

EDUCATION PAYROLL
Rārangi Utu ā-Mātauranga



STATEMENT OF **2020/21**
PERFORMANCE EXPECTATIONS

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2020/21


EDUCATION PAYROLL LIMITED

**STATEMENT OF PERFORMANCE
EXPECTATIONS**

STATEMENT OF PERFORMANCE EXPECTATIONS

This statement outlines the performance expectations of Education Payroll for the year ending 30 June 2021, covering both service performance and the prospective financial statements.

This statement aligns with Education Payroll's 2018-2022 Statement of Intent and should be read together with it.

Education Payroll's 2021 Annual Report will detail achievement against these performance expectations. 



WHO WE ARE AND WHAT WE DO

Education Payroll is a Crown company established in 2014 to deliver the pay to around 92,000 teachers and support staff in 2500 schools every fortnight, under the instruction of the Ministry of Education. Shareholding Ministers are the Minister of Education and the Minister of Finance. Our fortnightly \$198 million pay run totals around \$5.1 billion each year, and is one of the largest in Australasia.

The schools' payroll is complex covering 15 collective agreements, corresponding individual employment agreements and multiple allowances. It has many unique requirements, including that pay calculations are made 365 days a year, rather than weekly. Leave, holiday pay, sick leave and allowances all require ongoing recalculation to avoid under and overpayments. Entitlements also change frequently as collective agreements are renegotiated, often involving the collapsing and expanding of pay grade steps rather than one-to-one matching. Employees frequently hold multiple jobs, each with differing rates and requirements, and there are multiple funding sources that must be correctly allocated.

Managing these complexities has enabled Education Payroll to develop rich experience and competence with non-standard payroll and build up exemplary abilities to respond quickly and accurately to requests for change.

The company delivers much more than payroll. Education Payroll handles salary assessments for employees as they move through the grading system, as well as debt management. Our team of specialist payroll advisers give phone support and coaching to school payroll administrators as they manage the pay for their schools.

Every school has their own Education Payroll staff member to call about any payroll query, and our team members form close bonds with 'their schools'. They become schools' voices in all decisions we make about how we deliver the pay. No changes or decisions are made without checking with our operational teams ... 'Will this work for schools?'

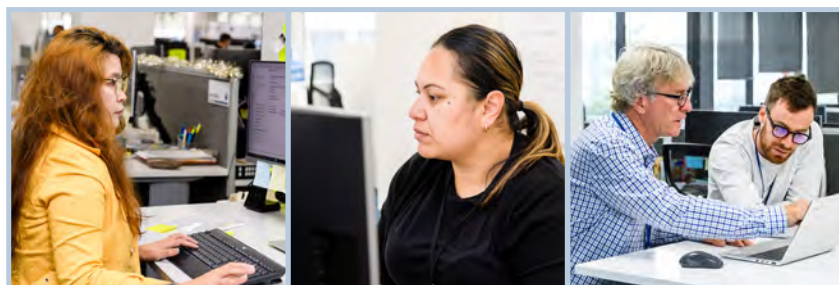
EdPay – the new online schools' payroll service

Education Payroll is building the new online schools' payroll service EdPay, which in 2020/21 is planned to replace forms and allow the retirement of Novopay online.

All schools have had access to an early version of EdPay since October 2019, and new features continue to be added to it. EdPay already replaces the highest volume forms and has been very well received by schools.

Since inception, EdPay has been designed with the advice of schools. Every new feature starts with a design phase in which our service design and change teams tour schools showing them on-screen mock-ups and taking feedback. Once a design has been settled on, it is provided to the build teams, who write and test the code, before shipping it to our small team of test schools who try everything out in real life. We frequently make adjustments based on their feedback, and only with their seal of approval do we ship the new feature out to all schools. The result has been successful, with almost no concerns raised by schools, and a great deal of positive feedback. In our minds, building features with schools, for schools is the only way to go.





Securing the technological future

A priority for the 2020/21 year will be to progress understanding of the payroll database and related technologies. The legacy Oracle database is now around 10 to 15 years behind current technologies, and although its upgrade was provided for in the 2016 detailed business case that set out our 10-year development programme, discovery work has shown the task will be considerably larger than predicted. Education Payroll has commissioned an independent technical quality assurance to assess the analysis and planning completed to date, and to provide advice on possible upgrade options, including risks and benefits of each. Education Payroll's competent and experienced team will continue to maintain the database in the interim.

In 2020/21 Education Payroll will also engage with the Ministry of Education and Treasury to determine the best future pathway for the payroll engine technologies. The payroll engine continues to be successfully and safely managed by Education Payroll in the meantime.

In 2020/21 we will continue with cybersecurity improvements for all of our systems, hardware and networks. A new firewall and security partner has been established to protect against the cyberattacks that are increasingly being experienced by public sector entities. As with all cybercrime, the types of attacks and countries of origin are constantly changing.

An engaged team


Our School Account Team of dedicated payroll advisers work one-on-one with school administrators, guiding them through the complexities of the

schools' payroll. Over 2020/21 we will continue to invest in best practice call centre training to build the consistency of our customer service. We will be establishing an improved knowledge base, to make it easier for the team to quickly deliver the right answers for schools. We will be evolving the role in recognition that these staff do much more than simply process pay, and are in fact specialist advisers.

Education Payroll is a desirable place to work, offering competitive salary and benefit options. In 2020/21 we will improve our succession planning for employees – creating career roadmaps and identifying staff for development opportunities. We will offer training and seminar opportunities in order to strengthen our own capabilities and reduce reliance on external providers.

Our emphasis on mental health and wellbeing will be expanded in 2020/21. Regular staff engagement surveys will be run and the results will guide decision-making. The work from home process will be further developed to encourage flexible working environments. We will continue our Diversity Works membership and ensure we exceed all criteria to retain this status.

Award winning risk and assurance

Our Risk and Assurance team attends every significant operational meeting, ensuring all voices are heard and the tough questions are asked. There is a strong focus on the power of internal audit to improve risk management. The team was awarded the Institute of Internal Auditors 2019 award for Team Excellence in Internal Auditing for its deep integration of internal auditing in all aspects of the business. 

SERVICE PERFORMANCE EXPECTATIONS

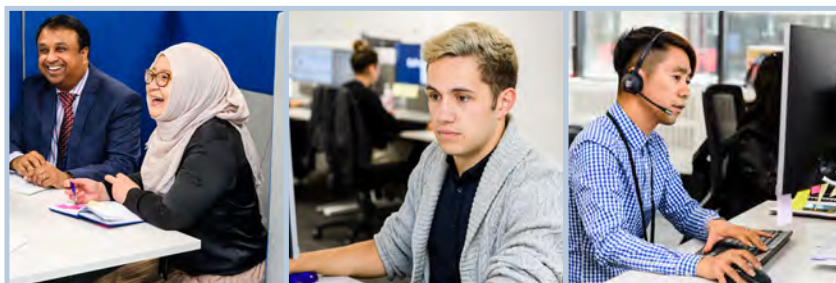
Education Payroll's output is the successful delivery of the schools' payroll.

In addition to this core role, within the provision of the service delivery to schools, we also manage debt related to payroll overpayments, and assess teachers' qualifications and experience to determine correct salaries. We process and administer ACC claims on behalf of schools. These performance measures and prospective financial statements relate to this primary delivery work.

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

	Budget \$000 2020/21	Budget \$000 2019/20	Forecast \$000 2019/20
For the 12 months to 30 June			
Revenue	27,779	27,513	28,702
Expenditure	26,689	26,413	27,472
Surplus/(deficit)	1,090	1,100	1,230

The Education Payroll Development Programme, which was focussed on building the new online schools' payroll system EdPay and other modernising work, transitioned to business as usual from 1 July 2020. Benefits and other performance elements related to the programme will be included in future performance measures, when these have had time to be clearly seen.



CORE PAYROLL SERVICE

Services that relate to the accurate provision of payments and entitlements to school employees. On average, we receive approximately 14,000 payroll instructions every fortnight.

PERFORMANCE MEASURE	DESCRIPTION	2018/19 Actual	2019/20 Estimated	2020/21 Standard
ACCURACY				
Payroll payments to eligible teachers and school support staff are accurately calculated	Percentage of employees paid, excluding requests to correct payments to employees, and pay impacting tickets not processed in the current fortnight	99.8%	99.8%	99.5%
Payroll instructions submitted 'right first time' by schools	Percentage of payroll instructions received from schools that can be processed first time without being returned for further information	80.9%	82%	80%
TIMELINESS				
Payroll payments to eligible teachers and school support staff that are sent to financial institutions on time in order to be processed on or before advised pay dates	Percentage of employees paid, excluding the employees receiving a manual pay in the fortnight following the advised pay date	100%	100%	99.5%
QUALITY				
Customer satisfaction	Percentage of survey respondents satisfied with the overall quality of the service delivery and the support they receive from Education Payroll	76%	75%	75%

DEBT MANAGEMENT

Notification, recovery and administration of payroll-related overpayments.

PERFORMANCE MEASURE	DESCRIPTION	2018/19 Actual	2019/20 Estimated	2020/21 Standard
ACCURACY				
New overpayments created	Percentage reduction in new overpayments created compared with the previous year	31.2%	19.5%	15%
TIMELINESS				
Debt notification made on time	Debtors will receive their first notification of debt within 15 working days of the debt being discovered ¹	99.4%	99.7%	99.5%

¹ Discovery is either the date of notification from the school/Ministry of Education/third party, or the date the overpayment is discovered by Education Payroll.

SALARY ASSESSMENT

Assessment of teachers' qualifications and relevant experience to determine the correct salary and ensure correct salary payments.

We received approximately 6,200 requests for assessments last financial year.

PERFORMANCE MEASURE	DESCRIPTION	2018/19 Actual	2019/20 Estimated	2020/21 Standard
ACCURACY				
Notification of errors related to salary assessment determinations	Percentage of transactions received and completed that did not result in notification of errors ² or an overpayment related to incorrect salary assessment	99.9%	99.8%	99.5%
TIMELINESS				
Salary assessments processed on time	Accurate assessments will be processed within 15 working days from date of receipt ³	100%	100%	100%

ACC ADMINISTRATION

Processing and administration of ACC claims on behalf of schools, in accordance with the Employment Reimbursement Agreement with the Ministry of Education.

We processed approximately 2,200 ACC claims last financial year.

PERFORMANCE MEASURE	DESCRIPTION	2018/19 Actual	2019/20 Estimated	2020/21 Standard
ACCURACY				
Notification of errors related to ACC claims	Percentage of transactions received and completed that did not result in notification of errors from schools, employees, the Ministry of Education, ACC, or an overpayment related to the incorrect processing of an ACC claim	100%	99.7%	99.5%

CYBERSECURITY

Cybersecurity is increasingly pertinent to all public sector agencies. In addition to developing our cybersecurity capability with a full-service cybersecurity partner, Education Payroll has set new performance measures to reflect the importance of this area.

PERFORMANCE MEASURE	2020/21 Standard
Number of foreseeable cybersecurity critical incidents	0
All recommendations from the National Cyber Security Centre have been implemented	Yes

RESPONSIVE SERVICE

Promptly delivering newly agreed entitlements for school employees.

PERFORMANCE MEASURE	2020/21 Standard
Implement collective agreements within 3 pay periods of receiving full business requirements from the Ministry of Education	100%

² The reported performance does not capture errors notified by schools, employees or the Ministry of Education.

³ Date of receipt is when the application is complete with all required information for Education Payroll to make an assessment.

PROSPECTIVE FINANCIAL STATEMENTS

The prospective financial statements have been developed to fulfil our obligation under the Crown Entities Act 2004 to table a Statement of Performance Expectations before Parliament. The forecast financial statements are estimates based on available information at the time of publication and contain inherent uncertainties. They have been prepared during the unprecedented COVID-19 pandemic and contain the best information currently available. Actual financial results achieved for the forecast period are likely to vary from information presented and variations may be material.

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

These prospective financial statements are issued as at 22 April 2020 and are based on information available at that time.



Sandi Beatie
Chair
Education Payroll Limited



Cathy Magiannis
Chair of Audit and Risk Committee
Education Payroll Limited

THE PROSPECTIVE FINANCIAL STATEMENTS HAVE BEEN BASED ON THE FOLLOWING ASSUMPTIONS.

Revenue and expenditure

The 2020/21 budget assumes a surplus of similar levels to 2019/20. Within this budget there are counterbalancing elements of:

- the costs of the completion of the rollout of EdPay and initial work on upgrading the Oracle database
- the realisation of processing efficiencies from the Education Payroll Development Programme (EPDP) and additional cost savings created as it transitions to business as usual.

Other assumptions are:

- Additional revenue has been included beyond the payroll service fees received from the Ministry of Education, for the Gender Equity policy change to the payroll system, which will now be completed in 2020/21. While there are currently some other change requests in the pipeline, it is unclear which, if any, will be accepted by the Ministry and the degree of resourcing required for them, so no further change request-related income has been included in the forecast
- Overall staffing levels are expected to decline during 2020/21 with the beginning of operational efficiencies from implementation of straight-through processing, and the wind down of some technology teams
- The Operations group is aiming to undertake End of Year/Start of Year in 2020/21 within EdPay for the first time, with a further streamlined level of processing effort and resource, below that used in 2019/20
- EPDP is being transitioned to business as usual and any remaining completion work is forecast as part of the business as usual operating and capital expenditure
- Costs associated to the COVID-19 crisis have been estimated, but not included in this 2020/21 budget. Those potential costs have not yet crystallised and are considered too uncertain to be included in these projections. Education Payroll has financial levers to offset these costs if they arise.

Capital budgets

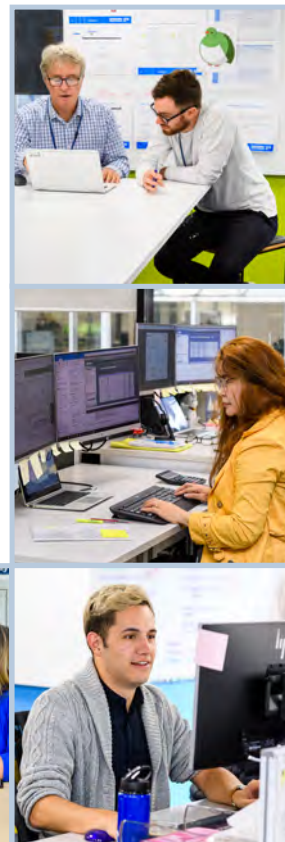
The 2020/21 capital budget includes \$0.150M for BAU corporate capital, and \$5.5M for EdPay and Oracle upgrade initial work. There is now mounting evidence that the Oracle database cannot be upgraded within the budget provided for in the detailed business case, and an alternative funding mechanism will need to be determined in 2020/21 in order to safely and securely progress this large and multi-year body of work. The options for the Ascender payroll engine also present significant future investment, funding for which must be established as a priority.

It is expected that due to ongoing development of EdPay, technology infrastructure, and the Oracle upgrade initial work, the limited funding available post EPDP will have to be carefully allocated to maximise value to the Shareholders. Education Payroll continues to focus on investing carefully to ensure that the taxpayers' assets are protected and fully developed. Education Payroll notes the risks involved in operating an older version of Oracle for longer, but the extent to which it and the Ministry of Education need to tolerate this risk is dependent on the rate of development achievable with existing funding.



Cash flow and funding

- Cash flow projections assume maintenance of a minimum \$2M cash reserve throughout the period.
- In 2020/21 Education Payroll will draw down the last \$3M of the Crown loan (\$13.2M total) provided to fund the EPDP. This funding will be used to smooth cash flow during the implementation phase of EdPay and initial work to upgrade Oracle.
- Repayment of loan drawdowns is profiled for 2021/22, and 2023/24. Education Payroll expects that the loan will be finally discharged in the year to 30 June 2024.
- Education Payroll faces a number of cost pressure challenges related to the costs of the COVID-19 crisis and the complexity of the Oracle upgrade. It has financial levers to pull to ensure that cash balances remain positive while dealing with the crisis and undertaking this key piece of development work. Education Payroll will continue to work with the Ministry of Education and the Treasury to ensure appropriate funding solutions are implemented that protect the ongoing operation of the schools' payroll. 🇳🇵



PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE & EXPENSES FOR THE PERIOD ENDED 30 JUNE 2021

Period ended 30 June	Notes	Budget \$000 2020/21	Budget \$000 2019/20	Forecast \$000 2019/20
Revenue from exchange transactions				
Sales of services to government	4	27,779	27,513	28,702
Total operating revenue		27,779	27,513	28,702
Expenses				
Personnel expenses		10,221	10,453	11,264
Third party support		2,122	2,467	3,595
Corporate expenses		478	454	549
Auditor's remuneration		51	48	66
Directors' fees		140	140	137
Travel & entertainment		42	49	24
Accommodation & facilities		1,011	962	976
ICT costs		6,045	6,184	5,491
Depreciation & amortisation	10, 13	6,143	5,234	5,209
Total operating expenses		26,253	25,991	27,311
Finance income				
Interest received		(15)	(30)	(31)
Finance expenses				
Interest expense		450	452	192
Total finance costs/(income)		435	422	161
Total surplus/(deficit) for the period		1,091	1,100	1,230
Total comprehensive income		1,091	1,100	1,230

These financial statements should be read with the accompanying notes.

PROSPECTIVE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

As at 30 June	Notes	Budget \$000 2020/21	Budget \$000 2019/20	Forecast \$000 2019/20
Current assets				
Cash & cash equivalents	9	7,763	2,499	3,687
Receivables from exchange transactions		90	255	90
Prepayments		1,549	2,008	3,097
Total current assets		9,402	4,762	6,874
Non-current assets				
Property, plant & equipment	10	2,666	6,556	1,750
Intangible assets	13	24,576	30,854	24,238
Work in progress	11	7,144	552	7,329
Total non-current assets		34,386	37,962	33,317
Total assets		43,788	42,724	40,191
Represented by				
Current liabilities				
Accruals & payables	16	2,450	2,324	2,944
Employee entitlements	18	500	500	500
Current portion of borrowings	17	4,000	–	–
Total current liabilities		6,950	2,824	3,444
Non-current liabilities				
Borrowings		9,000	13,000	10,000
Total non-current liabilities		9,000	13,000	10,000
Net assets		27,838	26,900	26,747
Shareholders' funds				
Capital contributions	19	25,520	25,520	25,520
Retained earnings		2,318	1,380	1,227
Total shareholders' funds		27,838	26,900	26,747

These financial statements should be read with the accompanying notes.

PROSPECTIVE STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2021

Year ended 30 June	Notes	Budget \$000 2020/21	Budget \$000 2019/20	Forecast \$000 2019/20
Cash flows from operating activities				
Receipts from sales of services for government		27,779	27,513	28,702
Receipts from interest received		15	30	31
		27,794	27,543	28,733
Payments to suppliers		(8,835)	(11,241)	(11,608)
Payments to employees		(10,221)	(10,453)	(11,264)
		(19,056)	(21,694)	(22,872)
Net cash inflows from operating activities		8,738	5,849	5,861
Cash flows from investing activities				
Payments:				
Investment in tangible and intangible assets		(7,212)	(13,082)	(10,622)
Net cash (outflows) from investing activities		(7,212)	(13,082)	(10,622)
Cash flows from financing activities				
Receipts:				
Proceeds from Crown loan drawdowns		3,000	7,000	6,000
Payments:				
Interest on borrowings		(450)	(452)	(292)
		(450)	(452)	(292)
Net cash inflows from financing activities		2,550	6,548	5,708
Net increase/(decrease) in cash & cash equivalents		4,076	(685)	947
Cash and cash equivalents at the beginning of the year	9	3,687	3,184	2,740
Cash and cash equivalents at the end of the year		7,763	2,499	3,687
Represented by:				
Cash at bank		7,763	2,499	3,687
		7,763	2,499	3,687

These financial statements should be read with the accompanying notes.

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2021

	Budget \$000 2020/21	Budget \$000 2019/20	Forecast \$000 2019/20
Opening balance	26,747	25,800	25,517
Movements:			
Capital contributions			
Total comprehensive income for the year	1,091	1,100	1,230
Balance as at 30 June	27,838	26,900	26,747

These financial statements should be read with the accompanying notes.

EDUCATION PAYROLL CAPITAL EXPENDITURE

	Budget \$000 2020/21	Forecast \$000 2019/20
Property, plant & equipment	1,000	1,072
Intangible assets	6,212	9,650
Total	7,212	10,722

NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Education Payroll Limited is a limited liability company incorporated on 27 August 2014. It was formed following a decision to transfer ownership and management of the schools' payroll service from Talent2 to a new government-owned company.

The new company commenced operations on 17 October 2014 and resides in New Zealand under the Companies Act 1993. It is a Crown entity as defined by the Crown Entities Act 2004 and is listed in Schedule 4A of the Public Finance Act 1989.

Education Payroll's purpose is to provide a payroll service to the Ministry of Education that ensures school payroll information and entitlements are accurately recorded, school staff are paid correctly and on time, and payroll information is easily accessible to schools and the Ministry of Education. As such, Education Payroll's principal aim is to provide services to the public, rather than make a financial return. Accordingly, it is designated as a Public Benefit Entity (PBE).

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

2. STATEMENT OF COMPLIANCE

The prospective financial statements are for the year ended 30 June 2021. They have been prepared in accordance with the Financial Reporting Act 2013, which requires compliance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

They comply with New Zealand Financial Reporting Standard No. 42 – "Prospective Financial Statements".

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

3. PRESENTATION CURRENCY

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. REVENUE FROM EXCHANGE TRANSACTIONS

Revenues from payroll services provided to the Ministry of Education on commercial terms are exchange transactions. Unbilled revenue at year end is recognised in the Statement of Financial Position as receivables from exchange transactions.

Revenue from the provision of payroll services is recognised when the following criteria are met:

- significant risks and rewards of the services have passed to the buyer
- services have been delivered, and
- the amount can be measured reliably and it is probable that the service potential associated with the transaction will flow.

5. FOREIGN CURRENCY TRANSACTION

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

6. LOANS AND RECEIVABLES

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

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

7. LEASES

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At commencement of the lease term, finance leases where Education Payroll is the lessee are recognised as assets and liabilities in the Statement of Financial Position, at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to surplus or deficit as interest expense over the period of the lease.

Operating lease

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

8. FINANCIAL INSTRUMENTS PRESENTATION

Financial assets and financial liabilities are recognised when Education Payroll becomes a party to the contractual provisions of the financial instrument. Education Payroll's financial liabilities include trade and other creditors and borrowings that pertain to Education Payroll's loan facility provided by the Crown.

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

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

9. CASH AND CASH EQUIVALENTS

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

10. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

Depreciation on property, plant and equipment (excluding work in progress) is calculated on a straight line basis, from the time the asset is in the location and condition necessary for its intended use.

This basis allocates the cost or value of the asset, less its residual value, over its estimated useful life.

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

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

Office equipment	2 to 6 years
Furniture & fittings	3 to 12 years
ICT equipment	2 to 10 years
Leasehold improvements	3 to 6 years

11. WORK IN PROGRESS

Non-Current Assets under construction are recognised at cost within current assets and are not depreciated. Assets under construction are recognised as tangible or intangible assets when they are released for use to the target audience.

12. GAINS AND DISPOSALS

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

13. INTANGIBLE ASSETS

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

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

Software in development is held in work in progress until completed, at which point it is transferred to the intangible assets.

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

Costs that are directly associated with the development of software are classified as an intangible asset when the following criteria are met:

- it is feasible to complete the development
- it can be demonstrated how the development can enhance or generate future economic benefit in a probable manner
- the expenditure attributable during its development can be reliably measured

Other development expenditure that does not meet the above criteria is recognised as an expense.

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

Software licenses	6 to 10 years
Developed software	4 to 12 years
Purchased software	1 to 5 years
Other intangibles	3 to 9 years

14. GOOD AND SERVICES TAX

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to or received from Inland Revenue, including the GST relating to investing and financing activities, is classified as operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed as exclusive of GST.

15. INCOME TAX

Education Payroll is currently exempt from income tax. Accordingly, no provision has been made for income tax.

16. ACCRUALS AND PAYABLES

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

17. BORROWINGS

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due but not yet paid on the borrowings is subsequently accrued and added to Accruals and Payables.

Borrowings are classified as current liabilities unless there has been an unconditional right to defer settlement of the liability for at least 12 months after balance date.

The Crown Loan was secured to enable the creation of assets during the delivery of the Education Payroll Development programme (EPDP).

Net interest on the Crown loan is capitalised during the development of EPDP assets and is held in Work in Progress until the assets are capitalised. Interest is not capitalised on projects where they have been put on hold indefinitely. Interest is expensed once the assets are capitalised.

18. EMPLOYMENT ENTITLEMENTS

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

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

19. EQUITY

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

20. COST ALLOCATION

Education Payroll has provided the full cost of its output measured on a full accrual accounting basis. Education Payroll provides a single output – Delivery of the schools' payroll service.

21. REPORTABLE OUTPUTS

In compliance with the Crown Entities Act (2004) S149E (1) (c) Education Payroll confirms that it does not propose to supply any class of outputs in the financial year that is not a reportable class of outputs.

22. CRITICAL ACCOUNTING JUDGMENTS ESTIMATES AND ASSUMPTIONS

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


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

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

Funding for payroll services delivered by Education Payroll is through a Services Agreement with the Ministry of Education.

The useful lives of intangible assets are predominantly based on the current term of the Ascender software licence, and the ten year business and financial projections included in the detailed business case for the Education Payroll Development Programme (EPDP).

School administrators continue take-up of the EdPay system enabling the closure of the EPDP, wind down of the Novopay online site, and capture of the financial benefits of the EPDP.

The Ascender technology upgrade is not included in this budget, and requires an alternative funding package. 

OUR STRATEGIC FRAMEWORK

OUR VISION

A world class organisation recognised for customer service and performance excellence

OUR PURPOSE

Delivering the benefits of accurate and timely payroll services to New Zealanders

OUR GOALS

Continuous Improvement through *Better Every Day*

Delivering a quality payroll service through continuous improvement and innovative future-focused investment

Accurate, secure, sustainable payroll delivery

Reaching the highest standards in the secure provision of accurate, reliable, consistent, payroll

Adding value to the Education Sector

Supporting the Ministry of Education and others to achieve Government policy objectives for education

OUR SUCCESS

Results are transparent and timely, test and learn is embedded, and best practice is followed

Payroll is accurate, customers are satisfied, security is prioritised, and stakeholders are confident

Our contribution to productivity in schools through payroll services and sector collaboration is recognised

OUR PEOPLE

We are highly skilled, customer-focused experts whose continuous learning ensures we offer a world-class payroll service

OUR VALUES

Make things easier
for all our customers and colleagues

Improve through understanding
using evidence to find solutions for changing needs

Learn through doing
trying things out, and being practical and innovative

Work as a team
bringing all our strengths together to make things happen

Treat everyone with respect
valuing and trusting each other, and building great working spirit





EDUCATION PAYROLL
Rārangi Utu ā-Mātauranga



2020/21