

ANNUAL REPORT 2022/23



Incorporated in 2014 under the Companies Act 1993, Education Payroll Limited (EPL) is a Crown-owned company listed on Schedule 4A of the Public Finance Act 1989 and subject to the Crown Entities Act 2004, the Official Information Act 1982, the Ombudsmen Act 1975, the Privacy Act 2000 and the Public Finance Act 1989.

Published in October 2023
Education Payroll Limited
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INTRODUCTION FROM OUR BOARD

E ngā mana, e ngā reo, e ngā karangarangatanga maha o te motu, tēnā koutou. Greetings to you all.

Our core service is delivering the pay to school employees each fortnight, on behalf of the Ministry of Education (the Ministry). This work is driven by the fortnightly pay cycle, school terms, the school year, and employment agreement cycles, with peaks and troughs of activity. The first half of 2023 was a period of heightened activity for schools, the Ministry and Education Payroll Limited – Rārangī Utū ā-Mātauranga (EPL).

As well as business-as-usual payroll for all school employees, many collective and individual employment agreements, which work on a two- or three-yearly cycle, were renewed and settlement changes implemented in 2022/23. These often complex changes need to be in place within three pay periods of ratification and, while most went smoothly, there were a few wrinkles we needed to iron out and learn from for future collective agreement implementations.

Amongst all our performance measures, the most important are that employees are paid accurately and on time. We came very close but did not meet our targets on both measures this year and will be working hard to meet these targets next year. This year, implementing the collective agreements and pay equity claims increased our workload significantly. We also managed the payroll impact of strikes and worked to support schools affected by the major weather events. These factors had an impact on both accuracy and timeliness.

We ended the year with a surplus of \$3.3M, significantly more than budgeted, because we received additional revenue, extended the useful lives of our intangible assets (resulting in lower amortisation expense) and reduced expenditure in some areas.

We strengthened our relationship with the Ministry. We worked together to progress changes to the salary assessment process and stand up a new salary assessment portal, which

will be launched in early 2023/24. We also supported the first historic Holidays Act 2003 remediation payments to current employees as part of a staged approach. We continue to work closely with the Ministry to prepare a Future Schools and Kura Payroll business case.

EPL closed the Education Payroll Development Programme (EPDP) in 2020 and we are starting to realise the benefits of the payroll system upgrade work that underpinned the programme. EdPay was the largest work package in the programme, accounting for 92 percent of the financial and 33 percent of the non-financial benefits.

To ensure our technology remains resilient, we upgraded our laptops, which were at the end-of-commercial-lives. We also moved one of our data centres from Wellington to Auckland. Our building flooded in late November, which meant EPL staff have been working from home and from other sites across the Wellington CBD for most of the year, while we secured new office accommodation for 2023/24. We signed the lease for new premises in May 2023, with a move-in date of September 2023.

There were some key staff changes during the year. Chief Executive Arlene White retired in November 2022 and in early December we welcomed Lara Ariell as our new Chief Executive. Sandi Beatie QSO, retired as Board Chair in October 2022 and Colin McDonald QSO, Board Director and Chair of the Audit and Risk Committee, also retired in January 2023. I'd like to acknowledge and thank them for their significant service to EPL.

Towards the end of the year, we welcomed Deidre Shea MNZM, former principal and executive member of the Secondary Principals' Association of New Zealand, as a director who will bring an invaluable school experience and perspective to our Board.

Lastly, we'd like to thank EPL staff for their hard work and dedication to schools and our customers in what has been a challenging and disrupted year.

This Annual Report is signed on behalf of the Board by:



Naomi Ferguson QSO
Board Chair
29 September 2023



Liz Maguire
Board Director and Chair of the
Audit and Risk Committee
29 September 2023

OUR STRATEGIC FRAMEWORK 2021-2025

We will invest in our people and organisation to ensure we get better every day, future-proof our technology and take advantage of every opportunity to add further value in the payroll and education sectors

OUR PURPOSE

To deliver an accurate, timely and secure payroll service to schools

OUR VISION

A world-class payroll service that puts people at the heart of everything we do

OUR VALUES

Make things easier

for all our customers and colleagues

Work as a team

bringing all our strengths together to make things happen

Improve through understanding

using evidence to find solutions for changing needs

Treat everyone with respect

value and trust each other to build a great working spirit

Learn through doing

try things out, be practical and innovative

OUR PEOPLE

We work as a people-focused, flexible organisation, help staff realise their potential and grow our leadership

OUR GOALS

Better every day

- deliver a reliable, accurate and increasingly effective and efficient payroll service to schools
- complete residual work packages from the Detailed Business Case

Future-proof our technology

- provide secure, supported, sustainable and fit-for-purpose software and platforms

Add value in the payroll and education sectors

- work with the Ministry of Education and others to achieve the Government's objectives for education and payroll and take advantage of opportunities to add value

OUR FUTURE SUCCESS

Our payroll service reduces administrative and manual effort for schools and our staff, increases our delivery efficiency and allows us to focus on innovation and business growth

Realise financial and non-financial benefits outlined in the Detailed Business Case

Customer-focused, fit-for-purpose solutions and services that position us well for the future

Our optimised services are set up and allow us to add further value across the payroll and education sectors

OUR YEAR IN REVIEW

It has been a challenging year for EPL and our customers, with significant weather events causing school closures just as the 2023 school year was getting under way.

Those significant weather events, plus strikes, loss of experienced EPL staff, staff absences due to COVID-19, implementing collective agreements and loss of the EPL office building for more than half the year, all affected our ability to deliver schools' pay accurately and on time each fortnight.

Despite these challenges, our focus this year has been on ensuring we continue to deliver our core payroll services, while working to implement as many service improvements as possible.

Our payroll advisors have provided advice and support to their dedicated groups of school administrators and principals throughout the year. This service is highly valued by schools, particularly during periods of change, and helps us to deliver the payroll each fortnight.

Schools consistently tell us they want to do all their payroll transactions online and in one place. Throughout the year new features and functions have been added to our online portal EdPay by our cross-functional teams of developers, testers, business analysts, communications, service design and change management specialists.

EdPay, our front-end portal that enables schools to enter payroll instructions directly, continues to be popular with schools. We have incrementally developed and added new forms and features to EdPay. We surveyed schools quarterly and included questions about EdPay to help us understand which key features schools are requesting. Schools completed their end-of-year and start-of-year tasks and processes in EdPay for the second year running, with tweaks made to the process based on feedback.

We were also able to return to offering sessions at school administrator conferences in 2022/23 after a COVID-19-related break. We focused these sessions on what we had delivered and planned to deliver in EdPay in the coming year and on our training materials and support website. We also got feedback by visiting individual schools, doing surveys and phone calls and via our website and email channels.

JULY

- Work with the Ministry and other agencies on KiwiSaver remediation and compensation for the loss-of-investment earnings for some current and former school employees.
- Salary assessment processing returns to expected service levels for the first time since mid-March 2022. This remains on track.

AUGUST



EdPay product owner James Robertson at conference.

- School administrators' conferences in Tauranga, Wellington, Christchurch and Auckland provide us with an opportunity to connect with customers about the edpay.govt.nz website and training materials.

SEPTEMBER



Salary Assessment Team Leader Anne Liac.

- Begin work with the Ministry to redesign the front-end of the salary assessment process.
- Publish new help materials to prepare for the end of the school year process.

OCTOBER

- Move one of our two Wellington data centres to Auckland to give us more resilience and greater confidence in our disaster recovery plans.
- Make first pay equity settlement payments, starting with administration support staff in schools, with more happening later in the year.

NOVEMBER



Outgoing Board Chair, Sandi Beatie (left) and incoming Chair Naomi Ferguson.

- Naomi Ferguson is welcomed as the new Board Chair following Sandi Beatie's retirement in October.
- Our building is flooded and we begin operating from temporary offices.

DECEMBER



Siobhan Wort, end-of-year and start-of-year project manager.

- End of school year process closes with 89 percent of survey respondents satisfied with the process.
- We welcome new Chief Executive Lara Ariell, following the retirement of Arlene White.

JANUARY

- Start of the school year is in full swing by the end of the month, with high processing workloads (averaging 15.7K tickets and 6.5K phone calls each fortnight for the peak pay periods).

FEBRUARY

- Launch online individual employment agreement (IEA) change screen in EdPay, replacing a forms-based process.

MARCH

- Provide screens in EdPay that give schools an easier way to enter strike information.
- Launch authorised user reports in EdPay, giving schools and auditors certainty around who is able to submit payroll information on behalf of a school.

APRIL

- Begin to implement the collective agreements for school employees, starting with secondary principals and specialist residential schools.
- Launch new auto-increments function in EdPay, removing one more manual process for schools.

MAY

- Enable fixed-term end dates for 'straight-through-processing' – no longer processed manually by a payroll advisor, taking an estimated 8,000 manual transactions each year out of the workflow.

JUNE



Handing back our end-of-life laptops.

- Replace EPL staff laptops and clean up our end-of-commercial-life devices, donating them to two charities for reuse.
- Work with the Ministry to pay 82,000 current school employees a partial payment to compensate for historic underpayments of holiday pay.
- Deidre Shea, former Principal of Onehunga High School, joins the EPL Board as a director bringing valuable sector experience. 🇳🇿

OUR BUSINESS

EdPay 

We deliver the schools' payroll to New Zealand state and state-integrated schools each fortnight.

We also:



provide one-on-one phone advice and guidance to school administrators and principals



assess teachers' qualifications and experience to set their correct salaries



administer third-party payments, such as Accident Compensation Corporation (ACC), KiwiSaver and student loan payments



process and administer ACC claims



manage overpayments.



BY THE NUMBERS FOR 2022/23

We deliver one of the largest and most complex payrolls in Australasia.

- 2,500** schools
- 6,900** school payroll administrators
- 96,700** teachers, principals and support staff paid each fortnight, on average
- 107,000** jobs paid per pay period, on average
- \$251 million** paid to school staff per pay period, on average
- \$6.5 billion** paid to school staff each year
- 2.5 million** payments made each year
- 10,100** new payroll tickets received from schools each fortnight, on average
- 5,600** salary assessment requests processed each year
- 2,300** ACC claim requests processed each year
- 15** collective agreements and **15** corresponding individual employment agreements in place
- 126,000** phone calls to our teams (inbound and outbound) each year
- 2.0 million** transactions processed in EdPay each year



98.64 percent payroll accuracy



99.09 percent of payments on time



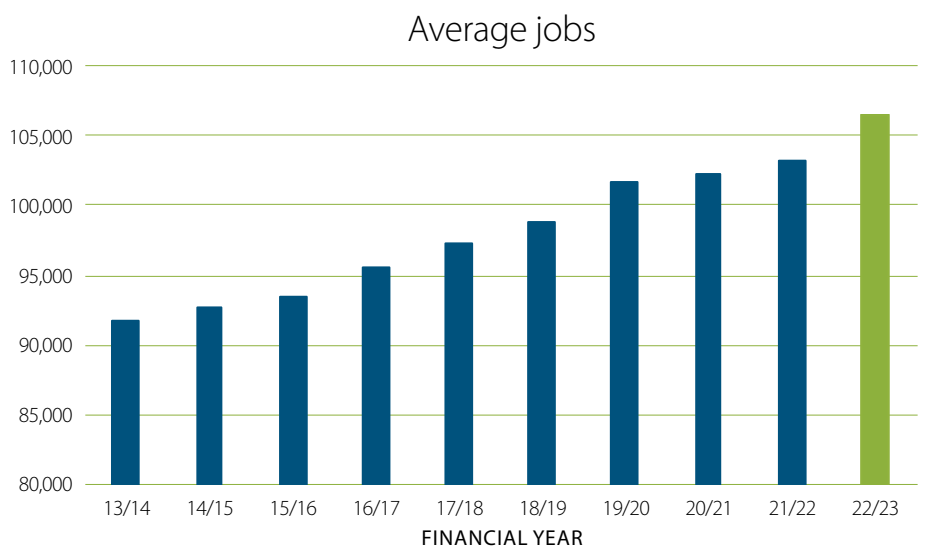
78 percent customer satisfaction overall (18 percent neutral, 5 percent dissatisfied)



99.77 percent system availability (excluding scheduled outages)

Average jobs per pay period

The average number of jobs paid per fortnight is steadily increasing and has grown by around 14,800 (16 percent) since 2014. The highest year-on-year average jobs paid growth in the past 10 years was in 2022/23, when the number of jobs paid per pay period increased by 3,300.



OUR PERFORMANCE

In this section we report our Statement of Service Performance – how we performed against the standard and performance measures set out in our *2022/23 Statement of Performance Expectations*.

Our primary output is the successful delivery of the schools' payroll service. EPL is a strategic asset to the Crown, with a clear focus on providing an accurate, reliable and timely payroll. We measure and evaluate our performance on how well we are delivering the payroll and how we are delivering on our work programme.

As part of our service delivery to schools, we also manage recovery of payroll-related overpayments, process and administer ACC claims on behalf of schools, and assess teachers' qualifications and experience to determine their correct salaries. The output is funded through a Master Services Agreement (MSA) with the Ministry of Education (the Ministry).

Disclosure of judgements

A number of EPL's performance measures have been clearly defined as part of the MSA. In addition to the MSA measures, the Ministry and EPL have worked together to define other measures that align with the strategy and annual activities of EPL. EPL seeks to maintain consistency across years, where appropriate, and to determine service performance information that is relevant, reliable, neutral, understandable and complete.

FINANCIAL PERFORMANCE

	Actual 2022 \$000	Budget 2023 \$000	Actual 2023 \$000
Year ended 30 June			
Total revenue	35,626	31,989	33,575
Total expenditure	30,579	31,953	30,231
Surplus	5,047	36	3,344

The make up of the \$3.3M surplus for the year is summarised below.

Year ended 30 June		Actual 2023 \$000
Make up of surplus	Description	
2022/23 budgeted surplus		36
Depreciation & amortisation	The useful lives of our intangible assets were extended past 2027, as a result of which the amortisation expense was less than budget	4,106
Revenue	EPL received extra funding from the Ministry to complete an infrastructure upgrade and resource collective agreement changes	1,586
Personnel & third party	Personnel and third-party expenditure were above budget, reflecting higher salary costs and the additional resources needed to implement collective agreement changes	(2,332)
Loss on asset disposals	Intangible assets related to historical work upgrading the attestations engine on our payroll platform were written off, as this work is now unlikely to have future benefit to EPL	(1,013)
Other	Interest, information and communications technology (ICT) costs, and corporate costs	961
Total surplus		3,344

CAPITAL INVESTMENTS

During the year we invested in three key areas, EdPay, core payroll applications and infrastructure. Given the quantity and complexity of work, we engaged multiple third-party contractors to accelerate these projects. Recognising the additional costs being incurred, we made the decision to significantly reduce our third-party contractor spend in the last quarter of the year. However, this still resulted in an overspend of \$2.1M for the 2022/23 year.

The make up of this financial year's capital investments is summarised below.

Year ended 30 June		Actual	Budget	Actual
Capital investments		2022	2023	2023
		\$000	\$000	\$000
EdPay	Increasing real-time processing of common school payroll instructions, building screens for schools to submit information to deduct pay for employees who were on strike, adding a new report function, and making employment/collective agreement changes	2,441	1,600	2,920
Alesco	Core payroll platform	389	1,000	201
Core payroll applications	Starting development of separate calculation engines outside the core payroll system to enable the system to be replaced/upgraded	-	2,500	2,948
ICT infrastructure	A complete roll-out of new laptops across EPL, completion of the Oracle Upgrade and replacement of our overpayments database	4,926	1,316	1,741
Ministry change requests	Delivering Ministry change requests	-	-	780
Other		31	100	-
Total capital spend		7,787	6,516	8,590

CORE PAYROLL SERVICE

Our core services relate to providing accurate and timely payments and entitlements to school employees. Every fortnight we receive approximately 10,100 new payroll tickets and pay 96,700 employees.

The schools' payroll has many unique requirements, including that pay calculations are made using 365 days in the year, rather than weekly or fortnightly (which is standard with most payrolls). Leave, holiday pay, sick leave, and allowances all require customised and ongoing calculations to ensure correct payments. Employees frequently hold multiple jobs, each with differing rates and requirements, and there are multiple funding sources that must be correctly allocated.

Our focus is on delivering improvements to schools, tailoring what we do to schools' distinct rhythm of work throughout the year – with very busy start-of-year and end-of-year periods, busy school terms and quieter holiday periods. This year, due to industrial action by schools and implementing pay equity settlements and collective agreement changes, we didn't experience the traditional quiet periods. Schools have had a similar challenge, particularly around managing staff sick leave and teacher and relief teacher shortages.

Significant weather events, strikes, implementing collective agreements, loss of experienced staff and loss of the EPL office building for more than half of the year, all affected our ability to focus on our core task of delivering the pay accurately and on time each fortnight.

ACCURACY

Year ended 30 June Performance measure	Description	Actual 2022	Standard 2023	Actual 2023
Payroll payments are accurately calculated	Employees paid, excluding requests to correct payments to employees, and pay impacting tickets not processed in the current fortnight	99.76%	99.50%	99.51%
Updated measure for 'payroll payments are accurately calculated'	New measure agreed with the Ministry. Employees with their pay processed accurately, excluding all pay and non-pay impacting tickets not processed before the end of the pay period	n/a	99.50%	98.64%
Payroll instructions submitted 'right first time' by schools	Payroll instructions received from schools that can be processed first time without being returned for further information	83.63%	80.00%	83.83%

- The pay accuracy performance measures were agreed with the Ministry of Education (the Ministry) in 2017. In August 2022, with agreement from the Ministry, the measure was updated to better reflect business operations.
- The 'right first time' measure is a leading indicator of payroll accuracy. As this measure increases, additional focus can be given to simplify and process more complex transactions quickly and more efficiently.
- The number of transactions submitted 'right first time' by schools increased, with performance standards exceeded for both 2021/22 and 2022/23. This year we worked to make the payroll system as simple as possible for schools, using a combination of tool tips in EdPay, website tools and *Payroll Update* newsletters to help schools navigate the complexities and let them know what's changed and what's coming up.
- In addition to 'right first time' we'll be focusing on closing historic transactions from prior periods. We expect to be meeting the standards again in the final quarter of 2023/24.

TIMELINESS

Year ended 30 June Performance measure	Description	Actual 2022	Standard 2023	Actual 2023
Pay timeliness as indicated by the time employees are paid on the due date	Bank files delivered before 12pm before due pay day	100%	100%	100%
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	Employees paid, excluding the employees receiving a manual pay in the fortnight following the advised pay date	99.98%	99.50%	99.83%
Updated measure for pay timeliness, as indicated by the time on the due date that employees are paid	New measure as agreed with the Ministry. Employees paid, excluding the employees receiving out-of-cycle payments and all pay impacting tickets not processed before the end of the pay period	n/a	99.50%	99.09%

- These measures were agreed with the Ministry in 2017. In August 2022, with the agreement of the Ministry, these measures were updated to better reflect business operations.

QUALITY

Year ended 30 June Performance measure	Description	Actual 2022	Standard 2023	Actual 2023
Cost of schools' payroll service per school employee paid	EPL services deliver gains and cost benefits for the education sector	\$320	\$250	\$313
Customer satisfaction	Survey respondents satisfied with the overall quality of the service delivery and support received from EPL	86%	75%	78%
Customer effort	Customer effort score (0 = most effort, 10 = least effort)	7.9	8.5	7.4

- Overall satisfaction of 78% achieved the standard of 75% satisfied, however, it is lower than last year. This was mainly because in some periods we took longer than usual to process tickets or respond to emails due to staff shortages, staff turnover and the disruption of being out of our building. We will be working to improve this in 2023/24.
- We received feedback from schools and suggestions for improvements and enhancements, and implemented these where practicable.

WEBSITE AVAILABILITY

Year ended 30 June Performance measure	Description	Actual 2022	Standard 2023	Actual 2023
Service website availability	Availability of the website to school payroll service users for obtaining and submitting information	99.94%	97.50%	99.77%

- The availability measure is 7am to 7pm weekdays and 7am to 6pm weekends, excluding scheduled outages.

OVERPAYMENT MANAGEMENT

Providing notification, recovery and administration of payroll-related overpayments.

We are very conscious that when we under or overpay staff, or pay them late, it can have a serious impact on their wellbeing, and we apologise to those who have been affected by this.

ACCURACY

Year ended 30 June Performance measure	Description	Actual 2022	Standard 2023	Actual 2023
New overpayments created	Reductions/(increase) in new overpayments created compared with the previous year	9.81%	15.00%	(52.91%)
Net overpayment debt is less than specified level	The balance of net overpayment debt is less than the standard level	\$2.3M	\$2.0M	\$3.6M

- The net debt and new overpayments measures have been impacted by a growing number of incorrect inputs received from schools.
- Where an authority to deduct overpaid salary/allowance is received and processed from an employee's next available pay, no overpayment is recorded and has therefore not been added to this calculation. Overpayments are due to a range of reasons, including incorrect or late information being provided.
- Net overpayment debt is a new measure that started in 2022/23.

TIMELINESS

Year ended 30 June Performance measure	Description	Actual 2022	Standard 2023	Actual 2023
Overpayment notification made on time	Employees receive their first overpayment notification letter within 15 working days of the overpayment being discovered	100%	99.50%	89.39%

- Performance was significantly disrupted this year. The annual embargo on debt recovery over Christmas/New Year was extended to provide some relief after the weather events of early 2023. This embargo remained in place for a prolonged period in the three regions hit hardest by Cyclone Gabrielle and its aftermath.
- Discovery is either the date of notification from the school/the Ministry/third party or the date EPL discovers the overpayment.

SALARY ASSESSMENT

We received approximately 5,600 requests for assessments in 2022/23 (5,100 in 2021/22).

New, overseas trained or returning teachers in the state sector can apply to have their annual base salary assessed. This forms-based process requires verified supporting evidence and involvement of school administrators and principals before the application is made, with a 15 working day turnaround for correct and complete applications.

We undertook a project with the Ministry to overhaul and digitise the salary assessment process and remove many of the pain points for schools and applicants. The new online process has been designed and built around the customers' experience and will be launched in early 2023/24.

ACCURACY

Year ended 30 June Performance measure	Description	Actual 2022	Standard 2023	Actual 2023
Notification of errors related to salary assessment determinations	Salary assessments do not result in overpayments	100%	99.50%	99.85%

TIMELINESS

Year ended 30 June Performance measure	Description	Actual 2022	Standard 2023	Actual 2023
Salary assessments processed on time	Assessments processed within 15 working days from date of receipt	74.56%	100%	96.25%

- This is a significant recovery from the low performance last year, which was due to a higher-than-usual number of applications and experienced Salary Assessment team staff leaving. That problem was still being resolved early this year but application processing was back on track by the end of July 2022.

ACC ADMINISTRATION

We processed approximately 2,300 ACC claims on behalf of schools in 2022/23 (1,800 in 2021/22), in accordance with the Employment Reimbursement Agreement with the Ministry.

ACCURACY

Year ended 30 June Performance measure	Description	Actual 2022	Standard 2023	Actual 2023
Notification of errors related to ACC claims	Transactions received and completed that did not result in notification of errors or an overpayment related to the incorrect processing of an ACC claim	99.45%	99.50%	98.46%

- Productivity was affected by instability in our internal ACC database. This has now been resolved and we expect to meet the standard in 2023/24.

SUSTAINABLE & SECURE ORGANISATION

These measures reflect the use of smart, secure and sustainable practices.

Year ended 30 June Performance measure	Actual 2022	Standard 2023	Actual 2023
Number of future-proofing or sustainability related issues identified as 'high' priority or above in the annual audit	n/a	0	0
Number of preventable cyber-security-critical incidents	0	0	0
Recommendations from the National Cyber Security Centre relating to cyber-security-critical incidents that have been implemented	100%	100%	100%

- The number of future-proofing or sustainability related issues is a new measure that started in 2022/23.

RESPONSIVE SERVICE

Promptly delivering newly agreed entitlements for school employees.

The schools' payroll is covered by 15 collective agreements, 15 individual employment agreements and multiple allowances. Allowances, entitlements, pay grades and steps can all change when collective agreements are settled. We make the related changes in the payroll system to ensure everyone gets what they are entitled to receive.

Many of the collective agreements expired in 2022, and the 2022/23 year saw many bargaining rounds between unions and the Ministry. For each collective agreement that was settled, EPL worked with the Ministry to put the changes into effect within three pay periods of receiving the Ministry's requirements. After making changes in the system, we let schools know when they could expect to see those changes in EdPay or reflected in people's pay.

Although some agreements settled before the end of 2022, there were periods of industrial action in 2023. Under some conditions, a strike affects a person's pay, as a result of which their salary is deducted for the duration of the strike. This year we built a 'strike screen' in EdPay to replace a highly manual process. Schools were able to enter whether or not their staff participated in pay-impacting strikes directly into EdPay. After the first strike, 97 percent of eligible schools used EdPay to record employee participation.

Year ended 30 June Performance measure	Actual 2022	Standard 2023	Actual 2023
Implement collective agreements within three pay periods of receiving full business requirements from the Ministry	n/a	100%	100%

- No collective agreements were implemented in 2021/22.
- During 2022/23, EPL made changes for more than 45,000 employees as a result of new collective agreements.

EPL STAFF ENGAGEMENT

Our staff are committed and engaged, with a positive employee experience.

Year ended 30 June Performance measure	Actual 2022	Standard 2023	Actual 2023
EPL staff engagement survey – Kōrero Mai – employee experience (average score out of 10)	7.7	7.7	7.7

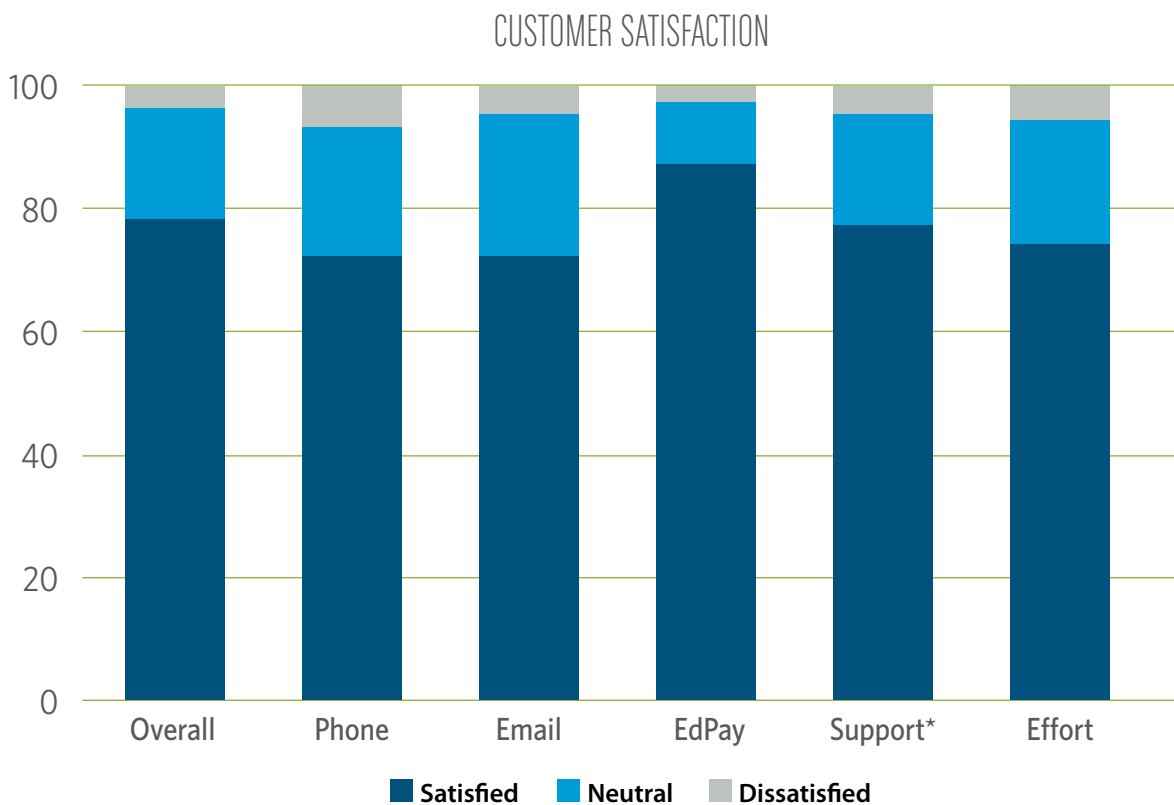
- We are pleased to see our staff remain committed and engaged, despite a difficult and disrupted year.

OUR CUSTOMERS

Our customers tell us they want to be able to do everything online and in one place. This year, we've worked to make more additions to our online customer portal EdPay, with 87 percent of our customers satisfied with the system and a further 10 percent neutral about it.

Our teams connected with schools every day by email and over the phone, with 126,000 calls made or received in 2022/23. Staff shortages, building disruptions and staff turnover meant we were less available to our customers at times and we sometimes took longer to respond to emails or process tickets. We will be working on improving this in 2023/24.

We send an online customer satisfaction survey to a random sample of school payroll administrators and principals each quarter. In 2022/23, the overall customer satisfaction score was 78 percent satisfied plus 18 percent who scored themselves as feeling neutral. This is a return to a level similar to 2020/21 (77 percent satisfied), following a peak of 86 percent satisfied in 2021/22.



*The support measure looks at satisfaction with the 'level of support from EPL' and replaces the satisfaction measure for Novopay Online, which was switched off at the end of 2021.

Specialist support

Our payroll advisors provided advice and support to their dedicated groups of school administrators and principals throughout the year. This service is highly valued by schools, particularly during periods of change, and helps us to deliver the payroll each fortnight.

Working together to deliver improvements for our customers

Our cross-functional teams have developers, testers, business analysts, communications, service design and change management specialists working collaboratively to deliver improvements to our online payroll service.

We work closely with schools to ensure that EdPay is user friendly and intuitive, using a test-and-learn approach. Our customer experience experts work with our developers and testers who write and test the code and also with beta or test schools to trial the products before releasing them to all schools. Our beta schools get to try new features first and give feedback, so we can make refinements before releasing them to all schools.

When there is a new product or meaningful change, we produce how-to guides, videos, FAQs and in-EdPay hints and tips to support schools.

Making the start- and end-of-year processes easier

Schools reported 82 percent satisfaction with our service over the busy start- and end-of-year period. We received feedback on improvements and enhancements, which we will fold into our processes for the future where we can. Schools found the guides, *Payroll Update* newsletters, online website tools, walk-throughs in EdPay, website pages, payroll advisors and videos useful. 🇬🇧



WHAT OUR CUSTOMERS SAY

ABOUT OUR PEOPLE

EPL needs to “retain, recruit and train staff so that there is consistency and prompt action”.

We want “a dedicated payroll advisor... a consistent, knowledgeable person at the end of the phone is crucial”.

“I have always found Education Payroll staff to be extremely helpful and knowledgeable and I really appreciate them. Thanks EdPay. You do a fab job!”

“My allocated payroll advisor is great, but some of the others give inconsistent/incorrect advice.”

“I find all your information (about start of year) really helpful, but most of all the wonderful staff are great if we have any problems.”

“EdPay are doing an amazing job and I love working alongside you all. Thank you.”

ABOUT OUR PERFORMANCE

“Taking away all the paper forms and doing everything online...would be so much quicker and easier.”

“Keep doing what you’re doing. End of year is not stressful anymore!”

“SUE reports are now not available to check before the Friday and it’s too late to change any errors or missed payments... bring back an extra day to check the SUE reports.”

“Recently, the time it has taken to process online changes has taken too long and resulted in overpayments to staff.”

“It would be better not having so many different cut off dates and times.”

“If I was to suggest one improvement, it would only be the time it takes to action ticket numbers.”

ABOUT OUR EDPAY SYSTEM

“Keep improving on making it more user friendly for users and keep up with the communication about changes etc.”

“Just keep developing!”

“I’m sure there will be more improvements over time, but the EdPay online system is so user friendly – I just love it – thank you.”

“I have enjoyed using EdPay this year it is so much better than it was, and I have no suggestions to improve it.”

“Loving the online EdPay, more online please.”

EdPay 

OUR TECHNOLOGY AND RESILIENCE

The core payroll systems have continued to be stable and available during 2022/23, with a focus on improving EdPay and system resilience.

We continued to invest in and improve our EdPay portal, increasing the amount of real-time processing of common payroll instructions, building new screens, adding a new report function and making employment and collective agreement-related changes.

We paused our work to upgrade legacy technologies that make up the payroll system while we implemented the collective and individual employment agreements and pay equity settlements.

We are working with the Ministry to look at what a sustainable long-term solution for schools and kura payroll could look like post-June 2027, when EPL's current Master Services Agreement with the Ministry ends.

EDPAY

Our online portal, EdPay, is robustly built and secure by design. Designed with and for schools, it has in-built validations and system controls to improve accuracy and make the payroll easier for school administrators and principals. EdPay features introduced over the year include authorised user reports, an individual employment agreement screen for some employee types, auto-increment screens and screens for recording pay-impacting strike participation.

This year, we have focused on increasing the volume of transactions processed in real time without the need for manual intervention. Despite some obstacles, around 95 percent of EdPay transactions are now straight-through processed. Completing this work took longer than anticipated, due to the complexity of the task and competing payroll demands.

SERVICE RECOVERY, RELIABILITY AND AVAILABILITY

We have continued with our normal hardware lifecycle management, process improvement and systems upgrades, which have seen continued high performance for our system reliability and availability. We have ongoing back-up reviews, disaster recovery testing and penetration testing to continue to minimise risk to the business and ensure both incident prevention and system recovery remains at a high standard.

Our continuous investment in our technology, people and systems means we were flexible enough to accommodate the displacement of our staff, and working from multiple and changing locations, although this had a significant workload impact on our Information Technology Operations team.

We moved one of our two data centres in Wellington to Auckland in October 2022, which gives us more resilience and greater confidence in our disaster recovery plans.

FLEXIBLE WORKPLACES

Our office premises were unavailable from late November and our flexible working has again been fully tested and has performed well. Our staff have worked across multiple temporary sites during the year, including employees working from home. Our Information Technology Operations team has supported this and has become adept at configuring and reconfiguring spaces and moving equipment from our former premises to our temporary sites. We are grateful to the Ministry and Inland Revenue for letting us take up some of the vacant spaces in their temporary premises.

CYBER SECURITY

Cyber security remains a high priority as cyber attacks increase in frequency, sophistication and scale. Like most government organisations, we face an ever-increasing number of attacks on our systems and have a range of security measures in place to



manage this. We also have robust plans that we activate in response to attacks. We work closely with the Ministry, Network for Learning (N4L) and the wider education sector to assist with prevention of, and response to, cyber attacks on schools.

Our Security Operations team has joined the Government Information Security Forum to maximise our opportunities to access collaborative activity across the wider government sectors. This will help us leverage benefits and value for public funds from the effort and resources available to larger government organisations.

We were successful in securing a modest increase in our cyber security funding through the Budget announced in May 2023. This will enable further investment in cyber security from 2023/24. This will be carefully planned and aligned with other sector security initiatives by the Ministry, N4L and schools.

RISK MANAGEMENT AND ASSURANCE

We identify and manage risks across our strategic, operational, financial, cyber security, privacy and technology environments. Our real-time risk assessment and analysis helped us make timely and informed decisions, especially in the security, project and development areas.

We also worked in partnership with PwC to ensure that our 68 payroll controls are designed and working as intended, using the ISAE 3402 assurance

framework. We reviewed processes and made recommendations for any improvements we identified.

We added more in-built data validations to EdPay to improve the accuracy of payroll transactions, and new EdPay reporting features gave schools greater visibility of their payroll transactions. We also monitored activity to check for potential internal and external fraud. We worked with the Ministry and N4L to identify and monitor school accounts that had been targeted by malicious cyber activity.

We used an analytics tool to provide continuous auditing of all EdPay transactions and ran daily checks on payroll processing against key business rules and pay calculations. This helps us identify processing errors on the next working day and means we can correct errors before they impact someone's pay. This is also a useful way to identify trends and training needs and sometimes opportunities for system improvements. Our Audit and Risk Committee monitored current and emerging risks, ensuring we were taking appropriate actions to mitigate them.

As with every year, we were a key part of the Ministry's School Annual Accrual Report audit, which looks at the whole system of schools' payroll management and delivery from the Ministry to EPL, through to schools and their boards of trustees. When needed, we also worked with the Ministry and the Auditor-General's Office to manage emerging payroll risks and issues. ■■



OUR PEOPLE

Capable people doing their best work are our greatest asset. We continually focus on creating and maintaining an environment and culture that supports this.

THE STRUCTURE OF OUR WORKFORCE

Our Service Delivery teams are the heart of EPL. Our payroll advisors provide end-to-end service to administrators and principals in their designated schools. These teams have a core staff of 72 employees and employ extra people over the busy start-of-year and end-of-year periods. Our payroll advisors are supported by a team of 21 payroll specialists, who provide expertise in ACC claims, tax, overpayments, KiwiSaver and salary assessment (assessing teacher qualifications and experience to set correct salaries). Our Payrun Systems team ensures accurate payrun activities as the final step in our process of paying teachers, principals and support staff.

Our Service Development teams manage the stability and security of the payroll service and are the architects and builders of EdPay. They use Agile methodology to continuously improve EdPay and the underlying payroll systems and technology.

To ensure EPL and our core functions operate efficiently, our support and back-office staff provide infrastructure and services across the business. EPL's total staff headcount on 30 June 2023 was 183.

Our permanent employee base is supported by key partners who provide third-party support to specialist areas across the business.

TURNOVER AND RECRUITMENT

Our staff turnover has decreased, following a peak in 2021/22 experienced by many organisations and dubbed the 'great resignation'. The payroll we administer has many unique qualities, which means, in a number of our roles, we cannot hire people working in a similar role in another organisation and must develop and grow the capability ourselves. During the staff turnover peak in 2021/22, we lost valuable experience and capability. This year we have focused on rebuilding those strengths, largely through experience-based learning.

Our ability to recruit has strengthened this year as the market softened. Recruitment is still highly competitive, so we have run quick and effective recruitment processes. We have had a handful of hard-to-fill positions, due to market demand in the IT space.

DEVELOPMENT

In addition to building capability through experience-based learning, we offered te reo Māori classes to our staff to build cultural competence. The second half of the year saw an increased focus on the development of our senior leadership team, recognising the role of this group to influence and lead our culture and performance.

FLEXIBILITY

In October 2022, and as the COVID-19 risk declined, we amended our flexible working policy to require our staff to be in the office for a minimum of two days each week to support connection, collaboration and performance. Feedback showed this was valued by our staff. Unfortunately, flooding in the basement of our office building in late November 2022 meant we had to move to working across multiple temporary sites and from home.

We have kept our staff engaged with our business and each other through our monthly all-staff wānanga (online) and team collaboration days. Our ability to continue to deliver in such circumstances demonstrates the resilience of our people.

KŌRERO MAI – EMPLOYEE EXPERIENCE/ ENGAGEMENT SURVEY

We conducted our annual employee experience survey in March 2023 and 84 percent of our staff completed it. Our strengths are belief in our values, a clear line of sight, a supportive and respectful climate and a focus on our customers. Areas where we can improve are having clear and efficient processes, collaboration between teams, communication, training and taking action as a result of the survey.



A work programme has been established to address these, and we have made a commitment to regularly update staff on progress.

HEALTH, SAFETY AND WELLNESS


The health, safety and wellness of our people is important to us. In addition to being able to work from home, our paid COVID-19 leave remained in place until February 2023, with the entitlement changing as the Government's isolation requirements changed. COVID-19 leave enabled our people to focus on recovery and care for their dependants if they were required to isolate and reduced the risk of spreading COVID-19 in our workplace. We also offered staff free flu vaccinations.

Our work programme is planned with our staff in mind, aiming for workloads that optimise performance and support wellbeing. Our Kōrero Mai survey showed that 82 percent of staff strongly agree or agree that they are satisfied with the balance between work and other aspects of their life (up from 72 percent in March 2022), and 64 percent strongly agree or agree that their workload is manageable (up from 58 percent in March 2022).

Our three Wellness Leave days, available to permanent staff and those on fixed-term contracts of 12 months or longer, continue to be valued by our staff to proactively support their own wellbeing in a way that works for them. We also provide one day of Community Leave per year, which enables our people to support their wellbeing by contributing within their community in a way that is important to them. Staff also have access to our Employee Assistance Programme.

ACCOMMODATION

The basement of the building where we leased our office space flooded in November 2022, damaging critical systems and taking more than six months before the building could be safely reoccupied. Following the flood, we quickly arranged multiple temporary office locations and some staff chose to work from home. Prior to the flood, we had raised increasing concerns about aspects of the building with the landlord.

With our lease renewal approaching, we looked at alternatives and, in May 2023, we signed a lease on new 150-seat accommodation and allowed our existing lease to expire. We will remain in our temporary sites and working from home until our new accommodation is ready in September 2023. 



STATEMENT OF CORPORATE GOVERNANCE

ORGANISATIONAL FORM

EPL was incorporated on 17 October 2014 and domiciled in New Zealand under the Companies Act 1993. It is a Crown-owned company listed in Schedule 4A of the Public Finance Act 1989.

The company is subject to certain provisions of the Crown Entities Act 2004 and to the Official Information Act 1982, the Privacy Act 2020 and the Ombudsmen Act 1975. The company's day-to-day operations are primarily governed by the Companies Act.

EPL's shareholding is 100 percent vested in the Crown. Its shareholders are the Minister of Finance and the Minister of Education, with each holding 50 percent of the issued share capital.

ACCOUNTABILITY

EPL is accountable to its shareholding ministers. Treasury assists shareholding ministers in monitoring the company's performance against financial and non-financial measures. The Ministry of Education (the Ministry) contracts EPL for payroll services in accordance with the Master Services Agreement.

CROWN ENTITIES ACT 2004

Under section 450A of the Public Finance Act 1989, some of the provisions of the Crown Entities Act (CEA) apply to the company by virtue of it being listed in Schedule 4A of that Act. These include sections 139, 150 and 153 of the CEA, which respectively relate to preparing a statement of intent, a statement of performance expectations and an annual report.

COMPANIES ACT 1993

Under the Companies Act (the Act), the Board, each director and each shareholding minister have the rights, powers, duties and obligations set out in the Act, except to the extent that they are negated or modified, in accordance with the Act, by the company's constitution.

OPERATIONS

EPL is required to operate within the functions, powers and constraints outlined above. Within this framework, the company has considerable discretion as to how it goes about its day-to-day operations. This report contains information concerning the operations and performance of the company for 2022/23.

OUR BOARD

NAOMI FERGLUSON QSO – BOARD CHAIR FROM 1 NOVEMBER 2022

Naomi has more than 30 years' senior leadership experience in the public sector in New Zealand and the UK and took on the EPL Board Chair role in November 2022. She led Inland Revenue between 2012 and 2022, leading the successful delivery of the highly complex Business Transformation Programme during her tenure. She is widely recognised as an effective leader of significant change programmes in large and complex organisations.

Naomi is passionate about diversity and inclusion and was the co-Chair of Papa Pounamu, a trustee of Diversity Works New Zealand and sponsor of the Government Women's Network. She was awarded the Women of Influence Public Policy award in 2016 in recognition of her work in this area.

Naomi serves on the Board of Te Whatu Ora – Health NZ and the Risk and Assurance Committee for the Ministry of Justice.

She has a Master of Arts from Glasgow University. She is also a member of the Institute of Directors.

SANDI BEATIE QSO – BOARD CHAIR UNTIL 31 OCTOBER 2022

Sandi was a Director on the EPL Board from July 2016 and chaired the EPL Board from July 2019 until 31 October 2022. Her other governance roles include membership of the risk and assurance governance committees of Inland Revenue and Treasury and she chairs the NZ Police Audit and Risk Committee.



Sandi previously chaired the Archives Council, has held membership of a Ministerial Advisory Committee on Public Broadcasting and has been a Director of the Independent Quality Assurance New Zealand Ltd Board.

Sandi is a former Deputy State Services Commissioner and held a range of senior roles in the public and private sectors.

COLIN MACDONALD QSO – BOARD DIRECTOR AND CHAIR OF THE AUDIT AND RISK COMMITTEE UNTIL 31 JANUARY 2023

Colin has more than 35 years' experience in both the private and public sectors. He held executive roles in ANZ Banking Group and Inland Revenue and was the Chief Executive of two government departments.

With a professional background in information technology, Colin has a deep understanding of the context of major technology initiatives in the state sector and the ways in which governance can maximise success.

Colin has a Bachelor of Science in Computer Science from Glasgow University and is a Chartered Engineer. He is also a member of the Institute of Directors.

DAVID SKINNER – BOARD DIRECTOR

David is an Executive Director of Gravelroad Consulting, specialising in infrastructure and public policy risk economics. He has had a management career in telecommunications, electronic banking and defence.

Previous positions include Managing Director of Netway, Hypercom and Chief Operating Officer at Clear Communications. He has worked previously in the UK, Europe and Australia.

He holds a Bachelor of Engineering from Canterbury University and a Master of Business Administration from Auckland University and is an associate fellow of the New Zealand Institute of Management.

LIZ MAGUIRE – BOARD DIRECTOR

Liz is the Chief Digital Officer at Waka Kotahi NZ Transport Agency. She has 30 years' experience in banking, payments and digital technology. She is the former Head of Digital and Transformation at ANZ Bank in New Zealand and was a member of ANZ New Zealand's executive leadership team for four years.

Liz has a Bachelor of Commerce in Management Studies & Labour Relations from the University of Auckland and is a graduate of the Australian Institute of Company Directors.

MADS MOLLER – BOARD DIRECTOR

Mads has 30 years' experience as a technology entrepreneur in senior leadership roles in blue-chip companies such as IBM, Broadcom, Vodafone and Google and has been working in governance roles for nearly 30 years. At Google, he was the European leader of the technology sector.

Mads has a broad international business background and has worked in the technology industry for his whole career. He has in-depth understanding and experience of how companies get the most benefit from using technology, including artificial intelligence, Blockchain, Internet of Things and other new emerging disruptive technologies. He has started over 60 tech companies and has traded 15 of these companies. Mads is also an Independent Director for Quotable Value Ltd, OrbViz Ltd, Virtual Medical Coaching Ltd, Webtools Ltd, Protocol Policy Systems Ltd, and is the Chair of his own companies based in the USA, UK and Denmark.

He has a Master of Business Administration from Copenhagen Business School (International Marketing) and from London Business School (International Strategy and Corporate Finance).

DEIDRE SHEA MNZM – BOARD DIRECTOR

Deidre has held a variety of leadership roles in education throughout her career and joined the Board in June 2023. Recent positions include Principal of Onehunga High School and executive member of both the Auckland Secondary School Principals' Association and the Secondary Principals' Association of New Zealand (SPANZ). Deidre served as President of SPANZ from 2019 to 2021.

For the past decade, Deidre has chaired the Alternative Education consortium Te Hiko. She currently also chairs the NCEA Professional Advisory Group for the Minister of Education and is a Commissioner with the Tertiary Education Commission.

Deidre has a Bachelor of Science in Mathematics and Statistics, a Diploma of Teaching and a Post Graduate Diploma in Educational Administration. In the 2022 Queen's Birthday Honours she was appointed as a Member of the New Zealand Order of Merit for services to education.

STATEMENT OF RESPONSIBILITY

The Board is responsible for the preparation of EPL's financial statements and Statement of Service Performance and for judgements made in them.

The Board has the responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurances as to the reliability and integrity of financial and non-financial reporting.

In the Board's opinion these financial statements and Statement of Service Performance fairly reflect the financial position and operations of EPL for the year ended 30 June 2023.

Signed on behalf of the Board by:



Naomi Ferguson QSO
Board Chair

29 September 2023



Liz Maguire
Board Director and Audit and
Risk Committee Chair

29 September 2023





Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF EDUCATION PAYROLL LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2023

The Auditor-General is the auditor of Education Payroll Limited (the Company). The Auditor-General has appointed me, Sam Nicolle, using the staff and resources of Ernst & Young to carry out the audit of the financial statements and the performance information of the Company on his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 28 to 44, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Company on pages 8 to 14.

In our opinion:

- the financial statements of the Company on pages 28 to 44:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the Company's performance information which reports against the Company's statement of performance expectations for the year ended 30 June 2023 on pages 8 to 14:
 - presents fairly, in all material respects, for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 29 September 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Company for preparing financial statements and performance information that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Public Finance Act 1989 and the Crown Entities Act 2004.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Company's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the performance information which reports against the Company's statement of performance expectations.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 7 and 15 to 24, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to this audit, we perform an independent assurance engagement of the education payroll services provided by Education Payroll Limited for the Ministry of Education. Other than this engagement and the audit, we have no relationship with or interests in the Company.



Sam Nicolle
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand.

FINANCIAL STATEMENTS

The financial statements were approved by the Board and authorised for issue on 29 September 2023.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR ENDED 30 JUNE 2023

Year ended 30 June	Notes	Actual 2022 \$000	Budget 2023 \$000	Actual 2023 \$000
Revenue from exchange transactions				
Sales of services to government	1	35,626	31,989	33,575
Total operating revenue		35,626	31,989	33,575
Expenses				
Personnel expenses	12	12,756	13,275	14,682
Third-party support		1,673	651	1,576
Corporate expenses	6	591	471	588
Auditor's remuneration		96	64	93
Directors' fees	11	144	139	134
Travel & entertainment		11	28	14
Accommodation & facilities		880	924	682
ICT costs		6,963	7,321	6,997
Depreciation, amortisation & provision for impairment	2,3	6,618	8,656	4,550
Total operating expenses		29,732	31,529	29,316
Non-operating items				
Loss on asset disposal		351	-	1,013
Interest received		(91)	(4)	(526)
Interest expenses		587	428	428
Total non-operating items		847	424	915
Total expenses		30,579	31,953	30,231
Total surplus for the period		5,047	36	3,344
Total comprehensive income		5,047	36	3,344

These financial statements should be read in conjunction with the accompanying notes.

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

As at 30 June	Notes	Actual 2022 \$000	Budget 2023 \$000	Actual 2023 \$000
Current assets				
Cash & cash equivalents		14,457	10,331	14,211
Receivables from exchange transactions		1,022	(412)	357
Prepayments		1,817	2,934	1,454
Total current assets		17,296	12,853	16,022
Non-current assets				
Property, plant & equipment	2	1,039	1,153	1,323
Intangible assets	3	27,644	30,372	28,526
Work in progress	3	6,136	6,681	7,997
Total non-current assets		34,819	38,206	37,846
Total assets		52,115	51,059	53,868
Represented by				
Current liabilities				
Accruals & payables	4	3,031	3,494	1,995
Employee entitlements		978	500	1,003
Income in advance		702	-	122
Borrowings (current portion)	5	-	9,225	9,225
Total current liabilities		4,711	13,219	12,345
Non-current liabilities				
Borrowings	5	9,225	-	-
Total non-current liabilities		9,225	-	-
Total liabilities		13,936	13,219	12,345
Net assets		38,179	37,840	41,523
Shareholders' funds				
Capital contributions	15	25,520	25,520	25,520
Retained earnings		12,659	12,320	16,003
Total shareholders' funds		38,179	37,840	41,523

These financial statements should be read in conjunction with the accompanying notes.

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Actual 2022 \$000	Budget 2023 \$000	Actual 2023 \$000
Opening balance as at 1 July	33,132	37,804	38,179
Movements:			
Total comprehensive income for year	5,047	36	3,344
Balance as at 30 June	38,179	37,840	41,523

These financial statements should be read in conjunction with the accompanying notes.



FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

Year ended 30 June	Note	Actual 2022 \$000	Budget 2023 \$000	Actual 2023 \$000
Cash flows from operating activities				
Receipts from sales to the Ministry of Education		34,913	31,989	33,660
Receipts from interest		91	4	526
Receipts from other income		4	-	1
Cash inflows from operating activities		35,008	31,993	34,187
Payments to suppliers		7,828	9,025	10,905
Payments to employees		12,819	13,275	14,510
Cash outflows from operating activities		20,647	22,300	24,415
Net cash inflows from operating activities	8	14,361	9,693	8,772
Cash flows from investing activities				
Payments from investment in tangible & intangible assets		7,787	6,516	8,590
Cash outflows from investing activities		7,787	6,516	8,590
Net cash outflows from investing activities		(7,787)	(6,516)	(8,590)
Cash flows from financing activities				
Repayments of borrowing costs		4,000	-	-
Payments of interest on borrowings		561	428	428
Cash outflows from financing activities		4,561	428	428
Net cash outflows from financing activities		(4,561)	(428)	(428)
Net increase/(decrease) in cash & cash equivalents		2,013	2,749	(245)
Cash & cash equivalents at beginning of year		12,444	7,582	14,457
Cash & cash equivalents at end of year		14,457	10,331	14,211
Represented by:				
Cash at bank		14,457	10,331	14,211
Total cash position		14,457	10,331	14,211

These financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING POLICIES

Reporting entity

EPL is a Crown entity as defined by the Crown Entities Act 2004 and listed in Schedule 4A of the Public Finance Act 1989. The company resides in New Zealand and operates under the Companies Act 1993. The financial statements disclosed are for the period 1 July 2022 to 30 June 2023.

EPL's primary objective is to deliver the school payroll service accurately and on time to the Ministry of Education and the sector. As such, EPL does not operate to make a financial return and therefore is a Public Benefit Entity (PBE).

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the year.

Statement of compliance

The financial statements have been prepared in accordance with the Financial Reporting Act 2013, which requires compliance with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements of the company comply with PBE standards and have been prepared in accordance with Tier 1 PBE standards.

Budget figures

EPL's *Statement of Performance Expectations 2022/23* budget was adopted by the Board on 13 April 2022 and published on 30 June 2023.

Basis of measurement

The financial statements have been prepared on a historic cost basis except where specifically stated in these accounting policies.

Presentation currency

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

Changes in significant accounting policy

EPL has adopted PBE IPSAS 41 *Financial Instruments* in the current financial period. This standard replaces parts of PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. The standard had minor impacts on the classification and presentation of financial instruments. The standard did not have a material impact on the financial reporting of EPL.

EPL has adopted PBE Financial Reporting Standard 48: *Service Performance Reporting* which establishes requirements for PBEs to select and present service performance information.

There have been no other changes in accounting policies since the date of the last audited financial statements. All policies have been applied on a basis consistent with the previous year.

SUMMARY OF ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements, as set out below, have been applied consistently in preparing these financial statements.

Revenue from exchange transactions

Payroll services provided to the Ministry of Education on commercial terms are exchange transactions.

Revenue from services provided by seconded employees to other government departments 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 and seconded employees are recognised when the following criteria are met:

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

Foreign currency transactions

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 remeasurement of monetary items at year-end exchange rates, are recognised in surplus or deficit.

Leases

Operating lease

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

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

Financial instruments presentation

Financial assets and financial liabilities are recognised when EPL becomes a party to the contractual provisions of the financial instrument. Financial assets are classified, at initial recognition and subsequently measured at amortised cost, fair value, through other comprehensive income (OCI) and fair value through surplus or deficit.

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

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

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 change in value.

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.

Financial liabilities

EPL's financial liabilities include trade and other creditors and borrowings that pertain to EPL's Crown loan.

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 EPL and the cost of the item can be measured reliably.

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

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

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

Gains and losses on 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.

Depreciation

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

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

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

– office equipment	2 to 6 years
– ICT equipment	2 to 10 years
– leasehold improvements	3 to 6 years
– furniture & fittings	3 to 12 years

Intangible assets

Software acquisition and development

Software is a finite-life intangible and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the estimated useful life of the intangible asset.

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

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 rates are used in the calculation of amortisation:

- software licenses 2 to 14 years
- intangibles up to 14 years

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing EPL with the right to access the cloud provider's application software over the contract period. As such, EPL does not receive a software intangible asset at the contract commencement date.

The following outlines the accounting treatment for costs incurred in relation to SaaS arrangements:

Recognise as an operating expense over the term of the service contracts	<ul style="list-style-type: none"> • fee for use of application software • customisation costs
Recognise as an operating expense as the service is received	<ul style="list-style-type: none"> • configuration costs • data conversion and migration costs • testing costs • training costs

Costs incurred for the development of software code are recognised as intangible software assets when that code enhances or modifies, or creates additional capability to existing on-premise systems, and meets the definition of, and recognition criteria for, an intangible asset.

Work in progress

Assets under construction are recognised at cost, less any impairment losses, within non-current assets and are not depreciated.

Accruals and payables

Creditors and other payables are non-interest bearing and are normally settled within 10 days, therefore the carrying values of creditors and other payables approximate their fair value.

Employment entitlements

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

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

Equity

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

Goods 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 exclusive of GST.

Income tax

EPL is a public purpose Crown-controlled company in accordance with the Income Tax Act 2007 and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Cost allocation

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



Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made based on historical experience and other factors that are considered to be relevant to the reported amounts of revenues, expenses, assets and liabilities at the end of the reporting period. The uncertainty from these assumptions and estimates could result in outcomes that may result in a material adjustment to the carrying amounts of assets and liabilities.

Estimating useful lives and residual values of property, plant and equipment

Each year the useful lives and residual values of property, plant and equipment are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires a number of factors to be considered, such as the physical condition of the asset, expected period of use of the asset by EPL, and expected disposal proceeds from the write off of these assets.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the surplus or deficit and the carrying amount of the asset in the Statement of Financial Position.

EPL minimises the risk of this estimation uncertainty by:

- physical inspection of assets
- asset replacement programmes.

Intangible assets recognition and measurements

Values are inherently subjective and require the use of judgement.

Intangible assets that qualify for recognition shall initially be recognised at cost. Cost is deemed to be at fair value where an intangible asset is acquired at no cost or nominal value. After initial recognition, these intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are assessed annually and are considered impaired when contribution to the generation of future economic benefits is assessed as diminished.

Determining the useful life of an asset also involves judgement. Product owners are requested to explicitly advise on appropriate useful lives over which asset components should be amortised for accounting purposes. This may require the product owner to seek

the professional assistance of other experts, such as engineers, developers or other technical experts.

During the year directors assessed the appropriateness of the current useful lives of EPL's intangible assets. Previously, the finite life for these assets was based on the end date of the Master Services Agreement with the Ministry of Education being June 2027. It was concluded that due to the specialised nature of assets, the lack of available external comparators, and that no alternative arrangements have been proposed for the delivery of payroll services to the education sector, EPL has adjusted the useful life of internally developed assets to a maximum of 10 years.

Developed software costs include external costs, wages and overheads that are directly attributable to the software development. Software and licenses received through capital injection were initially recognised at fair value at transfer date on the basis it is probable that they will generate future economic benefits for EPL. Fair value was determined using costing information available, taking into consideration relevant indicators of impairment.

Provisions

Specific provisions for historic liabilities have been raised where objective evidence exists. Calculations are determined using historical experience and management's experience of economic stress factors.

Standards and interpretations issued but not yet effective

There are no standards and interpretations that are issued but not yet effective that are expected to have a material impact on EPL's financial position, performance and/or disclosures.

1. SALES OF SERVICES TO GOVERNMENT

Rendering services – full cost recovery

Under the latest service-level agreement dated December 2017, EPL is operating under a fixed pricing schedule. Revenue from the rendering of services is recognised by the completion of the fortnightly pay. Completion is measured at the end of each month when the full cost of running the service is captured.

2. PROPERTY, PLANT AND EQUIPMENT

Year ended 30 June 2023	Furniture & fittings \$000	ICT equipment \$000	Office equipment \$000	Leasehold improvements \$000	Total \$000
Opening cost	388	2,208	60	394	3,050
Additions	-	14	-	-	14
Transfers	-	876	-	-	876
Disposals	(180)	(289)	(5)	(387)	(861)
Closing cost	208	2,809	55	7	3,079
Less accumulated depreciation					
Opening accumulated depreciation	(281)	(1,435)	(36)	(259)	(2,011)
Depreciation for the year	(64)	(314)	(18)	(62)	(458)
Accumulated depreciation written off on disposal	155	239	5	314	713
Closing accumulated depreciation	(190)	(1,510)	(49)	(7)	(1,756)
Closing balance at 30 June 2023	18	1,299	6	-	1,323

Year ended 30 June 2022

Opening cost	419	2,356	60	380	3,215
Additions	2	6	-	-	8
Transfers	-	-	-	75	75
Disposals	(33)	(154)	-	(61)	(248)
Closing cost	388	2,208	60	394	3,050
Less accumulated depreciation					
Opening accumulated depreciation	(236)	(947)	(18)	(227)	(1,428)
Depreciation for the year	(70)	(619)	(18)	(80)	(787)
Accumulated depreciation written off on disposal	25	131	-	48	204
Closing accumulated depreciation	(281)	(1,435)	(36)	(259)	(2,011)
Closing balance at 30 June 2022	107	773	24	135	1,039

3. INTANGIBLE ASSETS

Year ended 30 June 2023	Developed software \$000	Software licenses \$000	Other intangibles \$000	Work in progress \$000	Total \$000
Opening cost	33,932	8,153	11,815	6,136	59,496
Additions	-	-	-	8,576	8,576
Transfers	4,960	-	42	(5,878)	(876)
Disposals	-	-	(50)	(837)	(887)
Closing cost	38,352	8,153	11,807	7,997	66,309
<i>Less accumulated amortisation</i>					
Opening accumulated amortisation	(14,755)	(5,484)	(5,477)	-	(25,716)
Amortisation for the year	(2,766)	(529)	(797)	-	(4,092)
Accumulated amortisation written off on disposal	-	-	22	-	22
Closing accumulated amortisation	(17,521)	(6,013)	(6,252)	-	(29,786)
Closing balance at 30 June 2023	20,831	2,140	5,555	7,997	36,523
<i>Year ended 30 June 2022</i>					
Opening cost	32,153	9,150	6,121	6,681	54,105
Additions	-	-	-	7,767	7,767
Transfers	2,542	-	5,694	(8,212)	(76)
Disposals	(1,303)	(977)	-	-	(2,300)
Closing cost	33,392	8,153	11,815	6,136	59,496
<i>Less accumulated amortisation</i>					
Opening accumulated amortisation	(11,688)	(5,582)	(4,606)	-	(21,876)
Amortisation for the year	(4,370)	(590)	(871)	-	(5,831)
Accumulated amortisation written off on disposal	1,303	688	-	-	1,991
Closing accumulated amortisation	(14,755)	(5,484)	(5,477)	-	(25,716)
Closing balance at 30 June 2022	18,637	2,669	6,338	6,136	37,780

4. ACCRUALS AND PAYABLES

As at 30 June	2022 \$000	2023 \$000
Creditors	1,981	1,025
Accrued expenses	1,050	970
Total creditors & other payables	3,031	1,995

Payables are non-interest bearing and are settled on 30-day terms. Therefore, the carrying value of creditors and payables approximates their fair value.

5. BORROWINGS

EPL entered into an agreement with the New Zealand Debt Management Office, a department of The Treasury, in December 2017 to draw on a \$13.2M Crown loan. This loan is secured over all property of EPL. The loan is required to maintain adequate working capital and support investment in intangible assets created during the Education Payroll Development Programme.

The period of the loan is 6.5 years, the facility termination date being 30 June 2024, when all drawdowns must be repaid. Multiple drawdowns can be made against this facility. Each drawdown has a unique repayment date and a unique interest rate agreed at the date of drawdown. The interest rate is based on the aggregate of the New Zealand swap rate and the USD margin. Interest is capitalised in proportion to its utilisation in the development of work in progress. Interest from short-term investment of excess funds is offset against the cost of borrowing before capitalisation. The cost of borrowing is expensed when developments are completed and in use.

Overall loan debt EPL holds totals \$9.2M for the year ended 30 June 2023. All remaining loan repayments are due for repayment in June 2024.

As at 30 June	Interest rate	2022 \$000	2023 \$000
August 2018 drawdown	5.13%	2,000	2,000
December 2019 drawdown	3.79%	2,000	2,000
June 2020 drawdown	5.21%	2,225	2,225
September 2020 drawdown	4.49%	3,000	3,000
Total Crown loan		9,225	9,225
Represented by:			
Current		-	9,225
Non-current		9,225	-
Total borrowings		9,225	9,225
The amount of borrowing costs capitalised during the year		13	2

6. CORPORATE EXPENSES

Year ended 30 June	2022 \$000	2023 \$000
Corporate expenses		
Ministry of Education emergency payment expenses	24	1
Fringe benefit tax	16	16
Insurance	169	185
Other corporate costs	168	132
Payslip printing & postage	190	238
Stationery, printing & photocopying	13	6
Other	11	10
Total corporate expenses	591	588

7. CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amount of financial instruments presented in the Statement of Financial Position relate to the following categories of assets and liabilities.

Year ended 30 June	2022 \$000	2023 \$000
Financial assets at amortised cost:		
Cash & cash equivalents	14,457	14,211
Receivables from exchange transactions	1,022	357
Total financial assets at amortised cost	15,479	14,568
Financial liabilities at amortised cost:		
Accruals & other payables	3,031	1,995
Borrowing	9,225	9,225
Total financial liabilities	12,256	11,220

8. RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

Year ended 30 June	2022 \$000	2023 \$000
Net income	5,047	3,344
Add non-cash items		
Depreciation & amortisation expenses	6,618	4,550
Loss on disposal	351	1,013
Net movements in non-cash items	6,969	5,563
Add/(deduct) movements in Statement of Financial Position items		
Trade debtors	(1,016)	686
Accrued income	-	(19)
Prepayments	1,554	363
Trade & other payables	594	(957)
Accruals & provisions	(105)	58
Employment entitlements	347	(113)
Income in advance	384	(581)
Net movements in working capital items	1,758	(563)
Add items classified as investing activities		
Interest paid on borrowing	587	428
Net cash flow from operating activities	14,361	8,772

9. CAPITAL COMMITMENTS

EPL has no contracted commitments for the development of property, plant and equipment or intangible assets as at 30 June 2023 (2022: \$0).

10. OPERATING LEASES AS LESSEE

Future minimum rent payable under operating leases is as follows:

As at 30 June	2022	2023
	\$000	\$000
Not later than one year	700	229
Later than one year & not later than five years	31	1,203
Later than five years	-	-
Total non-cancellable operating leases	731	1,432

EPL moved to the Hunter Steet premises in July 2017. The head lease was for six years. EPL has signed a new lease in May 2023, with the intention to move in once renovations have been completed. This is expected to be September 2023. EPL leases office premises and office equipment in the normal course of its business.

The majority of these leases are for premises that have a non-cancellable leasing period ranging from five to six years.

11. BOARD OF DIRECTORS' REMUNERATION

The total value of remuneration paid or payable to each Board member during the year is tabled below.

Year ended 30 June	2022	2023
	\$000	\$000
Sandi Beatie (Chair to 31/10/22)	56	19
Naomi Ferguson (Chair from 1/11/22)	-	41
Colin MacDonald	28	16
Liz Maguire	4	-
Mads Moller	-	28
David Skinner	28	28
Marcel van den Assum ¹	28	-
Deidre Shea	-	2
Total Board member remuneration	144	134

EPL has directors' liability and professional indemnity insurance cover in respect of the liability or costs of Board members and employees.

EPL maintains an interest register to identify and manage conflicts of interest.

¹ Marcel van den Assum ceased to be a Director at the end of 2021/22.

12. EMPLOYEE REMUNERATION

Year ended 30 June	2022 \$000	2023 \$000
Wages & salaries	14,913	16,358
Other personnel costs	1,524	1,448
Movement to capital	(3,681)	(3,124)
Total personnel expenses	12,756	14,682

The table below shows total remuneration received by EPL employees (KiwiSaver contributions exclusive) that is equal to or exceeds \$100,000 per annum during the year ended 30 June 2023.

Remuneration band (\$)	2022 Number of employees	2023 Number of employees
390,000 to 399,999	1	-
290,000 to 299,999	1	-
280,000 to 289,999	-	1
250,000 to 259,999	-	1
220,000 to 229,999	-	2
200,000 to 209,999	1	-
190,000 to 199,999	-	1
180,000 to 189,999	-	2
170,000 to 179,999	4	3
160,000 to 169,999	2	3
150,000 to 159,999	3	7
140,000 to 149,999	5	7
130,000 to 139,999	3	5
120,000 to 129,999	7	3
110,000 to 119,999	1	7
100,000 to 109,999	8	11

During the year ended 30 June 2023, no employees received compensation (2022: two employees) and no other benefits were paid in relation to cessation (2022: \$62,602).

Key management personnel

The key management personnel, as defined by PBE IPSAS 20 Related Party Disclosures, are the members of the governing body, comprising the Board of Directors (5) and Executive Team (4), which constitutes the governing body of the company. The aggregate remuneration of key personnel and the number of individuals, determined on a full-time equivalent basis, receiving remuneration is as follows:

Year ended 30 June	2022	2023
Key management personnel remuneration	\$000	\$000
Executive Team	1,239	1,191
Board	144	134
Number of persons recognised as key management personnel	10	9

The previous Chief Executive of EPL was employed on a fixed-term contract. This contract ended in November 2022. The new Chief Executive commenced in December 2022.

During the year the previous Chief Executive received remuneration of \$227,017 and the new Chief Executive received remuneration of \$224,590. This amount includes employer contributions to KiwiSaver at 3 percent. No incentive remuneration is included or payable in this amount.

The Chief Executive participates in Education Payroll's group salary continuance and employee life insurance policies.

13. RELATED PARTY TRANSACTIONS

There were no related party transactions completed in the current financial year.

14. FINANCIAL INSTRUMENT RISK

Risk management objectives and policies

EPL is exposed to various risks in relation to financial instruments. The company's financial assets and liabilities by category are summarised in note 7. The main types of risks are credit risk and liquidity risk.

EPL's risk management policy is to ensure that it can adhere to its objectives in the long term in providing the New Zealand schools' payroll.

Liquidity risk

Liquidity risk is the risk that EPL may encounter difficulties in meeting financial liabilities as they fall due. EPL monitors and manages this risk through fulfilment of its Treasury duties. Management regularly reviews its banking arrangements to ensure the best returns are achieved, while maintaining liquidity levels to service day-to-day operations. Refer to notes 5 and 7 for maturity profiles of financial liabilities.

Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to EPL. EPL is exposed to this risk for various financial instruments, for example, by placing deposits. EPL's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date.

The directors have assessed that no financial assets are impaired or past due for the reporting date under review and are of good credit quality. The credit risks for cash and cash equivalents are considered negligible, since the counterparty is a reputable bank, with high-quality external ratings.



15. EQUITY AND CAPITAL MANAGEMENT

EPL is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

In determining its capital management policy, the main objective of the Board is to ensure that the company has sufficient funds to continue with its main purpose of generating the schools' payroll.

EPL's objective is to ensure that adequate returns are generated to fund the company's day-to-day activities but also to maintain a strong capital base and minimise risk exposure.

Shareholders' equity

Year ended 30 June		2022		2023
Contributed equity	Shares	\$000	Shares	\$000
Issued at no par value & not fully paid ordinary shares	100	-	100	-

One hundred shares were issued in 2014 to both the Minister of Finance and Minister of Education. The shares have no par value and have not been fully paid.

16. EVENTS AFTER REPORTING DATE

No events have occurred subsequent to the balance date that would require recognition or disclosure in the financial statements (2022: none).

17. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Statement of Comprehensive Income

Explanations for the significant variances between actual and budget expenditure are detailed below by revenue and expense type.

The factors contributing to the increase in revenue of \$1.6M are:

- \$1.1M of additional funding for unbudgeted project work for the Ministry of Education outside the business-as-usual section of the Master Services Agreement. This includes multiple pay equity changes, collective agreement settlements and industrial action screens during the year
- \$0.5M in remaining funding for the completion of the Oracle Upgrade Project.

Operating expenditure lower than anticipated by \$2.2M. This is due to offsetting spend:

- \$4.1M depreciation reduction made up of:
 - \$2.6M reduction in depreciation due to the revision of the useful lives of EPL's intangible assets. A review of the appropriate useful life for these assets was completed and a maximum life of 10 years was concluded as appropriate (refer to Summary of accounting policies for more detail)
 - \$1.5M in depreciation due to delayed completion of work programmes throughout the financial year.
- (\$2.3M) overall increase in personnel and third-party expenses due to the increased competition in the labour market, with high demand for skilled workers and an increase of non-capital projects for collective agreement changes.

Non-operating items are higher than anticipated by \$0.5M. This is due to:

- (\$1.0M) asset disposal made up of:
 - (\$0.8M) of work-in-progress intangible assets deemed to no longer have any future benefits
 - (\$0.1M) of office equipment and leasehold improvements disposed of as part of the move out of the Hunter Street office building and decommissioned ICT equipment that has been replaced
 - \$0.5M additional interest income that was not expected – EPL gains interest based on fluctuating OCR rates, which have significantly increased over the past year.

Statement of Financial Position

Explanations for the significant variances between actual and budgeted expenditure are summarised below by asset and liability type:

Current assets and liabilities

Cash and cash equivalents are higher due to the receipt of additional revenue from the Ministry of Education.

Intangible assets

Intangible work in progress is higher than budget due to the delayed delivery of two large internal projects: additional functionality on EdPay with real-time processing of pay detail changes; and the initial work on the deductions engine of our Payroll Upgrade Project. This is also reflected in our lower-than-budgeted intangible assets balance.

Statement of Cash Flows

Cash flows from investing activities

Cash invested in our capital programme is \$2.1M higher than budget due to the delay in the delivery of the EdPay real-time processing project, while continuing to invest in the Payroll Upgrade Project in parallel. ☰





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