are accurately recorded, school staff are paid correctly and on time, and payroll information is easily accessible to both schools and the Ministry.

We enable the Secretary of Education to meet the payroll obligations set out in section 89 of the Education Act 1989.

EPL have a Service Agreement with the Ministry of Education to deliver payroll with a high degree of accuracy and support with schools receiving a range of reports on schools payroll activity.

Our services include:

- Providing guidelines and communications to schools to assist them in fulfilling their payroll responsibilities,
- Processing pay instructions received from school payroll administrators,
- Answering questions from schools about Novopay,
- Providing reports to schools on payroll activity,
- Providing instructions for direct crediting of payroll,
- Providing employees with a payslip,
- Maintaining individual and schools payroll records,
- Providing instructions for payments to third parties involved in payroll, such as IRD and ACC,
- Recovery of overpayments,
- Conducting salary assessments, and
- Processing of periodic payroll events. ■■■



HOW WE WORK

Our school-centric services are delivered from Wellington and Christchurch.

EPL provides a centralised school-centric school payroll service but important aspects of the wider payroll environment are decentralised across individual schools around the country.

School boards of trustees are the employers of the staff in those schools. Principals, who are accountable to these boards of trustees, are responsible for the day-to-day functioning of each school, including payroll administration.

The Wellington Service Centre contains a Pay Centre and Service Desk. Our corporate, information technology, and executive functions are also based in Wellington.

The Christchurch Service Centre contains a Pay Centre, Salary Assessment Unit and Debt Management Unit.

One of our primary relationships is with principals and their payroll administrators. We engage with

about 6,500 registered payroll administrators around the country. They provide the accurate and timely information to allow us to properly process pay instructions.

We acknowledge and value the diversity of schools we work with and the differences in their operational processes. These differences underscore the importance of our guidance material and timely communications to schools. These must be delivered in a way that assists those schools to fulfil their payroll responsibilities.

Our second significant relationship is with the Ministry of Education. The Ministry is responsible for monitoring our service performance in accordance with the Services Agreement.

Everything we do is based on our EPL values, which emphasise a healthy culture within the organisation and valuing our customers across the education sector. ■■■



OUR CONTEXT

Education is a key area of emphasis for the Government.
Delivering a reliable, timely and accurate payroll is fundamental to the proper functioning of schools.

The delivery of the schools' payroll is a complex undertaking because each school's payroll is unique. The characteristics of the payroll mean every fortnight we deliver around 2,500 individual payrolls – one for each school.

The complexity and uniqueness can be illustrated by the following factors:

- Payroll is determined in part by 14 different collective agreements with a variety of different entitlements across those agreements,
- Teachers are paid from two different sources, the schools operating grant and teachers' salaries, sometimes at the same time,
- Schools can save or 'bank' staffing entitlements to use at a later date (known as 'banking staffing'),
- Staff receive a single consolidated pay slip regardless of how many schools they work for in a pay period,
- Service is accumulated at the individual employee level even though, in effect, they are employed, on a day-to-day basis, by individual schools,
- There are 1,500 possible unique rates of pay across those 14 collective agreements culminating in 10,000 possible permutations in each pay run, and

- Around 13% of employees need some pay change every fortnight.

Schools' payroll delivery requires significantly more attention during a period from October to March each year, called End of Year/Start of Year (EoY/SoY). This is when over 40% of school employees require changes to their payroll records.

EPL is committed to delivering good outcomes for our stakeholders. We want to work closely with the schools, the sector agencies and associations that support them.

EPL's four key stakeholder groups are:

- Our shareholders – the Minister Responsible for Novopay and the Minister of Finance,
- The Ministry – on behalf of whom we provide payroll services to school boards of trustees,
- School boards of trustees – the employers of teaching and support staff across New Zealand's schools,
- School employees – who expect to be paid accurately and on time. ■■■

OUR STRATEGIC INTENT

Opportunities exist to further improve our service to the education sector. EPL will continue to implement a series of changes to provide a better service to our customers.

EPL places a significant emphasis on the delivery of our core payroll activities to the education sector and we do this in the context of the key priorities set by our Shareholding Ministers. These priorities include:

- delivering a reliable, accurate and efficient payroll service to schools,
- developing/changing the service model to better serve schools,
- improving the efficiency of the schools' payroll while maintaining or increasing service levels,
- continuing to work to build a financially sustainable company that can operate within contract terms agreed with the Ministry while delivering value for money to the Crown,
- improving the material state of EPL assets and the overall sustainability in the short- to medium-term including remediation of key functions, reduction of higher operational risk, and achievement of cost efficiencies,
- completing the work funded by the retention of capital charge funding by the end of the 2016/17 financial year, and
- completing a Detailed Business Case for change.

Taking the above into account there are four key themes that underpin the focus of the company. These are:

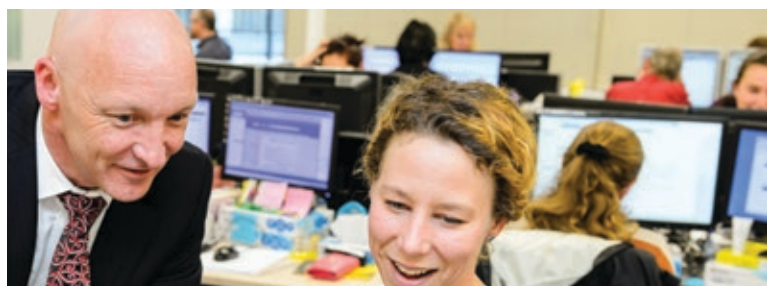
- Sustainable Business,
- *Better Every Day* approach to Continuous Improvement,
- Valuing our Customers, and
- Engaging our People.

SUSTAINABLE BUSINESS

Towards a Cost Effective and Sustainable Payroll Service

EPL has completed a strategic review to set a direction that will ensure sustainability in the long term while enabling the specified requirements of the Ministry and schools to be met in the short term. As part of the strategic review an Indicative Business Case (IBC) was prepared and approved by shareholding Ministers in April 2016. The IBC focused on three areas:

- Long-term sustainability,
- Accuracy and compliance,
- Achieving efficiencies and improving the user experience.



Work is underway to develop a Detailed Business Case (DBC) for the ongoing investment in the education payroll service, based on options recommended in the IBC. It is expected that the DBC will be submitted to shareholding Ministers in July 2016.

EPL will also support the Ministry to develop a clear understanding of the costs and benefits of simplifying collective agreements.

TECHNOLOGY IMPROVEMENTS

Our technology systems underpin the ongoing performance of our payroll service. Given that the effective and efficient operation of EPL is dependent on its systems, significant work has been and will continue to be undertaken to ensure the systems operate within an appropriate degree of risk. This includes:

- Ensuring critical ICT infrastructure risks are addressed and improvements made to disaster recovery and business continuity planning.
 - Disaster Recovery Testing – conduct complete end to end disaster recovery testing.
- Ensuring IT applications supporting payroll operations and critical risks are addressed.
 - Alesco Performance Stability and Monitoring – improve the payroll processing performance and stability within the Novopay system.
- Improving the system to resolve system and process issues, remove manual workarounds and reduce re-work.
 - End of Year/Start of Year Technology Improvements – reduce functional and performance issues and risks for this event,
 - Terminations – improve processes for termination calculations and payments,
 - Leave Phase 2 – improve processes in relation to leave bookings and Long Service Leave entitlements,
 - Attestation reporting – enhance functionality to improve attestation processes for calculation and payment of salary increments.

Success will deliver:

- A sustainable infrastructure environment that improves the resiliency and supportability of our Novopay environment, extend the life of our systems and improve our pay-run timings,
- A lower risk profile, and
- Improved assurance that our functional capability can support the operations of the schools' payroll.

BETTER EVERY DAY

In 2015 EPL adopted the State Service Commission's *Better Every Day* continuous improvement approach, a method for delivering change successfully. This approach involves all employees and education partners in improving customer value.

It is a key theme to how the company works and the Senior Leadership Team are leading this continuous improvement approach in everything we do.

To do this successfully, and to meet the needs of our customers, we need to ensure this approach is integrated across our people, processes, information and technology. We are increasing our level of understanding of our customers' needs and our performance from the customers' perspective so that we know what improvements will make a big difference to our customers.

We are looking at the best way to interact with schools to deliver our services.

As part of the *Better Every Day* approach we are working closely with the sector, and the users of our service, to really understand what our customers want.

We have trialled an account management focused model. The schools involved have experienced significant improvements in the service, and we have already seen improved value for money and better results from the services we provide.

OUR STRATEGIC INTENT continued

Through *Better Every Day* we will be improving our operational effectiveness by focusing on flow and removing failure through the following initiatives:

- School Centred Service Delivery Model – move to a school centric delivery model through the realignment of our resources. By increasing the capability of our frontline staff and allocation to schools we are better able to transfer capability and reduce failure and re-work.
- Online Uptake Improvement – undertake the ‘understand’ phase to understand what additional capability is needed within EPL and across the sector to increase the usage of Novopay Online, and implement change as required.
- Efficiency of Debt Management and Recovery – undertake the ‘understand’ phase to support improvement to how we deliver debt management and recovery services, and implement those decisions.

Success will deliver:

- A more positive experience for schools when interacting with the schools’ payroll which will be evidenced by an improved customer satisfaction score.
- Improved capability within EPL and improved capability at schools which will be evidenced by a reduction in re-work and waste, including debt and improved end to end times.
- A more engaged workforce at EPL which will be evidenced by an improved staff engagement score.
- Reduction in re-work and waste by both schools and EPL which will be evidenced by a reduction in inefficiencies including debt.

VALUING OUR CUSTOMER

Our new school-centric approach is at the heart of everything we do. EPL are committed to continually improving the service we offer our customers. We aim to deliver a timely and responsive customer service that meets our customers’ needs.

In 2015/16 we had the best End of Year / Start of Year ever, and feedback from the education sector shows that they have noticed the improvements we are making.

Our focus is on our everyday service improvements. In 2016, EPL introduced regular Customer Satisfaction Surveys with authorised users of the schools’ payroll. The feedback from these surveys will help us understand some of the key issues and critical requirements for service and support expected of Education Payroll.

We are working towards delivering an improved service experience, and therefore increased accuracy. Early initiatives will include:

- Novopay Online Improvements – develop options for improving the service experience to users, including quick wins to reduce errors, and
- Payslip Improvements – improve the information on employee’s payslips.

Success will deliver:

- A more positive experience for schools when interacting with the schools’ payroll,
- Better information provided to schools about the payroll, and
- Increased satisfaction, through the customer satisfaction survey, with schools’ overall experience working on the payroll. ■■■

ASSESSING OUR PERFORMANCE

EPL has a clear focus on providing an accurate, reliable and timely payroll. We measure and evaluate our performance on how well we are delivering the payroll and our work programme.

Our Statement of Performance Expectations provides measures and targets for the year ending 30 June 2017. These are outlined below:

PERFORMANCE MEASURE	DESCRIPTION	STANDARD
ACCURACY		
All payments to eligible payees (permanent and temporary employees) will be accurately calculated.	% of employees paid excluding requests made, by exception, to correct payments to employees.	99.5%
Operational accuracy of the fortnightly payroll.	% of accurate payroll instructions submitted by a school, which are received on time and processed by EPL, within the appropriate pay period, excluding requests made, by exception, to correct payments to employees.	99.5%
TIMELINESS		
Timely processing of payroll instructions submitted by schools.	% of accurate payroll instructions submitted by a school that affect the fortnightly pay and are displayed on the school's fortnightly payroll report, as expected by the school, and processed by EPL within the appropriate pay period.	99.5%
Percentage of payroll payments made on or before advised pay dates.	Bank files are provided on the day expected to enable payments to be made.	99.5%
QUALITY		
Customer satisfaction	% of survey respondents satisfied with the overall quality of the service delivery and support they receive from EPL.	60%

We have also agreed with the Ministry, through the Services Agreement, a set of service levels which assesses our performance against the agreed services provided by EPL. 

ENGAGING OUR PEOPLE

EPL is attracting, developing and retaining staff with the capability needed to achieve high quality results for all our customers.

As EPL continues on a pathway of improvement for our customers, we also continue the focus on our people. This includes:

- Building a high performing culture,
- Capability development,
- Supporting our leaders, and
- Employee engagement.

GROWING OUR PEOPLE

We continue to embed our new organisational structure by ensuring strong governance processes are in place and everyone understands their roles, accountabilities and responsibilities.

EPL is investing in developing our leaders as they drive improvements and productivity gains. A key area where it has invested in its people is in the Leadership Team. These staff have enjoyed the benefits of Ministry of Social Development Management Development Programme.

EPL continues to increase the capability of its staff and improve its business processes through the State Service Commission's *Better Every Day* approach to continuous improvement.

CULTURE AND STAFF ENGAGEMENT

EPL continues to improve and steadily build on culture and staff engagement.

To measure success a staff engagement survey was implemented in 2015. This enabled EPL to benchmark our current state and to measure improvements in the future. From these results we have identified three key focus areas:

- Developing our people,
- Recognising our people, and
- Hearing our people.

We have action plans in place to enhance engagement in these key areas of the organisation.

In 2016 we are improving staff communications with the introduction of an intranet, staff newsletter and feedback channels for all staff. We are also developing a comprehensive staff induction programme for new staff to ensure our new staff are integrated fully into EPL.

We are aiming to continually improve our staff engagement results.

TALENT MANAGEMENT STRATEGY

In 2016/17 EPL will develop a talent management strategy to ensure we have the right people with the right skills in place to meet our current and future business needs.

In 2016 we strengthened our performance planning and review process. For future performance years, our approach is to have performance measures with a greater line of sight to the Services Agreement, so staff are focused on achieving the results that really matter.

All staff have professional development plans in place and we are building our skills database. We will continue to build on capability requirements and improvements at individual and team levels.

We continue to embed the outcomes of the 2015 job evaluation and remuneration review, which developed a framework for a long term remuneration and benefits strategy.

HEALTH, SAFETY AND WELLNESS

EPL takes the obligation for the health, safety and wellness of its people seriously. The effective delivery of our health and safety programme requires everyone to accept personal responsibility for health and safety. We are ensuring our policies and procedures support the health, safety and wellness of our staff and our EPL Health and Safety Committee meets regularly.

With the introduction of the new health and safety legislation, EPL reviewed its policies to ensure that it had in place effective management of its health and safety risks, this included having an independent hazard management assessment. We have put in place clear management accountabilities, ensured staff are engaged around key health and safety issues, and are developing a culture of shared accountability.

EPL have partnered with external organisations for specific health and wellness initiatives.

We will continue to build appropriate systems and resources to meet our health, safety and wellness objectives.

EEO

EPL is committed to being a good employer, providing an environment where employees feel valued and are respected, where difference is celebrated and diversity encouraged. Our leaders are at the heart of making this a reality. To support them we have put in place policies, procedures and guidelines to assist leaders in recruiting, on boarding, and developing their staff. ■■■



TECHNOLOGY

As a provider of payroll services, technology underpins many of our core business processes and is a fundamental enabler of the services we provide to schools.

In the 2014/15 Annual Letter of Expectation for EPL shareholding Ministers expected EPL to give attention to a roadmap that ensures our core ICT systems are stable, supportable and sustainable for the long term. This has been undertaken through the presentation of the IBC and continues with the development of the DBC.

EPL's technology focus is on improving the material state of EPL assets and overall sustainability in the short-to medium-term including remediation of key functions, reduction of operational risk, and achievement of cost efficiencies.

We are working internally to explore how new technologies can be leveraged to bring greater efficiencies to our work processes and better experience to our users. Video conferencing, as an example, has provided EPL with the ability to bring together our remote staff, working collaboratively in a media rich environment.

Automating reports for audits has helped reduce the time it takes our audit team to produce reports and reduces risk of manual errors. Similarly, application of new features on the pay centre telephone system will help ensure a better customer experience and more efficient handling of pay instructions.

We have completed some work on privacy and security already and we are planning more for the year ahead. We are aligning our practices to New Zealand Information of Security Manual standards. EPL has projects underway that will further address areas highlighted in our security audit and privacy impact assessments (PIA). These include:

- Technology Security Project – refresh the border protection firewalls at our data centres to improve our security profile and reduce cyber security risks, and
- PIA Recommendations – develop a roadmap and implement the recommendations arising from the PIA undertaken in early 2016. ■■

MANAGING RISK

EPL recognises that managing risk is an integral part of good governance and management.

EPL identifies and manages all material risks, both financial and non-financial across strategic, operational and project environments.

We have developed an enterprise-wide risk management framework, based on good risk management practice.

The EPL Board and the Senior Management Team regularly review and evaluate strategic and emerging risks and ensures that the company is taking appropriate actions to mitigate these. Risks are reviewed on a regular basis at EPL's Audit and Risk Committee, which is chaired by board member Murray Jack. ■■



APPENDIX ONE – CORPORATE INFORMATION

Incorporated in 2014 under the Companies Act 1993, EPL is a Crown-owned company, listed on Schedule 4A of the Public Finance Act 1989 and subject to the Crown Entities Act 2004, the Official Information Act 1982, the Ombudsmen Act 1975 and the Public Finance Act 1989.

Its shareholders are the Minister Responsible for Novopay and the Minister of Finance, who each hold 50% of the issued share capital. 

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