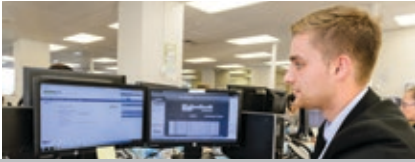
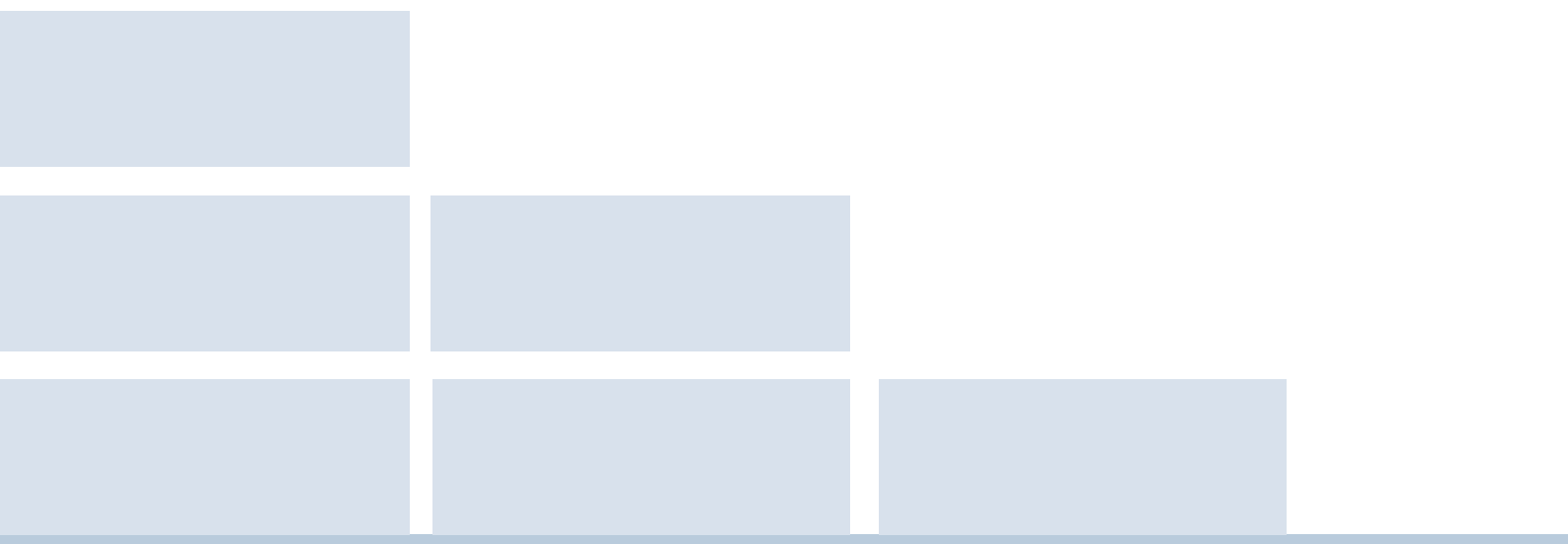


Statement of Performance of Expectations

2016/17





Published in June 2016
Education Payroll Limited
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2016/17

EDUCATION PAYROLL LIMITED

**STATEMENT OF PERFORMANCE
OF EXPECTATIONS**


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STATEMENT OF PERFORMANCE EXPECTATIONS

This statement outlines the performance expectations of Education Payroll Limited (EPL) for the year ending 30 June 2017, covering both service performance and the prospective financial statements.


This Statement of Performance Expectations should be read in conjunction with EPL's 2016 Statement of Intent (SOI), which provides more information about our operating environment and sets out our key objectives.

Progress towards achieving our performance expectations will be reported in EPL's 2017 Annual Report. 

WHO WE ARE

EPL is a Crown company established to provide accurate, reliable and timely school payroll services on behalf of the Ministry of Education. Ownership is held between two Shareholding Ministers: the Minister Responsible for Novopay and the Minister of Finance.

Our schools' payroll is the largest 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.

We are responsible for all payroll processing, third party and customer service functions and all operational relationships. EPL have a Services Agreement with Ministry of Education to deliver payroll with a range of reports on schools' payroll activity. 

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

SERVICE PERFORMANCE EXPECTATIONS

EPL delivers one output which is the effective delivery of payroll services to end users. EPL has a clear focus on providing an accurate, reliable and timely payroll. The measures below help us assess how well we are delivering the payroll.

Our performance expectations provide measures and targets for the year ending 30 June 2017.

DELIVERING THE FORTNIGHTLY PAY

Our day-to-day focus is to deliver the fortnightly pay to teachers and support staff correctly and on time. This involves a substantial portion of our workforce from our Service Centre staff entering payroll

instructions and answering queries from schools, to our Technology staff supporting the running of the pay ensuring the system is maintained to required standards.

The prospective financial statements represent the revenue and expenses for the output.

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%

PROSPECTIVE FINANCIAL STATEMENTS

The prospective financial statements have been developed for the purpose of fulfilling EPL's obligations under Crown Entities Act 2004, to table a Statement of Performance Expectations before Parliament. It is important to note that the forecast financial statements are estimates based on available information at the time of publication and contain inherent uncertainties. Actual financial results achieved for the forecast period is likely to vary from information presented and the variations may be material.

In issuing the financial statements, the Board of EPL acknowledges its responsibility for the information presented, including the appropriateness of the assumptions used. The Board also acknowledges its responsibility for establishing and maintaining a system of internal control that is designed to provide reasonable assurance as to the integrity and reliability of EPL's performance and financial reporting.

These prospective financial statements are issued as at 16 June 2016 and based on information available at the time.



Dame Patsy Reddy
Chair
Education Payroll Limited



Murray Jack
Chair of Audit and Risk Committee
Education Payroll Limited



PROSPECTIVE FINANCIAL STATEMENTS

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE & EXPENSES FOR THE PERIOD ENDED 30 JUNE 2017

Period ended 30 June 2017	Notes	Forecast \$000 FY16/17	Budget \$000 FY15/16	Forecast \$000 FY15/16
Revenue from exchange transactions				
Sales of Services to Government	4	24,637	27,132	27,479
Total Operating Revenue		24,637	27,132	27,479
Expenses				
Personnel Expenses		8,462	9,990	9,434
Third Party Support		5,702	7,580	7,952
Corporate Expenses		568	702	779
Auditor's Remuneration		43	40	41
Directors' Fees		108	54	108
Travel & Entertainment		156	55	79
Accommodation & Facilities		860	969	904
ICT Costs		4,919	4,702	4,894
Depreciation & Amortisation		3,927	3,529	3,408
Other Costs		0	0	0
Total Operating Expenses		24,745	27,621	27,599
Finance income				
Interest Received		120	58	94
Finance expenses				
Interest Expense		12	34	25
Total Finance Costs		108	24	69
Total deficit/surplus for the period		0	-465	-51
Total comprehensive income		0	-465	-51

Major variations in the level of operating revenue and expenditure between 2015/16 and 2016/17 are explained below.

Revenue: Revenue received through the Services Agreement with the Ministry of Education reduces from \$27.131 million in 2015/16 to \$24.637 million in 2016/17.

Expenditure: Expenditure in 2016/17 reduces from 2015/16 levels to reflect the corresponding revenue reduction.

Reduced overall expenditure is achieved due to significant one-off costs in 2015/16 which are not expected in 2016/17.

One-off costs related to the Leave Project and the development of the Detailed Business Case for on-going investment in the education payroll service.

The accompanying notes should be read in conjunction with these financial statements.

PROSPECTIVE FINANCIAL STATEMENTS

PROSPECTIVE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

As at 30 June 2017	Notes	Forecast \$000 FY16/17	Budget \$000 FY15/16	Forecast \$000 FY15/16
Current Assets				
Cash and Cash Equivalents		7,797	4,458	6,049
Receivables from Exchange Transactions	6	0	2,600	0
Prepayments		733	603	1,047
Total Current Assets		8,530	7,661	7,096
Non-Current Assets				
Property, Plant and Equipment	11	999	1,964	1,542
Intangible Assets	15	17,437	16,908	17,970
Work In Progress		500	1,842	2,000
Total Non-Current Assets		18,936	20,714	21,512
Total Assets		27,466	28,375	28,608
Represented by				
Current Liabilities				
Accounts Payable		0	2,039	1,500
Finance Lease Liability (Current Portion)	7	112	216	216
Accruals and Payables	18	2,587	636	766
Employee Entitlements		550	262	490
Total Current Liabilities		3,249	3,153	2,972
Non-Current Liabilities				
Finance Lease Liability (Term Portion)	7	–	112	112
Total Non-Current Liabilities		–	112	112
Net Assets		24,217	25,110	25,524
Shareholders' Funds				
Capital Contributions		24,217	25,575	25,575
Comprehensive Income for the Year		0	(465)	(51)
Total Shareholders' Funds		24,217	25,110	25,524

The accompanying notes should be read in conjunction to these financial statements

PROSPECTIVE FINANCIAL STATEMENTS

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2017

	Forecast \$000 FY16/17	Budget \$000 FY15/16	Forecast \$000 FY15/16
Opening Balance			
Movements:			
Capital Contributions	24,217	25,575	25,575
Total Comprehensive Income for the Year	0	(465)	(51)
Balance as at 30 June	24,217	25,110	25,524

The accompanying notes should be read in conjunction to these financial statements

PROSPECTIVE FINANCIAL STATEMENTS

PROSPECTIVE STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2017

Period ended 30 June 2017	Forecast \$000 FY16/17	Budget \$000 FY15/16	Forecast \$000 FY15/16
Cashflows from Operating Activities			
Receipts from Sales of Services for Government	28,833	29,151	31,601
Receipts from Interest Received	120	58	94
	28,453	29,209	31,695
Payments to Suppliers	14,534	14,336	16,030
Payments to Employees	8,894	9,790	9,460
	23,428	24,126	25,490
Net Cash Inflows from Operating Activities	5,025	5,083	6,205
Cashflows from Investing Activities			
Receipts	–	–	–
Payments:			
Purchase of Fixed Assets	4,000	4,000	3,508
	4,000	4,000	3,508
Net Cash Outflows from Investing Activities	(4,000)	(4,000)	(3,508)
Cashflows from Financing Activities			
Receipts:			
Proceeds from Capital Contributions			
Payments:			
Repayments of Borrowings	228	205	228
	228	205	228
Net Cash Inflows from Financing Activities	(228)	(205)	(228)
Net increase in Cash and Cash Equivalents	797	878	2,469
Cash and Cash Equivalents at Beginning of Period	7,000	3,580	3,580
Cash and Cash Equivalents at the End of the Period	7,797	4,458	6,049
Represented by:			
Cash at Bank	7,797	4,458	6,049
	7,797	4,458	6,049

The accompanying notes should be read in conjunction to these financial statements

NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Education Payroll Limited (EPL), is a limited liability company incorporated on 27 August 2014. EPL was formed following a decision to transfer ownership and management of the schools' payroll service from Talent2 to a new government-owned company. The new company commenced operations on 17 October 2014 and resides in New Zealand under the Companies Act 1993. It is a Crown entity as defined by the Crown Entities Act 2004 and listed in Schedule 4A of the Public Finance Act 1989.

EPL's purpose is to provide a payroll service to the Ministry of Education that ensures school payroll information and entitlements are accurately recorded, school staff paid correctly and on time, and payroll information is easily accessible to both the schools and the Ministry of Education. As such, EPL's principle aim is to provide services to the public, rather than make a financial return.

Accordingly, EPL is designated as public benefit entity (PBE) for the purposes of New Zealand equivalents to International Financial Report Standards (NZ IFRS).

The Crown does not guarantee the liabilities of EPL in any way.

2. STATEMENT OF COMPLIANCE

The prospective financial statements are for the year ended 30 June 2017. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") as it relates to prospective financial statements. They comply with New Zealand Financial Reporting Standard No. 42 – Prospective Financial Statements.

The financial statements of the Company comply with Public Benefit Entity (PBE) standards and have been prepared in accordance with Tier 1 PBE standards.

3. PRESENTATION CURRENCY

The prospective financial statements are presented in New Zealand dollars, all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions is presented in income relating to payroll services provided by the Ministry of Education.

5. FOREIGN CURRENCY TRANSACTION

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in surplus or deficit.

6. RECEIVABLES

Accounts receivable are recognised at fair value. A provision for impairment of accounts receivable is made where there is objective evidence that EPL will not collect all amounts due according to the original terms of the receivable. When this occurs, the receivable is recorded at amortised cost, less provision for impairment. When the receivable is uncollectible, it is expensed in the Statement of Comprehensive Revenue and Expenses.

7. LEASES

Operating Lease

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Finance Lease

Finance leases are where EPL assumes substantially all the risks and rewards incidental to the ownership of the asset. The lease period is usually for a substantial period of the useful life of the asset. Items leased under a finance lease are recognised as assets, with associated liabilities and depreciated over the life of the lease.

8. CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when EPL becomes a party to the contractual provisions of the financial instrument.

EPL derecognises a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when the rights to receive cash flows from the asset have expired or are waived, or EPL has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:

- EPL has transferred substantially all the risks and rewards of the asset; or
- EPL has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

10. LOANS AND RECEIVABLES

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost less any allowance for impairment.

11. PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment asset classes consist of office equipment, furniture & fittings, ICT equipment & leasehold improvements.

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes consideration given to acquire or create the asset and any directly attributable costs of bringing the asset to working condition for its intended use.

The cost of an item of property, plant and equipment is only recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to EPL and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, the asset will be recorded at fair value at the date of acquisition when control of the asset is obtained.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to EPL and the cost of the item can be measured reliably.

The costs of servicing property, plant and equipment are recognised in the Statement of Comprehensive Revenue and Expenses as they are incurred.

12. WORK IN PROGRESS

Assets under construction are recognised at cost within current assets and are not depreciated..

13. GAINS AND DISPOSALS

Gains and losses on disposals are determined by comparing the proceeds of disposal with the carrying amount of the asset. Gains and losses on disposal are included in the Statement of Comprehensive Revenue and Expenses.

14. DEPRECIATION

Depreciation on property, plant and equipment (excluding work in progress) is calculated on a straight line basis, from the time the asset is in the location and condition necessary for its intended use. This basis allocates the cost or value of the asset, less its residual value, over its estimated useful life.

The depreciation method, estimated useful lives and residual values of property, plant and equipment are reviewed annually to assess appropriateness.

The following estimated useful lives are used in the calculation of depreciation:

Office equipment	2 to 6 years
Furniture & fittings	3 to 12 years
ICT equipment	1 to 12 years
Leasehold improvements	1 to 11 years

INTANGIBLE ASSETS

15. SOFTWARE ACQUISITION AND DEVELOPMENT

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment.

Amortisation is charged on a straight line basis over the estimated useful life of the intangible asset.

Software in development is held in work in progress until completed, at which point it is transferred to the intangible assets. All software related modules have been acquired during the accounting period.

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing.

The following amortisation rates are used in the calculation of amortisation:

Software Licenses	6 to 8 years
Developed Software	8 years
Purchased Software	1 to 3 years
Other Intangibles	6 years

16. GOOD AND SERVICES TAX

All items in the prospective financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST – inclusive basis.

Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the statement of financial position. The net GST paid to or received from Inland Revenue, including the GST relating to investing and financing activities, is classified as operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed at exclusive of GST.

17. INCOME TAX

EPL is exempt from income tax. Accordingly, no provision has been made for income tax.

18. ACCRUALS AND PAYABLES

Creditors and other payables are non-interest bearing and are normally settled on 20th of the following month, therefore the carrying values of creditors and other payables approximate their fair value.

19. EMPLOYMENT ENTITLEMENTS

Employment entitlements that EPL expects to be settled within 12 months of balance date are measured at nominal value on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date; annual leave earned but not yet taken at balance date; expected to be settled within 12 months.

20. EQUITY

Equity is the shareholder's interest in EPL, measured as the difference between total assets and total liabilities.

100 shares were issued to the Minister of Finance and Minister Responsible for Novopay. These have not been fully paid.

21. COST ALLOCATION

EPL has provided the full cost of its output – measured on a full accrual accounting basis. As EPL is in its early development as a separate entity all costs have been allocated to the output.

22. CRITICAL ACCOUNTING JUDGMENTS ESTIMATES AND ASSUMPTIONS

In preparing these prospective financial statements EPL has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results and these differences may be material.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The most significant assumptions reflected in these prospective financial statements are:

- Funding for payroll services delivered by EPL is through a Services Agreement with the Ministry of Education.
- The useful lives of intangible assets are predominantly based on the current term of the Alesco software licence.

