

2015/16

EDUCATION PAYROLL LIMITED

STATEMENT OF PERFORMANCE EXPECTATIONS




EDUCATION PAYROLL
LIMITED

2015/16

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STATEMENT OF PERFORMANCE EXPECTATIONS

Financial Year 2015/16

This statement outlines the performance expectations of Education Payroll Limited (EPL) for the year ending 30 June 2016, covering both service performance and the prospective financial statements

This SPE should be read in conjunction with EPL's 2015-2019 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 2015/16 Annual Report. ■■



WHO WE ARE

EPL is a Crown company established to provide payroll services to New Zealand's schools on behalf of the Ministry of Education. We were incorporated in August 2014 to take over the operation of the schools payroll service from Talent2. That handover occurred in October 2014. Ownership is held equally between two Shareholding Ministers, the Minister of Finance and the Minister Responsible for Novopay. EPL is governed by a Crown appointed Board of Directors

Our schools payroll is the largest in New Zealand and one of the top 10 in Australasia. We pay around 90,000 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 committed to playing its part to deliver the vision of schools payroll which is the 'provision of an efficient, integrated and future proofed service to boards of trustees which ensures their employees' payroll information and entitlements are accurately recorded and they are paid correctly and on time.' ■■■




SERVICE PERFORMANCE EXPECTATIONS

EPL delivers one output which is the effective delivery of payroll services to the 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 2016

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. 

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.	98%*
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.	Baseline to be established in 2015/16
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 people surveyed with a satisfaction rating at or above expectations.	Baseline to be established in 2015/16

*The standard for this performance measure is indicative as it is based on nine months of data. This figure will be refined throughout the 2015/16 year and confirmed for 2016/17.

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 20 August 2015 and based on information available at the time.

Signed on behalf of the Board:



Dame Patsy Reddy
Chair

PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FY 2016

	Notes	2015/16 Forecast \$000
Income		
Sales of Services to Government	5	27,132
Interest Received	5	58
Total Income		27,190
Expenses		
Personnel Expenses		10,001
Third Party Support		7,580
Corporate Expenses		820
Travel & Entertainment		55
Accommodation & Facilities		968
ICT Costs		4,702
Depreciation & Amortisation		3,529
Total Expenses		27,655
Total Comprehensive Income		(465)

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FY 2016

	Notes	2015/16 Forecast \$000
Opening Balance as at 1 July 2015		25,575
Net Surplus/(deficit)		(465)
Total Comprehensive Income for the period		(465)
Proceeds from shares issued		0
Total Contributions by Owners		0
Closing Balance as at 30 June 2016		25,110

PROSPECTIVE STATEMENT OF FINANCIAL POSITION FOR THE PERIOD FY 2016

	Notes	2015/16 Forecast \$000
Current Assets		
Cash and cash equivalents		4,458
Accounts receivable and prepayments	5	3,203
Work in Progress		1,842
Total Current Assets		9,503
Non-Current Assets		
Property, Plant and Equipment	5	1,964
Intangibles	5	16,908
Total Non-Current Assets		18,872
Total Assets		28,375
Current Liabilities		
Accruals and Prepayments	5	3,153
Total Current Liabilities		3,153
Non-Current Liabilities		
Finance Lease – Term Portion		112
Total Non-Current Liabilities		112
Net Assets		25,110
Shareholders' Funds		
Capital Contributions		25,055
Retained Earnings		55
Total Shareholders' Funds		25,110

PROSPECTIVE STATEMENT OF CASH FLOWS FOR THE PERIOD FY 2016

	Notes	2015/16 Forecast \$000
Operating Activities		
Operating Receipts from Government		29,151
Payments to Suppliers and staff		(24,126)
Net cash flow from operating activities		5,025
Investing Activities		
Interest received		58
Purchasing of fixed assets		(4,000)
Repayment of Finance Lease		(205)
Net cash flow from investing activities		(4,147)
Financing Activities		
Net cash flow from financing activities		0
Net increase/(decrease) in cash		878
Cash available at the start of the period		3,580
Cash available at the end of the period		4,458

NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Education Payroll Limited (EPL), a limited liability company incorporated in New Zealand under the Companies Act 1993, is a Crown entity as defined by the Crown Entities Act 2004. It is 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 are paid correctly and on time, and payroll information is easily accessible to both schools and the Ministry. As such, EPL's principal aim is to provide services to the public, rather than make a financial return.

Accordingly, EPL is designated as a 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 financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), and the Financial Reporting Act 2013. They comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) and other applicable financial reporting standards as appropriate that have been authorised by the External Reporting Board for Not-for-Profit entities.

3. MEASUREMENT BASE

The financial statements have been prepared on a historical cost basis.

4. FUNCTIONAL AND PRESENTATION CURRENCY

The prospective financial statements are presented in New Zealand dollars, rounded to the nearest thousand (\$000). The functional currency of EPL is New Zealand dollars.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

Sales of services and Interest are recognised as they are earned.

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.

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 or valuation 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 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 Income as they are incurred.

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

Finance leases

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.

Intangible assets

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.

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

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

Creditors and other 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.

Good and services tax

All items in the financial statements are presented 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 exclusive of GST.

Income tax

EPL is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Statement of cash flows

The following are the definitions of the terms used in the Statement of Cash Flows:

Cash comprises cash held in the bank for immediate use.

Operating activities are the principal revenue producing activities of the Company and other activities that are not investing or financing activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments, property, plant and equipment, intangible assets and other non-current assets.

Critical accounting 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.

6. SALE OF SERVICES TO GOVERNMENT

Income from sales of services to Government represents income relating to the Services Agreement with the Ministry of Education. ■■



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