

# Statement of Performance Expectations **2025–2026**

**Rārangi Utu ā-Mātauranga**  
**EDUCATION PAYROLL**



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### Education Payroll

Incorporated in 2014 under the Companies Act 1993, Education Payroll Limited 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 Ombudsman Act 1975 and the Public Finance Act 1989.

### Statement of Performance Expectations

This document is submitted by the Board of Education Payroll Limited, which is accountable to Education Payroll's two shareholding ministers, the Minister of Finance and the Minister of Education, as set out in the Crown Entities Act 2004.

This document sets out the strategic and operational performance expectations and forecast financial statements of Education Payroll Limited for the period 1 July 2025 to 30 June 2026, to meet its statutory requirements pursuant to the Crown Entities Act 2004.

This document should be read in conjunction with our *Statement of Intent 2024–2028*.

### Published in June 2025

Education Payroll Limited

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## 1. CHAIR'S FOREWORD

This *Statement of Performance Expectations 2025–2026* sets out our strategic and operational performance expectations and prospective financial statements for the 2025–26 financial year. It has been written in the context of the 2025–26 Letter of Expectations of our Shareholding Ministers and should be read alongside our *Statement of Intent 2024–2028*.

Our strategic workstreams this year will focus on our core business of payroll delivery, while readying our people, stakeholders and systems for a payroll upgrade. Customer confidence is our first strategic priority. We will achieve this by continuing to deliver the schools' payroll accurately and securely every fortnight, by implementing new employment agreements with timeliness and rigor and openly working to resolve any issues and deliver improvements.

Next to the pay going through, our focus is on the future of the payroll system, which will require upgrading to ensure stability of the payroll. We will develop a robust business case to consider the investment required to provide a modern, compliant payroll technology that provides value for money to the Crown as our shareholder.

We are preparing our organisation to be 'match-fit' for a payroll upgrade. Match-fit is our term for maturing our systems and capability to ensure we are ready to deliver a successful payroll upgrade. As a lead-in to the period covered by these performance expectations, we have invested in bringing our strategic vision to life for all staff. We will begin implementing our new workforce strategy this year, aligned with our Statement of Intent. It will focus on developing our own people to meet future capability requirements.

Ensuring our systems are match-fit means future-proofing the core payroll platform with a programme of payroll upgrade foundation investments. This programme will de-risk and sustain the payroll system while the business case is developed. These investments will enable us to eventually remove customisations from our core payroll technology to facilitate a future upgrade. This year we will upgrade the support ticketing system, making it easier for school administrators to submit instructions to us and improve the security of the EdPay portal.

Our Master Services Agreement with the Ministry of Education expires in June 2027 and we are beginning work with the Ministry to refresh this agreement.



**Naomi Ferguson QSO**

Board Chair  
Education Payroll Limited



## 2. OUR COMPANY

Education Payroll was established in October 2014 to enable significant improvement in education sector payroll services in response to the lessons learned from the implementation of Novopay.

### **Our purpose: to deliver an accurate, timely and secure payroll service to schools and kura**

We work with the Ministry of Education (the Ministry) to provide a reliable and effective schools payroll service that implements government policy, enables the Ministry to meet its payroll obligations and maximises value to our shareholder.

We administer the systems, processes, data, information, technology and controls that are involved in providing the schools' payroll service.

We fulfil the requirements of relevant pay, calculations, information and deductions legislation.

### **Our strategic priorities**

Our long-term strategic landscape and priorities are fully detailed in our *Statement of Intent 2024–2028*.

Our strategic priorities for 2025–26 will be addressed with strategic workstreams and key milestones, which are set out later in this document.

- **Customer confidence** – we will continue to resolve issues that compromise accuracy, timeliness or customer experience.
- **Payroll platform** – we will explore a range of payroll upgrade foundation investment options and work with the Ministry to clearly document the requirements for the schools and kura payroll system.
- **Business rules** – we will identify and catalogue education sector-specific custom rules and services so that we can compare them with standard payroll rules and services.
- **Capability** – we will make sure we have the skills, tools and processes to maintain customer confidence and deliver our business-as-usual services alongside work to upgrade the payroll system.

### **Our operational priorities**

Our operational priorities are to deliver the payroll and to deliver improvements to schools. Our work programme is matched with schools' work cycles. The school payroll year is characterised by high-intensity start-of-year (January – March) and end-of-year (October – December) periods, busy school terms and quieter holiday periods.

The schools' payroll has unique requirements that we understand and provide for.

- Some 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, ACC and allowances all require customised calculations to ensure correct payments.
- If employees have jobs at more than one school or more than one job at a school, their information is combined so the employee receives one payslip that includes all their jobs, taxed on the same tax code. Schools only receive information that relates to the work the employee does at their school.

### **Risk management and assurance**

We identify and manage risks across various areas, including strategic, operational, financial, cyber security, privacy and technology.

We review and evaluate current and emerging risks and ensure we take appropriate actions to mitigate these.

We have an enterprise-wide risk management framework, based on ISO 31000 standards. Our Audit and Risk Committee monitors key risks and any issues raised via independent assurance.

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## Measuring our performance

### *Strategic performance*

Our strategic objectives will be delivered via workstreams that are managed using our Agile Programme Increment process.

Each programme increment has six fortnightly sprints that are tracked to provide early indications of any new risks or departures from our expected delivery path.

We will assess our performance and report against targets and milestones for these workstreams in our quarterly and annual reports.

### *Operational performance*

Our operational objectives will be monitored using the Performance Measurement Framework in our Master Services Agreement with the Ministry.

Calls and queries to our school account team are our most immediate flag for any operational performance issues. We also monitor around 100 performance metrics each day to improve our awareness of longer-term trends and issues.

### 3. SERVICE PERFORMANCE EXPECTATIONS

#### Our strategic performance

Our strategic performance in the current financial year will be measured against the milestones set out in the tables below. Our achievement of these milestones will be reported in our 2025–26 quarterly and annual reports.

#### Payroll delivery

**STRATEGIC OBJECTIVE:** To deliver an accurate, timely, and secure payroll service to schools, which is our primary reason for existing as a company.

#	Business performance strategic workstreams	2025–26 milestones
PD1	Timely implementation of changes to employment agreements	Required changes completed within agreed timelines and reported as part of our key performance indicators (KPIs)
PD2	Explore what kura need, and identify pragmatic and affordable opportunities	Plan/s for exploring kura payroll service needs agreed with the Ministry

#### Business performance

**STRATEGIC OBJECTIVE:** To be, and continue to be, the best available option for payroll delivery to schools.

Historically (in 2021), the target for cost per payslip was set based on the now discontinued Better Administrative and Support Services (BASS) benchmarking exercise that was run by the Treasury. We are working with the Ministry to agree the most appropriate benchmark for the schools' payroll service. In 2025–26, we plan to agree an appropriate measure and use historical Education Payroll performance information to present a trend over time.

#	Business performance strategic workstreams	2025–26 milestones
BP2	Benchmark our cost per payslip vs. other payroll providers (value for money)	Agree appropriate measure with the Ministry and use historical performance information to present a trend over time

#### School and kura confidence

**STRATEGIC OBJECTIVE:** To ensure schools and kura are confident their people are paid accurately and on time.

We achieve this objective by delivering the pay accurately and on time and putting any issues right as they arise.

(This measure was previously named 'Customer confidence' in the *Statement of Intent 2024–2028*).

#	School and kura confidence strategic workstreams	2025–26 milestones
SK1	Surveys and findings, including quarterly surveys	We survey a sample of schools and kura each quarter. Each school will have the opportunity to provide feedback on our performance at least once a year. Findings from these are reported in our quarterly reports. Insights are captured to help us make targeted improvements. Suggestions for improvements and enhancements are implemented where possible

### Workforce capability

**STRATEGIC OBJECTIVE:** To build, sustain and maintain a workforce who can support the education sector-specific custom elements of our payroll delivery, both in terms of the technology and working with the school administrators.

#	Workforce capability strategic workstreams	2025–26 milestones
WC2	Develop and implement a workforce strategy (key to KPI achievement)	Workforce strategy developed with annual workforce plans agreed
WC3	Develop and implement staff retention and succession plan	Retention and succession plan implemented

### Financial sustainability

**STRATEGIC OBJECTIVE:** To sustain operational performance by living within our approved funding envelope until decisions are taken about investment in core payroll system upgrade or replacement.

#	Financial sustainability strategic workstreams	2025–26 milestones
FS1	Identify a programme of foundational investments to sustain and de-risk our environments, so we are well placed to implement any changes agreed as part of the business case process	Payroll upgrade foundation investment plan prepared and agreed with the Ministry

### Future-proof technology

**STRATEGIC OBJECTIVE:** To future-proof our core payroll system by moving to a ‘vanilla core’ and then upgrading or replacing the core system.

#	Future-proof technology strategic workstreams	2025–26 milestones
FP2	Confirm that our understanding of Ministry requirements and associated business rules is complete and accurate	Requirements and rules agreed with Ministry, any remaining issues identified
FP4	Determine the optimum path to resolve the issue of custom code embedded in the core system and then implement that path	Analysis and business case completed to confirm feasibility of our payroll upgrade recommendations
FP6	Upgrade our ticketing system	Ticketing system upgraded
FP8	Deploy two-factor authentication for our EdPay front end	Two-factor authentication deployed

## Our operational performance

Our operational performance will be measured against a set of KPIs that form part of our Master Services Agreement with the Ministry, together with other measures that are part of our Performance Framework. The tables below set out the targets for each KPI this financial year. Our performance against these targets will be reported in our 2025–26 quarterly and annual reports.

### CORE PAYROLL SERVICES

Our core services relate to providing accurate and timely payments and entitlements to school employees. Every fortnight we receive approximately 8,900 new payroll tickets and pay 100,000 employees.

#### Accuracy

Year ended 30 June Performance measure	Description	Actual 2023–24	Estimated 2024–25	Standard 2025–26
Payroll payments are accurately calculated (1)	Employees with their pay processed accurately	99.95%	99.93%	99.50%
Payroll instructions submitted 'right first time' by schools (2)	Payroll instructions received from schools that can be processed first time without being returned for further information	84.40%	85.01%	80.00%

1. This measure includes the number of out-of-cycle payments and overpayments caused by the Education Payroll team or system. Until 2024–25, unprocessed instructions were included in the Accuracy measure. In 2025–26 we will refine this measure to exclude unprocessed instructions because they are a component of payroll timeliness but are yet to be processed so are not an indicator of accuracy.
2. The 'right first time' measure is a leading indicator of payroll accuracy. As this measure improves, we can focus on simplifying and quickly processing more complex transactions.

#### Timeliness

Year ended 30 June Performance measure	Description	Actual 2023–24	Estimated 2024–25	Standard 2025–26
Pay timeliness, as indicated by the time on the due date that employees are paid (3)	Employees paid, excluding the employees receiving out-of-cycle payments and all pay-impacting tickets not processed before the end of the pay period	99.67%	99.87%	99.50%

3. This measure evaluates the number of payroll instructions that were processed and paid on time. Until 2024–25, out-of-cycle payments were included in this measure. In 2025–26, we will refine this measure to exclude these payments so that the Timeliness and Accuracy measures are mutually exclusive. Out-of-cycle payments are now accounted for in the Accuracy measure.



### Quality

Year ended 30 June Performance measure	Description	Actual 2023–24	Estimated 2024–25	Standard 2025–26
Cost of schools' payroll service per school employee paid (4) (5)	Our services deliver gains and cost benefits for the education sector	\$344	\$254	\$250
Customer satisfaction (6)	Survey respondents satisfied with the overall quality of the service delivery and support received from Education Payroll	81.44%	87.64%	85.00%
Customer effort	Customer effort score (0 = most effort, 10 = least effort)	7.7	8.0	8.5

- The target for Cost of schools' payroll service per employee was set some years ago as part of the now-closed Education Payroll Development Programme. The \$250 standard was set using the Better Administrative and Support Services (BASS) benchmarking information published by the Treasury. The BASS benchmarks have not been maintained by the Treasury. The target has not been updated or adjusted for inflation since it was adopted in 2016. Adjusting for Consumers Price Index (CPI) from 2016 quarter four to 2024 quarter two, the \$250 would increase to \$325.
- We have also revisited the assumptions and refined the cost scope of the benchmark analysis to ensure it reflects the cost of payroll service delivery, rather than including the total cost of Education Payroll Limited, as we also deliver non payroll services for schools. The refined cost now includes Information and Communications Technology (ICT) expense and service delivery personnel cost only, whereas the cost in 2023–24 included all expenses.
- We receive feedback from schools and implement their suggestions for improvements and enhancements where possible. We raised our customer satisfaction standard from 75% to 80% in 2024–25 and have lifted it again to 85% for 2025–26.

### Website availability

Year ended 30 June Performance measure	Description	Actual 2023–24	Estimated 2024–25	Standard 2025–26
Service website availability (7)	Availability of the website to school payroll service users for obtaining and submitting information	99.95%	99.92%	98.50%

- Our website availability is from 7am to 7pm on weekdays and 7am to 6pm on weekends including school holidays. We continue to exceed the standard for this measure.

## ACC ADMINISTRATION

We processed approximately 2,200 ACC claims on behalf of schools in 2024–25 (2,300 in 2023–24).

### Accuracy

Year ended 30 June Performance measure	Description	Actual 2023–24	Estimated 2024–25	Standard 2025–26
Notification of errors related to ACC claims (8)	Transactions received and completed that did not result in notification of errors or an overpayment related to the incorrect processing of an ACC claim	98.59%	98.79%	99.50%

8. This measure is impacted by delays in receiving instructions from schools and notification of ACC claims errors. We are working with ACC and schools to improve our processes to enable us to meet the standard for this measure.

## OVERPAYMENT MANAGEMENT

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

### Accuracy

Year ended 30 June Performance measure	Description	Actual 2023–24	Estimated 2024–25	Standard 2025–26
Net overpayment debt is less than specified level (9) (10) (11)	The balance of net overpayment debt is less than the standard level	\$3.5	\$3.3	\$2.0

9. Overpayments occur for various reasons, including incorrect or late information being provided. No overpayment is recorded when we receive and process an authority to deduct overpaid salary/allowance from an employee's next available pay, and this is not included in this calculation.
10. We work in collaboration with the Ministry and school boards to determine how best to collect aged debt. Education Payroll does not have the authority to write off old debts or debt that is unlikely to be collected.
11. For context, overpayments account for 0.1% of total payments by number and 0.001% by value.

## SUSTAINABLE AND SECURE ORGANISATION

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

Year ended 30 June Performance measure	Actual 2023–24	Estimated 2024–25	Standard 2025–26
The number of future-proofing or sustainability related issues identified as priority 'high' or above in the annual audit (12)	1	0	0
Number of preventable cybersecurity-critical incidents	0	0	0
Recommendations from the National Cyber Security Centre relating to cybersecurity-critical incidents that have been implemented	100%	100%	100%

12. This measure was introduced in 2022–23. It counts the number of 'High Risk' incidents reported in the annual audit report.

## SALARY ASSESSMENT

We received approximately 5,500 requests for assessments in 2024–25 (2023–24: 5,500).

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

### Accuracy

Year ended 30 June Performance measure	Description	Actual 2023–24	Estimated 2024–25	Standard 2025–26
Notification of errors related to salary assessment determinations	Salary assessments do not result in overpayments	99.66%	99.81%	99.50%

### Timeliness

Year ended 30 June Performance measure	Description	Actual 2023–24	Estimated 2024–25	Standard 2025–26
Salary assessments processed on time (13)	Assessments processed within 15 working days from date of receipt	76.83%	99.09%	99.50%

13. Defects in a new salary assessment portal impacted performance in 2023–24. This portal closed in 2024–25 and we returned to using a forms-based process.

## RESPONSIVE SERVICE

Promptly delivering newly agreed entitlements for school employees.

The schools' payroll is covered by 14 collective agreements and 15 individual employment agreements. Allowances, entitlements, pay grades and steps can all change when agreements are settled and we make the related system changes to ensure everyone gets what they are entitled to receive.

Year ended 30 June Performance measure	Actual 2023–24	Estimated 2024–25	Standard 2025–26
Implement employment agreements within three pay periods of receiving full business requirements from the Ministry (14)	New timeline negotiated	100%	100%

14. Employment agreements are due for renewal from 2024–25 and during 2025–26. We expect the majority to settle in the 2025–26 financial year. We will then process pay impacting changes from these post settlement.

## STAFF ENGAGEMENT

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

Year ended 30 June Performance measure	Actual 2023–24	Estimated 2024–25	Standard 2025–26
Staff engagement survey (Kōrero Mai) – employee experience (average score out of 10)	7.8	7.8	7.9

#### 4. PROSPECTIVE FINANCIAL STATEMENTS

Under the Crown Entities Act 2004, Education Payroll is required to develop prospective financial statements and table the Statement of Performance Expectations in Parliament.

The following prospective financial statements are estimates and are based on the best available information at the time of publication. They contain inherent uncertainties. Actual financial results achieved for the forecast period are likely to vary from information presented. Variations may be material.

In issuing these prospective financial statements, the Board acknowledges its responsibility for the information presented, including the appropriateness of the assumptions used.

The Board also acknowledges its responsibility for establishing and maintaining a system of internal controls that is designed to provide reasonable assurance as to the integrity and reliability of Education Payroll's performance and financial reporting.

These prospective financial statements are issued as at 30 June 2025 and are based on information available at that time.



**Naomi Ferguson QSO**

Board Chair  
Education Payroll Limited



**Liz Maguire**

Chair of Audit and Risk Committee  
Education Payroll Limited

## Assumptions

The prospective financial statements are based on the following assumptions.

### *Revenue and expenditure 2025–26*

The prospective financial statements are based on a forecast year-end position for 2024–25 of a surplus of \$1.539 million.

In 2024–25, we contributed \$1.2 million to the targeted efficiency savings across Vote Education. This contribution continues into the 2025–26 budget year and outyears.

We are forecasting increased costs due to inflation, an increase in Consumers Price Index, the need to maintain and develop our core payroll system and additional cybersecurity requirements. We will continue to prioritise our spends to offset these pressures and stay within our budget baseline. As a Public Benefit Entity, Education Payroll does not make a profit.

Within this budget, the following assumptions have been made:

- a 3.5% inflation rate applied to salaries and related personnel expenses
- a 3.7% Consumers Price Index applied to other expense categories
- depreciation on intangible assets have up to 14-year useful lives.

## *Capital budgets*

The 2025–26 capital budget of \$4.340 million includes \$4.200 million for technology infrastructure improvements and business-as-usual capital, and \$0.140 million for other developments.

We will continue to allocate our resources to maximise value to our shareholder by making payroll upgrade foundation investments in the development of EdPay and our core technology infrastructure. This plan does not include additional funding required for payroll upgrade or replacement.



## Prospective statement of comprehensive revenue and expenses

For the year 30 June 2026

Year ended 30 June	Notes	Budget 2025 \$000	Forecast 2025 \$000	Budget 2026 \$000
<b>Revenue</b>				
Sales of services to government	(1)	35,369	35,089	37,046
Interest received		665	714	500
<b>Total revenue</b>		<b>36,034</b>	<b>35,803</b>	<b>37,546</b>
<b>Expenses</b>				
Personnel expenses		18,103	19,219	20,535
Third-party support		2,320	668	1,025
Corporate expenses		601	582	595
Auditor's remuneration		99	110	109
Directors' remuneration		140	131	158
Travel and entertainment		17	20	20
Accommodation and facilities		867	843	888
Information and communications technology costs		8,032	7,773	9,660
Depreciation, amortisation and provision for impairment	(6)	5,646	4,918	4,407
<b>Total operating expenses</b>		<b>35,825</b>	<b>34,264</b>	<b>37,397</b>
<b>Non-operating expenses</b>				
<b>Total non-operating items</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenses</b>		<b>35,825</b>	<b>34,264</b>	<b>37,397</b>
<b>Total surplus/(deficit) for the period</b>		<b>209</b>	<b>1,539</b>	<b>149</b>
<b>Total comprehensive income</b>		<b>209</b>	<b>1,539</b>	<b>149</b>

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

## Prospective statement of financial position

As at 30 June 2026

		Budget 2025 \$000	Forecast 2025 \$000	Budget 2026 \$000
As at 30 June	Notes			
<b>Current assets</b>				
Cash and cash equivalents	(2)	16,111	17,085	12,794
Receivables from exchange transactions	(3)	3	4	4
Prepayments		1,542	1,573	1,573
<b>Total current assets</b>		<b>17,656</b>	<b>18,662</b>	<b>14,371</b>
<b>Non-current assets</b>				
Property, plant and equipment	(4) (13)	1,028	804	1,089
Intangible assets	(7) (12)	27,343	26,755	27,919
Work in progress	(8)	4,680	5,816	4,301
<b>Total non-current assets</b>		<b>33,051</b>	<b>33,375</b>	<b>33,309</b>
<b>Total assets</b>		<b>50,707</b>	<b>52,037</b>	<b>47,680</b>
<i>Represented by:</i>				
<b>Current liabilities</b>				
Accruals and payables	(9)	2,014	1,192	1,193
Employee entitlements	(10)	997	1,669	1,669
Income in advance		4,084	4,522	15
<b>Total current liabilities</b>		<b>7,095</b>	<b>7,383</b>	<b>2,877</b>
<b>Total liabilities</b>		<b>7,095</b>	<b>7,383</b>	<b>2,877</b>
<b>Net assets</b>		<b>43,612</b>	<b>44,654</b>	<b>44,803</b>
<b>Shareholders' funds</b>				
Capital contributions	(11)	25,520	25,520	25,520
Retained earnings		18,092	19,134	19,283
<b>Total shareholders' funds</b>		<b>43,612</b>	<b>44,654</b>	<b>44,803</b>

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

## Prospective statement of cash flows

For the year ended 30 June 2026

Year ended 30 June	Note	Budget 2025 \$000	Forecast 2025 \$000	Budget 2026 \$000
<b>Cash flows from operating activities</b>				
Receipts from sales to the Ministry		36,379	36,172	32,539
Receipts from interest		665	714	500
<b>Cash inflows from operating activities</b>		<b>37,044</b>	<b>36,886</b>	<b>33,039</b>
Payments to suppliers		(12,077)	(10,799)	(12,717)
Payments to employees		(18,103)	(18,871)	(20,273)
<b>Cash outflows from operating activities</b>		<b>(30,180)</b>	<b>(29,670)</b>	<b>(32,990)</b>
<b>Net cash inflows from operating activities</b>		<b>6,864</b>	<b>7,216</b>	<b>49</b>
<b>Cash flows from investing activities</b>				
Payments from investment in tangible and intangible assets		(3,608)	(3,496)	(4,340)
<b>Cash outflows from investing activities</b>		<b>(3,608)</b>	<b>(3,496)</b>	<b>(4,340)</b>
<b>Net cash outflows from investing activities</b>		<b>(3,608)</b>	<b>(3,496)</b>	<b>(4,340)</b>
<b>Cashflows from financing activities</b>				
<b>Cashflows outflows from financing activities</b>		–	–	–
<b>Net cash outflows from financing activities</b>				
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,256</b>	<b>3,720</b>	<b>(4,291)</b>
Cash and cash equivalents at beginning of year		12,855	13,365	17,085
<b>Cash and cash equivalents at end of year</b>	(2)	<b>16,111</b>	<b>17,085</b>	<b>12,794</b>
<i>Represented by:</i>				
Cash at bank		16,111	17,085	12,794
<b>Total cash position</b>		<b>16,111</b>	<b>17,085</b>	<b>12,794</b>

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

### Prospective statement of changes in equity

For the year ended 30 June 2026

	Budget 2025 \$000	Forecast 2025 \$000	Budget 2026 \$000
<b>Opening balance as at 1 July</b>	43,403	43,115	44,654
<i>Movements:</i>			
Total comprehensive income for year	209	1,539	149
<b>Balance as at 30 June</b>	<b>43,612</b>	<b>44,654</b>	<b>44,803</b>

### Education Payroll capital expenditure

For the year ended 30 June 2026

	Budget 2025 \$000	Forecast 2025 \$000	Budget 2026 \$000
Property, plant and equipment	470	461	540
Intangible assets	3,138	3,035	3,800
<b>Total</b>	<b>3,608</b>	<b>3,496</b>	<b>4,340</b>

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

## 5. NOTES TO THE FINANCIAL STATEMENTS

### Reporting entity

Incorporated in 2014 under the Companies Act 1993, Education Payroll Limited 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 Ombudsman Act 1975 and the Public Finance Act 1989. It aims to provide accurate and timely payroll services to the Ministry and the education sector. As a Public Benefit Entity (PBE) for financial reporting, it does not operate to generate a financial return.

### Basis of preparation

The prospective financial statements are for the period from 1 July 2025 to 30 June 2026. They are prepared on a going concern basis with consistent accounting policies applied throughout the year.

### Statement of compliance

The prospective financial statements comply with the Financial Reporting Act 2013, which requires compliance with the generally accepted accounting practice in New Zealand (NZ GAAP). They also adhere to *New Zealand Reporting Standard No. 42 – 'Prospective Financial Statements'* and the statements comply with Tier 1 PBE standards.

### Budget figures

Education Payroll's Statement of Performance Expectations for the 2025–26 budget was adopted by the Board on 18 June 2025 and published on 30 June 2025.

### Basis of measurement

The prospective financial statements are prepared on a historic cost basis, except where specifically stated in these accounting policies.

### Presentation currency

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

### Changes in significant accounting policy

Accounting policies remain unchanged since 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 outlined below have been consistently applied in the preparation of these prospective financial statements.

#### (1) Revenue – sales of services to government

Payroll services provided to the Ministry are recognised as exchange transactions.

Unbilled revenue at the end of the financial year is recognised as receivables in the prospective statement of financial position.

Revenue from the provision of payroll services is recognised when:

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

#### Interest revenue

Interest revenue is recognised by accruing the interest due for the investment over time.

#### Foreign currency transactions

Foreign currency transactions are converted to the functional currency at the spot exchange rate (the exchange rates prevailing at the dates of the transactions).

Foreign exchange gains and losses from settling these transactions and from the remeasurement of monetary items at year-end exchange rates, are recognised in surplus or deficit.

#### Leases

##### Operating leases

An operating lease does not transfer substantially all the risks and rewards of asset ownership to the lessee.

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



## (2) Cash and cash equivalents

Cash and cash equivalents are short-term, liquid investments that are easily convertible to cash with minimal risk of value change.

## (3) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments, not quoted in an active market. After initial recognition, they are measured at amortised cost, less any impairment allowance. A provision for impairment is made where there is evidence that Education Payroll will not be able to collect all the receivables according to the original terms. When this occurs, the receivables are recorded at amortised cost less the impairment for provision. When the receivables are uncollectible, they are expensed in the prospective statement of comprehensive revenue and expenses.

## Financial liabilities

Education Payroll's financial liabilities include trade and other creditors.

## (4) Property, plant and equipment

Property, plant and equipment asset classes include office equipment, furniture and fittings, information and communications technology (ICT) equipment and leasehold improvements. Property, plant, and equipment are recorded at cost less accumulated depreciation and any impairment losses. Cost includes all expenses to acquire or create the asset, and any directly attributable costs of bringing the asset to working condition for its intended use.

The cost of an item of property, plant and equipment is only recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to Education Payroll and its cost can be measured reliably. Assets acquired at no or nominal cost will be recorded at fair value at the date of acquisition when control of the asset is obtained. Subsequent costs to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Education Payroll and the costs can be measured reliably. Servicing costs for property, plant, and equipment are recognised in the prospective statement of comprehensive revenue and expenses as they are incurred.

## (5) Gains and losses on disposals

Gains and losses on disposals are determined by comparing the proceeds of disposal with the asset's carrying amount. Gains and losses on disposal are reported net in the surplus or deficit.

## (6) Depreciation

Depreciation on property, plant and equipment (excluding work in progress) is calculated on a straight-line basis, from when the asset is in the location and condition necessary for its intended use. This basis allocates the cost or value of the asset, over its estimated useful life. The depreciation method, the estimated useful lives and residual values of property, plant and equipment are reviewed annually for appropriateness.

Estimated useful lives for depreciation calculation are:

- Office equipment 2 to 6 years
- ICT equipment 2 to 10 years
- Leasehold improvements 3 to 9 years
- Furniture and fittings 3 to 12 years

## (7) Intangible assets

### Software acquisition and development

Software is classified as 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 asset. 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
- 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 expenditures not meeting the criteria are expense. Estimated useful lives for the calculation of amortisation are:

- Software licenses 2 to 14 years
- Intangibles up to 14 years

### Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts that provide Education Payroll with the right to access the cloud provider's application software over the contract period. As such, Education Payroll 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. Recognised as an operating expense over the term of the service contracts	<ul style="list-style-type: none"> <li>➤ Fee for use of application software</li> <li>➤ Customisation costs</li> </ul>
Recognised as an operating expense as the service is received	<ul style="list-style-type: none"> <li>➤ Configuration costs</li> <li>➤ Data conversion and migration costs</li> <li>➤ Testing costs</li> <li>➤ Training costs</li> </ul>

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.

### (8) Work in progress

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

### (9) Accruals and payables

Creditors and other payables are non-interest bearing and are normally settled within ten days, so their carrying values are close to their fair value.

### (10) Employment entitlements

Employment entitlements expected to be settled within 12 months of balance date are measured at their nominal value based on current pay rates.

These include salaries and wages accrued up to balance date and annual leave earned but not yet taken by balance date.

### (11) Equity

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

### Goods and services tax

All items in the prospective financial statements are exclusive of goods and services tax (GST), except for receivables and payables, which are GST-inclusive.

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 in the receivables or payables in the prospective statement of financial position. Commitments and contingencies are disclosed exclusive of GST.

### Income tax

Education Payroll, a Crown-controlled company under the Income Tax Act 2007, is exempt from the payment of income tax. Accordingly, no provision for income tax has been made.

### Cost allocation

Education Payroll delivers a single output: the schools' payroll service. Its full cost is measured on a full accrual accounting basis.

### Reportable outputs

Education Payroll confirms that it did not provide any outputs that fall outside the reportable class of outputs, as required by Section 149E(1)(c) of the Crown Entities Act 2004.

### Critical accounting estimates and assumptions

These prospective financial statements are based on estimates and assumptions. They are derived from past experiences and other relevant factors that forecast the revenue, expenses, assets and liabilities at the end of the reporting period.

The significant assumptions made in these prospective financial statements are:

- funding for payroll services delivered by Education Payroll continues through a Master Services Agreement with the Ministry
- Education Payroll is a going concern and no alternative arrangements have been proposed for the delivery of payroll services to the education sector at this time.

### **(12) Intangible assets recognition and measurements**

Determining values is subjective and requires judgement. Intangible assets that qualify for recognition are initially 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.

Each year, intangible assets are evaluated to determine if there is an impairment, which occurs when their ability to contribute to future economic benefits is reduced.

Determining an asset's useful life involves professional judgement. It is essential for product owners to provide guidance on suitable amortisation periods for asset components, potentially seeking advice from subject matter experts, such as engineers or developers, to ensure accuracy and adherence to best practices.

The useful lives of Education Payroll's intangible assets are assessed during the year for appropriateness.

Developed software costs include external costs, wages and overheads that are directly attributable to the software development. Costs are initially recognised at fair value at transfer date on the basis that it is probable that they will generate future economic benefits for Education Payroll.

Fair value is determined using costing information available, taking into consideration relevant indicators of impairment.

### **(13) 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. This process involves assessing the asset's condition, how long Education Payroll expects to use it and expected proceeds from disposals or write off of these assets.

Incorrect estimates affect the depreciation expense recognised in the surplus or deficit, as well as the carrying amount of the asset in the prospective statement of financial position.

### **Provisions**

Provisions for historic liabilities are raised where clear evidence exists. Calculations are based on past experiences and the impact of the economic conditions.

### **Standards and interpretations issued but not yet effective**

There are no standards or interpretations that are issued but not yet effective that will materially affect Education Payroll's financial position, performance and disclosures.



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