Better Business Cases

Schools Payroll
Detailed Business Case

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0.264	21 July 2016	Initial version matched to outline full end to end narrative. Based on DBC Summary version 0.271 (21 July).
0.285 1st draft	29 July 2016	First draft release of full business case. Matches extended summary case with same version.
0.308 2nd draft	9 September 2016	Second draft of business case. Takes account of MoE and central agency review input. See APPENDIX L: Document changes log for details on how feedback on version 0.285 was applied.
0.400 3rd draft	22 September 2016	Third draft of business case. See APPENDIX L: Document changes log for details on how feedback on version 0.308 was applied.
1.00 Final	3 October 2016	Final version for provision to Shareholding Ministers.

Document Review

Role	Name	Review Status
Project Manager	XXXX	FINAL

Document Sign-off

Role	Name	Sign-off Date
Project Manager	XXXX	3 October 2016
Senior Responsible Owner/ Project Executive	■	3 October 2016

Contents

Purpose

This Detailed Business Case seeks an increase in the service price for the schools payroll

This increase in price will be used to support the investment required to deliver the schools payroll services required by the Ministry of Education at an acceptable level of risk, while complying with relevant legislation, collective employment agreements, and Ministry policy.

It is a response to directions by Cabinet and shareholding Ministers

This Detailed Business Case is a response to the requirement for EPL to provide to shareholding Ministers details of its strategic direction, including the moving of the schools payroll to a steady state and achieving efficiencies and long-term sustainability.

In February 2016, EPL reported back through an Indicative Business Case (IBC) which provided three options covering minimal lifecycle, payroll efficiency and systems risk management. Considerable work has been undertaken since then to develop the preferred option presented in this Detailed Business Case (DBC). This has included reviewing all investment choices in detail and undertaking a structured value assessment involving a wide range of stakeholders.

It is based on the Ministry's specified requirements for schools payroll

This business case is premised on EPL meeting the Ministry of Education's specified requirements for a payroll service. We have translated these requirements into a programme of technical and operational investments which will ensure that the payroll service is fit for purpose for the longer term.

The resolution of Holidays Act compliance issues is excluded from this business case – these issues will be resolved in a subsequent process with the Ministry of Education

Because of the significant work remaining to understand the Holidays Act issues and the consequent continuing high level of uncertainty, this business case does not include costs for core Holidays Act remediation. There are however some projects included in this business case that address aspects of the Holidays Act. These projects are included in the business case as they address broader compliance and operational issues. They will be reviewed on an ongoing basis to ensure that their deliverables comply with the Holidays Act.

The investment proposed in this business case will be required to ensure there is an adequate technology and compliance platform in place to support the Holidays Act remediation. We therefore believe that the investment sought in this business case must proceed as a matter of urgency.
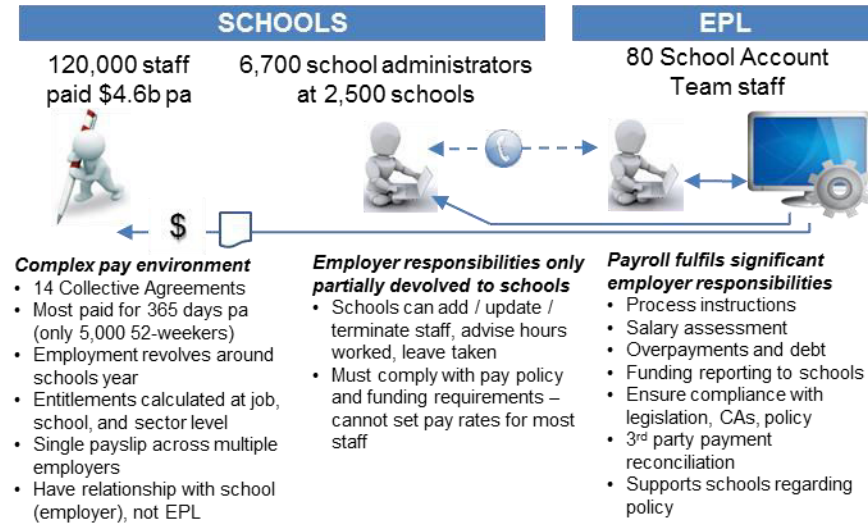
The funding required for Holidays Act remediation will be addressed with the Ministry in a subsequent process.

❶ Schools payroll environment

The Novopay go-live problems are fresh in the public's mind …

- Novopay went live in August 2012 with disastrous results
- This led to Ministerial enquiry and $41m of stabilisation costs
- To reduce Crown risk and deliver an effective service, EPL was formed in 2015
- Novopay issues are still in the mind of the Education Sector and the public

This is not a standard payroll …

SCHOOLS		EPL
120,000 staff paid $4.6b pa	6,700 school administrators at 2,500 schools	80 School Account Team staff

Complex pay environment
- 14 Collective Agreements
- Most paid for 365 days pa (only 5,000 52-weekers)
- Employment revolves around schools year
- Entitlements calculated at job, school, and sector level
- Single payslip across multiple employers
- Have relationship with school (employer), not EPL

Employer responsibilities only partially devolved to schools
- Schools can add / update / terminate staff, advise hours worked, leave taken
- Must comply with pay policy and funding requirements – cannot set pay rates for most staff

Payroll fulfils significant employer responsibilities
- Process instructions
- Salary assessment
- Overpayments and debt
- Funding reporting to schools
- Ensure compliance with legislation, CAs, policy
- 3rd party payment reconciliation
- Supports schools regarding policy

The history, uniqueness and scale of the education payroll challenges effective, efficient, and sustainable delivery

❷ Current situation

Significant improvements since 2014 …
- Dramatic improvements to the service – people capability, technology, processes
- Increased school satisfaction with the service

However, infrastructure not sustainable
- Core payroll system on very old release and using outdated technical components
- Online system used by schools (Novopay Online) impossible to maintain and enhance, and will not have technical support from December 2019
- Core payroll is 60% customised / 40% standard

Service not compliant with legislation and collective agreements
- Not compliant with legislation – e.g. Holidays Act
- Significant functional defects– e.g. leave, tax, allowances, deductions
- Error-prone manual workarounds still required

Inefficient and error-prone operating model
- 13,000 manual forms/fortnight drive inefficient service with high error and rework
- School satisfaction still significantly lower than good practice
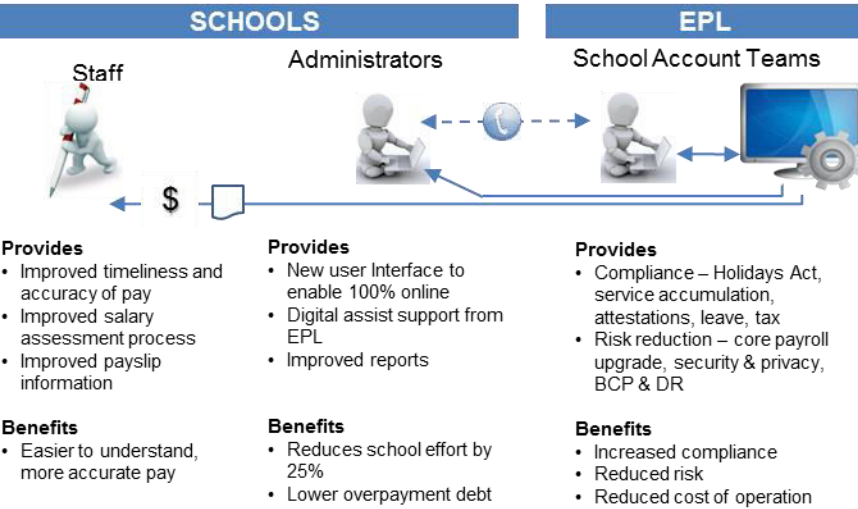- Schools still spend too much time on payroll

High risk of another service failure from 2020
- Some reduction in risk because of investment planned for 2016/17
- However, without further investment risk will rise to "high" in 2020
- Failure will become almost certain

Payroll problems distract staff from teaching and learning

Investment is required to prevent another "Novopay" event

❸ Sustainability through simplification

To get to a reliable, compliant, sustainable and cost effective payroll service – we MUST …

Simplify the payroll service delivery approach
- Implement school centred service delivery
- Provide a completely on-line service
- Build skills and knowledge across the sector in payroll management
- Reduce errors and waste across all of pay processing
- Make the system compliant with legislation
- Keep all the ICT systems current

Adapt to policy and operational developments in the Education Sector
- Support the implementation of the Sector Digital Strategy
- Quickly adapt to new approaches to school administration (e.g. CoLs)
- Improve the management of staff who move between schools
- Support right teacher / right place / right time

Support simplification of Employment Agreements
- Create effective governance across all interested parties
- Create a common architecture for employment contract provisions
- Manage against a long term plan for simplification

This will deliver the Ministry's service requirements, build the resilience and flexibility needed for long term sustainability, and move towards a more standard payroll

❹ Options considered

DBC options analysed	Ensure sustainability	Achieve compliance incl. HA	Improve operating model
1 Status quo			
1+ Minimum viable	✓		
2 Risk & compliance	✓	✓	
3 Digital assist / fully online	✓	✓	✓

IBC options previously discarded	Rationale for discarding
4 New online, staged transition to new payroll	• High cost • High implementation risk • Can be kept as medium term transition option
5 New online, new payroll	• High cost • High procurement risk • Very high implementation risk • Delays remediation – including Holidays Act – by 4-5 years
6 All new outsourced payroll service	

Changing the payroll system is high cost and high risk, and delays remediation by 4-5 years – including Holidays Act

Discovery work on payroll system and supplier concluded that current platform can be used at acceptable risk for ten plus years

❺ Preferred option (Option 3)

SCHOOLS		EPL
Staff	Administrators	School Account Teams

Provides
- Improved timeliness and accuracy of pay
- Improved salary assessment process
- Improved payslip information

Benefits
- Easier to understand, more accurate pay

Provides
- New user Interface to enable 100% online
- Digital assist support from EPL
- Improved reports

Benefits
- Reduces school effort by 25%
- Lower overpayment debt

Provides
- Compliance – Holidays Act, service accumulation, attestations, leave, tax
- Risk reduction – core payroll upgrade, security & privacy, BCP & DR

Benefits
- Increased compliance
- Reduced risk
- Reduced cost of operation

Preferred option:
- Compliant with legislation (excluding Holidays Act – separate process), CAs, and Ministry payroll and workforce policy
- Sustainable systems and infrastructure – ten plus years
- Aligned with Education Sector digital strategy
- Supports administration "hubs" at CoLs
- New user-friendly online system designed with schools in mind
- Piloted, incremental, well-supported sector change
- Future-proofed architecture to adapt to sector and industry
- Programme off-ramps from July 2019
- Risk managed programme
- Supports future ownership options for EPL

❻ Economics

Preferred option costs $271 million over ten years
- Projected funding for EPL based on 2016/17 costs for ten years is $246 million (excluding dividend and cost of capital)
- Preferred option requires extra funding of $64 million over ten years (capex + opex + depreciation)
- Fully online / digital assist enables EPL to reduce from 185 staff to 100 staff
- Because of savings achieved, only net additional funding of $24 million needed for ten year period (capex + opex + depreciation) – this include risk based contingency at 85% level

Preferred option reduces school payroll effort by 25%
- Fully online / digital assist will reduce effort at schools by estimated 25%
- Reduces school effort by 99,000 hours – equivalent to 12,000 days pa

There are two funding alternatives …

One: Fixed fee, EPL borrows to invest
- EPL borrows to invest and uses this to fund a fixed annual fee
- Cost of approximately $27.5 million pa (up from $24.6 million in 2016/17)

Two: Ministry completely funds cash flow
- The Ministry can fund the additional annual cash flow in the year it falls
- This will mean an increase in funding for 2017/18 and 2018/19, and reductions in outyears

Option 3 Cash Flow

Operations ▪ Investment ▪ 2016/17 Cost
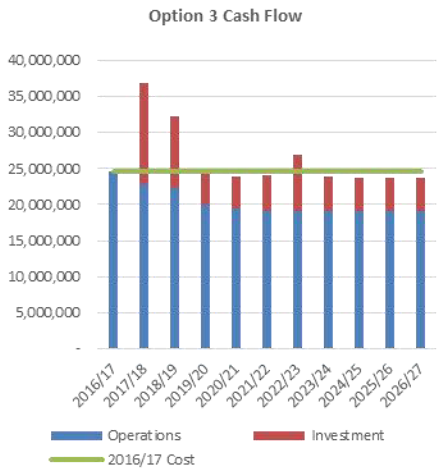
Executive Summary

Schools payroll environment

EPL provides the schools payroll under contract to the Ministry of Education

The Ministry of Education is responsible for the provision of payroll services to the schools sector. Under its strategy for provision it currently undertakes this by purchasing services from EPL. This payroll pays approximately 90,000 teaching and non-teaching staff at 2,500 state and state integrated schools each fortnight. It pays $4.6 billion per annum.

The Novopay go live problems are still fresh in the public's mind …

Novopay went live in August 2012. Well-publicised problems led to significant non-payment, under-payment and over-payment of school staff. A Ministerial Inquiry was initiated and $41 million was spent on stabilisation of the payroll. The creation of EPL and the transfer of the payroll from Talent2 in October 2014 formed a key part of the risk mitigation strategy. The Novopay go live problems remain fresh in the mind of the public and schools. For the sector, it has been a significant distraction from its core focus of teaching and learning.

This is not a standard payroll

The schools payroll is not a standard payroll. Employer responsibilities are only partially devolved to schools. EPL is therefore required to provide additional services over and above a normal payroll. These include compliance monitoring and enforcement, salary assessment, overpayment debt recovery, school payroll support and sector communications, payroll data and reporting, and management of banking staffing and staffing funding for schools. This
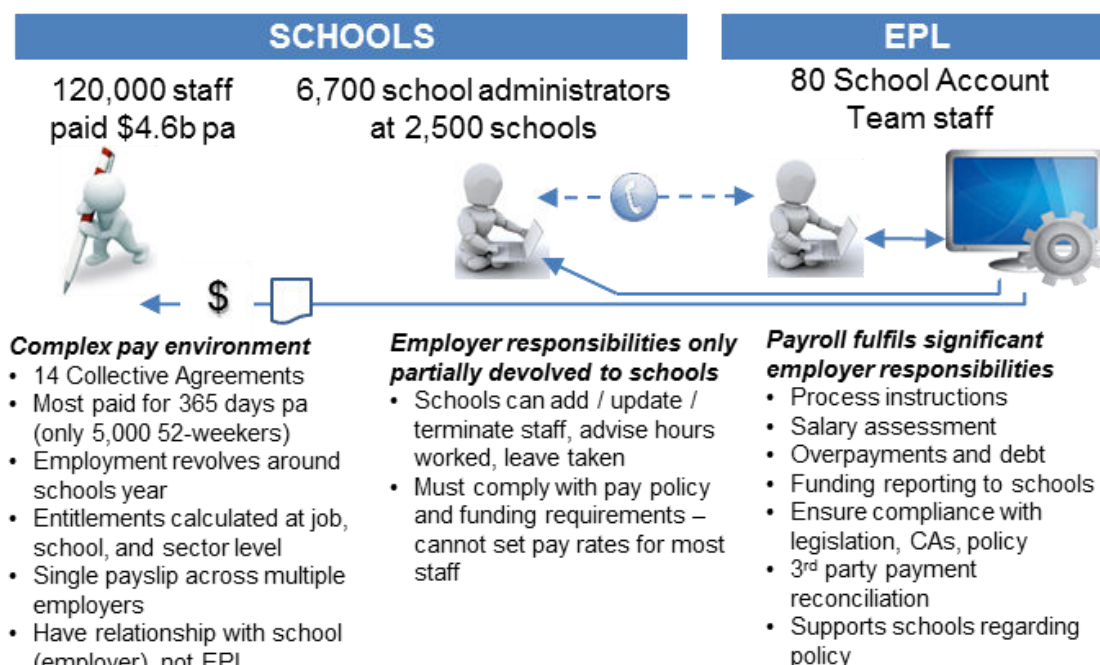
results in a high level of customisation to the underlying payroll system (approximately 60%).

The history, uniqueness and scale of the schools payroll challenges effective, efficient, and sustainable delivery.

Current situation

EPL has made significant improvements since 2014

EPL has addressed immediate technical infrastructure risk around its people, data centre, hardware, operating platforms. Measured pay accuracy is well within the benchmark level of 99.5%, but there are limitations with the measuring process. School satisfaction with the service has increased and EPL is transforming the operating model to increase service to schools and reduce errors and effort.

However, the core payroll infrastructure not sustainable …

The core payroll system is on very old release and is using outdated technical components that are close to end of support or already out of support. The online system used by schools (Novopay Online) is impossible to maintain and enhance, and will not have technical support from December 2019. This inability to continue using NOL and enhance it means that EPL is limited as to the performance efficiencies it can achieve, the Ministry is limited in the simplification that can actually be implemented, EPL will not be able to support the Education System Digital Strategy, and schools cannot receive a more user-friendly online service. NOL will cause a payroll failure sometime after December 2019.

… the payroll service is not compliant with legislation and collective agreements …

The payroll service is not compliant with the Holidays Act. There are still other outstanding leave issues, namely long service leave, leave booking, and annual leave for 52-week staff. There are outstanding software defects in tax, allowances, and deductions. Error-prone manual workarounds still required for EPL to manage around the current issues.

… EPL has an inefficient and error-prone operating model …

As all transactions cannot be processed online by NOL, the EPL operating model relies on 13,000 manual forms being processed every fortnight. This drives an inefficient service with high error and rework levels. Approximately 60% of all current instruction processing effort is failure demand – i.e. the effort required where instructions are not processed right first time, resulting in rework (e.g. rekeying) and then retrospective resolution (e.g. debt). Organisational and process changes will improve this situation but not resolve it.

While school satisfaction with the service has increased, it is still significantly lower than good practice targets. Schools still spend too much time on managing their payroll.

… there is a high risk of another service failure from 2020

The schools payroll still carries an unacceptably high level of operating risk. While this risk will continue to fall over 2016/17, without investment this risk will start rising again from 2017/18, reaching "high" in early 2020 as the technology platforms age. This will lead to almost certain failure, affecting significant numbers of those paid through the service.

EPL does not wish to repeat the early history of Novopay. This would have high financial and reputational costs for all.

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Sustainability through simplification

The schools payroll can be improved through simplification

We share with the Ministry the view that there are further opportunities for improving efficiency of the payroll service through simplification of collective agreements. Simplification however will not be a rapid process. Therefore, we have taken a conservative approach regarding these opportunities in this business case and have not included the benefits of these being implemented. The anticipated changes will be managed through change control.

To get to a reliable, compliant, sustainable and cost effective payroll service, we must:

1. Simplify the payroll service delivery approach

This will mean implementing a school centred service delivery, providing a completely on-line service, building skills and knowledge across the sector in payroll management, reducing errors and waste across all of pay processing, making the system compliant with legislation, and keeping all ICT systems current.

2. Continually adapt to policy and operational developments in the Education Sector

This will mean supporting the implementation of the Ministry of Education's Education System Digital Strategy, rapidly adapting to new approaches to school administration (e.g. Communities of Learning, Communities of Online Learning), improving the management of staff who move between schools, and supporting the Ministry's workforce goals of having the right teacher in the right place at the right time.

3. Support simplification of Employment Agreements

This will mean creating effective governance across all interested parties, creating a common architecture for employment contract provisions, and managing against a long term plan for simplification.

This business case supports the required ongoing simplification.

Options considered

The Ascender Pay supplier and product risk can be managed at "low/medium" residual risk – all options considered therefore involve retaining the Ascender Pay software

We have assessed the technical state of the current pay platform and the ability of the supplier to support it. We have concluded that the Ascender Pay supplier and product risk can be managed at "low/medium" residual risk over the projected life of the service. The options considered all involve retaining the Ascender Pay core software platform (formerly called Alesco).

DBC options analysed	Ensure sustainability	Achieve compliance incl. HA	Improve operating model
1 Status quo			
1+ Minimum viable	✓		
2 Risk & compliance	✓	✓	
3 Digital assist / fully online	✓	✓	✓

Table 1 Options considered in DBC

Our preferred option involves a fully online model for schools, that saves effort at schools and brings efficiencies for EPL

Option 1 – Status Quo – does not address the risk level and will result in payroll failure and major additional costs.

Option 1+ – Minimal viable – addresses core technology infrastructure risk, but does not address compliance issues, and does not improve the service operating model, while requiring significant additional investment.

Option 2 – Risk and compliance – mitigates the technology infrastructure risk and the compliance risk, but does not improve the service operating model, while requiring the highest additional investment.

Option 3 – Digital assist / fully online – mitigates the technology infrastructure risk and the compliance risk, as well as improving the service operating model, gaining major financial benefits for EPL. [PREFERRED]

Transition to a new payroll system and/or service is costly and risky – these options have been rejected

We consider transition to a new payroll system a high risk undertaking. We have therefore not considered staged transition to a new payroll system or service (Indicative Business Case Options 4, 5, 6) as part of this business case. We have however ensured that the preferred option supports a later staged transition to a new payroll system (if and when this may be required).

IBC options previously discarded	Rationale for discarding
4 New online, staged transition to new payroll	• High cost • High implementation risk • Can be kept as medium term transition option
5 New online, new payroll	• High cost • High procurement risk • Very high implementation risk • Delays remediation – including Holidays Act – by 4-5 years
6 All new outsourced payroll service	

Table 2 Discarded options from Indicative Business Case

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Preferred option

The preferred option (option 3) is a series of operational and technology investments to achieve compliance, deliver a new on-line, digital assisted service that meets the needs of
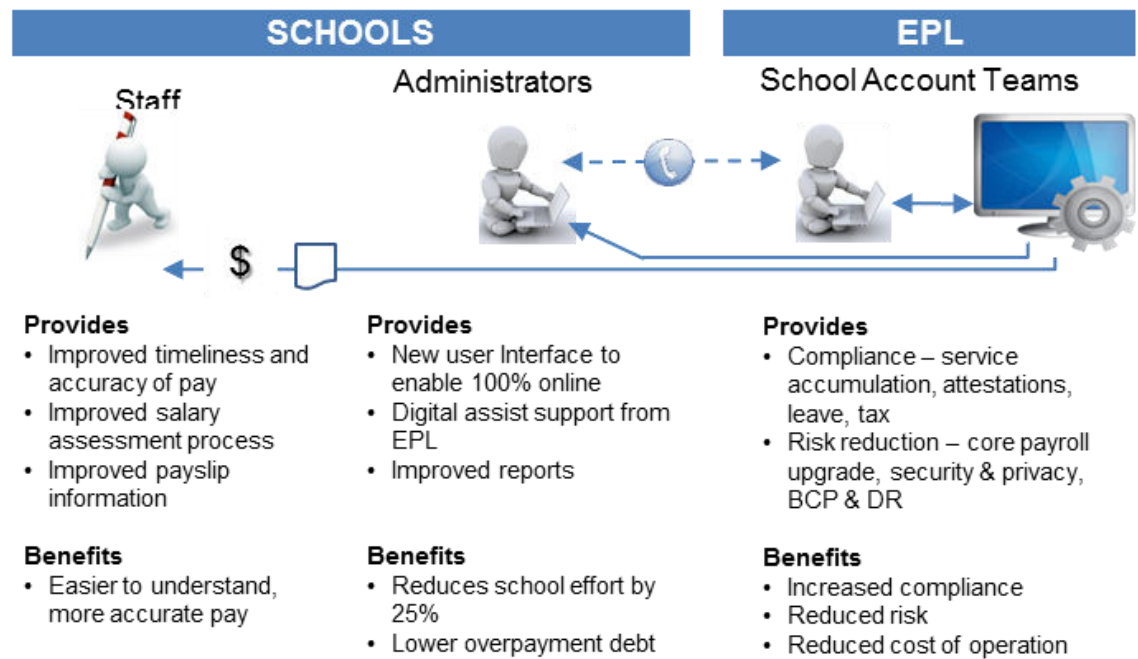
users, and upgrade technology to reduce risks to a low level and extend the life until 2030.

Figure 1 Preferred option

The key features of this preferred option are summarised below.

Compliant with legislation, CAs, and Ministry payroll and workforce policy

The preferred option ensures that the payroll is compliant with the specified Ministry requirements including pay related legislation (excluding Holidays Act), the collective agreements, and the Ministry payroll and workforce policy. This will also include resolving current issues with leave, service entitlement calculations, and deductions.

Holidays Act compliance issues were present in the schools payroll prior to Talent2 or EPL taking over operation. ███████████████████████████████████ It is not just a payroll systems and service issue. Holidays Act remediation is therefore likely to be very complex.

Because of the significant work remaining to understand the Holidays Act issues and the consequent continuing high level of uncertainty, this business case does not include costs for core Holidays Act remediation. However, the investment proposed in this business case will be required to ensure there is an adequate technology and compliance platform in place to support the Holidays Act remediation. The funding required for Holidays Act remediation will be addressed with the Ministry in a subsequent process.

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Sustainable systems and infrastructure – ten plus years

The preferred option supports sustainable systems and infrastructure for a ten year plus timeframe. This is well beyond the original contract period with Talent2 that was to finish in August 2022.

The preferred option moves the operational risk of the payroll to "low" from its current
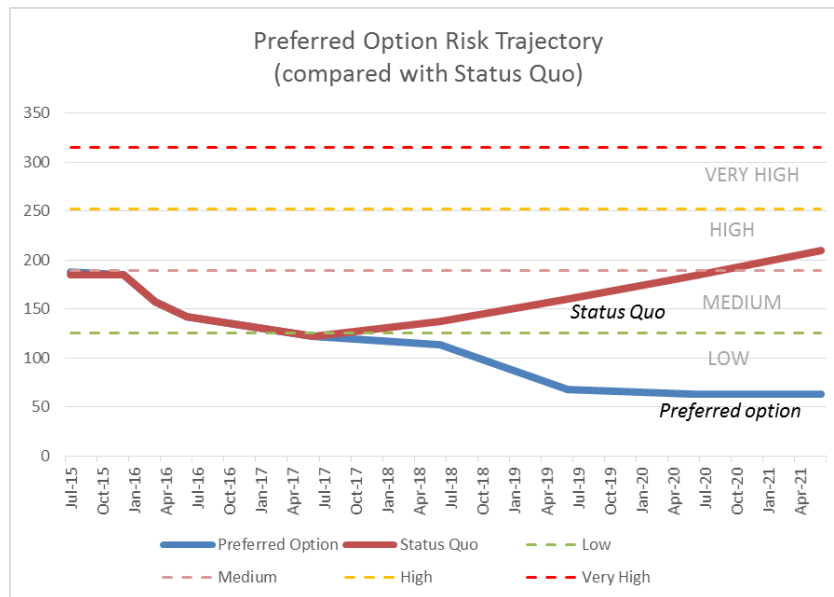
"medium / high" level.

Figure 2 Risk trajectory for preferred option

Aligned with Education System Digital strategy

The preferred option is aligned with the Ministry's Education System Digital Strategy. EPL will continue to ensure that as the work proceeds it will remain aligned with the Education System Digital Strategy. For example, EPL is working with the Education Council regarding use of common platforms for online use by schools as well as a common workforce register. This work will be used to inform choices around implementation of the new online payroll service for schools incorporated in the preferred option.

Supports administration "hubs" at Communities of Learning

While the Communities of Learning (CoLs) are currently focused on teaching and learning, there are opportunities for CoLs to support administration hubs for the schools engaged. EPL already supports a number of schools administrators who are responsible for pay across multiple schools. This support will continue and will be grown to support administration hubs at the CoLs as they appear.

New user-friendly online system designed with schools in mind

This new online service will enable schools to reduce their effort in operating the payroll. Currently schools spend an average of 6 hours per fortnightly pay period managing their payroll. We estimate that this can be reduced by 25% under the preferred option as schools directly enter their information rather than using manual forms. (This is the equivalent of a saving of 12,000 person-days per annum across the sector.)

Piloted, incremental, well-supported sector change

The achievement of the benefits in the preferred option depend upon achieving full online usage of the service by school administrators. The current online service (based around NOL) was not well implemented – the sector and school administrators were not included in its design. NOL is itself difficult to use and the rollout occurred in a "big bang" implementation with insufficient training and support. In contrast, the development and rollout of the new online service will centre on the change management required for the sector to use the new service.

Table 3 Differences between new online service implementation and Novopay implementation

Novopay Transition	New Online Transition Approach
No prior universal digital service	All current users have Novopay Online login and the overwhelming majority have used it
Limited knowledge of schools and sector	In depth understanding of schools and sector supported by design research undertaken prior to procurement
Limited involvement of users	Co design/develop with users – user group, usability testing
Limited digital project capability	Use of best practice digital methodologies include agile development, user centred design and product management
Limited knowledge of user requirements	Full range of workflows analysed to inform procurement
Schools with limited payroll capability	Increased payroll capability due to users in larger schools with business backgrounds and schools having better understanding of employer role
Limited payroll support	Expert support provided by school account teams

Future-proofed architecture able to adapt to sector and industry

The preferred option provides an open interface package that supports the implementation of a new user interface and enhanced analytics capability. This will enable the customised parts of the system to be progressively separated from the core payroll.

Flexible scheduling with programme off-ramps from July 2019

Dependencies between work packages are minimal – this provides for great flexibility as to when work is scheduled, enabling speeding up and slowing down of the programme to manage risk. This effectively provides for 24 individual off ramps, one for each work

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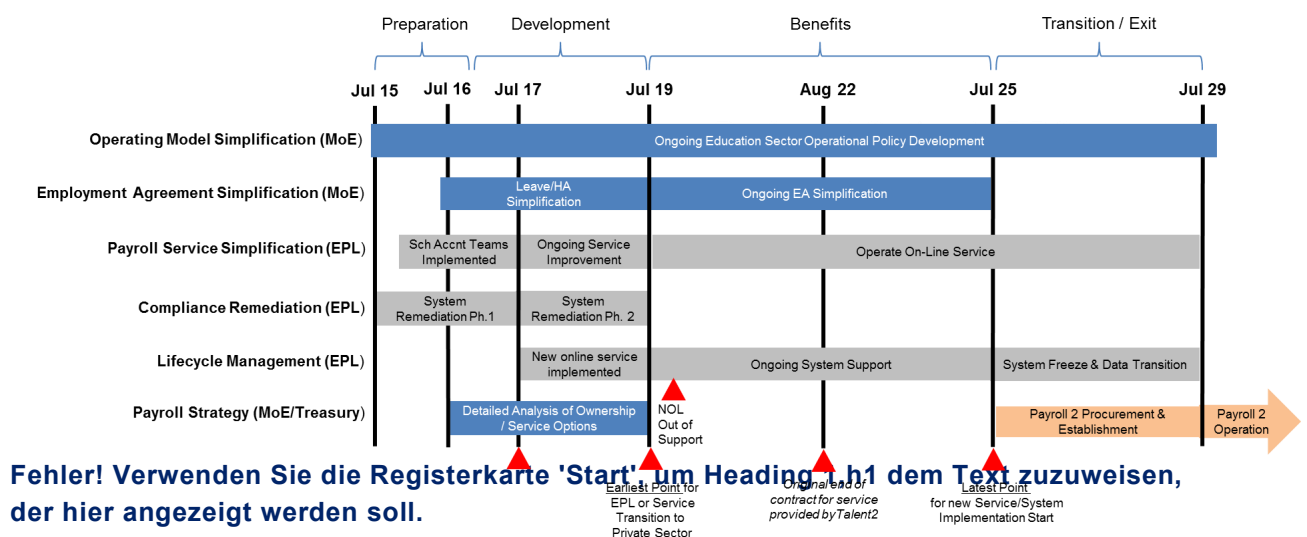
package.

Figure 3 Preferred option timeline

The whole remediation programme will enable an off ramp from July 2019 for an EPL or service transition to the private sector. The requirement to replace NOL by December 2019 and the need for remediation of infrastructure and compliance issues limits the opportunity for programme off ramps before then.

Supports future ownership options for EPL

Although not specifically requested to examine this area, EPL has been mindful of the need to ensure that the strategy does not preclude any ownership options for EPL. Therefore, the investment must create value for the Crown by capturing the value of any investments early and improving the proposition for any return of the service to the private sector.

Economics

We propose managing all EPL's costs for investment through the service fee paid by the Ministry

As EPL is a supplier to the Ministry all EPL costs for its operation are required to be covered by a service fee as part of an arms-length Service Agreement. We believe that this is the most appropriate mechanism for dealing with increased investment as it provides the appropriate incentives for ongoing improvement of the service and cost efficiencies.

A fixed annual service can be set, with EPL borrowing to invest

Taking into account the investment required to meet the Ministry's service requirements, we estimate that the indicative annual service fee would be $27.5 million for the ten-year period. The current fee has been set at $24.600 million for 2016/17.

To support the investment required, EPL would be required to extend its working capital over a three period peaking at $13.2 million in 2018/19. The proposed service fee includes interest on the loan required to support the investment but not any return on capital already employed, or any dividend to shareholders.

Alternatively, the Ministry can fund the annual cash flow

Under this option the Ministry pays a service fee that is matched to the actual cash flow required for operating the service and funding the required investment. This means that the service fee is higher in 2017/18 and 2018/19 and then reduces in 2019/20 onwards as savings are achieved. This will require the Ministry to fund EPL through its service fee for $271 million over the period of the ten-year contract (excluding any dividend or cost of

Option 3 Cash Flow

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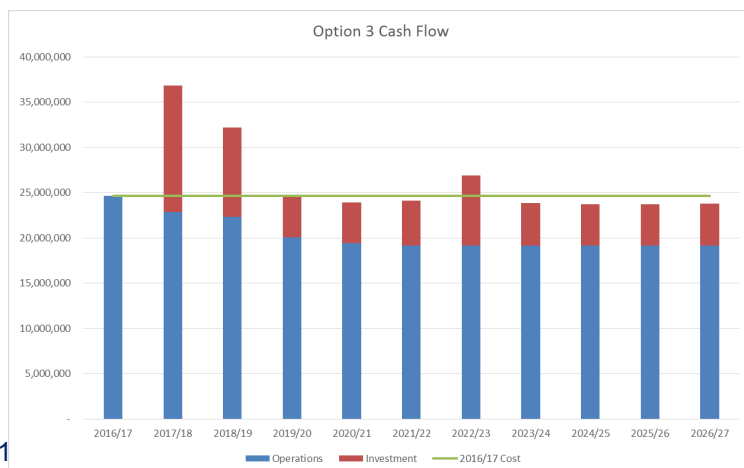
capital).

Figure 4 Projected cash flow for preferred option

We have used the Quantitative Risk Assessment to inform the level of funding required, and have sought funding to the 85% percentile

The QRA provided an assessment of the overall funding required. It concluded that for the 85% percentile when taking into account all the key risks (costs and benefits), an additional $7.3 million should be allocated to address the costs and benefits risks. Because of the level of risk that needs to be borne by EPL, we have included this risk factor in our proposed costs. The additional costs have been pro-rated across the years for the business case to take account of the risk for both costs and benefits.

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Introduction

Background

This section describes the background to the development of this business case. It summarises how the schools payroll operates, it outlines the requirement for the Indicative Business Case, its conclusions, shareholding Ministers' agreement to receive a Detailed Business Case, shareholding Ministers' instructions regarding options to be considered in the Detailed Business Case, and the EPL Board's statement of the company risk level.

The Ministry of Education purchases services from Education Payroll Limited (EPL) to operate a schools payroll for all teaching staff and most support staff at schools

The Ministry of Education is responsible for the provision of payroll services to the schools sector. Under its strategy for provision it currently undertakes this by purchasing services from EPL. This payroll pays approximately 90,000 teaching and non-teaching staff at 2,500 state and state integrated schools each fortnight. It pays $4.6 billion per annum. The current "as-is" services are defined in a services agreement and include payroll and third party payments, salary assessment, overpayment debt recovery, school payroll support and sector communications, payroll data and reporting, and operation of banking staffing and staffing funding for schools.

EPL delivers the pay services to 6,700 authorised users at the schools. These are the principals and payroll administrators who use the service to ensure that the staff at their schools are paid correctly. These authorised users provide pay instructions to EPL using the Novopay Online (NOL) system as well as providing manual forms by e-mail. Service teams at EPL provide support to the authorised users in their role.

The payroll has been outsourced since 1996 – first to Datacom in 1996, then to Talent2 in 2012, then to EPL in 2014

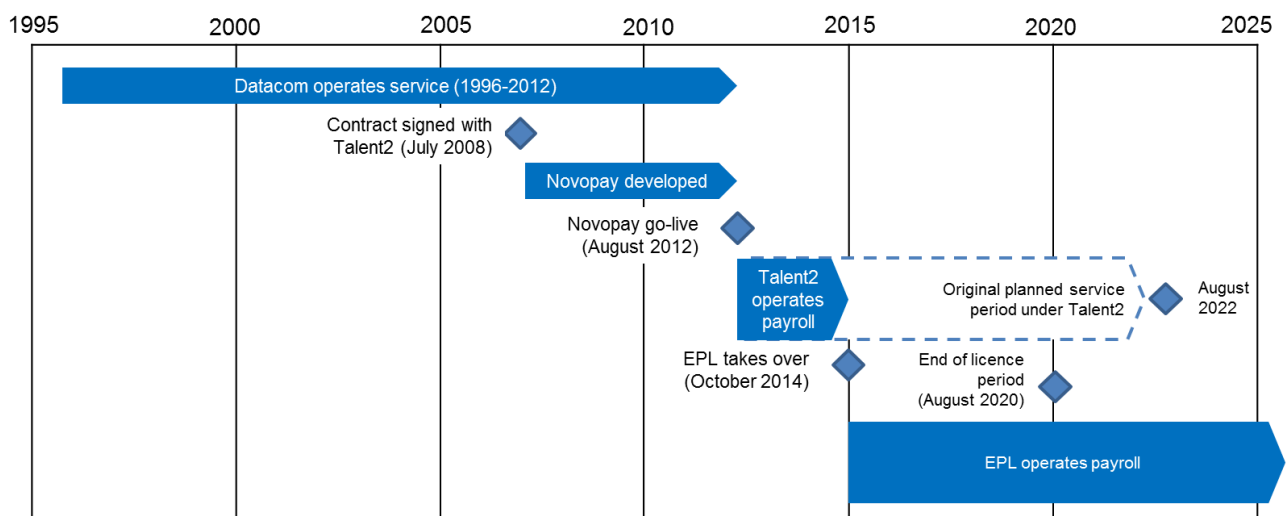The payroll has operated as an outsourced payroll for 20 years. EPL is the third provider of the payroll.

Figure 5 Schools payroll timeline

The schools payroll is not a standard payroll

As well as being the largest single payroll in New Zealand, the schools payroll is not a "standard payroll".

SCHOOLS		EPL
120,000 staff paid $4.6b pa	**6,700 school administrators at 2,500 schools**	**80 School Account Team staff**

Complex pay environment
- 14 Collective Agreements
- Most paid for 365 days pa (only 5,000 52-weekers)
- Employment revolves around schools year
- Entitlements calculated at job, school, and sector level
- Single payslip across multiple employers
- Have relationship with school (employer), not EPL

Employer responsibilities only partially devolved to schools
- Schools can add / update / terminate staff, advise hours worked, leave taken
- Must comply with pay policy and funding requirements – cannot set pay rates for most staff

Payroll fulfils significant employer responsibilities
- Process instructions
- Salary assessment
- Overpayments and debt
- Funding reporting to schools
- Ensure compliance with legislation, CAs, policy
- 3rd party payment reconciliation
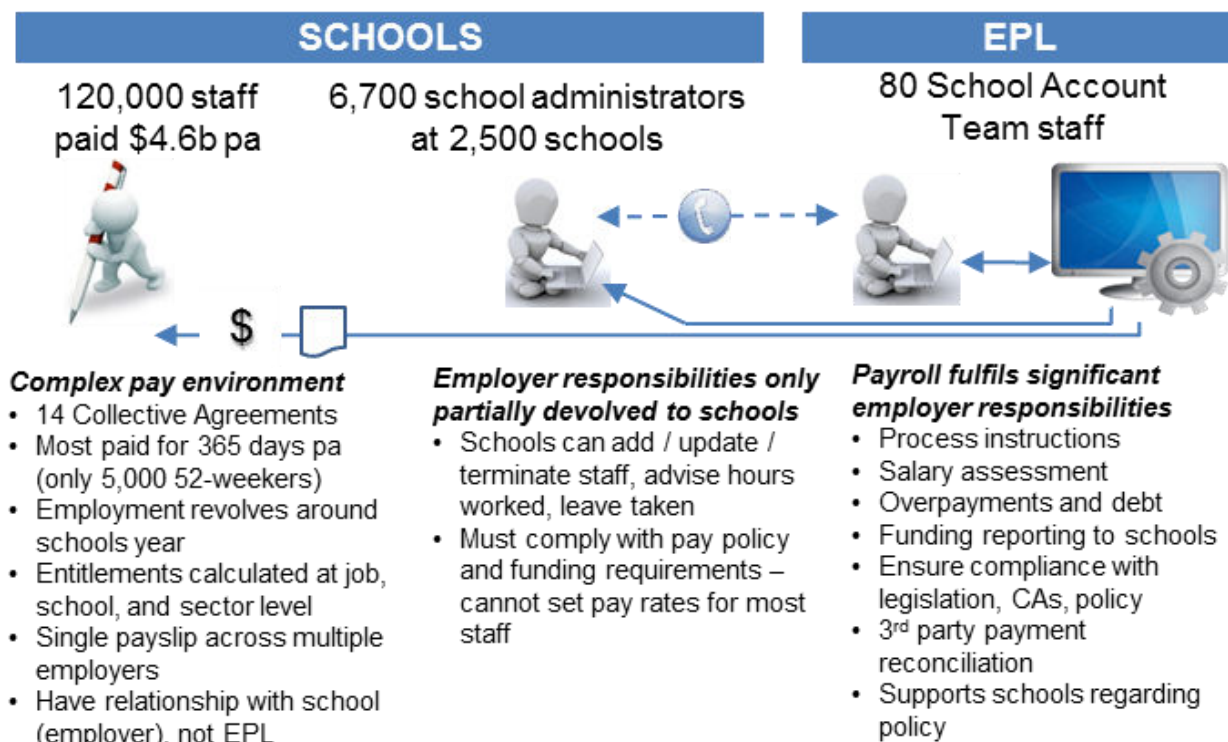- Supports schools regarding policy

Figure 6 How the schools payroll operates

In theory, the schools are the employers of staff. In practice, employer responsibilities are only partially devolved to schools. Schools must operate within the wider collective agreements and Ministry funding and pay policy. Schools therefore do not have complete latitude over what they pay their staff. EPL provides the compliance processes for this as well as all the necessary reconciliation of payments to schools and third parties. This includes management of the funding across the various sources – both Crown and school.

The Ministry uses the payroll policy environment to support its workforce goals. To enable staff to work easily between schools (e.g. relievers), employers receive a single payslip (with a single tax code) for their work in the sector, regardless of the number of schools they have worked for during the pay period. To enable a smooth transition of permanent staff between schools, service entitlements (e.g. for pay scales, leave, and holiday pay) are calculated at multiple levels – job, employer, and sector wide. In addition, to help support the school holiday regime, teaching staff are paid holiday pay rather than receiving annual leave.

The 14 collective agreements are themselves complex. EPL is required to ensure that it calculates pay and entitlement correctly against these rules. Most staff are paid on the basis of 365 days per year (as opposed to week days). The requirement to operate within a school year provides natural peaks of workload. This is increased by the large number of fixed term staff who terminate at the end of a school year.

All transactions are mediated through a school payroll administrator. One is required for each school and musty have the relevant expertise to process all payroll transactions. Even though they are the employer, the school does not have complete access to information relating to their employees' employment at other schools. EPL provides support services to

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these school administrators. This includes interpretation of collectives and policies, salary assessments and attestations.

In addition to the payroll related services, EPL also manage salary assessments, collects overpayment debt (both for school and Crown funded salaries), and manages the schools staff entitlement reporting (banking staffing).

The Novopay go live problems are still fresh in the mind of the public and of the sector

Novopay went live in August 2012. Well-publicised problems led to significant non-payment, under-payment and over-payment of school staff. A Ministerial Inquiry was initiated and $41 million was spend on stabilisation of the payroll. The creation of EPL and the transfer of the payroll from Talent2 in October 2014 formed a key part of the risk mitigation strategy.

The Novopay go live problems remain fresh in the mind of the public and schools. For the sector, it has been a significant distraction from its core focus of teaching and learning.

Cabinet directed EPL to report to shareholding by Ministers on strategic direction

While EPL had made significant advances in achieving steady state operation, the organisation had been running at a high level of operating risk with uncertainties about core operational technology and the strategy for the future. In light of these issues, as part of Budget 2015, Cabinet:

> *"… invited the Minister of Education to direct Education Payroll Ltd to report to shareholding Ministers by 30 October 2015 on its strategic direction, including moving schools payroll to steady state including achieving cost efficiencies and long-term sustainability."* [CAB Min (15) 12/2(8) refers]

Shareholding Ministers subsequently agreed to receive this report back by 29 February 2016.

The report back recommended a short list of options and a preferred option

In February 2016, EPL completed its strategic review and reported back to shareholding Ministers in February 2016 with an Indicative Business Case (IBC) analysing a range of options. The short list of options was as follows:

- *A minimal lifecycle management option* (Option 2) that would improve business processes to achieve Ministry payroll requirements, address major issues in the Ascender Pay (formerly named Alesco) core payroll system and extend the life of the technology to 2025.

- *A schools payroll efficiency option* (Option 3). In addition to the improvements specified under Option 2 this option would realise benefits for schools by reducing the work required by payroll administrators in schools and also the rework undertaken by EPL.

- *A systems risk management option* (Option 4) that would be required if the Ascender Pay system life could not be extended for some reason during the 10-year period. This option allowed for the staged transition away from the Ascender Pay payroll to a new core payroll package. This option was only viable if Option 3 was also implemented as it required a new systems architecture and a new online service for schools to be in place to enable transition.

Option 1 (status quo) was discarded as this would not lead to a sustainable payroll. Option 5 (complete new system) was considered unaffordable as well as having significant risk. Option 6 (new service) was considered high risk as there was (and is) no obvious provider of a payroll service as unique and complex as the schools payroll. Option 6 would also bring high implementation costs and high operating costs.

The IBC also considered options for the ownership of the payroll service provider. These sub-options were continued Crown ownership, a joint venture between the Crown and the private sector, and full private sector ownership. The IBC concluded that returning the payroll operation to the private sector once the improvements had been substantially completed and were demonstrating their value would provide a better financial outcome for the Crown.

The Board recommended Option 3 as this would improve the efficiency of payroll services for schools, extend the life of the system until at least 2025, and create a transition path to Option 4 (a systems risk management option) should EPL need to move from the current Ascender Pay system.

Shareholding Ministers agreed to receive a Detailed Business Case for consideration in the context of Budget 17 considering the recommended short list of options one, two, three, four

The EPL Board's preference was for funding to be increased as soon as possible to enable EPL to start the required service and system improvements. However, the Board acknowledged that further work was required by EPL and the Ministry to develop a Detailed Business Case. Shareholding Ministers agreed to receive a Detailed Business Case (DBC) to be considered in the context of Budget 17 to support the requirement for investment from 2017/18.

In the 2016/17 letter of expectations shareholding Ministers stated that they wished the DBC to address options one, two, three, and four from the IBC. Option four could be considered as either a short term option or a longer term option depending on the results of the Ascender Pay discovery exercise.[1]

Shareholding Ministers directed the EPL Board to not undertake any further exploration of alternative ownership options

In the 2016/17 letter of expectations shareholding Ministers stated that at this time they did not wish EPL to further consider alternative ownership options. The DBC therefore only considers options that involve continued Crown ownership.[2]

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[1] Hon Stephen Joyce, 2016/17 Letter of Expectations for Education Payroll Limited, 31 May 2016.
[2] Ibid

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Shareholding Ministers noted that how option four – staged transition to new supplier – was addressed depended on the results of an Ascender Pay discovery exercise

In the 2016/17 letter of expectations shareholding Ministers stated that Option 4 – staged transition to a new core payroll system – could be considered in the DBC as either a short term option or a longer term option depending on the results of the Ascender Pay discovery exercise that EPL was undertaking.[3]

Shareholding Ministers directed the EPL Board to support the Ministry regarding the costs and benefits of simplifying collective agreements

In the 2016/17 letter of expectations shareholding Ministers requested the EPL Board to support the Ministry to develop a clear understanding of the costs and benefits of simplifying the collective agreements and / or other schools payroll arrangements.

Operating and financial risk for EPL will increase to high due to the limited improvements able to be made without additional investment – this will make a major failure of the payroll likely

This deferral of any increase in funding has required EPL to use its working capital for investment. This has meant a small operating loss in FY 15/16 with a further projected loss in FY 16/17. Addressing the risks that will materialise from 2020 will require two to three years' lead-time to resolve them. Planning therefore needs to start in 2016/17 with investment in remediation starting from 2017/18. Therefore, the Board of EPL maintains that investment to address the issues faced by the schools payroll service cannot be deferred beyond 2017/18.

If investment is delayed beyond Budget 17 the risk of payroll failure whereby significant numbers of staff are not paid or paid incorrectly will increase. A technical or process failure in any of the key areas could result in a delay in a pay-run resulting in "catch-up" work of the scale of that which occurred after Novopay went live. The longer that investment is deferred, the more this risk will increase. EPL is forecasting that if no significant investment occurs, operating risk will be "high" from 2020 and will continue to increase.

This detailed business case

This section describes the objectives of the Detailed Business Case and the process taken to produce it, including the Multi-Criteria Decision Analysis process used, and the assurance activities undertaken.

This Detailed Business Case seeks an increase in the service price for the schools payroll as delivered by EPL

This Detailed Business Case seeks an increase in the service price for the schools payroll. This increase in price will be used to support the investment required to deliver the schools payroll services required by the Ministry of Education at an acceptable level of risk, while complying with all relevant legislation, collective employment agreements, and Ministry policy.

This detailed business case has been developed in the wider context of the Ministry's strategy for the provision of payroll services and the long term ownership strategy for EPL

This detailed business case follows on from an Indicative Business Case (IBC) presented to EPL shareholding Ministers in February 2016. The Ministry of Education manages the overall

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[3] Ibid

strategy of provision for the schools payroll. It currently manages this accountability by outsourcing the provision of the payroll to EPL. This business case is therefore presented to government in the context of the wider Ministry payroll provision strategy.

This detailed business case provides support for a funding case for the Ministry as funder of the service, an investment case for shareholding Ministers of EPL, the framework to support a services agreement between EPL and the Ministry

This Detailed Business Case provides:

- the supporting case for a *Funding Case* to be managed by the Ministry of Education to support the required change in price

- the supporting case for an *Investment Case* to be presented by EPL to its shareholding Ministers to support any required short term borrowing required to fund the working capital needed for the investment

- an input into a new *Services Agreement* between the Ministry and EPL.

This is illustrated in the following diagram.
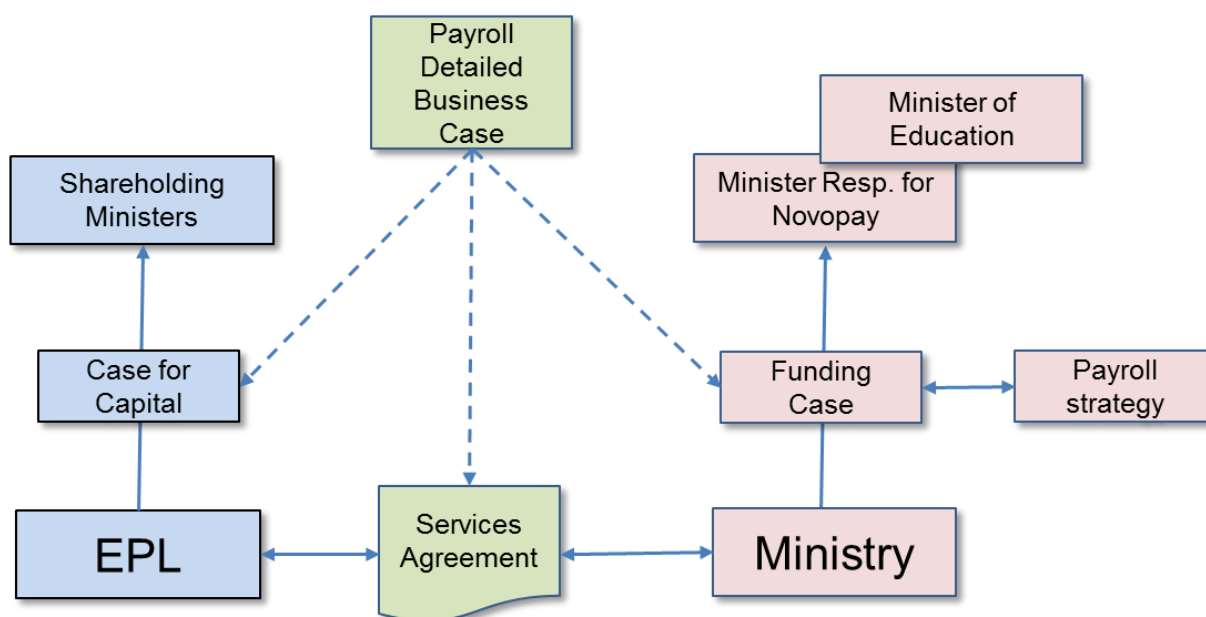
Figure 7 Relationship of business case to other documents

This Detailed Business Case was developed through a comprehensive structured process to provide the best information and advice on the options available

This business case has been developed by EPL with close involvement from the Ministry of Education and assistance and oversight from the government Corporate Centre. The IBC originally identified 23 potential initiatives that were combined together to form the key options for consideration. The DBC process developed a wider range of individual initiatives with sub-options regarding the level of ambition, cost, and benefits (ABC options – typically the A option had the lowest level of ambition and cost while the C option had the highest level of ambition and cost). Each of the initiative options was documented in a distinct work package. This resulted in 31 initiatives with a total of 68 individual work packages representing the key variations in ambition and investment.

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All key subject matter experts across EPL and the Ministry were involved in the development and review of the work packages over a three-month period. All work packages developed were reviewed by the Ministry of Education. This review included identifying assumptions and actions which would need to be considered during subsequent design and planning stages of any approved initiative. The Ministry ICT group also conducted a full technical review of the work packages.

An independently managed Multi-Criteria Decision Analysis process was used to rank the individual proposed work packages

An independently managed Multi-Criteria Decision Analysis (MCDA) process was used to rank the work packages through a series of "decision conferences" involving representatives from the Ministry, EPL, schools, Treasury, and GCIO. The ranking process used was that of the facilitators, Catalyze Limited who are experts in MCDA. This process enabled the value-for-money of disparate initiatives to be systematically compared. The ranked work packages were then used to develop options for consideration in the DBC. This process has been successfully used across government in New Zealand.

The funding sought through this business case does not include Holiday Act remediation activities

Compliance of payroll systems and services to the Holidays Act have been a major issue across New Zealand in public and private sectors. The education payroll is required to be compliant with all legislation, including the Holidays Act. The issues of Holidays Act compliance requirements are mostly in common with other payroll providers therefore the broader issue is not covered in detail here.

The Ministry and EPL have been undertaking a Holidays Act Compliance Review, with Deloitte being contracted to provide an independent analysis and a high level plan for compliance. The first stage of this work – which is nearing completion – has been to review the data being produced by both payroll services to identify any areas of non-compliance. This include a review of holiday interpretation and validity of pays, calculation of accumulators and leave types.

The next stage will be to identify a series of consolidated problem statements from which remediation plans can be developed. These plans will be both for remediation of the current service and recalculation of pay and leave entitlements for each employee ▇▇▇▇▇▇▇▇▇▇▇▇ It is expected that a very high level plan can be developed by the end of October 2016. By this time, it is not expected that there will be any quantification of remediation or retrospective costs (back payments to employees).

Due to the high range of uncertainty with Holidays Act remediation approach EPL has removed the core Holidays Act remediation costs from this business case. However, there are some projects underway and proposed that already have some aspect of Holidays Act compliance. These include Terminations, Leave, and EoY/SoY. These projects will continue as they address broader compliance and operational issues and they will be reviewed on an ongoing basis to ensure that whatever is developed and implemented complies with the Holidays Act.

This approach increases the certainty of the costs of the programme in this business case as well as maintaining pressure on determining how the Holidays Act remediation will take place. ▇▇▇▇▇▇▇▇▇▇▇▇▇▇ it is important to take sufficient time to consider the most appropriate remediation approach.

(See APPENDIX K: Implications of the Holidays Act compliance requirements on the Business Case for further information.)

Comprehensive assurance activities occurred, included Gateway, and a Treasury targeted assessment, a Better Business Case clinic, external costs and benefits review, external technical review, and a Quantitative Risk Assessment

Comprehensive internal reviews of the costs, benefits, and risks were conducted by EPL and the Ministry. External reviews also took place. These included a Gateway Review in late June along with a follow-up targeted assessment by Treasury in late September. The Ministry reviewed the costs and benefits model as well as undertaking a technical of the proposed solutions. A Quantitative Risk Assessment was undertaken. The wider Corporate Centre (including Treasury, GCIO, SSC, and MBIE) was engaged through a Better Business Case clinics in August and September. GCIO provided additional advice on the business case.

We are confident that this business case presents a robust, defensible case to ensure long term sustainability of the schools payroll

The comprehensive process followed, the detailed development of the individual work packages, the external managed MCDA process, and the comprehensive assurance activities give us confidence that this business case presents a robust, defensible case for the long term sustainability of the payroll service.

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Revisiting the Indicative Business Case

Introduction

This section revisits the strategic case presented in the Indicative Business Case. An update is provided in terms of the progress made to date in achieving efficiencies and increased school satisfaction with the service.

An assessment is provided of the current payroll package and the vendor that provides and supports it.

The requirement for simplification of the schools payroll delivery model and the wider policy and collective agreement environment is presented as key background to how the business case addresses this.

The requirements for the schools payroll along with the key performance indicators are summarised. The refined investment objectives are also presented.

The outstanding issues and risks faced by the schools payroll that need addressing now are summarised.

Managing core payroll system and supplier risk

Shareholding Ministers recognised in their 2016/17 letter of expectations that the status of Option 4 – staged transition to a new payroll system – depended upon the viability of the core Ascender Pay (formerly named Alesco) system and its provider. They therefore expected that whether Option 4 was considered as a short term or longer term option depended upon Ascender Pay "discovery" work conducted by EPL to enable a better understanding of the product risk and the viability of the supplier.

This section outlines the conclusions from Ascender Pay discovery work and describes how the core Ascender Pay system and supplier risk can be managed. The requirement how to consider Option 4 from the Indicative Business Case is discussed (as requested by shareholding Ministers).

EPL conducted discovery work on Ascender Pay and its provider to inform future directions and how Option 4 in the IBC should be considered

The discovery work undertaken by EPL on Ascender Pay and its provider involved:

- *an Ascender Pay technical focus* – the gathering of foundational technical information regarding the EPL core payroll systems and a study on the benefits and feasibility of upgrading the core Ascender Pay payroll to newer releases

- *a supplier focus* – a high level assessment of the new owner of Ascender Pay – Ascender HCM – including consultation with other major Ascender Pay users and attendance at user group forums.

Details of the results of the discovery process can be found in APPENDIX A: Ascender Pay discovery.

The discovery work did not assess the functionality of Ascender Pay compared to other payroll systems

Note that the discovery work did not undertake to assess the functionality available in Ascender Pay compared to other payroll systems. The discovery also did not consider any possible legislative compliance gaps in core Ascender Pay or the ability of its vendor to provide a legislatively compliant core product for the New Zealand market. This would have required a high degree of analysis, requirements definition, and market engagement.

The IBC concluded that moving to another payroll package was a high risk, costly undertaking. This has been confirmed by the experience of other payroll transitions in occurring in government using "Tier One" payroll systems.

This Ascender Pay discovery work therefore focused on the viability of Ascender Pay and its supplier for the ten plus year period, as opposed to any form of comparative assessment with other systems and providers.

The key conclusions of the discovery work are summarised in the following conclusions.

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CONCLUSION #1: EPL is by necessity operating a highly customised version of Ascender Pay

As noted in previous sections, the schools payroll has many specialised requirements. This means that any "standard" COTS (Commercial Off-The-Shelf) payroll will need to be modified to meet these requirements. The payroll system therefore has a high level of customisation to achieve these requirements.

The schools payroll system is 40% standard Ascender Pay and 60% customisations. Ascender HCM is responsible for supporting the core code, and a portion of the customised code (that which is in the "core" of the Ascender Pay payroll). EPL supports the remaining customisations through its own expertise and arrangements with Deloitte Asparona.

CONCLUSION #2: Novopay Online will lose technical support for key features from December 2019

Novopay online provides the core online service to schools. It is a critical platform for continued provision of service.

NOL has been designed and built around a specific feature of the Oracle Application Server. In December 2019 Oracle will cease support for this feature. This will leave NOL without technical support for the key technology it relies upon. If problems occur with Oracle Application Server, Oracle will not provide support to resolve these problems. This is an unacceptable situation for a critical piece of software with such a high impact on the operation of the schools sector.

To resolve this issue, NOL will either need to be replaced, or significantly rewritten.

CONCLUSION #3: Novopay Online prevents EPL from increasing its efficiency, prevents major simplification, prevents adoption of the Education System Digital strategy, prevents provision of more user-friendly service to schools, and will cause a payroll failure sometime after December 2019

Novopay Online system is overly complex and very difficult for even experienced programmers to maintain. Making even simple coding changes to NOL is problematic and can introduce problems that are difficult to resolve. E.g. recent technical upgrades led to intermittent problems with NOL that prevented schools entering instructions. Certainly, any major rewrite to remove technical dependence on unsupported features or add additional functionality is not practical. This puts major barriers in place for the Ministry, EPL, and the sector, and progressively increases the risk of failure.

- *NOL allows schools to key incorrect data* – NOL's validation is not sufficient to ensure that clean and correct data is entered by schools.

- *NOL prevents EPL from becoming more efficient* – Increasing the efficiency of EPL relies upon implementing more transactions online. This would require development work to add these additional transactions to NOL. This level of enhancement is not practical with NOL.

- *NOL prevents any major simplification* – Any simplification in Collective Agreements and payroll policy will require changes to how schools engage with the payroll. This would ill require potentially major changes to NOL. As noted above, this level of enhancement is not practical with NOL.

- *NOL prevents adoption of the Ministry's Education System Digital Strategy* – The Ministry's Education System Digital Strategy will require a high degree of integration and inter-operability with other systems in the sector. NOL is not designed to provide this. NOL cannot be practically enhanced to play any part in the Ministry's Education System Digital Strategy.

- *NOL prevents the provision of a more user-friendly service to schools* – NOL is not a user-friendly system and requires significant training for school users to use it effectively. Even if it could be extended to support additional transactions and resolve the technical support issues, many school users would still have difficulties using it. This would require additional support staff from EPL.

- *NOL will cause a payroll failure sometime after December 2019* – As noted above, NOL will lose core technical support from December 2019. NOL cannot practically be rewritten to resolve the Oracle Application Server support issues that will impact from December 2019. This means that NOL will fail at some point after this. This will result in a wider payroll failure as schools are unable to provide pay instructions online.

There are therefore overwhelming functional, technical, strategic, and risk-related reasons to replace NOL as soon as is practicable, certainly by December 2019 at the latest.

CONCLUSION #4: The additional functions available in future versions of Ascender Pay demonstrate a useful future direction for the product, but provide few functionality reasons to keep current with every release

The schools payroll service is currently using release 12 of the core Ascender Pay software. The current level is release 15. Ascender HCM is releasing version 16 in October 2016 and plans to continue to roll out a major release each year.

There are 588 changes to Ascender Pay between release 12 and 16. 48% were deemed to be of no relevance to the schools payroll, and of those remaining, only 8% (Quantity 16) were considered to have a high level of relevance. Of these, half related to pay-run performance and have already been implemented in some form. This leaves only 4% of the features introduced by upgrades deemed to be of high relevance.

While there are few immediate reasons to upgrade, Ascender HCM's direction for the product is in tune with market expectations. Version 16 will move to an Employee Self Service model and a modular framework of payroll, learning, reporting / analytics, and other third party products is being created. While some of these features will no doubt be useful, the fundamental differences between the schools payroll and normal payrolls will limit what can be taken up from the standard product offering.

Given the high degree of investment completed in customisations to support the schools payroll, there will be limited *functionality* value in upgrading every year. Upgrades will however be required to ensure that all underlying technology remains actively supported by the suppliers (e.g. Oracle).

CONCLUSION #5: Future technical and application risk – with the exception of NOL – can be managed to create a sustainable technology environment for ten plus years, while making it simpler to transition to a new system if required

Apart from the immediate Novopay Online issues, the remainder of the Ascender Pay platform remains technically supportable and has a future upgrade path. As the underlying Oracle technology changes, future releases of Ascender Pay will support these changes. The payroll service would not need to implement every new release of Ascender Pay to
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manage the technical and application risk, but could select appropriate releases without compromising supportability.

Future risk in the Ascender Pay core payroll can further be mitigated by moving of some functions out of the core Ascender Pay system (e.g. tax and reporting). This would reduce the complexity of the core, increasing supportability and reducing risk. This would be achieved by the creation of an Open Services Interface which all external systems would use to communicate with core Ascender Pay. This is architectural good practice as well as the stated direction of the provider of Ascender Pay. This would simplify the ongoing support of the special requirements of the schools payroll. It would also enable the core Ascender Pay payroll engine to be replaced by another payroll engine under the Option 4 scenario without substantial change to the systems directly used by schools.

The combination of implementing selected future releases of Ascender Pay and keeping the underlying Oracle technology updated while moving critical functions away from the core payroll will enable a sustainable technology environment for ten plus years. This work will require investment.

CONCLUSION #6: The new Ascender Pay payroll supplier – Ascender HCM – is demonstrating that it can be a viable provider for ten plus years

The original supplier of the Ascender Pay payroll software was a division of Talent2. In May 2015 this division and its assets was acquired by a consortium of Private Equity firms Potentia & 5V Capital. The new owners rebranded the acquired organisation Ascender HCM, installed a new management team and have since focussed on extending the payroll experience of the organisation.

Ascender HCM has around 700 employees located in 30 countries in Asia-Pacific. It is supporting 3,000 clients and paying nearly a million people (employees) of these client organisations. Ascender HCM has many large organisations as its customers especially many in the education sector in NZ and Australia. EPL is its largest education sector client and second largest overall. The ▮▮▮▮▮▮▮▮ government payroll is their largest client by number of employees paid – 110,000+. Ascender HCM have 35 education clients in Australia, New Zealand, and Asia.

EPL has observed Ascender HCM is taking the necessary steps to be a sustainable software and services provider focused around payroll and human capital management. While Ascender is not a "Tier-1 software provider" – such as SAP or Oracle – it has a number of large clients and is carving a niche in the market-place where it believes it can add most value. Ascender's product architecture direction for Ascender Pay is in line with industry directions and reflects the desires of its clients.

The likelihood of an organisation with so many large customers and a growing product portfolio to fail is low. If this were the case, there is a high probability that another organisation would take on the assets, products, people, and customers (as occurred when Talent2 sold to Ascender). A recent statement of confidence in Ascender HCM and Ascender Pay was the decision by ▮▮▮▮▮▮ to upgrade its system to the latest Ascender Pay release.

The conclusions from the discovery work show that the Ascender Pay supplier and product risk can be managed at low/medium residual risk over a ten year plus timeframe

The discovery work has shown that the Ascender Pay product and its provider are viable for ten plus years. Using the output of this discovery work, EPL has developed a supply chain risk assessment and mitigation plan that considers the risk that EPL is exposed to through its

key suppliers and their products. The Ascender supply chain assessment is summarised in the following table. This concludes that the residual risk related to Ascender HCM and the Ascender Pay product can be kept at a low/medium level.

Table 4 Ascender HCM supply chain assessment

Risk Factor	Commentary	Mitigations	Residual Risk
Delivery	Potential of delivery of upgraded software delayed or of poor quality	• Effective project management and performance incentives • Retention of own software development capability and capability of key subcontractors	Low
Service	Potential of defect remediation being slow or ineffective	• Effective service management and performance incentives • Retention of own software development capability and capability of key subcontractors	Low
Cost	High potential due to capture given that the system is not easily changed	• Increase leverage through partnership approach with Ascender HCM • Re-negotiate agreement, particularly related to Licence Conditions (underway)	Medium
Intellectual Property	Potential of restrictions related to use of core software	• Increase leverage through partnership approach with Ascender HCM • Continued retention of in-house and sub-contractor expertise • Re-negotiate agreement particularly related to Licence Conditions	Low
Business	Potential of Ascender failing by not growing profitably or through acquisition	• Continual monitoring of Ascender corporate performance • Retaining ability to develop and support software in EPL • Continued retention of current source code in escrow • Ensuring ability to transition to "Option Four" if required in the future	Medium

There is no immediate requirement to address Option 4 (staged transition to a new payroll system) in this DBC

The Ascender HCM and Ascender Pay discovery work has shown that product and supplier risk can be effectively managed. There are therefore no immediate drivers to move to a new payroll package and provider, notwithstanding the immediate issues regarding Novopay Online. Option 4 – staged transition to a new payroll system – is not therefore being addressed in this business case as a short term option.

As a prudent contingency, any preferred option must provide for the implementation of Option 4 in the future if required

However, as part of prudent contingency planning, Option 4 must continue to be possible in the future, as requested by shareholding Ministers. This will enable a staged transition with managed risk to a new provider without disrupting schools. This will support risk mitigation should Ascender HCM be unable to provide adequate support as well as the change to a new system that will inevitably be required sometime beyond ten years.

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Option 3 as outlined in the IBC supported the staged transition to a new core payroll package as follows:

- provision of a new online service for schools to "insulate" schools from the core payroll package –the core payroll package could be changed while retaining the same online service

- provision of an open interfaces package whereby new services could be provided connecting to the core payroll through a standard set of interfaces providing the required data validation – a new core payroll could be implemented while continuing to use many of the same interfaces, reducing the transition risk

- progressive moving of complex functions (e.g. tax, banking staffing) away from the core payroll to reduce reliance on how the core payroll operates.

Therefore, while Option 4 is not an immediate requirement for analysis, the retention of these features in the DBC preferred option will ensure that Option 4 is retained as a possibility in the future.

Managing environmental simplification

In the 2016/17 letter of expectations, shareholding Ministers requested the EPL Board to support the Ministry to develop a clear understanding of the costs and benefits of simplifying the collective agreements and / or other schools payroll arrangements. This DBC considers how simplification could bring further benefits to the preferred option.

This section considers environmental simplification and how it will be addressed through this Detailed Business Case.

The current environmental complexity drives increased potential for pay error, increased school administration costs, and increased payroll operating costs

Simplification must be pursued if the payroll is to become more accurate and efficient. In recognition of this, the Ministerial Inquiry included two recommendations to simplify the wider policy environment and how the payroll is delivered.[4]

Simplification could occur in three areas – payroll operating model, sector operating model, policy and collective agreements
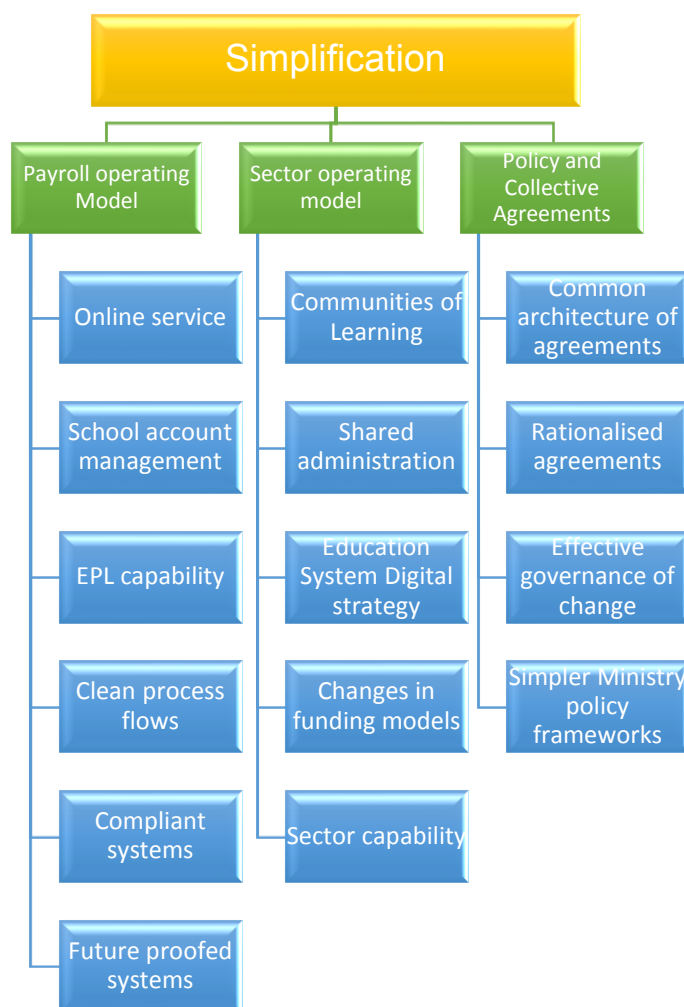
Figure 8 Types of payroll simplification

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[4] This was included in recommendations 4 ("… modernise the collective agreements in the sector in order to reduce the complexity…") and 5 ("Re-examine the requirements of the current schools payroll to remove unnecessary practices and complexity …").

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The payroll operating model (as managed by EPL), the sector environment, and Ministry policy and collective agreements are all candidates for simplification.

Simplification could bring benefits in a wide range of areas

The key areas of potential benefits from simplification are as follows.

- increased payroll accuracy through reduced under and overpayments of salaries due to simpler and standardised entitlement structures and payment mechanisms

- lower school administration costs through less time spent by School administrators to interpret and process entitlements

- lower payroll delivery costs through fewer support resources required within the Ministry and the payroll service provider, ensuring impact on Crown costs are considered

- reduced future transition risks through lower levels of customisation for future payroll systems because of the unique nature of the collectives and sector operating model

EPL is already implementing a simpler payroll operating model

As part of its ongoing continuous improvement programme, EPL is moving to school account management model (as opposed to a help desk centred model) as well as simplifying its process flows and reducing process failure demand. This new model will be progressively implemented by the end of calendar year 2016. Further investment would enable the payroll service to move to a fully online / digital assisted support model with compliant systems that do not require complex manual workarounds. This would provide for all instructions to be entered by schools online while ensuring that all schools had "human" support when required.

Future schools payroll operating model simplification is directly addressed in this business case

The proposed initiatives in this business case will continue the implementation of operating model simplification begun through the Better Every Day process and the business model reorganisation. The additional investment proposed – especially in moving schools to a fully online / digital assist environment – will remove significant complexity and enable efficiencies to be achieved, both in the payroll service and in the sector.

EPL will align the payroll service delivery with the sector operating model

The sector operating model is largely determined by factors outside of payroll considerations. While the payroll service can take advantage of these (e.g. through shared school services as a result of communities of learning), it will not be the driver for these. Potential areas that may impact on simplification are:

- sharing of resources between schools through Communities of Learning and shared administration, thereby increasing capability of staff and simplifying administration requirements for individual schools

- the simplifying of school ICT systems and inter-connections between systems in the sector

- any changes to the school funding model.

EPL is working with the Education Council around using common platforms for providing services to the sector as well as using a common workforce register. EPL continues to work with the Ministry in ensuring that payroll data is available to and integrated with the wider Ministry data initiatives (e.g. integrated Education data). The preferred option in this business case supports increased analytical capability and data sharing with the sector to directly support the data and information goals of the Ministry.

This business case aligns with the current sector operating model. The preferred option complies with the Education System Digital strategy and supports shared administration models. Further significant changes in the model (e.g. in funding) would be managed through the standard change control processes. (See APPENDIX H: Compliance with Education System Digital Strategy 2015-2020.)

EPL will support the Ministry in simplifying the policy and collective agreements

The Ministry has accountability for the wider environmental policy and collective agreements. A programme to drive simplification would include the managing down of the complexity in the collective agreements over time as new agreements were negotiated with unions. EPL will support the Ministry in simplifying the policy and collective agreements and gaining benefits and efficiencies from these changes. This is expected to involve:

- *Common architecture* – the content of the agreements should be consistent in terms of definitions, language and structure.

- *Core Elements* – all agreements should be based on the same logic for leave, allowances, and service accumulation.

- *Rationalised Internal Logic* – the logic within agreements should be as simple as practicable to achieve the appropriate remuneration and entitlement outcome for the employee.

- *Priorities for change* – evidence-based list of priorities for changes and expected impacts.

- *Governance* – there should be process and accountability for development and agreement of common architecture, core elements, and plans for simplification of each agreement.

Policy and collective agreement simplification could bring further efficiencies for the schools payroll, the Ministry and schools, and make EPL a more attractive acquisition target

The Ministry is working progressively to simplify collective agreements through bargaining. Since 2013 the Ministry has targeted change in areas that provide good outcomes for minimum cost (e.g. the amalgamation of occupational classes and pay grades in the Support Staff in Schools Collective Agreement resulting in a single scale rather than four scales, and removing the difference between hourly and annual rates, a consistent mileage rate consolidated in the settlement of the Secondary Teachers' Collective). EPL will support the Ministry in providing information on what changes in collective agreements would have the biggest impact for payroll administration as priorities are set for the next round of bargaining.

EPL's ability to continue to achieve efficiencies will be affected by the complexity of the policy and collective agreement environment. Currently, EPL is targeting a company head-count of 100 if all the required investment is made. This could possibly be reduced further if significant

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collective agreement simplification could be achieved. (The Ministry itself would also conceivably require lower levels of payroll resource in a simplified environment.)

If significant simplification was to occur, schools could potentially have their current average payroll related workload of 6 hours per week (as established through EPL's survey) reduced further on top of savings achieved through EPL changes and a fully online service.

Simplification of the payroll would also enable EPL to transition to a more general purpose payroll company. This would make it a more attractive acquisition by a private sector operator.

Requirements for the schools payroll service

Introduction

This section describes the requirements for the schools payroll. It outlines the roles and responsibilities of the key parties and summarises the services the Ministry requires the payroll to deliver.

Roles and responsibilities of key parties

EPL

EPL is responsible for all people, systems, processes and services required to deliver the schools payroll to the standards set out in the Service Level Agreement between EPL and the Ministry. This includes all payroll processing, third party and customer service functions and operational relationships other than those that need to be retained by the Ministry due to delegations or other issues. EPL is also responsible for training schools staff in the use of the payroll service.

Ministry of Education

The Ministry is responsible for:

- developing and managing the overall strategy for provision of the schools payroll

- setting, monitoring, and managing the performance of EPL to ensure that the schools payroll is provided in a manner that fulfils the accountabilities of the Secretary for Education

- performing such supporting functions as required to ensure effective delivery

- performing such supporting functions that must be retained by the Ministry because of statutory delegations.

Schools

Schools are the employers of the staff paid. As such they are required to provide instructions to the payroll service to pay their staff. They use the reports provided by the payroll service to manage the pay of their staff and their staffing entitlements.

The direct users of the payroll are the school administrators and principals at schools. They are responsible for issuing the payroll instructions to EPL.

The implementation of Novopay highlighted the importance of change management focused on enabling schools to effectively and efficiently use the payroll service. Changes to the service must be done in close consultation with schools. This will mean involvement by school staff with requirements, early prototyping, and pilots. It will also mean communications, training, and support.

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Business scope of the schools payroll

The Ministry of Education has defined the services it requires EPL to deliver as part of the schools payroll. They are currently managed through a services agreement between the Ministry and EPL.

The business scope and key service requirements are summarised in the following table.

Table 5 Summary of key service requirements

Service Requirements	Minimum Scope
Employees paid	Payment of all school teaching and non-teaching staff 90,000 per fortnight; 110,000 in the course of a year
Service elements provided	Pay employees accurately and on time Provide information to employees Support schools in using the payroll service Provide information to Ministry and 3rd Parties Manage deductions and relationships with 3rd parties Manage overpayments made to employees Support schools audits Manage service availability Manage security and privacy Ensure the payroll service complies with Legislation, collective agreements, and Ministry policy Manage Payroll Data
Administrators serviced	6,700 payroll services users (administrators, including principals) at 2,500 schools state and state-integrated schools

The table on the following pages outlines:

- the service elements required to be delivered

- the specific functions to be performed within the service elements

- the Key Performance Indicators (KPIs) used to measure the quality of the service element

- the performance standards for each KPI.

Note that the KPIs will be validated and detailed within the services agreement contract between EPL and Ministry. Negotiations of this contract are expected to be completed later this year or early next year.

Table 6 Service definition

Service Element	Functions	Key Performance Indicators	Performance Standards
1. **Pay employees accurately and on time**	1.1 Process pay, leave, and other instructions from schools and the Ministry 1.2 Produce reports to schools that are required for the accurate and timely processing of pay (e.g. the Staff Usage and Expenditure – SUE – report) 1.3 Produce and distribute bank file(s) to ensure payment to employees at schools 1.4 Produce pay slips for employees that reconcile all jobs and employers (schools) to the employee level (maximum 100,000 employees) 1.5 Manage stop pays on instructions from schools or Ministry 1.6 Calculate manual pays on instruction from schools or Ministry in exceptional circumstances (when a standard pay cannot be made in the normal pay process) 1.7 Calculate and process holiday pay as required 1.8 Calculate and process other pay related entitlements (e.g. annual leave, sick leave, long service leave) 1.9 Process employee terminations as required 1.10 Process requests for annualisation 1.11 Conduct salary assessments on teachers entering or re-entering the workforce or who have gained additional experience and/or qualifications 1.12 Provide banking staffing reports to schools showing their use of teaching staffing against entitlement (as per the Ministry's policy regarding school teacher entitlement) 1.13 Issue bank instructions to ensure that staff costs are funded from correct areas	KPI 1: Payroll Accuracy KPI 2: Payroll Timeliness	99.75% of employees paid Accurately 100% employees paid before 12.00 PM before due Pay Day
2. **Provide information to employees**	2.1 Provide employee statutory requests for information ("Statement of Service") 2.2 Provide pay slips to employees	KPI 3 Employee Satisfaction	70% satisfaction as measured by survey [by year 3]
3. **Support schools in**	3.1 Provide a comprehensive, easy to use, on-line service portal for	KPI 4 Customer	70% satisfaction as

Service Element	Functions	Key Performance Indicators	Performance Standards
using the Payroll Service	payroll service users at schools to enter payroll instructions and manage their school employees' pay 3.2 Provide a payroll advisor who is allocated to each school to support the schools in their use of the service 3.3 Receive and respond to service requests from payroll service users at schools 3.4 Provide user guides, appropriate information and training to payroll service users 3.5 Provide information to payroll service users regarding the payroll service as required 3.6 Escalate service requests from schools to the Ministry where appropriate	(Administrator) Satisfaction KPI 5 Customer Effort	measured by survey [by year 3] 70% customer effort satisfaction score as measured by survey [by year 3] Average of 4.2 hours school effort per pay period [by year 3]
4. Provide information to Ministry and 3rd Parties	4.1 Produce and distribute 3rd party payment schedules each pay cycle (e.g. for ACC, Inland Revenue, superannuation organisations) 4.2 Provide payroll data to the Ministry in a standardised format 4.3 Implement new payroll information and reports to the Ministry (subject to Change Request Process)	KPI 6 3rd Party Effort	70% 3rd party effort satisfaction score as measured by survey [by year 3]
5. Manage deductions and relationships with 3rd parties	5.1 Maintain 3rd party details (superannuation, KiwiSaver, other deductions, Ministry of Justice, WINZ, etc.) 5.2 Deduct union fees from employees under instruction from schools 5.3 Produce and reconcile the Employer Monthly Schedule (EMS) provided to Inland Revenue 5.4 Reconcile ad-hoc superannuation payment 5.5 Manage ACC annual levy process 5.6 Manage ACC Trust Account 5.7 Manage tax year end 5.8 Provide PAYE information to enable payment to be made to Inland Revenue by Ministry 5.9 Identify and file tax adjustments with Inland Revenue 5.10 Manage adjustments to employee information held by Inland Revenue via the Employer Amendment Schedule (EAS or IR344) process 5.11 Manage employee tax code expirations (STC and SDR)	KPI 7 Deduction Accuracy	99.75% of all third parties paid accurately [by year 3]

Service Element	Functions	Key Performance Indicators	Performance Standards
6. Manage Overpayments to Employees	6.1 Calculate debt created by an overpayment to employee 6.2 Manage outstanding debt according to debt management process 6.3 Collect employee debt and distribute to appropriate accounts (School or Crown) 6.4 Reverse out as appropriate payments to third parties (e.g. superannuation providers, Inland Revenue) 6.5 Manage debt trust account	KPI 8 Net Debt Levels	Net debt level < $ 2.000 m [by year 3]
7. Support Schools Audits	7.1 Produce reports for School Audit including School Annual Accrual Report (SAAR) and error schedules 7.2 Provide responses to any auditor's questions which relate to payroll 7.3 Support the Ministry and school auditors to complete the schools audit	KPI 9 Audit Issues	EPL Schools Audit Issues High or Above <5
8. Manage Service Availability	8.1 Ensure that the On Line Payroll Service is available to schools at least 98% of the time 8.2 In the case of catastrophic service failure ensure that the On Line Service is recovered in three days 8.3 In the case of catastrophic service failure ensure that a bank file can be produced so that employees will be paid the same as the previous pay period 8.4 Undertake operational assurance in accordance with good industry practice	KPI 10 Service Availability	Service available to Schools > 99.9%
9. Manage Security and Privacy	9.1 Ensure that only appropriately authorised persons have access to the on line payroll service 9.2 Undertake information security management in accordance with good industry practice 9.3 Undertake privacy management in accordance with good industry practice (including GCIO Guidelines), including a security certification and accreditation process	KPI 11 Compliance	EPL Audit issue from all areas High or above < 5
10. Ensure the Schools Payroll Service Complies with	10.1 Implement 1 April tax and legislative changes each year 10.2 Implement collective agreement changes as negotiated by the Ministry 10.3 Implement other legislative changes that impact school employee		

Service Element	Functions	Key Performance Indicators	Performance Standards
Legislation, CA's, Ministry stated policy	pay and entitlements		
11. Manage Payroll Data	11.1 Maintain school, employee and job details to a level that enables other service elements to be delivered to required service levels 11.2 Maintain 3rd party details (superannuation, KiwiSaver, other deductions, Ministry of Justice, WINZ, etc.) according to good industry practice 11.3 Archive data and information according to Good Industry Practice		
12. Operate Cost Effectively	12.1 Operate the Schools Payroll Service efficiently	KPI 12 Cost Performance	Lower half of payroll costs as measured by NZ Treasury BASS and Australian Cost Benchmarking [from year 3]

Payroll service current state assessment

This section assesses the current state of the schools payroll in terms of infrastructure risk and mitigation, compliance, and operating model. The overall delivery risk is then assessed. This section presents the baseline requirement for the investment needed.

Infrastructure risk and mitigation

The schools payroll relies on technical ICT infrastructure to manage its payroll. This section summarises the current state with respect to infrastructure risk, how it is being mitigated, and the current risk levels.

EPL has addressed immediate technical infrastructure risk around its people, data centre, hardware, operating platforms

When EPL took over operation of the schools payroll, the technical infrastructure needed significant investment for it to be at the level needed to support acceptable operating risk. Since then, EPL has invested in upgrades across all aspects of the infrastructure to address this risk. The data centre, storage, communications, server platforms, and desktop devices are now remediated to an acceptable level.

Significant investment has been made around security and privacy to ensure that information is secure and that effective systems and processes are in place to prevent improper disclosure. The material risks have been mitigated and a privacy impact assessment completed. The recommendations are being implemented.

All key people required to support the core systems have been retained and recruited as permanent employees. Upskilling and cross-skilling is also occurring. Systems to manage core knowledge are also being implemented. All the core management processes (including change management, incident management, and problem management) are in place and working effectively.

However, additional investment is required to ensure good practice and manage risk

Notwithstanding this progress, additional investment is required before EPL is operating at the level of practice recommended by GCIO and recommended by the Ministry of Education ICT group. Additional investment is required in system security, ensuring that hardware and software continues to be refreshed, business continuity and disaster recovery, and improved privacy processes.

The core Ascender Pay payroll is running on an outdated release

Ascender HCM is about to release Ascender Pay release 16. Novopay is currently using release 12. While Ascender HCM is committed to ongoing support of release 12, this will become increasingly difficult to undertake practically as expertise on release 12 decreases as clients move to later versions. While Ascender Pay release 15 provides little additional functionality benefit, EPL cannot afford to lag too far behind in release levels.

The core payroll is running on outdated Oracle components

Investment is required to upgrade the underlying Oracle technical components to their latest supported releases. These affect especially the "Power User Interface" used by EPL staff to operate the payroll. This can be remedied by a technical upgrade of the Oracle components and can occur on Ascender Pay release 12 – it does not rely on an upgrade to the latest version of Ascender Pay.

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Novopay Online is difficult to modify and will not have Oracle support from December 2019

NOL heavily relies on a specific feature of the Oracle Application Server. In December 2019 Oracle will cease support for this feature NOL. NOL is an essential system providing services to 6,700 administrators at 2,500 schools. This situation cannot be allowed to continue.

It should also be noted that it will difficult if not impossible to upgrade Ascender Pay to later supported versions of the Oracle Application Server while NOL is still operational. This means that any delay in the replacement of NOL also causes the remainder of the Ascender Pay package to be running on an unsupported version of the Oracle Application Server.

Therefore, while progress has been made in mitigating infrastructure risk, significant additional infrastructure investment is required

The immediate investment in infrastructure, people, and processes has enabled stable operation. However, risk levels are still rated "high" in key infrastructure areas. These areas are:

- *Technology process failure/ systems failure* – Lack of investment will raise this to "very high" with increasing certainty of non-payment of a significant number of employees.

- *Information security breach* – While basic security controls are in place, investment is required to upgrade the current security systems.

- *Disclosure of personal information* – Privacy and security investment is required to mitigate this risk.

Compliance

The Ministry of Education requires the schools payroll service to comply with relevant legislation, Ministry policy, and collective agreements detailing pay arrangements for staff. This section summarises the current state with respect to compliance with these requirements.

Measured pay accuracy is well within the benchmark level of 99.5%, but there are limitations with the measuring process

EPL has made significant progress since its establishment in complying with legislation, collective agreements, and Ministry service requirements. Pay errors detected by schools and staff paid remain well under the benchmark accuracy level of 0.5% and are now averaging 0.052%. There are also 30% fewer requests by schools for changes to pay from their draft Staff Usage and Entitlement reports when compared with 12 months ago.

However, the measurement process for pay accuracy relies on schools and staff detecting these errors. The Holidays Act compliance issues are an example of where errors are not detected by schools and are therefore not reported through this process.

Error-prone manual workarounds are still in place

While the payroll service meets the targets, as measured by the fortnightly complaints and actuals report, there are shortfalls in the systems. Functional gaps and defects in the systems include issues associated with leave, employee terminations, adjustments to year-to-date pay information, deductions from employee pay, holiday entitlement calculations, tax, employee service, and reporting. These requirements must currently be met through manual

workarounds, or correction after the information has been processed. While these processes enable compliance to be achieved, they are by nature error-prone.

The payroll service is not compliant with the Holidays Act

A formal analysis of compliance with the Holidays Act was undertaken to determine if the school payroll was compliant. This analysis identified compliance issues with the payment of teachers and principals, annual leave, sick leave, bereavement leave, allowances, terminations, and annualised employees. These issues cannot be easily resolved through manual workarounds and will require investment in changes to the existing payroll systems. (Work has started on the analysis of the Holidays Act requirements and the planning of the programme of work required to resolve the issues. Note that funding to resolve the Holidays Act issues is not being sought through this business case but will be managed through a subsequent process with the Ministry once scoping is complete.)

There are still other outstanding leave issues, namely long service leave, leave booking, annual leave for 52-week staff

There is a long history of leave not being managed adequately across the sector. While a very successful leave remediation project was completed in 2015, there are still some leave issues that have not been addressed. These include long service leave, leave bookings (the entry of actual leave and processing of this entered leave to appropriate pay categories and calculations), and annual leave for 52-week staff.

Therefore, while compliance has improved significantly since go live, further investment is required to resolve the outstanding issues

Notwithstanding the issues with measuring the accuracy of the payroll, major progress has been made in achieving an accurate and timely payroll. However, there are still many error-prone manual workarounds in place to address the issues, the payroll service is not compliant with the Holidays Act, and there are outstanding leave issues.

Operating model

The Ministry of Education requires the schools payroll service to deliver payroll services to 6,700 administrators at 2,500 schools to enable staff pay to occur accurately and on time. This section summarises the current state with respect to the operating model that delivers this service.

School satisfaction with the service has increased, but is still significantly lower than good practice targets

EPL has completed three customer satisfaction surveys targeted at people who directly use the payroll service, namely the administrators and principals at schools. Of the three sample groups of schools that were surveyed, the schools that are totally satisfied with the service changed from 51% to 58%. The change between the two sample groups of schools who are totally satisfied with the effort that managing their payroll is taking changed from 37% to 48%. However, between the two sample groups there has been an increase in schools who are totally dissatisfied from 7% to 10%. Though two different sample groups show there has been progress in school satisfaction, the percentage of schools total satisfied with the service is still

2016

Overall quality of service

Customer effort score

	Q1	Q2	Q3	Q4
Total Dissatisfied (0-3)	7	12	10	
Unsure/NA	1	0	1	
(4-6)	41	34	31	
Total Satisfied (7-10)	51	54	58	

	Q1	Q2	Q3	Q4
Total Dissatisfied (0-3)	19	17	16	
Unsure/NA	0	0	0	
(4-6)	44	43	36	
Total Satisfied (7-10)	37	40	48	

- Total Satisfied (7-10)
- (4-6)
- Unsure/NA
- Total Dissatisfied (0-3)

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much less than EPL's good practice target of 70%.

Clearly, further investment is required to ensure that the sector as a whole is satisfied with the service and with the time that they need to spend managing their payroll. The above 2 sample groups have given EPL Baselines to work on in the future.

EPL is transforming the operating model to increase service to schools and reduce errors and effort

EPL has been using the SSC Better Every Day programme to improve its processes and services. As a result of this work, EPL is reorganising its front line delivery to an account management model, whereby schools are allocated to teams that manage all their transactions. This change has been informed by a successful pilot for 200 schools. For this pilot 33% fewer errors were reported, 40% fewer overpayments occurred, and transaction times reduced by 20%. All pilot schools wished to continue with this way of working. This model will be rolled out for all schools by the end of CY 2016.

All work in EPL continues to be aligned to operational delivery of KPIs and risk through a strictly managed and prioritised work programme. EPL continues to undertake general cost control through minimising the level of non-delivery related company functions and leveraging specialist resources (such as ICT delivery) wherever possible. This has helped it to move from an operating cost of $27 million in 2015/16 to a projected cost of $24.6 million
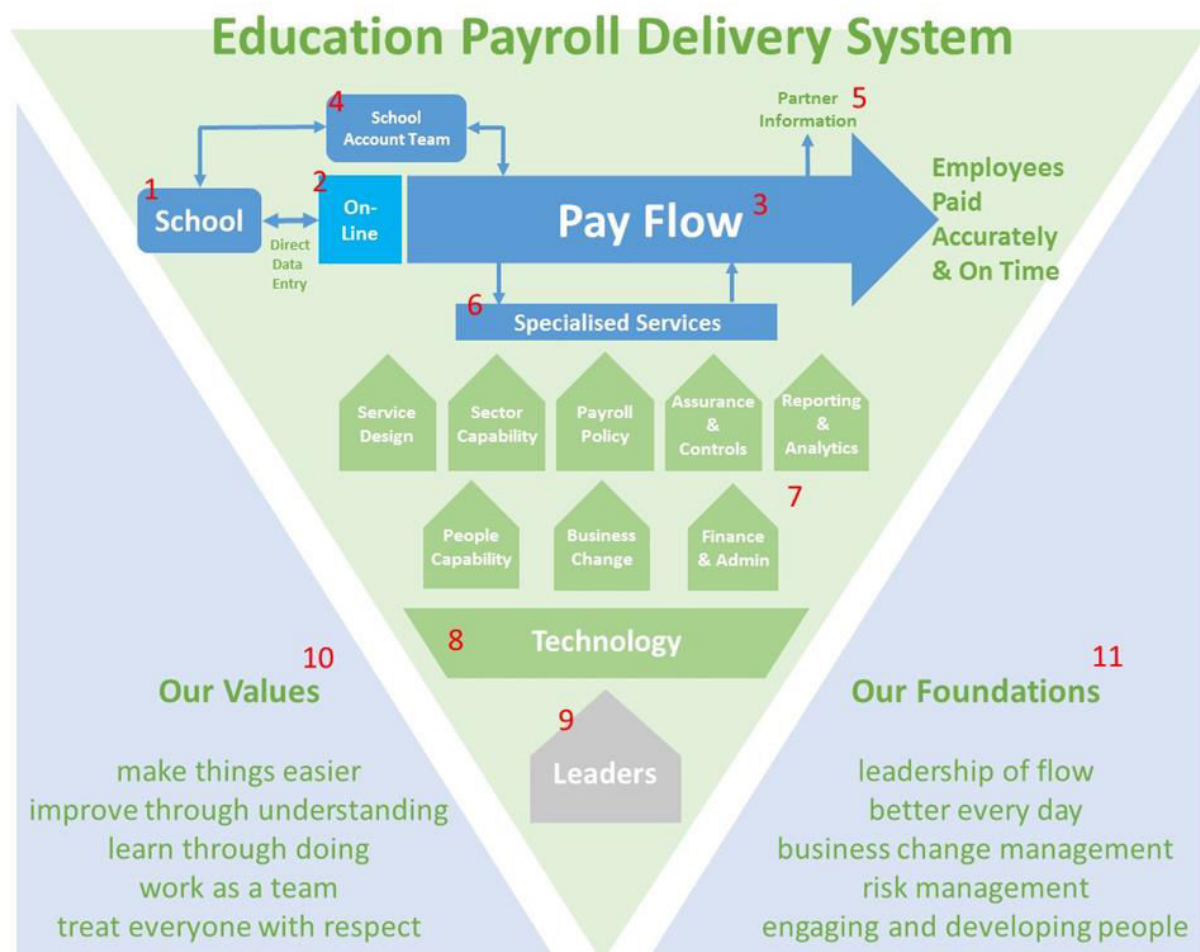
in 2016/17.

Figure 9 EPL payroll delivery model

There is a still a high level of error and rework within EPL, mostly due to manual forms and insufficient validation in NOL and internal EPL systems – organisational and process changes will improve this situation but not resolve it

EPL processes an average of 13,000 pay instructions on manual forms per pay period, and volumes of up to 23,000 per pay period during End of Year / Start of Year. While EPL's efficiency is improving there is still a high level of rework required due to incorrect or incomplete manual forms submitted by schools as well as incorrect information entered by schools through Novopay Online or by EPL staff through the Power User Interface.

Incomplete forms or forms with errors need to be sent back to the schools so that the missing information can be added or existing information corrected. Incorrect data entered through Novopay Online needs to be detected and corrected. The system used in the pay centre by EPL staff to enter the forms (the Power User Interface) has limited data validation, further contributing to errors in data entry.

Approximately 60% of all current instruction processing effort is failure demand – i.e. the effort required where instructions are not processed right first time, resulting in rework (e.g. rekeying) and then retrospective resolution (e.g. debt). This is illustrated by the graph based on a survey of over 2,000 demand statements. As can be seen, there is a significant level of "failure demand" (coloured red) where instructions are not being processed right first time.

Figure 10 Top 15 demand failure vs value (based on 2,000 demand statements)

The change to an account management model will potentially reduce failure demand to between 35% and 40%. However, this is still an unacceptably high level and an ongoing limit on the efficiency and accuracy that EPL can achieve.

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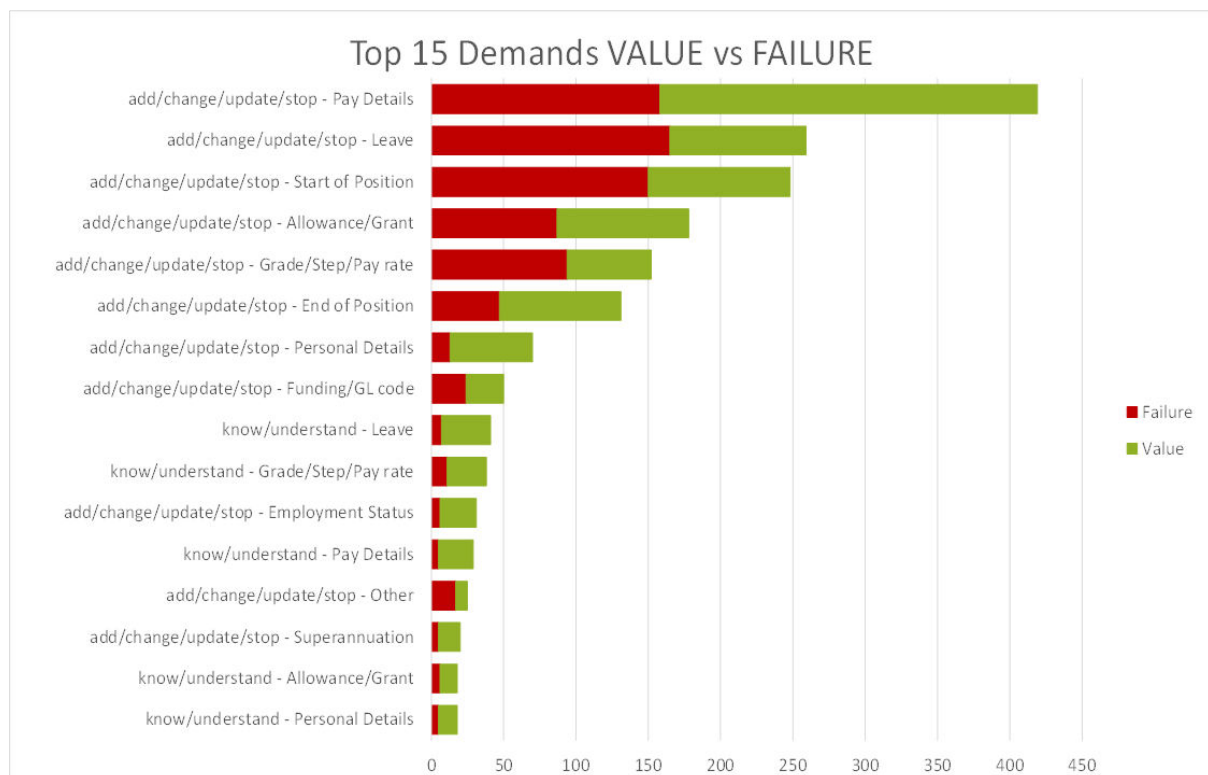
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Manual forms must be eliminated and data validation increased – this requires the replacement of Novopay Online

The 13,000 manual forms received each pay period must be eliminated if efficiency is to increase further. This can only occur by schools entering them accurately online. Validation of the data entered online must also be improved if effectiveness is to be increased and rework reduced.

However, there are significant issues with the current Novopay Online functionality:

- Novopay Online is difficult to use and there is limited confidence across the sector in the system. Many school administrators find it simpler to submit a manual form rather than use NOL, even when they can use NOL for the specific instruction.

- All instructions cannot be entered through Novopay Online. Even if school administrators were confident to use NOL for entering everything they could, and entered this accurately, this would only reduce EPL processing effort by approximately 13%.[5]

- Novopay Online has inadequate data validation and so school administrators can still enter incorrect data.

- There is increased workload and entry error risk due to double handling by school users and EPL.

If the payroll service is to significantly increase its efficiency, it must eliminate manual forms, the processing effort associated with them, the risk of human error both internally and across the sector, and the inevitable rework required. This requires an online system that is user-friendly so that schools are able to easily use it, supports the processing of all payroll instructions from schools, and has the necessary validation to ensure correct data is entered by schools. This will require the replacement of Novopay Online.

The Ascender discovery work has identified that NOL cannot be enhanced (see "Managing core payroll system and supplier risk" above). This will require the replacement of Novopay Online.

Overall delivery risk

The operating risk for the schools payroll is unacceptably high

The schools payroll processes and disburses over $4.6 billion per annum. Its operating risk is higher than would be expected for an operation of this kind, paying out this level of money, to the demands of a rule base of this complexity.

Despite the progress made in reducing risk and the successful pay period to pay period delivery of the payroll service within the defined accuracy and performance targets, the Board and management of EPL consider the company's risk level to be unacceptably high.

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[5] Based on a survey of the top ten manual forms processes and the time taken by EPL to process them.

The key risks that are causing concern are as follows:

- *Technology process failure/ systems failure* – these risks are currently rated a "high" risk. Lack of investment will raise this to "very high" with increasing certainty of non-payment of a significant number of employees.

- *System business rules errors* – this is currently rated a "high" risk. Investment is required to resolve the outstanding defects and reduce the number of error prone workarounds. If investment is not available to resolve the defects a failure to pay event will become more likely.

- *Disclosure of personal information* – this is currently rated a "high" risk. Privacy and security investment is required to mitigate this risk and enhance the privacy systems and processes to the standards required by GCIO.

- *Information security breach* – this is currently rated a "high" risk. While basic security controls and cyber-security protections are in place, investment is required to mitigate this risk and upgrade the current security systems to the standards required by GCIO.

There will be some reduction in risk because of investment planned for 2016/17, however without further investment, risk will rise to "high" in 2020 – this is unacceptable to the Board

The risk profile of the schools payroll will change as improvements and projects are implemented. The company undertook a risk assessment in June 2015 which identified enduring risks. Each of these risks has a different contribution to the overall risk profile of the payroll service. Each risk has been assigned a weighting between one and five relative to how it meets the objective of paying education sector employees accurately and on time. Each risk also has a status according to assessment in accordance with the EPL Risk Management Framework. A simple sum of the multiples of the weighting and the risk assessments provides a relative view of aggregate payroll risk.

The following graph shows the profile which has been achieved over the 2015/16 year and where it is expected to be in 2016/17 with the projects and initiatives that are currently

Status Quo Risk Trajectory
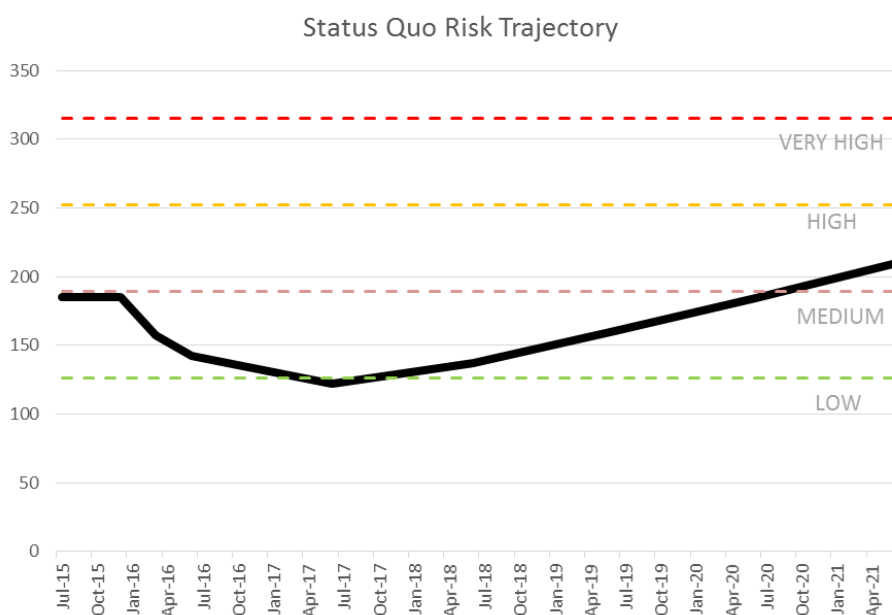
funded and underway.

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Figure 11 Status quo risk profile

While the risk level has trended downwards, without significant investment the risk profile will start increasing again from July 2017. This would be primarily due to increasing compliance gap. There would also be increasing risk relating to end of life technology platforms. The first to come out of support will be Novopay Online (NOL). Given that this is the major service delivery platform and the service cannot be provided without it, it would put the payroll service at significant risk in the 2019/20 year. The risk position would continue to deteriorate from this period as more systems become out of life, the gap between service expectations and delivery increases.

Secondary risks will also start to emerge, such as losing critical mass of technical staff – as there will very low levels of systems development. Risks relating to schools' engagement with the service and sector capability will increase as the service experience falls behind other school based services. The probability of catastrophic failure increased rapidly from 2020.

Any further deferral of investment brings significant risk of payroll failure on a large scale

Addressing the risks that will materialise from 2020 will require two to three years' lead-time to resolve them. Planning therefore needs to start in 2016/17 with investment in remediation starting from 2017/18. Therefore, the Board of EPL maintains that investment to address the issues faced by the schools payroll service cannot be deferred beyond 2017/18.

If investment is delayed beyond Budget 17 the risk of payroll failure whereby significant numbers of staff are not paid or paid incorrectly will increase. A technical or process failure in any of the key areas could result in a delay in a pay-run resulting in "catch-up" work of the scale of that which occurred after Novopay went live. The longer that investment is deferred, the more this risk will increase.

Investment objectives for this business case

EPL is required to deliver a schools payroll that addresses the requirements of the Ministry and schools. This service must be accurate, efficient, and sustainable, and delivered at an acceptable level of risk.

It is clear from the current state description above that significant change is required for EPL to achieve this. This change will require investment.

The investment objectives from the IBC have been refined (see APPENDIX E for details of how this took place and how the IBC objectives were mapped to the refined objectives). These refined investment objectives are as follows:

1. Accurate and timely delivery of payroll

2. Reputation

3. Sector productivity

4. Payroll information and data

5. Future Proofing / Sustainability

6. Efficiency

These investment objectives are described in the tables below.

Note that the key measures will be validated and detailed within the services agreement contract between EPL and Ministry. Negotiations of this contract are expected to be completed later this year or early next year.

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Table 7 Investment objectives

Investment Objective One	Accurate and timely delivery of payroll
Statement	The schools payroll will pay staff and third parties accurately and on time. This objective includes the correct pay of rights and entitlements, deductions and allowances. This objective includes compliance with Ministry of Education policies, collective agreements, and pay-related legislation. This objective includes avoiding fiscal risks in pay, both at the time and over time.
Business Needs	The key business needs for paying and calculating entitlements accurately and on a timely basis are: • Compliant with relevant legislation, collective agreements, Ministry of Education policy, superannuation trust deeds • Compliant with good practice • Compliant with privacy and security requirements • Compliant with other good practice industry norms for service provision and ICT • Instructions are processed within the pay period to which they apply • Exceptions are processed within one pay period or less • All payments and fund movements are reconciled to the individual pay calculations • Ease of access to the service by schools, both administrators and principals • Easy to understand compliance requirements for schools.
Key measures	Accuracy will be measured by the following primary measures: • 99.75% of employees paid will be paid correctly each pay period as calculated by errors detected in pay by EPL or schools and notified to EPL by the end of the week when the pay is made [KPI 1: Payroll accuracy] • 99.75% of all third parties will be paid accurately as calculated by errors detected in pay by EPL or schools and notified to EPL by the end of the week when the pay is made [KPI 7: Deduction accuracy] • The net overpayment debt level will be less than $2.000 million [KPI 8: Net debt levels]. Timeliness will be measured by the following primary measures: • 100% of all employees will be paid before 12:00 pm on the standard due pay date [KPI 2: Payroll timeliness].

Investment Objective Two	Reputation
Statement	The users of the schools payroll and the Ministry will have confidence and trust in the schools payroll. This objective includes the public and users' trust and confidence in the service and those responsible for the service (Minister, Board, Ministry, and EPL). It also includes confidence in the advice provided to those using the payroll services. This objective includes compliance with privacy law, security requirements, audit requirements and other non-pay related legislation.
Business Needs	The key business needs for reputation are: • The users of the payroll service at schools must have confidence and trust in the service • Those paid through the service must have trust and confidence in the accuracy and timeliness of what they are paid through the service • The payroll service must be demonstrably compliant with good practice security and with privacy laws • The Ministry must have confidence in the payroll service.
Key measures	Reputation will be measured by the following: • 70% of employees paid through the payroll will be "satisfied" (or higher) with the service as measured by a bi-annual online survey [KPI 3: Employee satisfaction] • 70% of payroll users (administrators at schools) will be "satisfied" (or higher) with the service as measured by a quarterly online survey [KPI 4: Customer (administrator) satisfaction] • In the annual audit there will be fewer than five schools audit related issues identified as "high" or above priority (as defined by audit method) [KPI 9: Audit issues] • In the annual audit there will be fewer than five compliance related issues identified as "high" or above priority [KPI 11: Compliance].

Investment Objective Three	Sector productivity
Statement	The payroll service will provide an effective and efficient service for schools to use. This objective includes providing a payroll service that is easy to use and maximises efficiencies for sector users. It includes helping maximise the value from administrators' and principals' time, freeing up time to focus on education outcomes.
Business Needs	The key business needs for access by schools are: • An easy to access and easy to use service • Responsive service to schools with early resolution of errors • Timely, accessible, and readable communications to schools regarding the payroll • Consistent service in terms of response and information provided

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	• Easy to use online systems that cover most if not all of the instructions that schools need to issue regarding pay
	• An easy to use, easy to understand, and complete website providing the information required by schools to fulfil their accountabilities as employers.
	The key business needs for staff paid through the service are:
	• Accurate, easy to access, and easy to read information on payslips
	• Ability to resolve issues that cannot be resolve through employers in the sector in a timely manner
	• The potential to access pay information online and keep key personal information updated online (optional for future).
Key measures	Sector productivity will be measured by the following primary measures:
	• 70% of schools will "satisfied" or higher with the effort that they spend on the schools payroll as measured by a quarterly online survey [KPI 5: Customer effort]
	• The online payroll service availability to schools during standard school office hours will be 99.9% each pay period [KPI 10: Service availability]

Investment Objective Four	Payroll information and data
Statement	The schools payroll will provide accurate, complete, and up to date payroll data to authorised users of the data.
	This objective includes the provision of clear, understandable and usable information to people paid, schools, and other organisations involved in the overall pay chain. This objective also includes helping users to understand the pay information. It includes the provision of usable data and information for other purposes (e.g. The Ministry for workforce forecasting and planning; Inland Revenue and other organisations). This objective includes the provision of analytical ability or reporting functionality.
Business Needs	The key business needs for access to information are:
	• Accessible, usable, accurate, timely, consistent payroll data provided to agencies requiring it
	• Access to analytics tools by Ministry staff to gain the maximum value from the data
	• Data complies with wider government requirements (e.g. Statistics NZ).
Key measures	Payroll information and data will be measured by the following measures:
	• 70% of third parties and users in the Ministry will be "satisfied" or higher with the effort that they spend on the schools payroll as measured by a quarterly online survey [KPI 6: Third party effort]
	• 70% of payroll users (administrators at schools) will be "satisfied" (or higher) with the service as measured by a quarterly online survey [KPI 4: Customer (administrator) satisfaction]
	• 70% of payroll users (administrators at schools) will be "satisfied" (or higher) with the service as measured by a quarterly online survey [KPI 4: Customer (administrator) satisfaction]

Investment Objective Five	Sustainable operation
Statement	The schools payroll will continue operation at acceptable technical and operational risk to government.
	This objective includes the payroll service being able to continue operation into the future on a sustainable basis. There must be no critical aspects of the service at end of life that cannot be easily replaced or have their life extended. Government cannot afford to have a critical service operating on unsupported components.
	This objective includes continuing changes to collective agreements as well as larger changes required because of education policy requirements. The schools payroll must be able to adapt to this change if it is to be sustainable.
	EPL's staff capability must be continually refreshed so that it can continue reliable operation. EPL's business processes must be well understood and documented.
Business Needs	The key sustainability requirements are:
	• The payroll service must be covered by arrangements that enable it to operate for at least twelve years at the required service levels
	• The payroll service must be able to adapt to changes in collective agreements, legislation, and Ministry policy in a timely and cost effective manner
	• The payroll service must be able to take advantage of new technologies and practices.
Key measures	Sustainable operation will be measured by the following:
	• In the annual audit there will be no future proofing / sustainability related issues identified as "high" or above priority. This will include all issues regarding end-of-life technology components, ability to implement change in a timely manner, staff capability, and process documentation. [KPI 12: Sustainability]

Investment Objective Six	Efficient service
Statement	The schools payroll will demonstrate an efficient service.
	This objective includes the overall cost to operate the service while maintaining the other requirements (accuracy and timeliness, reputation, payroll information and data, sector productivity, sustainability).
Business Needs	The schools payroll must be efficient:
	• The payroll service must be able to demonstrate value for money through industry benchmarking (e.g. cost per payslip).
	• The schools payroll must align with good practice for efficiency, including provision of user-friendly online service and high degree of automation.
Key measures	An efficient service will be measured by:
	• The payroll service cost will be in the lower 50% of annual cost to pay employee s as measured by NZ Treasury BASS and Australian cost benchmarking.

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The following critical success factors for achieving the investment objectives were identified by EPL and the Ministry of Education as part of the IBC. These have not required any change in this DBC.

Table 8 Critical Success Factors

Generic Critical Success Factors	Broad Description	Proposal-Specific Critical Success Factors
Strategic fit and business needs	How well the option meets the agreed investment objectives, related business needs and service requirements, and integrates with other strategies, programmes and projects.	• Fits with wider government policy (including use of PPPs, shared services, etc.) • Fits with wider education policy (including ICT, funding, workforce) • Complies with privacy and security requirements (including private data held under NZ legislation) • Alignment with the Education System Digital Strategy and the Government ICT Strategy • Takes account of the recommendations and lessons learned from the Novopay Ministerial Review
Potential value for money	How well the option optimises value for money (i.e., the optimal mix of potential benefits, costs and risks).	• Considers risks related to delivering a payroll • Consideration of benchmark costs
Supplier capacity and capability	How well the option matches the ability of potential suppliers to deliver the required services, and is likely to result in a sustainable arrangement that optimises value for money.	• Recognises school sector capability • Recognises the scale, complexity, and risk of schools payroll services • Addresses all parts of the capability required • Enables risk to be shared with suppliers
Potential affordability	How well the option can be met from likely available funding, and matches other funding constraints.	• Government will support required funding to deliver service
Potential achievability	How well the option is likely to be delivered given the organisations ability to respond to the changes required, and matches the level of available skills required for successful delivery.	• Recognises sector capability, culture, and governance • Minimises change impact on sector in light of history with Novopay • Meets the specific requirements of the payroll • Can be achieved within acceptable risk levels

Generic Critical Success Factors	Broad Description	Proposal-Specific Critical Success Factors
Transitional and operational risk	Can the overall operational risk of the options be adequately managed? Can transitional risk be managed?	• Does the option require large technology and/or user change? • Can the option be operated at an acceptable level of risk? • Can the organisation adequately take on the risk it is expected to manage?

Generic Critical Success Factors	Broad Description	Proposal-Specific Critical Success Factors

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Economic Case

Introduction

The Economic Case undertakes a more detailed analysis of the costs, benefits and risks of the short-listed options identified in the IBC. This analysis includes:

- cost benefit analysis of the monetary benefits and costs

- assessment of any intangible benefits and costs

- assessment of risk and uncertainty.

The Economic Case:

- summarises the short list of options presented in the IBC

- describes how the short list options from the IBC have been refined

- describes the refined short list of options

- assesses the short list of options.

Developing a short list of options for the future

The previous section has established that the current state with its level of delivery risk is not sustainable and that additional investment is required from 2017/18. This section identifies the key options available for the schools payroll service to resolve the current issues and enable a sustainable future for ten plus years. It describes how the investment objectives for the business case were developed, how the individual possible components ("work packages") comprising the options were developed, how these work packages were prioritised, and how a short list of options was developed.

The investment objectives from the IBC were reassessed and refined by the Ministry and EPL as part of the Multi Criteria Decision Analysis process

A business case requires a set of investment objectives that state what is to be achieved. These investment objectives can then be used to assess options for the way forward. The Ministry has a defined set of requirements for the schools payroll that were used to develop investment objectives for the IBC. These requirements include payroll and third party payments, salary assessment, overpayment debt recovery, school support and sector communications, data and reporting, and banking staffing and funding of schools. The IBC contained a set of investment objectives required to make the change needed to meet these requirements against the Key Performance Indicators and wider policy settings.

The Ministry and EPL reviewed the investment objectives in the IBC using input from a criteria setting workshop as part of the MCDA process managed by Catalyze Limited. This workshop was attended by representatives from the Ministry, EPL, Treasury, and schools.

The investment objectives agreed upon for this business case are as follows:

- *Accurate and timely delivery of payroll* – the payroll service will pay staff and third parties accurately and on time, as defined by the collective agreements, legislation, and Ministry policy, as measured by meeting accuracy and timing KPIs

- *Reputation* – those paid by the payroll service, those using the service and the public will have confidence in the service

- *Sector productivity* – the payroll service will provide an effective and efficient service for schools and staff that will enable their productivity

- *Payroll information and data* – the payroll service will provide accurate, complete, and up to date payroll data to authorised users of the data

- *Future Proofing / Sustainability* – the payroll service will continue operation at acceptable technical and operational risk and be able to take advantage of future changes in environment and technology while responding to changes in requirements

- *Delivery efficiency* – the schools payroll will demonstrate an efficient service.

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A possible set of 31 initiatives with 68 individual work packages for investment were developed

The first stage to developing a short list of options was refining the set of possible investment initiatives developed in the IBC. The 23 potential initiatives in the IBC were further refined into 31 initiatives with 68 potential variations when differing degrees of ambition and investment required (low, medium, high) were taken into account.

These work packages were developed over a three-month period by teams of subject matter experts and documented in terms of the actives and timeframes required, ten year costs, qualitative benefits, ten year financial benefits, risks, and dependencies. The assurance process for the work packages included Ministry review, Ministry ICT group technical review, and review by Catalyze Limited (the managers of the MCDA process) to ensure coherence. This process provided a strong information base for prioritisation and combining into a short list of options. These reviews included identifying assumptions and actions which would need to be considered during subsequent design and planning stages of any approved initiative. (See APPENDIX B: Work package list, for a full list of candidate work packages considered.)

The investment objectives were used to rank the 68 individual potential work packages identified against value for money

The decision conference process managed by Catalyze Limited enabled representatives from the Ministry, schools, Treasury, GCIO, and EPL to rank the work packages with respect to value for money. The work packages were prioritised in a value for money curve that arranged initiatives by value produced against investment required.

Benefit/Cost Prioritisation Frontier
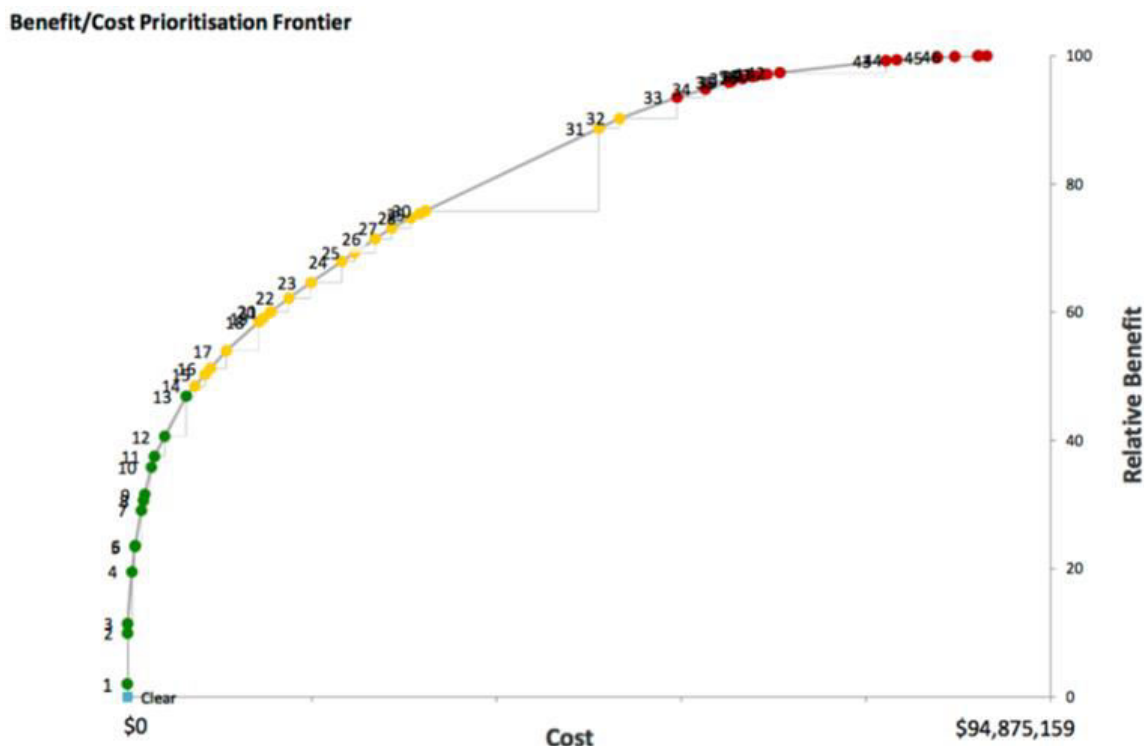
Figure 12 Value for money curve of work packages

This process enabled the different kinds of investment (e.g. infrastructure risk mitigation versus compliance) to be compared and ranked on a single scale against the overall set of assessment criteria. The following diagram shows the work packages ordered by net benefit.
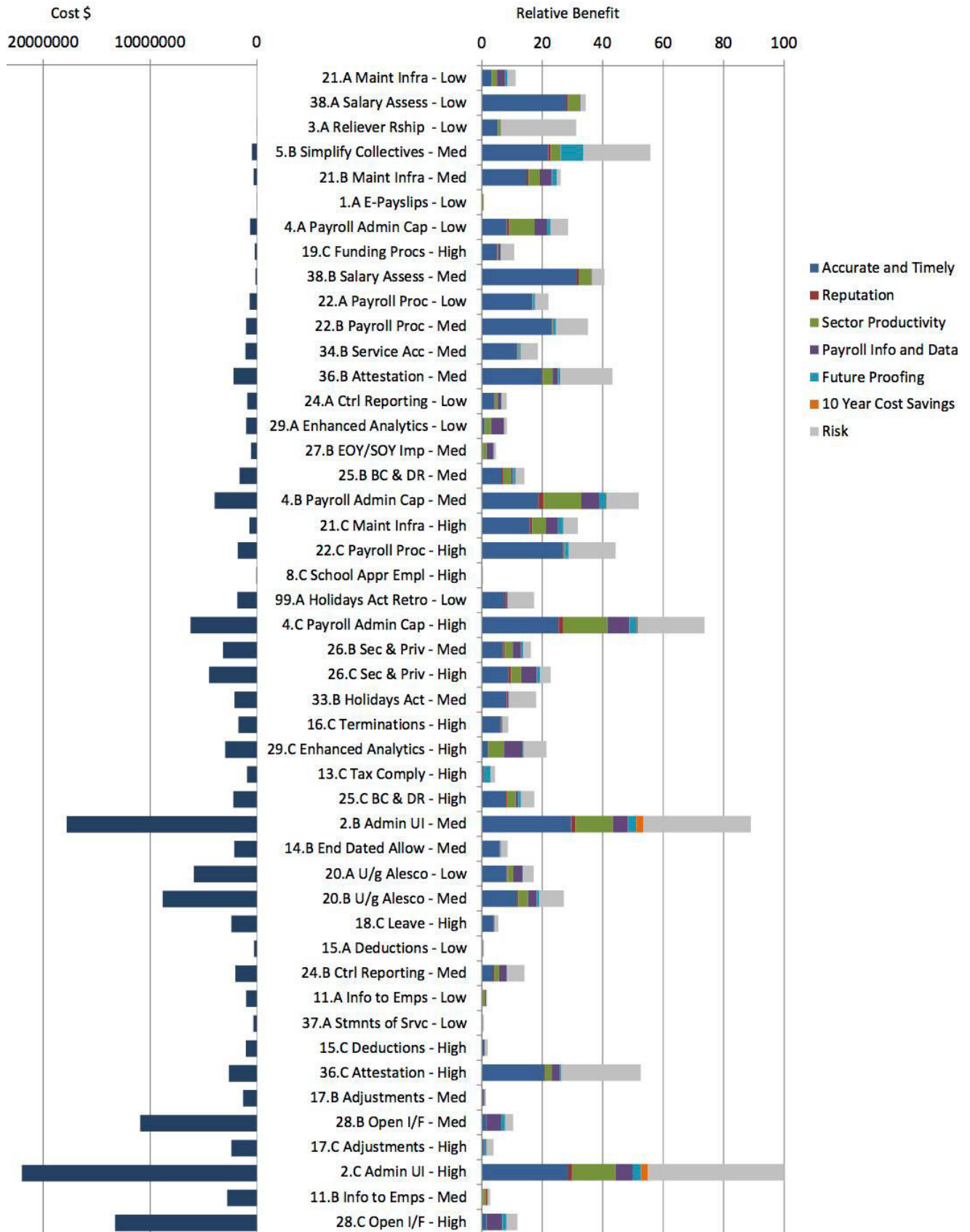
Figure 13 Ranking of work packages

The Indicative Business Case short list was used as the starting point

The IBC analysed six main options:

- Option 1: Status quo

- Option 2: Infrastructure risk mitigation and compliance, but no change to the schools' online experience

- Option 3: [Preferred] Infrastructure risk mitigation, compliance, and a new operating model supported by a digital assist approach where schools enter all their work directly online

- Option 4: Option 3 with a further staged transition to a new system.

- Option 5: New online, new payroll

- Option 6: All new outsourced payroll service.

Option 4 is not being considered further as a short term requirement as a result of the conclusions from the Ascender Pay discovery work (see section above, "Managing core payroll system and supplier risk"). This is in line with instructions from shareholding Ministers.

Because of the nature of the schools payroll, all implementations of a new service or new system would require significant modification of any COTS payroll software package.

While Option 4 allows for a staged transition and so mitigates some risk, as an option it is still:

- *high cost* – it requires the replacement of the core payroll package with a new package customised to meet the requirements of the schools payroll

- *high transition risk* – while the new payroll can be tested in parallel, a staged transition of the core payroll engine will be difficult to undertake.

Options 5 and 6 require transition to a completely different payroll system or service without the benefit of any technology staging. As with Option 4 all implementations of a new service or new system would require significant modification of any COTS payroll software package. The Indicative Business Case rejected these options as they:

- *have high cost* – they would require an estimated cost of more than $60 million implementation costs; the history of Novopay would also lead vendors to ensure that they had sufficient reward for risk, further increasing the cost

- *have high procurement risk* – the well-publicised Novopay go live problems means that vendors will be wary of bidding, especially as government owns the current provider; as the previous procurement process demonstrated there is also a high probability that a vendor both willing and qualified will not be found

- *have very high implementation risk* – there is very high risk in moving a payroll of this size to a new system and/or supplier (this has been borne out in the last two schools payroll implementations – Datacom in 1996 and Novopay in 2012)

- *delay remediation* – including the Holidays Act remediation – by potentially four to five years.

These options are therefore not examined any further in this business case.

In the 2016/17 letter of expectations shareholding Ministers stated that they wished the DBC to address options one, two, three, and four from the IBC. This treatment of these options in this business case is therefore in line with shareholding Ministers' directions.[6]

The ranked work packages were assigned to a set of potential options using the key themes of infrastructure, compliance, and operating model

The following key themes were used to categorise the work packages and refine the options developed in the IBC.

- *Infrastructure risk mitigation and extension* – focuses on mitigating infrastructure risk and extending the life of the systems investment. This includes addressing NOL supportability, Ascender Pay core payroll technology currency, business continuity, continued processing of the pay, and privacy and security.

- *Compliance* – focuses on increasing compliance with legislation, collective agreements, and wider Ministry policy. This includes initiatives addressing issues with funding reconciliation, schools control reporting, entitlement calculations, attestations, leave, tax, and overpayments management. This will increase the effectiveness of the payroll processing. (Note that Holidays Act remediation is not included in this business case.)

- *New operating model* – focuses on implementing a new business model revolving around a digitally assisted fully online service to increase accuracy, increase school satisfaction, reduce school effort, and reduce payroll service delivery effort.

Options 2 and 3 in the IBC were further refined using the output from the MCDA process. This created a set of five options as shown in the following table. (Option numbering has been kept consistent with the IBC.)

Table 9 Options and option themes

	Option 1 Status Quo	Option 1+ Minimum viable	Option 2 Risk & compliance	Option 3 Digital Assist / Fully online
Infrastructure risk mitigation and extension		✔	✔	✔
Compliance			✔	✔
Operating model				✔

How the work packages were assigned to the options is summarised in the following table. A full description of the options can be found in APPENDIX C: Options description.

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[6] Hon Stephen Joyce, 2016/17 Letter of Expectations for Education Payroll Limited, 31 May 2016.

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The Ministry and EPL have been undertaking a Holidays Act compliance review

Compliance of payroll systems and services to the Holidays Act have been a major issue across New Zealand in both the public and private sectors. The education payroll is required to be compliant with all legislation, including the Holidays Act. The issues of Holidays Act compliance requirements are mostly in common with other payroll providers therefore the broader issue is not covered in detail here.

The Ministry and EPL have been undertaking a Holidays Act Compliance Review, with Deloitte being contracted to provide an independent analysis and a high level plan for compliance. The first stage of this work has been to review the data being produced by both payroll services to identify any areas of non-compliance. This include a review of holiday interpretation and validity of pays, calculation of accumulators and leave types.

The next stage will be to identify a series of consolidated problem statements from which remediation plans can be developed. These plans will be both for remediation of the current service and recalculation of pay and leave entitlements for each employee ███████████████. It is expected that a very high level plan can be developed by the end of October 2016. By this time it is not expected that there will be any quantification of remediation or retrospective costs (back payments to employees).

The schools payroll Holidays Act compliance issues are predominately one of how the service has been specified – resolution will be very complex

Holidays Act compliance issues were present in the schools payroll prior to Talent2 or EPL taking over operation. ██. It is not just a payroll systems and service issue. Holidays Act remediation is therefore likely to be very complex, potentially requiring XXXXXX changes to XXXXXXXXXXXX employment practices in schools, as well as the development of the payroll system and business processes.

The resolution of Holidays Act compliance issues is excluded from this business case – these issues will be resolved in a subsequent process with the Ministry of Education

Because of the significant work remaining to understand the Holidays Act issues and the consequent continuing high level of uncertainty, this business case does not include costs for core Holidays Act remediation. There are however some projects included in this business case that address aspects of the Holidays Act. These projects are included in the business case as they address broader compliance and operational issues. They will be reviewed on an ongoing basis to ensure that their deliverables comply with the Holidays Act.

The investment proposed in this business case will be required to ensure there is an adequate technology and compliance platform in place to support the Holidays Act remediation. We therefore believe that the investment sought in this business case must proceed as a matter of urgency.

The funding required for Holidays Act remediation will be addressed with the Ministry in a subsequent process.

(See APPENDIX K: Implications of the Holidays Act compliance requirements on the Business Case for further information.)

Table 10 Assignment of work packages to options

Pry		Work Packages	Category	Option		
				1+	2	3
1	21A	Maintain infrastructure				
2	38A	Salary assessment				
3	3A	Reliever relationship	Policy & CA simplification			✓
4	5B	Simplify collectives	Policy & CA simplification			✓
5	21B	Maintain infrastructure	Infrastructure risk	✓		
6	1A	E-Payslips	*Cost reduction*[7]	✓	✓	✓
7	4A	Payroll admin capability				
8	19C	Funding processes	Compliance		✓	✓
9	38B	Salary assessment	Compliance		✓	✓
10	22A	Payroll processing				
11	22B	Payroll processing				
12	34B	Service accumulator	Compliance		✓	✓
13	36B	Attestations	Compliance		✓	✓
14	24A	Control reporting	Compliance		✓	✓
15	29A	Enhanced analytics				
16	27B	EoY/SoY	Compliance		✓	✓
17	25B	Bus Continuity and DR	Infrastructure risk	✓		
18	4B	Payroll admin capability	Infrastructure risk		✓	✓
19	21C	Maintain infrastructure	Infrastructure risk		✓	✓
20	22C	Payroll processing	Infrastructure risk	✓	✓	✓
21	8C	School appr. to employment	Policy & CA simplification			✓
22	99A	Holidays Act retrospective	*Removed: Holidays Act*			
23	4C	Payroll admin capability	*Removed: sensitivity analysis*[8]			
24	26B	Security and privacy	Infrastructure risk	✓		
25	26C	Security and privacy	Infrastructure risk		✓	✓
26	33B	Holidays Act	*Removed: Holidays Act*			
27	16C	Terminations	*Being implemented in 2016/17*			
28	29C	Enhanced analytics	Infrastructure risk		✓	✓
29	13C	Tax	Compliance		✓	✓
30	25C	Bus Continuity and DR	Infrastructure risk		✓	✓
31	2B	Online for schools	Business model			✓
32	14B	End dated allowances	*Removed: Holidays Act*			
33	20A	Upgrade Ascender Pay				
34	20B	Upgrade Ascender Pay	Infrastructure risk	✓	✓	✓
35	18C	Leave	Compliance		✓	✓
36	15A	Deduction	*Added at request of Ministry*		✓	✓
37	24B	Control reporting				
38	11A	Info to employees	*Added after sector feedback*			✓
39	37A	Statements of service				
40	15C	Deductions				
41	36C	Attestations				
42	17B	Adjustments[9]	Infrastructure risk / compliance		✓	✓
43	28B	Open interfaces	Dependency (2A, 13C,29C)	✓	✓	✓
44	17C	Adjustments				
45	2C	Online for schools & staff				
46	11B	Info to employees				
47	28C	Open interfaces				
N/A	2A	Online for schools [10]	Infrastructure risk (for NOL)	✓	✓	

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[7] E-Payslips involves stopping paper payslips and moving all payslips to e-mail. Is a small initiative with a positive cash flow and so is added to all options.

[8] The MCDA sensitivity analysis led to this work package dropping below the value point cut-off.

[9] Added because of risk around current debt system, even though below value cut-off line.

[10] Creates like for like replacement for NOL. Required to mitigate NOL technology risk.

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1. The revised short list maps to the IBC shortlist as follows:

    a. The revised status quo is the IBC status quo with the addition of Holidays Act.

    b. Revised Option 1+ is an enhanced version of the status quo whereby infrastructure is enhanced.

    c. Revised Option 2 maps to IBC Option 2.

    d. Revised Option 3 maps to IBC Option 3.

2. The highest priority work packages down to "18C Leave" in the tornado diagram were selected as the value-for-money cut-off point. This ensures that all Holiday Act required work packages are considered. It also ensures that the 20B Upgrade Ascender Pay work package is included for consideration. This work package is required to ensure that the core Ascender Pay payroll remains supportable.

3. The work package 17B Adjustments was added for consideration for strategic reasons, even though this rated lower down for value for money reasons. The current debt management system (which this work package would replace) has low functionality and is owned and supported by a single person company. This creates significant risk for EPL's operation.

4. The work package 11A Info to employees was added after feedback from a sector conference. This work package will increase the readability of the payslip and address a significant complaint about the service.

5. The work package 15A Deductions was added as it has associated defects and issues impacting pay accuracy.

6. In the case of Option 1+ and Option 2 work package 2A Admin UI was added. This work package provides the minimum replacement for NOL with "like-for-like" functionality. This is required to address the NOL support issue (NOL will be difficult to support after December 2019).

7. The work package 28B Open interfaces is required as a dependency if 2A or 2B Admin UI is required, or for the 13C tax work package, or for the 29C Analytics work package. This work package also makes it easier to replace the core payroll package at some time in the future while retaining the new online interface for schools, the analytics, and the new tax system. I.e. it provides for a staged transition to a new payroll as in IBC Option 4.

8. Many of the work packages have an A (low), B (medium), and C (high) option. In general, the higher options have higher costs and benefits. Only one work package was retained for each work package.

9. Work package 4C Payroll admin capability was removed. Because of varying assessments made in the decision conference a sensitivity analysis was conducted. This led to it dropping 16 places in the ranking, below the cut-off point.

10. Core work packages relating to the Holidays Act are not being addressed in this business case. They will be addressed in a subsequent process to be arranged with the Ministry once scoping is complete. Therefore, the following work packages are not included in this business case:

  a. 99A Holidays Act retrospective

  b. 33B Holidays Act

  c. 14B End dated allowances.

11. In implementing these work packages, EPL will continue to use the operating model and methods informed by the Better Every Day continuous improvement programme. This includes the implementation of the School Account Team model and ongoing analysis of data and continuous improvement based on this data.

Option 1 – Status Quo – continues current operation with no additional investment, with limited ability to mitigate the current risk levels and resolve the current compliance problems

The risk of technical failure of the payroll service will rise as key technical components are no longer supported. There will limited ability to gain further efficiencies and limited ability to increase the level of service provided to schools. The risk of catastrophic failure resulting in large numbers of staff not being paid or paid correctly will progressively rise.

Option 1+ – Minimal viable – makes the minimum investment required to address infrastructure risk, but does not address the current compliance problems

This option provides for the minimum level of investment in infrastructure to address the imminent technical risk related to NOL supportability, Ascender Pay core payroll technology currency, business continuity, continued processing of the pay, and privacy and security[11]. No investment is made in increased compliance. Schools continue to use the online service through a like-for-like replacement of NOL that provides for no improvements in productivity. EPL has no significant productivity gains apart from the removing of some workarounds.

Option 2 – Risk and compliance – adds compliance to Option 1+, but EPL and schools gain minimal additional efficiencies

This option builds on Option 1+ and adds compliance in key areas. Schools do not gain any additional functionality or productivity gains. EPL continues to have no significant productivity gains apart from the removing of some workarounds.

Option 3 – Digital assist / fully online – builds on Option 2 by adding a fully online, digital assist, user friendly service interface for schools, reducing school effort, and enabling major efficiencies to be made in EPL

This option builds on Option 2 by adding a new online system for schools and a new business model to support this. Schools would only be able to enter their instructions through this online service. This will enable EPL to reduce from its current size of 185 (including contractors in Christchurch) down to a 100 person organisation operating solely in Wellington. This enables Option 3 to deliver significant financial savings. Option 3 also provides for approximately 25% effort savings for schools as they manage their own payroll resulting in an effort saving across the sector of over 12,000 days per year. A digital assist environment is provided to ensure that schools are helped to develop the capability to use the digital environment.

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[11] A full and comprehensive security review will happen as part of business as usual activities. This will inform the final scope and approach to the total security work, including the security and privacy work package.

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Options 3 – Digital assist / fully online – would ensure that schools were helped to make the transition to the new environment

This option would both build on the account management operating model now being implemented to assist administrators at schools to use the new online service. Administrators will always be able to contact EPL to gain help and support.

Options 3 – Digital assist / fully online – would make good use of communities of learning

Communities of Learning (COLs) will enable the sharing of payroll administrators between schools. This will provide some economies of scale within a COL for payroll as well as enabling the payroll administrator to increase their capability as payroll becomes more of their work. The schools payroll already supports administrators providing services across multiple schools.

Options 3 – Digital assist / fully online – retains the ability to make a staged transition to a new core payroll engine as for Option 4 in the IBC

This option also provides the potential for a path forward to a new core payroll engine. In this scenario, the Ascender Pay core payroll engine could be replaced by a new payroll while retaining the fully online school service interface.

Business as usual investment will continue in 2016/17 with priorities agreed with the Ministry

Business as usual investment will continue in 2016/17. This will include:

- resolving the current terminations systems issues

- End of Year / Start of Year enhancements for 2016/17

- network infrastructure upgrade

- upgrade to the work management system (Numara)

- analysis in preparation for the Leave Phase II project

- security enhancements

- Miscellaneous infrastructure enhancements.

Business as usual investment activities will continue beyond 2016/17

Business as usual investment not included in the work packages will continue. This will include:

- continued business enhancement through the Better Every Day programme

- continued organisational refinement

- continued capability development

- continued knowledge management enhancement.

Financial assessment

Comparison of options

The following table compares the financial aspects of the options.

Table 11 Financial assessment of options (over ten years)

	Status Quo	Option 1+	Option 2	Option 3
A. INVESTMENT				
Project Capital	-	13,668,162	22,217,076	22,671,779
Project operating	-	1,331,655	3,466,613	3,708,468
Depreciation	-	10,063,413	12,993,323	13,314,458
Ongoing operating	-	13,728,817	20,194,176	24,265,884
	-	**38,792,047**	**58,871,188**	**63,960,589**
B. PLUS BAU OPERATING				
Operating costs	249,427,034	249,427,034	249,427,034	249,427,034
	249,427,034	**249,427,034**	**249,427,034**	**249,427,034**
C. LESS BENEFITS FROM INVESTMENT	-	-	-	-
Financial benefits	-	(1,063,473)	(4,167,430)	(49,877,282)
	-	**(1,063,473)**	**(4,167,430)**	**(49,877,282)**
D. EQUALS NET 10 YEAR COSTS (A+B+C)	**249,427,034**	**287,155,607**	**304,130,791**	**263,510,340**
E. FUNDED FROM				
Revenue	246,370,000	246,370,000	246,370,000	246,370,000
Additional funding req'd	3,057,034	40,785,607	57,760,791	17,140,340
F. NET PRESENT VALUE				
NPV Investment (excl. Depreciation)	-	(22,428,508)	(36,393,653)	(39,587,777)
NPV Benefits	-	670,512	2,654,891	31,635,907
	-	**(21,757,996)**	**(33,738,762)**	**(7,951,870)**
G. INVESTMENT CASH AT 10 YEARS				
Depreciation cash unspent at 10 years	-	**8,657,879**	**10,087,255**	**10,408,391**
H. MINISTRY 10 YEAR INVESTMENT				
Investment required from Ministry	-	**2,417**	**62,502**	**473,427**
I. SCHOOL EFFORT (HOURS PER ANNUM)				
Current payroll effort (hrs pa)	**400,000**	**400,000**	**400,000**	**400,000**
LESS savings:				
Saving from new business model (hrs pa)				(100,000)
	-	**-**	**-**	**(100,000)**
EQUALS Total school effort (hrs pa)	**400,000**	**400,000**	**400,000**	**300,000**
Saving days equivalent per annum	-	-	-	(12,500)

The key aspects of the table are described below.

A. Investment – The investment is broken down into capital, initial operating expenditure required for the project, depreciation, and ongoing operating for EPL and Ministry. Including depreciation ensures that the funding is sustainable. The investment cash at 10 years (G) shows how much depreciation cash related to the investment will be held by EPL at the end of the ten-year period for replacement of assets.

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B. BAU operations – The EPL business as usual costs are shown. These are based on the 2016/17 costs with no decrease through benefits.

C. Benefits – The benefits shown are EPL financial benefits through increased efficiencies.
███████████████████████████████

D. Total ten year costs – The totals in A, B, and C are added to show the total ten year costs (D).

E. Funding – The funding required is shown in terms of the revenue currently available to EPL in the 2016/17 year. This does not include any reduction from cost of capital no longer being funded.

F. NPV – Net present value calculations are also provided. These exclude depreciation costs so that capital is not double counted.

G. Investment cash at ten years – The business case costs for investment include full depreciation streams on the basis that EPL will be sustainable beyond ten years.

H. Ministry 10-year investment – The Ministry only investment to support the options is provided.

I. School effort – An estimate of schools' effort savings (H) is also provided. While it is accepted that this cannot be readily monetised, it illustrated the level of saving that can potentially be achieved in the sector. See APPENDIX I; Benefits to schools of preferred option for details on how these were estimated.

Options cash-flow summary

The ten-year cash flow for the development options are summarised in the following graphs.
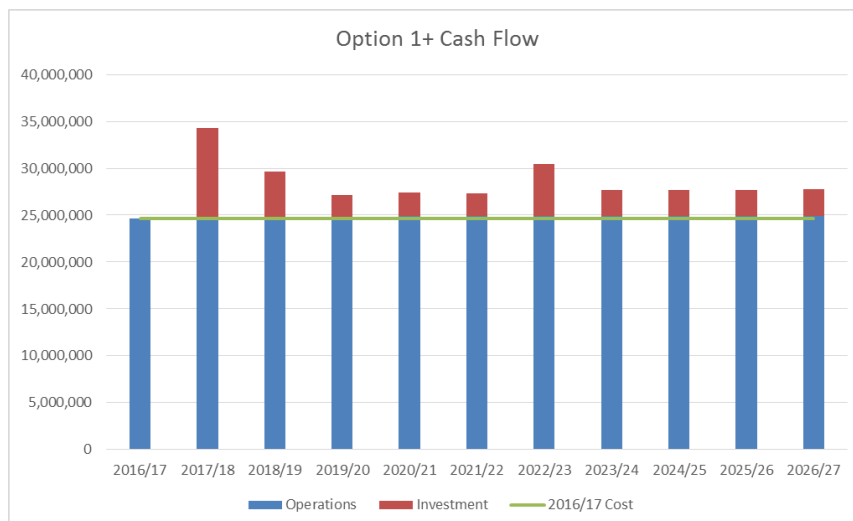
Option 1+ requires significant investment to mitigate the existing infrastructure risks, but does not achieve any significant savings. As can be seen the long run cost is still higher than the current revenue for the service.

Figure 14 Option 1+ cash flow

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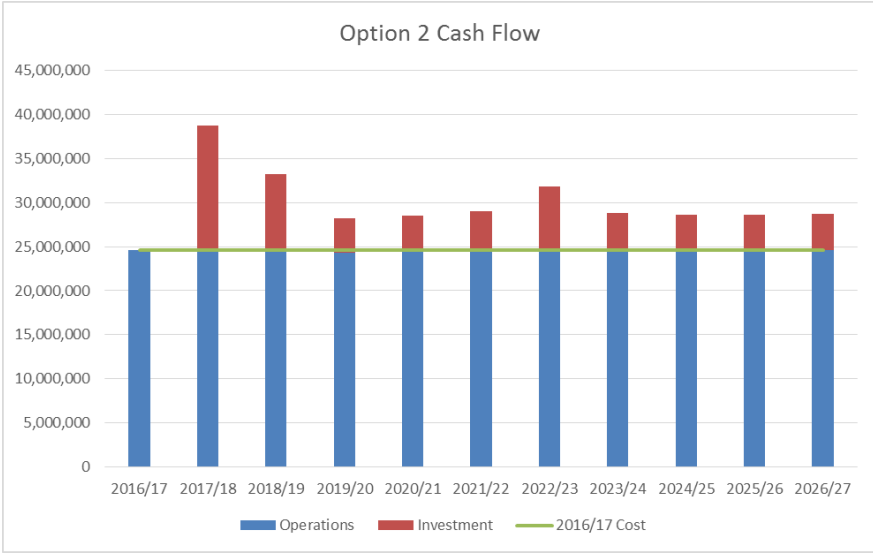
Figure 15 Option 2 cash flow

Option 2 requires significant investment to mitigate the existing infrastructure and compliance risks, but does not achieve any significant savings. As can be seen the long run cost is much higher than the current revenue for the service.
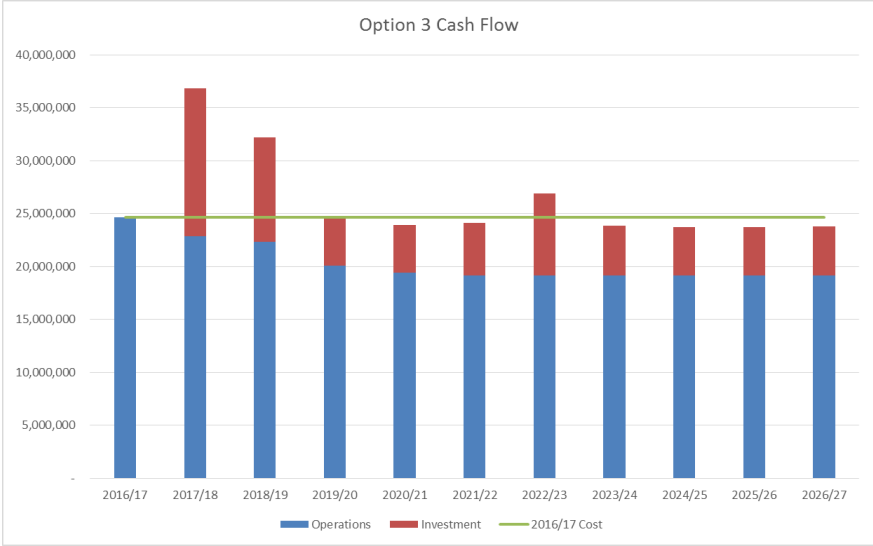
Figure 16 Option 3 cash flow

Option 3 address the infrastructure and compliance risks. However, it is also able to make savings by moving schools to an online service. This means that the long cost is lower than the current revenue for the service.

Conclusions

Each of the options provides for progressively increased investment. Options 1+ and 2 gain some benefits through reduction in workarounds as core systems become more compliant. Option 3 gains significant benefits through the changes to the operating model because of the fully online environment. This results in Option 3 having the lowest overall cost for the ten-year period. However, it requires the most significant investment, most of which occurs in years one and two.

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Non-financial assessment

Comparison

The following table evaluates the options against the investment objectives and the critical success factors. Note that this provides a picture of the *complete* EPL business – i.e. investment plus business as usual operations.

Table 12 Non-financial assessment of options

	Option 1	Option 1+	Option 2	Option 3
ASSESSMENT CRITERIA				
Accurate and timely delivery of payroll	Low	Low	Medium	High
Reputation	Low	Low	Medium	High
Sector productivity	Low	Low	Low	Medium / High
Payroll information and data	Low	Low	High	High
Future Proofing / Sustainability	Low	Medium	Medium	High
Efficient service	Low	Low	Low	Medium / High
Value for money.	Low	Low	Low	Medium / High
CONCLUSIONS	**LOW**	**LOW**	**LOW / MEDIUM**	**HIGH**
CRITICAL SUCCESS FACTORS				
Strategic fit and business needs	Low	Low	Medium	High
Potential value for money	Low	Low	Low	High
Supplier capacity and capability	High	High	High	High
Potential affordability	Low	Low	Low	High
Potential achievability	High	High	High / Medium	Medium
Ability to mitigate transitional and operational risk	Low	Low	Medium	Medium
CONCLUSIONS	**LOW**	**LOW**	**MEDIUM / HIGH**	**HIGH**
OVERALL				**PREFERRED**

Conclusions

In terms of the assessment criteria, Option 3 provides the greatest opportunity to increase accuracy, sector productivity, and efficiency because it moves all schools to 100% online. The addition of policy and collective agreement simplification increases the value further.

In terms of the critical success factors, Options 2 and 3 have a similar rating. Option 2 has a higher achievability while Option 3 has increased affordability and potential value for money.

Risk and uncertainty assessment

Operational risk

The key risks in the Indicative Business Case have been revisited and assessed for each of the short-listed options. This occurred by:

- using the existing EPL risk register as the starting point

- identifying the changes in risk profile that each option would bring to the current risk profile, including any additional risks identified.

The risk profile of the options is summarised in the following table. This shows the enterprise risk for EPL when each option has been implemented. The risks identified are the operating risks currently experienced by EPL.

Table 13 Treated operating risk levels for each option as at 2020

Risk Description			Risk level of Schools Payroll for:			
Ref	Risk	Description	Option 1	Option 1+	Option 2	Option 3
EPL0	Non Payment of Significant Numbers of Employees	If there is a payroll failure of any type and it is not possible to process the pay.	Medium	Medium	Low	Low
EPL1	Technology Process Failure	If payroll processing failure occurs, then it will not be possible to pay accurately and on time.	High	Low	Low	Low
EPL2	System Business Rules Errors	If the rules that the System processes pay are not accurate enough, then errors will be introduced into the pays.	Very High	High	Low	Low
EPL3	Pay Centre and Call Centre Business Process Failure	If business processes don't function effectively then it will not be possible to pay accurately and on time	Medium	Medium	Medium	Low
EPL4	Incorrect Provision of Information or Payments to 3rd Parties	If payments and information to parties such as ACC, IRD, Unions, Super providers is not correct.	High	High	Low	Low
EPL5	Disclosure of Personal Information	If person information is disclosed to the wrong person (as defined by the Privacy Act).	High	Low	Low	Low
EPL6	Insufficient Sector Capability	If there is not enough capability in the sector to provide accurate instructions to EPL leading to inaccurate pay and increased debt levels.	High	Medium	Medium	Low
EPL7	Technology Systems Failure	If a technology systems failure occurs it will not be possible to process pay on time.	High	Low	Low	Low
EPL8	Technology Lifecycle Management Failure	If technology systems are not kept current it may be very complex to upgrade or defects will occur.	High	Low	Low	Low
EPL9	Insufficient EPL Staff Capability	If there are unfilled gaps in the organisation and/or staff are not sufficiently trained, motivated or engaged this could lead to process failure and disruption operations.	High	Medium	Low	Low
EPL10	Insufficient Payroll Process Controls	If the financial and/or process controls inadequate this could lead to over or under payments or/and inability to reconcile to third parties.	Medium	Medium	Low	Low
EPL11	Information Security Breach	If the protection of systems and processes is not adequate there is the potential of people and organisations accessing EPL and/or stakeholder information.	High	Low	Low	Low
EPL12	System Supplier Does Not Provide Adequate Support	If the payroll system supplier does not provide adequate support for development and maintenance, then there is risk of systems failure.	High	Low	Low	Low
EPL13	There is Not Enough Resources in EPL to Manage Major Issues	If a major issue emerges with the provision of payroll there are not enough resources for EPL to manage the event.	Medium	Medium	Low	Low

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Risk Description			Risk level of Schools Payroll for:			
Ref	Risk	Description	Option 1	Option 1+	Option 2	Option 3
EPL14	There is not Sufficient Funding for EPL Operations	If there is not enough funding for EPL to address key risks which will lead to failure in business operations and delivery of the payroll.	High	Medium	Low	Low
EPL15	Misalignment of Stakeholder Expectations	If there is misalignment of stakeholder expectations leading to delays in decisions impacting on business functioning.	High	High	Medium	Medium
EPL16	Lack of Time to Upgrade / Replace the Ascender Pay System	If there is insufficient time to upgrade or replace the Ascender Pay system leading to failures and disruption of the pay processes.	High	Low	Low	Low
EPL20	Insufficient time and resources for processing Terminations and Holiday Pay together over PP19 for 2016-2017 EoY	If the payroll system and pay execution processes cannot handle both Terminations and Holiday Pay at the same time, there is a risk of inaccurate payments being made or payments not being made at all.	High	Medium	Low	Low
EPL21	Health and Safety risk to EPL Personnel	If Health and Safety is not managed effectively then EPL risk Health and Safety issues.	Medium	Low	Low	Low
	SUMMARY		**High**	**Medium /High**	**Low**	**Low**

The current risk register can be found in APPENDIX D: EPL current risk register.

Transition risk

The transition risks were identified through a series of risk workshops held to assess the transition risk for Option 3. The overall risk for Option 1+, and Option 2 were assessed by comparing the overall risk for Option 3.

The transition risk for Option 2 has been assessed as medium. Option 2 still requires a replacement for NOL to be implemented and there is a significant programme of work required to achieve the benefits. The transition risk for Option 1+ has been assessed as medium. The programme of work required to implement the selected work packages is still significant.

Table 14 Transition risk summary

	Option 1 Status Quo	Option 1+ Minimum viable	Option 2 Risk & compliance	Option 3 Digital assist
Transition risk	N/A	Medium	Medium	Medium

The table on the following page shows a map of the residual risk for Option 3 – i.e. the level of risk when the mitigations have been implemented. (See APPENDIX F: Transition risk of preferred option for the full risk register and summarised mitigations.)
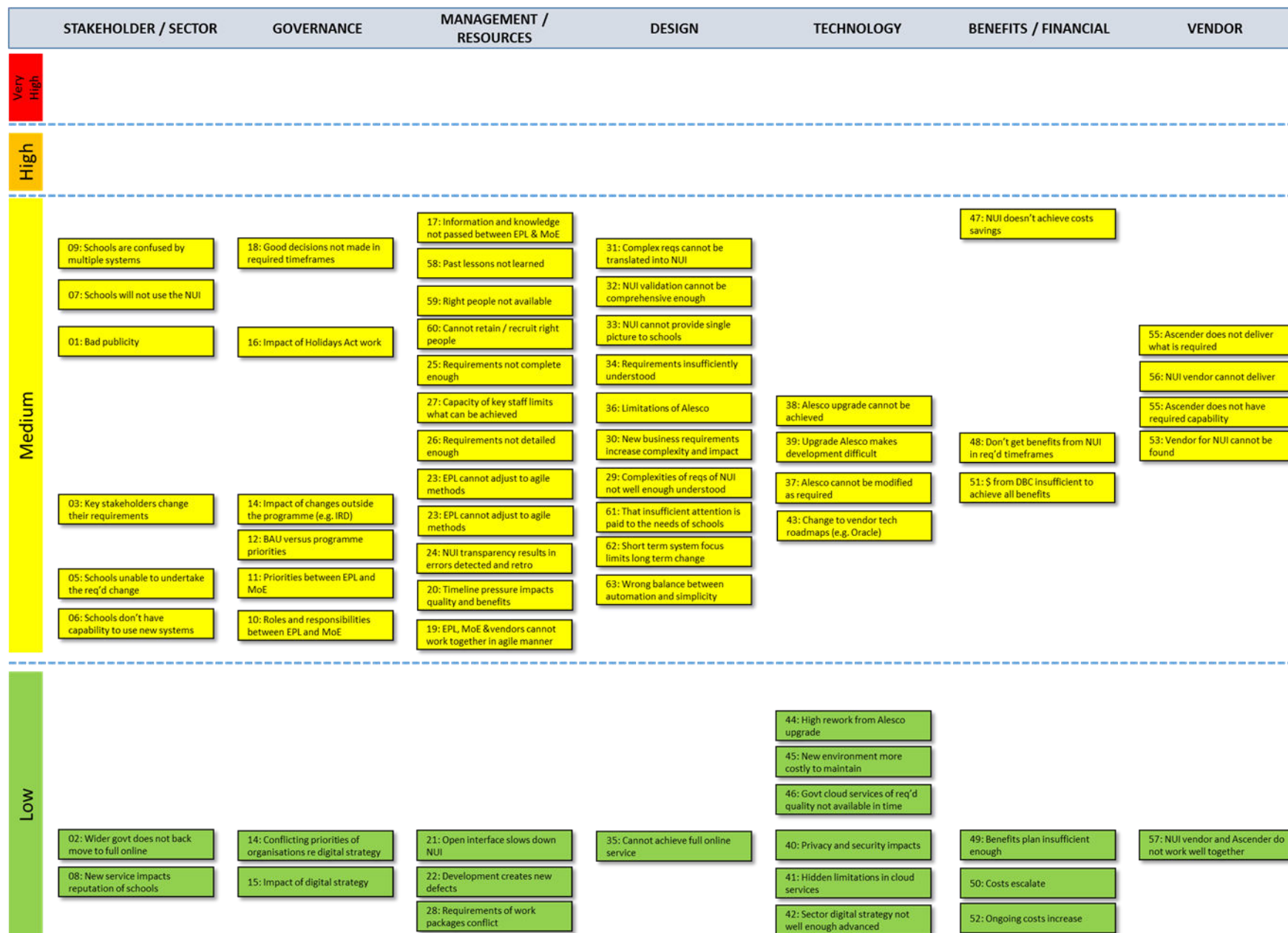
Figure 17 Residual transition risk map for Option 3

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Conclusions

The operating risk of the current environment (Option 1 Status Quo) will trend towards very high by 2020. Option 1+ mitigates infrastructure risk, but does not address compliance risk. The operating risk will remain at medium/high. Options 2 and 3 address the infrastructure and compliance risks and so the risk trends to low.

The more change required, the higher the transition risk. Options 1+, 2, and 3 all have a medium transition risk as they all require the implementation of a new online service for schools.

The best risk management options are therefore Option 2 and Option 3. Both these options achieve a low operating risk at the cost of a medium transition risk.
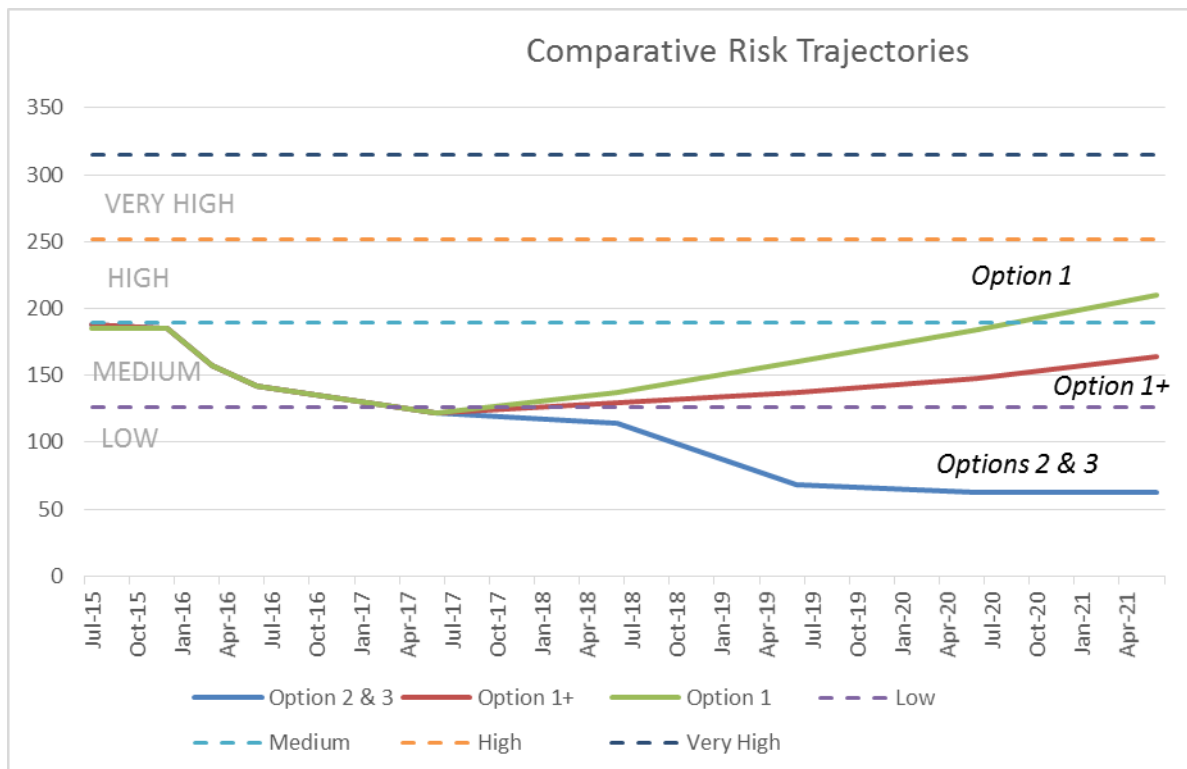
The following diagram compares the projected operating risk of the considered options.

Figure 18 Operating risk trajectory for status quo and Option 3

Choosing the preferred option

Options summary

The options have been compared on the basis of cost/benefit, non-monetary benefits, and risk

The short list of options was assessed on the basis of a cost/benefit analysis, non-monetary benefits, and risk. This assessment is summarised in the following table. Note that the costs include Ministry and EPL costs for delivery of the schools payroll.

Table 15 Options analysis summary

$million Ten Year Cost	Option 1 Status Quo	Option 1+ Minimum viable	Option 2 Risk & compliance	Option 3 Digital assist / 100% online
Infrastructure risk mitigation and extension		✓	✓	✓
Compliance			✓	✓
Operating model				✓
Investment (Capex, Opex, depreciation)	-	38.8	58.9	64.0
PLUS Baseline operations	249.4	249.4	249.4	249.4
LESS Financial benefits	-	(1.1)	(4.2)	(49.9)
EQUALS TOTAL COST	*249.4*	*287.2*	*304.1*	*263.5*
LESS EPL Revenue	246.4	246.4	246.4	246.4
EQUALS Investment / (Return)	*3.1*	*40.8*	*57.8*	*17.1*
Investment depreciation cash remaining		8.7	10.1	10.4
Present Value of monetary benefits		0.7	2.7	31.6
Present Value of investment (excl. depreciation)		(22.4)	(36.4)	(39.6)
Net present value		(21.8)	(33.7)	(8.0)
Non-monetary benefits				
Accurate and timely delivery of payroll	Low	Low	Medium	High
Reputation	Low	Low	Medium	High
Sector productivity	Low	Low	Low	Medium / High
Payroll information and data	Low	Low	High	High
Future Proofing/Sustainability	Low	Medium	Medium	High
Efficient service	Low	Low	Low	Medium / High
OVERALL	**Low**	**Low**	**Low / Medium**	**Medium / High**
Risk level				
Residual transition risk	N/A	Medium	Medium	Medium
Operating risk after transition	Very High	Medium / High	Low	Low

Costs and financial benefits have been estimated on the basis of "evergreen" operation

EPL must be able to operate on a sustainable basis. The cost for service therefore includes full depreciation funding to ensure a sustainable service.

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If the schools payroll is not funded on an "evergreen" basis, this will drive a short term approach to the delivery of the payroll. To meet its commercial imperatives, any provider would be incentivised to "sweat" its assets until the end of the contract term. This would not create a sustainable payroll, nor an effective service for schools. It also would not preserve the value of EPL for the Crown.

With respect to the benefits.

- The benefits for options 1+ and 2 have been calculated on the basis of savings from the specific work packages.

- The benefits for options 3 have been calculated on the basis of the EPL operating model that will be required. A glide-path of the changes to the operating model are based on the following changes ▮▮▮▮▮▮▮. A "bottom-up" budget has been developed for this new model based on this glide-path.

The costs do not include:

- any profit margin for EPL to be returned as a dividend to shareholders

- any allowance for cost of capital (EPL's working capital and assets were funded through operating funds from the Ministry and from the settlement with Talent2).

The status quo cost only includes forecast cost of operation. It does not include cost of recovery from a likely failure.

Comparing the options

Option 1 – Status Quo – does not address the risk level and will result in payroll failure and major additional costs

The risk level of Option 1 will trend towards "Very High" as lack of investment restricts the risk mitigation that can occur with infrastructure and the compliance that can be achieved. (A "Very High" risk level signifies 95% probability of failure.)

Notwithstanding the gains made through Better Every Day, there will be limited efficiencies to be gained from Option 1. Sector satisfaction and productivity will remain static. Technology failures will occur as key technology (e.g. NOL) becomes increasingly unsupportable. This will increase cost and error rates as more transactions become manual.

In conclusion, the status quo option:

- merely postpones the necessary remediation that must occur – the full cost of an equivalent to option 2, 3 (or potentially 4) must therefore be borne in the future

- will lead to additional recovery costs in the order of that spent on Novopay recovery (in the order of $60 million)

- will lead to an even greater loss of confidence in government and disruption in the school sector as that experienced through the Novopay experience.

Option 1+ – Minimal viable – addresses core technology infrastructure risk, but does not address compliance issues, and does not improve the service operating model, while requiring significant additional investment

Option 1+ mitigates the infrastructure risk but does not address the compliance issues and does not improve the operating model. NOL is replaced with a "like for like" online service that gives no efficiency benefits to EPL or schools. This is a high cost model.

Option 1+ has a medium residual transition risk because of the need to replace the existing Novopay Online system used by schools. This will require significant change management in the sector.

Option 1+ has a medium / high operating risk after remediation because not all compliance issues are addressed.

Option 2 – Risk and compliance – mitigates the technology infrastructure risk and the compliance risk, but does not improve the service operating model, while requiring the highest additional investment

Option 2 addresses all the technology risk and compliance issues. NOL is replaced with a "like for like" online service that gives no efficiency benefits to EPL or schools. This is the highest cost model.

Option 2 has a medium residual transition risk because of the need to replace the existing Novopay Online system used by schools. This will require significant change management in the sector.

Option 2 has a low operating risk after remediation is complete. All current risk factors are addressed.

Option 3 – Digital assist / fully online – mitigates the technology infrastructure risk and the compliance risk, as well as improving the service operating model, gaining major financial benefits for EPL

Option 3 addresses all the technology risk and compliance issues. NOL is replaced with a new online service that that enables schools to manage all their payroll transactions online. This brings significant savings for EPL as ████████████████. Option 2 also reduces the school effort spent on payroll by potentially up to 25%.

Option 3 has a medium residual transition risk because of the need to replace the existing Novopay Online system used by schools. This will require significant change management in the sector.

Option 3 has a low operating risk after transition is complete. All current risk factors are addressed. School effort is reduced and school satisfaction is increased.

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Preferred option

Option 3 – Digital assist / fully online – is the preferred option: it has the lowest net cost, addresses the infrastructure and compliance risk, aligns with the Education System Digital Strategy, and brings service benefits to schools

Option 3 provides the lowest net cost for the Crown for operation of the payroll. It achieves this by offsetting the investment required with savings through efficiencies coming from a completely online system.

Option 3 addresses the infrastructure risk, the compliance issues, and provides an efficient operating model for schools and for EPL and the Ministry. Option 3 provides the full service at the lowest ten-year cost. This occurs because of the savings this option brings through the reduction in EPL effort that occurs through a fully online / digital assist model.

Option 3 brings the schools payroll into the truly digital age. Schools are already using fully online administration systems such as Student Management Systems, Learning Management Systems, and accounting systems. Option 3 brings the payroll up to the same standard as those other systems by providing a user-friendly, digitally assisted, fully online system for schools to use to manage their pay. This is in line with the Education System Digital Strategy which sets out a vision for a fully digitally-enabled and integrated education system to equip all New Zealanders with the knowledge, skills and values to be successful citizens in the 21st Century.

Summary of preferred option
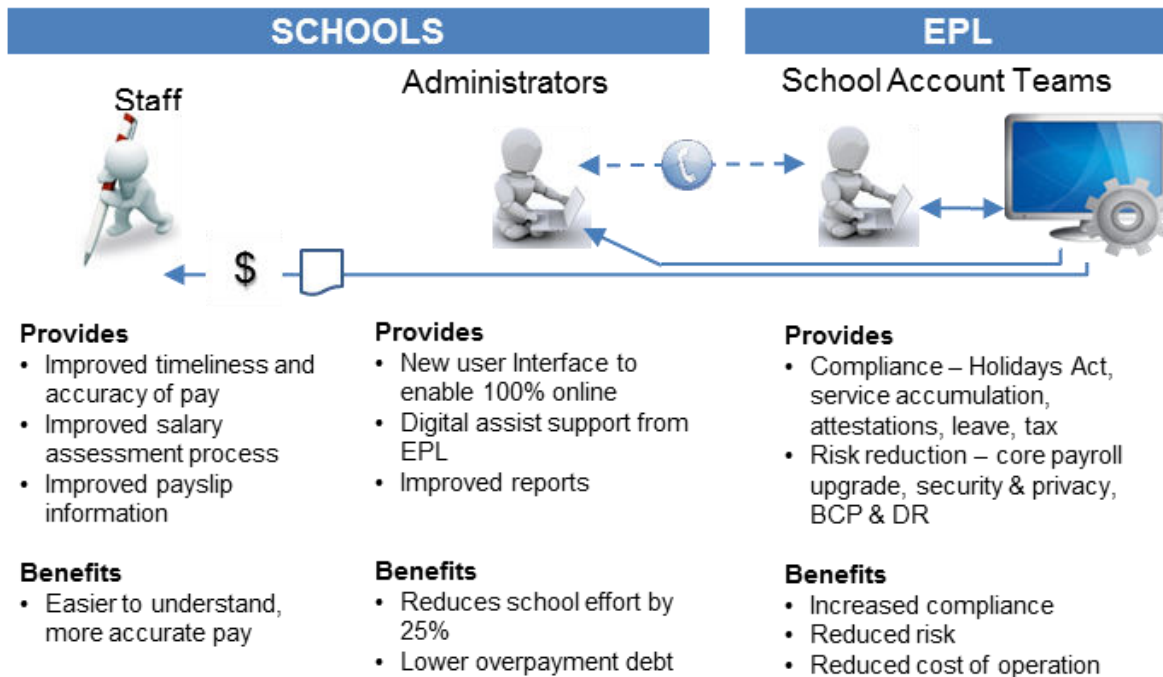
The preferred option is summarised in the following diagram.

Figure 19 Preferred option – digital assist / fully online

The key features of this preferred option are summarised in the following sections.

Compliant with legislation, CAs, and Ministry payroll and workforce policy

The preferred option ensures that the payroll is compliant with the specified Ministry requirement including pay related legislation (excluding core Holidays Act related issues), the collective agreements, and the Ministry payroll and workforce policy. This will also include resolving current issues with leave, service entitlement calculations, and deductions. (Note that Holidays Act remediation is not included in this business case. This will be addressed in a subsequent process with the Ministry once scoping is complete.)

Sustainable systems and infrastructure – ten plus years

The preferred option supports sustainable systems and infrastructure for a ten year plus timeframe. This moves the operational risk of the payroll to "low" from its current "medium / high" level. This is illustrated in the following graph where the risk profiles of the preferred option and the status quo are compared.
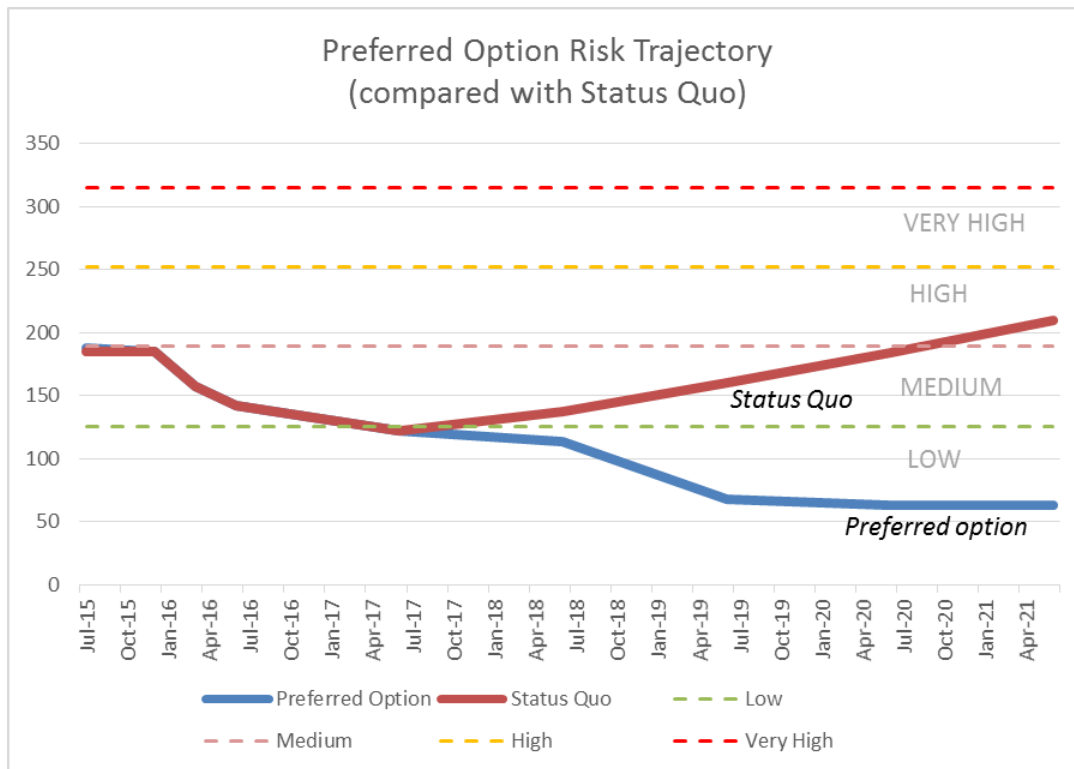
Figure 20 Risk trajectory for preferred option

With the proposed investment it is expected that the company can achieve a low risk status which should be the target given the critical and complex nature of the schools payroll operation. This risk level would be in line with expectations from GCIO for operational assurance and good industry practice.

Aligned with Education System Digital strategy

The preferred option is aligned with the Ministry's Education System Digital Strategy.[12]

EPL is working with the Education Council regarding use of common platforms for online use by schools as well as a common workforce register. This work will be used to inform choices around implementation of the new online payroll service for schools incorporated in the preferred option.

The preferred option includes the resolution of the current defects regarding data sharing with the Ministry as well as provided increased support for data analysis. This will support upcoming initiatives within the Ministry around more integrated and effective use of data.

Supports administration "hubs" at Communities of Learning

Under the Investing in Education (IES) programme, the Government is investing an extra $359 million over the next 4 years, and $155 million a year after that, to help raise student achievement. Under IES, Communities of Learning will work together to strengthen collaboration between principals, teachers and schools. Communities of Learning (CoLs) are

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[12] Ministry of Education, *Education System Digital Strategy: Transforming Education for the Digital Age 2015-2020*, version 1.1, February 2016.

groups of schools, Kura and ECE that come together to raise achievement for children and young people. There are now 117 Communities of Learning spread throughout the country. Over 40% of all eligible schools (1,006 out of 2,416) will be part of a Community of Learning involving more than 320,000 students.

While the CoLs are currently focused on teaching and learning, there are opportunities for CoLs to support administration hubs for the schools engaged. EPL already supports a number of school administrators who are responsible for pay across multiple schools. This support will continue and will be grown to support administration hubs at the CoLs as they appear.

New user-friendly online system designed with schools in mind

The preferred option involves the development of a user-friendly, online systems designed with schools in mind. This includes the Implementation of responsive and accessible user interfaces.

This new online service will enable schools to reduce their effort in operating the payroll. Currently schools spend an average of 6 hours per fortnightly pay period managing their payroll. We estimate that this can be reduced by 25% under the preferred option as schools directly enter their information rather than using manual forms. This would result in administrative effort savings of 12,000 days per annum across the sector (although it is
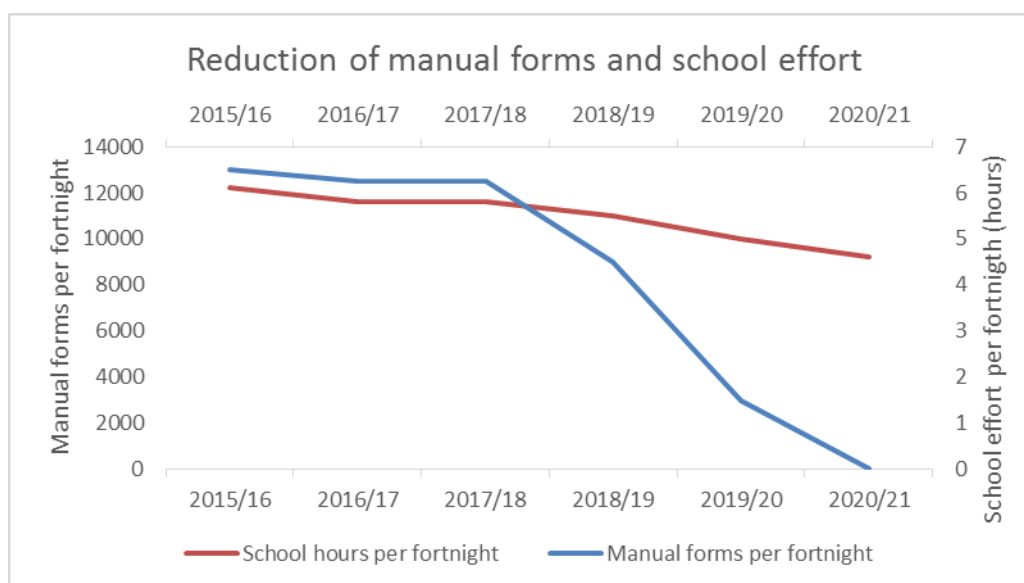
recognised that this could not be monetised).

Figure 21 Projected reduction of forms and schools' effort under preferred option

See APPENDIX I: Benefits to schools of preferred option for details on how the benefits to schools were estimated.

Piloted, incremental, well-supported sector change

The achievement of the benefits in the preferred option depend upon achieving full online usage of the service by school administrators. The current online service (based around NOL) was not well implemented – the sector and school administrators were not included in its design. NOL is itself difficult to use and the rollout occurred in a "big bang" implementation with insufficient training and support.

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In contrast, the development and rollout of the new online service will centre on the change management required for the sector to use the new service. The new online service for schools will:

- put the users at the centre of the pay process and consider how to best support them in the provision of pay to their staff

- be co-designed by the sector, payroll administrators, and EPL using modern user centred design practices

- be designed as a true schools payroll portal that uses the language of the sector and incorporates the processes of the sector

- provide validation of the data entered by payroll administrators so that schools would be helped to provide correct information

- provide the necessary workflow and authorisation to help schools manage their payroll

- be rolled out alongside the existing NOL service – there will be no initial requirement for schools to use the new service and there will be no "big bang" implementation across the whole sector

- be rolled out to schools incrementally, service by service, so that schools would have time to get used to the new service, as well as providing feedback to the designers for improvements

- be integrated with how schools are supported now, with schools receiving the required level of support and training

- be continually refined through input from the continuing Better Every Day continuous improvement programme.

The reorganisation of service delivery around the account management model will enable EPL to make a step change in the strength and usefulness of its relationships with schools. This relationship will enable the support teams to help their assigned schools move to a digital assist / fully online model.

Future-proofed architecture able to adapt to sector and industry

The current architecture uses the core Ascender Pay payroll package with the necessary
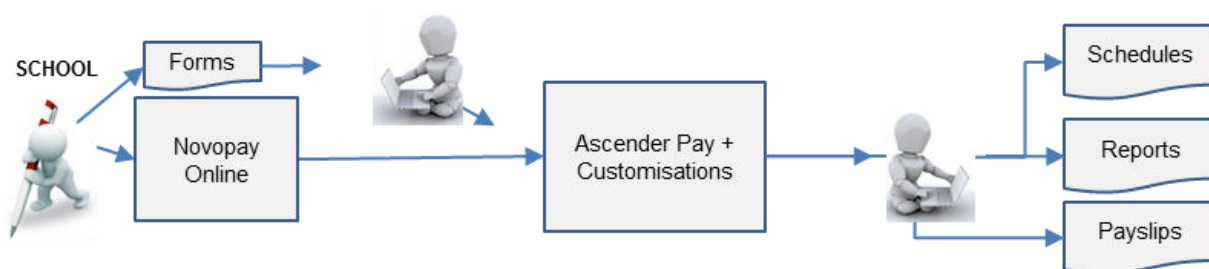
customisations made to the payroll. This is illustrated below.

Figure 22 Current payroll system architecture

The preferred option provides an open interface package that supports the implementation of a new user interface and enhanced analytics capability. This will enable the customised parts of the system to be progressively separated from the core payroll. This is illustrated in the following diagram.

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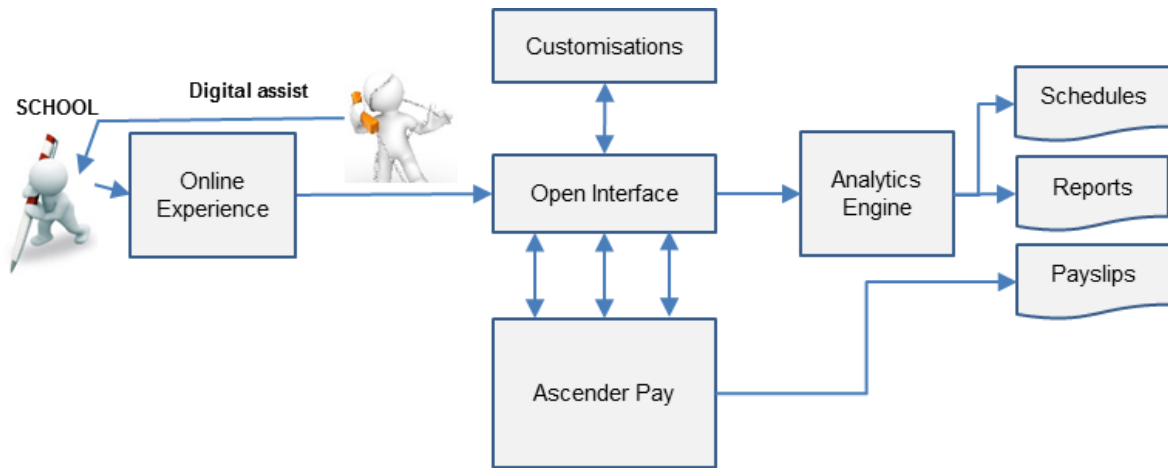
Figure 23 Future architecture

This will enable a simpler transition to a new payroll system without the requirement to re-create all the customisations or implement new analytics capabilities.

Flexible scheduling with programme off-ramps from July 2019
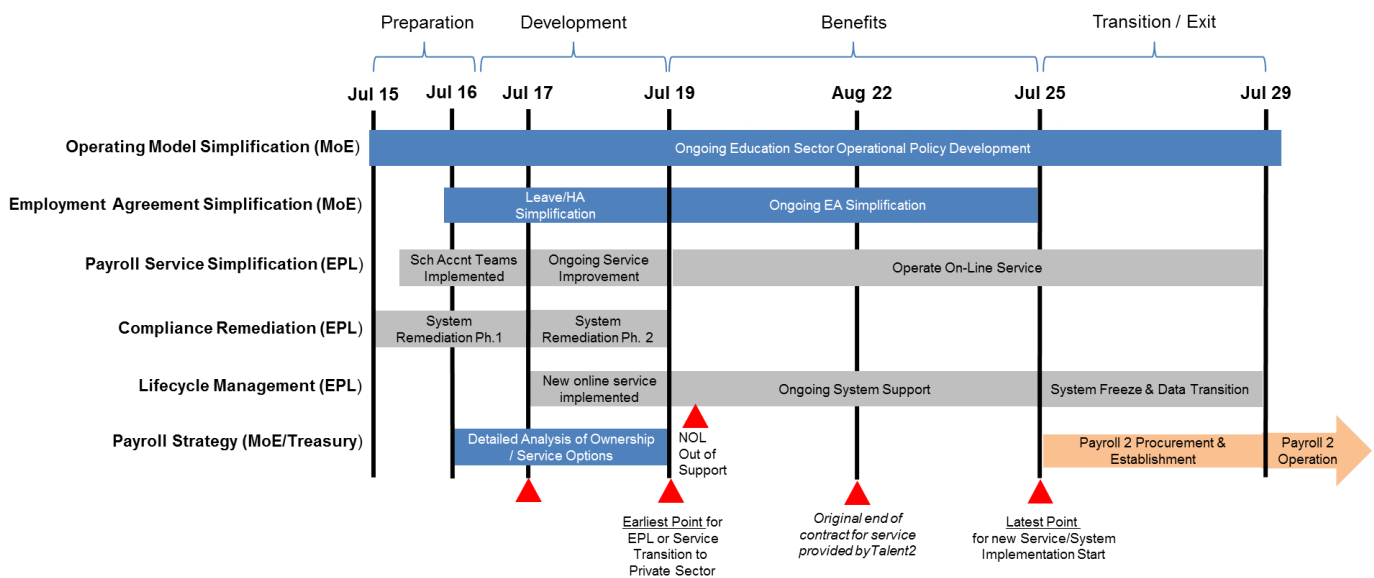
The timeline for the preferred option in summarised in the figure below.

Figure 24 Preferred option timeline

Dependencies between work packages are minimal – this provides for great flexibility as to when work is scheduled, enabling speeding up and slowing down of the programme to manage risk. This effectively provides for 24 individual off ramps, one for each work package.

The remediation programme will enable an off ramp from July 2019 for an EPL or service transition to the private sector. The requirement to replace NOL by December 2019 and the need for remediation of infrastructure and compliance issues limits the opportunity for programme off ramps before then.

The payroll must continue to operate at manageable risk. This requires a replacement of the NOL online service before December 2019. Any delay in rollout of a replacement beyond this date increases the likelihood of an online service failure. The full replacement of the payroll

with a new system and/or vendor is a four to five-year exercise. Even if this were started now, this would result in an implementation as late as two years beyond the expiry of technology support for NOL.

The bulk of the EPL cost savings and the school benefits depend upon the development of the new online service. This will be rolled out incrementally to schools, providing the ability to change rollout speed to suit take-up. However, if rollout is delayed beyond December 2019, the risk of NOL failure will rise as it will no longer be running on supported infrastructure.

NOL failure would need to be addressed by schools reverting to manual forms for all instructions. This would require large numbers of additional staff at EPL to operate the service. It would also increase the workload of schools.

Supports future ownership options for EPL

As simplification occurs in the collective agreements and Ministry policy, this will increasingly enable EPL to become a more general purpose payroll provider. The architectural changes whereby customisations are increasingly moved away from the core payroll will help this transition.

Currently EPL has highly customised systems that would make it difficult to operate a more standard payroll service. Any organisation purchasing EPL today would largely be restricted to using EPL's staff and assets for the provision of the schools payroll. This exposure to one customer – the Ministry of Education – would be a risky proposition. The Ministry would be forced to cover this risk through an increased service fee.

The lowered operational risk after implementation of the preferred option will also better support a future transition to the private sector as it would lower the premium for risk that would be charged. It would also enable government to capture the value from increased efficiencies and reduced risk before a transfer to the private sector.

It would be expected that any organisation wishing to take over the operation of the payroll would make use of the new online service developed as part of the preferred option. This would enable the new organisation to avoid development of a new online service and well as simplifying the change management required in the sector. This will enable government to retain the value of the investment in the new online service.

Simplification of the policy and collective environment could bring further savings in the preferred option

EPL will support the Ministry of Education as it seeks to simplify collective agreements and wider pay and workforce policy. This simplification could bring further savings, enabling EPL to reduce its staffing and therefore its costs even further. The changes brought by the simplification would be managed under change control provisions in the services agreement.

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Quantitative risk assessment

We undertook a quantitative risk assessment on the costs and benefits

A Quantitative Risk Assessment (QRA) was conducted on the cost and benefits model to identify the likely funding ranges over the ten-year business case period.

The critical cost and benefit items were assigned probability curves

A series of risk workshops were held with key staff in EPL to identify the uncertainty factors driving the costs and benefits. These workshops were facilitated by Broadleaf Capital International who are expected in QRA. The workshops also included Ministry staff.

The following table summarises the probability curves assigned to the most material factors in the cost/benefit model as a result of these workshops. The table shows:

- the optimistic cost/benefit
- the most likely cost/benefit
- the pessimistic cost/benefit
- the mean cost/benefit based on the optimistic, most likely, and pessimistic values.

Table 16 Probability curve parameters for key inputs to cost/benefit model

Factor/Work Package	Optimistic	Most likely	Pessimistic	Simulated Mean
2B Admin UI – Development	0%	30%	100%	47.2%
2B Admin UI – Ongoing	-30%	-15%	10%	-10.7%
28B Open interfaces – development costs	-15%	0%	15%	0.0%
28B Open interfaces – ongoing costs	-17.5%	-10%	-5%	-11.1%
36B Attestations	-5%	15%	33%	14.1%
26C Security & Privacy – development	-10%	-7.5%	-5%	-7.5%
26C Security & Privacy – development	-25%	-15%	-10%	-17.2%
20B Upgrade Ascender Pay (Alesco)	-5%	5%	10%	2.8%
4B Payroll Admin Capability – Development	-20%	0%	50%	12.9%
4B Payroll Admin Capability – Ongoing	0%	15%	33%	16.3%
22C Payroll processing	-5%	10%	20%	7.9%
13C Tax	-5%	10%	20%	7.9%
17B Adjustments – Capex	10%	20%	33%	21.3%
17B Adjustments – Opex	-25%	-10%	0%	-12.1%
18C Leave – initial capex & opex	-10%	10%	15%	3.5%
25C Business continuity and disaster recovery	-20%	-15%	-10%	-15.0%
29C Analytics & Reporting – initial	-15%	-5%	0%	-7.2%
29C Analytics & Reporting – ongoing	-20%	-15%	-10%	-15.0%
21C Maintain ICT infrastructure	-33%	-20%	-15%	-23.4%
Foreign exchange volatility on software licences across major work packages – USD, 12 months	125.8%	100%	74.2%	100.0%
Staffing levels in 2020/21 [BENEFIT]	-5%	10%	25%	10.0%
Staffing levels in 2022/23 and beyond [BENEFIT]	-15%	-5%	10%	-2.9%

The probable additional funding over the ten-year period was modelled based on these probabilities

The probabilities for the key inputs were then modelled through the cost/benefit spreadsheet to determine the ranges of additional funding required over the ten business case period.
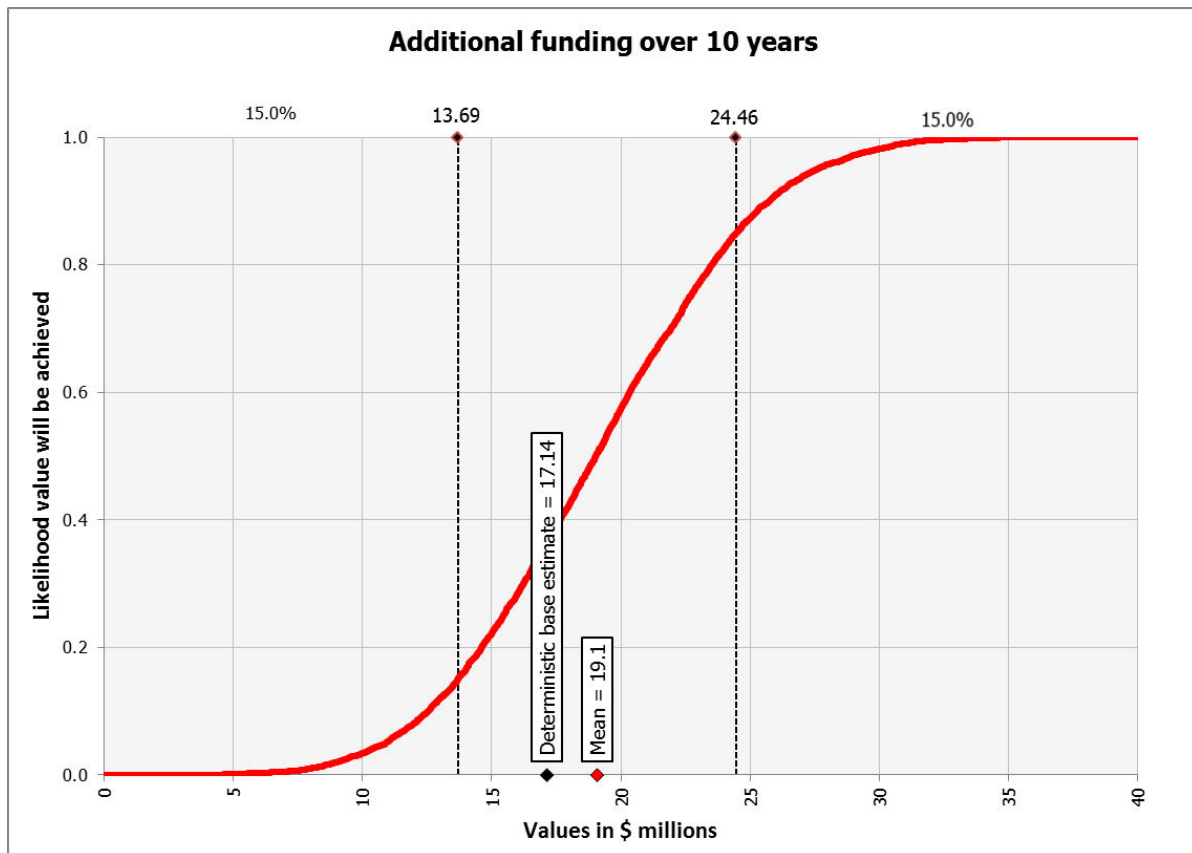
This is shown in the following graph.

Figure 25 Probability curve for additional funding over ten years

As can be seen, the mean of the simulation is $19.1 million which is $1.95 million or 11.3% above the deterministic base estimate value of $17.1 million.

The 85th percentile (15% chance of exceeding this cost) is $24.5 million which is $7.32 million or 42.7% above the base estimate. The distribution is therefore relatively wide. This is because of the risks regarding both costs and benefits.

The key determinants of the variation were identified

The ranking of the uncertainties driving the additional funding is illustrated in the following diagram.

The critical uncertainties are as follows:

- *Staff 2022/23* – this relates to the overall staff in EPL from 2022/23 onwards. If the long run staffing levels cannot be met, this will affect the long run costs for EPL and the funding needed. This is the most significant uncertainty driving the results.

- *Work Package 2B: Admin UI – Development* – this relates to the initial costs to develop the new online system for schools. This is a significant development and so has a level of uncertainty. The costs are moderately sensitive to this.

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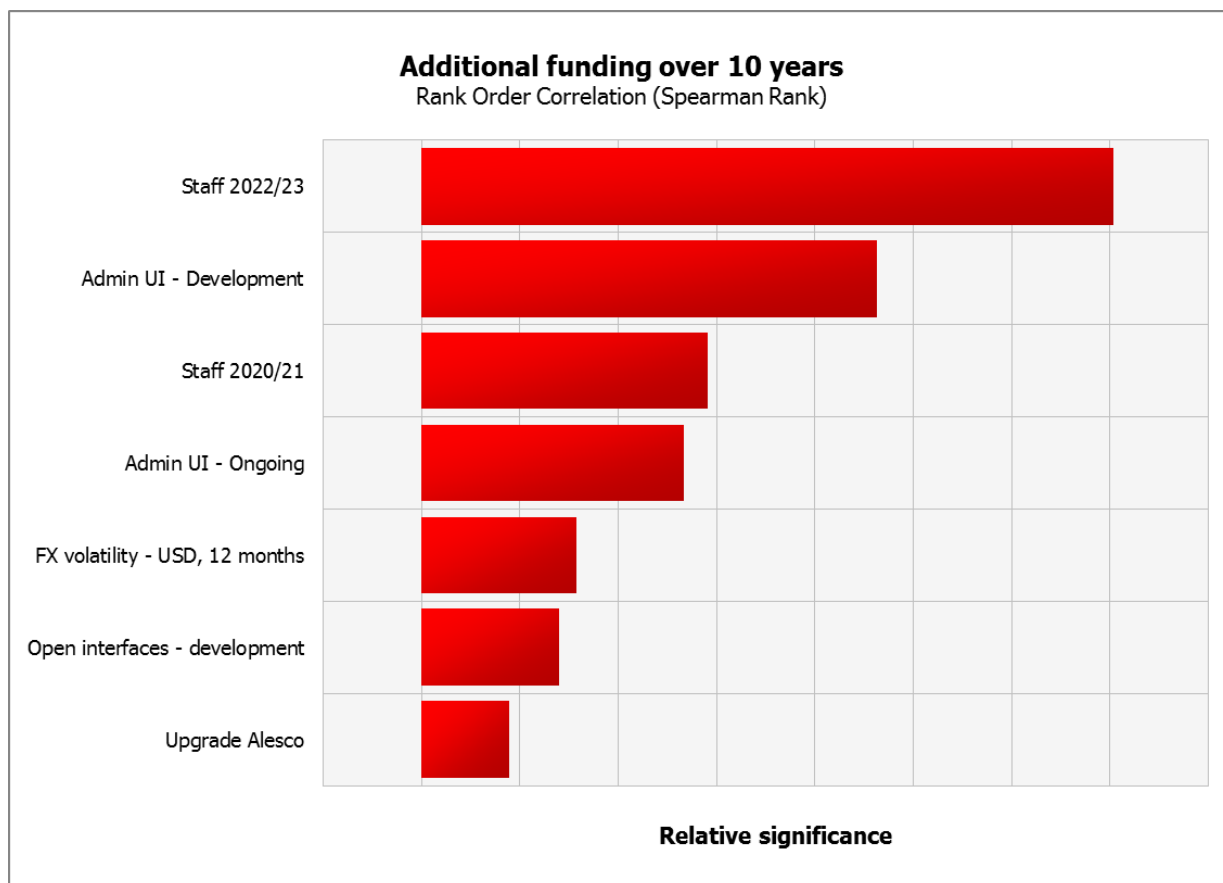
Figure 26 Ranking of the uncertainties driving the additional funding

Other less material uncertainties are as follows:

- *Staff 2020/21* – this relates to the staffing achieved by 2020/21. If staffing targets cannot be met, this increases costs for these years, as well as affecting the staffing glide-path towards 2022/23.

- *FX volatility – USD 12 months* – we have assumed that all software licence costs will be impacted by $US exchange rates. There is therefore some risk regarding cost impact.

- *Work Package 28B: Open interfaces – development* – this work relates to the development of the interfaces that the new online system will use to access data in Ascender Pay.

- *Work Package 20B: Upgrade Alesco* – this relates to the cost of the upgrade for the core Ascender Pay system.

The results of the QRA were used to inform funding at the 85% probability level

We have used the QRA results to determine the appropriate levels of funding. These can be found in the Financial Case, "Funding the preferred option".

We have assumed that EPL will be funded for the 85% level (i.e. only 15% chance of exceeding this level of funding). We have prorated the additional funding required across the whole ten-year period as it related to costs and benefits spread through this time.

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# Ensuring lessons learned from Ministerial Inquiry are applied

The problems experienced by the schools payroll were comprehensively documented in the Ministerial Inquiry into Novopay. The report was released in June 2013.[13] Given the significance of the Novopay issues, it is critical that the findings of the Ministerial Inquiry be incorporated into future planning.

The Inquiry made key recommendations that remain pertinent to the operation of EPL as it delivers the schools payroll. The following table summarises the current status of these recommendations in light of the preferred option proposed by this detailed business case.

Table 17 Status of EPL with respect to the recommendations of the Ministerial Inquiry

Recommendations	Business Case Response
1. Complete, as a matter of priority, the activities required to stabilise the current schools payroll service, including the remediation of defects, support for schools and backlog clearance; and conclude a revised commercial arrangement with Talent2	• The work required to complete the remediation of system shortcomings is not yet complete. This requirement is addressed in this business case under each of the options for the future in the Economic Case. • EPL has improved the support for schools by implementing School Account Teams. Each team is responsible for the end to end service for a group of schools. This ensures that schools deal with staff who know their particular situation and special requirements. It also enables account team staff to be pro-active regarding issues at specific schools. • Revised commercial arrangements were completed with Talent2 in July 2014 and EPL started operating the payroll in October 2014. • Arrangements were entered into with the new supplier of the Alesco System, Ascender HCM. New arrangements will be established as part of the programme implementation.
2. Ensure that it has the capabilities to fulfil its responsibilities for the execution of the schools payroll service	• EPL has established the capability it needs to deliver the payroll reliably. • EPL is implementing the school account team model to ensure that it supports schools in the manner required. (See "Operating Model" in Payroll service current state assessment) • This business case proposes the investment required to ensure sustainability and compliance, as well as providing an improved service model for schools.
3. Re-examine the service delivery model for the schools payroll service, to ensure that it is	• EPL has used the Better Every Day programme to analyse and improve its service delivery model. • As a result of this analysis EPL is implementing the

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[13] Ministerial Inquiry into the Novopay Project (Wellington, 2013). [http://www.education.govt.nz/assets/Documents/Ministry/Information-releases/Novopay-information-release/MIN130501InquiryReport.pdf]

Recommendations	Business Case Response
sustainable and affordable in delivering quality services to boards of trustees and their employees	school account team model to ensure that it supports schools in the manner required. (See "Operating Model" in Payroll service current state assessment) • The intention of this business case is to deliver on this recommendation.
4. Engage with boards of trustees, and subsequently with sector representatives, to modernise the collective agreements in the sector in order to reduce the complexity they provide for the schools payroll	• The Ministry of Education is undertaking this simplification work. See "Managing environmental simplification" in Revisiting the Indicative Business Case.
5. Re-examine the requirements of the current schools payroll to remove unnecessary practices and complexity, for example banking staffing, the single payslip, and End of Year/ Start of Year processes	• This business case assumes that the scope of requirements will remain the same as it is currently. Any changes would be managed through change control. • EPL is aggressively simplifying its own operations as part of the Better Every Day programme. • EPL will support the Ministry in simplification (see "Managing environmental simplification" in Revisiting the Indicative Business Case.
6. Strengthen its leadership and governance capabilities. Key areas for focus are the Leadership Team, the Audit and Assurance Committee and the Internal Audit function	• As part of its formation, EPL undertook a review of the required capability. EPL now has the leadership and governance capabilities required to operate the schools payroll and manage the change required. • The Audit and Assurance functions across current payroll operations are effective and this will be enhanced with delivery assurance as part of the programme.
7. Develop and improve relationships with the schools sector as a matter of priority, to a stage where there is trust and confidence.	• EPL's relationship with the sector continues to improve (see "Operating Model", Payroll service current state). • EPL is now responsible for managing the direct relationship of schools with the payroll.

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The Ministerial Inquiry also identified a set of key lessons learned.[14] The following table summarises how these have been factored into this indicative business case.

Table 18 Status of EPL with respect to the recommendations of the Ministerial Inquiry

Lessons learned	Business Case Reponses
• Clearly define the problem and identify and evaluate all options, including the opportunities to remove complexity and transform business processes, at the project conception stage.	• Problems have been identified through an extensive diagnostic phase conducted through the SSC Better Every Day process, IBC work and the development of work packages for the DBC. • Different detailed options have been considered by stakeholders as part of the Multi-Criteria Decisions Analysis (MCDA) process. • A simplification approach has been developed including service simplification, employment agreement simplification and operating model simplification.
• Once the project is approved, robustly consider critical competencies for successful execution and whether they are available internally or are better satisfied by the use of appropriately qualified advisers, consultants or contractors.	• There is activity underway to continue to build capability to deliver the programme. This includes EPL processes, people and supply contracts. This will be ready in time for core delivery in FY 17/18. • A supply chain risk assessment and mitigation plan is included in the Management Case.
• Do not start projects until the required capabilities are in place or identified.	• EPL is currently undertaking extensive remediation and is developing capability ready for major delivery phases in FY 17/18 to 18/19. • The platform and service provide for the new user interface will need to be procured in FY 16/17.
• Ensure that detailed due diligence is undertaken, and that vendors' competencies are fit for purpose.	• Key vendor risk relates to Ascender HCM, the provider of the Ascender Pay software. Vendor due diligence has been conducted as part of the Ascender discovery work to ensure that the supplier has the required competencies. The results of this work is summarised in "Managing core payroll system and supplier risk") • Appropriate due diligence will occur as part of the procurement process for the platform and service providers for the new user interface.
• Have clearly defined contractual stage gates for project deliverables with effective off-ramps for use when performance falls short of expectations.	• The preferred option consists of a portfolio of work packages that can be implemented in a staged manner with off-ramps for *individual pieces* of work if required. • Contractual stage gates will be in place for external procurement.
• Avoid entering into contracts with significant 'agree to agree' provisions, particularly those related to the definition of requirements.	• The requirements are now at an advanced state and the procurement/contracting process will address this.

[14] Ibid, 13-14.

Lessons learned	Business Case Reponses
• Ensure that executive accountabilities, roles and responsibilities are clear and carried out efficiently within the governance and management structures.	• Governance arrangements will be clear and extensive as detailed in the DBC.
• Appoint a single Programme Director reporting to the Programme Sponsor, with responsibility for project delivery, to whom all delivery components report.	• The Head of Business Change will be the designated Programme Manager for the programme covering the entire scope of the programme. He/she will report directly to the EPL CE and be subject to governance processes involving the Ministry and other stakeholders.
• Rigorously monitor and report project progress and finances.	• EPL already has a programme office in place and processes to monitor and report on the portfolio of projects.
• Involve relevant users of the service or system in the development of requirements, testing and implementation, in a meaningful way.	• The business case preferred option will require change in how schools use the payroll. Schools will be integrated into the development of the new processes and systems. This will include early involvement around requirements and prototypes, as well as piloting. • The approach will use a low-risk, iterative development approach.
• Manage key vendors at strategic and operational levels, and enforce contract terms where performance indicates this is required.	• Effective contract management will be put into place, noting that implementation is not dependant on a single prime vendor and EPL has significant in-house expertise. • A supply chain risk assessment and mitigation plan is included in the Management Case.
• For critical systems, ensure that implementation strategies allow for pilots or staged rollouts.	• The preferred option will be implemented in a staged manner with off-ramps for individual pieces of work if required. • Each of the individual work packages can be sped up or slowed down ad required. • The rollout of the new online service can be sped up or slowed down as required – there is no requirement for a big bang rollout.
• Fully complete an appropriate testing programme unless impact analysis suggests that the risks of not doing so are low and manageable.	• All stages of work include testing to the appropriate level. • EPL has a comprehensive test regime in place for the rollout of software changes. The failures experienced in the past have reinforced the strong need for comprehensive testing.
• Ensure that project quality assurance is independent, covers the full scope of project activities and has a direct reporting line to the Chief Executive.	• IQA will be incorporated into the programme. • Gateway reviews will also continue as per the standard requirements.
• Ensure there is a viable	• The preferred option can be implemented in a staged

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Lessons learned	Business Case Reponses
contingency plan that enables risks and possible delays to be managed appropriately.	manner with off-ramps for individual pieces of work if required. If a stage does not deliver, operation will continue as it was before the stage (generally with manual workarounds). • Note however there are fewer off ramp options for the development of the new online service. It will not be practical to roll back to the current NOL system without taking on significant operating risk.
• When assessing risks, always consider the implications of a combination of them arising and plan accordingly.	• This business case is consistent with this lesson learned. The detail of the programme plan will incorporate the management of the aggregate risk.
• Long-duration projects will rarely meet the expectations established at their inception.	• The preferred option involves short duration project each with defined deliverables and benefits. No single project will run for longer than 12 months.
• Have the courage to query or stop projects that are clearly in trouble or where their likelihood of success has been compromised. Do not delay in raising your voice	• Projects will all be part of the programme which will be transparent, regularly reviewed and subject to significant oversight. EPL already has risk, issues and incident management processes in place which support an open culture where all stakeholder can have a voice.

Delivery cost benchmarking

The costs for schools payroll operation are consistent with industry benchmarks

There are three major sources of information: the schools payroll's current and projected financial information, the latest New Zealand treasury BASS[15] Benchmarking Study covering FY 13/14, and the Australian Payroll Association Benchmarking Report[16] completed in 2015. For the purpose of this comparison different time series are not considered material. A total cost per employee is a useful benchmark as it aggregates all costs to a well-defined denominator which is the number of employees served by the payroll provider.

Currently EPL pays 118,000 staff from the payroll. This typically results in a maximum of 94,000 staff being paid in a pay period. The EPL benchmarks have been presented as range based on these staffing numbers.

Table 19 Comparison of annual costs per paid employee]

Status	Description	Level
Average Aus. Public	All Aus. Public Sector	$ 390
Average Aus.	All Aus. Employers>200	$ 313
NZ Large Agency Worst	BASS Large Agency Lower Quart.	$ 311
Average NZ. Public	BASS Average Overall	$ 273
Average NZ Large	BASS Average Large Agency	$ 234
EPL Current State	EPL Budgeted 2016/17	$ 210-260
EPL Future State	EPL Preferred Option	$ 200-250
10000+ Aus.	All Employers>10,000	$ 180
NZ Large Agency Best	BASS Large Agency Upper Quart.	$ 104
Outsourced Aus.	Aus. Outsourcing 2001+	$ 88

(See APPENDIX G: Benchmarking delivery costs for further details.)

EPL undertakes tasks on behalf of the Ministry that a normal payroll provider would not perform

As noted in the Background, "This payroll is not a standard payroll", EPL undertakes significant additional tasks that a normal outsourced payroll provider would not perform for customers the size of the average school. Any benchmarking comparisons can then only be considered approximate.

EPL will create a benchmarking group with other large payroll providers to enable a more useful comparison

EPL will create a benchmarking group with other large payroll providers to ensure that appropriate levels of information can be gathered to provide more meaningful comparisons. This will take account of the wider costs (e.g. depreciation) as well as accounting for the differing complexities between the payrolls. It will also provide a forum for sharing information on common issues.

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[15] Better Administration and Support Services (BASS)

[16] Exchange rate of 1:07 used for all cost comparisons

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Commercial Case

Introduction

All sub-options presented require the acquisition of new technology and the extension of current supply contacts. All procurement will be in accordance with standard Government processes and use will be made of All of Government contracts, if applicable.

The only significant procurement activity will be the acquisition of technology and services to create the platform for the new user interface to replace Novopay Online (NOL). Subject to market validation this is expected to be a Cloud based service.

EPL's existing contracts for supply of the Ascender Pay system, development and testing and systems support would need to be reviewed and re-negotiated. This is to ensure that they remained fit for purpose, cost effective and had appropriate risk allocation.

New on line platform and services procurement

Strategy

EPL is seeking a platform to provide school online payroll services that facilitates an iterative software development approach, and a supplier partner with the relevant experience. This partner must:

a) understand the sector and prove that it has relevant skills and experience and methodology to work with the users and stakeholders to design, develop and implement the system

b) have a core platform which can be made available immediately to start deploying the functionality to the payroll administrators (at schools)

c) be able to release new functionality to only a subset of users (Pilot users) and then enhance this quickly to a point of wider general release

d) support a short time to develop and time to deploy.

In developing the business case and analysing the market, the agency engaged with suppliers by undertaking a structured market analysis. This work fed into the work packages and costing.

The recommended approach to market is a one-step open competitive tender. The reason for this recommendation is that considerable market analysis has been undertaken and the requirements are relatively straight forward. Also, given the iterative nature of the service design it is more important to contract a partner who has the capability and capacity to deliver on functional requirements than be highly specific about the functionality required.

The procurement plan

The following is an overview of the Procurement Plan which will be completed in detail on commencement of the overall work programme. It will be a single stage process to identify a partner who can develop the On-Line platform in accordance with the requirements. It will be developed in conjunction with the Education Council to ensure that joint requirements are appropriately managed so that procurement supports the wider requirements of the Education Sector Digital Strategy.

This single stage approach will build on the work completed in the market engagement completed for the development of the new online service work package. This involved:

- conducting market research to identify qualified organisations to undertake the work

- contacting these organisations to determine if they wished to be involved in the market engagement process

- presenting the EPL requirements for the new user interface to the organisations

- having each of the organisations present and answer questions in a workshop environment how they would undertake the work and what their estimate of costs were.

This process included involvement from both EPL and Ministry of Education staff. Eight vendors engaged with the process through to the workshop stage. These were ServiceNow, Datacom, AMS, Fronde, Ascender HCM, Diagram, Asparona (Deloitte), and Davanti. The evaluation team included EPL and Ministry representatives.

The key results of the market engagement were as follows:

- There are qualified vendors able to be involved in a single stage procurement process.

- There were in general two approaches taken – a "ground up" build of a product to meet EPL's needs or a customisation/configuration of a CRM system. Both approaches have their relative advantages and neither should be ruled out of the RFP process. However, the cloud based CRM approach is expected to reduce the initial build cost and provide additional useful functionality (e.g. incident management). This approach may also align better with the Education System Digital Strategy.

- The estimates for the build cost for the new user interface were calculated by averaging the proposed build costs (excluding the lowest vendor costs). This approach took best account of the variety of approaches and includes the higher non-CRM build costs.

- The estimates for the ongoing costs of the new user interfaces were calculated by averaging the support costs (where these were provided). Additional ongoing costs were then added to a CRM licencing costs based on Salesforce. This approach ensured that sufficient account was taken of cloud based CRM costs.

See APPENDIX J: Key findings from market engagement for further details.

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Note that contingency costs for estimates are being managed through the Quantitative Risk Assessment process (see APPENDIX F: Quantitative Risk Assessment).

An appropriately qualified procurement team will be established to undertake the procurement process. Decisions will be made by a Steering Group drawn from EPL, Ministry and Sector representatives.

The proposed timeline for the procurement is as follows.

Table 20 Indicative Timeline

Procurement Milestone	Indicative Date
Pre-procurement	
Procurement Plan approved (including Communications Plans)	T
Tender documents developed	T+4 Weeks
Tender documents approved	T+5 Weeks
Advance notice published on GETS	T+6 Weeks
Tender	
Tender advertised on GETS	T+8 Weeks
Supplier briefing/s	T+9 Weeks
Last date for supplier questions	T+12 Weeks
Last date for agency to answer questions	T+13 Weeks
Tender closing date	T+14 Weeks
Evaluation	
Panel confidentiality & conflict of interest declarations signed	T+12 Weeks
Evaluation panel meets	T+15 Weeks
Interview short listed suppliers	T+17 Weeks
Supplier site visits / product testing	T+19 Weeks
Panel minutes and recommendation	T+20 Weeks
Recommendation accepted / denied	T+21 Weeks
Post-evaluation	
Advise bidders of outcome	T+22 Weeks
Debrief unsuccessful suppliers	T+24 Weeks

Procurement Milestone	Indicative Date
Due diligence & contract negotiation	T+25 Weeks
Contract Award Notice published on GETS	T+28 Weeks
Contract start date	T+29 Weeks

Note that the procurement timeframes of the new user interface will need to be aligned and consideration given to the alignment of timeframes for cross sector procurement of CRM capability with the Ministry and the Education Council.

The evaluation model that will be used is weighted attribute (weighted score) / target price. However, the details of this will be determined in the detailed procurement planning process.

Requirements

The procurement process is required to identify an appropriate supplier who can meet the following high level requirements:

The key outcomes that EPL desires from this procured online platform and provider are:

a) all data entered by schools online

b) full data validation at time of data entry so that school data is entered right first time

c) electronic workflow to manage authorisations and so that schools know what has been entered and what may be outstanding

d) schools can continue to enter data right up to processing cut-off times

e) schools and EPL have minimal/no requirement for exception reports to resolve issues after data entry

f) all information required by schools to perform their role is available online

g) EPL Service Centre staff have direct access to all school pay information and status of current workflows

h) EPL has the ability to solve issues over the phone without need to research and call back

i) EPL can identify early and record specific capability issues and earlier resolution through capability development.

The platform is required to support:

a) separate the payroll processing undertaken by Ascender Pay from the online face used by payroll administrators to enable ongoing development that is not reliant on Ascender Pay features or functions, or the use of any specific payroll system in the future

b) be designed as a true schools payroll portal that uses the language of the sector and incorporates the processes of the sector

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c) provide validation of the data entered by payroll administrators so that only correct information reaches Ascender

d) provide the necessary workflow and authorisation to support a fully online system for all pay transactions

e) be integrated with how schools are supported from the EPL service desk

f) use modern user-centred design approaches and technology to enable a step change from the usability of the current NOL interface

g) not be constrained by the existing payroll technology (it could be a cloud based service)

h) could also be built upon to provide direct access for employees to their pay information in the future if so required.

We are seeking a supplier or suppliers that are able to demonstrate the following capability:

a) Supplier must have prior experience in the development and implementation of highly functional and intuitive software applications, especially having the ability to simultaneously deploy functionality on old (PCs/Macs) and new (mobiles) platforms

b) Supplier must have prior experience in partnering and embarking on a user driven software development

c) Supplier possesses a mature delivery process and stakeholder relationship framework that ensures high levels of user engagement and customer satisfaction

d) Supplier that can showcase prior experience of working in a similar large-scale and diverse environment

e) Supplier that can ably show its user design experience and skills

f) Supplier that can show it has integrated its platform with other systems

g) Supplier that can demonstrate how the automation of the request fulfilment will be achieved

h) Supplier that can demonstrate that it has the knowledge, skills and experience available to start on this project now and maintain the focus to successfully deliver all the functions in the next 18 months

i) Supplier that can prototype the system and demonstrate selected use cases a part of its submissions to the Request for Proposal (RFP).

These requirements will be refined with the Education Council to ensure that the core platforms procured can meet the needs of both organisations in support of the Education Sector Digital Strategy.

Potential risk allocation

Key procurement risks have been identified, evaluated and recorded in the risk register, attached to this business case. Risk allocation will be very dependent on the nature of the platform supplied. However, it is expected that:

- the supplier will take all risks related to the provision, integration and support of the platform

- the supplier and EPL will share risk related to the design and development of the end user services

Potential payment mechanisms

Payment mechanisms will depend on the nature of the platform and services provided. EPL's preference is for provision of the platform on a cost per user basis and labour costs for integration and user service design as one off fixed costs. Market appetite for these and other potential payment models will be explored as part of the procurement process.

Contractual and other issues

The short listed supplier will be offered a contract for services and appropriate supply agreement for the platform. This is likely to include ongoing software licencing.

The proposed contract term is 5 years with options to extend for another 5 years.

The quality standards / key performance indicators for measuring the supplier's performance will be defined by EPL as part of the contract process

Payment will be based on the supplier's successful completion of milestones as detailed in the contract.

New intellectual property arising as a result of the contract will be the property of EPL where it relates to the design of end user services. The intellectual property of the platform is likely to remain with the supplier.

Provisions will be made to ensure that IP or other contractual issues do not constrain use of the product by another vendor or in the case when EPL is transferred to private sector ownership.

Contract management

The responsibility for managing delivery under the contract as well as supplier relationship management will be with EPL.

The supplier's performance will be reviewed in accordance with EPL's contract management policy.

Accountancy treatment

The assets underpinning delivery of the services will not be on the EPL balance sheet if a Cloud delivered platform is selected, which is the preference.

Other procurement processes

It is likely that other services and technology will need to be acquired. This will be undertaken using standard EPL procurement processes which are in accordance with Government guidelines.

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Re-negotiation of Ascender software licencing and support agreement

On 22 July 2014 the Ministry of Education and Talent 2 executed the Software Licencing and Support Agreement covering the Ascender Pay (now called Ascender Pay) System. Subsequently this agreement has been novated by the Ministry of Education to Education Payroll Limited and novated by Talent 2 to Ascender.

This agreement has been reviewed and the parties have agreed it needs to be re-negotiated to reflect the current state of the relationship and proposals put forward by Ascender as part of the process developing the DBC.

There are a number of items that need to be clarified or included in the agreement including:

a) increasing the obligations on Ascender to provide an increased level of support

b) locking in costs (as option) for software upgrade services

c) removing restrictions from assignment and novation to enable future sale options for EPL

d) extension of the agreement from July 30 2022 to a timeframe consistent with the DBC period i.e. July 30 2028 with options for extension thereafter.

This renegotiation is expected to be completed by June 2017 in line with the Service Agreement Term and Ascender has indicated that they are willing to enter into re-negotiations. Some aspects of any revised agreement will be subject to decisions on funding and EPL will use best endeavours to limit any increase in Crown obligations.

Renegotiation of other service contracts

It is expected that a number of other service agreements will need to be reviewed and re-negotiated to reflect the increased level of work envisaged as part of the extended work programme. This include:

- Ministry of Education for general ICT services

- Fronde Limited for systems support

- Asparona limited (Deloitte) for software development services

- Assurity Limited for testing services.

The renegotiation of these contracts is not expected to have any significant risks not be on any critical path for the work programme. All contracts will be in accordance with good industry practice and government guidelines.

Management of supply chain risks

There are a number of supply chain risks that need to be managed as part of process of implementation of the work programme from the DBC. These are recorded and managed and as part of EPL's ongoing overall risk management approach. The major supplier currently risks are with Ascender Pay and ▮▮▮▮▮▮ Ltd. A new risk will emerge with the selection of the supplier for the new on-line platform. Each of these suppliers has a critical

part of the provision of infrastructure supporting payroll services. The general risks are summarised as:

a) Delivery Failure – where the solution provided does not meet requirements or is not fit for purpose

b) Support Service Failure – where the service provided does not meet requirements or is not fit for purpose

c) Cost/Price Escalation – where the cost of the services/solutions is not under control of EPL and increases

d) IP Related Liability – where there are IP claims relating to the services/produces which exposes EPL

e) Business Failure – where the supplier can no longer provide the solution/service as they cannot trade effectively.

The following are the supply chain risk assessments of Ascender and ███████. The assessment of the User Interface Platform provider will be undertaken as part of the procurement process.

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Table 21 ▮▮▮▮▮▮ **supply chain assessment**

Risk Factor	Risk	Commentary	Mitigations	Residual Risk
Delivery	Med	Potential of delivery of upgraded software delayed or of poor quality	• Effective project management and performance incentives • Retention of own software development capability and capability of key subcontractors	Low
Service	Med	Potential of defect remediation being slow or ineffective	• Effective service management and performance incentives • Retention of own software support capability	Low
Cost	High	High potential due to capture given that the system is not easily changed	• Effective service management and performance incentives • Retention of own software development capability and capability of key subcontractors • Leverage potential of long term agreement to reduce costs	Med
IP	Med	Potential of restrictions related to use of core software	• Increase leverage through partnership approach with ▮▮▮▮▮▮ • Continued retention of in-house and sub-contractor expertise • Re-negotiate agreement particularly related to Licence Conditions	Low
Business	Med	Potential of ▮▮▮▮▮▮ failing by not growing profitably or through acquisition	• Continual monitoring of Ascender corporate performance (though 3rd parties if required) • Retaining ability to develop and support software in EPL • Retention of source code in escrow • Ensuring ability to transition to "Option Four" if required in the future	Med

Table 22 ▮▮▮▮▮ supply chain assessment

Risk Factor	Risk	Commentary	Mitigations	Residual Risk
Delivery	Med	Potential of delivery of software/systems delayed or of poor quality	• Utilise alternative suppliers including MoE • Retain sufficient in house knowledge	Low
Service	Med	Potential of defect remediation being slow or ineffective	• Utilise alternative suppliers including MoE • Retain sufficient in house knowledge	Low
Cost	Med	Potential of price increases due to unique knowledge of EPL systems	• Re-negotiate agreement to reduce costs due to volume • Leverage long term relationships	Low
IP	Low	No IP issues have been identified	• Ensure agreements cover IP risks	Low
Business	Med	Potential ▮▮▮▮▮ failing overall by not growing profitably	• Having back up supplier options	Low

Table 23 ▮▮▮▮▮ supply chain assessment

Risk Factor	Risk	Commentary	Mitigations	Residual Risk
Delivery	Med	Potential of delivery of software/systems delayed or of poor quality	• Utilise alternative suppliers including MoE • Retain sufficient in house knowledge	Low
Service	Med	Potential of defect remediation being slow or ineffective	• Retain sufficient in house knowledge • Increase use of Ascender	Low
Cost	Med	Potential of price increases due to unique knowledge of EPL systems	• Re-negotiate agreement to reduce costs due to volume • Leverage long term relationships	Low
IP	Low	No IP issues have been identified	• Ensure agreements cover IP risks	Low
Business	Low	Potential ▮▮▮▮▮ failing overall by not growing profitably	• Having back up supplier options	Low

Table 24 ▮▮▮▮▮ supply chain assessment

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Risk Factor	Risk	Commentary	Mitigations	Residual Risk
Delivery	Med	Potential of delivery of software/systems delayed or of poor quality testing	• Retain sufficient in house knowledge and increase testing done by EPL people	Low
Service	Med	Potential of defect remediation testing being slow or ineffective	• Retain sufficient in house knowledge • Increase use of Ascender, other testing providers	Low
Cost	Med	Potential of price increases due to unique knowledge of EPL systems	• Re-negotiate agreement to reduce costs due to volume • Leverage long term relationships	Low
IP	Low	No IP issues have been identified	• Ensure agreements cover IP risks	Low
Business	Med	Potential ▮▮▮▮▮▮ failing overall by not growing profitably	• Having back up supplier options	Low

Financial Case

Introduction

Purpose

The purpose of the financial case is to determine the funding requirements of the preferred option and to demonstrate that the recommended deal is affordable. The investment required is summarised, how the EPL model will change is summarised along with the changes over time as the benefits from the investment are achieved, and the funding options are presented.

Holiday Act compliance costs

There is significant work required within EPL and the Ministry to resolve the current Holidays Act compliance issues. The scoping of the work required is still being completed. Therefore, for the purpose of this business case the Holidays Act remediation is not included in this business case. This will be addressed in a subsequent process with the Ministry once scoping is complete.

Treatment of costs

The following approach has been used to develop the key costs:

- The current forecast EPL costs for 2016/17 have been used as the cost for the base case. No account has been taken of any reduction in revenue a result of the provision for capital charge being removed or of the requirement for a dividend to shareholding Ministers.

- For the purpose of comparing the options it is assumed that capital charge will not be paid by EPL and that the current costs allocated to capital charge will be repurposed to fund operation and/or investment.

- It is assumed that no dividend will be paid by EPL to shareholding Ministers. Any dividend would increase the price of the service to the Ministry of Education by the amount of the dividend.

- The estimated operating costs for the service are based on the current EPL operating budgeted costs net of financial benefits as they are achieved – i.e. the operating costs include savings achieved through the investments.

- A provision has been made for additional costs of $1.9 million per annum from 2020/21 for Ascender Pay licenses and additional support costs once the current rebates negotiated as part of the Talent2 settlement finish.

- Current depreciation costs have been retained for the Ascender Pay based options at the current rate up until the new investment has been made. The depreciation level for the existing assets is then changed to 12 years. Additional capital investment related to the core payroll is depreciated over 12 years.

- Current hardware and non-Ascender Pay depreciation costs are assumed to be the same as currently borne by EPL.

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- There is no allowance for inflation. It has been assumed that CPI would be addressed through the contract between EPL and the Ministry.

- The start date for valuation purposes is assumed to be 1 July 2017. The costs and benefits have been assessed over ten years.

- Because full depreciation costs are factored into the financial analysis, on the basis of this analysis EPL will be operating as a going concern at the end of the assessment period with appropriate levels of cash available to continue to meet its obligations and maintain its asset base.

- All dollar figures are expressed in GST exclusive terms.

Treatment of financial benefits

The benefits of increased efficiency have been factored into the cost models as follows:

- financial benefits that relate to reduction in costs currently paid by EPL (e.g. distribution of payslips)

- reduced workaround effort as tasks are automated

- reduced service delivery effort through a more capable sector and direct online input of payroll information and instructions

- reduced service delivery effort through direct access by staff of their own information and direct input of information by staff

- reduction in accommodation rental through reduced staffing requirements

- other benefits that EPL is able to achieve through its BAU endeavours.

Investment proposed

Summary

The investment proposed is summarised in the following table.

	Status Quo	Option 1+	Option 2	Option 3
A. INVESTMENT				
Project Capital	-	13,668,162	22,217,076	22,671,779
Project operating	-	1,331,655	3,466,613	3,708,468
Depreciation	-	10,063,413	12,993,323	13,314,458
Ongoing operating	-	13,728,817	20,194,176	24,265,884
	-	**38,792,047**	**58,871,188**	**63,960,589**
B. PLUS BAU OPERATING				
Operating costs	249,427,034	249,427,034	249,427,034	249,427,034
	249,427,034	**249,427,034**	**249,427,034**	**249,427,034**
C. LESS BENEFITS FROM INVESTMENT	-	-	-	-
Financial benefits	-	(1,063,473)	(4,167,430)	(49,877,282)
	-	**(1,063,473)**	**(4,167,430)**	**(49,877,282)**
D. EQUALS NET 10 YEAR COSTS (A+B+C)	**249,427,034**	**287,155,607**	**304,130,791**	**263,510,340**
E. FUNDED FROM				
Revenue	246,370,000	246,370,000	246,370,000	246,370,000
Additional funding req'd	3,057,034	40,785,607	57,760,791	17,140,340
F. NET PRESENT VALUE				
NPV Investment (excl. Depreciation)	-	(22,428,508)	(36,393,653)	(39,587,777)
NPV Benefits	-	670,512	2,654,891	31,635,907
	-	**(21,757,996)**	**(33,738,762)**	**(7,951,870)**
G. INVESTMENT CASH AT 10 YEARS				
Depreciation cash unspent at 10 years	**-**	**8,657,879**	**10,087,255**	**10,408,391**
H. MINISTRY 10 YEAR INVESTMENT				
Investment required from Ministry	**-**	**2,417**	**62,502**	**473,427**
I. SCHOOL EFFORT (HOURS PER ANNUM)				
Current payroll effort (hrs pa)	**400,000**	**400,000**	**400,000**	**400,000**
LESS savings:				
Saving from new business model (hrs pa)				(100,000)
	-	**-**	**-**	**(100,000)**
EQUALS Total school effort (hrs pa)	**400,000**	**400,000**	**400,000**	**300,000**
Saving days equivalent per annum	-	-	-	(12,500)

Table 25 Financial assessment of options (over ten years)

The key aspects of the table are described on the following pages along with the detailed costs for the preferred option, namely Option 3.

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A. Investment

The investment (A) is broken down into capital, initial operating expenditure required for the project, depreciation, and ongoing operating for EPL and Ministry. Including depreciation ensures that the funding is sustainable.

The required investment profile for the preferred option over the period of the business case is summarised in the following tables. The Holidays Act spending is excluded.

Education Payroll Ltd	NPV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Opex	3,057,793	1,804,082	675,402	118,747	138,747	580,747	132,007	58,747	58,747	58,747	82,495	3,708,468
Capex	20,575,539	11,378,387	5,937,247	320,000	370,000	425,000	4,224,178	532,500	665,000	90,000	1,635,534	25,577,846
Depreciation withdrawal		-	92,441	92,441	92,441	(32,559)	(732,559)	(305,059)	(572,559)	2,441	(1,543,093)	(2,906,067)
Depreciation		(372,125)	592,861	1,263,868	1,348,895	1,408,895	1,496,895	1,893,792	1,893,792	1,893,792	1,893,792	13,314,458
Ongoing costs	15,952,093	1,182,516	2,544,056	2,643,809	2,579,576	2,573,602	2,595,776	2,539,122	2,529,142	2,529,142	2,549,142	24,265,884
Total Expenditure for EPL	39,585,425	13,992,861	9,842,007	4,438,865	4,529,658	4,955,685	7,716,296	4,719,102	4,574,122	4,574,122	4,617,870	63,960,589

Table 26 Investment required for preferred option – excluding Holidays Act

The following should be noted:

- Where future capital expenditure is funded from depreciation funds this is shown as a "depreciation withdrawal".

- The first year negative depreciation figure is because BAU depreciation is being transferred to operating for maintaining ICT infrastructure.

Depreciation has been calculated as on a straight line basis. Depreciation funding is being sought as part of this business case to ensure that EPL remains on an "evergreen" footing. With respect to depreciation periods for specific items:

- The new user interface development (Work package 2B) has been depreciated over 12 years. This is on the basis that this is the total expected life of the new user interface.

- Development of payroll administrator capability (Work package 4B) has been depreciated over 12 years on the basis that this is the expected life of the investment. Any changes to training materials as a result of wider changes in the environment (e.g. in Collective Agreements) will be managed through change control.

- In the work package to upgrade Ascender Pay (work package 20B), the technical upgrades occur in year two and year ten. Depreciation for these technical upgrades has therefore been set at eight years. The full upgrade occurs in year six. Depreciation for this item has also been set at eight years as this is the expected life of the upgrade.

- In the work package 21C Maintain ICT Infrastructure, depreciation periods depend on the particular item. This varies between three and five years. Note that this work package is an increase to existing BAU funding to maintain infrastructure. It converts existing depreciation funding into operating funding. Therefore, in some years it has negative depreciation funding as existing depreciation funds are used for operating purposes.

- In the work packages 25C Business Continuity and DR and 26C Security and Privacy Treatments, depreciation has been set at five years to reflect the life of the investment. There is a re-investment in both work packages at year six.

- In the work package 29C Enhanced Analytics Capability, depreciation periods have been set at five years or ten years. There is a reinvestment in year seven to refresh the items implemented in year two with a five-year life.

- All core payroll investment in Ascender Pay has been depreciated over 12 years on the basis that this is the expected life of the investments. This includes all functional changes to Ascender Pay.

B. BAU baseline operations costs

The EPL baseline business as usual costs (B) are shown. These are based on the 2016/17 costs with no decrease through benefits. These costs have been split between the BAU operating costs and the depreciation costs. These costs are used as the baseline for calculating changes, whether these are investments or savings.

		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	TOTAL
Budget 2016/17												
Accommodation and facilities	859,601	859,601	859,601	859,601	859,601	859,601	859,601	859,601	859,601	859,601	859,601	8,596,005
Corporate expenses	770,470	770,470	770,470	770,470	770,470	770,470	770,470	770,470	770,470	770,470	770,470	7,704,697
ICT Costs	4,919,473	4,919,473	4,919,473	4,919,473	4,919,473	4,919,473	4,919,473	4,919,473	4,919,473	4,919,473	4,919,473	49,194,731
Personnel expenses	9,768,014	9,768,014	9,768,014	9,768,014	9,768,014	9,768,014	9,768,014	9,768,014	9,768,014	9,768,014	9,768,014	97,680,142
Third party support	5,163,788	5,163,788	5,163,788	5,163,788	5,163,788	5,163,788	5,163,788	5,163,788	5,163,788	5,163,788	5,163,788	51,637,883
Travel and entertainment	156,100	156,100	156,100	156,100	156,100	156,100	156,100	156,100	156,100	156,100	156,100	1,561,000
Additional known costs												
Additional Alesco costs from 20/21	1,921,500				1,921,500	1,921,500	1,921,500	1,921,500	1,921,500	1,921,500	1,921,500	13,450,500
		21,637,446	21,637,446	21,637,446	23,558,946	23,558,946	23,558,946	23,558,946	23,558,946	23,558,946	23,558,946	229,824,958

Table 27 Operating costs

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	TOTAL
Current depreciation											
Furniture & Fittings (296)	29,056	29,056	29,056	29,056	29,056	29,056	29,056	29,056	29,056	29,056	290,562
ICT Equipment (292)	409,656	409,656	409,656	409,656	409,656	409,656	409,656	409,656	409,656	409,656	4,096,555
ICT Software (293)	295,193	295,193	295,193	295,193	295,193	295,193	295,193	295,193	295,193	295,193	2,951,928
Leasehold Improvements (294)	60,428	60,428	60,428	60,428	60,428	60,428	60,428	60,428	60,428	60,428	604,281
Office Equipment (295)	14,672	14,672	14,672	14,672	14,672	14,672	14,672	14,672	14,672	14,672	146,724
Intangible Assets (298)											
Alesco Customisations ex Talent 2	909,135	378,806	378,806	378,806	378,806	378,806	378,806	378,806	378,806	378,806	3,788,062
Alesco Licences	958,870	958,870	958,870	958,870							
Maintenance & Support Settlement	666,800	666,800	666,800	666,800							
Data Entry Reconciliation Tool	12,816	12,816	12,816	12,816	12,816	12,816	12,816	12,816	12,816	12,816	128,160
Debt Calculator	14,838	14,838	14,838	14,838	14,838	14,838	14,838	14,838	14,838	14,838	148,382
Gatekeeper	14,704	14,704	14,704	14,704	14,704	14,704	14,704	14,704	14,704	14,704	147,040
Tax Calculator	3,491	3,491	3,491	3,491	3,491	3,491	3,491	3,491	3,491	3,491	34,912
NOL Security	25,616	25,616	25,616	25,616	25,616	25,616	25,616	25,616	25,616	25,616	256,156
Improvements	511,753	213,230	213,230	213,230	213,230	213,230	213,230	213,230	213,230	213,230	2,132,304
		3,098,176	3,098,176	3,098,176	1,472,507	1,472,507	1,472,507	1,472,507	1,472,507	1,472,507	1,472,507	19,602,075
TOTAL OPERATING		24,735,622	24,735,622	24,735,622	25,031,452	25,031,452	25,031,452	25,031,452	25,031,452	25,031,452	25,031,452	249,427,034

C. Benefits

Introduction

The benefits (C) shown are EPL financial benefits through increased efficiencies. An optimal operating model for the EPL company has been developed based on what can be achieved when all the work packages in the preferred option are implemented. This model uses a glide-path of staffing changes and cost reductions. The 2016/17 budget has been used as the baseline for the costs. Savings as a result of the glide-path savings are then applied to these budgets to separately show savings. These savings have been informed by the data gathered through the Better Every Day programme.

EPL staff

There are currently 139 EPL staff (excluding peak staffing), of whom 137 are in Wellington and two in Christchurch. XXXXXXXXXXXXXXXXXXXXXXXXX

- Use by schools of direct online input will eliminate EPL staff required to key forms.

- Increased accuracy at the point of entry will reduce the effort required to detect and recover from errors.

- Increased use by schools of an easy to use online service with validation will decrease the service desk support required.

- Increased capability of schools so that transactions happen right first time.

- Increased effectiveness of support (through account teams) so that errors are found are resolved earlier.

- Decreased overpayments resulting in reduced debt recovery.

School Support Limited contractors

EPL currently contracts School Support Limited in Christchurch to undertake the keying of forms and recovery of overpayment debt. There are XX contract staff employed for these purposes.

████████████████

- Increased use by schools of direct online input will reduce Schools Support Limited staff required to key forms.

- Decreased overpayment rates through improved validation of data input will reduce overpayment debt processing and the Schools Support Limited staff required to manage this.

Christchurch rental costs

EPL currently pays accommodation lease costs of approximately $319,000 per annum for the Christchurch operation. The preferred option uses only one location and so eliminates the Christchurch accommodation lease cost.

Wellington rental costs

EPL currently leases two floors in Wellington in Featherston St. The preferred option retains both these floors.

Continuous improvement

The benefits from continuous improvement have been included in the operating model.

Reducing ongoing Ascender Pay licence fees

The termination agreement with Talent2 provided for reduced annual software licence and maintenance fees until August 2020. At this point, under the current arrangements, the costs to EPL will increase by approximately $1.9 million pa. There is an opportunity to negotiate reduced costs with Ascender, especially as under this approach schools will no longer be using Novopay Online by 2020/21.

Miscellaneous changes

Other key changes that occur are as follows:

- Paper payslips are no longer sent out from 2017/18.

- External technology contractors are progressively reduced from 2020/21.

Costs and benefits

The glide-path for benefits and the costs and benefits are shown in the following tables.
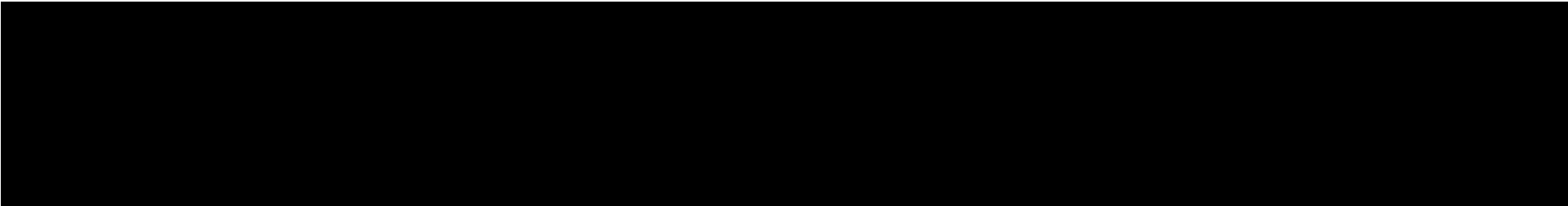
Table 28 Benefits glide path
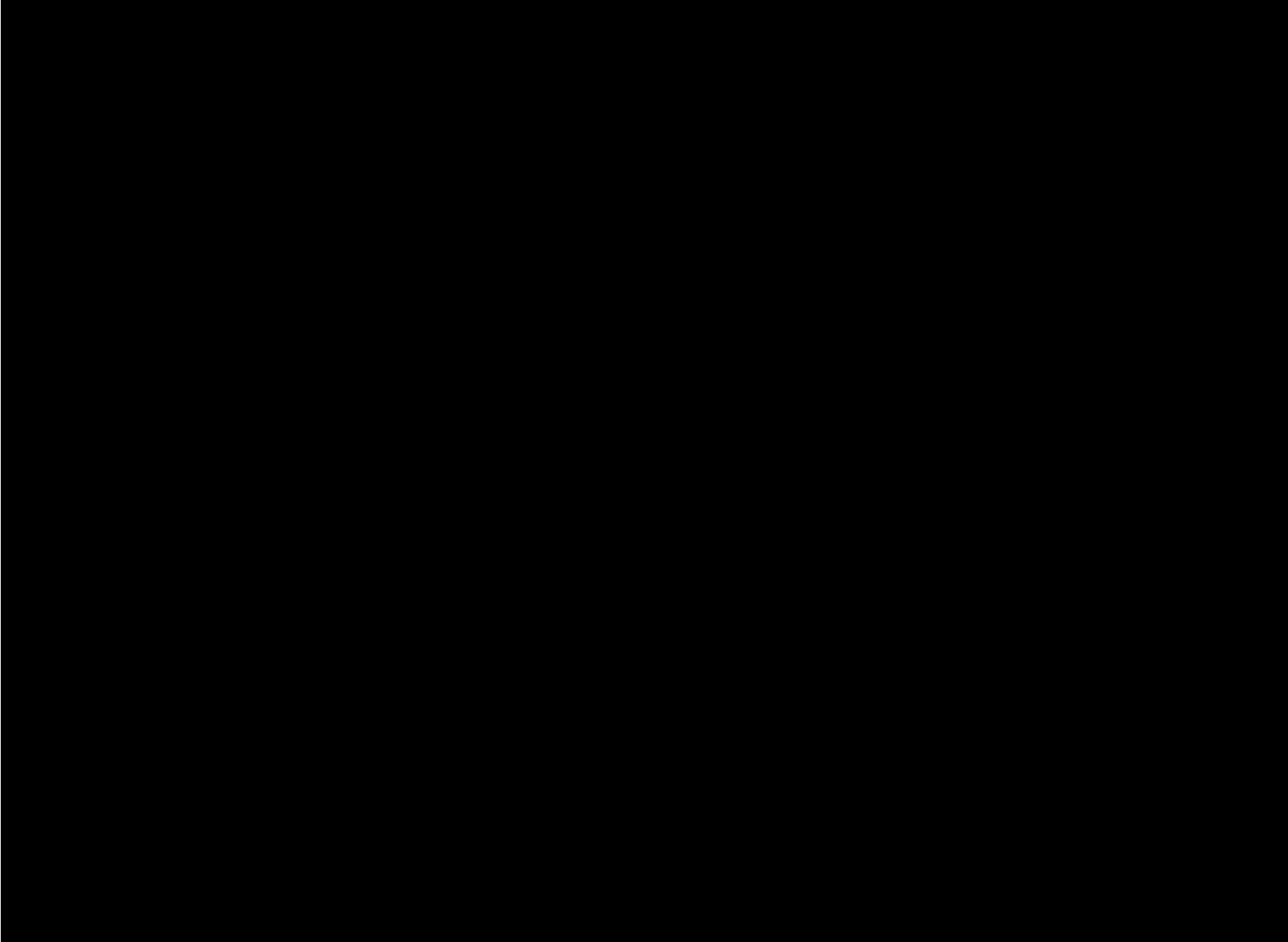
Table 29 Optimal costing model based on glide-path

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D. Total ten year costs / E. Funding

The figures in A, B, and C are added to show the total ten year costs (D). The following table summarises the overall funding required for the preferred option.

A. INVESTMENT		14,020,861	9,838,896	4,475,754	4,486,547	4,952,574	7,713,185	4,715,991	4,571,011	4,571,011	4,614,759	63,960,589
B. OPERATIONS COSTS		21,637,446	21,637,446	21,637,446	23,558,946	23,558,946	23,558,946	23,558,946	23,558,946	23,558,946	23,558,946	229,824,958
C. DEPRECIATION		3,098,176	3,098,176	3,098,176	1,472,507	1,472,507	1,472,507	1,472,507	1,472,507	1,472,507	1,472,507	19,602,075
D. OPERATIONS SAVINGS		(1,900,754)	(2,382,575)	(4,668,275)	(5,632,240)	(5,882,240)	(5,882,240)	(5,882,240)	(5,882,240)	(5,882,240)	(5,882,240)	(49,877,282)
TOTAL		36,855,728	32,191,942	24,543,102	23,885,760	24,101,787	26,862,398	23,865,204	23,720,224	23,720,224	23,763,972	263,510,340
Revenue	24,637,000	24,637,000	24,637,000	24,637,000	24,637,000	24,637,000	24,637,000	24,637,000	24,637,000	24,637,000	24,637,000	246,370,000
Surplus/(Deficit) - excl. Holidays Act		(12,218,728)	(7,554,942)	93,898	751,240	535,213	(2,225,398)	771,796	916,776	916,776	873,028	(17,140,340)

Table 30 Total ten-year funding required

This table shows the additional funding required for the preferred option year by year and for the total ten-year period.

Note that this is based on the revenue for 2016/17 continuing. This does not include any reduction from cost of capital no longer being funded. It also does not include any allowance for a dividend or provision for cost of capital.

F. NPV

Net present value (F) calculations are also provided in the summary table. Note that these totals exclude depreciation costs.

G. Investment cash at ten years

The business case costs for investment include full depreciation streams on the basis that EPL will be sustainable beyond ten years. This means that there will be accumulated depreciation cash at the end of the investment period. The following table summarises the asset value and remaining cash. This provides an indication of the balance sheet position for the assets from the new investment at the end of the ten-year period. It shows:

- The total depreciation funding made available from the investment, LESS the withdrawal to fund replacement of assets, resulting in the remaining depreciation cash at the end of the ten-year period.

- The total capital expenditure over the period (including re-investment), LESS depreciation, resulting in the value of the assets at the end of the ten-year period.

Table 31 Asset and depreciation cash position at end of investment period – excluding Holidays Act

Position at end of year 10

Depreciation	13,314,458
LESS withdrawal	(2,906,067)
Cash remaining	10,408,391
Capital Expenditure	25,577,846
LESS depreciation	(13,314,458)
End Asset value	12,263,388

H. Ministry 10-year investment

The total Ministry investment to support the options is provided.

Ministry of Education	NPV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Costs	370,256	217,806	46,121	26,000	26,000	26,000	27,500	26,000	26,000	26,000	26,000	473,427
Total Expenditure for MoE	**370,256**	**217,806**	**46,121**	**26,000**	**26,000**	**26,000**	**27,500**	**26,000**	**26,000**	**26,000**	**26,000**	**473,427**

Table 32 Ministry investment – excluding Holidays Act

This expenditure typically relates to use of Subject Matter Experts (SMEs) in specific projects. The largest component relates to the management of the project to simplify collective agreements (work package 5B, $378,504).

I. School effort

An estimate of schools effort savings (H) is also provided. While it is accepted that this cannot be readily monetised, it illustrated the level of saving that can potentially be achieved in the sector. These savings are based on EPL surveys that show on average schools currently spend 6 hours per

fortnight on payroll related activities. The savings have been estimated at 25% per school. See APPENDIX I: Benefits to schools of preferred option for further details as to how this was calculated.

Work package costing

The proposed investment is summarised by work package in the following two tables along with estimates of 10-year cost. This table shows the EPL and the Ministry costs for the selected work packages.

Pry	Work Packages	EPL Ten Year Cost	MoE Ten Year Cost	Total Ten Year Cost	EPL COSTS Option 3 Fully online / digital assist	MoE COSTS Option 3 Fully online / digital assist
1	21A Maintain infrastructure					
2	38A Salary assessment					
3	3A Reliever relationship	$ 7,271	$ 1,500	$ 8,771	$ 7,271	$ 1,500
4	5B Simplify collectives	$ 173,000	$ 378,504	$ 551,504	$ 173,000	$ 378,504
5	21B Maintain infrastructure					
6	1A E-Payslips	$ 12,620	$ 917	$ 13,537	$ 12,620	$ 917
7	4A Payroll admin capability					
8	19C Funding processes	$ 205,003	$ 3,496	$ 208,499	$ 205,003	$ 3,496
9	38B Salary assessment	$ 124,412	$ 6,417	$ 130,829	$ 124,412	$ 6,417
10	22A Payroll processing					
11	22B Payroll processing					
12	34B Service accumulator	$ 980,838	$ 2,500	$ 983,338	$ 980,838	$ 2,500
13	36B Attestations	$ 2,138,607	$ 2,500	$ 2,141,107	$ 2,138,607	$ 2,500
14	24A Control reporting	$ 799,934	$ 2,500	$ 802,434	$ 799,934	$ 2,500
15	29A Enhanced analytics					
16	27B EoY/SoY	$ 517,531	$ 5,000	$ 522,531	$ 517,531	$ 5,000
17	25B BC and DR	$ 1,640,000	$ -	$ 1,640,000		
18	4B Payroll admin capability	$ 3,900,702	$ 11,047	$ 3,911,749	$ 3,900,702	$ 11,047
19	21C Maintain infrastructure	$ 2,106,220	$ -	$ 2,106,220	$ 2,106,220	$ -
20	22C Payroll processing	$ 1,604,966	$ -	$ 1,604,966	$ 1,604,966	$ -
21	8C School approach employment	$ 40,000	$ 13,421	$ 53,421	$ 40,000	$ 13,421
22	99A Holidays Act	$ 1,795,265	$ 25,000	$ 1,820,265		
23	4C Payroll admin capability					
24	26B Security and privacy	$ 3,130,000	$ -	$ 3,130,000		
25	26C Security and privacy	$ 4,485,000	$ -	$ 4,485,000	$ 4,485,000	$ -
26	33B Holidays Act	$ 1,868,320	$ 50,000	$ 1,918,320		
27	16C Terminations					
28	29C Enhanced analytics	$ 2,741,972	$ -	$ 2,741,972	$ 2,741,972	$ -
29	13C Tax	$ 1,010,835	$ 3,125	$ 1,013,960	$ 1,010,835	$ 3,125
30	25C BC and DR	$ 2,210,000	$ -	$ 2,210,000	$ 2,210,000	$ -
31	2B Admin UI	$ 16,831,458	$ 7,500	$ 16,838,958	$ 16,831,458	$ 7,500
32	14B End dated allowances	$ 1,922,949	$ 30,000	$ 1,952,949		
33	20A upgrade Alesco					
34	20B upgrade Alesco	$ 9,160,590	$ 1,500	$ 9,162,090	$ 9,160,590	$ 1,500
35	18C Leave	$ 2,182,044	$ 22,500	$ 2,204,544	$ 2,182,044	$ 22,500
36	15A Deduction	$ 256,385	$ 1,000	$ 257,385	$ 256,385	$ 1,000
37	24B Control reporting	$ 1,804,906	$ 5,000	$ 1,809,906		
38	11A Info to employees	$ 824,422	$ 10,000	$ 834,422	$ 824,422	$ 10,000
39	37A Statements of service					
40	15C Deductions	$ 984,053	$ 2,500	$ 986,553		
41	36C Attestations	$ 2,327,414	$ 17,500	$ 2,344,914		
42	17B Adjustments	$ 1,189,657	$ -	$ 1,189,657	$ 1,189,657	$ -
43	28B Open interfaces	$ 10,077,121	$ -	$ 10,077,121	$ 10,077,121	$ -
44	17C Adjustments	$ 2,265,833	$ -	$ 2,265,833		
45	2C Admin UI	$ 20,642,801	$ 15,000	$ 20,657,801		
46	11B Info to employees					
47	28C Open interfaces	$ 12,515,450	$ -	$ 12,515,450		
N/A	2A Admin UI	$ 12,786,750	$ -	$ 12,786,750		
N/A	Addn programme & assurance	$ 380,000	$ -	$ 380,000	$ 380,000	
	TOTAL				$ 63,960,589	$ 473,427

Table 33 Proposed investment and approximate ten investment year cost

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Funding the preferred option

The preferred option needs to be funded, both for the remediation and enhancements and for the ongoing operation. This section discusses how this investment could be funded.

We have used the Quantitative Risk Assessment to inform the level of funding required, and have sought funding to the 85% percentile

The QRA provided an assessment of the overall funding required. It concluded that for the 85% percentile when taking into account all the key risks (costs and benefits), an additional $7.3 million should be allocated to address the costs and benefits risks. Because of the level of risk that needs to be borne by EPL, we have included this risk factor in our proposed costs. The additional costs have been pro-rated across the years for the business case to take account of the risk for both costs and benefits.

The Ministry pays EPL for the payroll service on the basis of an agreed service fee

EPL is solely funded by the price it charges the Ministry for the payroll service. The Ministry funds the payroll service from operating appropriations. EPL converts the price paid into capital, operating, and depreciation so that is can financially operate its business. Therefore, all funds for the remediation and development of the service and its ongoing operation must come through this service price.

The requirement for the service fee for the preferred option has been established through an "open price book" process

EPL has developed the service price for the preferred option through a comprehensive bottom-up process. The Ministry has vetted how the costs and benefits have been developed and has had complete access to all the data used in developing the costs and benefits.

We have identified two alternatives to how the service price can be funded by the Ministry

The preferred option requires investment over the next three years to achieve savings in
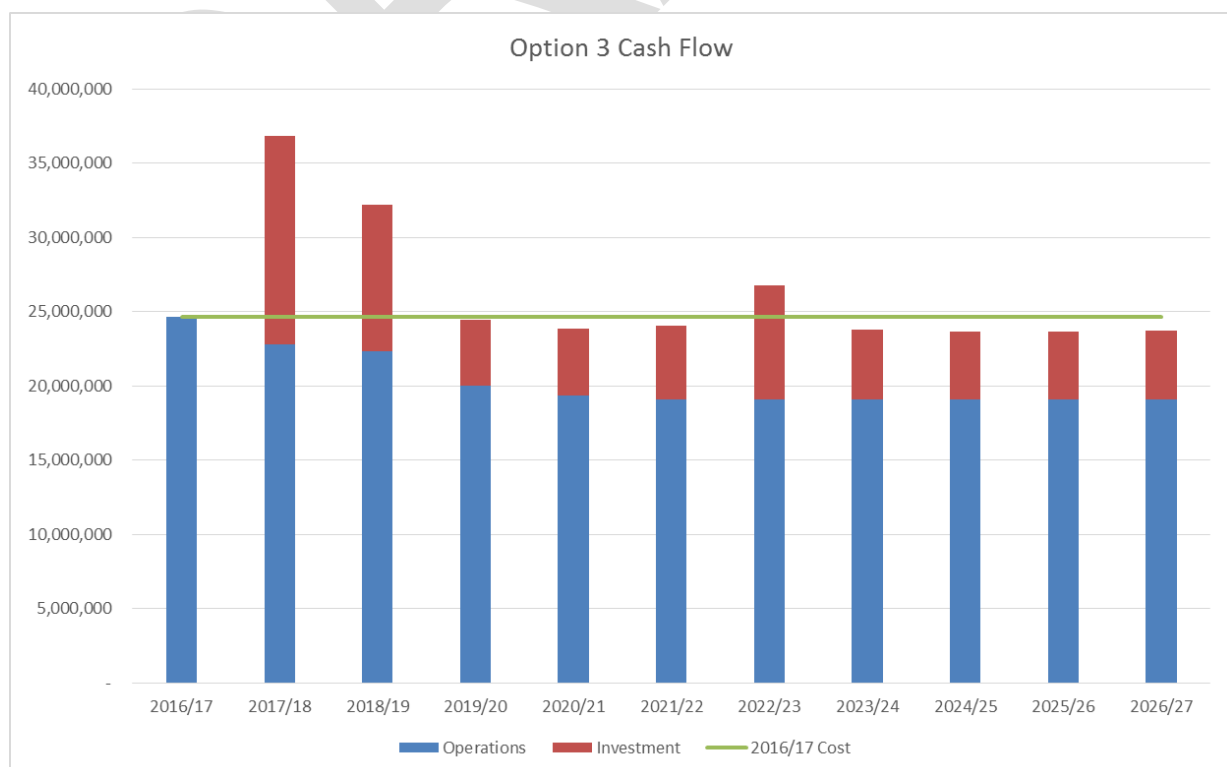
Option 3 Cash Flow

subsequent years. The raw cash flow required is illustrated in the following diagram.

Figure 27 "Raw" cash flow for preferred option

As can be seen, additional funding is required in 2017/18 and 2018/19. This then delivers savings from 2019/20 onwards. Some additional investment is required in 2022/23 to upgrade the core Ascender Pay payroll package to the latest release provided by Ascender HCM.

This additional funding in 2017/18 and 2018/19 can be funded in potentially two ways:

- the Ministry pays a variable price that matches cash flow required over the ten-year period

- EPL borrows to fund its investment and pays back the loan within the ten-year period to enable the Ministry to pays the same price each year.

These funding alternatives are discussed further below.

Funding alternative #1: Ministry service fee reflects the costs to be borne in each year

Under this option the Ministry pays a service fee that is matched to the actual cash flow required for operating the service and funding the required investment. This means that the service fee is higher in 2017/18 and 2018/19 and then reduces in 2019/20 onwards as savings are achieved.

This will require the Ministry to fund EPL through its service fee for $271 million over the period of the ten-year contract. (This includes the QRA risk costs.)

Funding alternative #2: Ministry service fee is same each year with EPL smoothing its cash flow through borrowing

Under this option the Ministry pays a fixed fee for the service over the next ten years. This occurs through EPL borrowing the necessary additional funding and spreading the cost across years to create a fixed cost.

Note that EPL will use a combination of current working capital and depreciation funds, as well as the depreciation funding from the new investment to offset any loan required to reduce interest costs.

The loan could be made from a private sector provider (this would require the permission of the Minister of Finance) or through Treasury at standard cost of capital. We estimate that this approach would add a loan interest cost of approximate $3.6 million to the total cost of delivery (at 8% cost of capital). This amount would be less if sourced from the private sector.

This would result in an indicative service fee of $27.5 million per annum over the ten-year period excluding CPI adjustments. (This includes the QRA risk costs.)

Note that this option would require a service agreement with a ten-year agreement term. A shorter agreement term would increase the cost. Earlier termination would require a full repayment of any loans taken.

How the cash flow would be managed is summarised on the following page.

The fixed price was determined as follows:

- The operating costs cash flow for each year was used as the starting point. The additional funding required to support the 85% QRA level was prorated across all years.

- The total borrowing required was calculated. This was offset against internal working capital available to EPL and the depreciation funding that will accrue from the investment. This is effectively EPL borrowing from its own internal funds.

- A goal seek algorithm was used to determine a fixed cost for the ten-year period.

Table 34 Calculation of fixed price

		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	TOTAL
Operating costs												
Deterministic additional funding		36,855,728	32,191,942	24,543,102	23,885,760	24,101,787	26,862,398	23,865,204	23,720,224	23,720,224	23,763,972	263,510,340
85% additional funding	2.78%	1,023,760	894,212	681,746	663,487	669,488	746,170	662,916	658,889	658,889	660,104	7,319,660
TOTAL OPERATING		37,879,489	33,086,154	25,224,848	24,549,247	24,771,274	27,608,568	24,528,120	24,379,112	24,379,112	24,424,075	270,830,000
Price	27,440,437	27,440,437	27,440,437	27,440,437	27,440,437	27,440,437	27,440,437	27,440,437	27,440,437	27,440,437	27,440,437	274,404,367
(Borrowing)/payback pa		(10,439,052)	(5,645,718)	2,215,589	2,891,190	2,669,162	(168,132)	2,912,317	3,061,324	3,061,324	3,016,361	3,574,367
Gross (Borrowing)/payback pa		(10,439,052)	(16,707,424)	(15,549,892)	(13,504,410)	(11,390,768)	(11,823,980)	(9,139,010)	(6,077,686)	(3,016,361)	(0)	
Interest (net of funds held)		(622,654)	(1,058,057)	(845,708)	(555,520)	(265,080)	(227,348)	-	-	-	-	(3,574,367)
Gross borrowing outstanding		(11,061,706)	(17,765,481)	(16,395,600)	(14,059,931)	(11,655,848)	(12,051,327)	(9,139,010)	(6,077,686)	(3,016,361)	(0)	
Investment depreciation		(344,125)	825,830	1,496,838	1,581,864	1,516,864	904,864	1,729,261	1,461,761	2,036,761	491,227	11,701,148
Cumulative depreciation		(344,125)	481,705	1,978,543	3,560,407	5,077,272	5,982,136	7,711,397	9,173,159	11,209,920	11,701,148	
Interest calculation												
Amount borrowed		(10,439,052)	(16,707,424)	(15,549,892)	(13,504,410)	(11,390,768)	(11,823,980)	(9,139,010)	(6,077,686)	(3,016,361)	(0)	
LESS Working Capital	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	
LESS Cumulative depreciation		(344,125)	481,705	1,978,543	3,560,407	5,077,272	5,982,136	7,711,397	9,173,159	11,209,920	11,701,148	
Total cash borrowed at end of year		(7,783,177)	(13,225,718)	(10,571,349)	(6,944,003)	(3,313,497)	(2,841,844)	1,572,387	6,095,473	11,193,559	14,701,148	
Net interest	8.00%	(622,654)	(1,058,057)	(845,708)	(555,520)	(265,080)	(227,348)	-	-	-	-	(3,574,367)

Management Case

Introduction

The management case confirms that the proposal is achievable and details the arrangements needed to both ensure successful delivery and to manage project risks.

The implementation of the Education Payroll Change Programme detailed in this business case will be in accordance with EPL's overall process for business change. EPL has been undertaking continuous improvement in its core business processes and technology since the formation of the company in August 2014. Although there will be an increase rate of change and development of capability in the financial years of 17/18 and 18/19 the company has been successful implementing this capability for change for some time.

It should also be recognised that EPL is a separate Crown owned company with its own Board of Directors. The change programme occurs at company level rather than being one of a number of change programmes that may be occurring across an enterprise. Its operations are defined by the Ministry of Education through a Service Agreement which establishes the service requirements, expected performance and funding aspects of the change. There are also dependencies on the Ministry of Education for certain change aspects of the programme. This has implications on the design of the delivery programme, governance, benefits realisation and risk management that are specifically addressed in this management case.

Note that the detailed planning, sequencing and optimisation of the projects within the programme has commenced and the timeframes within these schedules are subject to change. However, this is not expected to have any material impact on projected benefits realisation. Quantitative Risk Assessment (QRA) has also been used to identify range of costs.

Work Package	Offset	2016/17	2017/18	2018/19	2019/20
SCHOOL FACING					
2B Admin UI	0	Analysis | Market Engagement	Development	Test | Rollout	
28B Open interfaces	0	Analysis | Market Engagement	Development		
24A Control reporting	1			Analysis | Development | Test | Implement	
4B Payroll admin capability	0		Implement	Manage Ongoing	
HOLIDAYS ACT					
Holidays Act scoping	0	Compliance Review	[TBC] Development | Test | Implement		
PROCESS FOCUS					
1A E-Payslips	0	Devt | Implement			
38B Salary assessment	0		Devt | Implement		
FUNCTIONAL FOCUS					
15A Deductions	1			Analysis | Development | Test | Implement	
16C Terminations	0	Analysis | Development | Test | Implement			
18C Leave	0	Analysis | Development | Test | Implement			
27B EoY/SoY	0	Analysis | Development | Test | Implement			
19C Funding processes	1			Analysis | Development | Test | Implement	
34B Service accumulator	0	Analysis | Development | Test | Implement			
36B Attestations	0	Analysis | Development | Test | Implement			
13C Tax	1			Analysis | Development | Test | Implement	
17B Adjustments	1	Analysis | Development | Test | Implement			
INFRASTRUCTURE FOCUS					
21C Maintain infrastructure	0	Manage Upgrades & Ongoing Work			
25C BC and DR	0	Preparatory Work	Manage Upgrades & Testing		
26C Security and privacy	0	Preparatory Work	Manage Upgrades		
20B Upgrade Alesco	0			Technical Upgrade	
22C Payroll processing	1	PHASE 1	Phase 2		
29C Enhanced analytics	1			Analysis | Development | Test | Implement	
POLICY FOCUS					
5B Simplify collectives	0	Manage			
3A Reliever relationship	0	Manage			
8C School approach employment	0	Manage			

Figure 28 Programme plan summary

Programme plan and milestones

An indicative programme plan is summarised on the following page. The following table summarises the key programme milestones.

Table 35 Key programme milestones

Milestone	Date	Work Packages
SCHOOL FACING		
Analysis and development of RFP(s) for procurement of school facing online services completed	April 2017	2B Admin UI 28B Open interfaces
RFP(s) for procurement of school facing online services issued	May 2017*	2B Admin UI 28B Open interfaces
Contracts for online services and open interfaces agreed	July 2017*	2B Admin UI 28B Open interfaces
Rollout of first new online services for schools – pilot group of schools; pilot services begins	June 2018*	2B Admin UI 28B Open interfaces
Rollout of online services completed to all schools	June 2019	2B Admin UI
Development of training frameworks and resources starts	July 2017	4B Payroll admin capability
Development of training frameworks and resources completed	June 2018	4B Payroll admin capability
Control reports analysis complete	June 2018	24A Control reporting
Control reports development complete	December 2018	24A Control reporting
Control reports test and implementation complete	May 2019	24A Control reporting
PROCESS FOCUS		
Complete elimination of paper payslips	December 2016	1A E-payslips
Complete salary assessment process and technology enhancements	December 2017	38B Salary assessment
FUNCTIONAL FOCUS		
Compliance review of Holidays Act complete	December 2016	33B Holidays Act 99 Holidays Act retrospective
Terminations analysis completed	September 2016	16C Terminations
Terminations development complete	January 2017	16C Terminations
Terminations testing and implementation complete	December 2017	16C Terminations
Leave analysis complete	January 2017	18C Leave
Leave development complete	May 2017	18C Leave
Leave testing and implementation complete	September 2017	18C Leave
EoY/SoY analysis complete	March 2017	27B EoY/Soy
EoY/SoY development complete	May 2017	27B EoY/Soy
EoY/SoY testing and implementation complete	September 2017	27B EoY/Soy
Funding processes analysis complete	September 2018	19C Funding processes
Funding processes development complete	January 2019	19C Funding processes

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Milestone	Date	Work Packages
Funding processes testing and implementation complete	May 2019	19C Funding processes
Service accumulator analysis complete	July 2017	34B Service accumulator
Service accumulator development complete	March 2018	34B Service accumulator
Service accumulator testing and implementation complete	June 2018	34B Service accumulator
Attestations analysis complete	June 2017	36B Attestations
Attestations development complete	October 2017	36B Attestations
Attestations testing and implementation complete	March 2018	36B Attestations
Tax analysis compete	October 2018	13C Tax
Tax development compete	February 2019	13C Tax
Tax testing and implementation compete	September 2019	13C Tax
Adjustments analysis complete	July 2018	17B Adjustments
Adjustments development complete	November 2018	17B Adjustments
Adjustments testing and implementation complete	March 2019	17B Adjustments
INFRASTRUCTURE FOCUS		
Business as usual maintenance of infrastructure	From July 2016	21C Maintain infrastructure
Design and planning complete for implementation of changes to BC and DR	June 2017	25C BC and DR
Design and planning completed for upgrades to security and privacy including management of personal information through its whole lifecycle	June 2017	26C Security and privacy
Design and planning complete for technical upgrade to Ascender Pay	June 2018	20B Upgrade Ascender Pay
Technical upgrade to Ascender Pay complete	June 2019	20B Upgrade Ascender Pay
Payroll processing phase one analysis complete	June 2017	22C Payroll processing
Payroll processing phase one development complete	October 2017	22C Payroll processing
Payroll processing phase one testing and implementation complete	December 2017	22C Payroll processing
Payroll processing phase two analysis completed	June 2018	22C Payroll processing
Payroll processing phase two development complete	October 2018	22C Payroll processing
Payroll processing phase two testing and implementation complete	December 2018	22C Payroll processing
Enhanced analytics analysis complete	October 2018	29C Enhanced analytics
Enhanced analytics development complete	March 2019	29C Enhanced analytics
Enhanced analytics testing and implementation complete	June 2019	29C Enhanced analytics
POLICY FOCUS		
Approach and plan to simplify collective	December 2016	5B Simplify collectives

Milestone	Date	Work Packages
agreements agreed		
Develop communications for reliever relationship management and start BAU management	February 2017	3A Reliever relationships
Develop approach and plan to improving schools approach to employment and start BAU management	February 2017	8C School approach to employment

Note that there are the following dependencies in the work programme:

- The development of the new online service requires the open interfaces to be developed (the development of the open interfaces would be in parallel with the new online service).

- The tax work package requires the open interfaces core infrastructure.

- The Ascender Pay technical upgrade cannot occur until NOL is decommissioned.

- Any Holidays Act related work packages that are produced as a result of the Holiday Act scoping will need to be closely coordinated.

Note also that the procurement timeframes of the Admin UI will need to be aligned and consideration given to the alignment of timeframes for cross sector procurement of CRM capability with the Ministry and the Education Council.

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Proposed programme arrangements

Principles

The following principles will apply to the programme arrangements:

- given the nature of the payroll operation and the change management approach BAU and the programme will be managed in an integrated manner with a common Operations and Programme Board overseeing BAU operations as well as the Programme

- detailed governance arrangements covering the full scope of the programme will be put in place before commencement

- alignment with the Services Agreement (including KPI's) will be addressed prior to the programme commencing as before this EPL will not have the mandate or funding to commence work. EPL will not commit to KPI's without funding in place which enables them to be delivered

- resourcing (including sector resources) and sequencing projects will be considered on an ongoing basis to ensure resources are available to successfully implement changes

- programme work will be separately identified from "BAU" however the delivery of benefits can only be achieved by the effective alignment of programme and BAU activities

- The Programme will be managed using a standard set of control documents, which are currently in common use in the EPL Portfolio Management Office.

Applicable standard

Managing Successful Programmes (MSP) should be used at the guidance for programme approach and artefacts.

Programme management plan

A Programme Management Plan will form the basis of the management of the Programme, stating the objectives, benefits, budget, resources and schedule and the basis for assessing the overall success. Plans and registers will provide the lower levels of detail to support the implementation of the direction contained in the PMP. Once baselined, any changes to the PMP must be agreed by the Relationship Board in a Change Request.

Stakeholder engagement and communications

There will be a Stakeholder Engagement and Communications Plan for the Programme and per individual Project in the Programme.

Integrated programme schedule

There will be an overall Programme Schedule showing the key milestones, projects, timeframes and interdependencies. This schedule will cover Ministry and EPL projects and critical dependencies outside the programme.

Resource and cost forecasting

The Resource and Cost Forecast will be used to manage the allocation of resources to the projects within the Programme, resources used by the projects and forecasts to completion. The Resource and Cost Forecast will include:

- a list of all resources, projected usage by reporting period at a project level

- history of expenditure to date

- tracking against approved budget

- reconciliation to change requests

- forecast of cost until the end of the project.

Resource Management at EPL is centralised through a resource, scheduling and time-sheeting tool, Replicon.

Change control

The Programme will follow the standard EPL Portfolio change control process, whereby any change to a baselined project (in scope, schedule, cost, benefit) is manage through the implementation of the following key processes:

- the submission and receipt of change requests

- the review and logging of change requests

- the determination of the feasibility of change requests

- the approval of change requests

- the implementation and closure of change requests.

The Programme Board will approve changes within the specified approval tolerances for the Programme otherwise it Changes will be escalated to the Relationship Board.

Where changes require changes in services or obligations covered by the Services Agreement, these will be managed according to the Change Control processes.

Benefits management

A Benefits Register will be maintained which details the progress of achievement of benefits included in the business case (and documented in the Programme Management Plan). This register will contain the key metrics across the payroll operation that are used to identify if benefits are being achieved. The Benefits Register will be updated every two weeks and reviewed at the Programme Board.

Programme issues management

An Issues Register will be maintained for the Programme which will be an aggregate view of the issues identified at project level that have been escalated to the Programme level. The issues escalated will be those that are causing a deviation from the approved Programme Management Plan. The Issues Register will be updated every two weeks and reviewed at the Programme Board.

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Programme risk management

A Risk Register will be maintained for the Programme which will be an aggregate view of the risks identified at project level that have been escalated to the Programme level. The risks escalated will be those that have a potential of causing a deviation from the approved Programme Management Plan. An initial programme risk assessment process will be undertaken as part of development of the Programme Management Plan. The EPL Risk Management Framework will be used to assess programme risks. Projects will also use this framework to assess project level risks. The Risk Register will be updated every two weeks and reviewed at the Programme Board.

Programme assurance management

A fit-for-purpose assurance plan will be developed to cover the programme and the ICT operational environment. This will include any IQA that will be undertaken.

The programme assurance plan will use the GCIO guidance and template.

EPL will work with the Ministry to achieve accreditation to its security Certification and Accreditation process (subject to a detailed understanding of the process and services required and the roles and responsibilities of the parties).

Note also that EPL's existing operational assurance activities will be moved into the GCIO template where this is applicable. An assurance plan is currently being developed with GCIO.

Programme Board action and decision register

A register will be kept of all Programme Board actions and Decisions. This will be managed and updated as part of the agenda and minutes processes for the Programme Board.

Reports

A Programme Report will be issued by the Programme Manager on a fortnightly basis and this will be used as the basis of the Programme Board meeting. The Programme report will contain the following:

- Overall summary of Programme Status
- RAG status on each project, reporting on scope, schedule, budget, risk, quality, and resourcing, supported by metrics and comments as required
- Summary of progress in achieving Milestones
- Issues Register and go to green actions
- Risk Register and go to green action
- Benefits Register

Programme tolerances

The Programme Board will be able to delegate decision-making to the Programme Manager based on tolerances. This will help ensure that the Programme Board are not focused on the detail of managing the project.

Any variances to plan around scope, cost/resource, time, and quality will be flagged through the fortnightly status reporting as soon as they are known. Risk escalations will also be noted when these have occurred. There will be tolerances defined for scope, cost, resource, time, and quality.

Lessons learned register

The Programme Manager will create and maintain a repository of any lessons learned during the Programme that can be usefully applied to other projects or programmes.

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Proposed project arrangements

Projects will be managed using a standard set of control documents, which are currently in common use in the EPL Portfolio Management Office. These are summarised below.

Applicable standard

PRINCE2 should be used at the guidance for project management approach and artefacts.

Project initiation documents

A Project Initiation Document (PID) will form the basis of the management of projects stating the objectives, benefits, budget, resources and schedule and the basis for assessing the overall success. Plans and registers will provide the lower levels of detail to support the implementation of the direction contained in the PID. Once baselined, any changes to the PID must be agreed by Programme Board.

Project steering group

Each project is expected (but not mandatory) to have a Project Steering Group (PSG) who supports the Business Owner and Project Manager to achieve the agreed outcomes of the project.

Project schedule

There will be a project plan showing the tasks schedule and key resources assigned for each project, which will be wrapped up into a Programme plan.

Project resource and cost forecast

The resource and cost plan will be used to manage the resources assigned to the project and the costs incurred to date and planned to be incurred. The Resource and Cost Plan will include:

- a list of all resources, cost rates, projected usage by reporting period

- history of expenditure to date

- tracking against approved budget

- reconciliation to change requests

- forecast of cost until the end of the project.

Resource Management at EPL is centralised through a resource, scheduling and time-sheeting tool, Replicon.

Change control

The Projects will follow the standard EPL Portfolio change control process, whereby any change to a baselined project (in scope, schedule, cost, benefit) is manage through the implementation of the following key processes:

- the submission and receipt of change requests

- the review and logging of change requests

- the determination of the feasibility of change requests

- the approval of change requests

- the implementation and closure of change requests.

The Project Steering Group will approve changes within the specified approval tolerances for the Project otherwise it Changes will be escalated to the Programme Board.

Where changes require changes in services or obligations covered by the Services Agreement, these will be managed according to the Change Control processes.

Project issues management

An Issues Register will be maintained for every Project in the Programme. This log will contain any concern, query, Request for Change, suggestion or Off-Specification raised during the Programme. Escalated Issues will be raised to the Programme Manager.

Project risk management

A Risk Register will be maintained for every Project in the Programme. This log will contain information about every risks, analysis, appropriate mitigation plans, and status. This register will follow the standard EPL risk processes and be reviewed on a fortnightly basis. Escalated Risks will be raised to the Programme Manager.

Project steering committee action and decision register

A register will be kept of all Project Steering Committee actions. This will be managed and updated as part of the agenda and minutes processes for the Steering Committee.

Project reports

Project Reports will be delivered to the Programme Manager on a weekly basis. The Programme will be reported as part of the EPL Portfolio Report on a weekly basis. Other reports will only be produced on an exception basis. The Programme report will contain the following:

- Overall summary of projects status

- Progress against milestones

- Status on each work-stream, supported by comments as required

- Summary of work that is planned in next two weeks for each work-stream

- RAG reporting on scope, schedule, budget, risk, quality, and resourcing, supported by metrics and comments as required

- Current risk register snapshot

- Current issues register snapshot.

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Relationship between business and programme control documents

The programme is required to be highly embedded into the operational delivery of the Education Payroll Service. There are also statutory and commercial accountabilities that need to be recognised. Therefore, there needs to be explicit linkages made between all control documentation used for business operations and the programme. The major control documents are detailed below and the relationship between them defined in the following
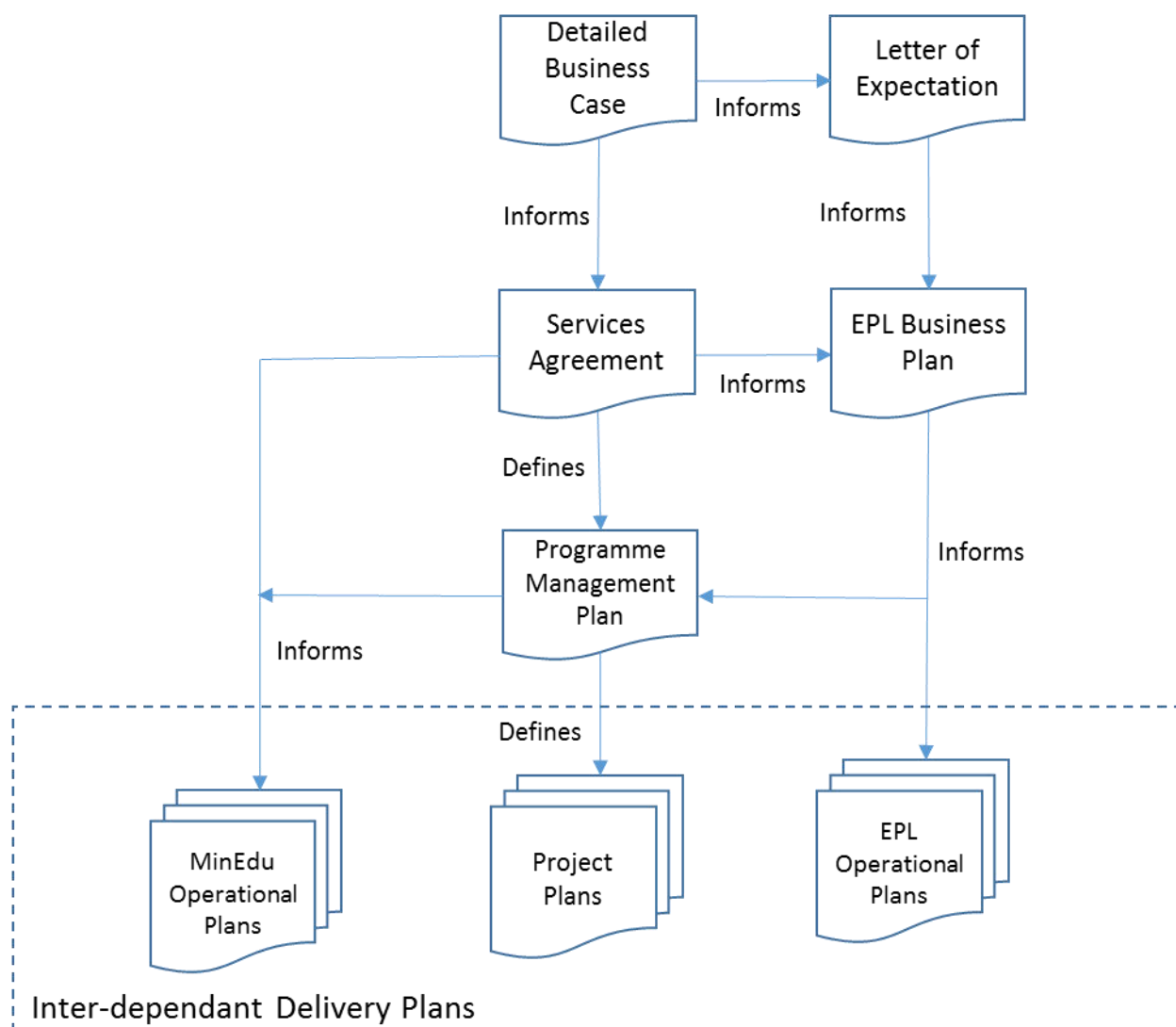

diagram.

Figure 29 Relationship between business and programme control documents

Letter of Expectation – this document is the direction from Shareholding Ministers to EPL Board that defines the shareholders' requirements for effective operation of the company. It is informed by the Detailed Business Case.

Services Agreement – this document defines the contractual relationship between the Ministry of Education and Education Payroll Limited for the delivery of Payroll Services. It includes all aspects of the agreed Detailed Business Case and business as usual that are required to be delivered by EPL and all the dependencies required to be delivered by the Ministry. It also specifies the DBC benefits to be realised through the performance parameters (i.e. KPIs) and cost performance through derived service pricing.

EPL Business Plan – this document is informed by the Letter of Expectation and Services Agreement and details how they will be put into effect through the mobilisation and direction of EPL resources.

Programme Management Plan – this document describes *how* the Services Agreement (including the realisation of business case benefits) will be given effect through the development and implementation of new technical and operational capability and how the risks relating to transition to the new state will be monitored and controlled.

Project Management Plans – these documents describe *how* the specific requirements of the Programme will be achieved through specific activities

Ministry of Education Operational Plans – these documents will describe the operational activities of Ministry in delivery of the Payroll Service as defined by the Services Agreement and Programme Management Plans.

EPL Operational Plans – these documents will describe the operational activities of EPL in delivery of the Payroll Service as defined by the Services Agreement and Programme Management Plans.

Governance arrangements

Introduction

Governance for of the proposed investment is reasonably complex due to EPL being a Crown owned company and the need for a Service Agreement that defines the relationship between the Ministry of Education as purchaser and EPL as supplier. This is further described below.

Governance summary
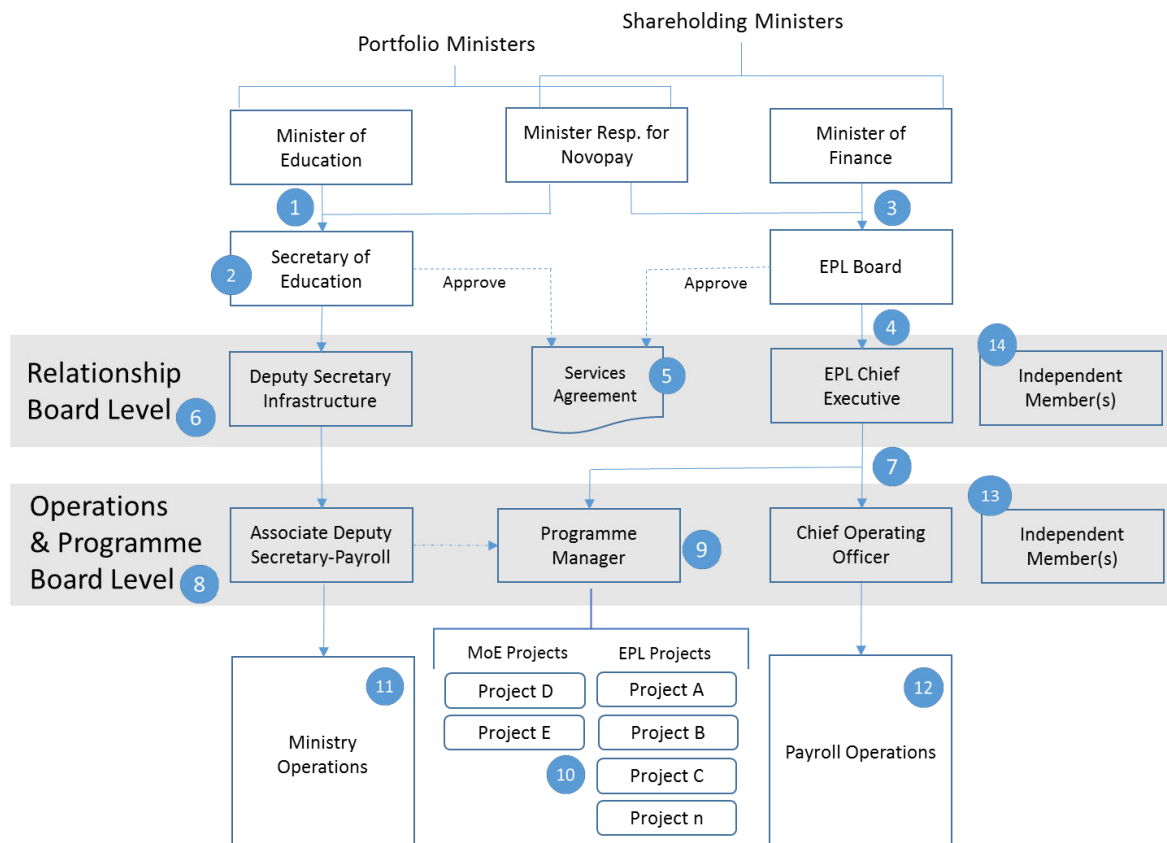
The following diagram summarises the governance arrangements.

Figure 30 Governance summary

The key aspects of the governance are elaborated below.

(1)   The Minister of Education and the Minister Responsible for Novopay have different but related responsibilities for directing the Ministry of Education in matters relating to the operation of the schools payroll. These directions will be in accordance with standard government processes and protocols. Ultimately the Minister Responsible for Novopay has the portfolio accountability for the Education Payroll Service.

(2)   The Secretary for Education under the Education Act has accountability for the provision of the Education Payroll Service.

(3)   The EPL Board is directed by Shareholding Ministers (Minister Responsible for Novopay and Minister of Finance) through standard government processes and protocols. The EPL Board is directed through Letter(s) of Expectation.

(4)   The EPL Board is accountable for the effective operation of Education Payroll Limited and undertakes this through appointment of the Chief Executive and standard company governance processes as specified by Treasury.

(5)   The requirements for the Education Payroll Service including performance levels and all funding required is defined by the Services Agreement between the Ministry of Education and Education Payroll Limited. All key parameters (i.e. requirements, schedule, costs, and performance) of delivery of the programme must be included in the Services Agreement.

(6)   The governance body responsible for monitoring progress of achievement of KPIs and delivery of benefits is the Relationship Board. This group is made up of Ministry and EPL senior management and is chaired by the Deputy Secretary – Education Infrastructure. This group also has the responsibility for the delivery of the outcomes as set out in the Services Agreement.

(7)   EPL has the primary responsibility for delivery of the capability and realisation of the benefits that relate to the specific investment and therefore has the Programme Management function. From a benefits realisation perspective the primary responsibility is the EPL Chief Operating Officer. These functions are delegated by the EPL Chief Executive who from a programme perspective is deemed the Senior Responsible Officer (SRO). Note that some benefits (reduction of time by school administration) are achieved by schools and EPL provides the capability for this but is not accountable for school benefit realisation.

(8)   Programme level governance is managed by the Operations and Programme Board. This is chaired by the Chief Operating Officer with senior management representatives from both organisations. The Associate Deputy Secretary-Payroll represents the Ministry's interests from a purchaser of Payroll Services from EPL and as responsible for key operational and programme dependencies.

(9)   The Programme Manager is responsible for the overall programme including projects which may be resourced within the Ministry that are part of the overall portfolio or where there is significant dependency. Note: EPL and the Ministry will agree Ministry resources as part of programme planning. The Programme Manager executes the Programme in accordance with the Programme Management Plan.

(10)   The projects which make up the overall programme each are defined according to project management standards. Each project will have its own business owner, project management and steering group which will be determined by the specific type of project.

(11)   This is the payroll operational activity within the Ministry which will have some dependant activity and resources related to the overall programme. This also includes wider Ministry responsibilities. Examples include the Education System Design Authority for ICT related decisions.

(12)   This is the payroll operations that is the responsibility of EPL, this includes the direct engagement with schools. It is primarily the responsibility of the EPL Chief Operating Officer to achieve the benefits through capability developed by EPL

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Governance accountabilities

The governance accountabilities for the proposed investment are as follows.

Minister of Education

- Approve the funding for the Payroll Service as part of Vote Education (Joint with Minister Responsible for Novopay)

Minister Responsible for Novopay

- Approve the funding for the Payroll Service as part of Vote Education (Joint with Minister of Education)

- As Shareholding Minister provides the Letter of Expectation to the EPL Board detailing the requirements for EPL to deliver (Joint with Minister of Finance)

Minister of Finance

- As Shareholding Minister provides the Letter of Expectation to the EPL Board detailing the requirements for EPL to deliver (Joint with Minister Responsible for Novopay)

Secretary of Education

- Accountable for the delivery of the Payroll Service to sector employees in accordance with the Education Act

- Approves the Service Agreement between the Ministry of Education and the Education Payroll Limited (which contains all material requirements for delivery of the programme and subsequent benefit realisation)

Education Payroll Board

- Accountable for the effective operation of Education Payroll Limited in accordance with the requirements of a Schedule 4A Company provided for under the State Sector Act and other guidelines and regulations provided by Treasury

- Accountable for delivery of requirements as defined in the Letter of Expectations and other expectations set out by Ministers from time to time.

- Approves the Service Agreement between the Ministry of Education and the Education Payroll Limited (which contains all material requirements for delivery of the programme and subsequent benefit realisation)

- Approval of the EPL Business Plan (which details EPL's performance, programme and resulting benefits)

Head of Infrastructure Services (Ministry of Education)

- Accountable for the delivery of the Payroll Service to sector employees in accordance with delegation from the Secretary of Education

- Ensures that the schools payroll supports an education system view

- Chairs the Relationship Board

Chief Executive Education Payroll Limited

- Accountable for delivery of the Payroll Service as specified in the Service Agreement

- Accountable to the EPL Board for delivery of outcomes as defined in the EPL Business Plan (which includes benefits realisation as defined by the Service Agreement)

- Is the Senior Responsible Officer for the Programme

Payroll-Relationship Board

- Accountable for the effective oversight of the Services Agreement and endorsing changes to the Services Agreement

- Approves the Programme Management Plan

- Approves changes to the Programme Management Plan

Payroll-Operations and Programme Board

- Accountable for the oversight of the delivery of payroll operations according to the Service Agreement and the delivery of the Programme according to the Programme Management Plan.

- Approves Projects (PIDs/Project Plans) which are in scope of the Programme

- Approves changes to Projects where those changes do not impact on parameters defined by the overall Programme Management Plan

Associate Deputy Secretary Payroll

- Accountable for the Ministry aspects of payroll operations and provision of Ministry resources as required as defined by Programme and Project Plans

- Ensures that the schools payroll supports an education system view

- Ensures that the long term education system dependencies are managed

Chief Operating Officer – Education Payroll Limited

- Accountable for the delivery of payroll services as defined by the Services Agreement to the Ministry

- Accountable for the delivery of the operational benefits of the programme as defined in the Programme Management Plan

- Chairs the Payroll Operations and Programme Board

- Reports the status of the Programme (including benefits realisation) to the Relationship Board Manager and escalates risks and issues as required (defined by agreed Tolerances)

Programme Manager

- Accountable for the delivery of the programme in accordance with the Programme Management Plan

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- Reports the status of the Programme to the Operations and Programme Board and escalates issues and risks as required (defined by agreed Tolerances)

Project Manager(s)

- Are accountable for delivery of Projects within the Programme

- Develops the Programme Initiation Document (and/or Project Plans)

- Reports the status of projects to the Programme Manager and escalates risks and issues as required (defined by agreed Tolerances)

Business Owner (optional – for significant projects as part of the portfolio such as New User Interface)

- Are accountable for integration of capability delivered by projects into operations

- Chairs the Project Steering Group

Project Steering Group (optional – for significant projects as part of the portfolio such as New User Interface)

- Provides support to the Business Owner for the implementation of the Project

Note that roles of other bodies such as the Ministry Education System Design Authority will be detailed as part of the development of the terms of reference for the governance bodies.

Proposed monitoring and reporting arrangements

Monitoring and reporting on the Programme will be undertaken at multiple levels from project
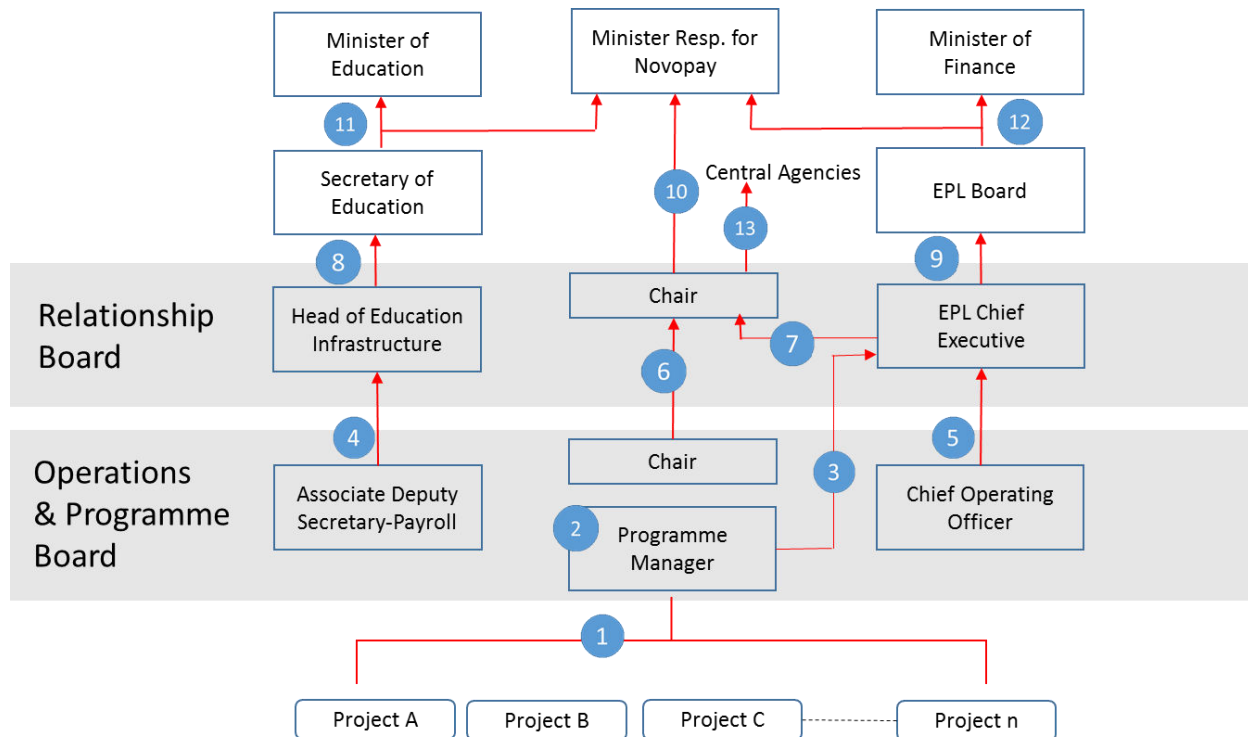
management to Ministers. This is detailed below.

Figure 31 Monitoring and reporting arrangements

The arrangements are further elaborated below.

(1)   Project Managers will report weekly to the Programme Manager on the progress, issues and risks related to their projects. Oversight, for the larger projects, will also be provided by Business Owners and project Steering Groups.

(2)   The Programme Manager will provide oversight of the entire business change portfolio covering the Payroll Service. They will produce fortnightly report to the Operational and Programme Board.

(3)   The Programme Report will be reported to the EPL Chief Executive in his/her role as SRO. The SRO will take action as required to ensure that the Programme meets it objectives including escalation to the Relationship Board.

(4)   The Associate Deputy Secretary-Payroll will report regularly to the Deputy Secretary-Infrastructure in accordance with Ministry of Education internal reporting policy.

(5)   The COO will report fortnightly to the EPL-CE in accordance with the EPL reporting processes for operational reporting who will monitor progress in achieving operational benefits.

(6)   The Operations and Programme Board will report bi-monthly to the Relationship Board on progress of the Programme which will then monitor to ensure that benefits are being achieved and risks to achieving benefits are being managed.

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(7)   The EPL-CE will report every fortnight to the Deputy Secretary – Education Infrastructure on the progress of the Programme which will be included in regular reporting to the Minister Responsible for Novopay.

(8)   The Deputy Secretary – Education Infrastructure will report regularly to the Secretary for Education in accordance with Ministry of Education internal reporting policy.

(9)   The EPL-CE will report bi-monthly to the EPL Board on the progress of the Programme, benefits realisation and any significant risks to benefits or the programme as a whole.

(10)   The Deputy Secretary-Education Infrastructure will report to the Minister Responsible for Novopay (on behalf of the Secretary of Education) progress on the Programme.

(11)   The Secretary of Education will keep the Minister of Education informed of progress as required.

(12)   The EPL Board will keep Shareholding Ministers informed in accordance with Government protocols and processes for Crown companies

(13)   The Deputy Secretary-Education Infrastructure (and in some cases the CE-EPL) will report to the Corporate Centre on the progress of the Programme as required and specifically the Programme will be reported to Treasury as part of their Major Projects Performance Reporting (MPPR).

Risk and issue management

Introduction

EPL has Risk Management Framework which provides the processes and templates for management of Corporate and Programme risk. Given the nature of the company and being the primary provider of the Payroll Service, the EPL corporate risks and the risks to Payroll Service delivery are effectively the same.

The Payroll Service delivery risks as identified in the Corporate Risk Register are reduced by the successful implementation of the Programme. Therefore, the risks are interrelated. EPL will continue to assess and address Corporate and Payroll Service delivery risks in accordance with its risk management processes. Feeding into this will be the Programme Implementation Risk Management Process.

Issues will be managed in a similar manner with the Corporate Issues Register being maintained at the company level with Implementation Issues being fed from the Programme.
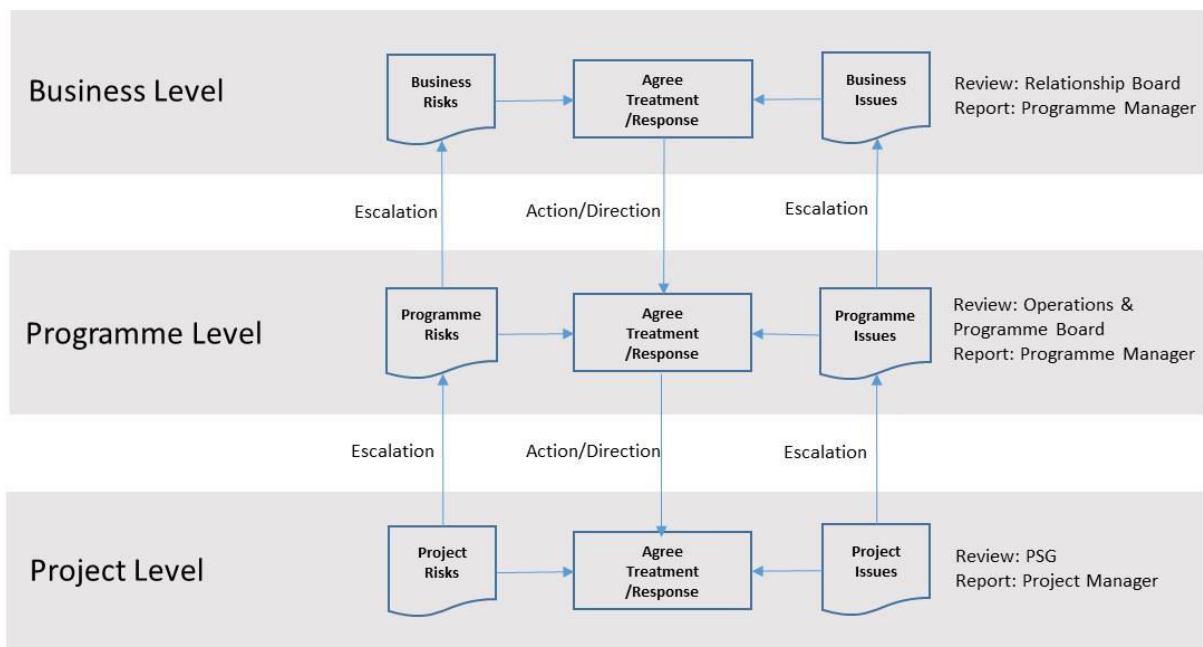
Figure 32 Risk management process

Refer to *EPL Risk Management Framework* for details of the processes for Risk and Issues Management.

Overall structure of reporting and management

Reporting, monitoring and management of risks and issues will be in accordance with the Monitoring and Reporting arrangement detailed above. The following diagram shows how risk and issues will be escalated and treated at each level.

Projects are required to systematically identity and record risk and issues in accordance with the EPL Risk and Issues Management Framework. All risk and issues are to be reported to the Programme Level however only HIGH and VERY HIGH Risks and LEVEL 2 and LEVEL 1 Issues are to be recorded in the Programme Reporting. The project level will focus on addressing risk and issues that impact, or potentially impact on the achievement of project objectives as detailed in the Project Plans.

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The Programme Level reporting will consolidate all escalated risks and issues and the Operations and Programme Board will need to ensure that there are appropriate treatments and responses in place. The programme level will focus on addressing risks and issues that impact, or potentially impact on the achievement of programme objectives as detailed in the Programme Management Plan.

At the Business Level through the Relationship Board the Programme Level risks and issues will be reviewed to ensure that there is a sufficient treatment and response actions in place. The business level will focus on addressing risks and issues that impact, or potentially impact on the achievement of business case benefits.

At the business level the Corporate Risk and Issues will be integrated with the Programme Risk and Issues to provide a coherent overview of the Payroll Service.

Change management

Introduction

The school payroll service has evolved over the last 20 years as it has transitioned from the Datacom service to Novopay launched in 2012 and now it's evolving again to the School Account Team model. An essential element of the investment is to transition the service to completely on-line where all transactions can be completed by users through a modern service portal.
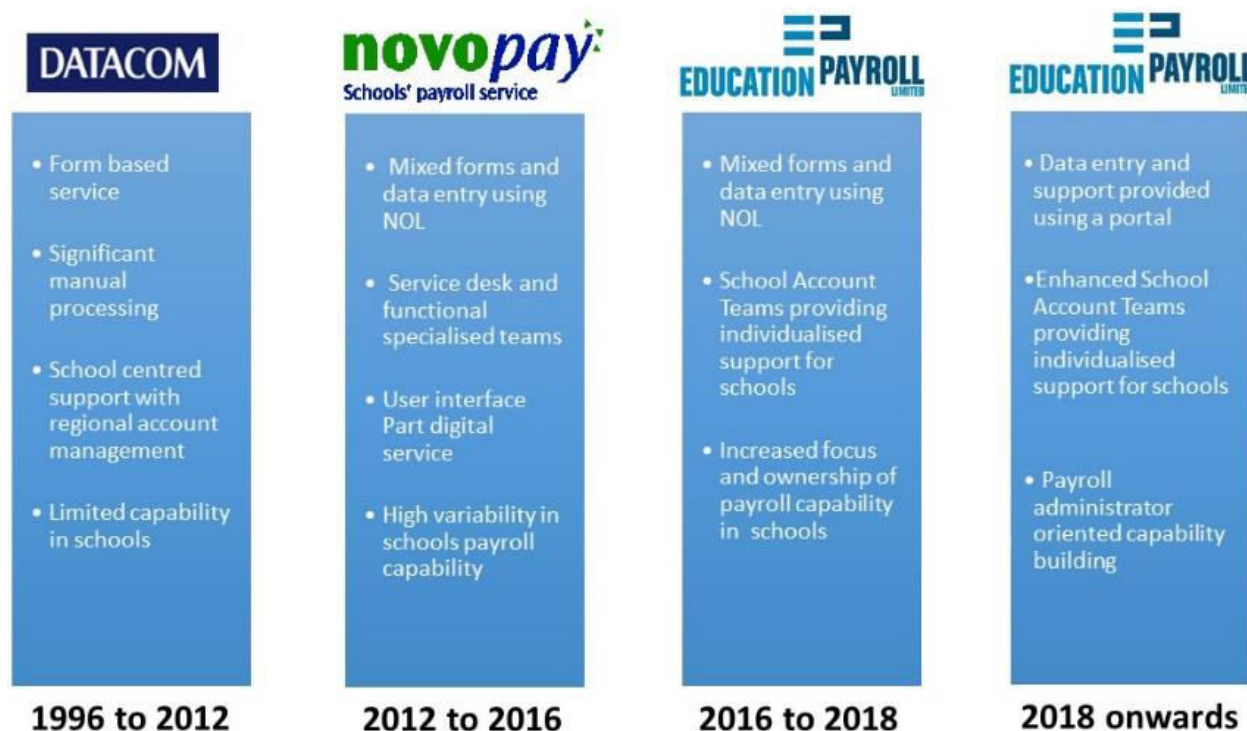
Figure 33 History of the service

Given the history of the Novopay service and the issues with the first iteration of the on-line service stakeholders are naturally cautious of the approach. This section covers the approach to ensuring a safe and effective transition to a digitally enabled payroll service.

The challenges

There are a number of challenges that need to be considered when developing the strategy and plans for transition. These include the following.

- Being paid correctly and on time is a fundamental right and everyone has strong interest in their pay – meaning we have to get it right each time.

- The history of the "Novopay" transition from 2012 has left some really strong negative feelings about the service and change across all stakeholder groups – which means there is significantly lower trust than other similar transitions.

- The Education Sector continues to have changes introduced by key policy initiatives, such as Communities of Learning (CoLs), Communities of On–Line Learning (COOL), Global Funding, Digital Strategy – requiring the transition to be co-ordinated with other changes impacting schools.

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- There is a wide range of stakeholders in the sector who are interested and engaged in payroll matters including the Ministry itself, associations representing groups such as Principals and Boards and the unions – requiring the mobilisation of a wide range of groups who do not always have the same interests.

- There is a very high variation in scale, processes, and capability of schools in the sector – meaning the "one size fits all" approach will not work effectively.

- There is a high variation in the roles, capability, digital propensity, change resilience of payroll administrators – requiring a focus of change down to an individual level

- The schools payroll is complex in itself and there are a significant number of inter-dependant processes such as banking staffing and funding that are part of the service – requiring the co-ordination of a wide range of moving parts

There is a wide range of considerations in developing the broader change management plan for the programme but in this section the issue of transition of payroll administrators to new user interface or "NUI" is considered in detail.

The problem with NOL

As stated elsewhere in the business case there are significant risk drivers for the replacement of Novopay On-Line as the technology is approaching end of life. The service related issues are also significant and include the following.

- *Difficult to Use* – despite evidence that there is a preference to use NOL rather than send forms, and users have now got used to it – it is difficult to use and does not have the user functionality available in most on line systems e.g. Xero, MYOB,

- *Subset of Transactions* – NOL does not have the functions that cover all the transaction types. For example, it is not possible to add new employees on line and it requires the completion of a form which has a very high error rate.

- *Support Information Distributed* – information to users is provided over multiple channels, including the Novopay website, e-mail and NOL requiring users to move between different systems and context help is not provided.

- *Limited Workflow Support* – NOL does not provide enough support for taking the users through a logical workflow when undertaking a task. There is limited contextual help and pre-population of information. This means more time is required by the user to navigate the system and there is significant risk of data input errors.

- *No Dynamic Configuration Capability* – NOL is not able to adapt to new processes and requirements and will not be able to support simplification of payroll business rules

The combination of these attributes means that schools are required to complete some 13,000 forms manually each pay cycle (increasing to 20,000+) during EoY/SoY. Then EPL has to process these forms requiring resources with EPL. The nature of the forms means that data errors are introduced at each stage which have to be addressed requiring more resources and issues with pay accuracy.

Therefore, the business case benefits are fundamentally determined by dealing with these issues by the implementation of a new user interface "NUI". This in turn necessitates the

users to interact with the payroll service is a different way once NUI is introduced. Doing this successfully has very significant benefits to the users, schools and the efficiency of the payroll service.

The solution – NUI

The business case proposes the implementation of the NUI to replace NOL. A market study has been undertaken to identify potential strategies, products and costs of the replacement. To address the issues, the solution needs to provide the following.

- *Easy to use graphical user interface* – which uses modern user centred approaches to provision of information and data entry.

- *Consolidate information and support* – so that there is only one portal where information, contextual help and alerts are provided.

- *Enable user centred workflow* – to ensure users are guided through data entry in a way which makes sense to the task that they are doing.

- *Pre-population of data* – where the users can call on data that is in the system at an individual and school level and they don't have to repeat data entry for different tasks.

- *Built in data validation* – so that data is "clean" at the point of entry reducing errors and rework.

- *On line assistance* – so users can connect with a Payroll Advisor at any workflow point using messaging, audio or visual and the Payroll Advisor can see what the user sees.

Other attributes include the ability to quickly adapt support information, workflow and data entry in very short timeframes to enable fast iteration and flexibility as the payroll operating model evolves.

The requirements for NUI are very standard and are used extensively today in digital services.

What we understand about payroll administrators

EPL has researched the role and capability of payroll administrators as well as workforce management practices in schools. This has been conducted through:

- extensive data collection through the Better Every Day process over one year

- three independently run customer satisfaction surveys

- interviews at sample schools.

EPL frontline staff and Education Payroll Advisors also have an extensive knowledge of schools and administrators through daily interaction. This data provides a really rich base of insights from which an effective transition strategy can be developed. What we know is:

- there are 6,700 "authorised users" made up of 2,500 core users, who generally are the support staff member allocated to payroll, and 4,200 additional users including senior staff who are responsible for some aspect of payroll such as relievers and authorisers e.g. principals.

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- there are approximately 440 new users every year who need to be trained on using the payroll service

- of the core users, most are very comfortable with using online services (e.g. banking, web, purchasing on line) in everyday life, however, 650 users are not regular users of on-line services.

- 95% prefer or are neutral to using the current NOL service, leaving 5% who do not seem comfortable with NOL.

- in smaller schools, administrators are more like to be managing payroll amongst a wide variety of other administrative tasks. In larger schools, generally, payroll is managed by staff with business backgrounds and also having responsibility for finance and property – however, we have seen many examples of small schools with highly competent and effective administrators

- of the administrators, 68% said they were confident users of payroll and the remainder required more assistance

- we consistently have about 600 schools where significantly more support is required than others

- trust in the service remains an issue and many people recall the bad experience they had with the original Novopay implementation.

These factors that we are likely to have the majority of schools and users successfully accommodate changes. However, there will be a group of users and therefore schools which will require significant additional support for the change. It is then likely we will have a group (likely to be less than 10%) where the change will be difficult.

Figure 34 Variations in confidence

The early stage of the implementation will be to undertake detailed assessment of the user base and understand, at an administrator and school level, the characteristics that will assist with the design of the service and implementation planning. The dimensions of this will include:

- *Digital Propensity* – this is the degree (e.g., frequency) to which individual payroll services use various forms of digital in their everyday lives and is a good leading indicator of change resistance. The data collected shows that there is a small group of users who do not use digital services in everyday life and will be not as familiar with the use patterns (such as how data is entered) as those who regularly use digital services.

- *Specific School Based Complexity* – this is how inherently complex the school is which can include the size, number of collectives covered and other special circumstances. There are some schools, such as large secondary schools with additional programmes such as music or continuing education that have high degrees of variation in employment agreements and small primary schools with few staff that have relatively low variation.

- *Administration Systemisation Level* – this is effectively how well the schools and administrators organise themselves and the processes that "wrap around" the payroll services. Some schools are organised with efficient and effective administrative processes for workforce management and some schools that just rely on knowledge of individual administrators.

- *Confidence in Payroll (including capability)* – this the degree of confidence the administrator has to deal with payroll matters which is significantly influenced by their capability. The more confidence they have with payroll tasks in general the easier it will be for them to understand and deal with a new data entry approach.

- *Trust in the Payroll Service* – this is the inherent trust the administrators have in the service and EPL in general. This is important as it provides the context in which administrators learn new systems and processes. A low trust environment will reduce the effectiveness of information provided by EPL as part of any transition. It will also result in resistance to change from the current form based approach.

The transition approach will need to take these areas into account at an individual user level to be effective.

Transition strategy

Given what we know of the transition to NUI, the schools and individuals an outline of a Transition Strategy and Plan can be developed. This will be further enhanced as part of the change management planning which will occur as part of the programme. The NOL to NUI Transition Strategy has the following elements:

1. Use the *School Account Team* approach to create personal connections with schools and administrators to *build trust and capability.*

2. Using the *Better Every Day* method continue to understand, trial and make normal approaches to simplify services and forms to inform future service design.

3. Implement a *Service Delivery Platform* that enables user centred design to continuously create and improve user relevant payroll information and data entry workflows.

4. Implement *user centred design* approach that enables payroll administrators to participate in the design and development of workflows that work for them.

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5. Adopt *granular "service by service" transition* so that the service functionality iterates and evolves the transition period from initial launch of the minimum viable product. An agile project methodology will support this iterative approach.

6. *Run in parallel* including NOL and forms as long as possible to manage the level of transition risk.

7. *Understand each and every user* and their propensity to use NUI effectively, then develop and implement transition approaches for each of them which takes account of their needs.

8. Actively *manage the service adoption lifecycle* by user group during the transition period with transition approaches for each group defined.

These strategies are covered in more detail below.

School account teams

The initial Better Every Day work identified that the service delivery model adopted as part of the Novopay implementation was not effective and creates a significant amount of re-work. The trial and test work confirmed that moving to a school centred account model would be more efficient and effective. The transition to this approach will be fully complete by end October 2016.

It creates a relationship between EPL and the schools and enable EPL to get a very detailed understanding of specific schools and administrators. Through the relationships and understanding administrator capability increases and errors and failure decreases. This approach is a fundamental pre-requisite for transition to NUI as it provides information to plan the transition and an essential channel for communications.

This did not exist in the transition to Novopay as the previous Datacom model (which was similar) was immediately taken away from users and this compounded with a new system to use.

Better Every Day

It is essential the EPL continues to use the understand-trial and test-make normal process and this will be extended well before the NUI transition starts. This process will continue to gather information on pain points from a user and EPL perspective. It's also expected that work will be completed on form design which will be useful to inform service design.

Service delivery platform (NUI)

The implementation of the right platform to provide the NUI is an essential part of the strategy. There are significant differences between the technology and approach taken with the design and development of NOL and the NUI.

Rather than being a collection of embedded and static data entry fields the NUI will be based on workflows that guide the user through specific tasks based on what they want to do. This approach is used in all modern on-line systems today.

The other attribute of the NUI platform will be that it will be adaptable and flexible and will be able to be continuously improved. This is also in line with modern "cloud-based" approaches

where the service continues to be updated rather than having a series of "big-bang" type changes.

User centred design

The foundation that will reduce the risk of implementation is to centre design decisions on the users. This is fundamentally different to the approach to Novopay which was to replicate previous functionality and forms and with very little consideration of how it would work for
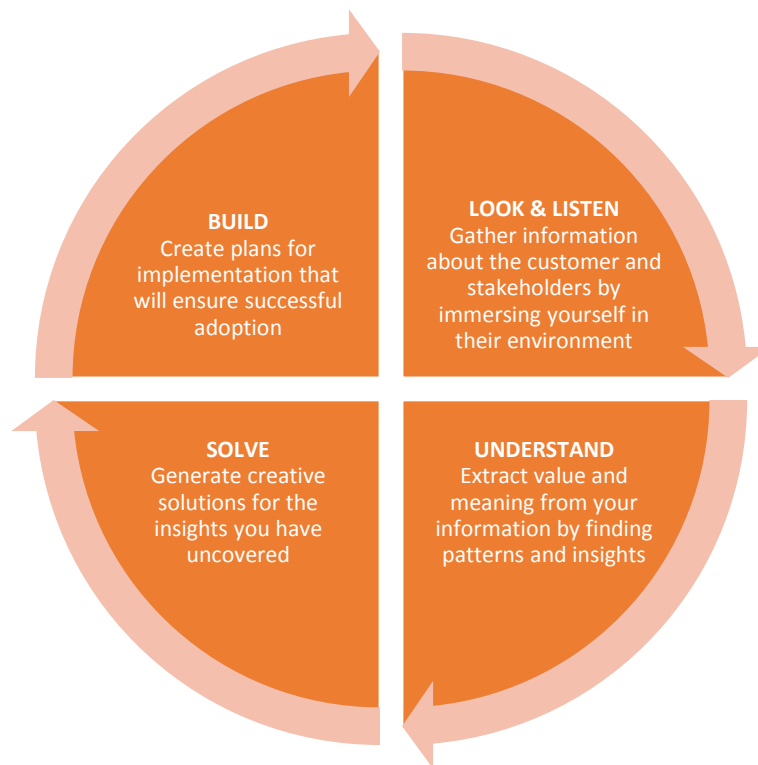
administrators.

Figure 35 User centred design

From the beginning EPL will engage, administrators, schools, associations and partners in an ongoing process of design and development of the service.

Progressive service transition

To reduce risk service functionality will be developed and delivered in a progressive and iterative manner. This means that there will not be a "big bang" approach requiring all functionality for the service to be developed at once. This requires us to continue to run legacy systems and process in parallel until full uptake is achieved.

It is expected that some of the first services to be released will be service processes that will replace the current service systems. It is likely that some of the processes such as adding new employees will be early implementations as is currently only available by using a form. This service roadmap will be constructed as part of the high level design work.

The NUI based service, when first released, will be a Minimum Viable Product (MVP) which will have the minimum functionality to be of value to the users.

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This approach is significantly different from the Novopay transition which required all services to be available and transitioned from day one.

Run in parallel

Through the transition period administrators will still be able to use NOL and submit forms in the standard way. This significantly reduces transition risks as the rate of implementation of new services and the transition of new users onto NIU can be controlled.

Combined with other transition strategies this also creates the opportunity for a pull-model where users, if they see the value of the NUI based services, will transition themselves. This provides an incentive for service design to get it right.

There will be a point, determined by technology risk and cost factors, that legacy systems and services will be turned off. Before this happens the 'Final Run" users will need to have specific interventions to enable them to comfortable use the NUI.

Understand each user

An essential element of the transition strategy is understanding the users of the service. Work has begun through Better Every Day and Customer Satisfaction research. This will be extended through:

- Detailed research on users' attitudes needs and mental models
- Journey mapping, personas and use scenarios to inform communications and training
- Building understanding through the School Account Team approach
- Develop targeted assistance through payroll and capability advisors.

Manage to the service adoption cycle

The standard service adoption cycle will be used as a way of thinking about how to transition various groups over time to the NUI based services. Informed by understanding users it is
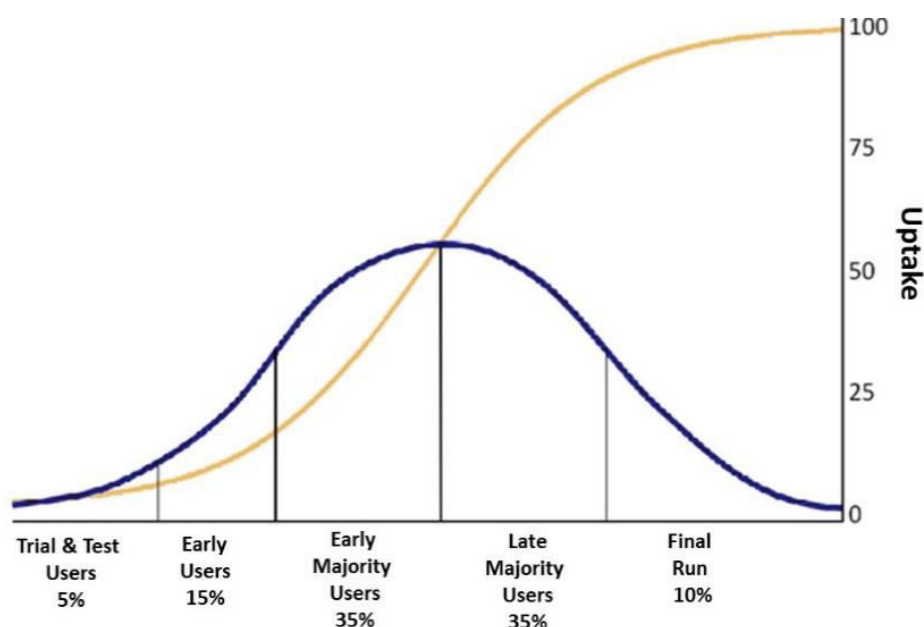
possible to segment into broad group related to how early or late they will adopt the service.

Figure 36 Service adoption cycle

Work will be undertaken to develop approaches for each of the segments and this will support the overall transition planning. The advantage we have with the overall transition strategy it that this can be a managed process.

This is NOT Novopay

The approach to transition to NUI is significantly different the approach taken with the Novopay transition and is summarised below.

Table 36 Comparison between Novopay transition and NUI transition

Novopay Transition	NUI Transition Approach
No prior universal digital service	All current users have Novopay Online login and the majority have used it
Limited knowledge of schools and sector	In depth understanding of schools and sector supported by design research undertaken prior to procurement
Limited involvement of users	Co design/develop with users – user group, usability testing
Limited digital project capability	Use of best practice digital methodologies include agile development, user centred design and product management
Limited knowledge of user requirements	Full range of workflows to inform procurement
Schools with limited payroll capability	Increased payroll capability due to users in larger schools with business backgrounds and schools having better understanding of employer role
Limited payroll support	Expert support provided by school account teams

Benefits management

Introduction

The investments described in the business case relate to the entire business operation of the schools payroll (and therefore Education Payroll Limited). From a benefits management perspective this means that all benefits of the investment will be considered at an enterprise level rather than a programme within an enterprise. Therefore, the measurement of achievement of benefits are the same measures used to measure the performance of the whole service and EPL.

Management approach

Benefits in the case are inter-related and self-supporting. The overall benefit model consists of the logic that by improving the service experience, work (effort) is reduced in schools which in turn reduces errors and therefore improves accuracy. Accuracy in itself reduces errors by not introducing them at source (i.e. in payroll calculation). Where errors from schools are reduced and accuracy is improved by reducing system derived errors then overall payroll costs will be reduced. The backdrop for this is the concept of simplification which relates to all aspects of the payroll operation. Risk reduction is also a critical benefit as it reduces the probability of failure of payroll delivery. Noting that is payroll delivery risk materialises this will impact significantly on all four benefits areas.
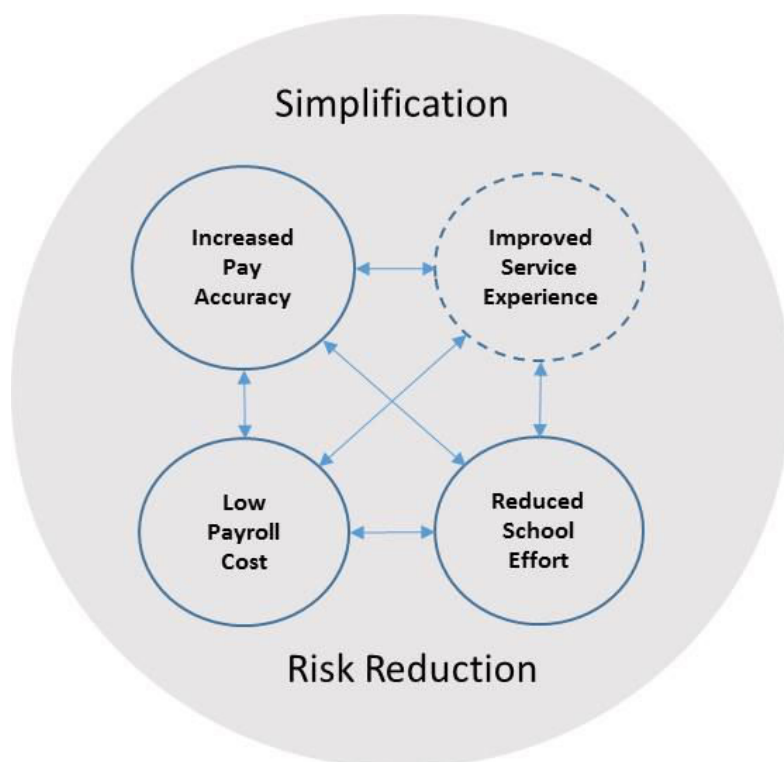
Figure 37 Benefits management approach

Improved service experience has been incorporated in the reduced school effort benefit area as they are directly correlated. This also aligns with increasing administrator capability related work which supports increasing payroll accuracy and timeliness.

Benefits will be realised progressively as the three year programme is implemented from July 2017 until its conclusion in June 2020. By 2020 the schools payroll will be completely redesigned and be sustainable until at least 2027 by which time it will be likely that the

technology would need to be replaced. By 2020 the benefits of payroll accuracy/timeliness, reduction of sector effort, lower delivery cost and risk will be fully achieved.

Benefits management for the business case will be the accountability of the Senior Leadership Team of EPL and overseen by the EPL Board. However, there are some dependencies on policy and sector matters that will be required to be delivered by the Ministry. These will be separately identified in the implementation programme.

The investments are at an enterprise level and therefore the implementation programme will be undertaken at enterprise level with most elements of the programme impacting on all benefits areas simultaneously. This means measurement of benefits can be readily undertaken with existing performance measurement processes used for the enterprise as a whole and reported to stakeholders.

Benefits register and targets

The following tables describe the anticipated benefits, how they are likely to be measured, and the standards required.

The KPI's will be refined and validated, and detailed within, a Services Agreement between EPL and the Ministry to be completed on approval of this case and no later than 30 June 2017. Noting that any substantial changes the Ministry makes to its requirements could require a re-assessment of the investment and services needed and this could impact on overall service price.

EPL will also have lower level operational KPIs to help manage the transition and the ongoing operation of the payroll. These include such things as:

- a basket of operational performance/transition measure around the new user interface including such measures as percentage of transactions submitted through the new user interface and percentage of transactions completed without service centre intervention

- reduced rework / transactions completing without re-submission

- time to address defects

- quality of payroll data provided to the Ministry (this will be a subset of KPI 6 below and will have its own measures).

Accurate and timely delivery of payroll

Table 37 Benefit area 1: Improved timeliness and accuracy

Benefit Area 1: Improved timeliness and accuracy	
Benefit Description: Accuracy and timeliness of delivery of pay improves	
KPI 1	**Payroll accuracy**
KPI Description	The measure of what proportion of staff are paid accurately in a specified pay period
Measure	% of employees paid will be paid correctly each pay period as calculated by errors detected in pay by EPL or schools and notified to EPL by the end of the week when the pay is made
Baseline Value & Source	99.95% as set by Ministerial Review into Novopay

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Target Value	99.98%
Target Timeframe	99.96% by end of year 1 99.97% by end of year 2 99.98% by end of year 3
KPI Responsibility	Chief Operating Officer
KPI Reporting & Frequency	Each *Pay Cycle*
Source Data	From operational data including overpayments, underpayments and stop pays
KPI 7	**Deduction accuracy**
KPI Description	The measure of what proportion of third parties are paid accurately in a specified pay period
Measure	% of all third parties will be paid accurately as calculated by errors detected in pay by EPL or schools and notified to EPL by the end of the week when the pay is made
Baseline Value & Source	99.95% as set by Ministerial Review into Novopay
Target Value	99.98%
Target Timeframe	99.96% by end of year 1 99.97% by end of year 2 99.98% by end of year 3
KPI Responsibility	Chief Operating Officer
KPI Reporting & Frequency	Each *Pay Cycle*
Source Data	From operational data including overpayments, underpayments and stop pays
KPI 8	**Net debt levels**
KPI Description	The measure of what proportion of third parties are paid accurately in a specified pay period
Measure	The net overpayment debt level will be less than a specified level
Baseline Value & Source	$3.000 million as currently achieved
Target Value	$2.000 million
Target Timeframe	$2.8 million by end of year 1 $2.5 million by end of year 2 $2.000 million by end of year 3
KPI Responsibility	Chief Operating Officer
KPI Reporting & Frequency	Each *Pay Cycle*
Source Data	From operational data including overpayments, underpayments and stop pays
KPI 2	**Timeliness of pay**
KPI Description	The measure of what proportion of employees are paid on time
Measure	% of all employees who are paid before 12:00 pm on the standard due pay date
Baseline Value & Source	100% as currently achieved in 2015/16
Target Value	100%
Target Timeframe	100% by the end of year 1
KPI Responsibility	Chief Operating Officer
KPI Reporting & Frequency	Each *Pay Cycle*
Source Data	From operational data including overpayments, underpayments

	and stop pays

Reputation

Table 38 Benefit area 2: Improved reputation

Benefit Area 2: Improved reputation	
Benefit Description: Reputation of schools payroll improves	
KPI 3	**School pay administrator satisfaction**
KPI Description	Level of school administrator satisfaction with payroll service
Measure	% of employees paid through the payroll will be "satisfied" (or higher) with the service as measured by a bi-annual online survey
Baseline Value & Source	51% from UMR quarterly survey baseline March 2016
Target Value	70%
Target Timeframe	60% by the end of year 3 65% by the end of year 2 70% by the end of year 3
KPI Responsibility	Chief Operating Officer
KPI Reporting & Frequency	Quarterly
Source Data	UMR Survey
KPI 4	**Employee satisfaction**
KPI Description	Level of employee satisfaction with payroll service
Measure	% of employees will be "satisfied" (or higher) with the service as measured by a quarterly online survey
Baseline Value & Source	No baseline established
Target Value	50% by the end of year 3 65% by the end of year 2 70% by the end of year 3
Target Timeframe	By end of Year 3
KPI Responsibility	Chief Operating Officer
KPI Reporting & Frequency	Annual
Source Data	UMR Survey
KPI 9	**School audit compliance**
KPI Description	Level of school audit compliance issues
Measure	In the annual audit there will be fewer than specified number of schools' audit related issues identified as "high" or above priority (as defined by audit method)
Baseline Value & Source	No baseline established
Target Value	5
Target Timeframe	By end of Year 3
KPI Responsibility	Chief Operating Officer
KPI Reporting & Frequency	Annual
Source Data	Annual audit report

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Sector productivity

Table 39 Benefit area 3: Reduced school effort

Benefit Area 3: Reduced School Effort	
Benefit Description: The time taken by schools in delivery of payroll reduces	
KPI 5	**School satisfaction with payroll effort**
KPI Description	Level of school satisfaction with effort spent on schools payroll
Measure	a. % of schools who are "satisfied" or higher with the effort that they spend on the schools payroll as measured by a quarterly online survey b. Average time spent on payroll related activities by schools in hours per pay period as measured by a quarterly on line survey
Baseline Value & Source	40% / 6 hours per pay period from UMR quarterly survey baseline March 2016
Target Value	70% / 4.2 hours per pay period
Target Timeframe	60% / 5.5 hours by the end of year 1 65% / 5 hours by the end of year 2 70% / 4.2 hours by the end of year 3
KPI Responsibility	Chief Operating Officer
KPI Reporting & Frequency	Quarterly
Source Data	UMR Survey
KPI 3.3	**Online pay system availability**
KPI Description	Availability on online pay system to school administrators
Measure	The online payroll service availability to schools during standard school office hours for each pay period
Baseline Value & Source	99.5% based on current estimates
Target Value	99.9%
Target Timeframe	99.95% by end of year 1 99.95% by end of year 2 99.98% by end of year 3 99.9% by end of year 4
KPI Responsibility	Chief Operating Officer
KPI Reporting & Frequency	Measured each pay period Reported quarterly
Source Data	UMR Survey

Payroll information and data

Table 40 Benefit area 4: Improved payroll information and data

Benefit Area 4: Improved availability of payroll information and data	
Benefit Description: Availability and usefulness of payroll information and data improves	
KPI 6	**Third party satisfaction with payroll effort**
KPI Description	Level of third party satisfaction with effort spent on schools payroll
Measure	% of third parties associated with payroll processing who are "satisfied" or higher with the effort that they spend on the schools payroll as measured by a quarterly online survey
Baseline Value & Source	None
Target Value	70%
Target Timeframe	60% by the end of year 3 65% by the end of year 2 70% by the end of year 3
KPI Responsibility	Chief Operating Officer
KPI Reporting & Frequency	Annual
Source Data	UMR Survey
KPI 4	**Employee satisfaction**
KPI Description	Level of employee satisfaction with payroll service
Measure	% of employees will be "satisfied" (or higher) with the service as measured by a quarterly online survey
Baseline Value & Source	No baseline established
Target Value	70%
Target Timeframe	50% by the end of year 3 60% by the end of year 2 70% by the end of year 3
KPI Responsibility	Chief Operating Officer
KPI Reporting & Frequency	Annual
Source Data	UMR Survey

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Future Proofing / sustainability

Table 41 Benefit area 5: Risk reduction

Benefit Area 5: Schools payroll is sustainable	
Benefit Description: Reduction of risk of failure of delivery of accurate and timely pay	
KPI 5.1	**Delivery risk profile**
KPI Description	The level of outstanding sustainability issues
Measure	In the annual audit, the level of future proofing / sustainability related issues identified as "high" or above priority. This will include all issues regarding end-of-life technology components, ability to implement change in a timely manner, staff capability, and process documentation.
Baseline Value & Source	Baseline not established
Target Value	0 issues
Target Timeframe	By end of year 3
KPI Responsibility	Head of Corporate
KPI Reporting & Frequency	Annual
Source Data	EPL Group Risk Register

Efficiency

Table 42 Benefit area 6: improved costs performance

Benefit Area 6: Improved Cost Performance	
Benefit Description: The total cost of delivery is reducing in absolute terms over time	
KPI 6.1	**Cost per employee**
KPI Description	Cost of payroll service per employee paid
Measure	Total costs of the payroll service (EPL+MoE) divided by average number of employees paid in each one year
Baseline Value & Source	$290 at 2015/16 baseline
Target Value	$250 In the lower 50% of annual cost to pay employee s as measured by NZ Treasury BASS and Australian cost benchmarking
Target Timeframe	By end of year 4
KPI Responsibility	Head of Corporate
KPI Reporting & Frequency	Annually
Source Data	Financial and operational data

Post-programme evaluation

A post implementation review is planned for July 2021.

Assurance plan

EPL has drafted an Assurance Plan according to GCIO requirements. Ministry requirements for assurance will be included as required. The Assurance Plan will be approved prior to agreement of the Service Agreement. Gateway reviews

A Gateway 2 (Delivery strategy) has been undertaken on the project as part of the development of this detailed business case.

A Gateway 3 (Investment decision) review will occur at the time negotiations are completed with key suppliers for the implementation of the preferred option.

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APPENDIX A: Ascender Pay discovery

Introduction

The future viability of the Ascender Pay (formerly named Alesco) core payroll and its provider is critical to how options for the future of EPL are considered. Shareholding Ministers recognised in their 2016/17 letter of expectations that the status of Option 4 – staged transition to a new payroll system – depended upon the viability of Ascender Pay and provider. They therefore expected that whether Option 4 was considered as a short term or longer term option depended upon Ascender Pay "discovery" work conducted by EPL to enable a better understanding of the product risk and the viability of the supplier.

The discovery work undertaken by EPL on Ascender Pay and its provider involved:

- *an Ascender Pay technical focus* – the gathering of foundational technical information regarding the EPL core payroll systems and a study on the benefits and feasibility of upgrading the core Ascender Pay payroll to newer releases

- *a supplier focus* – a high level assessment of the new owner of Ascender Pay – Ascender HCM – including consultation with other major Ascender Pay users and attendance at user group forums.

Note that the discovery work did not undertake to assess the functionality available in Ascender Pay compared to other payroll systems. The discovery also did not consider any possible legislative compliance gaps in core Ascender Pay or the ability of its vendor to provide a legislatively compliant core product for the New Zealand market. This would have required a high degree of analysis, requirements definition, and market engagement.

The IBC concluded that moving to another payroll package was a high risk, costly undertaking. This has been confirmed by the experience of other payroll transitions in occurring in government using "Tier One" payroll systems. This Ascender Pay discovery work therefore focused on the viability of Ascender Pay and its supplier for the ten plus year period, as opposed to any form of comparative assessment with other systems and providers.

This section outlines the conclusions from Ascender Pay discovery work and assesses how the core Ascender Pay system and supplier risk can be managed. The requirement how to consider Option 4 from the Indicative Business Case is discussed (as requested by shareholding Ministers).

Technical assessment of the core payroll – Ascender Pay

This section summarises the technical assessment of the core payroll, Ascender Pay. It provides a summary of the key components of the payroll, assesses the level of customisation of the Ascender Pay payroll used by EPL, discusses the issues regarding upgrading the current release of Ascender Pay to the latest release, and assesses the sustainability of two key components, the Power User Interface and Novopay Online.

Components of the Ascender Pay Novopay payroll system

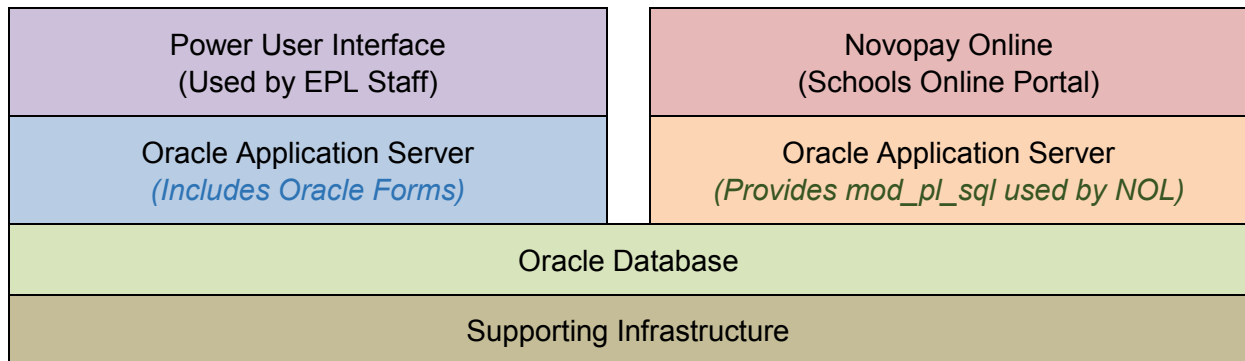The following diagram provides a high level overview of the components that make up the Novopay system.

Power User Interface (Used by EPL Staff)	Novopay Online (Schools Online Portal)
Oracle Application Server *(Includes Oracle Forms)*	Oracle Application Server *(Provides mod_pl_sql used by NOL)*
Oracle Database	
Supporting Infrastructure	

Figure 38 Ascender Pay architecture

The key components are:

- *Power User Interface (PUI)* – the administrative interface used by EPL Staff to administer the pay system

- *Novopay Online (NOL)* – a custom web user interface used by school administrators to key pay instructions

- *Oracle technology "stack"* – this consists of the Oracle database and the Oracle Application Server

- *Oracle Forms* – an increasingly dated technology used to provide the forms based interface for the Power User Interface

- *Mod PL SQL* – an end of life Oracle technology used extensively by Novopay Online.

Level of customisation in Novopay Ascender Pay

It is normal practice to keep a payroll up to date with the latest version provided by the supplier. This ensures that the payroll can continue to be supported (along with the underlying technical components) as well as providing the customers with access to new functionality. The current Ascender Pay version is now release 15 with release 16 due in October 2016. Novopay is therefore already three major releases behind.

One of the key considerations regarding upgrading a payroll to the latest release is the level of customisation. EPL and Ascender HCM determined the level of customisation of the Novopay system comparing the current production source code of the Novopay pay engine against a "vanilla" copy of the same components from Ascender Pay v12.3 (the current level of Ascender Pay used in Novopay). Of the 940 directory objects in the software version control system:

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- 40% of the objects used by EPL are unchanged from the "vanilla" Ascender Pay v12.3 core.

- 60% of the objects used in the Novopay pay engine have some form of customisation:

  - 15% of the total objects are core code objects with customisation. The modifications vary from a few lines altered to more significant changes such as major changes to the level accrual engine and pay run processing engine.

  - 45% of the total objects were considered custom to EPL. This means they were either entirely new functionality developed exclusively for the Novopay system with no equivalent in the Ascender Pay core v12.3, or heavily customised copies of Ascender Pay v12.3 core objects renamed to indicate they contain significant EPL modifications.

This is illustrated in the following diagram.

Analysis Finding	Customisation Estimate
~45% of objects were considered "EPL only" code (Either entirely new functionality or significantly customised EPL versions of Ascender Pay v12.3 core objects)	~45% "EPL Only" Code
~15% of objects were considered Ascender Pay Core v12.3 with modifications	~15% Modified Core
~40% of objects are "Vanilla" Ascender Pay Core v12.3 (i.e. no changes)	~40% "Vanilla" Core

Figure 39 Novopay pay systems customisation assessment

Ascender HCM is responsible for supporting the core code – i.e. 100% of "vanilla core" – and a portion of the modified core. Note that Ascender HCM has committed to providing support under their agreement regardless of the version of Ascender Pay Core EPL operates. EPL through its partnership with Asparona is responsible for supporting modifications and EPL only code.

Ascender HCM has recently provided a proposal to increase their support offering to cover the entire codebase including "EPL Only" code. This would require Ascender HCM to be more actively involved in ongoing development in the pay engine.

The breadth of change and customisation to Novopay makes any upgrade of its Ascender Pay core a significant undertaking.

Upgrading Ascender Pay

The changes between Ascender Pay v12.3 and v15.0 were thoroughly evaluated over the course of six full day workshops held during April. These workshops were attended by five EPL staff and one to two Ascender staff. The workshops evaluated 588 Ascender Pay work orders (the detailed documentation about every change to the Ascender Pay codebase. Ascender provides a one-line summary per work order in the release notes they publish per Ascender Pay release).

This analysis concluded that:

- 48% of the changes were of no relevance to EPL.

- Of the 52% that remained, only 8% (Quantity 16) had a high level of relevance.

- Of this 8%, half related to pay run performance and have already been implemented in some form to the Novopay system as part of ongoing work to improve the pay run over the past 4 years. This leaves only 4% of the features introduced by upgrades deemed to be of high relevance to EPL.

The features of high interest introduced between Ascender Pay version 12.3 and version 15 are therefore minimal, and only a minor consideration in support of taking a core upgrade. The potential feature benefits are further eroded by the fact that in a number of cases it would be possible to "back port features" from newer Ascender Pay releases into the Novopay version of the pay engine used by EPL.

Ascender has shared with EPL a draft of their product roadmap up until 2018. Of the 33 high level proposed features 70% are either not relevant to EPL. Of the remaining 30%, only one item is of high interest (date driven pay codes), and would require significant testing to implement into the Novopay system.

There are potentially two approaches to upgrading EPL's version of Ascender Pay:

1. apply the differences between the Novopay version of Ascender Pay and its v12.3 core to the latest Ascender Pay version, or

2. apply the differences between Ascender Pay v12.3 and the latest Ascender Pay version to the Novopay system.

Given the level of customisation it was agreed between EPL and Ascender HCM that option 2 was the best approach to undertake an upgrade. It was also agreed that the underlying Oracle Technology stack – Oracle Database and Application servers – would be updated at the same time as any upgrade work.

This business case has developed three options for upgrading Ascender Pay.

A. Do not upgrade the core Ascender Pay payroll package, but continue to make technical upgrades of the underlying Oracle technology.

B. Over ten years, undertake two technical only upgrades of the underlying Oracle technologies, and one full upgrade of the Ascender Pay payroll package.

C. Over ten years, upgrade the Ascender Pay package each year to keep pace with new releases as well as upgrading the underlying Oracle technology.

These options were considered as part of the MCDA work package prioritisation process as work packages 20 Upgrade Ascender Pay (versions 20A, 20B, 20C). The option recommended as part of the MCDA process is included in the options (See "Economic Case").

Sustainability of the Power User Interface

EPL staff use the Novopay pay system through the Power User Interface (PUI). The PUI is dependent upon a technology called Oracle Forms. While Oracle has made no announcement, there is wide expectation in the industry that at some point Oracle will

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"sunset" this technology. This is likely to occur in the ten-year timeframe. At that time, we would expect Ascender HCM to provide a migration path of some kind. In such a scenario EPL would have the option of taking an upgrade and the sustainability benefits this provides. Note that under the preferred option presented in this business case the development of a new user interface and the open interfaces package will significantly reduce the reliance of EPL on the PUI, providing additional options should Oracle withdraw support for Oracle Forms.

Sustainability of Novopay Online

The Novopay Online system heavily relies on a feature of the Oracle Application Server called mod_plsql. In December 2019 Oracle will cease support for this feature. This will significantly reduce EPL's ability to provide effective support for the technical platform used by schools to input information into Novopay.

EPL's experience in supporting the Novopay Online system is that it is overly complex, difficult for staff to learn to use, and costly and difficult for programmers to maintain. Making even simple coding changes to NOL is difficult and can introduce problems that are difficult to resolve. E.g. recent technical upgrades led to intermittent problems with NOL that prevented schools entering instructions. NOL is therefore not a suitable technical platform for future development.

Part of the development of a NOL replacement would be an Open Interfaces package to provide a standard way for the new user interface systems to communicate to the core Ascender Pay package. This interface layer would also provide a simpler means to change to a new payroll engine without changing the way schools interact with the service

The replacement of NOL would also reduce EPL's dependency upon PUI, thereby reducing the dependency on Oracle forms. In the event that Ascender HCM were unable or unwilling to address the Oracle Forms/PUI issues, this new platform would provide EPL with a path away from dependency on Oracle Forms.

Assessment of Ascender Pay provider – Ascender HCM

Ascender HCM

The original developer and vendor of Ascender Pay was a division of Talent2. In May 2015 this division and its assets was acquired by a consortium of Private Equity firms Potentia & 5V Capital. The directors of these Private Equity firms have a history of undertaking similar acquisitions in the US and Australian markets in the payroll and HR industry.

The new owners rebranded the acquired organisation Ascender HCM, established a new management team and are focussed on extending the payroll experience of the organisation. Currently, the organisation is being positioned as a full service Human Capital Management organisation, hence the letters HCM after the name Ascender.

Ascender HCM has around 700 employees located in 30 countries in Asia-Pacific. It is supporting 3,000 clients and paying nearly a million people (employees) of these client organisations. The head office of Ascender HCM is in Sydney, Australia and most of their senior management team is based there.

Ascender HCM customers

Ascender HCM has many large organisations as its customers especially many in the education sector in NZ and Australia. EPL is its largest education sector client and second largest overall. The ██████████ government payroll is its largest client by number of employees paid – more than 110,000.

Ascender HCM has 35 education clients in Australia, New Zealand, and Asia. These include:

- 23 universities

- Three Polytechnics/TAFEs

- Five schools or groups of schools

- Four other education related organisations.

In addition to the four New Zealand education providers, ████████ and ████████ are clients as well as the NZ operations of various other Australian organisations (e.g. ████████).

Ascender HCM's performance

As Ascender HCM is now a privately held organisation, there is limited information available in public domain to accurately ascertain its financial position. However, since taking over from Talent2 EPL has noted an increased focus on articulating the future vision and trajectory of the organisation in a manner that indicates confidence in profitable future growth. This vision includes a strong growth in number of new products and services as well as a desire to increase the client base.

EPL has gained a number of insights while engaging with the new organisation.

- Ascender HCM has invested in bringing new capable people into the organisation.

- Ascender HCM appears to be winning new business in the marketplace – e.g. ████████ payroll for all Pacific Island offices/ branches and many of the existing clients are opting for upgrades (including ████████)

Fehler! Verwenden Sie die Registerkarte 'Start', um Heading 1,h1 dem Text zuzuweisen, der hier angezeigt werden soll.

- Ascender HCM has progressed the Ascender Pay product development with a new version (v15) released in October 2015 and further release12 (v16) scheduled for October 2016. Ascender's stated goal is to have a major Ascender Pay release every year and minor releases through the year. The delivery to date has been to the expectations set.

- The direction stated by Ascender HCM is in tune with the market expectations regarding product features e.g. V16 is moving to an Employee Self Service model with an intuitive User Interface as well as delivering to some of the key demands from the Ascender HCM user group.

- Ascender HCM has progressed the wider product architecture by creating a modular framework of payroll, learning, reporting/ analytics, and other third party products, all communicating through the central "Connect" product, which also supports open interfaces to other systems. This aligns with EPL's strategy of creating an open interface package to enable a smoother transition to a new payroll system if required in the future (i.e. the strategy behind Option 4 in the IBC).

- Ascender HCM is showing a customer focus and willingness to engage to turn around the negative experiences of the past. E.g. Ascender HCM has agreed to engage with the recently formed NZ Strategic User Forum.

Supplier and product risk mitigation

EPL has mitigated the risk of Ascender failure as follows:

- EPL already holds the source code for the software deployed at EPL (including all the customisations).

- EPL will have access to source code of future versions deployed at EPL (it is to be held in Escrow).

- EPL already maintains all the software customisations in-house and can expand the capability and capacity to maintain the complete system.

EPL has also developed a supply chain risk assessment and mitigation plan that considers the risk that EPL is exposed to through its key suppliers and their products. (See "Commercial Case").

APPENDIX B: Work package list

The following table summarises the work packages that were considered as part of this Detailed Business Case. Full details of the work packages can be found in the work package Excel definition files.

Table 43 Work packages

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
	USER EXPERIENCE FOCUS	
1.A	**Eliminate Paper Payslips** – Remove the production of posted payslips and replace with emails.	The proposed solution is to update policy to send out email payslips by default, to re-negotiate collective agreements that mandate paper payslips, to eliminate the need for them, and to re-design the NOVO forms to mandate the email address field.
2.A	**Improved Admin User Experience: Low** – Incremental improvements on current form based NOL approach. Replacement of NOL with a modernised service experience (same functionality – new technology and user interface).	NOL will be replaced with a system that has a lifespan beyond 10 years which provides the same functionality – one-way data entry – with the existing ticketing system operating alongside it. It would be based on forms and not all instructions could be done online. It would not include features to support online uptake or the ability to support an employee portal.
2.B	**Improved Admin User Experience: Med** – Reduces the need for forms and service interactions. Replacement of NOL and Footprints with a modernised service experience including data validation but keeping form based.	A fully integrated system that allows for all transactions to be entered online and provides an intuitive, differentiated experience depending on user capability. It could support an employee portal. Based on structured workflows informed by user research it would enable clear visibility of the status of a task and support straight through processing. It would provide full data validation at time of data entry and pre-population of data. The user would have visibility of all relevant data including payroll history in a view that suited their task – school or employee. Alerts and notifications can be sent to users to remind them to complete actions on time and enable payroll reporting to be managed by exceptions. User support or assisted digital would be embedded in the interface. Content aware help such as hover support and integrated guidance content would help the user input the correct payroll instructions and stay in the online channel. It would support for effective client relationship management practices and issue resolution with built in service levels and escalation. The system will enable clear variance reporting and users to create reports to suit their needs.
2.C	**Improved Admin User Experience: High** – Eliminates need for forms as the on-line experience is intuitive and	A fully integrated system that allows for all transactions to be entered online and provides an intuitive, differentiated experience depending on user capability. It would include a portal for school employees to enter timesheets and apply for leave, update personal details, such as bank account and address

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
	supports all payroll administrator workflows. Also provides information and basic self-service for staff.	information, apply for a salary assessment and receive pay information and pay history.
		Based on structured workflows informed by user research it would enable clear visibility of the status of a task and support straight through processing. The school administrator or principal would approve employee provided instructions via the interface. It would provide full data validation at time of data entry and pre-population of data. The user would have visibility of all relevant data including payroll history in a view that suited their task – school or employee. Alerts and notifications can be sent to users to remind them to complete actions on time and enable payroll reporting to be managed by exceptions. Payslips would be posted to the portal fortnightly.
		User support or assisted digital would be embedded in the interface. Content aware help such as hover support and integrated guidance content would help the user input the correct payroll instructions and stay in the online channel. It would support effective client relationship management practices including issue resolution with built in service levels and escalation.
		Employees could contact EPL directly to sort out any pay issues. The system will enable clear variance reporting and for users to create reports to suit their needs.
4.A	**Development of Payroll Administrator Capability: Low** – Develop payroll administrator capability by remote learning modules.	All users will have the opportunity to gain a basic understanding of payroll processes and responsibilities by completing a series of seven on line courses (or self-paced modules) including some or all of the following: • Introduction to the user interface • Introduction to payroll (includes collectives and role of administrator) • End of Year/Start of Year • Leave • Annualisation • Attestations • Audits/reporting. The courses will be promoted to new users at time of registration and through Novopay News and via the website. The courses would be available to undertake at any time throughout employment (possible to do refresher training). An online course outlining principals' school payroll responsibilities would be developed which could be incorporated into the curriculum for first time principals.
4.B	**Development of Payroll Administrator Capability: Med** – Develop payroll administrator by on phone and remote learning modules.	All users to have a basic understanding of payroll processes and responsibilities before gaining access to the school's payroll. This would be achieved by a tailored early intervention approach which ensures all administrators complete a well-designed, compulsory certified online course (self-paced modules) as part of their induction. Completing the course(s) would be incorporated into the process of registration of

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
		authorised users. There would be seven on line courses (or self-paced modules) including some or all of the following: • Introduction to the user interface • Introduction to payroll (includes collectives and role of administrator) • End of Year/Start of Year • Leave • Annualisation • Attestations • Audits/reporting • Two trainer led webinars available for school administrators to complete. One webinar would be on payroll and the other on the online system (NOL or alternate). A webinar for up to 5 people would be available twice a term. The courses would be available to undertake at any time throughout employment (possible to do refresher training). An online course outlining Principal's school payroll responsibilities would also be would also be developed which could be incorporated into the curriculum for first time principals. EPL staff would be specifically trained to help administrators use the online system and understand payroll. This training team would provide support for a fixed period (up to 12 months from registration as a user) to ensure the administrator understands their payroll duties and can use the online system. It would also include the development of in-house how to videos to explain how to complete particular tasks. An introduction to schools payroll would be incorporated into seminars and residential course for first time principals and the EPL training team would provide proactive support until the Principal is confident they understand their role. All touchpoints with the sector would be used as capability opportunities. This approach would comprise a combination of remote learning, phone training and case management support.
4.C	**Development of Payroll Administrator Capability: High** – Develop payroll administrator capability by a combination of remote learning, Face-to-Face training, on-site support, phone support and coaching.	All users to have a basic understanding of payroll processes and responsibilities before gaining access to the school's payroll. This would be achieved by a tailored early intervention approach which ensures all administrators complete a well-designed, compulsory certified online course (self-paced modules) as part of their induction. Completing the course(s) would be incorporated into the process of registration of authorised users. There would be seven on line courses (or self-paced modules) including some or all of the following: • Introduction to the user interface • Introduction to payroll (includes collectives and role of administrator)

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
		• End of Year/Start of Year
		• Leave
		• Annualisation
		• Attestations and
		• Audits/reporting
		• Two trainer led webinars available for school administrators to complete.
		One webinar would be on payroll and the other on the online system (NOL or alternate). A webinar for up to 5 people would be available, on average, every week of the school term. The courses would be available to undertake at any time throughout employment (possible to do refresher training).
		An online course outlining Principal's school payroll responsibilities would also be developed which could be incorporated into the curriculum for first time principals.
		EPL staff would be specifically trained to help administrators use the online system and understand payroll. This training team would provide support for a fixed period (up to 12 months from registration as a user) to ensure the administrator understands their payroll duties and can use the online system. This option includes onsite training for administrators who need that level of support.
		An introduction to schools payroll would be incorporated into the curriculum for first time principals and EPL staff would provide proactive support until the Principal is confident they understand their role.
		It is critical that all touchpoints with the sector be used as capability opportunities. This approach would comprise a combination of remote learning, phone training, case management support and face-to-face training.
11.A	**Improve Information to Employees: Low** – Improvements to PDF payslip to make it more understandable.	Improvements to PDF payslip so that employees have a better understanding of their fortnightly pay. The PDF payslip will be reformatted and codes replaced with clearer information about that pay period including hours worked, leave and allowances. The changes will be cosmetic only, there would be no change to how EPL gets or produces the data.
11.B	**Improve Information to Employees: Med** – Employee self-service portal including ability to receive information and pay history.	Emailing and posting payslips would be replaced by a portal where school employees would receive their pay slips. Data would be extracted from Ascender Pay and provided to an external vendor (as occurs now) who would develop and store the payslips. It would only store payslips from the implementation of the portal. Employees would download the pay slips from a portal hosted by EPL which would require them to verify their identity online. It would be a static, information only portal, employees would not be able to use it to provide any information or update details.
	PROCESS FOCUS	
37.A	**Service records: Service improvement**	This work package aims to improve operational processes to gain efficiencies. It proposes re-introducing

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
	– look at the current process used for the service and implement improvements in efficiency.	the fee for requesting Statement of Services. It also proposes improving the Statement of Service Template, digitising salary cards and providing better education to the sector.
37.B	**Service records: Service redevelopment** – review why the service is required at all, who the customers of the service are and what value it provides them, what the policy that drives it is and if it is still relevant; determine if the service be delivered in another way and if it be more automated.	This work package aims to improve operational processes, brought about by technology, to gain efficiencies. It proposes re-introducing the fee for requesting Statement of Services. It also proposes digitising salary cards, consolidating all service records from multiple data sources, improving the Statement of Service Template and providing better education to the sector.
38.A	**Salary assessment: Service improvement** – look at the current process used for the service and implement improvements in efficiency.	This work package aims to make the SAU process more customer centric and operationally efficient by: 1. Enabling email communications between the SAU and staff and schools (rather than paper), 2. Providing better education to the sector, 3. Reviewing and improving operational procedures, including reducing hand-offs by allowing the SAU to directly enter salary assessments in Ascender Pay, rather than passing this task on to Pay Centre.
38.B	**Salary assessment: Service redevelopment** – review why the service is required at all, who the customers of the service are and what value it provides them, what the policy that drives it is and if it is still relevant; determine if the service be delivered in another way and if it be more automated.	This work package aims to make the SAU process more customer centric and operationally efficient by: 1. Updating policy to enable electronic submissions for salary assessments, 2. Enabling email communications between the SAU and staff and schools (rather than paper), 3. Providing better education to the sector, 4. Reviewing and improving operational procedures, including reducing hand-offs by allowing the SAU to directly enter salary assessments in Ascender Pay, rather than passing this task on to Pay Centre, 5. Linking the salary assessment and new employee set up processes, so that when a new employee is set up, they are set up on the right grade and step, and are paid the right amount from the first pay period.
38.C	**Salary assessment: Service redevelopment** – review why the service is required at all, who the customers of the service are and what value it provides them, what the policy that drives it is and if it is still relevant; determine if the service be delivered in another way and if it be more automated.	This work package aims to make the SAU process more customer centric and operationally efficient by: 1. Updating policy to enable electronic submissions for salary assessments, 2. Enabling email communications between the SAU and staff and schools (rather than paper), 3. Providing better education to the sector, 4. Reviewing and improving operational procedures, including reducing hand-offs by allowing the SAU to directly enter salary assessments in Ascender Pay, rather than passing this task on to Pay Centre, 5. Linking the salary assessment and new employee set up processes, so that when a new employee is

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
		set up, they are set up on the right grade and step, and are paid the right amount from the first pay period, 6. Implement an award interpreter that will assist the SAU by partially automating the assessment process.
	FUNCTIONAL FOCUS	
13.A	**Improve Tax Compliance Management and Processing: Low** – Minimal improvements to ensure ongoing compliance with workarounds.	The work package aims to obtain operational process efficiencies. It proposes: – Reviewing rules and improving employee set up processes improvements, – Updating the IR344 adjustments process so that MoE is notified of the adjustments, – Providing better education to the sector.
13.B	**Improve Tax Compliance Management and Processing: Med** – Some improvements to ensure compliance and significant reduction in workarounds.	The work package aims to obtain operational process efficiencies by: – Reviewing rules and improving employee set up processes improvements, – Updating the IR344 adjustments process so that MoE is notified of the adjustments, – Providing better education to the sector. It also proposes system improvements by fixing the remaining tax related defects, so that Ascender Pay calculates tax correctly, and the tax calculator can be decommissioned.
13.C	**Improve Tax Compliance Management and Processing: High** – Completely compliant and integrated tax management in core system with no requirement for workarounds.	The work package aims to bring about technological improvements by: – Enhancing the Ascender Pay tax engine by fixing remaining defects, – Decoupling the tax engine from Ascender Pay by moving the engine to a new tax platform. It aims to obtain operational process efficiencies by: – Reviewing rules and improving employee set up processes improvements, – Updating the IR344 adjustments process so that MoE is notified of the adjustments, – Providing better education to the sector.
16.B	**Improve Terminations: Med** – Most termination pays are correctly calculated within the system with no workarounds.	The proposed solutions will include system changes to: – Resolve 22 pay calculation system defects/issues for Non Teachers – Resolve 3 additional defects that are not directly linked with pay calculations but relate to the end to end process of selecting and processing an employee for termination pay (all employment types) – Improve the system capability to perform automated checks on calculations. (Non-Teachers). Additionally, the NOVO6 manual form will be changed to remove the need for School Administrators to

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
		specify the leave balance to be paid out when advising of terminations. (Please note that terminated employees with overpayments who have not agreed to offset debt against termination pay will continue to be manually processed).
16.C	**Improve Terminations: High** – All termination pays are correctly calculated within the system with no workarounds.	The proposed solution will include system changes to: – Resolve 22 pay calculation system defects / issues (Non Teachers) – Resolve 3 additional defects that are not directly linked with pay calculations but relate to the end to end process of selecting and processing an employee for termination pay (all groups). – Improve system capability to perform automated checks on calculations. (Non-Teachers) – Implement MOE Policy ESP 237 and align with End of Year Holiday pay calculations (Teachers). – Implement a new screen and report that details termination calculations step by step for an employee. This will assist EPL Service Desk and Pay Centre staff in resolving queries. (Non-Teachers). Additionally, the Novo6 manual form will be changed to remove the need for School Administrators to specify the leave balance to be paid out when advising of terminations. (Please note that terminated employees with overpayments who have not agreed to offset debt against termination pay will continue to be manually processed).
14.B	**Improve End Dated Allowances: Med** – Partially addresses the issues of inaccuracy of holiday pay calculations that end mid-term or term-end dates.	Calculate holiday pay on allowances that end, but based on simpler business rules reducing the complexity of system changes required. [Ministry does not support this option. EPL Context is as follows: – In general terms, a Teacher will receive approx. 60 annual holidays per annum, excluding week ends. This is in excess of the statutory minimum of 20 days. – Teacher Collectives are based on a school year whilst Holiday's Act is based on higher of OWE or AWE of 52 weeks prior. Therefore, overall there is misalignment between the Holidays Act & Teacher Collectives. – The method of calculating holiday pay is negotiated with the Unions and prescribed within the Collectives. The Collectives stipulate that holiday pay must be calculated on allowances that cease at End of Term but is silent on allowances that end midterm. The current Novopay solution calculates holiday pay for allowances that cease at End of Term but not midterm. – This allows pragmatic business rules on how holiday pay should be calculated on allowances that end midterm rather than adopt the prescribed business rules that have been in use pre Novopay Go Live.]

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
14.C	**Improve End Dated Allowances: High** – Completely addresses the issues of inaccuracy of holiday pay calculations that end mid-term or term-end dates.	Perform all technology and process changes to calculate and pay holiday pay on allowances per MOE Business Requirements.
15.A	**Improve Deductions: Low** – Minimal deduction issues address with retention of workarounds.	Deductions are made from employee pays for Union fees, advances provided, rent, etc. with the exception of MORTC. On average there are $1m deductions across 42,000 employees in an average pay run. 77% of the deductions relate to Union Fees. While there have been significant issues with Union deductions in previous years, these issues have now been resolved or stabilised through work arounds. The key problems outstanding are: 1. An employee can have multiple jobs within the Sector (e.g. several part time jobs). The Novopay solution functionality has been developed to process deductions at a job level. However, deduction calculations business rules are at an employee level. Therefore, numerous work arounds are in place to ensure deduction set up and ongoing maintenance is carefully managed to achieve accurate calculations. 2. Updating of Union Membership records is largely manual. 3. Some deductions relate to a principal balance that must be reduced with each deduction payment. This outstanding balance is not maintained correctly in some instances. Manual work arounds are in place to correct any incorrect balances. In a year typically 2,200 records are manually corrected. 4. At times, recovery of advances made to staff are not automatically calculated by the system. These are manually checked. There are typically from 10 to 60 in a pay period. 5. Overall pay processing takes place over a number of days, during which deduction records can be changed. This causes reconciliation issues. The proposed solution is to resolve problem items: – 1 above with the implementation of additional exception reports (approx. 8). This would provide more robustness to the current work arounds in place. – 3 & 4 above via system changes to the deduction processes to allow accurate deduction calculations and updating of outstanding balance.
15.B	**Improve Deductions: Med** – Some deduction issues addressed within the system with limited workarounds or need for external reconciliation.	The proposed solution is to resolve problem items: – 1 above via a re-design of the current deduction processes. Functionality will be developed to store deduction requirements at an employee level, thereby eliminating the need for work arounds to transfer deduction records from job to job.

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
		– 3 & 4 above via system changes to the deduction processes to allow accurate deduction calculations and updating of outstanding balance.
15.C	**Improve Deductions: High** – All deduction issues addressed within the system with no workarounds or need for external reconciliation.	The following technology changes are planned: 1. The core deduction process is customised to allow deductions to be calculated and processed at an Employee level. 2. Functionality enhanced to upload all relevant fields for Union membership changes. (Please note Associated Collective / IEA updates for new joins and exits will not be automated as these changes require manual investigation). 3. System changes to ensure outstanding balance is updated correctly at all times. 4. System changes to ensure that deductions for advances occur correctly at all times. 5. Deductions calculated are stored separately so that they can be reconciled to disbursement process which occurs 2 days later within processing cycle.
17.B	**Improve Adjustments: Med** – Most adjustments are made within the system and some require manual workarounds	A collection of systems and processes will be implemented to better record, reconcile and monitor debt / adjustment processing. The solution will encompass: – Implementation of off the shelf Debtors / Creditors ledger system with robust internal controls to manage debt and recovery payments to schools along with corresponding control accounts / bank reconciliation. The solution will also include debt management activity such as generation of reminder letters (standard letters with customised detail). – In house developed solution to generate EAS Schedule for IR, payment schedules for creditors, updated adjustments for Ascender Pay processors, and other school audit reports. – In house developed solution to calculate adjustments for Teacher Holiday Pay required at the next Vacation period following the overpayment. These adjustments will be uploaded as timesheet transactions to Ascender Pay. – In house solution to identify new debts raised each Pay Period for management via Ascender Pay. – In house solution to report and manage impacts to Sector processes such as Banking Staffing and SAAR – Implementation of end to end processes and internal controls to manage the semi-automated nature of the solution. The current Ascender Pay Payroll system will be modified to: – Receive and record new debts raised by employee / year. – Employees impacted owing to termination, leave booked will be flagged & reported for manual review and correction each pay period. The current processes in place to update YTD data for TTO / Timesheet employees at EOY will

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
		continue.
		The proposed solution is not comprehensive and has the following shortcomings:
		– Relies on manual internal controls and checks. Therefore, a structured business support team is critical for its success.
		– The adjustments calculated for Teacher Holiday Pay adjustments will be based strictly on the overpayment value and not on the holistic view of the employee. Where there have been multiple occupancy / FTE changes, these calculations may not be 100% accurate.
		– Does not provide a fully integrated and elegant solution.
17.C	**Improve Adjustments: High** – All adjustments are made within the system and do not require manual workarounds.	A collection of systems and processes will be implemented to better record, reconcile & monitor debt / adjustment processing. The solution will encompass:
		– Implementation of off the shelf Debtors / Creditors ledger type system with robust internal controls to manage debt and recovery payments to schools along with corresponding control accounts / bank reconciliation. The solution will also include debt management activity such as generation of reminder letters (standard letters with customised detail).
		– In house developed solution to generate EAS Schedule for IR, updated adjustments for Ascender Pay processors, and other school audit reports.
		– Implementation of end to end processes and internal controls to manage the solution.
		The current Ascender Pay Payroll system will be modified to:
		– Source and store all financial data from the adjustment suite of systems on an automated basis – Integrate adjustment system data with Ascender Pay data.
		– Screen to view Ascender Pay / adjustment data.
		– Use adjustment data for applicable pay calculation processes such as Average Weekly Earnings for leave bookings, terminations and other holiday pay calculations.
		– Incorporate Adjustment data within standard reports such as Banking/ Staffing & SAAR.
18.C	**Improve Leave: High** – All leave defects are addressed including LSL, Leave Bookings, Leave Pay Calculations, Screen Enhancements and resolve current issues with benefits realisation.	The proposed solution is to: – Re-establish detailed requirements relating to the booking and counting of leave days for all leave types across all employment types for review and approval by MOE.
		– Determine the current functional gaps between these requirements above and the current solution (both NOL & Ascender Pay).
		– Resolve functional gaps via system and/or process changes.
		– Resolve pay calculation anomalies for 52 weeker & Term Time Only annual leave payments.
		– Implement system changes to ensure Long Service Leave entitlement and bookings are accurate.

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
		– Agree with Sector & MOE on approach to sourcing current leave balances for Secondary Principals and transfer these balances to Novopay. Additionally, implement processes for the ongoing allocation of entitlements and management of these balances.
		– Additionally some minor defects from Leave Phase 1 will be addressed as part of the wider changes to Benefit Realisation process.
		– Update the documentation and processes for schools and Pay Centre.
19.A	**Improve Funding Processes: Low** – Implements the minimum improvements required for funding functionality.	This project will undertake a gap analysis between Ministry requirements and EPL operation with the GL codes and tables, reconciliation of the tables within Ascender Pay and the use and management of GL codes (at pay centre and school). Business process gaps will be addressed, with new business processes adopted to manage the appropriate use of GL codes within the system. Manual workarounds to reconcile the GL tables will be applied where required.
19.C	**Improve Funding Processes: High** – Address the issues/defects with the funding adjustment functionality.	This project will undertake a gap analysis between Ministry requirements and EPL operation with the GL codes and tables, reconciliation of the tables within Ascender Pay and the use and management of GL codes (at pay centre and school). Business process gaps will be addressed, with new business processes adopted to manage the appropriate use of GL codes within the system. Defects in the current system will be fixed so that the reconciliation of the GL is an automated process.
22.A	**Payroll processing improvement: Low** – Increased degrees of automation of payroll processing.	1. Software modification to speed up payroll processes by 50%.
22.B	**Payroll processing improvement: Med** – Partially automated low risk payroll processing with significant reduction of batch processing timeframe.	1. Software modification to speed up payroll processes by 50%. 2. Simplify manual system operation, especially on payroll processing function.
22.C	**Payroll Processing Improvement: High** – Completely automated, low risk payroll processing with significant reduction of batch processing timeframe.	1. Software modification to speed up payroll processes by 50%. 2. Simplify manual system operation especially on payroll processing function. 3. Simplify program code.
24.A	**Control Reporting Improvements: Low** – Keeping the same reporting (SUE, Schools, Leave liability, and Ministry financials, etc.) with some production improvements.	The proposed solution is to resolve issues for the SUE Report only. This will include: – Improved clarity on display of how pay transactions are generated. – System changes to ensure accurate dates and general ledger strings are displayed. – A new process to apportion holiday pay for casual employees across the corresponding schools worked.

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
24.B	**Control Reporting Improvements: Med** – Reviewing and rationalising some reporting (SUE, Schools, Leave liability, Ministry financials, etc.) with some production improvements.	The proposed solution is to resolve issues for the SUE Report. This will include: – Improved clarity on display of how pay transactions are generated. – System changes to ensure accurate dates and general ledger strings are displayed. – A new process to apportion holiday pay for casual employees across the corresponding schools worked. The proposed solution will also include a redesigned Transaction Report. This will involve: – Re-establishing the purpose of the transaction report in consultation with OAG, MoE, and sector leaders. – Implementing a re-designed report and process.
27.B	**End of Year/ Start of Year Improvements: Med** – Partially automated EoY/SoY processes reducing need for additional EPL resources and reducing workload on administrators.	A new 'Holiday Pay Explained' report will be developed and made available for School Administrators at the time of PP19 Draft SUE and Final SUE. This report will detail for each employee the parameters used to calculate their holiday pay. This will include Holiday Pay Start Date, End Date, Leave Without Pay taken and impact, # of holiday pay days, and rates used. The report will be produced in csv and pdf format so that can be downloaded from NOL and loaded into a spreadsheet programme for further calculation purposes. EPL staff will also be able to access this report and use it as a prompt when answering queries from schools.
33.B	**Holidays Act: Med –** implement full compliance with holidays act	This work package addresses items 6 to 7 above. These work items will be addressed via: Item 6 – Determine approach / business rules for generating entitlements for time sheet employees. Implement system and business processes changes (Sector / Pay Centre) to achieve these outcomes. Item 7 – Review all Collectives to identify areas of non-compliance. Determine remediation approach and implement these outcomes.
99.C	**Holidays Act Retrospective: High –** retrospective correction of Holidays Act errors	For each area of non-compliance impacted employees will be identified and collated to get a holistic view by employee. Each employee will be manually reviewed, holiday pay calculated, reconciled to payments made and outstanding payments processed. Additionally, funding approach for these payments must be determined along with details of payments to employees communicated.
34.A	**Service accumulator: Low –** resolve current issues with service accumulator	Service in the Education Sector is calculated based on a complex set of business rules, such as days worked, FTE %, employment type, collective, type of leave taken, and duration. This calculated service is maintained separately for different benefit types such as sick leave, annual leave, attestation, and long service leave. A complex system called the Service Accumulator has been custom developed to

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
		calculate and maintain service data. While this system is largely stable, it has a few outstanding issues to be resolved. These are:
		1. In certain circumstances service needs to be broken and restarted. There are some anomalies in how service breaks occur, which are manually corrected.
		2. There are one-off / unique anomalies when service is recalculated in selected circumstances.
		3. Occasionally, Oracle errors are encountered during the running of the Service Accumulator. While this does not halt the processing, analysis of the error is required after operation. This is time consuming.
		4. Pay Centre staff cannot view some service components held within the database.
		5. Service is calculated and held for a number of benefit types that are not used, such as Compassionate Grant, MITA, Vacation Holidays, Surplus Staff, and Termination Benefit. This processing and calculation of data is redundant.
		Resolve the above noted issues except for item 5. I.e. resolve all calculation issues, but continue with the calculation of redundant service data.
34.B	**Service accumulator: Med** – resolve current issues with service accumulator	Analyse above noted issues and resolve via system changes. In particular for item 5, evaluate the relevance of the calculated service.
36.A	**Attestations: Service improvement** – look at the current process used for the service and implement improvements in efficiency.	This work package aims to improve operational processes to gain efficiencies. It proposes the simplification and enhancement of the NOVO22nt form (Annual Increment form), improving access to service records and updating processes and procedures.
36.B	**Attestations report: Low** – resolve current issues with attestation report.	The proposed solution will include system changes to:
		– Resolve 22 pay calculation system defects / issues (Non Teachers).
		– Resolve 3 additional defects that are not directly linked with pay calculations but relate to the end to end process of selecting and processing an employee for termination pay (all groups).
		– Improve system capability to perform automated checks on calculations. (Non-Teachers).
		– Implement MOE Policy ESP 237 and align with End of Year Holiday pay calculations (Teachers).
		– Implement a new screen and report that details termination calculations step by step for an employee. This will assist EPL Service Desk and Pay Centre staff in resolving queries. (Non-Teachers).
		Additionally, the Novo6 manual form will be changed to remove the need for School Administrators to specify the leave balance to be paid out when advising of terminations.

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
		(Please note that terminated employees with overpayments who have not agreed to offset debt against termination pay will continue to be manually processed).
36.C	**Attestations report: Med**– resolve current issues with attestation report.	The proposed solution is a complete re-design of the Attestation Solution. This will include: 1. Re-establishment of all detailed business requirements. 2. Solution re-design of the end to end process. 3. Review of the Service Rules defined for accumulating service for Attestation purposes. 4. Revamped new reports (3+), updated guidelines and instructions for the sector. 5. Revamped new reports, updated processing instructions and training for the Pay Centre. 6. Clean up of historical data anomalies to allow the solution to operate going forward. 7. Solution to reconcile past attestation increments not awarded and manual clean up / confirmation process with the appropriate schools to resolve potential under payments and provide a clear starting position.
	TECHNICAL FOCUS	
20.A	**Upgrade Ascender Pay: Low** – Keeps the Ascender Pay application to the V 12 version for the foreseeable future.	EPL will continue using the old version of Ascender Pay (V12.3). EPL will negotiate a commercial agreement with Ascender HCM to continue support and maintenance on the V12.3 version. EPL will perform regular underlying technology upgrades every four years to closely align with the Oracle technology support lifecycle. This will ensure that the Oracle database and Oracle web application server will remain current and supportable.
20.B	**Upgrade Ascender Pay: Med** – Upgrades the current version to the minimal level required to ensure supportability.	EPL will perform an initial underlying technology upgrade in 2018 while still using old version of Ascender Pay (V12.3). Ascender Pay will be upgraded to a newer version in 2022. A further underlying technology upgrade will be performed in 2027. EPL will negotiate a commercial agreement with Ascender HCM to continue support and maintenance on the V12.3 version with upgraded underlying technology (Oracle database and Web Application server) up until 2022. A similar process will occur for the upgraded Ascender Pay version to enable support out to 2027.
20.C	**Upgrade Ascender Pay: High** – Upgrades and maintains the Ascender Pay application to the current version (v 15+) including all customisations.	Upgrade Ascender Pay and all underlying technology every three years as per Ascender recommendation.
21.A	**Maintain ICT Infrastructure: Low** –	Minimal infrastructure maintenance necessary to keep systems operational, but only undertaking

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
	Keeps all ICT technology at minimal level to keep operational.	updates to system components when not doing so would either prevent us obtaining extended vendor support. Non production systems would subscribe to a lower vendor support offering. This option would see EPL updating is infrastructure hardware roughly every 5 years, and software 3 to 5 years depending on the software components – see option comparison table. Modernising EPL's telephone system is also funded within this option, which will provide additional benefits around BCP & DR.
21.B	**Maintain ICT Infrastructure: Med –** Keeps all ICT technology at minimal supportable level with minimal risk.	Minimal infrastructure maintenance necessary to keep systems operational while staying within vendor primary support offerings – i.e. not running older software until the point support is no longer available. This option would see EPL updating is infrastructure hardware roughly every 5 years, and software 2 to 3 years depending on the software components – see option comparison table. Modernising EPL's telephone system is also funded within this option, which will provide additional benefits around BCP & DR.
21.C	**Maintain ICT Infrastructure: High –** Keeps all ICT technology at current (n-1) levels continually.	Maintaining EPL ICT Infrastructure in response to vendor software releases, to ensure EPL is running the latest or immediately previous release of the software components. Hardware would be maintained less frequently. This option would see EPL updating is infrastructure hardware roughly every 4 to 5 years, and software 1 to 3 years depending on the software components – see option comparison table. Modernising EPL's telephone system is also funded within this option, which will provide additional benefits around BCP & DR.
25.A	**Business Continuity and DR: Low –** BC and DR capability to have core systems operational in 3 days.	Minimal improvements to overall DR/BCP capability necessary to support a Recovery Time Objective of 3 days. DR Test of the Novopay Payroll System and sector facing ticketing system (Footprints). No testing of back office systems, nor validating people working from an alternative location. Production systems remain Wellington based.
25.B	**Business Continuity and DR: Med –** BC and DR capability to re-establish operate within 3 days.	System improvements to overall DR capability necessary to support a Recovery Time Objective of 1 day for all ICT systems. Change in overall DR approach to reduce complexity, automate a number of recovery steps and enable the validation of the DR capability without impacting production. DR Test of all Sector Facing Systems (the Novopay Payroll System and ticketing system). Infrastructure migrations: Production -> Auckland, DR/Test/Development -> Wellington.
25.C	**Business Continuity and DR: High –** Full BC and DR capability to maintain operations in 1 in 100 year events.	In addition to those in Medium Option (25B): Implement remote working solution for EPL staff, enabling authorised EPL staff to securely connect to an EPL desktop terminal from any Internet connected PC. System would be preconfigured with up to 50

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
		desktops, but with the ability to setup additional desktops in an operational disaster scenario.
26.A	**Security and Privacy Treatments: Low** – Minimal improvement to meet legislative requirements MEDIUM RISK.	A number of initiatives to address current security and privacy risks rated as High. Establishing, operating and maintaining tools, policy and process improvements in support of this for the next 10 years. An average recurring investment of $49k per year in the following areas: * Security testing (once every 2 years). * Quality and Assurance (2-3 weeks per year). * $5k staff training per year.
26.B	**Security and Privacy Treatments: Med** – Technology and process improvements to meet legislative requirements and reduce to MODERATE risk.	A number of initiatives to address current security and privacy risks rated as High and Medium. Establishing, operating and maintaining tools, policy and process improvements in support of this for the next 10 years. This package builds upon the core work in 26A, but invests a further $1.035m over 10 years into Security Incident and Event Management detection (SIEM), and budgets $118k per year in the following areas: * Security testing (once every 18 months). * Quality and Assurance (4-6 weeks per year). * $10k staff training per year, * $30k Environment and Vulnerability Monitoring.
26.C	**Security and Privacy Treatments: High** – Technology and process improvements to meet legislative requirements and reduce to LOW risk.	A number of initiatives to address current security and privacy risks rated as High and Medium. Establishing, operating and maintaining tools, policy and process improvements in support of this for the next 10 years. This package builds upon the core work in 26B, with the following additions: $960k (Up from $575k) over 10 years into Security Incident and Event Management detection (SIEM) – same product as in 26B, but greater coverage of system monitoring. A more capable Mobile Device Management Deployment (AirWatch Yellow – same as used by MoE). $50k per year into vulnerability and environment monitoring. Also an average recurring investment of $201k per year in the following areas per year: * Annual Security testing, * Quality and Assurance (8-12 weeks per year), * $15k staff training per year
28.A	**Create Open Service Orientated Architecture: Low –** Do the minimum that is required to expose the system information to support improvements in	The implementation of an open source integration layer in front of the Ascender Pay Pay Engine. The open source approach is a candidate for EPL internal integration and potentially a new schools online interface (depending on the approach), but is unlikely to be suitable for a deployment that involves

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
	user experience.	interfacing with schools' systems.
28.B	**Create Open Service Orientated Architecture: Med** – Partially open the system interfaces for improvement of core user and internal processes.	The implementation of a commercial integration layer in front of the Ascender Pay Pay Engine to support the New User Interface and other integration initiatives.
28.C	**Create Open Service Orientated Architecture: High** – Completely open the system interfaces to ensure maximum flexibility in ongoing development of the system and potential replacement of the Ascender Pay system.	An incremental phase to the integration layer implemented as part of 28B to progressively increase use of the middleware layer to enable, manage and monitor messages between EPL and 3rd party systems. Further, this option introduces a managed interface securely accessible by 3rd parties. Priority of increased functionality would be based on learnings from the foundational phases and the Return On Investment based on efficiency gains within EPL and the broader Education system.
29.A	**Enhanced Analytics capability: Low** – Develop minimum capability to support operational improvements.	The proposed Low solution is tactical in nature to address known issues and increase efficiency: * Fully Resolve 13 of the 14 TPDW defects, and an approximate fix for the remaining issue. * Introduction of some input validation to EPL Pay Centre Administrator Interface (PUI) to improve data quality impacting TPDW and reporting. * Replacing End of Life Oracle Discoverer with fit for purpose reporting tool (10 user license)
29.B	**Enhanced Analytics capability: Med** – Develop data analytics interfaces to support advanced HR analytics and reporting.	This medium option builds upon the tactical work in the Low option to create analytics and reporting platform. The overall approach is to focus on making better use of the rich data sources already within EPL to: * Provide HR dashboard style reporting to the sector using data currently available via Novopay database on an individual, school and sector wide level to assist in evidence based decision making. * Self-service Business Intelligence platform accessible by up to 50 named EPL and MoE staff. * Considerable improvement to school operational reporting based on working with schools. * Creating models and views of data relationships to significantly simplify the steps required to obtain meaningful intelligence from the available data. * This option also fully resolves the 14th TPDW defect instead of just an approximate fix.
29.C	**Enhanced Analytics Capability: High** – Develop extensive data analytics platform to support advanced HR analytics and reporting.	This option is an uplift of the medium option by enriching the analytics and reporting platform through increased exchanging of data, data feeds, and inter-organisation data sharing. Thereby providing the ability to do analytics across broader datasets and enrich reports provided to the sector. Examples of potential data sources include: * Teacher Registration (Education Council). * NZSTA (Schools Trustees Association) – Recruitment DB & HR Regional Advisory & Support.

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
		* Union information.
		* Earliest service history (paper service records).
		Reports for schools and self-service reporting views will be improved based on the enriched data.
	EPL BUSINESS FOCUS	
7.C	**Increase scope of HR services to Schools**: High – EPL provides a complete range of support services to schools providing HR, employment and payroll advice.	Given that this is a significant project to implement it is proposed that this is undertaken in phases. The initial phase is to develop a Sector HR Information architecture, business case and programme plan to implement an Education Sector Employee HR Information System "ESHRIS". (Noting that "system" in this case does not infer a single technology platform). Note this work package only covers the costs associated with exploring the long term costs and benefits of business process changes for the end to end delivery of sector wide HRIMS capability. The work package will also address the cross over with NZSTA and other third party providers that provide HR services to schools, and any other cross over with school management systems.
31.A	**Other Opportunities for EPL** – opportunities for EPL to increase business scope outside of the education sector to leverage its core capabilities.	It is proposed that a function (1 FTE for Business Development) is established in EPL to identify opportunities across the sector and government to leverage its capabilities in provision of payroll shared services, payroll expertise, payroll technology expertise and/or high volume transaction processing.
	POLICY ENVIRONMENT FOCUS	
3.A	**Reliever Relationship Management** – Enable the schools to manage the whole relationship with relievers at their schools by being able to access their employment data.	Schools are the employer and it is their responsibility to address all aspects for their employees, regardless of the transitory nature of some of these employees. NZSTA manage a contract for the Ministry to ensure boards of trustees are aware of their responsibilities and obligations for employees. Actions to be taken: * Work with NZSTA to ensure their guidelines for boards include responsibilities for all employees. * Work with NZSTA to ensure their newsletters remind boards of their obligations in terms of legislation. * Update Novopay website to point relievers back to schools for all enquiries about their employment and conditions. Suggest they supply the school with a copy of their payslip when they seek information. * Update information for Service desk agents about how to manage queries from relievers.

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
		Note: This package has linkages with WP 2 Improved administration user experience.
5.B	**Simplify Collectives: Medium** – Simplify areas in collectives that have the most impact on payroll costs.	A framework will be designed to review areas where complexity exists or may be introduced through the negotiation of Collective Agreements. This will include the development of an agreed set of principles to identify and resolve complexity.
		The programme and framework will look to reduce operating cost and operating risk while considering the end to end schools payroll process (staff paid, schools, EPL, EPS, and wider Ministry) and costs.
		This programme will include:
		1. CREATE A FRAMEWORK AND PRINCIPLES FOR IMPROVEMENT (YEAR 1)
		Create a framework and set of high level principles for simplification of Collective Agreements that can be applied at each negotiation.
		The framework principles will also endeavour to limit additional complexity being inadvertently introduced at each renegotiation.
		2. REVIEW AREAS FOR REDUCING COMPLEXITY (YEAR 1)
		In addition to providing analysis around areas for reducing complexity, this work will additionally provide material inputs into developing the high level principles referred to in section 1 above.
		– Identify detailed and tangible areas of improvement which should be considered as they are creating operational inefficiency. Detailed analysis is required to confirm what is creating operational complexity, the impact of each area of complexity, and the costs and benefits per potential option to resolve.
		– Identify options available to reduce complexity (including but not limited to renegotiation/changes to collective agreements, technical and functional changes, and business operational and process solutions).
		– Identify the costs and benefits of available options (i.e. Cost benefit analysis (CBA) per option covering departmental, EPL, and Crown costs, risks, and benefits) while taking into account impacts on staff and schools.
		– Rank each area based on impact on CBA and potential timeframe for resolution per option.

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
		– Create a draft change schedule calendar to be considered for approval through the improvement framework. Develop implementation plans and implement. 3. MANAGE ONGOING PROGRAMME OF SIMPLIFICATION (YEAR 1 ONWARDS) – Manage ongoing programme of simplification, including CA renegotiation by CA renegotiation. GENERAL ROLES AND RESPONSIBILITES Although roles and responsibilities for the above 3 areas need to be agreed in detail, there is a broad agreement in principle on the following: * EPL will play lead in providing detailed and tangible areas for simplification based on operational payroll complexity and insight into technical and functional solution options including related details for each CBA. * MoE EPS will play lead in providing detailed and tangible insight into policy interpretation solution options including related details for each CBA. * MoE Industrial Relations will play lead in providing detailed and tangible insight into CA solution options (i.e. CA Renegotiation) including related details for each CBA. * EPL, EPS, and IR will all consider and provide input on impact, costs, and benefits on schools and employees.
8.A	**Simplification of school approach to employment and remuneration of staff: Low**	EPL address poor practice directly with schools as when they identify it. This would be expected as Best Practice BAU.
8.C	**Simplification of school approach to employment and remuneration of staff: High**	Completely review and update policies and procedures along with identified issues and risks are documented and available to school administrators via Novopay website and/or Ministry/NZSTA websites. EPL will be required to implement systems/processes to: – identify likely non-compliance – where non-compliance is confirmed, ensure school correct input/instructions to be compliant. The Ministry will act as a final escalation point for both EPL and Schools where issues cannot be resolved.

Ref	Work Package Original Scope	Proposed Solution Summary (From Work Package Definition document)
		– Employees on old versions of promulgated IEAs with pay rates matching current version can be resolved at a later date by asking schools to correct employee set up. Initially this would need to be completed as a one off project then EPL to have monitoring processes in place.

APPENDIX C: Options description

Introduction

This section describes the short list of options. The options are described in terms of the work packages that are implemented in the key areas of school administrators, employees, the online service to schools, entitlement calculation and payment, core payroll engine, third party payment and reconciliation, exception and performance reporting, and core
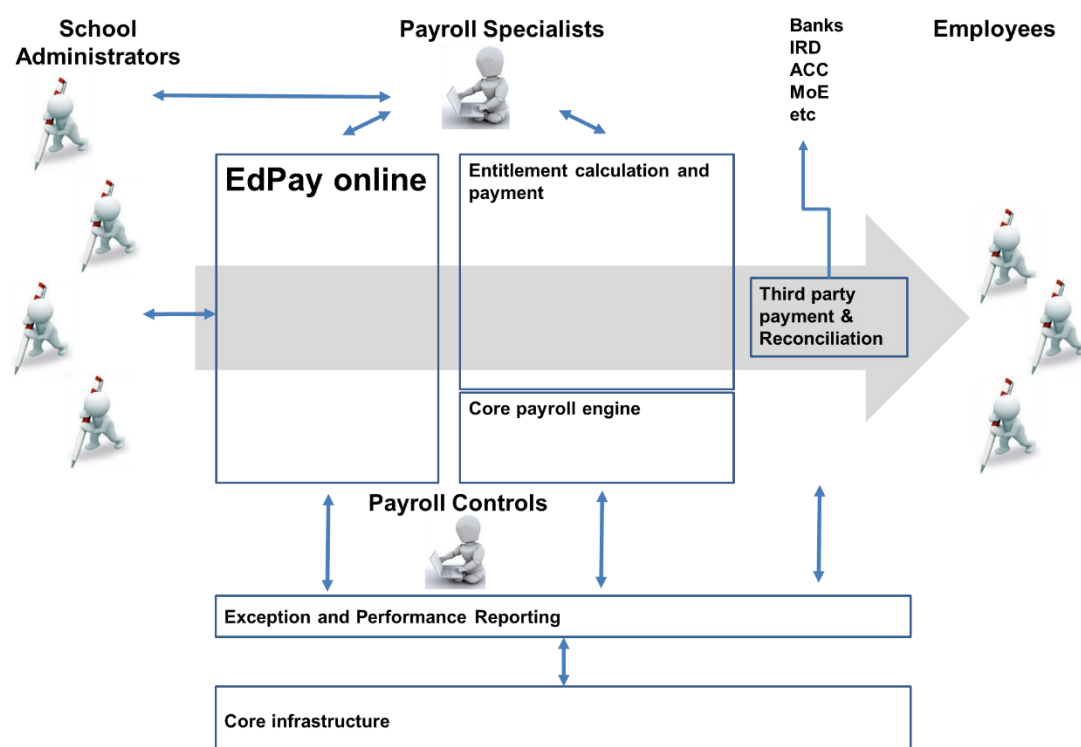
infrastructure. The framework used in summarised in the following diagram.

Figure 40 Framework for describing the options

Note that business as usual investment will continue in 2016/17. This will include:

- resolving the current terminations systems issues

- End of Year / Start of Year enhancements for 2016/17

- network infrastructure upgrade

- upgrade to the work management system (Numara)

- analysis in preparation for the Leave Phase II project

- security enhancements

- Miscellaneous infrastructure enhancements.

Note also that business as usual investment not included in the work packages will continue. This will include:

- continued business enhancement through the Better Every Day programme

- continued organisational refinement

- continued capability development

- continued knowledge management enhancement.

Option 1 – Status quo

Option 1 – Status Quo – continues current operation with no additional investment, with limited ability to mitigate the current risk levels and resolve the current compliance problems

The risk of technical failure of the payroll service will rise as key technical components are no longer supported. There will be limited ability to gain further efficiencies and limited ability to increase the level of service provided to schools. The risk of catastrophic failure resulting in large numbers of staff not being paid or paid correctly will progressively rise. Privacy and security risk will also continue to increase.

No work packages are implemented.

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Option 1+ – Minimal viable

Option 1+ – Minimal viable – makes the minimum investment required to address infrastructure risk, but does not address the current compliance problems

This option provides for the minimum level of investment in infrastructure to address the imminent technical risk related to NOL supportability, Ascender Pay core payroll technology currency, business continuity, continued processing of the pay, and privacy and security. No investment is made in increased compliance. Schools continue to use the online service through a like-for-like replacement of NOL that provides for no improvements in productivity. EPL has no significant productivity gains apart from the removing of some workarounds.

The replacement of NOL will require the development of an open interfaces package. This will also provide a measure of future-proofing by supporting a staged transition to a new payroll package.

Policy environment

No significant changes are made.

School administrators

No significant changes are made.

Employees

Employees will no longer have the option to receive paper payslips. All payslips will be sent out by email. This is implemented through WP 1A E-Payslips. This will bring savings to EPL through no longer having to print and mail payslips. (Note that this will require approval by the Secretary of Education prior to work commencing. The intent is accepted by the Ministry but the potential disruptive impact and practical implications to school employees will need to be considered and actively managed.)

Online service to schools

NOL is replaced by a "like for like" replacement implemented through WP 2A Online for schools. This delivers the current functionality provided by NOL on a stable and supportable technical platform.

Entitlement calculation and payment

No significant changes are made.

Core payroll engine

The operation of the payroll processing is improved through WP 22C Payroll processing. The software is modified to speed up the pay processing by 50%. The manual system operation is simplified to reduce the chance of errors when operating the pay run. This reduces the risk of pay run processing and creates more time to recover from problems when they do occur during the pay run.

The Ascender Pay payroll package is upgraded. WP 20B Upgrade Ascender Pay provides for two underlying technology upgrades over the ten-year period and one application upgrade. EPL will perform an initial underlying technology upgrade in 2018 while still using an old version of Ascender Pay (V12.3). EPL will upgrade Ascender Pay to the latest version in 2022. A further underlying technology upgrade will take place in 2027. EPL will negotiate a commercial agreement with Ascender HCM to provide support and maintenance on the

Ascender Pay V12.3 version with updated Oracle version (database and web application server) up to 2022, as well as the version implemented in 2022.

An open interfaces package is implemented through 28B Open interfaces. This is a requirement for the new online replacement of NOL. It also provides the additional benefit of supporting a staged transition to a new payroll system.

Third party payment & reconciliation

No significant changes are made.

Exception and performance reporting

No significant changes are made.

Core infrastructure

Core infrastructure is remediated through WP 21B Maintain infrastructure. This ensures that core software systems are kept current and assets are replaced in reasonable cycles (typically four years).

Security and privacy is augmented through WP 26B Security and privacy. This invests in ongoing management of security and privacy. It introduces tools to monitor, detect and manage security and privacy events.

Business continuity and disaster recovery is augmented through 25B Business Continuity and Disaster Recovery. This work package makes improvements to overall DR capability necessary to support a Recovery Time Objective of one day for all ICT systems. It brings changes in overall DR approach to reduce complexity, automate a number of recovery steps and to enable the validation of the DR capability without impacting production.

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School Administrators

Payroll Specialists

Banks
IRD
ACC
MoE
etc

Employees

EdPay online

Entitlement calculation and payment

More efficient service to employees	
3	1A E-Payslips

Third party payment & Reconciliation

NOL "like for like" replacement	
-	2A Online for schools

Core payroll engine

Future proofed, lower risk payroll	
10	22C Payroll processing
18	20B Upgrade Alesco
Dep	28B Open interfaces

Payroll Controls

Exception and Performance Reporting

Core infrastructure

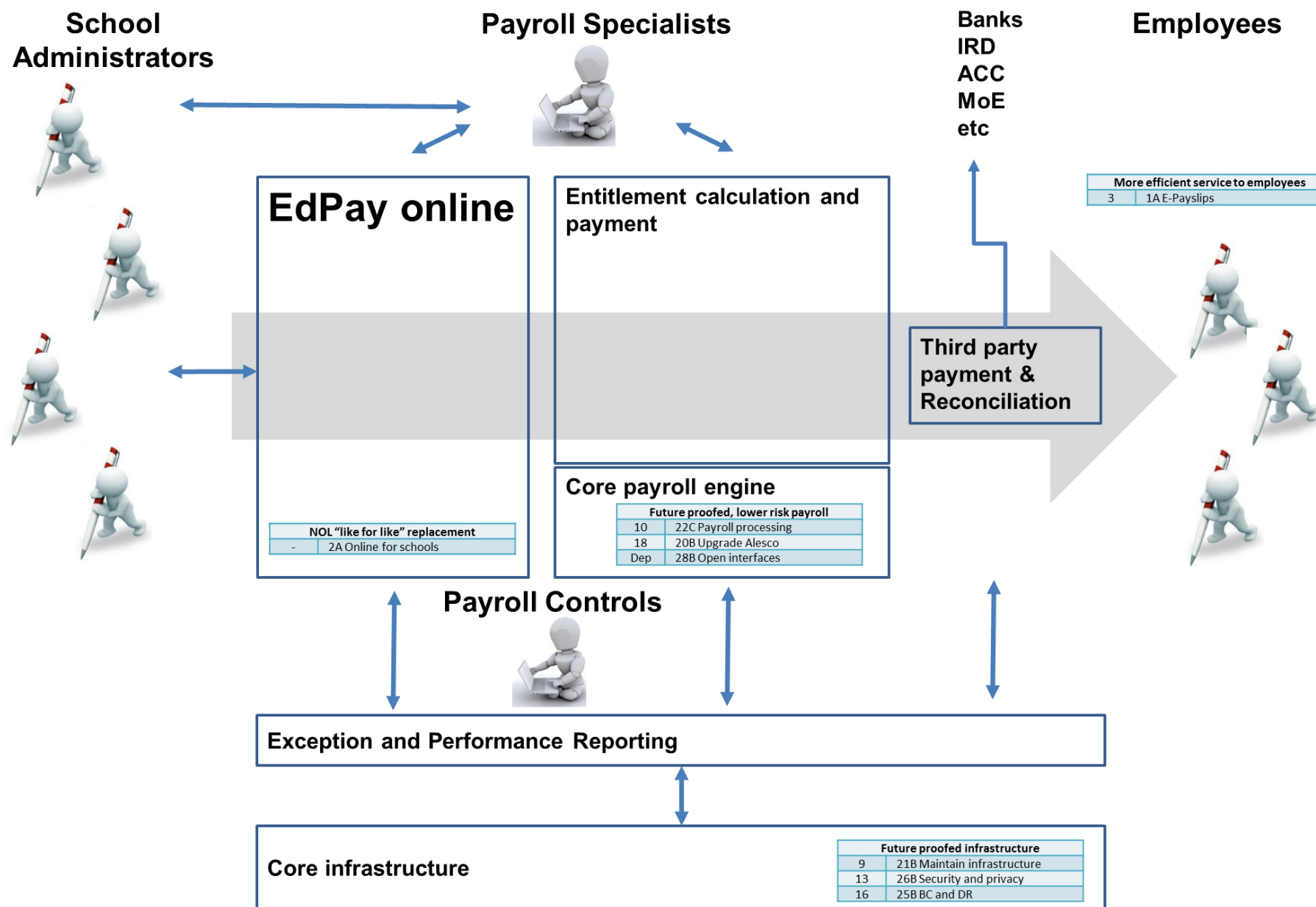| Future proofed infrastructure	
9	21B Maintain infrastructure
13	26B Security and privacy
16	25B BC and DR

Figure 41 Option 1+ Minimal viable

Option 2 – Risk and compliance

Option 2 – Risk and compliance – adds compliance to Option 1+, but EPL and schools gain minimal additional efficiencies

This option builds on Option 1+ adds compliance in key areas. Schools do not gain any additional functionality and only achieve some productivity gains through increased compliance reducing rework. EPL continues to have no significant productivity gains apart from the removing of some workarounds.

The replacement of NOL, the upgrading of tax system, and the enhanced analytics will require the development of an open interfaces package. This will also provide future-proofing by supporting a staged transition to a new payroll package.

Policy environment

No significant changes are made.

Employees

Employees will no longer have the option to receive paper payslips. All payslips will be sent out by email. This is implemented through WP 1A E-Payslips. This will bring savings to EPL through no longer having to print and mail payslips. (Note that this will require approval by the Secretary of Education prior to work commencing. The intent is accepted by the Ministry but the potential disruptive impact and practical implications to school employees will need to be considered and actively managed.)

The salary assessment processes will be improved through WP 38 Salary assessment. This will occur through the following:

- updating policy to enable electronic submissions for salary assessments and implementing e-mail communications between the SAU and staff and schools (rather than paper),

- providing better education to the sector on salary assessment

- improving operational procedures, including reducing hand-offs.

School administrators

School administrators receive support to increase their capability through WP 4B Payroll admin capability. This will occur through a tailored early intervention approach which ensures all administrators complete a well-designed, compulsory certified online course (self-paced modules) as part of their induction. Completing the course(s) would be incorporated into the process of registration of authorised users. There would be seven on line courses (or self-paced modules) and two trainer led webinars available for school administrators to complete. A webinar for up to 5 people would be available twice a term. The courses would be available to undertake at any time throughout employment (possible to do refresher training).

An online course outlining Principal's school payroll responsibilities would also be developed which could be incorporated into the curriculum for first time principals.

EPL staff would be specifically trained to help administrators use the online system and understand payroll. This training team would provide support for a fixed period (up to 12 months from registration as a user) to ensure the administrator understands their payroll

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duties and can use the online system. It would also include the development of in-house how-to videos to explain how to complete particular tasks.

An introduction to schools payroll would be incorporated into seminars and the residential course for first time principals and the EPL training team would provide proactive support until the Principal is confident they understand their role.

All touchpoints with the sector would be used as capability opportunities. This approach would comprise a combination of remote learning, phone training and case management support.

Online service to schools

NOL is replaced by a "like for like" replacement implemented through WP 2A Online for schools. This delivers the current functionality provided by NOL on a stable and supportable technical platform.

Entitlement calculation and payment

The key compliance issues around entitlement calculation and payment are resolved, excluding the Holidays Act requirements (These will be handled in a subsequent process with the Ministry once scoping is complete).

WP 27B EoY/SoY provides an additional report at EoY/SoY which provides schools full details of holiday pay for staff. This will increase the information available to schools about entitlements paid and reduce the requirement to contact EPL.

The remaining wider issues with leave are resolved through WP 18C Leave. This includes long service leave, leave bookings (the entry of actual leave and processing of this entered leave to appropriate pay categories and calculations), and annual leave for 52-week staff.

Issues relating to how service accumulation occurs are resolved through WP 34B Service accumulator. This work package resolves issues relating to anomalies in how service breaks occur, one-off / unique anomalies when service is recalculated in selected circumstances, occasional Oracle errors that occur during the running of the Service Accumulator, Pay Centre staff cannot view some service components held within the database, and service is calculated and held for a number of benefit types that are not used.

Funding process issues are resolved through WP 19C Funding processes. New processes will be established as to how General Ledger codes are set up and managed to ensure that pay comes from the correct funding. Reconciliation of the funding codes will be automated.

The current attestation process and reporting problems will be resolved through WP 36B Attestations. This will include revamped and new reports, updated attestation guidelines, and instructions for schools. It will also include revamped and new reports, updated processing instructions and training for EPL Pay Centre staff. There will be a clean-up of historical anomalies and data conversion errors dating from go live.

The key control reports provided to schools (SUE – Staffing, Usage, and Expenditure) will be improved through WP 24A Control reporting. This will include improved clarity on display of how pay transactions are generated, system changes to ensure accurate dates and general ledger strings are displayed, and a new process to apportion holiday pay for casual employees across the corresponding schools worked.

Core payroll engine

The operation of the payroll processing is improved through WP 22C Payroll processing. The software is modified to speed up the pay processing by 50%. The manual system operation is simplified to reduce the chance of errors when operating the pay run. This reduces the risk of pay run processing and creates more time to recover from problems when they do occur during the pay run.

The Ascender Pay payroll package is upgraded. WP 20B Upgrade Ascender Pay provides for two underlying technology upgrades over the ten-year period and one application upgrade. EPL will perform an initial underlying technology upgrade in 2018 while still using an old version of Ascender Pay (V12.3). EPL will upgrade Ascender Pay to the latest version in 2022. A further underlying technology upgrade will take place in 2027. EPL will negotiate a commercial agreement with Ascender HCM to provide support and maintenance on the Ascender Pay V12.3 version with updated Oracle version (database and web application server) up to 2022, as well as the version implemented in 2022.

An open interfaces package is implemented through 28B Open interfaces. This is a requirement for the new online replacement of NOL, the upgrade tax engine, and the enhanced analytics. It also provides the additional benefit of supporting a staged transition to a new payroll system.

Third party payment & reconciliation

Significant improvements are made to tax calculations and notifications to Inland Revenue through WP 13C Tax. This work package enhances the Ascender Pay tax engine by fixing the remaining defects, as well as decoupling the tax engine from Ascender Pay by moving the engine to a new tax platform to support easier management in the future. It also improves the employee setup processes and improves the IR344 adjustments process to Inland Revenue so that the Ministry is notified of the adjustments.

The current problems around overpayment adjustments and debt recovery are addressed through WP 17B Adjustments. This work package includes the following:

- an off-the-shelf debtors / creditors system to manage debt and recovery payments to schools along with corresponding control accounts / bank reconciliation.

- In house developed solution to generate EAS schedules for Inland Revenue, payment schedules for creditors, updated adjustments for Ascender Pay processors, and other school audit reports.

- In house developed solution to calculate adjustments for Teacher Holiday Pay required at the next Vacation period following the overpayment.

- In house solution to identify new debts raised each Pay Period for management via Ascender Pay.

- In house solution to report and manage impacts to Sector processes such as Banking Staffing and SAAR

The current Ascender Pay Payroll system will also be modified to receive and record new debts raised by employee / year. The employees impacted owing to termination, leave booked will be flagged and reported for manual review and correction each pay period.

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Exception and performance reporting

Reporting and analysis will be improved through WP 29C Enhanced analytics. This includes

- providing HR dashboard style reporting to the sector using data currently available via Novopay database on an individual, school and sector wide level to assist in evidence based decision making

- a self-service Business Intelligence platform accessible by up to 50 named EPL and Ministry staff

- a considerable improvement to school operational reporting

- creating models and views of data relationships to significantly simplify the steps required to obtain meaningful intelligence from available data

- increased exchanging of data, data feeds, and inter-organisation data sharing, thereby providing the ability to undertake analytics across broader datasets and enrich reports provided to the sector.

This work package also fully resolves the 14 Teachers Payroll Data Warehouse (TPDW) defects.

Core infrastructure

Core infrastructure is remediated through WP 21C Maintain infrastructure. This ensures that core software systems are kept current and assets are replaced in reasonable cycles (typically four years).

Security and privacy is augmented through WP 26C Security and privacy. This invests in ongoing management of security and privacy. It introduces tools to monitor, detect and manage security and privacy events.

Business continuity and disaster recovery is augmented through 25C Business Continuity and Disaster Recovery. This work package makes improvements to overall DR capability necessary to support a Recovery Time Objective of one day for all ICT systems. It brings changes in overall DR approach to reduce complexity, automate a number of recovery steps and enable the validation of the DR capability without impacting production.

School Administrators

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ACC
MoE
etc**

Employees

EdPay online

Entitlement calculation and payment

More efficient service to employees	
3	1A E-Payslips
5	38B Salary assessment

More accurate entitlements	
6	34B Service accumulator
18C	Leave
15A	Deductions

Improved information for schools	
4	19C Funding processes
7	36B Attestations
8	24A Control reporting
16	27B EoY/SoY

Third party payment & Reconciliation

More accurate tax & adjustments	
15	13C Tax
19	17B Adjustments

NOL "like for like" replacement	
-	2A Online for schools

Core payroll engine

Future proofed, lower risk payroll	
10	22C Payroll processing
18	20B Upgrade Alesco
Dep	28B Open interfaces

Improved school capability	
12	4B Payroll admin capability

Improved policy environment	
1	3A Reliever relationship
2	5B Simplify collectives
11	8C School approach employment

Payroll Controls

Exception and Performance Reporting

Improved information access	
14	29C Enhanced analytics

Core infrastructure

Future proofed infrastructure	
9	21C Maintain infrastructure
13	26C Security and privacy
16	25C BC and DR

Figure 42 Option 2 Risk and compliance

Option 3 – Digital assist / fully online

Summary

Option 3 – Digital assist / fully online – builds on Option 2 by adding a fully online, user friendly service interface for schools, reducing school effort, and enabling major efficiencies to be made in EPL

This option builds on Option 2 by adding a new online system for schools and a new business model to support this. Schools would only be able to enter their instructions through this online service. Schools would be supported through a digital assist process to ensure that they could use the online service.

This will enable EPL to reduce from its current size of 185 (including contractors in Christchurch) down to a 100 person organisation operating solely in Wellington. This enables Option 3 to deliver significant financial savings.

Option 3 also provides for approximately 25% effort savings for schools. (Note however that this will generally not convert directly to dollar savings for schools.)

This option also provides the potential for a path forward to a new core payroll engine. In this scenario, the Ascender Pay core payroll engine could be replaced by a new payroll while retaining the fully online school service interface. This will provide for the later implementation of Option 4 – staged transition to new payroll package.

This option will build on the account management operating model now being implemented to assist administrators at schools to use the new online service. Administrators will always be able to contact EPL to gain help and support.

Communities of Learning (COLs) will enable the sharing of payroll administrators between schools. This will provide some economies of scale within a COL for payroll as well as enabling the payroll administrator to increase their capability as payroll becomes more of their work. The schools payroll already supports administrators providing services across multiple schools.

This option also provides the potential for a path forward to a new core payroll engine. In this scenario, the Ascender Pay core payroll engine could be replaced by a new payroll while retaining the fully online school service interface.

Policy environment

Schools receive additional information and support on how to better manage relievers. This occurs through WP 3A Reliever relationship. This will include working with NZ School Trustees Association (NZSTA) to ensure its guidelines for boards include responsibilities for all employees and to ensure its newsletters remind boards of their obligations in terms of legislation, updating the Novopay website to point relievers back to schools for all enquiries about their employment and conditions, and updating the information for EPL staff about how to manage queries from relievers.

Monitoring and support for will be implemented to resolve selected areas of poor employment practices for schools. This will be implemented through WP 8C School approach employment. This will involve implementing systems and processes to identify likely non-compliance, and where non-compliance is confirmed, ensure school provide correct input/instructions to be compliant. The areas monitored will include year on year rollover of fixed term employment agreements, employees still on old versions of

promulgated individual employment agreements, employees on old versions of promulgated individual employment agreements with pay rates matching the current version.

A programme will be implemented to start the process of simplifying the collective agreements through work package 5B Simplify collectives. A framework will be designed to review areas where complexity exists or may be introduced through the negotiation of collective agreements. This will include the development of an agreed set of principles to identify and resolve complexity and identifying areas where complexity can be reduced. A draft change schedule calendar will be developed for approval through the improvement framework. An ongoing programme of simplification will be managed, including collective agreement renegotiation by collective agreement renegotiation.

The programme and framework will look to reduce operating cost and operating risk while considering the end to end schools payroll process (staff paid, schools, EPL, EPS, and wider Ministry) and costs.

Note that any potential benefits from the simplification programme have not been included in this business case.

Employees

Employees will no longer have the option to receive paper payslips. All payslips will be sent out by email. This is implemented through WP 1A E-Payslips. This will bring savings to EPL through no longer having to print and mail payslips. (Note that this will require approval by the Secretary of Education prior to work commencing. The intent is accepted by the Ministry but the potential disruptive impact and practical implications to school employees will need to be considered and actively managed.)

The salary assessment processes will be improved through WP 38 Salary assessment. This will occur through the following:

- updating policy to enable electronic submissions for salary assessments and implementing e-mail communications between the SAU and staff and schools (rather than paper)

- providing better education to the sector on salary assessment

- improving operational procedures, including reducing hand-offs.

Employees will receive an improved payslip so that they will have a better understanding of their fortnightly pay. The current payslip will be reformatted and codes replaced with clearer information about that pay period including hours worked, leave and allowances.

School administrators

School administrators receive support to increase their capability through WP 4B Payroll admin capability. This will occur through a tailored early intervention approach which ensures all administrators complete a well-designed, compulsory certified online course (self-paced modules) as part of their induction. Completing the course(s) would be incorporated into the process of registration of authorised users. There would be seven on line courses (or self-paced modules) and two trainer led webinars available for school administrators to complete. A webinar for up to 5 people would be available twice a term. The courses would be available to undertake at any time throughout employment (possible to do refresher training).

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An online course outlining Principal's school payroll responsibilities would also be developed which could be incorporated into the curriculum for first time principals.

EPL staff would be specifically trained to help administrators use the online system and understand payroll. This training team would provide support for a fixed period (up to 12 months from registration as a user) to ensure the administrator understands their payroll duties and can use the online system. It would also include the development of in-house how-to videos to explain how to complete particular tasks.

An introduction to schools payroll would be incorporated into seminars and the residential course for first time principals and the EPL training team would provide proactive support until the Principal is confident they understand their role.

All touchpoints with the sector would be used as capability opportunities. This approach would comprise a combination of remote learning, phone training and case management support.

Online service to schools

NOL is replaced by a new user-friendly online service that provides the ability to undertake all transactions online. This occurs through WP 2B Admin UI. This would be the only method for schools to submit payroll instructions.

This will create a fully integrated system that allows for all transactions to be entered online and provides an intuitive, differentiated experience depending on user capability. It could support an employee portal if required in the future.

Based on structured workflows informed by user research it would enable clear visibility of the status of a task and support straight through processing. It would provide full data validation at time of data entry and pre-population of data. The user would have visibility of all relevant data (subject to the Privacy Act) including payroll history in a view that suited their task – school or employee. Alerts and notifications can be sent to users to remind them to complete actions on time and enable payroll reporting to be managed by exceptions.

User support or assisted digital would be embedded in the interface. Content aware help such as hover support and integrated guidance content would help the user input the correct payroll instructions and stay in the online channel. It would support for effective client relationship management practices and issue resolution with built in service levels and escalation.

The system would enable clear variance reporting and allow users to create reports to suit their needs.

Entitlement calculation and payment

The key compliance issues around entitlement calculation and payment are resolved, excluding the Holidays Act requirements (These will be handled in a subsequent process with the Ministry once scoping is complete).

WP 27B EoY/SoY provides an additional report at EoY/SoY which provides schools full details of holiday pay for staff. This will increase the information available to schools about entitlements paid and reduce the requirement to contact EPL.

The remaining wider issues with leave are resolved through WP 18C Leave. This includes long service leave, leave bookings (the entry of actual leave and processing of this entered leave to appropriate pay categories and calculations), and annual leave for 52-week staff.

Issues relating to how service accumulation occurs are resolved through WP 34B Service accumulator. This work package resolves issues relating to anomalies in how service breaks occur, one-off / unique anomalies when service is recalculated in selected circumstances, occasional Oracle errors that occur during the running of the Service Accumulator, Pay Centre staff cannot view some service components held within the database, and service is calculated and held for a number of benefit types that are not used.

Funding process issues are resolved through WP 19C Funding processes. New processes will be established as to how General Ledger codes are set up and managed to ensure that pay comes from the correct funding. Reconciliation of the funding codes will be automated.

The current attestation process and reporting problems will be resolved through WP 36B Attestations. This will include revamped and new reports, updated attestation guidelines, and instructions for schools. It will also include revamped and new reports, updated processing instructions and training for EPL Pay Centre staff. There will be a clean-up of historical anomalies and data conversion errors dating from go live.

The key control reports provided to schools (SUE – Staffing, Usage, and Expenditure) will be improved through WP 24A Control reporting. This will include improved clarity on display of how pay transactions are generated, system changes to ensure accurate dates and general ledger strings are displayed, and a new process to apportion holiday pay for casual employees across the corresponding schools worked.

Core payroll engine

The operation of the payroll processing is improved through WP 22C Payroll processing. The software is modified to speed up the pay processing by 50%. The manual system operation is simplified to reduce the chance of errors when operating the pay run. This reduces the risk of pay run processing and creates more time to recover from problems when they do occur during the pay run.

The Ascender Pay payroll package is upgraded. WP 20B Upgrade Ascender Pay provides for two underlying technology upgrades over the ten-year period and one application upgrade. EPL will perform an initial underlying technology upgrade in 2018 while still using an old version of Ascender Pay (V12.3). EPL will upgrade Ascender Pay to the latest version in 2022. A further underlying technology upgrade will take place in 2027. EPL will negotiate a commercial agreement with Ascender HCM to provide support and maintenance on the Ascender Pay V12.3 version with updated Oracle version (database and web application server) up to 2022, as well as the version implemented in 2022.

An open interfaces package is implemented through 28B Open interfaces. This is a requirement for the new online replacement of NOL, the upgrade tax engine, and the enhanced analytics. It also provides the additional benefit of supporting a staged transition to a new payroll system.

Third party payment & reconciliation

Significant improvements are made to tax calculations and notifications to Inland Revenue through WP 13C Tax. This work package enhances the Ascender Pay tax engine by fixing the remaining defects, as well as decoupling the tax engine from Ascender Pay by moving

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the engine to a new tax platform to support easier management in the future. It also improves the employee setup processes and improves the IR344 adjustments process to Inland Revenue so that the Ministry is notified of the adjustments.

The current problems around overpayment adjustments and debt recovery are addressed through WP 17B Adjustments. This work package includes the following:

- an off-the-shelf debtors / creditors system to manage debt and recovery payments to schools along with corresponding control accounts / bank reconciliation.

- In house developed solution to generate EAS schedules for Inland Revenue, payment schedules for creditors, updated adjustments for Ascender Pay processors, and other school audit reports.

- In house developed solution to calculate adjustments for Teacher Holiday Pay required at the next Vacation period following the overpayment.

- In house solution to identify new debts raised each Pay Period for management via Ascender Pay.

- In house solution to report and manage impacts to Sector processes such as Banking Staffing and SAAR.

The current Ascender Pay Payroll system will also be modified to receive and record new debts raised by employee / year. The employees impacted owing to termination, leave booked will be flagged and reported for manual review and correction each pay period.

Exception and performance reporting

Reporting and analysis will be improved through WP 29C Enhanced analytics. This includes

- providing HR dashboard style reporting to the sector using data currently available via Novopay database on an individual, school and sector wide level to assist in evidence based decision making

- a self-service Business Intelligence platform accessible by up to 50 named EPL and Ministry staff

- a considerable improvement to school operational reporting

- creating models and views of data relationships to significantly simplify the steps required to obtain meaningful intelligence from available data

- increased exchanging of data, data feeds, and inter-organisation data sharing, thereby providing the ability to undertake analytics across broader datasets and enrich reports provided to the sector.

This work package also fully resolves the 14 Teachers Payroll Data Warehouse (TPDW) defects.

Core infrastructure

Core infrastructure is remediated through WP 21C Maintain infrastructure. This ensures that core software systems are kept current and assets are replaced in reasonable cycles (typically four years).

Security and privacy is augmented through WP 26C Security and privacy. This invests in ongoing management of security and privacy. It introduces tools to monitor, detect and manage security and privacy events.

Business continuity and disaster recovery is augmented through 25C Business Continuity and Disaster Recovery. This work package makes improvements to overall DR capability necessary to support a Recovery Time Objective of one day for all ICT systems. It brings changes in overall DR approach to reduce complexity, automate a number of recovery steps and enable the validation of the DR capability without impacting production.

School Administrators

Payroll Specialists

Banks
IRD
ACC
MoE
etc

Employees

EdPay online

Entitlement calculation and payment

More accurate entitlements	
6	34B Service accumulator
18C	Leave
15A	Deductions

Improved information for schools	
4	19C Funding processes
7	36B Attestations
8	24A Control reporting
16	27B EoY/SoY

Third party payment & Reconciliation

More efficient service to employees	
3	1A E-Payslips
5	38B Salary assessment
38	11A Info to employees

More accurate tax & adjustments	
15	13C Tax
19	17B Adjustments

Core payroll engine

Future proofed, lower risk payroll	
10	22C Payroll processing
18	20B Upgrade Alesco
Dep	28B Open interfaces

Reduced school payroll effort	
17	2B Admin UI

Improved school capability	
12	4B Payroll admin capability

Improved policy environment	
1	3A Reliever relationship
2	5B Simplify collectives
11	8C School approach employment

Payroll Controls

Exception and Performance Reporting

Improved information access	
14	29C Enhanced analytics

Core infrastructure

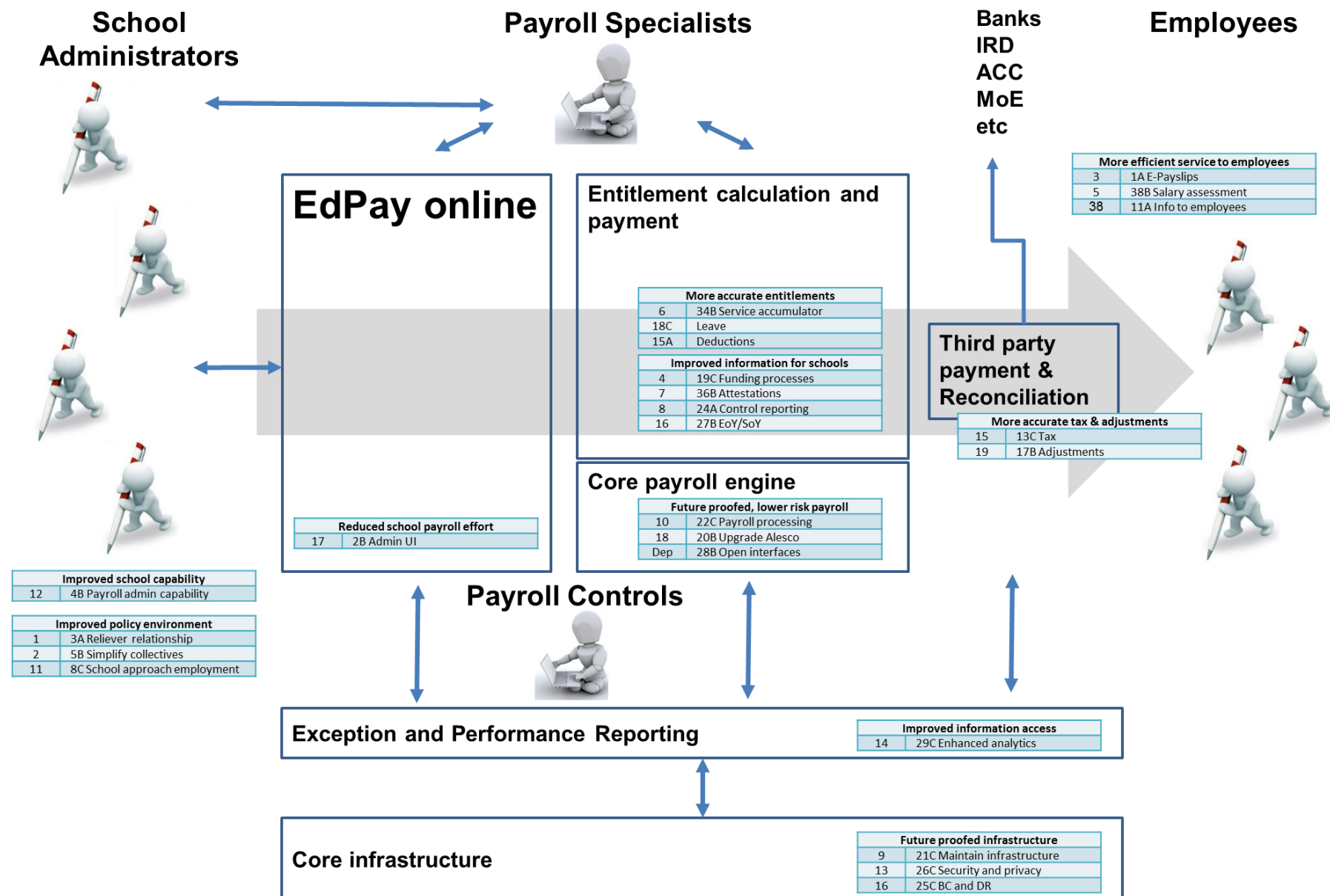| Future proofed infrastructure	
9	21C Maintain infrastructure
13	26C Security and privacy
16	25C BC and DR

Figure 43 Option 3 Full online / digital assist

APPENDIX D: EPL current risk register

The following table summarises the EPL corporate risk register as at 30 May 2016.

Table 44 EPL corporate risk register

		Risk Description			Inherent				Risk Treatment (avoid, Transfer, Mitigate, Accept)		Residual				
Risk #	Date opened	Description		Consequences	Consequence	Likelihood	Risk Rating	Accept Y/N	Comments	Update/Progress	Consequence	Likelihood	Opening Risk	Current	Target 16/17
EPL0	24/07/2015	**Non Payment of Significant Numbers of Employees**	If there is a payroll failure of any type and it is not possible to process the pay.	Increased costs for rectification and loss of trust and confidence of the sector and public.	Severe	Possible	High	N	Mitigation: This is an aggregated risk and shows the new effect of risks and treatments related to payroll provision. Further improvements in risk status of payroll service delivery risks will improve this rating.	ON TRACK	Severe	Unlikely		Medium	Medium
EPL1	24/07/2015	**Technology Process Failure**	If payroll processing failure occurs, then it will not be possible to pay accurately and on time.	Increased costs for rectification and loss of trust and confidence of the sector and public.	Major	Possible	Very High	N	Mitigation: Primarily through documented payroll processing processes and controls. Improvements made through WP Projects CP001 to CP006 provide the predominant treatments to this risk. Experience in EoY indicated that technology failure has higher potential for service disruption and payroll processes accommodate technology failures. This is dependent on technology enhancements which are covered in treatments for Risk EPL7.	ON TRACK – Approved project "Alesco Performance, Stability and Monitoring" to reduce processing time and ensure stable payroll processing. New infrastructure and processes implemented with more contingency time available as processing time has reduced 30%.	Major	Unlikely	High	Medium	Medium

		Risk Description			Inherent				Risk Treatment (avoid, Transfer, Mitigate, Accept)		Residual				
Risk #	Date opened	Description	Consequences	Consequence	Likelihood	Risk Rating	Accept Y/N	Comments	Update/Progress	Consequence	Likelihood	Opening Risk	Current	Target 16/17	
EPL2	24/07/2015	System Business Rules Errors	If the rules that the System processes pay are not accurate enough, then errors will be introduced into the pays.	Increased costs for rectification and higher debt levels	Major	Almost certain	Very High	N	Mitigation: Work arounds in place for the major issues but risks remain in areas such as Tax, Terminations, Holidays Act. There are a number of projects to address this risk underway.	UNDER MANAGEMENT – Candidates for addressing system rules processing errors have been identified and are being progressed through DBC analysis and prioritisation. This includes defect remediation and EPL and the Ministry are undertaking analysis work on Holidays Act.	Major	Possible	High	High	Medium
EPL3	24/07/2015	Pay Centre and Call Centre Business Process Failure	If business processes don't function effectively then it will not be possible to pay accurately and on time	Increased costs for rectification and loss of trust and confidence of the sector and public	Major	Possible	High	N	Mitigation: High level of process controls in place and real-time monitoring. Improvements in control environment will be implemented to reduce risks.	UNDER MANAGEMENT- Risks reducing significantly as the processes have been demonstrating high degrees of resilience. Risk increasing however due to risk of business change, see specific risk below.	Moderate	Unlikely	High	Medium	Medium
EPL4	24/07/2015	Incorrect Provision of Information or Payments to 3rd Parties	If payments and information to parties such as ACC, IRD, Unions, Super providers is not correct.	Increased costs for rectification and loss of trust and confidence of the sector and public.	Major	Possible	High	N	Mitigation: Work arounds in place and improvements progressing. Improvement activity underway with PPTA.	ON TRACK – Continuing to make progress on 3rd party reconciliation. Once processes/project related to Tax are finalised this risk is likely be downgraded.	Moderate	Possible	High	Medium	Medium
EPL5	24/07/2015	Disclosure of Personal Information	If person information is disclosed to the wrong person (as defined by the Privacy Act).	Increased costs for rectification and loss of trust and confidence of the sector and public.	Major	Possible	High	N	Mitigation: Privacy functions and processes being established. Incident management in place. Further work to be completed after PIA early 2016.	UNDER MANAGEMENT – Draft PIA report has been received and recommendations reviewed. Ministry has provided feedback. A project is being put in place to act on the recommendations and improve the EPL privacy	Major	Possible	High	High	Medium

		Risk Description			**Inherent**				**Risk Treatment (avoid, Transfer, Mitigate, Accept)**		**Residual**				
Risk #	Date opened	Description	Consequences	Consequence	Likelihood	Risk Rating	Accept Y/N	Comments	Update/Progress	Consequence	Likelihood	Opening Risk	Current	Target 16/17	
									profile.						
EPL6	24/07/2015	**Insufficient Sector Capability**	If there is not enough capability in the sector to provide accurate instructions to EPL leading to inaccurate pay and increased debt levels.	Increased costs for the sector and EPL to rectify issues.	Major	Almost certain	Very High	N	Mitigation: Although there are processes in place to reduce risk of impacts of insufficient sector capability, current uncertainties about accountabilities of management of sector capability increases risks.	ON TRACK – Decision made to retain Education Payroll Advisors and transfer function to EPL. This will take effect on 4 July. Two further School Centric teams to be introduced in Operations as EPL transition into a customer centric business.	Moderate	Possible	High	Medium	Low
EPL7	24/07/2015	**Technology Systems Failure**	If a technology systems failure occurs it will not be possible to process pay on time.	Increased costs for rectification and loss of trust and confidence of the sector and public.	Severe	Possible	High	N	Mitigation: Support structures for front office and back office systems in place and improvements being made through IF001 to IF006 and AP001 to AP008.	ON TRACK – Significant progress on ICT remediation projects. The Footprints project has highlighted single points of failure and on-going challenges that has led to upward review of this risk item.	Severe	Possible	High	High	Medium
EPL8	24/07/2015	**Technology Lifecycle Management Failure**	If technology systems are not kept current it may be very complex to upgrade or defects will occur.	Potential of technology failure (Risk EPL7) or high costs and risks with upgrades	Major	Possible	High	N	Mitigation: Work is progressing on identification of upgrade plans for all systems. Decisions are yet to be made on the major risk related to the Alesco system. This work will be completed for inclusion in the DBC.	ON TRACK – Alesco discovery work is complete and that has informed our input to DBC. Projects to remediate the infrastructure (core and corporate) are tracking to plan.	Moderate	Unlikely	High	Medium	Low
EPL9	24/07/2015	**Insufficient EPL Staff Capability**	If there are unfilled gaps in the organisation and/or staff are not sufficiently trained, motivated or engaged this could lead to process failure and disruption operations.	Increased costs for rectification and loss of trust and confidence of the sector and public	Major	Possible	High	N	Mitigation: Workforce, engagement and development planning is in place. Key staff risks remain and are being monitored.	ON TRACK – Reduction in capability in Apps Op team with multiple resignations. Recruitment completed and upskilling underway.	Major	Unlikely	High	Medium	Low
EPL10	24/07/2015	**Insufficient**	If the financial and/or	Increased costs	Major	Possible	High	N	Mitigation: Process	ON TRACK- Good	Moderate	Possible	High	Medium	Low

		Risk Description			Inherent				Risk Treatment (avoid, Transfer, Mitigate, Accept)		Residual				
Risk #	Date opened	Description	Consequences	Consequence	Likelihood	Risk Rating	Accept Y/N	Comments	Update/Progress	Consequence	Likelihood	Opening Risk	Current	Target 16/17	
		Payroll Process Controls	process controls inadequate this could lead to over or under payments or/and inability to reconcile to third parties.	for rectification and loss of trust and confidence of the sector and public.					controls are in place and will continue to be enhanced. GL001 to GL009, TR001 to TR007 and PI001 all have aspects of payroll control as do the response to Schools and Payroll audits.	progress on implementation of controls and responses to EY Audits and IRD compliance. EY engaged and work has begun on establishing ISAE3402 control framework.					
EPL11	24/07/2015	Information Security Breach	If the protection of systems and processes is not adequate there is the potential of people and organisations accessing EPL and/or stakeholder information.	Increased costs for rectification and loss of trust and confidence of the sector and public.	Severe	Likely	Very High	N	Mitigation: Basic security controls are in place. Addressed through projects SP001 to SP008 and IF001 to IF004.	ON TRACK- Projects to reduce risks are all being implemented.	Major	Unlikely	Very High	Medium	Medium
EPL12	24/07/2015	System Supplier Does Not Provide Adequate Support	If the payroll system supplier does not provide adequate support for development and maintenance, then there is risk of systems failure.	Increased costs for rectification and loss of trust and confidence of the sector and public	Major	Almost certain	Very High	N	Mitigation: a) Relationship process with Ascender in place and improving. b) Own resources also in place to mitigate risk of supplier not providing support.	ON TRACK – Relationship continuing to develop with Ascender. Partnership with Ascender Pay NZ Strategic Forum providing good traction. Performance with Tax patch has led to review of risk and trend. Concerns escalated to Ascender.	Major	Unlikely	Very High	Medium	Medium
EPL13	24/07/2015	There is Not Enough Resources in EPL to Manage Major Issues	If a major issue emerges with the provision of payroll there are not enough resources for EPL to manage the event.	Increased costs for rectification and loss of trust and confidence of the sector and public.	Major	Likely	High	N	Mitigation: a) Agreement is in place with MoE for resources if required. b) Risk of major events reducing.	ON TRACK – Now at residual risk level.	Major	Unlikely	High	Medium	Medium
EPL14	24/07/2015	There is not Sufficient Funding for EPL Operations	If there is not enough funding for EPL to address key risks which will lead to failure in business operations and delivery of the payroll.	Increased costs for rectification and loss of trust and confidence of the sector and public.	Major	Almost certain	Very High	N	Mitigation: Plan is in place for funding until mid-2017. Strategic review and DBC process to address the mid-longer term.	ON TRACK- Dependent on progress of DBC and funding levels for outyears. Current financial outlook tracking to plan.	Major	Possible	High	High	Medium
EPL15	24/07/2015	Misalignment of Stakeholder	If there is misalignment of stakeholder	Increased costs and risks to	Major	Possible	High	N	Mitigation: a) Implementation of the	ON TRACK- Governance process with the Ministry	Major	Unlikely	High	Medium	Low

		Risk Description			Inherent				Risk Treatment (avoid, Transfer, Mitigate, Accept)			Residual			
Risk #	Date opened	Description	Consequences	Consequence	Likelihood	Risk Rating	Accept Y/N	Comments	Update/Progress	Consequence	Likelihood	Opening Risk	Current	Target 16/17	
		Expectations	expectations leading to delays in decisions impacting on business functioning.	delivery of service			High		governance arrangements as per the Services Agreement. b) Focus on sector engagement and c) work closely with central agencies d) Use the Strategic Review and DBC work to ensure alignment.	are developing well. Will focus on sector engagement through the Sector Leaders Forum. Ongoing support from central agencies, MBIE and GCIO.			High	Medium	Green	
EPL16	24/07/2015	Lack of Time to Upgrade/Replace the Alesco System	If there is insufficient time to upgrade or replace the Alesco system leading to failures and disruption of the pay processes.	Increased costs for rectification and loss of trust and confidence of the sector and public.	Major	Likely	High	N	Mitigation: Completion of the DBC and discovery work to determine upgrade/replacement option.	ON TRACK – Alesco discovery work is complete and that has informed our input to DBC (given us available options). A summary paper for DBC has been prepared to tie the terms of reference of the discovery work with the findings and it indicates that there is no immediate pressure to do the Alesco upgrade.	Moderate	Unlikely	High	Medium	Low	
EPL17	21/01/2016	Failure of Detailed Business Case to define a sustainable payroll service	If the DBC does not define a plan for sustainable payroll Including investment, technology and operating model) the future of the service will be at risk.	Business failure and services at risk	Severe	Possible	High	N	Mitigation: Implement a DBC project which includes stakeholders, has a robust analytical process and delivers a case which has clear defined benefits.	UNDER MANAGEMENT – Some further work to be completed to address stakeholder concerns. Date for DBC now September 2016.	Major	Unlikely	High	High	Medium	
EPL20	26/01/2016	Insufficient time and resources for processing Terminations and Holiday Pay together over PP19 for 2016-2017 EoY	If the payroll system and pay execution processes cannot handle both Terminations and Holiday Pay at the same time, there is a risk of inaccurate payments being made or payments not being made at all.	Increased costs for rectification and loss of trust and confidence of the sector and public	Severe	Possible	High	N	Mitigation: Complete early planning for EoY including test run of both Terminations and Holiday Pay in a single pay period. In parallel, implement the core remediation work alongside process performance improvements.	ON TRACK – Project Brief prepared and signed-off for EoY/SoY 16 technology components. Another Project Brief prepared and approved for the process components. Sector leaders informed of the PP19 processing revised	Severe	Possible	High	High	Medium	

		Risk Description			Inherent				Risk Treatment (avoid, Transfer, Mitigate, Accept)			Residual			
Risk #	Date opened	Description	Consequences	Consequence	Likelihood	Risk Rating	Accept Y/N	Comments	Update/Progress	Consequence	Likelihood	Opening Risk	Current	Target 16/17
									timeframes.					
EPL21	10/03/2016	**Health and Safety risk to EPL Personnel**	If Health and Safety is not managed effectively then EPL risk Health and Safety issues.	Risk of injury and illness, including a serious harm injury could result in personal and organisational liability	Severe	Possible	High	N	Mitigation: Ensure all staff and management are aware of their responsibilities around H&S. Actively promote H&S in the workplace. Have in place effective H&S polices. Follow effective hazard management and regularly report on H&S issues.	WELL MANAGED – Management and organisational focus on H&S safety and imbedding polices within the workplace.	Minor	Rare	High	Low	Low
EPL22	13/06/2016	**Organisational change management**	If the change management process and transition to a new structure/ways of working are not managed effectively then EPL is at risk of losing capability, capacity and productivity.	Business service failure and loss of trust and confidence of the sector and public	Major	Possible	High	N	Mitigation: Follow a robust change management process and ensure regular communications with staff.	ON TRACK – Change Management Plan in place and delivering to the plan to date.	Major	Possible	High	Medium	Medium

APPENDIX E: Refinement of the investment objectives

The investment objectives established in the Indicative Business Case were refined through the MCDA process.

A workshop was held to develop the criteria with representatives from the Ministry, EPL, central agencies, and schools. These criteria were further refined through consultation with the Ministry and EPL. These criteria were then verified against the original IBC assessment criteria.

The following table summarises these MCDA assessment criteria and shows how they were used to develop the refined criteria used in this DBC.

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Table 45 Development of refined assessment criteria

MCDA Criteria		Mapping to original IBC criteria		Refined Assessment Criteria for this Detailed Business Case
Criterion	**Description**	**IBC Criterion**	**Relationship to MCDA Criteria**	
Accurate and timely delivery of payroll	The extent to which the initiative assists in the delivery of a payroll that is both accurate and on time. This criterion includes the correct pay of rights and entitlements, deductions and allowances. This includes compliance with Ministry of Education policies, Collective Agreements, and pay-related legislation. It includes the extent to which the initiative assists in avoiding fiscal risks, both at the time and over time. This criterion <u>does not</u> include: • the reputational benefits that come from the delivery of an accurate and timely payroll which are covered under the 'Reputation' criterion. • compliance with Privacy law and security requirements, or other non-pay-related legislation, which is covered under the 'Reputation' criterion. • the extent to which the initiative helps users to understand their pay information; and/or agencies to derive useful and accurate data from the payroll – these benefits are covered under the 'Payroll Information & Data' criterion.	Accurate and timely staff pay and entitlements	Equivalent	**Accurate and timely delivery of payroll**
Reputation	The extent to which the initiative assists in public and users' trust and confidence in the service and those responsible for the service (Minister, Board, MoE, EPL). It also includes the extent to which the initiative helps provide confidence in the advice provided to those using the payroll services. This criterion includes benefits from compliance with Privacy law, security requirements, audit requirements and other non-pay related legislation. This criterion <u>does not</u> include: • the benefits from compliance with Ministry of Education Policies, Collective Agreements, and pay-	Not present	Reputation was a new criterion identified through the MCDA process	**Reputation**

MCDA Criteria		Mapping to original IBC criteria		Refined Assessment
	related legislation – these are covered under the 'Accurate and timely delivery of payroll' criterion. • the benefits that come from the delivery of an accurate and timely payroll which are covered in the 'Accurate and timely delivery of payroll' criterion.			
Sector productivity	The extent to which the initiative assists EPL to provide a payroll service that is easy to use and maximises efficiencies for sector users. It includes the extent to which the initiative helps maximise the value from administrators and principals' time – freeing up time to focus on education outcomes. It also includes the extent to which the initiative helps create efficiency through leveraging improvements to the existing operating system rather than fundamentally changing the payroll system. This criterion also includes the benefits from having a repository/centre of collective knowledge and the provision of support for users. It also includes the extent to which the initiative supports the transfer of personal information with staff regardless of where they move within the sector.	Efficient and effective payroll service to schools and staff [Schools]	Equivalent with respect to schools	**Sector productivity**
Payroll information and data	The extent to which the initiative assists the provision of clear, understandable and usable information to people paid, schools, and other organisations involved in the overall pay chain. This criterion also includes the extent to which the initiative helps users to understand the pay information. It also includes the extent to which the initiative helps to provide more usable data and information for other purposes (e.g. MOE for workforce forecasting and planning; IRD and other organisations). This includes the extent to which the initiative increases analytical ability or reporting functionality.	Usable and timely payroll data to support wider government requirements		**Payroll information and data**
Future Proofing / Sustainability	The extent to which the initiative contributes to delivering the value of the above criteria not just in the short term but over the longer term and on a sustainable basis. This criterion also includes ensuring EPL is more financially stable medium to longer term.	Sustainable operation		**Future Proofing / Sustainability**
N/A	[Reflected in the MCDA analysis by using the financial	Efficient and effective	The work packages	**Efficient service**

MCDA Criteria		Mapping to original IBC criteria		Refined Assessment
	benefits]	payroll service to schools and staff [EPL/Ministry]	documented efficiency gains in terms of financial benefits. These were assessed as financial benefits as part of the MCDA process.	
N/A		Demonstrated value for money	The MCDA process is inherently focused on value for money. No additional MCDA criterion required. Value for money is covered by the "Efficient service" objective.	N/A
N/A		Appropriate ownership	Minister responsible for Novopay requested that this this not be considered as part of the DBC	N/A

APPENDIX F: Transition risk of preferred option

The following diagrams and table summarise the transition risk for the preferred option (Option 3) as identified through facilitated risk workshops held with key subject matter experts. These show:

- a map of the inherent risk level – i.e. the risk level before mitigation is applied

- a map of the residual risk level – i.e. the risk level after mitigation is applied

- a snapshot of the risk register describing the risks in more detail and the mitigations.

Fehler! Verwenden Sie die Registerkarte 'Start', um Heading 1,h1 dem Text zuzuweisen, der hier angezeigt werden soll.

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	STAKEHOLDER / SECTOR	GOVERNANCE	MANAGEMENT / RESOURCES	DESIGN	TECHNOLOGY	BENEFITS / FINANCIAL	VENDOR
Very High	05: Schools unwilling to undertake any more change 07: Schools will not use the NUI	17: Information and knowledge not passed between EPL & MoE 18: Good decisions not made in required timeframes					
High	01: Bad publicity 02: Wider govt does not back move to full online 03: Key stakeholders change their minds 04: Schools insufficiently engaged 06: Schools don't have capability to use new systems 08: New service impacts reputation of schools 09: Schools are confused by multiple systems	10: Roles and responsibilities between EPL and MoE 11: Priorities between EPL and MoE 12: BAU versus programme priorities 14: Impact of changes outside the programme (e.g. IRD) 15: Impact of digital strategy 16: Impact of Holidays Act work	19: EPL & MoE cannot work together in agile manner 20: Timeline pressure 22: Development creates new defects 23: EPL cannot adjust to agile methods 25: Requirements not complete enough 26: Requirements not detailed enough 27: Capacity of key staff limits what can be achieved 28: Requirements of work packages conflict 58: Past lessons not learned 59: Right people not available 60: Cannot retain / recruit right people	29: Complexities of reqs of NUI not well enough understood 30: New business requirements increase complexity and impact 31: Complex reqs cannot be translated into NUI 32: NUI validation cannot be comprehensive enough 33: NUI cannot provide single picture to schools 34: Requirements insufficiently understood	38: Alesco upgrade cannot be achieved 39: Upgrade Alesco makes development difficult 42: Sector digital strategy not well enough advanced 43: Change to vendor tech roadmaps (e.g. Oracle) 44: High rework from Alesco upgrade 45: New environment more costly to maintain	47: NUI doesn't achieve costs savings 48: Don't get benefits from NUI in req'd timeframes 51: $ from DBC insufficient to achieve all benefits	55: Ascender does not have required capability
Medium		13: Conflicting priorities of organisations re digital strategy	21: Open interface slows down NUI 24: NUI transparency results in errors detected and retro	35: Cannot achieve full online service 36: Limitations of Alesco	37: Alesco cannot be modified as required 40: Privacy and security impacts 41: Hidden limitations in cloud services 46: Govt cloud services of req'd quality not available in time	49: Benefits plan insufficient enough 50: Costs escalate 52: Ongoing costs increase	54: Ascender does not deliver what is required 56: NUI vendor cannot deliver 57: NUI vendor and Ascender do not work well together 53: Vendor for NUI cannot be found
Low							

Figure 44 Inherent transition risk map (risks *before* mitigation)

STAKEHOLDER / SECTOR	GOVERNANCE	MANAGEMENT / RESOURCES	DESIGN	TECHNOLOGY	BENEFITS / FINANCIAL	VENDOR

Very High

High

Medium

		17: Information and knowledge not passed between EPL & MoE			47: NUI doesn't achieve costs savings	
09: Schools are confused by multiple systems	18: Good decisions not made in required timeframes	58: Past lessons not learned	31: Complex reqs cannot be translated into NUI			
07: Schools will not use the NUI		59: Right people not available	32: NUI validation cannot be comprehensive enough			55: Ascender does not deliver what is required
01: Bad publicity	16: Impact of Holidays Act work	60: Cannot retain / recruit right people	33: NUI cannot provide single picture to schools			56: NUI vendor cannot deliver
		25: Requirements not complete enough	34: Requirements insufficiently understood			55: Ascender does not have required capability
		27: Capacity of key staff limits what can be achieved	36: Limitations of Alesco	38: Alesco upgrade cannot be achieved		53: Vendor for NUI cannot be found
		26: Requirements not detailed enough	30: New business requirements increase complexity and impact	39: Upgrade Alesco makes development difficult	48: Don't get benefits from NUI in req'd timeframes	
03: Key stakeholders change their requirements	14: Impact of changes outside the programme (e.g. IRD)	23: EPL cannot adjust to agile methods	29: Complexities of reqs of NUI not well enough understood	37: Alesco cannot be modified as required	51: $ from DBC insufficient to achieve all benefits	
	12: BAU versus programme priorities	23: EPL cannot adjust to agile methods	61: That insufficient attention is paid to the needs of schools	43: Change to vendor tech roadmaps (e.g. Oracle)		
05: Schools unable to undertake the req'd change	11: Priorities between EPL and MoE	24: NUI transparency results in errors detected and retro	62: Short term system focus limits long term change			
		20: Timeline pressure impacts quality and benefits	63: Wrong balance between automation and simplicity			
06: Schools don't have capability to use new systems	10: Roles and responsibilities between EPL and MoE	19: EPL, MoE &vendors cannot work together in agile manner				

Low

				44: High rework from Alesco upgrade		
				45: New environment more costly to maintain		
				46: Govt cloud services of req'd quality not available in time		
02: Wider govt does not back move to full online	14: Conflicting priorities of organisations re digital strategy	21: Open interface slows down NUI	35: Cannot achieve full online service	40: Privacy and security impacts	49: Benefits plan insufficient enough	57: NUI vendor and Ascender do not work well together
08: New service impacts reputation of schools	15: Impact of digital strategy	22: Development creates new defects		41: Hidden limitations in cloud services	50: Costs escalate	
		28: Requirements of work packages conflict		42: Sector digital strategy not well enough advanced	52: Ongoing costs increase	

Figure 45 Residual transition risk map (risks *after* mitigation)

Fehler! Verwenden Sie die Registerkarte 'Start', um Heading 1,h1 dem Text zuzuweisen, der hier angezeigt werden soll. Schools Payroll Detailed Business Case

Table 46 Transition risk register for preferred option (Option 3)

Risk #	Date	Risk Description	Category	Inherent Risk			Mitigation	Residual Risks after Mitigation		
				Prob	Impact	Level		Prob	Impact	Level
1	22/07/2016	That consequential bad publicity impacts the programme negatively, reducing acceptance of sector for change, and reducing stakeholder willingness to support change	Stakeholder	Possible	Major	High	- Communications and stakeholder management - Detailed Stakeholder Management Plan - Stakeholder involvement - Proactive media focused strategy required - Consider timing of Novopay rebranding	Rare	Major	Medium
2	22/07/2016	That wider government (Ministry, Ministers) does not back the moving of schools to a full online environment, resulting in increased costs and delayed benefits	Stakeholder	Possible	Major	High	- Communications and stakeholder management - Ensure DBC clear on what is required, will be delivered, and the associated benefits - Analysis and pre-design agreement on ability for forms to be processed online - Agree what forms are not able to be pushed to online and agree impact on benefit realisation	Rare	Negligible	Low
3	22/07/2016	That key stakeholders change their requirements, impacting deliverables, costs, benefits	Stakeholder	Possible	Major	High	- Communications and stakeholder management - Governance around change control - Continued engagement with shareholding Ministers regarding changes - Pre agreement with key stakeholders on delivery objectives and barriers to success - Ensure DBC is clear about what will be delivered	Unlikely	Major	Medium
5	22/07/2016	That schools are unable to undertake any more change	Sector	Likely	Severe	Very High	- Consultation, engagement, listening - User centred design with strong involvement from the sector - Training, and ongoing support via multiple & appropriate means (i.e. online, telephone, etc.) - POC, pilot, progressive rollout - Communications - Leverage from other change happening in the wider sector - Ensure strong benefits for schools - Use of account management model and capability advisors - Pre agreement with key stakeholders on delivery objectives and barriers to success - Sufficient training and ongoing support in a phased go live roll out - School Account Teams have the technical skills to fully assist schools during transition and post go live - Establish value before rolling out widely - Agree with key stakeholders what objectives and deliverables are - Do no promise what cannot be delivered - Ensure resources required are available - Ensure agreement from all stakeholders - Deploy to closed group of users first - Ensure right change approach taken	Unlikely	Major	Medium

Risk #	Date	Risk Description	Category	Inherent Risk			Mitigation	Residual Risks after Mitigation		
				Prob	Impact	Level		Prob	Impact	Level
6	22/07/2016	That school administrators do not have the capability to use the new systems, resulting in continued use of the old forms and additional staff required, increasing costs and reducing benefits	Sector	Possible	Severe	High	- Early engagement - User centred design - Training, and ongoing support via multiple & appropriate means (i.e. online, telephone, etc.) - Incremental rollout - Ensure strong benefits from schools - Use of account management model and capability advisors - Ensure strong benefits FOR schools are tangible and understood by the schools - Ensure EPL account management training includes ability to support schools during and post transition	Unlikely	Major	Medium
7	22/07/2016	That schools will not use the NUI, resulting in continued use of the old forms and additional staff required, increasing costs and reducing benefits	Sector	Likely	Severe	Very High	- Consultation, engagement, listening - User centred design with strong involvement from the sector - Training, and ongoing support via multiple & appropriate means (i.e. online, telephone, etc.) - Progressive rollout - Communications - Leverage from other change happening in the wider sector - Ensure strong benefits for schools - Use of account management model and capability advisors - Pre agreement with key stakeholders on delivery objectives and barriers to success - Sufficient training and ongoing support in a phased go live roll out - School Account Teams have the technical skills to fully assist schools during transition and post go live - Establish value before rolling out widely - Agree with key stakeholders what objectives and deliverables are - Do no promise what cannot be delivered - Ensure resources required are available - Ensure agreement from all stakeholders - Deploy to closed group of users first - Ensure right change approach taken	Unlikely	Major	Medium
8	22/07/2016	That the new service negatively impacts the reputation of schools, resulting in pushback about using NUI, resulting in increased costs and delayed benefits	Sector	Possible	Moderate	High	- Communications - Leverage from other change happening in the wider sector - Ensure strong benefits from schools - Use of account management model and capability advisors - Ensure strong benefits FOR schools - Ensure EPL account management training includes ability to support transitioning schools - School admins are actively supported for issues during and post transition	Unlikely	Minor	Low
9	22/07/2016	That schools are confused by the multiple systems they need to use during the transition	Sector	Possible	Moderate	High	- Early engagement - User centred design - Training, and ongoing support via multiple & appropriate means (i.e. online, telephone, etc.) - Incremental rollout - Ensure strong benefits from schools - Use of account management model and capability advisors	Unlikely	Moderate	Medium

Risk #	Date	Risk Description	Category	Inherent Risk			Mitigation	Residual Risks after Mitigation		
				Prob	Impact	Level		Prob	Impact	Level
						(High/orange)	- Schools sign up to transition timetable (i.e. Schools per transition tranche / timing) - clear communications			*(Medium/yellow)*
10	22/07/2016	That roles and responsibilities between EPL and MoE are not agreed sufficiently, impacting the programme	Governance	Possible	Major	High	- Clear and effective governance - Impact on Service Agreement including Impact of Holidays Act Project, BED, and other BAU initiatives - Clearly defined roles and responsibilities including tolerances for change management	Unlikely	Moderate	Medium
11	22/07/2016	That EPL and MoE cannot agree on the programme priorities, resulting in delays, increased scope, and delayed benefits	Governance	Possible	Major	High	- Clear governance and approach to priorities - Detailed project plan approved prior to each stage - Clearly defined roles and responsibilities including tolerances for change management	Possible	Minor	Medium
12	22/07/2016	That conflicting BAU priorities and DBC priorities affect the programme, delaying delivery, increasing costs, and delaying benefits	Governance	Possible	Major	High	- Clear governance and decision-making - Detailed programme plan approved prior to each stage (including HA, BED, and impact from BAU initiatives)	Possible	Minor	Medium
13	22/07/2016	That the requirements of the sector digital strategy and conflicting priorities of the organisations impact negatively on the programme, resulting in using products that are not fit for purpose, delays in implementation, increased costs, and reduced benefits	Governance	Possible	Minor	Medium	- Engage early - Establish key dates when decisions need to be made - Ensure that the decision trade-offs are clear - Detailed project plan approved prior to each stage - Pre approved go-no go decision points and mitigation plans - Establish key dates when decisions need to be made and who should make the decisions	Possible	Negligible	Low
14	22/07/2016	That other changes (e.g. Inland Revenue) outside the programme impact the programme, delaying benefits, and increasing costs	Governance	Possible	Major	High	- Engage with wider stakeholders early - Ensure decisions regarding impact on programme managed through governance	Possible	Minor	Medium
16	22/07/2016	That Holidays Act remediation impacts the programme, increasing costs and delaying benefits	Governance	Possible	Major	High	- Early engagement with 3rd parties - Improved communications - Improved change control - Clear governance decision-making - Completing the Holidays Act scoping in 2016	Possible	Minor	Medium
17	22/07/2016	That information and knowledge is not	Management	Almost Certain	Major	Very High	- Ensure governance addresses the sharing of knowledge early on	Unlikely	Moderate	Medium

Risk #	Date	Risk Description	Category	Inherent Risk			Mitigation	Residual Risks after Mitigation		
				Prob	Impact	Level		Prob	Impact	Level
		freely passed between EPL and the Ministry, resulting in increased costs and delayed benefits				Very High (Red)	- Eliminate requirement for later decisions on what can be shared - Ensure roles clearly understood - Ensure advice and decisions are captured in a detailed manner which removes any risk of interpretation differences - all decisions to be documented and shared			Medium
18	22/07/2016	That good decisions cannot be made in the required timeframes, delaying the programme, increasing costs, and delaying benefits	Governance	Almost Certain	Major	Very High	- Good governance and management - Ensure independent representatives on governance board - Governance training - Clear process for quick decisions - Ensure agreed shared goals and vision for the programme - Clearly defined roles and responsibilities including tolerances for change management	Unlikely	Moderate	Medium
19	22/07/2016	That EPL, MoE, and vendors cannot work together in an agile manner to achieve the results, resulting in lower quality deliverables, increased costs, and delayed/reduced benefits	Management	Possible	Severe	High	- Ensure MoE resources and support for programme clearly stated - Reduce dependencies - Governance and management - Ensure that wider Ministry SME resourcing requirements are clearly defined and agreed - Detailed project plan approved prior to each stage - Pre approved go-no go decision points and mitigation plans - Ensure MoE and EPL resources and support for programme clearly stated - Colocation of teams and shared workspaces - Modelled and encouraged collaboration, teamwork, respect - Ensure staff relieved of BAU roles wherever possible - Development of full HR/Resourcing plan - Leverage existing resource and capability	Possible	Minor	Medium
20	22/07/2016	That timeline pressure lowers quality, decreasing the benefits, and increasing long term costs	Management	Possible	Major	High	- Effective management and governance - Pre defined off ramps and go-no go decisions with clear & detailed cost benefit impact analysis for any scope change - clear timelines are set from the outset and provision is given for contingency time	Possible	Minor	Medium
21	22/07/2016	That the open interface changes slow down the development of NUI, increasing costs and delaying benefits.	Management	Unlikely	Moderate	Medium	- Ensure dependencies are clearly understood - Develop the interfaces in the order that matches rollout of functionality - Pre defined off ramps and go-no go decisions with clear & detailed cost benefit impact analysis for any scope change	Rare	Minor	Low
22	22/07/2016	That new errors and defects are created through the new systems, impacting quality and the ability of EPL to operate BAU and achieve benefits from the programme	Management	Possible	Moderate	High	- Comprehensive testing - Pilots - Good practice architectural design - Incremental rollout - Detailed and full testing schedules with all issues being clearly documented and analysis of impact on benefits occurring - All impacts to be included within go - no go decisions - Pre defined off ramps and go-no go decisions with clear &	Unlikely	Minor	Low

Risk #	Date	Risk Description	Category	Inherent Risk			Mitigation	Residual Risks after Mitigation		
				Prob	Impact	Level		Prob	Impact	Level
							- detailed cost benefit impact analysis for any scope change - Comprehensive testing and test exist reports. - Test exist reports are approved and validated by the governance board or delegates prior to release			
23	22/07/2016	That EPL cannot adequately adjust to the agile processes required to deliver the NUI, resulting in poor development quality, higher costs, delayed benefits	Management	Possible	Moderate	High	- Clear understanding of development approaches before procurement - Gain advice from vendor in best practice development using the tools - Detailed and full testing schedules with all issues being clearly documented and analysis of impact on benefits occurring - All impacts to be included within go - no go decisions - change management process to be agreed	Unlikely	Moderate	Medium
24	22/07/2016	The NUI creates transparency for schools that results in retrospective work being needed to resolve older issues, resulting in increased costs	Management	Possible	Minor	Medium	- Issues that occur will need to be managed through BAU, however impact analysis on ability and cost of these issues will need to occur and be appropriately signed off. - Agreement and approval of query / issue types which are outside of scope for the replacement NUI, - Clear identification and communication of issues which would need to be managed through an alternative means to the replacement NUI - Testing of NUI will identify some historical issues. These should be dealt with and highlighted at the time	Possible	Minor	Medium
25	22/07/2016	That the requirements for the new service are not complete enough to ensure that a usable system that can achieve the benefits is produced	Management	Possible	Severe	High	- User centred design - Iterative development - Vendor contract could be based on online usage - Complete and accurate requirements documented from outset - Agile working relationship between MoE and EPL to ensure requirements are updated etc. if required (i.e. no delay)	Unlikely	Moderate	Medium
26	22/07/2016	That the requirements are not detailed or sufficient enough for effective procurement, resulting in increased costs	Management	Possible	Major	High	- Design alternative ways of procuring - Keep the school interface as simple as possible - Keep the complexity inside the open interface work package, not in the NUI - Independent review of design for NUI - Impact of alignment to digital strategy (positive or negative)	Unlikely	Major	Medium
27	22/07/2016	That the capacity of key staff limits what can be achieved, resulting in delays, lower quality deliverables, increased costs, and delayed/reduced benefits	Management	Possible	Major	High	- Design plan to take account of the resourcing available - Ensure priorities aligned to take account of what can be achieved - Novopay go live lesson learnt: re: Ministry staff in-house - ensure that the key staff have the support required - Ensure all processes and capability knowledge is documented by all key staff	Possible	Minor	Medium
28	22/07/2016	That the requirements of individual work packages conflict, resulting in delays,	Management	Possible	Moderate	High	- Programme plan addresses the dependencies	Unlikely	Minor	Low

Risk #	Date	Risk Description	Category	Inherent Risk			Mitigation	Residual Risks after Mitigation		
				Prob	Impact	Level		Prob	Impact	Level
		increased costs, and delayed benefits or benefits not achieved								
29	22/07/2016	That the complexity of the NUI requirements is not well enough understood, resulting in increased costs	Design	Possible	Moderate	High	- User centred design - Iterative design - Iterative rollout - Capability development - Digital assist - Benefits monitoring and management	Unlikely	Moderate	Medium
30	22/07/2016	That new business requirements increase the complexity, making the overall systems more complex, and delaying the benefits	Design	Possible	Moderate	High	- MoE to "hold the line" on complexity of CA negotiations - Prioritisation through governance processes - There are currently no collective increases up for negotiations in 2017/2018 - Clearly articulate simplification vs. complexity to IR	Unlikely	Moderate	Medium
31	22/07/2016	That the complex pay environment cannot be translated into a user interface that is easy enough to use, resulting in continuing manual transactions	Design	Possible	Moderate	High	- User centred design - Iterative design - Iterative rollout - Capability development - Digital assist - Benefits monitoring and management	Unlikely	Moderate	Medium
32	22/07/2016	That the NUI validation cannot be made comprehensive enough to drive the required levels of accuracy, reducing the benefits that can be delivered	Design	Possible	Major	High	- User centred design - Iterative design - Iterative rollout - Capability development - Digital assist - Benefits monitoring and management	Unlikely	Moderate	Medium
33	22/07/2016	That NUI will not be able to provide a complete picture of data to the sector (e.g. adjustments will not be available), resulting in staff being required to respond to sector queries, increasing costs	Design	Almost Certain	Moderate	High	- Provide additional reports to schools addressing the adjustments outside of Alesco - Agreement and approval of query / issue types which are outside of scope for the replacement NUI, - Clear identification and communication of issues which would need to be managed through an alternative means to the replacement NUI - Ongoing validation of benefit realisation and impact analysis	Almost Certain	Negligible	Medium
34	22/07/2016	That the requirements are insufficiently understood, resulting in what is built not achieving the required benefits	Design	Possible	Major	High	- Build on existing understanding of issues regarding forms - Agreement of requirements between EPL & Ministry - Consider simplification of requirements as soon as possible - Full review and sign off requirements prior to build	Unlikely	Moderate	Medium
36	22/07/2016	That the limitations of Alesco prevent a full	Design	Unlikely	Major	Medium	- Mitigate through the open interfaces work package	Rare	Moderate	Medium

Risk #	Date	Risk Description	Category	Inherent Risk			Mitigation	Residual Risks after Mitigation		
				Prob	Impact	Level		Prob	Impact	Level
		online service with adequate validation				Medium				Medium
37	22/07/2016	That the changes required to Alesco cannot be achieved, resulting in benefits not being achieved as expected	Technology	Unlikely	Moderate	Medium	- EPL already has extensive experience with Alesco 12 - Define when / how / under what circumstance Option 4 would be required - Ensure the EPL experience with Alesco 12 is utilised to the fullest to ensure that the changes required can be achieved - Alesco discovery work should have mitigated this risk	Unlikely	Moderate	Medium
38	22/07/2016	That the upgrade to Alesco cannot be achieved, resulting in inability to make use of new versions of Alesco	Technology	Possible	Major	High	- Ensure alternatives available - e.g. retain Alesco 12 and only undertake technical upgrades - Define when / how / under what circumstance Option 4 would be required	Possible	Minor	Medium
39	22/07/2016	That the upgraded version of Alesco makes further development more difficult, increasing costs, and reducing benefits	Technology	Possible	Moderate	High	- Ensure alternatives available - e.g. retain Alesco 12 and only undertake technical upgrades - Use open interfaces to insulate Alesco from new systems - Define when / how / under what circumstance Option 4 would be required - Ensure good communication with Ascender on changes going forward	Possible	Minor	Medium
40	22/07/2016	That privacy issues and security issues slow the programme, increasing costs, and delaying benefits	Technology	Unlikely	Major	Medium	- Ensure early focus on security and privacy - Security by design in NUI - Use of off-the-shelf cloud based systems as basis of NUI (providing security and privacy are adequate)	Unlikely	Minor	Low
41	22/07/2016	That there are hidden limitations in the cloud services available that prevent the necessary services being delivered, resulting in decreased services, increased costs, delay benefits	Technology	Unlikely	Moderate	Medium	- Design approaches that separate the payroll rules from the NUI - Ensuring that the NUI is kept simple and focuses on the key problems to be solved (does not get captured by minor requirements) - Progressive development and roll-out - Effective procurement - clear predefined go / no go decisions - Expected benefits needs to be explicitly covered by scope and change management processes - Impact analysis on expected benefit realisation	Rare	Minor	Low

42	22/07/2016	That the digital strategy work is not advanced sufficiently to support the payroll	Technology	Possible	Major	High	- Manage at time of procurement
							- Governance
							- Workshops to define how and to what extent the DBC should align with this Strategy
							- Understand impact (positive and negative) of alignment on other strategic goals
							- Ensure that the alignment of the DBC to this strategy:
							  • does not negatively impact any potential future sale of EPL
							  • ensures privacy requirements are considered
							  • ensures that alignment can be effective in practice
								Unlikely	Minor	Low

43	22/07/2016	That changes in vendor roadmaps	Technology	Possible	Moderate	High	- Ensure that keep track of vendor support roadmaps of critical products (e.g. Oracle forms)	Possible	Minor	Medium

Risk #	Date	Risk Description	Category	Inherent Risk			Mitigation	Residual Risks after Mitigation		
				Prob	Impact	Level		Prob	Impact	Level
		affect support of core systems, resulting in needing to change technologies earlier than expected, resulting in increased costs (e.g. support for Oracle forms)					- The NUI will reduce dependence upon Oracle forms - Ascender should have a roadmap to address aging technologies - Define when / how / under what circumstance Option 4 would be required - Review contracts with key suppliers			
44	22/07/2016	That the implementation of the new version of Alesco requires unanticipated rework, increasing costs, and impacting on the benefits from the programme	Technology	Possible	Major	High	- Delay Alesco upgrade until after NUI completed - Define when / how / under what circumstance Option 4 would be required	Possible	Negligible	Low
45	22/07/2016	That the new complex environment is costlier to maintain than expected resulted in increased costs over time	Technology	Possible	Moderate	High	- Ensure maintenance costs addressed in procurement - Expected benefits needs to be explicitly covered by scope and change management processes - Impact analysis on expected benefit realisation	Possible	Negligible	Low
46	22/07/2016	That the government Cloud services required are not of the required quality and are not available in the required timeframes, impacting timeframes, costs, and delaying benefits	Technology	Unlikely	Moderate	Medium	- Choose the cloud service that makes most sense at the time of procurement - Expected benefits needs to be explicitly covered by scope and change management processes - Impact analysis on expected benefit realisation	Unlikely	Minor	Low
47	22/07/2016	That the benefits from NUI do not translate into reduced costs for EPL, so that the benefits cannot be fully achieved	Benefits	Likely	Severe	Very High	- User centred design - Iterative design - Iterative rollout - Capability development - Digital assist - Benefits monitoring and management - Detailed project plan approved prior to each stage - Pre approved go-no go decision points and mitigation plans - Clear predefined go / no go decisions - Expected benefits needs to be explicitly covered by scope and change management processes - Impact analysis on expected benefit realisation	Unlikely	Moderate	Medium
48	22/07/2016	That the benefits from NUI do not occur in the anticipated timeframe, resulting in increased costs	Benefits	Likely	Severe	Very High	- User centred design - Iterative design - Iterative rollout - Capability development - Digital assist - Benefits monitoring and management	Unlikely	Moderate	Medium

Risk #	Date	Risk Description	Category	Inherent Risk			Mitigation	Residual Risks after Mitigation		
				Prob	Impact	Level		Prob	Impact	Level
						Red	- Detailed project plan approved prior to each stage - Pre approved go-no go decision points and mitigation plans - clear predefined go / no go decisions - Expected benefits needs to be explicitly covered by scope and change management processes - Impact analysis on expected benefit realisation			Yellow
49	22/07/2016	That the benefits management plan is insufficient or not managed effectively enough, resulting in delayed benefits, or benefits not achieved	Benefits	Unlikely	Moderate	Medium	- Development of benefits management process tied to BAU KPIs and budgets - Detailed project plan approved prior to each stage - Pre approved go-no go decision points and mitigation plans - Clear predefined go / no go decisions - Expected benefits needs to be explicitly covered by scope and change management processes - Impact analysis on expected benefit realisation	Rare	Minor	Low
50	22/07/2016	That the costs escalate beyond what can be managed inside existing budgets	Financial	Possible	Minor	Medium	- Manage scope - Early warning to Ministers and government - Detailed project plan approved prior to each stage - Pre approved go-no go decision points and mitigation plans - Clear predefined go / no go decisions - Expected benefits needs to be explicitly covered by scope and change management processes - Impact analysis on expected benefit realisation	Possible	Negligible	Low
51	22/07/2016	That the $ we ask for are insufficient, resulting in insufficient quality of deliverables, reducing the benefits that can be achieved	Financial	Likely	Severe	Very High	- Management of DBC - Sensitivity analysis - QRA - Validation of cost model - Strict benefit management/benefit realisation - Expected benefits needs to be explicitly covered by scope and change management processes - Impact analysis on expected benefit realisation	Unlikely	Moderate	Medium
52	22/07/2016	That the maintenance of the new environment required higher than expected expenditure, reducing financial benefits	Financial	Possible	Minor	Medium	- Ensure ongoing requirements carefully managed - Ensure technology plan supports updates at reasonable cost - Validation of cost model - Strict benefit management/benefit realisation - Expected benefits needs to be explicitly covered by scope and change management processes - Impact analysis on expected benefit realisation	Unlikely	Minor	Low
53	22/07/2016	That a vendor with the required capability cannot be found to develop the NUI, resulting in increased costs, poorer functionality, delayed benefits	Vendor	Unlikely	Major	Medium	- Keep payroll specific functionality inside the open interfaces - Keep the vendor focused on easy to use interface - Market engagement showed that there are multiple capable vendors - Keep vendors focused on what they do best (not on what they can say they do)	Unlikely	Moderate	Medium
54	22/07/2016	That Ascender HCM fails to deliver what is needed from it to	Vendor	Unlikely	Moderate	Medium	- Manage through supply chain risk plan - Keep transition to new payroll in plan - Source code in escrow	Unlikely	Minor	Low

Risk #	Date	Risk Description	Category	Inherent Risk			Mitigation	Residual Risks after Mitigation		
				Prob	Impact	Level		Prob	Impact	Level
		enable a successful implementation and a sustainable payroll					- Ensure keep in-house expertise - Ensure core payroll is "insulated" from new developments - Ongoing and continuous vendor viability tracking of the vendor and product (this could occur from an initiative and a BAU perspective) - Contract formed to be based on positive performance and results, not T&E			
55	22/07/2016	That Ascender does not have the capacity to effectively support the programme, resulting in delays, costs increases, and delays in benefits	Vendor	Possible	Moderate	High	- Manage reliance on Ascender actively - Ongoing and continuous vendor viability tracking of the vendor and product - This could occur from an initiative and a BAU perspective, - contract formed to be based on positive performance and results, not T&E	Unlikely	Moderate	Medium
56	22/07/2016	That the vendor selected for NUI does not have a required capability, resulting in a lower quality system, delayed benefits or benefits not achieved	Vendor	Unlikely	Major	Medium	- Manage procurement - Ongoing and continuous vendor viability tracking of the vendor and product - This could occur from an initiative and a BAU perspective, - Contract formed to be based on positive performance and results, not T&E	Rare	Major	Medium
57	22/07/2016	That the NUI vendor and Ascender do not work well together, resulting in increased costs, delayed timelines, delayed benefits	Vendor	Unlikely	Moderate	Medium	- Active management - Incentivise through contractual terms	Unlikely	Negligible	Low
58	22/07/2016	That past lessons are lost as staff move on through natural attrition or loss of contractors	Resourcing	Possible	Major	High	- Ensure knowledge in key staff who move on is kept - Complete combined HR Resource Planning (potentially across Ministry and EPL) - Identify likely resourcing skill sets, gaps, and current available staff with these attributes, - Document key person risks - For pressure points look to recruit required resource ahead of initiative - Ensure keep in-house expertise	Unlikely	Moderate	Medium
59	22/07/2016	That the right people with the necessary skills and knowledge are not available for the programme	Resourcing	Possible	Major	High	- Effective management of whole of programme - Complete combined HR Resource Planning (potentially across Ministry and EPL) - Identify likely resourcing skill sets, gaps, and current available staff with these attributes, - Document key person risks - For pressure points look to recruit required resource ahead of initiative - Novopay go live lesson learnt: re: Ministry staff in-house - Ensure that the key staff have the support required - Ensure all processes and capability knowledge is	Unlikely	Moderate	Medium

Risk #	Date	Risk Description	Category	Inherent Risk			Mitigation	Residual Risks after Mitigation		
				Prob	Impact	Level		Prob	Impact	Level
							documented by all key staff			
60	22/07/2016	That EPL and MoE are unable to recruit and retain the required people, resulting in lower quality deliverables, delays, increased costs, and delayed benefits	Resourcing	Possible	Major	High	- Effective management of key people - Complete combined HR Resource Planning (potentially across Ministry and EPL) - Identify likely resourcing skill sets, gaps, and current available staff with these attributes, - Document key person risks - For pressure points look to recruit required resource ahead of initiative - Novopay go live lesson learnt: re: Ministry staff in-house - Ensure that the key staff have the support required - Ensure all processes and capability knowledge is documented by all key staff	Unlikely	Moderate	Medium
61	3/08/2016	That insufficient attention is paid to the needs of schools, resulting in a system that schools will not want to use	Design	Possible	Major	High	- Consultation, engagement, listening - User centred design with strong involvement from the sector - Communications - Ensure strong benefits for schools - Pre agreement with key stakeholders on delivery objectives and barriers to success - Establish value before rolling out widely - Do no promise what cannot be delivered - Ensure agreement from all stakeholders - Deploy to closed group of users first	Possible	Major	High
62	3/08/2016	That systems development is focused on short term issues and does not align with longer term changes	Design	Possible	Major	High	- Ensure longer term view taken - Pre agreement with key stakeholders on delivery objectives and barriers to success - Prioritise requirements taking into account long term issues - Product management as a BAU activity - Engage with and work with other sector agencies on joint projects aligned to digital strategy	Possible	Major	High
63	3/08/2016	That the wrong balance is struck between automation and simplicity resulting in too complex a system	Design	Possible	Major	High	- User centred design with strong involvement from the sector	Possible	Major	High
64	22/07/2016	That the vendor underestimates the complexity of the system required, resulting in a poor system and/or cost escalation	Vendor	Possible	Major	High	- Procurement - Agile approach - Managing design to keep payroll complexity within open interface packages	Possible	Major	High
65	22/07/2016	That Ascender is not viable for the future	Vendor	Possible	Major	High	- Supply chain management plan in DBC	Possible	Major	High
66	22/07/2016	That the NUI vendor is not viable for the long term	Vendor	Possible	Major	High	- Procurement - Supply chain management plan for all vendors	Possible	Major	High

APPENDIX G: Benchmarking delivery costs

Introduction

This appendix provides information on the benchmarking of the Education Payroll Service relative to other payroll services in New Zealand Government Departments and Australian private and public sector organisations. This exercise was undertaken to compare the costs of the proposed solution with other payroll providers.

This benchmarking information is limited to payroll cost per employee, ratio of specialist payroll staff to employees, and payroll accuracy.

Conclusions

Within the limitations of the benchmarking analysis the preferred option would enable the schools payroll to operate at lower average cost than the average New Zealand public sector organisation and close to the average New Zealand large organisation. It compares favourably with payroll operations in Australia. Due to the uniqueness of the contracts and specific requirements of the education sector it is unlikely to be able to achieve costs levels achievable for cloud based/bureau services.

There will be an ongoing challenge to EPL to demonstrate that the costs of the preferred option are value for money compared with other options. Therefore, cost per employee will be an enduring KPI of the business. It will be reviewed annually to ensure the projected cost glide path is being achieved. Benchmarking can also be used to determine best practices that can be applied in the Education Payroll Service.

Limitations on Comparisons

There are some very significant limitations in making comparisons between the Education Payroll Service, payroll providers and traditional enterprises. These need to be taken into account in determining response to payroll benchmarks. However, the overall benchmarks are useful to determine whether the payroll cost per employee for that are approximately equivalent (in the "ballpark") to others and to identify practices in other payroll operations that will improve performance.

It must be firstly noted that the Education Payroll Service has some very significant differences between its operation and that of other payroll providers. These differences are covered in detail in other parts of this business case but do impact on the cost structures. These include:

- high levels of system customisation driven by the Employment Agreement structures (e.g. most employees on term year rather than 52-week year) and sector operating model which drives increased costs of system support and change leading to higher ongoing ICT costs

- a workforce structure where there may be 92,000 people paid on average each fortnight but EPL in the course of a year pays at same point 120,000 people

- different obligations for service provision to the Ministry and the sector therefore requiring functions not normally in a payroll service e.g. debt management, salary assessment, compliance enforcement – all these functions require additional systems and personnel

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- sensitivity of the sector to change given the "Novopay" experience – this results in the requirement for additional support personnel

- legacy functional deficits and compliance requirements that were not addressed prior to EPL being put into place (refer to the proposed work packages), leading to increased remediation requirements

- the requirement for EPL to operates as a self-contained organisation with overheads relating to its company structure, including increased costs for the Board, Executive team its administrative systems and company compliance.

Notwithstanding the significant difference in payroll operations the concept of benchmarking remains useful to determine the value of alternative delivery approaches or the underlying drivers of cost.

Comparison of education payroll with other payroll types

Below is a high level comparison between the Education Payroll and other operating models.

Table 47 Comparison of education payroll with other payroll types

	Education Payroll	Service Provider	Enterprise
Organisation Examples	EPL+MoE	AMS, AMD, Datacom	Companies and Govt. Departments
Number of Employers Managed	2,500+	100s to 1000s each	1
Number of Employment Agreements	14	Depends	3-10
Employment Agreement Structure	365 Day / School Year	52 weeks	52 weeks
Complexity of EAs	Very High	Low-High	Low-High
Additional Payroll Services	Overpayments recovery Salary Assessment Service Records Financial Reporting Auditing	Standardised Service Reporting	Depends
Admin Contact Points	School Administrators & Principals	HR/Finance Department & Managers	HR/Finance Department & Managers
Employee Self Service	No	Yes	Yes

Costs included in benchmarking

There is normally debate on what costs are included in the benchmarking processes and therefore the following table clarifies the logic for inclusion or exclusion. Again, given the significantly different operating model of the education payroll this is for guidance only.

Table 48 Costs included in benchmarking

Cost Element	Proportion of Benchmark Costs	Rationale for Inclusion/Exclusion
School Administrators Costs	Nil	Excluded as other benchmarks do not include employee/manager time in processing payroll. School Administrators undertake payroll functions on behalf of employees/managers.
Payroll /Service Specialists Costs	40%	Included as these are equivalent to payroll officers in enterprises. Note also specialist functions unique to the education payroll are included and may overstate the costs.
Technical Costs – running the technical platforms	20%	Included as these are included in the APA Benchmarking. Note: it is not clear how they are treated in BASS given the separation of ICT and Payroll benchmarking measures.
General Costs overheads	18%	Included as these are included in the APA benchmarking. It is not clear if these are included in BASS benchmarking.
Compliance Enhancements (e.g. HA)	Nil	Excluded as other benchmarks are historical are not likely to take into account Novopay remediation and compliance improvements.
Corporate Costs	Nil	Excluded (company related costs only) as BASS and ASA benchmarks would not include overheads and running as a standalone company.
Depreciation	15%	Included to provide a view of cost of assets
Dividend/RoC	Nil	Excluded as BASS and ASA do not include return on capital
Ministry Payroll Costs	Nil	Excluded as these costs would be the equivalent of central HR policy functions are a not included in BASS or ASA benchmarks

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Comparison with Previous Provider

Comparisons of costs with the previous payroll service provider (Datacom) is not particularly useful nor does it provide an adequate benchmark. Some reasons for this are:

- the original contract was agreed 20 years ago in 1996

- the systems implemented were largely unchanged from 1996

- the assets were at end of life and there would have been little development over the last years

- compliance status is not clear

- it was part of a wider payroll business

- Datacom did not manage debt for schools.

Benchmarking Information Sources

There are three major sources of information Education Payroll's current and projected financial information, the latest New Zealand treasury BASS[17] Benchmarking Study covering FY 13/14 and the Australian Payroll Association Benchmarking Report[18] completed in 2015. For the purpose of this comparison different time series are not considered material.

Cost per Employee

A total cost per employee is a useful benchmark as it aggregates all costs to a well-defined denominator which is the number of employees served by the payroll provider.

Currently EPL pays 118,000 staff from the payroll. This typically results in a maximum of 94,000 staff being paid in a pay period. The EPL benchmarks have been presented as range based on these staffing numbers.

Table 49 Comparison of annual costs per paid employee]

Status	Description	Level
Average Aus. Public	All Aus. Public Sector	$ 390
Average Aus.	All Aus. Employers>200	$ 313
NZ Large Agency Worst	BASS Large Agency Lower Quart.	$ 311
Average NZ. Public	BASS Average Overall	$ 273
Average NZ Large	BASS Average Large Agency	$ 234
EPL Current State	EPL Budgeted 2016/17	$ 210-260
EPL Future State	EPL Preferred Option	$ 200-250
10000+ Aus.	All Employers>10,000	$ 180
NZ Large Agency Best	BASS Large Agency Upper Quart.	$ 104
Outsourced Aus.	Aus. Outsourcing 2001+	$ 88

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[17] Better Administration and Support Services (BASS)

[18] Exchange rate of 1:07 used for all cost comparisons

Number of Employees per Payroll Staff

The number of employees paid by each person in the payroll organisation provides an indication of efficiency and degree of automation and self-service. The EPL numbers are based on the total current paid staff.

Table 50 Employees paid per payroll staff

Status	Description	Level
Worst NZ Public	BASS Large Agency Lower Quart.	346
Average NZ Public	BASS Large Agency Average	496
Australian Average	All Aus. Employers – 2-week cycle	550
EPS Current State	EPL actual 2015/16	637
Best NZ Public	BASS Large Agency Upper Quart.	652
EPS Future State	EPL future state	1,180

Payroll Accuracy

Payroll accuracy is a difficult metric to define well as there are large number of factors which determine accuracy. The Australian Payroll Association defines accuracy as "the total number of errors per pay period as a percentage of the total payslips produced – errors defined as those requiring recalculation". The Education Payroll Service metric is similar with errors identified as underpayments (manual pays), overpayments and stop pays. The Australian metric is **98.43%** accuracy and the Education Payroll Service operates at better than **99.95%.** There are no equivalent metrics within NZ BASS. However, given the complexity of what is included in the metrics caution should be used when directly comparing.

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APPENDIX H: Compliance with Education System Digital Strategy 2015-2020

The preferred option is aligned with the Ministry's Education System Digital Strategy. This will be a critical requirement for the programme of work undertaken under the preferred option.

EPL will continue to ensure that as the work proceeds it will remain aligned with the Education System Digital Strategy. For example, EPL is working with the Education Council regarding use of common platforms for online use by schools as well as a common workforce register. This work will be used to inform choices around implementation of the new online payroll service for schools incorporated in the preferred option.

The following should be noted:

- The preferred option does not include a full employee pay portal as per work package 2C Improved Admin User Experience. This was excluded from the scope of the option on the basis of value for money. However, this can be added as a phase II deliverable if the Ministry wishes to fund it.

- The preferred option does not include external facing APIs as per work package 28C Open Interfaces. This was excluded from the scope of the option on the basis of value for money. However, this can be added as a phase II deliverable if the Ministry wishes to fund it.

- EPL will continue to work with the Education Council to develop a workforce register. The development of online self-service via consolidated audience-centric channels depends upon work package 2C Improved Admin User Experience. This was excluded from the scope of the option on the basis of value for money. However, this can be added as a phase II deliverable if the Ministry wishes to fund it.

- EPL will conduct further analysis on the feasibility of using a common rules engine to remove complexity from the core payroll.

- Alignment with the Digital Strategy will be a core requirement of the implementation of new systems.

The following table summarises the compliance of the preferred option against the relevant strategies within the Education System Digital Strategy 2015-2020.[19]

Table 51 Compliance with Education System Digital Strategy 2015-2020

Education System Digital Strategy	Payroll Business Case Response
Channels	
Establish **shared governance** of channels initially focussed on consumer needs	*Fully Supported.* EPL will actively work as part of the digital strategy governance and establish partnerships with entities such as the Education Council to focus on specific customer groups.

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[19] Ministry of Education, *Education System Digital Strategy: Transforming Education for the Digital Age 2015-2020*, version 1.1, February 2016.

Education System Digital Strategy	Payroll Business Case Response
Consolidate channel delivery focussing initially on service discovery information	*Fully Supported.* EPL's information and systems architecture will support information being presented for discovery.
Eliminate unnecessary transactions and manual handling	*Fully Supported.* A key focus of the business case is to remove 15,000 manual transactions per fortnight from school workload saving considerable administration hours and reducing costs.
Move paper transaction to **digital channels** and provide traditional alternatives via partners	*Fully Supported.* It is interned to remove all paper transactions.
Move low complexity and low value transactions to **self-service** channels to reduce cost; ref-focus call centre and face to face on high value transactions	*Fully Supported.* The direction elaborated in the case is to increase the capability of School Account Team to enable increased school administrator capability. Linked with this will be transitioning transactional workload on-line. The architecture of the proposed payroll systems will enable self-service for sector employees at some point reducing the need for them to have face to face interactions with school payroll administrators.
Establish a **shared service design** capability to ensure delivery is customer focussed and integrated across agencies	*Fully Supported.* EPL will utilise any shared service design capability the sector has and will also share any learnings/capability it develops.
Extend and strengthen **client relationship management** practices and support with appropriate technology	*Fully Supported.* EPL's operating model is now increasingly client centred with the establishment of School Account Teams. Technology will be adapted to support this model and we will align with other agencies (e.g. Education Council) on customer centred service provision.
Leverage **collaboration technology** for face to face interaction to reduce travel and regional support costs	*Fully Supported.* The on line service proposed in the business case will have facilities for collaboration, support and development of school administrators.
Design websites to be **responsive, accessible and multilingual**, and support with native mobile applications only where there are sufficient benefits	*Partially Supported.* Websites will be designed and developed using appropriate design approach. There is not intended to be multilingual support for the administration websites. Mobile is a future option.
Provide **open data** and **API's** to enable innovative delivery by partners and intermediaries, and use these to support our own digital channels	*Fully Supported.* The proposed systems architecture creates standard API's between the digital service delivery systems. This can be used by other service delivery platforms. Note: the opportunities for open data are limited given the type of data EPL processes but there are no technical limitations to data sharing with the new architecture.
Provider Administration	
Use digital technologies and best practices to **simplify and streamline** administration function and agency data collection	*Fully Supported.* The proposed approach is based on administrative simplification and reducing g the time school administrators have to spend on payroll. Data collection is made easier by the proposed information architecture.
Actively support and enable the **safe adoption of cloud** services	*Fully Supported.* The preferred approach to the service delivery platform is to use cloud services.
Standardise core SMS functionality and data with open API's to value add services and back office applications.	*Fully Supported.* The proposed architecture will support integration with other systems although the benefits on integration of SMS and payroll may be limited.

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Education System Digital Strategy	Payroll Business Case Response
Implement **event-based data collection** to improve timelines and reduce workload	*Fully Supported.* The information and systems architecture – as well as service model requires event based data collection to be the norm.
Education System Administration	
Agree upon **standards** and define interfaces to **support integration**	*Fully Supported.* EPL will support education sector standards where known. The proposed information and systems architecture will be able to adapt to standards as they evolve to support integration.
Model business capabilities across education agencies and use this to identify opportunities for information sharing alignment across sectors and system consolidation	*Fully Supported.* EPL wishes to be involved in such work and sees significant opportunities in information sharing relating the sector workforce. EPL is working close with Education Council on information sharing and service delivery relating to teachers.
Manage **business applications as a single portfolio** to reduce duplication, improve re-use and co-ordinate investment	*Fully Supported.* EPL will support this concept fully and participates in overall sector ICT governance.
Adopt **shared case management** practices and technology to enable better outcomes for provider review, service and interventions, and student service and interventions	*Fully Supported.* The proposed service delivery approach, information and system architecture supports shared case management for school payroll administrators and sector employees. However, information standards will need to be defined and privacy policy settings adjusted by the Ministry to enable this to be fully realised.
Workforce Management	
Define **standards** and interfaces to **support integration**	*Fully Supported.* The proposed information and systems architecture will support standards as they emerge.
Implement an education **workforce register**	*Fully Supported.* The proposed information and systems architecture will support the concept of a workforce register as either a slave to an external register or becoming the master workforce register. The planned work with the Education Council has potential to realise some of this concept.
Adopt **shared case management practices** and platforms to enable better outcome for workforce processes and interventions	*Fully Supported.* The proposed service delivery approach, information and system architecture supports shared case management for school payroll administrators and sector employees. However, information standards will need to be defined and privacy policy settings adjusted by the Ministry to enable this to be fully realised.
Corporate	
Aggregate demand across education agencies to drive down cost of provision	*Fully Supported.* EPL is one of the first users of the Ministry enterprise platform and leverages Ministry resources as required.
Standardise and digitise back office processes and **consolidate systems**, ensuring cost profile is acceptable for small agencies	*Fully Supported.* EPL is one of the first users of the Ministry enterprise platform and leverages Ministry resources as required.
Leverage common capabilities (and implement where required)	*Fully Supported.* EPL is one of the first users of the Ministry enterprise platform and leverages Ministry resources as required. EPL resources and capabilities have also the potential of being leveraged.

Education System Digital Strategy	Payroll Business Case Response
Invest in systems to **support** effective **inter-agency collaboration**	*Fully Supported.* EPL is one of the first users of the Ministry enterprise platform and leverages Ministry resources as required. EPL will also collaborate with other agencies (such as Education Council) to leverage system capability.
Measure and improve information management maturity across systems and use accepted good practice	*Fully Supported.* Good practice information management is included as part of the overall case.
Consolidate **master data management** for shared data	*Fully Supported.* Depending on sector information strategy and location of master data (such as workforce register) the EPL information architecture can accommodate this. EPL already has master data for payroll information.
Implement **centralised reporting data stores** fed by automated data feeds to meet all agency reporting needs	*Fully Supported.* EPL feeds payroll data to the Ministry for analysis and reporting. The proposed investment increases this capability and makes payroll data more accessible.
Implement **common BI tools** and repositories for obtaining high quality, timely information on all aspects of the education system from the centralised repositories	*Fully Supported.* EPL feeds payroll data to the Ministry for analysis and reporting. The proposed investment increases this capability and makes payroll data more accessible. EPL will comply with standards for BI tools where known.
Drive the **proactive release** of high value **non-personal data** in open standards, machine readable formats, licenced for re-use	*Fully Supported.* But EPL does not hold data that is appropriate for release. It is more likely that the Ministry would release payroll data as part of a broader set of workforce analytics.
Establish **shared governance** and common **management** of shared data and information Commons	*Fully Supported.* EPL would welcome being part of any shared governance.
Establish a shared **competency centre** for all sector **business intelligence** needs	*Fully Supported.* EPL would welcome being part of, or supporting any competency centre.
Platforms and Integration	
Implement **common platforms services** to support access, interoperability and security for all education participants	*Fully Supported.* EPL already shares a number of platforms with the Ministry and leverages standards and capabilities as required.
Leverage identity, format and protocol **standards to ensure interoperability** without containing innovation.	*Fully Supported.* EPL will comply with standards where defined and there is nothing in the proposed information or systems architecture which prevents this.
Adopt **modern application design** approaches to enable digital business models and cloud based delivery	*Fully Supported.* The proposed approach to the design of the new user interfaces will use cloud platforms, service design and agile development approaches.
Infrastructure	
Aggregate demand and **consolidate delivery and operations** across agencies	*Fully Supported.* EPL is one of the first users of the Ministry enterprise platform and leverages Ministry resources as required. EPL will also collaborate with other agencies (such as Education Council) to leverage system capability.
Implement **enterprise management** toolsets	*Fully Supported.* EPL will comply with standards where defined and there is nothing in the proposed information or systems architecture which prevents

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Education System Digital Strategy	Payroll Business Case Response
	this.
Move proactively to **adopt cloud based infrastructure**	*Fully Supported.* The proposed new on-line service delivery platform will be cloud based. Opportunities for use of cloud based storage and processing are not precluded by the systems architecture.
Foundations	
Define a common **Enterprise Architecture framework and approach** across the education system	*Fully Supported.* EPL will comply with architecture and standards where defined and there is nothing in the proposed information or systems architecture which prevents this.
Conduct a high level **privacy impact assessment** for the strategy	*Fully Supported.* Note that EPL has conducted a PIA and will co-operate with any PIA undertaken at sector level.
Establish and **education information security framework** to support system-wide improvement in the management of personally identifiable information	*Fully Supported.* EPL will comply with standards where defined and there is nothing in the proposed information or systems architecture which prevents this.
Establish a **single design authority** for capabilities within scope of this strategy	*Fully Supported.* EPL participate as required.
Adopt a **shared governance model** for programmes and projects within the scope of this strategy	*Fully Supported.* EPL participate as required.

APPENDIX I: Benefits to schools of preferred option

School effort on payroll

A significant objective of the investment is to reduce the time taken for School Administrators and Principals to manage the payroll. This will enable that time to be used for other school administration activities.

From the customer satisfaction surveys we have identified that each school *on average* spends 6 hours' administration per pay cycle (each fortnight) on managing the payroll. This will be highly variable across schools and dependent on the number of employees at the school, type of school, as well as the capability of the administrator. The time spent on schools on payroll management also varies throughout the year peaking at End of Year and Start of Year periods.

From this data we can extrapolate that approximately 400,000 hours are spent on payroll across all schools in the course of a year.

The surveys of schools all tell us that there is some dissatisfaction by users. Only 48% are totally satisfied with the effort they spend on payroll. 16% are totally dissatisfied. This indicates a level of frustration by users with the overall effort required to manage payroll.

EPL service efficiency

To improve the effectiveness and efficiency of the payroll service, EPL has been undertaking the SSC Better Every Day programme. The Better Every Day analysis has identified and categorises the inbound demand from schools. This includes instructions via forms and phone/inquiries.

The School Account Teams looking after school categorise demand from schools into failure and value. Value demand is where information/instructions have been provided right first time and can be processed. Failure demand is work on the EPL side which does not add value to the overall purpose. Typically, failure demands are caused by:

- late form submissions

- incorrect information submitted

- missing information fields.

EPL is required to respond to both failure and value demand and therefore it requires resources to undertake all the work required.

Approximately 60% of all current EPL instruction processing effort is failure demand. This is illustrated by the following graph based on a survey of over 2,000 demand statements. As can be

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seen, there is a significant level of failure demand (coloured red) where instructions are not being processed right first time.
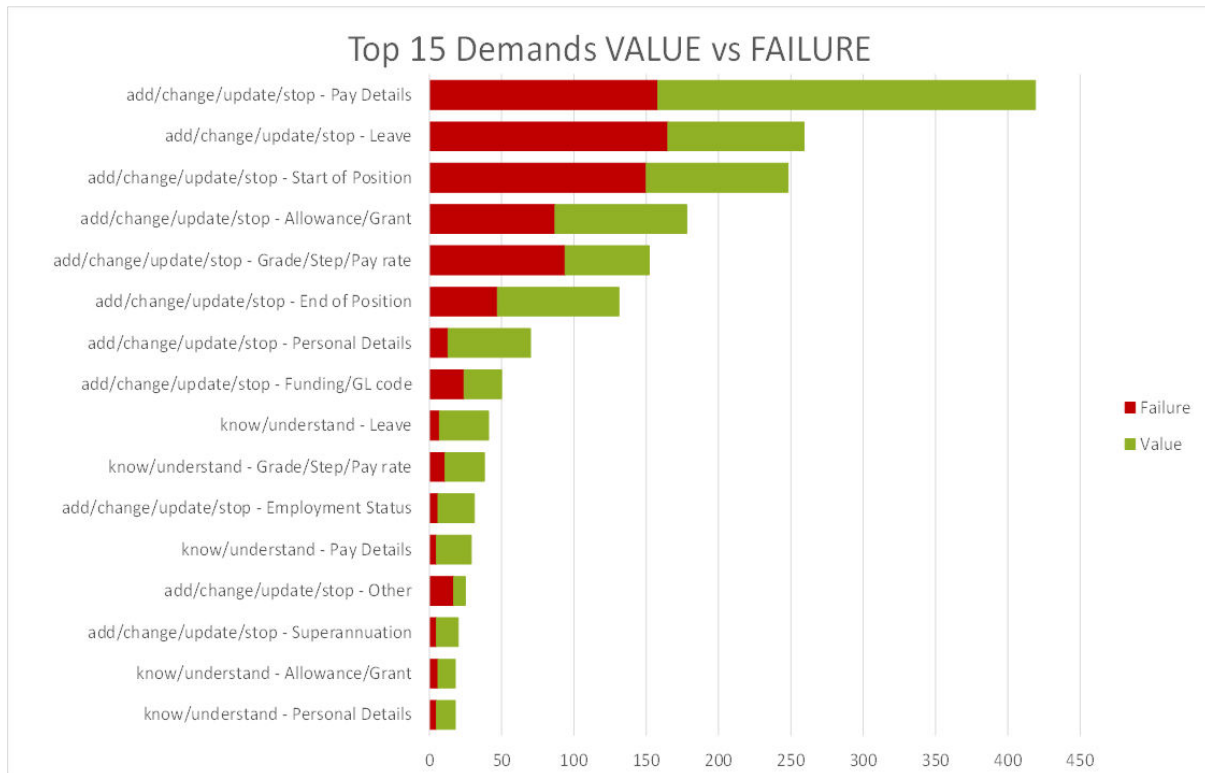

Figure 46 Top 15 demand failure vs value (based on 2,000 demand statements)

Impact on schools

Schools require resources to deal with failure demand. Payroll administrators need to use time to contact EPL, resubmit forms, or resolve errors caused by incorrect instructions. Therefore, there is high correlation between the level of failure demand EPL experiences and the additional time taken in schools to manage the payroll.

Without doing detailed time and motion studies at a range schools it is not possible to be exact about how much time could be saved by the proposed investment. However, the information we have gathered to date indicates that will be significant benefit to schools from the proposed investment, namely:

- the replacement of Novopay On Line with a more effective and modern payroll portal

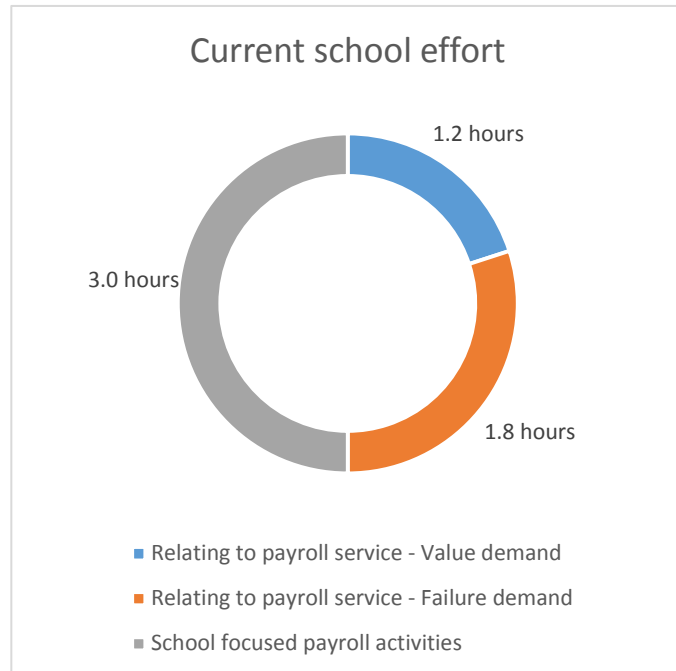- the full implementation of a digital assist School Account Team model.

Projected savings for schools

Time spent by schools on payroll

As noted above, schools spend approximately 6 hours on average on payroll matters per payroll cycle (from survey information).

Of this total, 3 hours is estimated to be directly engaging with the payroll service through email contact, providing instructions on line or via forms. The remaining 3 hours relates to dealing with internal payroll matters within the school (based on discussions with selected schools).

Of the 3 hours schools spend directly engaging with the payroll service, approximately 1 hour 30 mins is spent completing forms (based on the estimates to complete forms and the total number of forms received by EPL).

Current school effort

1.2 hours

3.0 hours

1.8 hours

■ Relating to payroll service - Value demand
■ Relating to payroll service - Failure demand
■ School focused payroll activities

Of the 3 hours schools spend directly engaging with the payroll service, approximately 60% of this time is spent on service failure related work (based on the estimates to complete forms and the total number of forms received by EPL).

There are therefore significant opportunities to reduce work for schools by:

- reducing the failure demand (through improved data validation and more effective support to schools)

- reducing the effort to enter forms into the service (through a user-friendly online service).

Reduction in school time

The preferred option for the business case provides for a user-friendly fully online service for schools with the required levels of data validation. Schools will also continue to have support if required. This will:

- reduce the effort required to manage both the value and failure demand by enabling direct online entry, rather than time-consuming completing of paper forms

- reduce the failure demand at schools through getting more transactions right first time because of improved validation and eliminated error prone forms.

We have estimated time savings at schools on the following basis:

- we expect to reduce the overall time spent by schools on payroll service related work by 17% to 28% (based on discussions with schools)

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- we also expect to reduce the failure demand time experienced by schools by 30% to 50% (based on EPL internal estimates).

When these figures are combined, this would result in an overall reduction in time spent on payroll by schools of 17% to 25%.

EPL believes that this time can be reduced further as failure demand decreases. Reducing failure demand in schools by 75% would result in an overall saving in time of 30% for schools. This is the target that EPL will adopt.

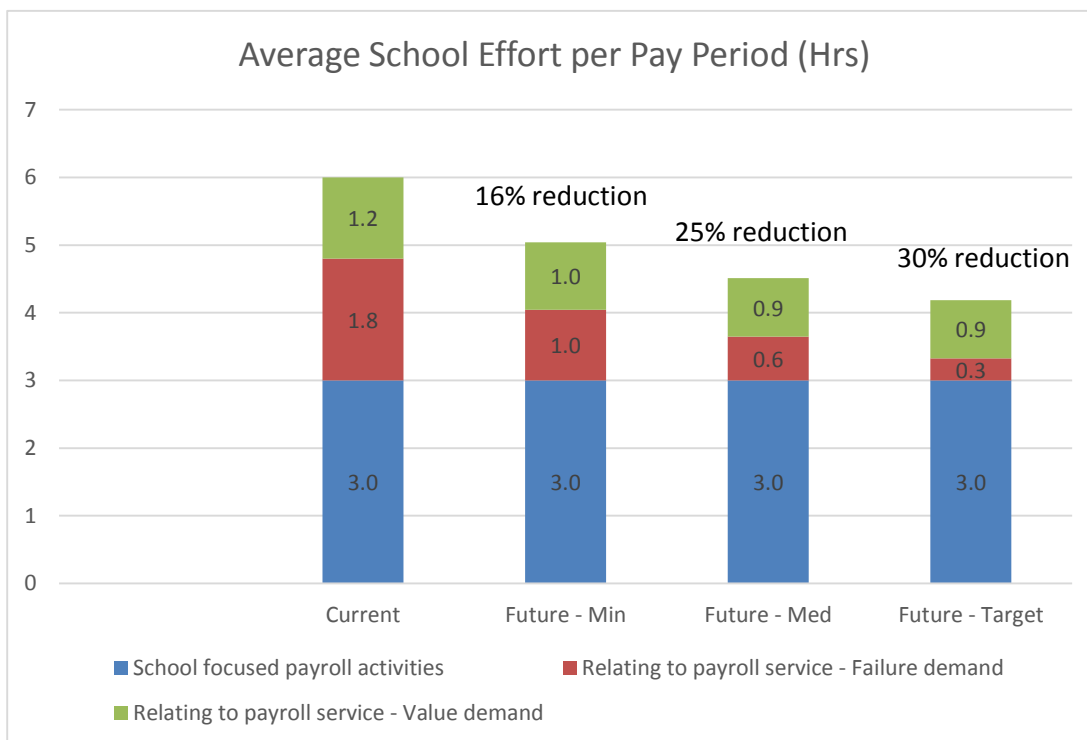These scenarios are illustrated in the following diagram.

Figure 47 Average school effort per pay period

Note that for the purposes of this business case, all examples have been given of a 25% saving by schools in time spent on payroll.

APPENDIX J: Key findings from market engagement

New User Interface
MARKET ASSESSMENT REPORT

22 September 2016

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Document Properties

This table describes this version of the document.

Document Name	New User Interface MARKET ASSESSMENT REPORT
Author	▮
Owner	▮
Location	K:\DBC Work Packages\1. User Experience Focus\New User Interface\VendorWorkshops\EPL Presentation Material\
Version Number	1.4
Date Created	14 September 2016
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Document History

This table provides a history of changes to this document.

Version No.	Date	Summary of Changes
1.0	4 September 2016	First version/ draft created
1.1	9 September 2016	Updated with feedback from ▮
1.2	12 September 2016	Change the structure to make it easy to follow
1.3	13 September 2016	Update following ▮ feedback
1.4	14 September 2016	Final version following team feedback and approval

Document Review

This table lists the review parties and status of the review.

Name	Title	Review Status
▮	Head of Technology	Feedback received
▮	Principal Advisor, Architecture	Feedback received
▮	Sector Engagement and Change Lead	Feedback received
▮	Enterprise Architect, Ministry of Education	Feedback received
▮	Consultant	Feedback received

Approval

This table lists those who have approved this document.

Name	Title	Signature	Date
▮	Head of Technology		
▮	Principal Advisor, Architecture		
▮	Sector Engagement and Change Lead		
▮	Enterprise Architect, Ministry of Education		

1. Purpose and Objectives

The purpose of this document is to detail the findings from the market assessment exercise carried out in the months of March and April 2016.

The objective of this report is to inform the New User Interface work package and provide input for that work package in the Detailed Business Case (DBC) that EPL is currently preparing.

As the market assessment exercise was not carried out with the intention of selecting either a technology or a provider this document has not embarked on any evaluation of any of the options with the purpose of selecting a provider or awarding a contract. However, the options that were presented to EPL were reviewed from a feasibility perspective, from the perspective of completeness and from the perspective of aspects that EPL need to be aware of and be prepared for when undertaking the actual procurement or deployment of any of the services explored.

2. Background

Strategic review / Indicative Business Case

EPL has embarked on a strategic review to set a direction that will ensure sustainability of the operations in the long-term while enabling the specified requirements of the Ministry and schools to be met in the short-term. As part of this strategic review, an Indicative Business Case (IBC) was prepared in accordance with the Treasury Better Business Case process. EPL based the case on the Ministry of Education's desired future state for the schools payroll. EPL consulted central agencies, GCIO, and MBIE, and it has been subject to Gateway Review.

The review to-date has identified that major gains have been made in achieving steady state and efficiencies are starting to be achieved. However, there are facets of the payroll, that when combined with the unusual environment that EPL operates in, cause challenges and risks to the provision of payroll services. One of the critical facets that causes risk and inefficiency in the payroll system is the current online system that sector participants use to submit payroll instructions to EPL.

Novopay Online functionality issues

The current online system – Novopay Online (NOL) – is difficult to use and does not enable users to submit all instructions online. Many administrators find it simpler to submit a manual form rather than use NOL, even when they can use NOL for the specific instruction. This requires EPL to process 10,000 to 15,000 pay instructions on manual forms per pay period, and even higher volumes during End of Year / Start of Year.

There is a high level of rework required due to incorrect or incomplete forms. Incomplete forms or forms with errors need to be sent back to the schools so that the missing information can be added or existing information corrected. The systems used in the pay centre by EPL staff to enter the data from the forms have limited data validation, further contributing to errors.

The replacement of NOL with a service that can allow schools to enter 100% of their payroll instructions online, with full validation of all data entered (at the source), is critical to achieving the benefits outlined in the strategic review. The Indicative Business Case prepared for shareholding Ministers had rated this initiative as the one with the highest financial benefits to EPL. It will also significantly help improve accuracy of the pay.

Novopay online technology issues

NOL has been designed and built around a specific feature of the Oracle Application Server. In December 2019 Oracle will cease support for this feature. This will leave NOL without technical support for the key technology it relies upon. If problems occur with Oracle Application Server, Oracle will not provide support to resolve these problems. This is an unacceptable situation for a critical piece of software with such a high impact on the operation of the schools sector.

To resolve this issue, NOL will either need to be replaced, or significantly rewritten. The current NOL technical architecture does not follow modern best practice and has been designed in a way that it cannot easily be made to provide new functionality. NOL is overly complex and very difficult for even experienced

programmers to maintain. Making even simple coding changes to NOL is problematic and can introduce problems that are difficult to resolve. Any major rewrite to remove technical dependence on unsupported features or add additional functionality is not practical.

Detailed business case

NOL therefore needs to be replaced with a New User Interface to both mitigate the technical risks and improve the efficiency of the overall payroll service. EPL has now embarked on the development of a Detailed Business Case (DBC). This process has been agreed by the shareholding Ministers and is currently underway.

Procurement Strategy

Following the IBC, it was felt by EPL that it would be preferable for any procurement of the New User Interface to follow two phases:

1. The first phase would be a closed market assessment exercise. An open Request For Information (RFI) / Request For Proposal (RFP) would not be released. For this market assessment exercise, EPL would work with wide range of providers under a Non-Disclosure Agreement (NDA) to determine what was available in terms of platform and provider capability.

2. The second phase would start after the DBC had been submitted and approval provided to progress the procurement. This phase would include the release of a RFP. This would also include engagement with the education sector representatives to help shape the requirements in the RFP.

A Provisional Procurement Plan[20] was prepared and approved in March 2016.

3. Market Assessment

In Phase 1 of the procurement exercise, a market assessment exercise was conducted by EPL. The market assessment was to be at sufficient depth so as to enable EPL to gather enough information to inform the DBC but not undertake any evaluation as it was not a competitive procurement process.

The key areas of exploration and assessment as part of this exercise were:

a) Are there platforms available that can cater for EPL functional requirements and replace NOL (including validating the architecture)?

b) Are there platforms available which can be made available immediately to start deploying the functionality to the payroll administrators (at schools)?

c) Are there providers available with relevant skills and experience?

d) Are there providers who understand the education sector and can prove that they have the methodology to work with the users and stakeholders to design, develop and implement the system?

e) What is the provider maturity in embarking on a user centric design and the implementation methodology for Digital projects?

f) Can the design, development, and implementation be undertaken in an iterative manner whereby the new functionality available on the system is developed iteratively and quickly but in partnership with the users and stakeholders?

g) Can the rolling out of new functionality be easy, offer agility to cater for change (based on feedback from users), and be very quick to deploy?

h) Can new functionality be released to only a subset of users (pilot users) and then enhanced quickly to a point of wider general release?

i) Can it support a short time to develop and time to deploy?

j) What is the one-off pricing and on-going pricing for the available solutions?

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[20] Provisional Procurement Plan can be found at K:\DBC Work Packages\1. User Experience Focus\New User Interface\VendorWorkshops\EPL Presentation Material\

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k) What is the elapsed time (duration) to do the project?

l) What would need to be prepared to enter the next phase of procurement so that firmed up solution, pricing and timeframes could be obtained?

This exercise had two sub-phases:
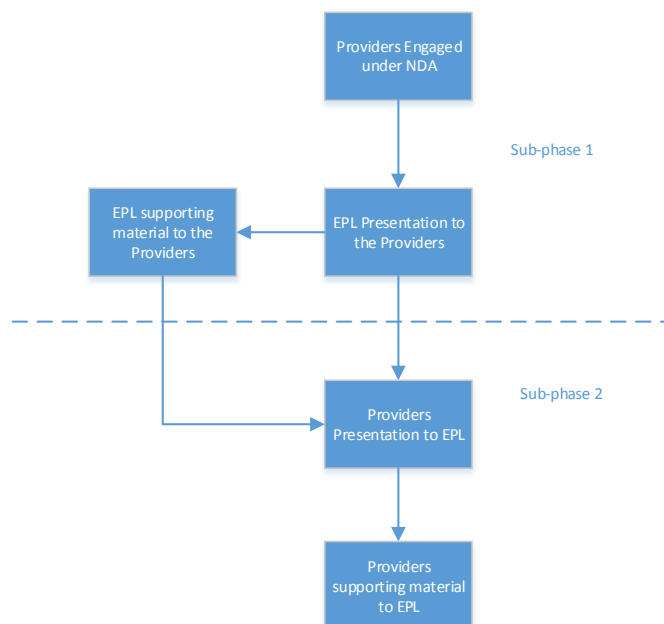
The EPL review team engaged with the following software and service providers who had expressed an early interest to participate in the market assessment exercise:

Organisation	Notes
Salesforce	Cloud platform provider. International.
Fronde	Traditional software developer and Cloud integration partner. Existing EPL supplier. NZ based.
Davanti	Salesforce integration partner. NZ based.
ServiceNow	Cloud platform provider. International.
Deloitte/ Asparona	Traditional software developer, Cloud integration partner and Digital consulting organisation. Existing EPL supplier. International.
Ascender	Ascender Pay engine provider. Existing EPL supplier. International.
AMS	Payroll engine provider. NZ based.
Datacom	Traditional software developer, payroll engine provider. NZ based.
Diagram	User centric design and customer experience consulting organisation. NZ based.

The reasons to engage with these organisations:

a) Mix of traditional software development organisations and current cloud based software organisations. It was felt that this would give a variety of options.

b) Mix of competitive payroll providers and general software development organisations. It was felt that as EPL was seeking a user interface for its payroll application it made sense to explore what other payroll providers had on offer i.e. explore if any 'off the shelf' applications were available.

c) Mix of 'specialist' organisations specialising in a particular aspect and 'full services' organisations that could provide for all the requirements. This was done to minimise any 'blind spots' by ensuring diversity of thought and practices.

d) Mix of NZ and International organisations. This ensured that EPL would be informed on what was happening in local and international markets. This also ensured that EPL was promoting local participation.

EPL review team was composed of the following individuals:

Name	Title	Notes
██	Head of Technology	Attended all the sessions
██	Principal Advisor, Architecture	Attended most of the sessions
██	Sector Engagement and Change Lead	Attended all the sessions
██	Lead, Reporting and Analytic	Attended some of the sessions
██	Enterprise Architect, Ministry of Education	Attended most of the sessions
██	Enterprise Architect, Ministry of Education	Stood-in for XXXX when XXXX was on leave

In the first sub-phase, a workshop was held with each of the participants where EPL presented:

a) EPL presentation[21] explaining its business, organisation history, current processes, improvement initiatives and the current challenges (functional and technology) posed by the NOL.

b) EPL High Level Requirements[22].

c) High level information on Education Sector Digital Strategy[23] was also presented.

d) Questions from the participants were answered in this session.

e) Some additional material such as volume of manual tickets[24] per month and top 15 types of 'value' and 'failure' demand[25] was also supplied.

f) The participants were then asked to come back to EPL in 3 weeks and present their thoughts, ideas, options, concepts and solutions. They were also asked to submit indicative high level pricing, project approach and if they wanted they could showcase a mock-up/ prototype of their solution.

In the second sub-phase, each of the participants came back and presented. Each participant provided EPL with their:

a) capability statements

b) platform and services options

c) their ideas and plans for the sector participation in the iterative development

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[21] EPL presentation can be found at K:\DBC Work Packages\1. User Experience Focus\New User Interface\VendorWorkshops\EPL Presentation Material\EPL Presentation.pptx

[22] EPL High Level Requirements can be found at K:\DBC Work Packages\1. User Experience Focus\New User Interface\VendorWorkshops\EPL Presentation Material\EPL high level requirements.pdf

[23] High Level Education Sector Digital Strategy can be found at K:\DBC Work Packages\1. User Experience Focus\New User Interface\VendorWorkshops\EPL Presentation Material\ Modern Learning Practises.pdf

[24] Volume of manual tickets can be found at K:\DBC Work Packages\1. User Experience Focus\New User Interface\VendorWorkshops\EPL Presentation Material\ Volume by month by tickets.pdf

[25] Top 15 types of value and failure demand can be found at K:\DBC Work Packages\1. User Experience Focus\New User Interface\VendorWorkshops\EPL Presentation Material\ Top 15 Value and Failure demand.pdf

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d)   indicative pricing and timeframes.

4. Findings

The system (includes platform and the software)

The presentations to EPL and the subsequent discussions with the providers showed that:

a)   A New User Interface (NUI) to be used by the school payroll administrators can be developed and it is possible to separate the payroll processing undertaken by Ascender Pay engine from it.

b)   It is possible to enable the on-going development of the NUI independent (except of the technical interface) of the Ascender Pay engine. It can be developed independent of any on Ascender features or functions, or for that matter any other payroll system in the future.

c)   However, the technical interface layer between the Ascender Pay engine and the NUI is vital to enable not only the integration so that there is data transfer but also to enable separation of the duties between the two systems.

d)   There are some options available for this technical interface layer that need to be explored in detail before EPL settles on one. The choice of the system for NUI shouldn't have a huge influence on the selection as most systems presented had adequate flexibility in regards to interfaces to other systems. The key will be to ensure that open standards are maintained.

e)   There is flexibility and capability available in terms of user design and user interface including layouts, language and 'look and feel'.

f)   Validation of the data entered by payroll administrators can be provided by the NUI.

g)   Care will be required to minimise and manage duplicated data and business logic between the core payroll and NUI.

h)   Necessary workflow can be built into the system along with required authorisation levels to support a fully online system for all pay transactions including up to the end-employee level. This ability to provide access at a level deeper than the school administrators' level can either be provided immediately or gradually introduced in the future.

i)   EPL payroll staff can have access at the workflow level to ensure that if any intervention is required, it can be provided.

j)   Modern user-centred design approaches can be applied and highly intuitive and user friendly interface can be created.

k)   The NUI can be made available simultaneously on old (PCs/Macs) and new (mobiles) platforms.

l)   It is possible to provide all the above mentioned functions either on a complete bespoke system built in a traditional manner or on a cloud based system where many of the underlying technology attributes are shared.

m)   Datacom, Ascender and AMS proposed a traditional system with bespoke application. Datacom proposed a completely bespoke application built in the MS .Net framework. Ascender proposed its newly released user interface for the new version of Ascender Pay engine but this needed considerable development to suit EPL requirements. AMS proposed a combination of its Awards Interpreter application and its Business Process Management application. These were developed on the MS .Net framework too. The Awards Interpreter application needed customisation to suit EPL requirements but the Business Process Management application was configurable to suit EPL requirements.

n)   Salesforce, Davanti, and ServiceNow proposed a cloud based system. Salesforce and Davanti proposed Salesforce Cloud and ServiceNow proposed ServiceNow cloud. The systems were configurable to suit EPL requirements.

o) Deloitte not only proposed Salesforce cloud based system for the NUI but also offered the bespoke AMS Awards Interpreter application as a supporting system.

p) Fronde didn't propose any specific system and instead focussed on its generic capabilities and key attributes of a Digital project.

q) There is no off-the-shelf system available that can just be used by EPL. Any system will need considerable customisation and configuration to suit the education workforce it is catering for and the associated use cases.

r) The cloud based systems did offer a quicker 'time to market' and standardisation while simultaneously providing flexibility in the areas of user design, user experience and configuration.

s) The cloud based systems also offered the freedom from lifecycle management of the underlying technology components and allowed focus on application business rules and user interface design and management to maximise the benefit from the application.

The following technology platforms/ systems were presented by each of the Providers[26]:

Organisation	Technology presented	EPL use-case mocked-up	User-centric design capability

All the participants followed through and presented back to EPL. Salesforce transitioned to having its offering presented via partners (predominantly, Davanti). Salesforce provided platform subscription costs directly along with an indication of likely volume discount levels EPL could expect. Salesforce had presented to EPL earlier and showcased a mocked-up use case.

Neither the Microsoft CRM product nor the Oracle CRM product was specifically offered by any of the providers. Datacom and AMS presented their bespoke software applications built on the Microsoft .Net framework.

The provider

The presentations to EPL and the subsequent discussions with the providers showed that:

a) There are providers available with prior experience in the development and implementation of highly functional and intuitive software applications.

b) There are providers available that have prior experience in partnering and embarking on a user driven software development. While the individual approaches were slightly different, the general themes of user research, early user engagement, and user input through the lifecycle of the project were consistent.

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[26] The Provider information can be found under respective folders of each organisation at K:\DBC Work Packages\1. User Experience Focus\New User Interface\VendorWorkshops

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c) There are providers available with a mature delivery process and stakeholder relationship framework that ensures high levels of user engagement and customer satisfaction.

d) Many providers showcased prior experience of working in a similar complex environment with diverse stakeholders.

e) All the providers were able to show the user design thinking but some had those experience and skills in-house while other sourced them from the marketplace. One provider, Diagram, only performed the user design function and was open to working with any other software provider.

f) Some providers had a better grasp on differentiated user experience and 'assisted digital' than others. The cloud based providers were better in this regard as compared to traditional software developers.

g) The role of Product Manager was highlighted by many providers as vital for the success of the project in terms of engaging and liaising with the sector participants, owning the functional requirements and providing day-to-day guidance to the project in relation to catering to all the user requirements.

h) Most providers had examples of integration of their platform with other systems.

i) Most providers were able to demonstrate the ability to start on the project soon and sustain the focus. Some providers were more aggressive than others when it came to timeframes and the pace of change. The consistent message though was that the timeframes will be dictated by EPL managing change with the users and the risks associated with such a change. Almost all providers suggested a 12-18 months' timeframe for the project.

j) Both the cloud based providers (Salesforce and ServiceNow) had taken one of the Novo forms as a use case and mocked-up a prototype for that particular use case. While it was not a robust prototype it showed EPL that the EPL use cases are feasible and that cloud providers do offer a relatively quicker 'time to market'.

Project Implementation

The presentations to EPL and the subsequent discussions with the providers showed that:

a) Most providers had their transition process principle as 'start small, learn and then evolve' from functionality and user count perspective.

b) Some providers proposed to start with a system function that could manage all the current manual requests from the users but provide better service management and service assurance.

c) Active engagement with the schools (as key stakeholder group) was highlighted as vital for the success of this project by all the providers.

d) All providers felt the need for user research to be undertaken. This was to determine workflow practices, payroll capability and digital fluency of the sector users.

e) Getting active input from a diverse set of users at every stage of the design and for every customer facing use case of the NUI was also proposed as important. This would require a group of users to be selected and on-boarded to feed into the project team.

f) All providers focussed on the following aspects as being important for the project - the functional requirements, design of the NUI, validation required and the orchestration (of data, validation and business rules between the NUI and the pay system).

g) A good practice followed by all providers was to select a group of schools as pilot schools. A subset of functionality will first need to be released to these schools, and then be evolved after learning from the actual use and users. It can then get released wider to the other schools.

h) The frequency of the release process would need consideration. Releases more frequent than once every two or three months create a risk of change fatigue. Any less frequent and there is the risk of losing engagement with the users and not delivering functionality.

i) There was an alternative thought by some providers in regards to releasing the functionality to users. The option proposed was that rather than drip-feed the functionality, <u>all</u> functionality should be released to the Pilot schools first to mitigate the overlapping use of two systems (old and the new). While this transition strategy minimises the period of change, it has its own risk that the sector doesn't see any change for a long time.

j) It was apparent that while the providers would provide most of the resources required for the development of the system, EPL will need to establish a project and provide a project team.

k) It was also noted by most of the providers that EPL might need some specialist user design skills and user research skills. Most providers felt that it was best to source this expertise from organisations specialising in these areas.

Costing

The presentations to EPL and the subsequent discussions with the providers showed that:

a) The pricing received was in a broad range due to the higher level of requirements, variability in licensing costs and differences with the deployment options considered and costed. The bespoke builds were more expensive than the cloud providers and that included the one-off charge for the development effort and also for the on-going maintenance charges. Some providers didn't include the user centred design costing.

b) The costs provided for the cloud based systems were provided with more clarity and included underlying platform and use based licenses. Thus this model provided the best method (of the selection) to calculate on-going recurring cost for the system and can be used with relatively greater confidence.

c) The one-off costs for the development of all the functionality and catering for all the use cases provided a wide range as the detailed requirements are yet to be developed.

d) Below is the table that shows how the indicative costs were worked out to act as input to DBC

Organisation	System license/ subscription costs	Annual Support & Maint. costs	One-off Project costs	Service design and Transition costs

e) All the costings were provided as estimates only, exclude GST and subject to change once the detailed requirements were known and the subsequent RFP process progressed.

f) There were three main drivers noted for the variance in the costs between the different providers:

i. The first is the complexity of the use cases, validation required, user design input and thus the estimation of the development effort.

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ii.   The second is the process to manage business change, including sector engagement and the scale of sector collaboration and consultation estimated.

iii.   The third is the extent of 'divergence' from out of the box functionality. More the divergence, higher the costs.
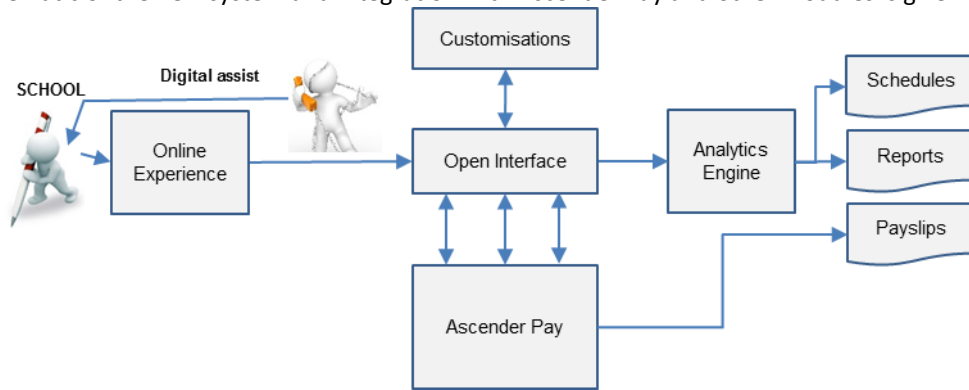
5. Conclusions

The system (includes platform and the software)

Subsequent to all the presentations and discussions as part of the market assessment exercise, it can be concluded that:

a)   There are platform choices available that can cater for EPL functional requirements and replace NOL. The following key outcomes can be secured through procurement of an online platform and provider. The details of each will have to be worked out through the subsequent procurement phases:

   i.   all data can be entered by schools online

   ii.   full data validation available at time of data entry so that school data is entered right first time

   iii. electronic workflow available to manage authorisations and so that schools know what has been entered and what may be outstanding

   iv.   schools can continue to enter data right up to processing cut-off times (for requests not requiring manual intervention from EPL staff)

   v.   all information required by schools to perform their role is available online

   vi.   EPL payroll staff have direct access to all school pay information and status of current workflows

   vii. differentiated service can be provided for the diverse mix of school types, payroll capability, and digital fluency of the school administrators.

b)   There are platform choices available that can be made available immediately (if required) to start deploying the functionality to the payroll administrators (at schools).

c)   There are platform choices available that can cater for any new functionality to be released to only a subset of users (Pilot users) and then enhanced quickly to a point of wider general release. The rolling out of new functionality will be straightforward, offer agility to cater for change (based on feedback from users), and be very quick to deploy.

d)   Cloud based systems look more attractive because of they offer 'speed to market', configuration flexibility and freedom from infrastructure lifecycle management. This needs further exploration in the RFP phase.

e)   Getting the technical integration layer right between Ascender Pay engine and the NUI is vital to the success of the NUI. A work package to create the Open Interfaces for the EPL's Ascender Pay engine is important. Through this Open Interface, a standard set of APIs can be presented that can be used by the providers of any module that needs to integrate with EPL's Ascender Pay engine. This integration layer is required for both traditional bespoke software or cloud based system.

f)   The schematic of the new system and integration with Ascender Pay and other modules is given

below

The provider

Subsequent to all the presentations and discussions as part of the market assessment exercise, it can be concluded that:

a)   There are providers available that can supply the systems and associated services to EPL. Not all providers may necessarily provide all the components.

b)   Potential exists for multiple suppliers to be involved in the actual build and deployment of the NUI and the exact composition can only be finalised when the RFP process concludes. Specialised providers for specialised areas e.g. user interface design, service design etc. can be accommodated.

c)   There are providers available who can embark on user centric design and the iterative implementation methodology for Digital projects.

d)   There was enough encouraging feedback from the providers to inform that an outcomes based agreement that caters for the iterative development and deployment would be beneficial and viable.

Project Implementation

Subsequent to all the presentations and discussions as part of the market assessment exercise, it can be concluded that:

a)   The expectation duration of the project is around 18 months.

b)   There would be a requirement for EPL to contract in resources for the length of this project. These would be project resources only and would not be required to operate or modify (tweaks and new use cases) the system through its lifecycle.

c)   Sufficient internal EPL experience and expertise needs to be built over the project duration and continue in to normal operations. It would make sense to recruit permanent employees for application operational matters and retain the knowledge inside EPL.

d)   The roles of Product Manager and the Project Lead are very important for the success of the project and need to be aligned, with clear common objectives from the start.

e)   While Project Lead is a familiar role, the role of Product Manager is new and is responsible for liaison between the sector user group and the project. The role will be responsible for approving the functional design, use cases, deployment of the NUI and ensuring that project follows good change practices suitable for a digital project.

f)   The alternative transition method whereby all functionality is released rather than deployed iteratively, needs to be explored in greater detail during the RFP phase. It also needs to be reviewed in conjunction with the sector participants. While this transition strategy minimises the period of visible change, it has its own risk that the sector doesn't see any change for a long time and doesn't receive the intended functionality. It is not the preferred transition option at this stage.

g)   The EPL core project team, once formed will need to include representatives from the areas of Architecture, Business Analysis, User Research, Service Design, Development, Testing, Communications, Process Analysis and Business Change. It should also include the chosen sector participants.

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h)   EPL's School Account teams, Application Operations team and the Payroll Processing team will have to play a supporting role.

Costing

Subsequent to all the presentations and discussions as part of the market assessment exercise, it can be concluded that:

a)   To keep the project costs to budget, it is important to balance flexibility with standardisation and keep the divergence from standard configuration in check. As far as possible, no customisation will be undertaken.

b)   As the Salesforce license costs were provided with most clarity and included the underlying platform costs, these were used as the proxy for license/ subscription costs for the NUI. The Annual support (including maintenance) costs received were in a wide range and it was felt that an average of received costs from a broad set of providers would provide a reasonable proxy for this.

c)   The one-off costs for the development of all the functionality and catering for all the use cases provided a wide range. It was felt that an average of received costs from a broad set of providers would provide a reasonable proxy for this.

d)   An average for the annual support costs and one-off costs was taken to be the best way forward because the analysis showed that while the lowest priced provider had gaps in its offering, the highest priced provider had taken an extremely conservative view with a high margin of risk and uncertainty included in the costing. It was felt that the average would take the effects of this variance into account but give a more 'realistic range' cost profile.

e)   Below is the table that shows how the indicative costs were worked out to act as input to DBC

Organisation	System license/ subscription costs	Annual Support & Maint. costs	One-off Project costs	System license costs including Support (Input to DBC)	One-off Project costs (Input to DBC)

f)   The costs received were high level estimates and while this has provided input for DBC, these need to be finalised in the subsequent procurement phase. Documenting detailed requirements across functional, technology and transition areas is the logical next step. Having these detailed requirements would allow EPL to secure confirmed costing in the RFP phase.

g)   Any costs associated with the procurement of the Open Interfaces is not included in the above table. The Open Interfaces procurement will be separate and that work package has been costed separately in the DBC.

APPENDIX K: Implications of the Holidays Act compliance requirements on the Business Case

Compliance of payroll systems and services to the Holidays Act have been a major issue across New Zealand in public and private sectors. The education payroll is required to be compliant with all legislation, including the Holidays Act. The issues of Holidays Act compliance requirements are mostly in common with other payroll providers therefore the broader issue is not covered in detail here.

In the process to date there has been a number of assumptions of how the system would be compliant to Holidays Act and collectives. This was included as a series of Work Packages which included work to address terminations, end date allowances, retrospective analysis and other general Holidays Act compliance matters.

The Ministry and EPL have been undertaking a Holidays Act Compliance Review, with Deloitte being contracted to provide an independent analysis and a high level plan for compliance. This review is being undertaken on the both the Novopay service (August 2012 to date) and the Datacom service (September 2000 to August 2012).

The first stage of this work – which is nearing completion – has been to review the data being produced by both payroll services to identify any areas of non-compliance. This include a review of holiday interpretation and validity of pays, calculation of accumulators and leave types.

The next stage will be to identify a series of consolidated problem statements from which remediation plans can be developed. These plans will be both for remediation of the current service and recalculation of pay and leave entitlements for each employee ▮▮▮▮▮ It is expected that a very high level plan can be developed by the end of October 2016. By this time it is not expected that there will be any quantification of remediation or retrospective costs (back payments to employees).

This is an exceptionally complex process that involves gaining clarity on interpretation of the Holidays Act, detailed analysis of the data from two payroll services, reviews of the Employment Agreements / Ministry Policy. It is also likely to require reviews of employment practices in 2,500 schools. There are also education sector operating models which may be impacted, such as banking staffing and funding.

A number of approaches to inclusion of Holidays Act compliance remediation costs have been considered including, retaining the current work packages in the case, undertaking a reassessment based on what is known to date, or removing from the Holidays Act compliance components from scope and submit new Holidays Act case when known. These options are summarised below.

Table 52 Options for Holidays Act remediation

Options for Holidays Act Remediation	Advantages	Dis-Advantages
Include all currently defined work packages	No change in case and provides some estimates	Does not address issues as identified in the review
Create new work packages on what is known at this point	Provides an early estimate	Process and technical requirements are not known creating high cost risks
Don't include work packages and submit new case when scoped	Allows the Holidays Act project to work through the key issues	No provision in EPL forecasted costs for Holidays Act compliance

Due to the high range of uncertainty with Holidays Act remediation approach EPL has removed the core Holidays Act remediation costs. However, there are some projects underway and proposed that have some aspect of Holidays Act compliance already. These include Terminations, Leave, and EoY/SoY. These projects will continue as they address broader compliance and operational issues and they will be reviewed on an ongoing basis to ensure that whatever is developed and implemented complies with the Holidays Act.

This approach increases the certainty of the costs of the programme and puts pressure on determining the Holidays Act remediation approach. ███████████████████ it is important to take sufficient time to consider the most appropriate remediation approach.

There is no implication from a systems or service design perspective as the need to replace NOL and other compliance related investment is the same.

APPENDIX L: Document changes log

The following feedback has been applied from the feedback received from the Ministry of Education Technical Review on version 0.308 of the business case dated 9 September 2016.

Table 53 Ministry of Education feedback – technical review received 21 September 2016

Recommendation	Response	Where reflected in business case
a) Work packages for external facing APIs (*28C Open Interfaces*) and workforce self-service (*2C Improved Admin User Experience*) be brought back in-scope.	We have agreed with the Ministry at the EIS DBC Governance Group that we would not include these in the current case but provide as an option for the Ministry at any point to commission. We will be designing the user interface to be able to be extended to include employee self-service. It would also make sense to do this as a second phase as the change management burden on the sector introducing this at the same time as the Administrative interface is likely to increase risk. Note the work we are doing with Education Council and Ministry now enables us to get an early run at this from a platform and design perspective.	See APPENDIX H: Compliance with Education System Digital Strategy 2015-2020, preamble.
b) Implementation of responsive and accessible user interfaces be made explicit as part of the NUI solution description.	Agreed.	See Economic Case, "Summary of preferred option", "New user-friendly online system designed with schools in mind", paragraph 1.
c) Implementation of the education workforce register, and delivery of online self-service via consolidated audience-centric channels be made more explicit in the body of the business case.	We have made this as explicit as we can at this stage in that we are committed to progress these with the Ministry as part of a co-design process. For both items in this recommendation architecture and design at a sector level is still at a very early stage.	See APPENDIX H: Compliance with Education System Digital Strategy 2015-2020, preamble. See also Economic Case, "Summary of preferred option", "Aligned with Education System Digital strategy", paragraph 2.
d) Further analysis be conducted on the feasibility of using a common rules engine.	We are agreed that we can do a feasibility study but would be very cautious about adding components into the core payroll architecture.	See APPENDIX H: Compliance with Education System Digital Strategy 2015-2020, preamble.
e) Alignment with the Digital Strategy be added as a critical success factor for the programme.	Agreed, the case does align with the Digital Strategy.	See APPENDIX H: Compliance with Education System Digital Strategy 2015-2020, preamble.
f) Other updates to the business case be made to address	6, agreed and will be noted in the risk section.	See APPENDIX F: Transition risk of preferred option.

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Recommendation	Response	Where reflected in business case
findings on risk management, governance and KPIs (as per paragraphs 6, 10 and 11 above).		Residual risk for risk #43 has been raised medium See also Economic case, "Risk and uncertainty assessment".
	10, We agree that the measures are required at operational level and EPL does have a significant range of measures and more extensive than most payroll providers due to its history. The Ministry has signalled it wants to review KPI's as part of the Service Agreement, these should be included as part of this process. • percentage of transactions submitted through the new user interface – this will be included as a basket of operational performance/transition measure around the NUI • reduced rework / transactions completing without re-submission – this is a current measure (failure/value demand) • percentage of transactions completed without service centre intervention – this will be included as a basket of operational performance/transition measure around the NUI • time to address defects – measured today but is a subset measure to an outcome based service KPI • quality of payroll data provided to the Ministry – this will be a subset of KPI 6 and will have its own measures	See Management Case, "Benefits management", "Benefits register and targets".

Other changes included the following:

- Minor corrections of grammatical and typing errors.

- Removal of residual reference to Option 3+.

- All yellow highlights removed from costs.

- Customer satisfaction ratings now include Quarter 3.

- Appendix J updated with final version of market assessment report.