

# Annual Report 2024–2025

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.

### Annual Report

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 financial and operational performance of Education Payroll Limited for the period 1 July 2024 to 30 June 2025, 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* and *Statement of Performance Expectations 2024–25*.

### Published in November 2025

Education Payroll Limited

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## FOREWORD

This Annual Report outlines our strategic and operational achievements and our financial statements for the 2024–25 financial year. It aligns with the *Letter of Expectations* from our shareholding Ministers for the same period and should be read alongside our *Statement of Intent 2024–2028*.

Our purpose is to provide an accurate, timely and secure payroll service to schools and kura. We ensure that 102,000 teachers, principals and support staff across 2,500 schools receive their correct pay on time, every fortnight. We pay around \$7.7 billion through the schools' payroll each year. Together with schools and kura, we are the kaitiaki (guardian) of the schools' payroll.

This year, in collaboration with the Ministry of Education, we implemented changes into the payroll system from nine collective agreements that were settled in previous financial years. We also added new functionality to EdPay, the online portal used by schools and kura. We met or exceeded most of our operational performance targets, and our customer satisfaction rating reached 87.43%, based on quarterly surveys.

The current payroll system is reliable and stable but, it is ageing. The core technology is over 12 years old, highly customised and is no longer supported. We rely on a mix of manual workarounds and additional tools to ensure the pay is timely and accurate. The age and complexity of our payroll system increases the risk of errors and adds to our operating costs. We are working with the Ministry on an approach to future-proof our operations by preparing for a payroll upgrade.

A capability review at the end of 2023–24 assessed how our skills, functions and structure would need to change to meet our customers' needs now and in the future. This led to a new operating model, which has been in place for a year.

We give our thanks and appreciation for the work that school administrators do. They provide us with the information we need to run the payroll, and we can't operate without them.

Finally, we'd like to acknowledge the mahi (work) of our staff who go the extra mile every fortnight to deliver the payroll to schools and kura.

## STATEMENT OF RESPONSIBILITY

The Board is responsible for the preparation of Education Payroll's financial statements and statement of 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 on the reliability and integrity of financial and non-financial reporting.

In the Board's opinion these financial statements and statement of performance fairly reflect the financial position and operations of Education Payroll for the year ended 30 June 2025.

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

**Naomi Ferguson QSO**

Board Chair  
Education Payroll

**Liz Maguire**

Chair of Audit and Risk Committee  
Education Payroll

## OUR STRATEGIC FRAMEWORK

### Our purpose

We provide an accurate, timely and secure payroll service to schools and kura. This ensures teachers, principals and support staff are paid correctly and on time every fortnight. We work with the Ministry of Education (the Ministry) to provide a payroll service that supports the Ministry to meet payroll obligations on behalf of schools and kura and maximises value to shareholders.

### Progress on our strategic intentions

Our strategic intentions, priorities and objectives are set out in our *Statement of Intent 2024–2028*. Payroll delivery is a highly operational fortnightly cycle that demands timely and accurate delivery – the pay must go through. Any significant issue or delay has major consequences. As the payroll service provider for the education sector, our #1 strategic objective is to sustain this demanding fortnightly payroll cycle in perpetuity.

We are conscious that our primary reason for existing is payroll delivery, which is why our #2 strategic objective is for Education Payroll to be, and continue to be, the best available provider for payroll delivery. In practice, this means we need to:

- be excellent at payroll delivery
- achieve our operational key performance indicators
- deliver value for money
- future-proof our technology
- deliver on our strategy
- meet or exceed the expectations of the Ministry and our shareholders.

We measured our performance in 2024–25 against six objectives, each with specific workstreams and milestones.

#### Payroll delivery

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

#### Business performance

To be, and continue to be, the best available option for payroll delivery to schools and kura

#### School and kura confidence

To ensure schools and kura are confident their people are being paid accurately and on time

#### Workforce capability

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

#### Financial sustainability

To live within our approved funding envelope until decisions are taken about investment in core payroll system upgrade or replacement

#### Future-proof technology

To future-proof our core payroll platform by moving to a 'vanilla core' and then upgrading or replacing the core platform

This report presents our work on these workstreams through case studies and business overviews. Our operational performance is set out on pages 6–10.

### Implementing the Government's priorities

School Boards employ their staff. The Ministry manages employment policy settings and employment agreement negotiations on behalf of schools, and in turn the Ministry outsources payroll delivery to Education Payroll.

Our shareholding Ministers set clear expectations for Education Payroll both as a standalone entity and as part of the wider public sector. We have operated efficiently and effectively and sought operational improvements where we can. Increasing online functionality to the EdPay portal over time reduces the administrative burden on schools and kura and our school account team.

We have agreed a programme of foundation investments with the Ministry to prepare our systems and people for a future payroll upgrade. We are also working with the Ministry to update our Master Services Agreement, revising our performance measures to reflect a high-performing payroll system that demonstrates value for money and achieves desired outcomes.

## OUR BUSINESS



We deliver the payroll to New Zealand schools and kura 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.**



**Process and administer Accident Compensation Corporation (ACC) claims.**



**Administer third-party payments, such as ACC, KiwiSaver and student loan payments.**

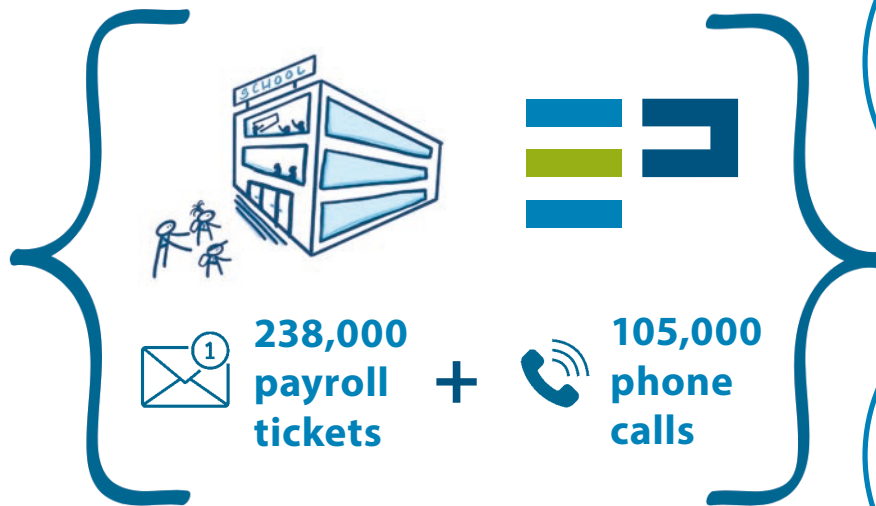


**Manage overpayments.**



## BY THE NUMBERS

## It takes:



Payroll accuracy  
**99.70%**

Payments on time  
**99.84%**

Customer satisfaction  
**87.43%**

Website availability  
**99.95%**

## To make:

2.7 million payments  
to 102,000 school  
employees

\$7.7 billion paid  
this year

## STATEMENT OF PERFORMANCE

Our operational performance is measured against a set of key performance indicators that form part of our Master Services Agreement with the Ministry.

The schools' payroll has many unique requirements. 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 we make payments correctly.

If employees work at more than one school, then their information is combined so the employee receives one payslip that includes all their jobs, taxed on the same tax code, but schools only receive information that relates to their employees.

The colour indicators on the Actual 2024–25 column represent the difference between the actual and standard measures for 2024–25.

- Green = the measure was met or exceeded
- Amber = the difference is up to -5.0%
- Red = the difference is more than -5.0%

### CORE PAYROLL SERVICES

**Our core services provide secure, accurate and timely payments to school employees. Every fortnight we process approximately 8,700 new payroll tickets and pay on average 102,000 employees.**

#### Accuracy

| Year ended 30 June<br>Performance measure                        | Description                                                                                                                                   | Actual<br>2023–24 | Standard<br>2024–25 | Actual<br>2024–25 |
|------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------|-------------------|
| Payroll payments are accurately calculated                       | Employees with their pay processed accurately, excluding all pay and non-pay impacting tickets not processed before the end of the pay period | 99.30%            | 99.50%              | 99.70% ●          |
| Payroll instructions submitted 'right first time' by schools (1) | Payroll instructions received from schools that can be processed first time without being returned for further information                    | 84.40%            | 80.00%              | 84.66% ●          |

- The 'right first time' measure is a leading indicator of payroll accuracy. As this measure improves, we can focus on quickly processing more complex transactions.

#### Timeliness

| Year ended 30 June<br>Performance measure                                        | Description                                                                                                                                          | Actual<br>2023–24 | Standard<br>2024–25 | Actual<br>2024–25 |
|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------|-------------------|
| Pay timeliness, as indicated by the time on the due date that employees are paid | Employees paid, excluding the employees receiving out-of-cycle payments and all pay-impacting tickets not processed before the end of the pay period | 99.64%            | 99.50%              | 99.84% ●          |

## Quality

| Year ended 30 June<br>Performance measure                         | Description                                                                                                               | Actual<br>2023–24 | Standard<br>2024–25 | Actual<br>2024–25 |
|-------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------|-------------------|
| Cost of schools' payroll service per school employee paid (2) (3) | Our services deliver gains and cost benefits for the education sector                                                     | \$344             | \$250               | \$328 ●           |
| Customer satisfaction (4)                                         | Survey respondents satisfied with the overall quality of the service delivery and support received from Education Payroll | 81.44%            | 80.00%              | 87.43% ●          |
| Customer effort (5)                                               | Customer effort score (0 = most effort, 10 = least effort)                                                                | 7.7               | 8.5                 | 8.1 ●             |

- 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 updated or adjusted for inflation since they were created in 2016. The standard would rise from \$250 to \$330 if it were adjusted for the Consumers Price Index (CPI) from late 2016 to mid-2025.
- From 2025–26, we will refine our cost of schools' payroll measure to more accurately reflect the cost of delivering payroll services to schools. It currently includes the total cost of Education Payroll Ltd. But, as we deliver additional services to schools, we will refine this measure to include only direct payroll service delivery costs, including information and communication technology (ICT) expense and payroll service delivery personnel cost, instead of 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. Our current satisfaction rating is the highest result since 2016.
- While this measure remains below the standard, it is the highest result since 2020. We are committed to maintaining this positive momentum by enhancing communications with school administrators about any upcoming payroll changes or updates.

## Website availability

| Year ended 30 June<br>Performance measure | Description                                                                                          | Actual<br>2023–24 | Standard<br>2024–25 | Actual<br>2024–25 |
|-------------------------------------------|------------------------------------------------------------------------------------------------------|-------------------|---------------------|-------------------|
| Service website availability (6)          | Availability of the website to school payroll service users for obtaining and submitting information | 99.95%            | 98.50%              | 99.95% ●          |

- The availability measure is based on 7am to 7pm on weekdays and 7am to 6pm on weekends, including school holidays. We include both the EdPay application and the EdPay.govt.nz website in this measure.



## OVERPAYMENT MANAGEMENT

We provide notification, recovery and administration of payroll-related overpayments.

### Accuracy

| Year ended 30 June<br>Performance measure                 | Description                                                                        | Actual<br>2023–24 | Standard<br>2024–25 | Actual<br>2024–25 |
|-----------------------------------------------------------|------------------------------------------------------------------------------------|-------------------|---------------------|-------------------|
| New overpayments created (7)                              | Reductions/((increase) in new overpayments created compared with the previous year | (3.99%)           | 15.00%              | 0.11% ●           |
| Net overpayment debt is less than specified level (8) (9) | The balance of net overpayment debt is less than the standard level                | \$3.5M            | \$2.0M              | \$3.1M ●          |

7. Where an authority to deduct overpaid salary or allowances is received and processed from an employee's next available pay, no overpayment is recorded and the amount is not added to this calculation. Overpayments happen for a range of reasons, including incorrect or late information being provided.
8. Education Payroll does not have the levers to influence this measure. In 2024–25, we worked with the Ministry to write-off a significant portion of aged debt. Education Payroll will continue to work closely with schools and the Ministry to recover outstanding amounts. Of the \$3.1 million unresolved debt, \$1.7 million is funded through Ministry payments for teachers' salaries, and \$1.4 million is funded from schools' operating funding. As at the end of June 2025, 54.5% (\$1.69 million) in overpayment debt is under repayment arrangements with school employees.
9. Overpayments represent 0.1% of total payments by number and 0.004% of total payments by value.

### Timeliness

| Year ended 30 June<br>Performance measure  | Description                                                                                                              | Actual<br>2023–24 | Standard<br>2024–25 | Actual<br>2024–25 |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------|-------------------|
| Overpayment notification made on time (10) | Employees receive their first overpayment notification letter within 15 working days of the overpayment being discovered | 96.23%            | 99.50%              | 94.57% ●          |

10. 'Discovery' is either the date of notification from the school, the Ministry or third party or the date we discover the overpayment. We are within the 15-day processing target for any new overpayment debt but processing backlogged tickets impacted the overall end-to-end time.

## SALARY ASSESSMENT

**We assess teachers' qualifications and experience to set their correct salaries.**

In 2024–25, we received approximately 6,300 requests for assessments (5,500 in 2023–24).

### Accuracy

| Year ended 30 June<br>Performance measure                          | Description                                      | Actual<br>2023–24 | Standard<br>2024–25 | Actual<br>2024–25 |
|--------------------------------------------------------------------|--------------------------------------------------|-------------------|---------------------|-------------------|
| Notification of errors related to salary assessment determinations | Salary assessments do not result in overpayments | 99.66%            | 99.50%              | 99.78% ●          |

### Timeliness

| Year ended 30 June<br>Performance measure | Description                                                       | Actual<br>2023–24 | Standard<br>2024–25 | Actual<br>2024–25 |
|-------------------------------------------|-------------------------------------------------------------------|-------------------|---------------------|-------------------|
| Salary assessments processed on time (11) | Assessments processed within 15 working days from date of receipt | 76.83%            | 100%                | 99.34% ●          |

11. Defects in the new salary assessment portal impacted performance in 2023–24. This portal closed in December 2024, and we returned to using a forms-based process from then on.

## ACC ADMINISTRATION

**We process and administer ACC claims for school employees who have had an accident.**

In 2024–25, we processed approximately 2,500 ACC claims on behalf of schools (2,200 in 2023–24).

### Accuracy

| Year ended 30 June<br>Performance measure         | Description                                                                                                                                             | Actual<br>2023–24 | Standard<br>2024–25 | Actual<br>2024–25 |
|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------|-------------------|
| Notification of errors related to ACC claims (12) | 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%            | 99.50%              | 98.95% ●          |

12. Late notifications from schools and ACC relating to direct payments to employees can result in an increase in incorrect payments. We continue to work with schools and ACC to ensure we have timely and complete instructions for ACC payments.

## SUSTAINABLE AND SECURE ORGANISATION

These measures report on our use of smart, secure and sustainable practices.

| Year ended 30 June<br>Performance measure                                                                                       | Actual<br>2023–24 | Standard<br>2024–25 | Actual<br>2024–25 |
|---------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------|-------------------|
| The number of future-proofing or sustainability-related issues identified as high priority or above in the annual audit         | 1                 | Nil                 | Nil ●             |
| 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% ●            |

## RESPONSIVE SERVICE

We promptly deliver 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. We make system changes to ensure everyone gets what they are entitled to receive.

| Year ended 30 June<br>Performance measure                                                                               | Actual<br>2023–24       | Standard<br>2024–25 | Actual<br>2024–25 |
|-------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|-------------------|
| Implement collective agreements within three pay periods of receiving full business requirements from the Ministry (13) | New timeline negotiated | 100%                | n/a               |

13. No significant changes to collective agreements or individual employment agreements were negotiated in 2024–25. System changes that were implemented were for agreements settled prior to this financial year.

## STAFF ENGAGEMENT

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

| Year ended 30 June<br>Performance measure                                            | Actual<br>2023–24 | Standard<br>2024–25 | Actual<br>2024–25 |
|--------------------------------------------------------------------------------------|-------------------|---------------------|-------------------|
| Staff engagement survey (Kōrero Mai) – employee experience (average score out of 10) | 7.8               | 7.8                 | 7.8 ●             |

## SCHOOLS AND KURA



Our payroll service delivery team has direct contact with our school and kura administrators and principals. The school account team provides advice and support

to dedicated groups of schools and kura. This personalised support is valued by schools,

particularly during periods of change. Specialised teams help schools and employees with ACC claims, overpayment recovery and salary assessment. During the 2024-25 year we achieved positive results in customer satisfaction ratings and in the accuracy and timeliness key performance indicators.

We made and received over 105,000 calls and processed over 238,000 service request tickets during the 2024-25 year.

### End of year and start of year

From October through to March is the payroll service's peak period. This is when we work with schools to make changes to ensure school staff are

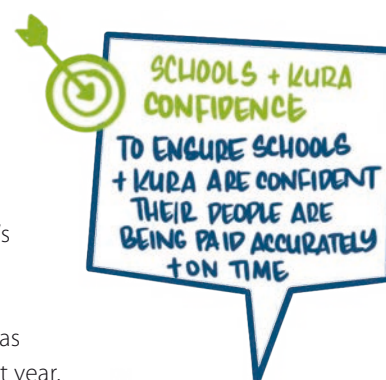
paid correctly over the summer holidays (referred to as the 'end-of-year' period) and are 'restarted' on the payroll from the beginning of the new school year (referred to as the 'start-of-year' period). We employed ten additional fixed-term payroll advisors to increase our capacity to support schools during this busy time.

We had resoundingly positive feedback from our customers, with a satisfaction score of 95% for the end-of-year period, and 96% for the start-of-year period.

### Customer satisfaction

Education Payroll sends online customer satisfaction surveys directly to a different sample of school payroll administrators and principals each quarter.

As a result of the improvement actions we took following last year's results, customer satisfaction has increased in all areas compared with last year.



### Case study: helping schools with change

When a new collective employment agreement is signed, we make any required changes in the payroll system. The schools' payroll is complex, and a single collective agreement change can have many parts to it that require both system changes and actions by schools.

In 2023-24, a new agreement changed the way some part-time teachers were paid for their non-contact hours when they were working but not in front of a classroom.

The timeline we negotiated with the Ministry because of the large number of collective agreements signed in 2023-24, deferred this change until 2024-25.

Instead of receiving an allowance, their hours increased. It was a complex change, with different impacts for different teachers, and all the original conditions and rules had to stay for teachers not on the latest agreement.

To meet the new requirements, Education Payroll changed the system's allowance rules and provided



instructions for schools and kura to manually increase the affected teachers' hours correctly.

Our payroll advisors provided one-on-one support to school administrators, and this was reinforced with information in our newsletter and website. We worked closely with the Ministry to align our process instructions with its guidelines.

This year, the overall score was 87% satisfied and 9% neutral, giving a combined score of 96%.

- Our telephone metrics improved in all areas, with the ‘Staff are knowledgeable’ measure increasing from 70% last year to 82% this year.
- Our email metrics also improved in all areas, with the ‘Email response is delivered in a timely manner’ measure increasing from 67% last year to 85% this year.

The areas where our customers would still like to see improvement include:

- their ability to do more online in EdPay and be less reliant on paper forms and more reporting functionality within EdPay
- the experience schools have when they call us, for example, increasing the hours payroll advisors are available on the phone and how payroll advisors deliver their advice and information
- access to more training and support for new school administrators who have not worked with the schools’ payroll before.

### Case study: building a new screen in EdPay to make it easier for schools to find the information they need

Schools and kura enter their employees’ details into the payroll system online either using our EdPay portal or by using a form. A common theme from our customer surveys is schools wanting to do more online in EdPay, reducing the need for forms. To continue this work, in 2024–25 we focused on improving the ‘annualisation’ process for schools.

Around 12,000 employees apply each year to have their pay annualised. Annualisation is when a person who works during term time only, has their annual earnings recalculated and divided equally over a year, so that they are still paid through the school holidays.

At the moment, schools need to fill out a lengthy form for each annualised employee, which must be sent to us by the end of January – which is one of the busiest times of the schools’ payroll year. In 2023–24, over a third of forms were sent back to the schools for more information, before they could be processed.

The first phase to improve this process was building a



new screen in EdPay to help schools find most of the information they need to fill out the annualisation form. We opened this new screen for schools in November 2024. After the screen was available for schools, the annualisation form’s right-first-time rate increased by over 25% – that’s around 1,000 forms that didn’t need to be sent back to schools for rework, saving time for schools and payroll advisors. We are now working on the second improvement phase, which is converting the annualisation form into an online process in EdPay.



## TECHNOLOGY AND RESILIENCE

We have designed and built the system solutions required for changes from collective agreements (settled prior to this financial year) and improved functionality in EdPay for schools and kura. We have started preparing for a payroll upgrade.

### Change requests

Together with the Ministry and customer support from payroll service delivery, the technology team has implemented changes for primary teachers, primary principals, support staff, kaiārahi i te reo and therapists.

We applied the scheduled salary increases to nine agreements and made changes to how secondary part-time teachers are paid for non-contact teaching time. We also facilitated the remediation payments for short-term relievers and changes from the pay equity settlement for therapists.

### Payroll upgrade

Delivering the pay, accurately and on time, every time must come first but we have an eye on the future of the school payroll system. The payroll system is now over ten years old and an upgrade will be needed in the future.

This year we started investigating the technical feasibility of an upgrade. We grew our capability in documenting business information using business rules, process and concept modelling – all undertaken to agreed standards. This helps our business perform more effectively today and is the foundation of our development of valid and comprehensive business requirements.

We have started writing the functional current state requirements of the payroll system, with the Ministry documenting business and stakeholder requirements for its desired future state.

### Case study: a blueprint of the schools' payroll

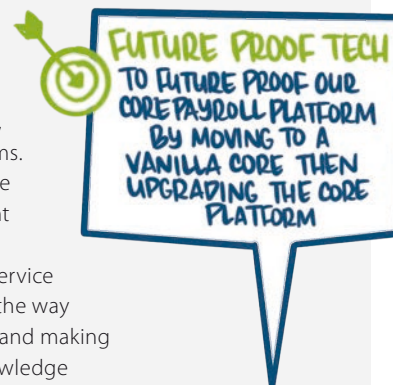
Delivering the pay, accurately and on time, every time is our priority but our system is ageing and needs to be upgraded. To prepare for an upgrade and address some of the Novopay inquiry's lessons learned, we are clearly documenting what the payroll system does using the Architecture of Integrated Information Systems (ARIS) tool to document our business rules.

Good business rules are specific statements that define how the payroll system operates to ensure consistency and compliance. They convert subject matter experts' knowledge into a single source of truth that tells us what the system is doing and what it should be doing. This is accessible to the whole business. They shape behaviour and help us clearly define our understanding of payroll and eliminate the risk of critical business knowledge being held in the heads of just a few individuals.

We are learning a new way of writing rules consistently and building a comprehensive, structured rules knowledgebase using ARIS. Describing what we do in a more common way allows us to collaborate with the Department of Internal Affairs to make use of the All-of-Government (AOG) Common Process Model. ARIS is also the platform that hosts the AOG Common Process Model, a set of standard business processes for government agencies.



We will be using ARIS to model the impacts of potential changes across roles, processes and systems. The business rules are becoming a blueprint for how the different parts of the payroll service connect, improving the way we run our business and making it easier to share knowledge across teams.



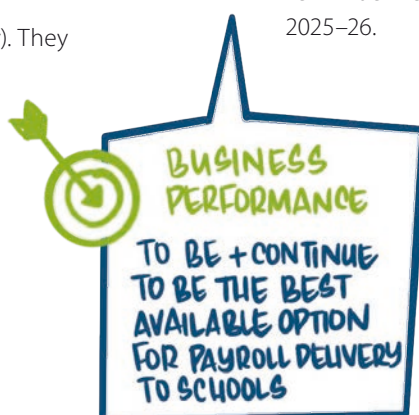
## Performance measures and calculation

Our Master Services Agreement with the Ministry is coming up for renewal and we are making good progress on updating our agreement in advance of this. We have agreed a range of adjustments to our performance measure parameters with the Ministry, including:

- ▶ unprocessed instructions will no longer be counted as part of the payroll payments 'accurately calculated measure' (accuracy). They will be included in the timeliness measure instead
- ▶ out-of-cycle payments will be counted as part of the 'payroll instructions processed and paid on time measure' (timeliness), instead of the accuracy measure, so that measures will be mutually exclusive

- ▶ the cost of schools' payroll service per school employee paid measure (quality) has had its cost scope refined. It previously included the total cost of Education Payroll Limited. But, as we deliver additional services to schools, we will refine this measure to include only direct payroll service delivery costs, including ICT expense and service delivery personnel cost, instead of all expenses.

We will be measured against these from 2025–26.



## OUR PEOPLE

Building capability and creating and maintaining a supportive environment and culture for our people is key to delivering an accurate and reliable schools' payroll.

### The structure of our workforce

At the end of June 2025, we had 196 permanent employees. Our payroll service delivery teams have a core staff of 106 employees, and we employ extra people to support the busy end-of-year and start-of-year periods.

Our digital and technology teams manage the stability and security of the payroll service and the underlying payroll systems and technology.

Our enabling teams support our payroll service delivery and digital and technology teams to operate effectively.

Continuous learning and growth are encouraged, and we have created a career path for payroll advisors by creating the senior payroll advisor position. We also have senior leader and team leader positions.

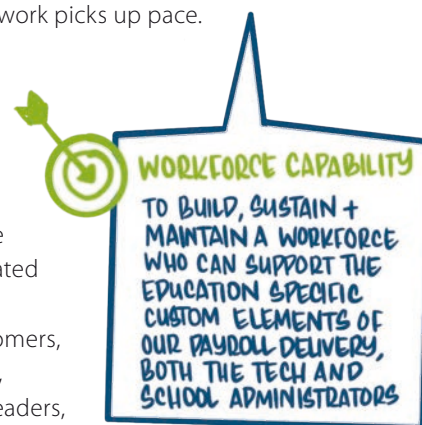
Our staff turnover in 2024–25 was 16.2% (30.7% in 2023–24). We believe that a targeted pay review,

focused improvements based on suggestions from our employee experience survey and a tighter employment market, contributed to the lower turnover rate.

### Capability review

A capability review in 2023–24 was completed to future-proof the organisation. The new organisation structure was implemented from 1 July 2025. One objective was to ensure we have the capability and organisational structure to meet our customers' needs now and in years to come as the payroll upgrade work picks up pace.

There were six key shifts needed to ensure we can be where we want to be in the future. These related to being unified around our customers, forward-focused, having aligned leaders,



### Case study: day in the life of a payroll advisor

Payroll advisors are the face of Education Payroll. They process the pay and provide support services to schools and kura so that teachers and support staff are paid correctly every fortnight. Every school has a dedicated payroll advisor to support them. This is what some of our payroll advisors had to say about their work.

"My first job each morning is checking my work queue to see the status of my support tickets. I have around 60 schools that I support, so there's a lot of variety about what people might need help with".

"Some days are busier on the phones than others, depending on where we are in the pay cycle. On average I spend around half of my time on the phone helping my schools and the other half processing support tickets".

"There's a lot to learn about the payroll but my leader and team are always there to help me. Now that I'm more experienced I can help newer members of the team. Having patience and being eager to learn is key to being good at this job".

"As you grow in the role and become more experienced



there are opportunities to progress. Once you've worked on this side of the payroll you bring lots of transferable skills and knowledge that are useful in other parts of the company".

*"Anytime I speak to my payroll advisor, they are very knowledgeable and go above and beyond to help with any issue I may be having."* **School payroll administrator feedback from the End of Year 2024 survey.**

simple and efficient problem-solving approaches, values that represent our changing environment and being an open organisation that considers the risks and consequences of decisions and situations.

We have been operating under the new structure for a year and have:

- held quarterly people leader forums, to develop and align our leaders to achieve organisational outcomes and support cultural shifts
- co-designed a visual strategy with staff to make the strategy more tangible for everyone at Education Payroll
- refreshed our 2016 values to accurately represent our organisation and current environment.

### **Kōrero Mai employee experience survey**

We conducted our annual staff survey in March 2025 and 84% of staff responded. Our overall employee experience score remained strong and consistent with previous years.

To make a difference, we focused on improving areas where we scored lower in previous years and areas where feedback showed we could make the biggest difference to staff experience. One of these areas was open and honest communication, which saw an improvement.

### **Health and safety**

The health, safety and wellbeing of our staff are very important to us. Our health and safety programme controls hazards and engages our staff through awareness campaigns. Our staff value the three days of wellbeing leave they receive each year to proactively manage their own wellbeing. We plan our work programme to optimise performance and support staff wellbeing. All our people leaders completed Mental Health First Aid training this year to build capability to support their own and others' wellbeing and mental health.

## STATEMENT OF CORPORATE GOVERNANCE

### Organisational form

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.

Education Payroll Limited aims to provide accurate and timely payroll services to the Ministry and the education sector. As a Public Benefit Entity for financial reporting, it does not operate to generate a financial return.

Education Payroll'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

Education Payroll is accountable to its shareholding Ministers. The Treasury assists shareholding Ministers in monitoring the company's performance against financial and non-financial measures. The Ministry contracts Education Payroll for payroll services in accordance with a Master Services Agreement signed in 2017, which can be renewed until June 2027.

### Crown Entities Act 2004

Under section 45OA 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

Education Payroll 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 2024–25.

### OUR BOARD

#### Naomi Ferguson QSO – Board Chair

Naomi has more than 35 years' senior leadership experience in the public sector in New Zealand and the United Kingdom (UK) and took on the Education Payroll 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 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 previously served on the Board of Health NZ Te Whatu Ora 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.

#### Liz Maguire – Board Director

Liz Maguire is the Chief Digital Officer at the New Zealand Transport Agency (NZTA) Waka Kotahi, where she leads the strategic development and implementation of digital initiatives aimed at transforming New Zealand's land transport infrastructure and services. With a background in digital innovation and technology leadership, Liz is instrumental in driving NZTA's digital strategy, focusing on enhancing user experiences, operational efficiency and data-driven decision-making.

Liz is a seasoned leader who brings significant experience with leadership of large transformation programmes, 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 and Labour Relations from the University of Auckland and she is a member of the Institute of Directors in New Zealand.

### **Mads Moller – Board Director**

Mads brings over 30 years of experience as a technology entrepreneur and Chief Executive Officer (CEO) of his tech startups, along with C-suite leadership roles at companies such as IBM, Broadcom, Vodafone and Google. He has over three decades of experience in governance, serving as a Director or Chair across companies in Denmark, Sweden, Norway, the UK and the United States (US).

Currently, Mads serves as an Independent Director or Chair for: Quotable Value Ltd, OrbViz Ltd, Christchurch Symphony Orchestra, FuseIT Ltd, Yärken Ltd, Multorum Ltd, Vertical Group A/S (Norway), VMC Ltd and his own companies.

Mads holds a Master of Business Administration in International Marketing Strategies from Copenhagen Business School and another in International Strategy and Corporate Finance from London Business School.

### **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.

David 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.

### **Deidre Shea MNZM – Board Director**

Deidre has held a variety of leadership roles in education throughout her career. 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. She has also chaired the NCEA (National Certificate of Educational Achievement) Professional Advisory Group for the Minister of Education.

For the past decade, Deidre has chaired the Alternative Education consortium Te Hikoi. She is a Commissioner with the Tertiary Education Commission and is a Board member of Network for Learning. 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.



**Education Payroll Board**

From left to right: Liz Maguire, Deidre Shea, Mads Moller, Naomi Ferguson, David Skinner.

## DIRECTORS' INTEREST REGISTER

Education Payroll maintains an interest register to identify and manage conflicts of interest. No directors hold shares in Education Payroll. The current directors have made general disclosures of interest (as at 30 June 2025) with external organisations based on them being a Chair, Director, Board member, Trustee, Member, owner, employee or advisor of those organisations or holding material securities or shares in those organisations.

| Name                  | Description                                                                              | Date     |
|-----------------------|------------------------------------------------------------------------------------------|----------|
| <b>Naomi Ferguson</b> | Principal – Naomi Ferguson Consulting                                                    | Jun 2022 |
|                       | Member – Kapiti Living Without Violence                                                  | Feb 2023 |
| <b>Liz Maguire</b>    | Employee – NZ Transport Agency Waka Kotahi                                               | Oct 2021 |
|                       | Member – National Ticketing System Governance Board                                      | Dec 2022 |
|                       | Member – Digital Identity Services Trust Framework Board                                 | Oct 2023 |
|                       | Founder and Director – Five Points Digital Ltd                                           | Apr 2020 |
| <b>David Skinner</b>  | Shareholder – Gravelroad Ltd                                                             | 2007     |
|                       | Founder and Director – Otero Services Ltd                                                | 2004     |
|                       | Owner – Waterside Investments Ltd                                                        | 1992     |
| <b>Mads Moller</b>    | Director – Quotable Value Ltd                                                            | Oct 2018 |
|                       | Director – Institute of Directors                                                        | Jun 2024 |
|                       | Director – Radio New Zealand                                                             | Jul 2024 |
|                       | Trustee – Christchurch Symphony Orchestra                                                | Jun 2022 |
|                       | Chair – OrbViz Ltd, OrbViz Holdings Ltd, OrbViz IP Ltd                                   | Nov 2020 |
|                       | Chair – Fuse Information Technologies Ltd, Fuse Information Technologies LLC (USA)       | Sep 2022 |
|                       | Chair of Board and Investor – Yärken                                                     | Apr 2023 |
|                       | Director – Backstory Ltd                                                                 | Jan 2024 |
|                       | Owner/Director – Multorum Ltd                                                            | Jan 2017 |
|                       | Board Advisor – UC Business School Advisory                                              | Mar 2017 |
|                       | Fortune A/S (DK)                                                                         | Jan 2016 |
|                       | Owner/Director – ProCon (USA)                                                            | Dec 2012 |
|                       | Owner/Director – Protego (UK)                                                            | Jul 2007 |
|                       | Owner/Director – CrossRef (UK)                                                           | Jun 2023 |
|                       | Owner/Director – Vigilante (DK)                                                          | Jan 2008 |
|                       | Owner/Director – AxeCentre (DK)                                                          | Jun 2023 |
|                       | Owner/Director – IOTAI (DK)                                                              | Jun 2023 |
|                       | Member – Institute of Directors                                                          | 2014     |
|                       | Member – National Association of Corporate Directors (NACD)                              | 2000     |
|                       | The European Factories of the Future Research Association                                | 2012     |
|                       | Association for the Advancement of AI                                                    | 2000     |
|                       | IEEE Computational intelligence Society                                                  | 2002     |
|                       | European Association for AI                                                              | 2002     |
| <b>Deidre Shea</b>    | Chair – Te Hikoi Management Committee (Alternative Education consortium), Aorere College | 2002     |
|                       | Registered teacher – The Teaching Council of Aotearoa New Zealand                        | 1988     |
|                       | Board member – Tertiary Education Commission                                             | 2023     |
|                       | Trustee – Youth Education and Development Trust                                          | 2009     |
|                       | Board member – Network for Learning                                                      | Nov 2024 |

## INDEPENDENT AUDITOR'S REPORT



### INDEPENDENT AUDITOR'S REPORT TO THE READERS OF EDUCATION PAYROLL LIMITED'S ANNUAL FINANCIAL STATEMENTS AND STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2025

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, on his behalf, the audit of:

- the annual financial statements that comprise the Statement of Financial Position as at 30 June 2025, the Statement of Comprehensive Revenue & Expenses, 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 on pages 24 to 41; and
- the statement of performance for the year ended 30 June 2025 on pages 6 to 10.

#### Opinion

In our opinion:

- The annual financial statements of the Company:
  - fairly present, in all material respects:
    - its financial position as at 30 June 2025; 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
- The statement of performance fairly presents, in all material respects, the Company's service performance for the year ended 30 June 2025. In particular, the statement of performance:
  - provides an appropriate and meaningful basis to enable readers to assess the actual performance of the Company for each class of reportable outputs; determined in accordance with generally accepted accounting practice in New Zealand; and
  - fairly presents, in all material respects, for each class of reportable outputs:
    - the actual performance of the Company
    - the actual revenue earned; and
    - the output expenses incurred,

as compared with the forecast standards of performance, the expected revenues, and the proposed output expenses included in the Company's statement of performance expectations for the financial year; and

- complies with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity International Public Sector Accounting Standards.

Our audit was completed on 22 October 2025. This is the date at which our opinion is expressed.

### **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, the International Standards on Auditing (New Zealand), and New Zealand Auditing Standard 1 (Revised): *The Audit of Service Performance Information* 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 annual financial statements and the statement of performance**

The Board of directors is responsible on behalf of the Company for preparing:

- Annual financial statements that fairly present the Company's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- A statement of performance that:
  - provides an appropriate and meaningful basis to enable readers to assess the actual performance of the Company for each class of reportable outputs; determined in accordance with generally accepted accounting practice in New Zealand;
  - fairly presents, for each class of reportable outputs:
    - the actual performance of the Company;
    - the actual revenue earned; and
    - the output expenses incurred

as compared with the forecast standards of performance, the expected revenues, and the proposed output expenses included in the Company's statement of performance expectations for the financial year; and

- complies 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 annual financial statements, and a statement of performance that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, and a statement of performance, 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 Director's responsibilities arise from the Crown Entities Act 2004.

### Responsibilities of the auditor for the audit of the annual financial statements and the statement of performance

Our objectives are to obtain reasonable assurance about whether the annual financial statements, and the statement of performance, 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 the annual financial statements, and the statement of performance.

For the budget information reported in the annual financial statements, and the statement of performance, 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 annual financial statements, and the statement of performance.

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 annual financial statements, and the statement of performance, 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 whether the statement of performance:
  - provides an appropriate and meaningful basis to enable readers to assess the actual performance of the Company. We make our evaluation by reference to generally accepted accounting practice in New Zealand; and
  - fairly presents the actual performance of Company for the financial year.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors.
- We evaluate the overall presentation, structure and content of the annual financial statements, and the statement of performance, including the disclosures, and whether the annual financial statements, and the statement of performance 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 responsible for the other information. The other information comprises all of the information included in the annual report, but does not include the annual financial statements, and the statement of performance, and our auditor's report thereon.

Our opinion on the annual financial statements, and the statement of performance 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 annual financial statements, and the statement of performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the annual financial statements, and the statement of performance 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) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to this audit, we performed independent quality assurance services and an independent assurance engagement over the education payroll services provided by Education Payroll Limited for the Ministry of Education. Other than these engagements 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

### Statement of comprehensive revenue and expenses for the year ended 30 June 2025

| Year ended 30 June                                      |       | Actual<br>2024<br>\$000 | Budget<br>2025<br>\$000 | Actual<br>2025<br>\$000 |
|---------------------------------------------------------|-------|-------------------------|-------------------------|-------------------------|
|                                                         | Notes |                         |                         |                         |
| <b>Revenue</b>                                          |       |                         |                         |                         |
| Sales of services to government                         | 1     | 34,932                  | 35,369                  | 35,205                  |
| Interest received                                       |       | 1,039                   | 665                     | 699                     |
| <b>Total revenue</b>                                    |       | <b>35,971</b>           | <b>36,034</b>           | <b>35,904</b>           |
| <b>Expenses</b>                                         |       |                         |                         |                         |
| Personnel expenses                                      | 2     | 17,182                  | 18,103                  | 16,827                  |
| Third-party support                                     | 3     | 2,466                   | 2,320                   | 2,648                   |
| Corporate expenses                                      | 5     | 550                     | 601                     | 589                     |
| Auditor's remuneration                                  | 6     | 100                     | 99                      | 110                     |
| Directors' remuneration                                 | 7     | 139                     | 140                     | 131                     |
| Travel and entertainment                                |       | 6                       | 17                      | 25                      |
| Accommodation and facilities                            |       | 787                     | 867                     | 844                     |
| Information and communications technology costs         |       | 7,145                   | 8,032                   | 7,515                   |
| Depreciation, amortisation and provision for impairment | 9, 10 | 5,401                   | 5,646                   | 4,580                   |
| <b>Total operating expenses</b>                         |       | <b>33,776</b>           | <b>35,825</b>           | <b>33,269</b>           |
| <b>Non-operating expenses</b>                           |       |                         |                         |                         |
| Impairment losses/asset write-off                       | 9, 10 | 176                     | –                       | 317                     |
| Interest expense                                        |       | 427                     | –                       | –                       |
| <b>Total non-operating items</b>                        |       | <b>603</b>              | <b>–</b>                | <b>317</b>              |
| <b>Total expenses</b>                                   |       | <b>34,379</b>           | <b>35,825</b>           | <b>33,586</b>           |
| <b>Total surplus for the period</b>                     |       | <b>1,592</b>            | <b>209</b>              | <b>2,318</b>            |
| <b>Total comprehensive income</b>                       |       | <b>1,592</b>            | <b>209</b>              | <b>2,318</b>            |

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

## Statement of financial position as at 30 June 2025

| As at 30 June                          |       | Actual<br>2024<br>\$000 | Budget<br>2025<br>\$000 | Actual<br>2025<br>\$000 |
|----------------------------------------|-------|-------------------------|-------------------------|-------------------------|
|                                        | Notes |                         |                         |                         |
| <b>Current assets</b>                  |       |                         |                         |                         |
| Cash and cash equivalents              |       | 13,365                  | 16,111                  | 18,674                  |
| Receivables from exchange transactions |       | 38                      | 3                       | 207                     |
| Prepayments                            |       | 1,266                   | 1,542                   | 1,479                   |
| <b>Total current assets</b>            |       | <b>14,669</b>           | <b>17,656</b>           | <b>20,360</b>           |
| <b>Non-current assets</b>              |       |                         |                         |                         |
| Property, plant and equipment          | 9     | 1,265                   | 1,028                   | 1,141                   |
| Intangible assets                      | 10    | 28,686                  | 27,343                  | 26,966                  |
| Work in progress                       |       | 4,848                   | 4,680                   | 5,164                   |
| <b>Total non-current assets</b>        |       | <b>34,799</b>           | <b>33,051</b>           | <b>33,271</b>           |
| <b>Total assets</b>                    |       | <b>49,468</b>           | <b>50,707</b>           | <b>53,631</b>           |
| <b>Represented by:</b>                 |       |                         |                         |                         |
| <b>Current liabilities</b>             |       |                         |                         |                         |
| Accruals and payables                  | 12    | 1,818                   | 2,014                   | 1,570                   |
| Employee entitlements                  |       | 1,063                   | 997                     | 1,744                   |
| Income in advance                      |       | 3,472                   | 4,084                   | 4,884                   |
| <b>Total current liabilities</b>       |       | <b>6,353</b>            | <b>7,095</b>            | <b>8,198</b>            |
| <b>Total liabilities</b>               |       | <b>6,353</b>            | <b>7,095</b>            | <b>8,198</b>            |
| <b>Net assets</b>                      |       | <b>43,115</b>           | <b>43,612</b>           | <b>45,433</b>           |
| <b>Shareholders' funds</b>             |       |                         |                         |                         |
| Capital contributions                  | 16    | 25,520                  | 25,520                  | 25,520                  |
| Retained earnings                      |       | 17,595                  | 18,092                  | 19,913                  |
| <b>Total shareholders' funds</b>       |       | <b>43,115</b>           | <b>43,612</b>           | <b>45,433</b>           |

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

### Statement of changes in equity for the year ended 30 June 2025

|                                          | Actual<br>2024<br>\$000 | Budget<br>2025<br>\$000 | Actual<br>2025<br>\$000 |
|------------------------------------------|-------------------------|-------------------------|-------------------------|
| <b>Opening balance as at 1 July 2024</b> | <b>41,523</b>           | <b>43,403</b>           | <b>43,115</b>           |
| <b>Movements:</b>                        |                         |                         |                         |
| Total comprehensive income for the year  | 1,592                   | 209                     | 2,318                   |
| <b>Balance as at 30 June 2025</b>        | <b>43,115</b>           | <b>43,612</b>           | <b>45,433</b>           |

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

## Statement of cash flows for the year ended 30 June 2025

| Year ended 30 June                                          |      | Actual<br>2024<br>\$000 | Budget<br>2025<br>\$000 | Actual<br>2025<br>\$000 |
|-------------------------------------------------------------|------|-------------------------|-------------------------|-------------------------|
|                                                             | Note |                         |                         |                         |
| <b>Cash flows from operating activities</b>                 |      |                         |                         |                         |
| Receipts from sales to the Ministry of Education            |      | 38,601                  | 36,379                  | 36,449                  |
| Receipts from interest                                      |      | 1,039                   | 665                     | 699                     |
| <b>Cash inflows from operating activities</b>               |      | <b>39,640</b>           | <b>37,044</b>           | <b>37,148</b>           |
| Payments to suppliers                                       |      | (11,188)                | (12,077)                | (10,059)                |
| Payments to employees                                       |      | (17,116)                | (18,103)                | (18,411)                |
| <b>Cash outflows from operating activities</b>              |      | <b>(28,304)</b>         | <b>(30,180)</b>         | <b>(28,470)</b>         |
| <b>Net cash inflows from operating activities</b>           | 14   | <b>11,336</b>           | <b>6,864</b>            | <b>8,678</b>            |
| <b>Cash flows from investing activities</b>                 |      |                         |                         |                         |
| Payments from investment in tangible and intangible assets  |      | (2,530)                 | (3,608)                 | (3,369)                 |
| <b>Cash outflows from investing activities</b>              |      | <b>(2,530)</b>          | <b>(3,608)</b>          | <b>(3,369)</b>          |
| <b>Net cash outflows from investing activities</b>          |      | <b>(2,530)</b>          | <b>(3,608)</b>          | <b>(3,369)</b>          |
| <b>Cashflows from financing activities</b>                  |      |                         |                         |                         |
| Repayments of borrowing costs                               |      | (9,225)                 | –                       | –                       |
| Interest on borrowings                                      |      | (427)                   | –                       | –                       |
| <b>Cashflows outflows from financing activities</b>         |      | <b>(9,652)</b>          | <b>–</b>                | <b>–</b>                |
| <b>Net cash outflows from financing activities</b>          |      | <b>(9,652)</b>          | <b>–</b>                | <b>–</b>                |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <b>(846)</b>            | <b>3,256</b>            | <b>5,309</b>            |
| Cash and cash equivalents at beginning of year              |      | 14,211                  | 12,855                  | 13,365                  |
| <b>Cash and cash equivalents at end of year</b>             |      | <b>13,365</b>           | <b>16,111</b>           | <b>18,674</b>           |
| <b>Represented by:</b>                                      |      |                         |                         |                         |
| Cash at bank                                                |      | 13,365                  | 16,111                  | 18,674                  |
| <b>Total cash position</b>                                  |      | <b>13,365</b>           | <b>16,111</b>           | <b>18,674</b>           |

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



## NOTES TO THE FINANCIAL STATEMENTS

### STATEMENT OF ACCOUNTING POLICIES

#### 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. Education Payroll is a Public Benefit Entity for financial reporting purposes and does not operate to generate a financial return.

#### Basis of preparation

The financial statements disclosed are for the period 1 July 2024 to 30 June 2025. They are prepared on a going concern basis with consistent accounting policies applied throughout the year.

#### Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with the generally accepted accounting practice in New Zealand (NZ GAAP). The statements comply with Tier 1 PBE standards.

#### Budget figures

Education Payroll's Statement of Performance Expectations for the 2024–25 budget was adopted by the Board and published in May 2024.

#### Basis of measurement

The financial statements are 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, 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 financial statements.

#### 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 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.

#### 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.

## 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 statement of comprehensive revenue and expenses.

## Financial liabilities

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

## Property, plant and equipment

Property, plant and equipment asset classes include office equipment, furniture and fittings, 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 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 asset's

carrying amount. Gains and losses on disposal are reported net in the surplus or deficit.

## 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, estimated useful lives and residual values of property, plant and equipment are reviewed annually for appropriateness.

The estimated useful lives for depreciation calculation are:

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

## 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 an expense. Estimated useful lives for the calculation of amortisation are:

|                   |                |
|-------------------|----------------|
| Software licences | 2–16 years     |
| Intangibles       | up to 16 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                                              | Recognised as an operating expense as the service is received                                                                                                             |
|------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>➤ Fee for use of application software</li> <li>➤ Customisation costs</li> </ul> | <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.

## 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 ten days, so their carrying values are close to their fair value.

## 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.

## Equity

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

## Goods and Services Tax

All items in the 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 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 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 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.

### **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 requires professional judgment, taking into account its anticipated use, potential technological advancements and planned replacement strategy.

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 cost 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.

### **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 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 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.

## 1. SALES OF SERVICES TO GOVERNMENT

Education Payroll operates on a fixed pricing schedule under the Service Level Agreement dated December 2017. We recognise revenue from services upon completion of each fortnightly pay cycle. Completion is determined at the end of each month, when the full cost of running the service is captured.

## 2. PERSONNEL EXPENSES

|                           | 2024          | 2025          |
|---------------------------|---------------|---------------|
|                           | \$000         | \$000         |
| Wages and salaries        | 17,342        | 18,282        |
| Other personnel costs     | 1,327         | 1,280         |
| Transfer to capital       | (1,487)       | (2,735)       |
| <b>Personnel expenses</b> | <b>17,182</b> | <b>16,827</b> |

Total remuneration (including salary and employer KiwiSaver contributions) paid to Education Payroll employees who earned \$100,000 or more during the 2024–25 financial year is disclosed below. The table shows the number of employees in each remuneration band.

|                        | 2024                | 2025                |
|------------------------|---------------------|---------------------|
| Remuneration band (\$) | Number of employees | Number of employees |
| 420,000–429,999        | –                   | 1                   |
| 410,000–419,999        | 1                   | –                   |
| 290,000–299,000        | –                   | 1                   |
| 260,000–269,999        | 1                   | –                   |
| 230,000–239,999        | 1                   | –                   |
| 220,000–229,000        | –                   | 1                   |
| 210,000–219,000        | –                   | 2                   |
| 200,000–209,999        | 1                   | 2                   |
| 190,000–199,999        | 1                   | 1                   |
| 180,000–189,999        | 3                   | 1                   |
| 170,000–179,999        | 1                   | 3                   |
| 160,000–169,999        | 3                   | 2                   |
| 150,000–159,999        | 6                   | 4                   |
| 140,000–149,999        | 8                   | 8                   |
| 130,000–139,999        | 6                   | 6                   |
| 120,000–129,999        | 1                   | 9                   |
| 110,000–119,999        | 11                  | 6                   |
| 100,000–109,999        | 7                   | 8                   |

During the year ended 30 June 2025, one employee received compensation and other benefits in relation to cessation totalling \$12,427 (2023–24: \$188,360).

### 3. THIRD-PARTY SUPPORT

Third-party support includes costs for external services that contribute to operational delivery, comprising:

|                     | 2024         | 2025         |
|---------------------|--------------|--------------|
| Third-party support | \$000        | \$000        |
| Contractors         | 1,723        | 2,037        |
| Consultants         | 740          | 560          |
| Legal services      | 3            | 51           |
| <b>Total</b>        | <b>2,466</b> | <b>2,648</b> |

### 4. RELATED PARTIES

#### Key management personnel

Key management personnel, as defined by PBE IPSAS 20 Related Party Disclosures, include the Board of Directors, five members (2023–24: five members) and the Executive Team, six members (2023–24: seven members), who together form the governing body of Education Payroll.

The table below presents the aggregate remuneration paid to key management personnel and the number of individuals, who received that remuneration during the 2024–25 financial year.

|                                       | 2024         | 2025         |
|---------------------------------------|--------------|--------------|
| Key management personnel remuneration | \$000        | \$000        |
| Executive team                        | 1,819        | 1,560        |
| Board                                 | 139          | 131          |
| <b>Total</b>                          | <b>1,958</b> | <b>1,691</b> |

|                                                                |           |           |
|----------------------------------------------------------------|-----------|-----------|
| <b>Number of people recognised as key management personnel</b> | <b>12</b> | <b>11</b> |
|----------------------------------------------------------------|-----------|-----------|

During the year, the Chief Executive received remuneration of \$421,300 (2023–24: \$417,286) including employer contributions to KiwiSaver. This amount excludes any incentive remuneration, which was neither included nor payable. The Chief Executive participates in Education Payroll's group salary continuance and employee life insurance policies.

During the financial year, Education Payroll arranged Directors' and Officers' Liability and Professional Indemnity insurance cover to protect Board members and employees against liability and associated costs.

#### Government-related transactions

|                       | 2024   | 2025   |
|-----------------------|--------|--------|
| Revenue               | \$000  | \$000  |
| Ministry of Education | 34,932 | 35,205 |



## 5. CORPORATE EXPENSES

|                                       | 2024       | 2025       |
|---------------------------------------|------------|------------|
|                                       | \$000      | \$000      |
| Fringe benefit tax                    | 23         | 22         |
| Insurance                             | 215        | 234        |
| Other corporate costs                 | 44         | 28         |
| Payslip printing and postage          | 255        | 272        |
| Stationery, printing and photocopying | 8          | 8          |
| Other                                 | 5          | 25         |
| <b>Total corporate expenses</b>       | <b>550</b> | <b>589</b> |

## 6. AUDITOR'S REMUNERATION

Fees paid to Ernst & Young relate to the audit of the financial statements. They also provided limited consultancy services on risk and trigger assessments, which were not part of the audit engagement.

|                                         | 2024       | 2025       |
|-----------------------------------------|------------|------------|
|                                         | \$000      | \$000      |
| Audit of financial statements           | 100        | 110        |
| <b>Other services</b>                   |            |            |
| Payroll replacement risk assessment IQA | –          | 49         |
| <b>Total auditor's remuneration</b>     | <b>100</b> | <b>159</b> |

## 7. DIRECTORS' REMUNERATION

The table below presents the total remuneration paid or payable to each Board member during the year.

|                                      | 2024       | 2025       |
|--------------------------------------|------------|------------|
|                                      | \$000      | \$000      |
| Naomi Ferguson                       | 55         | 53         |
| Mads Moller                          | 28         | 26         |
| Deidre Shea                          | 28         | 26         |
| David Skinner                        | 28         | 26         |
| Liz Maguire*                         | –          | –          |
| <b>Total directors' remuneration</b> | <b>139</b> | <b>131</b> |

\* Education Payroll does not pay Board fees to Liz Maguire because her employer, a government agency, covers her participation as part of her official duties.

Education Payroll maintains directors' liability and professional indemnity insurance to cover potential liabilities incurred by Board members and employees.

## 8. OPERATING LEASES AS LESSEE

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

|                                                   | 2024       | 2025       |
|---------------------------------------------------|------------|------------|
| As at 30 June                                     | \$000      | \$000      |
| Not later than one year                           | 665        | 340        |
| Later than one year and not later than five years | 333        | –          |
| Later than five years                             | –          | –          |
| <b>Total non-cancellable operating leases</b>     | <b>998</b> | <b>340</b> |

Education Payroll moved to new premises in October 2023 under a lease agreement that runs until 31 December 2025, with a right of renewal for a further six years to 31 December 2031. The current monthly rent is \$56,631, resulting in a total commitment of \$339,788 through to the end of December 2025.

Education Payroll leases office premises and equipment as part of its normal business operations.

## 9. PROPERTY, PLANT AND EQUIPMENT

| Year ended 30 June 2024 | Furniture & fittings<br>\$000 | ICT equipment<br>\$000 | Office equipment<br>\$000 | Leasehold improvements<br>\$000 | Total<br>\$000 |
|-------------------------|-------------------------------|------------------------|---------------------------|---------------------------------|----------------|
| Opening cost            | 208                           | 2,809                  | 55                        | 7                               | 3,079          |
| Additions               | –                             | 36                     | –                         | –                               | 36             |
| Transfers               | –                             | 21                     | –                         | 374                             | 395            |
| Disposals               | (37)                          | (636)                  | (47)                      | (6)                             | (726)          |
| <b>Closing cost</b>     | <b>171</b>                    | <b>2,230</b>           | <b>8</b>                  | <b>375</b>                      | <b>2,784</b>   |

### Less accumulated depreciation

|                                                  |              |                |            |             |                |
|--------------------------------------------------|--------------|----------------|------------|-------------|----------------|
| Opening accumulated depreciation                 | (190)        | (1,510)        | (49)       | (7)         | (1,756)        |
| Depreciation for the year                        | (7)          | (455)          | (6)        | (15)        | (483)          |
| Accumulated depreciation written off on disposal | 37           | 630            | 47         | 6           | 720            |
| <b>Closing accumulated depreciation</b>          | <b>(160)</b> | <b>(1,335)</b> | <b>(8)</b> | <b>(16)</b> | <b>(1,519)</b> |
| <b>Closing balance at 30 June 2024</b>           | <b>11</b>    | <b>895</b>     | <b>–</b>   | <b>359</b>  | <b>1,265</b>   |

| Year ended 30 June 2025 | Furniture & fittings<br>\$000 | ICT equipment<br>\$000 | Office equipment<br>\$000 | Leasehold improvements<br>\$000 | Total<br>\$000 |
|-------------------------|-------------------------------|------------------------|---------------------------|---------------------------------|----------------|
| Opening cost            | 171                           | 2,230                  | 8                         | 375                             | 2,784          |
| Additions               | 18                            | 369                    | –                         | –                               | 387            |
| Transfers               | –                             | –                      | –                         | –                               | –              |
| Disposals               | –                             | –                      | –                         | –                               | –              |
| <b>Closing cost</b>     | <b>189</b>                    | <b>2,599</b>           | <b>8</b>                  | <b>375</b>                      | <b>3,171</b>   |

### Less accumulated depreciation

|                                                  |              |                |            |             |                |
|--------------------------------------------------|--------------|----------------|------------|-------------|----------------|
| Opening accumulated depreciation                 | (160)        | (1,335)        | (8)        | (16)        | (1,519)        |
| Depreciation for the year                        | (5)          | (460)          | –          | (46)        | (511)          |
| Accumulated depreciation written off on disposal | –            | –              | –          | –           | –              |
| <b>Closing accumulated depreciation</b>          | <b>(165)</b> | <b>(1,795)</b> | <b>(8)</b> | <b>(62)</b> | <b>(2,030)</b> |
| <b>Closing balance at 30 June 2025</b>           | <b>24</b>    | <b>804</b>     | <b>–</b>   | <b>313</b>  | <b>1,141</b>   |

## 10. INTANGIBLE ASSETS

|                                                  | Developed<br>software<br>\$000 | Software<br>licences<br>\$000 | Other<br>intangibles<br>\$000 | Work in<br>progress<br>\$000 | Total<br>\$000  |
|--------------------------------------------------|--------------------------------|-------------------------------|-------------------------------|------------------------------|-----------------|
| <b>Year ended 30 June 2024</b>                   |                                |                               |                               |                              |                 |
| Opening cost                                     | 38,352                         | 8,153                         | 11,807                        | 7,997                        | 66,309          |
| Additions                                        | –                              | –                             | –                             | 2,494                        | 2,494           |
| Transfers                                        | 5,121                          | –                             | –                             | (5,516)                      | (395)           |
| Disposals                                        | –                              | (218)                         | (70)                          | (127)                        | (415)           |
| <b>Closing cost</b>                              | <b>43,473</b>                  | <b>7,935</b>                  | <b>11,737</b>                 | <b>4,848</b>                 | <b>67,993</b>   |
| <b>Less accumulated amortisation</b>             |                                |                               |                               |                              |                 |
| Opening accumulated amortisation                 | (17,521)                       | (6,013)                       | (6,252)                       | –                            | (29,786)        |
| Amortisation for the year                        | (3,604)                        | (527)                         | (787)                         | –                            | (4,918)         |
| Accumulated amortisation written off on disposal | –                              | 175                           | 70                            | –                            | 245             |
| <b>Closing accumulated amortisation</b>          | <b>(21,125)</b>                | <b>(6,365)</b>                | <b>(6,969)</b>                | <b>–</b>                     | <b>(34,459)</b> |
| <b>Closing balance at 30 June 2024</b>           | <b>22,348</b>                  | <b>1,570</b>                  | <b>4,768</b>                  | <b>4,848</b>                 | <b>33,534</b>   |
| <b>Year ended 30 June 2025</b>                   |                                |                               |                               |                              |                 |
| Opening cost                                     | 43,473                         | 7,935                         | 11,737                        | 4,848                        | 67,993          |
| Additions                                        | 2,349                          | –                             | –                             | 3,368                        | 5,717           |
| Transfers                                        | –                              | –                             | –                             | (2,735)                      | (2,735)         |
| Impairment/write-off*                            | –                              | –                             | –                             | (317)                        | (317)           |
| <b>Closing cost</b>                              | <b>45,822</b>                  | <b>7,935</b>                  | <b>11,737</b>                 | <b>5,164</b>                 | <b>70,658</b>   |
| <b>Less accumulated amortisation</b>             |                                |                               |                               |                              |                 |
| Opening accumulated amortisation                 | (21,125)                       | (6,365)                       | (6,969)                       | –                            | (34,459)        |
| Amortisation for the year                        | (3,037)                        | (350)                         | (682)                         | –                            | (4,069)         |
| Accumulated amortisation written off on disposal | –                              | –                             | –                             | –                            | –               |
| <b>Closing accumulated amortisation</b>          | <b>(24,162)</b>                | <b>(6,715)</b>                | <b>(7,651)</b>                | <b>–</b>                     | <b>(38,528)</b> |
| <b>Closing balance at 30 June 2025</b>           | <b>21,660</b>                  | <b>1,220</b>                  | <b>4,086</b>                  | <b>5,164</b>                 | <b>32,130</b>   |

### \* Impairment and write-off

Education Payroll has assessed all assets, including property, plant and equipment, intangible assets and work in progress, for impairment indicators at balance date.

Following a detailed review under PBE IPSAS 31 – Intangible Assets, we wrote off \$317,000 of transactions previously coded to work in progress for the two-factor authentication project. These transactions no longer meet the criteria for recognition as intangible assets due to a strategic shift to use the Ministry's Education Sector Logon solution.

## 11. CAPITAL COMMITMENTS

Education Payroll has no contracted commitments for the development or purchase of property, plant and equipment or intangible assets as at 30 June 2025 (2023–24: nil).

## 12. ACCRUALS AND PAYABLES

|                                           | 2024         | 2025         |
|-------------------------------------------|--------------|--------------|
|                                           | \$000        | \$000        |
| Creditors                                 | 873          | 844          |
| Accrued expenses                          | 945          | 726          |
| <b>Total creditors and other payables</b> | <b>1,818</b> | <b>1,570</b> |

## 13. 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:

|                                                       | 2024          | 2025          |
|-------------------------------------------------------|---------------|---------------|
|                                                       | \$000         | \$000         |
| <b>Loans and receivables</b>                          |               |               |
| Cash and cash equivalents                             | 13,365        | 18,674        |
| Receivables from exchange transactions                | 38            | 207           |
| <b>Total loans and receivables</b>                    | <b>13,403</b> | <b>18,881</b> |
| <b>Financial liabilities at amortised costs</b>       |               |               |
| Accruals and other payables                           | 1,818         | 1,570         |
| <b>Total financial liabilities at amortised costs</b> | <b>1,818</b>  | <b>1,570</b>  |

#### 14. RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

|                                                                        | 2024          | 2025         |
|------------------------------------------------------------------------|---------------|--------------|
|                                                                        | \$000         | \$000        |
| <b>Net income</b>                                                      | <b>1,592</b>  | <b>2,318</b> |
| <b>Add non-cash items</b>                                              |               |              |
| Depreciation and amortisation expense                                  | 5,401         | 4,580        |
| Loss in disposal                                                       | 176           | 317          |
| <b>Net movements in non-cash items</b>                                 | <b>5,577</b>  | <b>4,898</b> |
| <b>Add/(deduct) movements in statement of financial position items</b> |               |              |
| Trade debtors                                                          | 300           | (169)        |
| Accrued income                                                         | 19            | –            |
| Prepayments                                                            | 188           | 11           |
| Trade and other payables                                               | (152)         | 45           |
| Employment entitlements                                                | 60            | 219          |
| Accruals and provisions                                                | (25)          | (56)         |
| Income in advance                                                      | 3,350         | 1,412        |
| <b>Net movements in working capital items</b>                          | <b>3,740</b>  | <b>1,462</b> |
| <b>(Deduct): items classified as financing activities</b>              |               |              |
| Interest paid on borrowing                                             | 427           | –            |
| <b>Net cash flow from operating activities</b>                         | <b>11,336</b> | <b>8,678</b> |



## 15. FINANCIAL INSTRUMENT RISK

### Risk management objectives and policies

Education Payroll is exposed to various risks in relation to financial instruments. This note summarises the company's financial assets and liabilities by category. The primary risks include credit risk and liquidity risk.

We manage these risks through our financial risk management policy, which supports long-term objectives in delivering payroll services to New Zealand schools and kura.

### Liquidity risk

Liquidity risk arises when Education Payroll faces difficulty meeting financial liabilities as they fall due. This risk is actively managed through the execution of our treasury responsibilities. Management conducts regular reviews of banking arrangements to ensure the best returns are achieved, while maintaining liquidity levels to service day-to-day operations.

### Credit risk analysis

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

Education Payroll has 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.

## 16. EQUITY AND CAPITAL MANAGEMENT

Education Payroll is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which imposes restriction on borrowing, acquiring securities, issuing guarantees and indemnities and using derivatives.

The Board determines Education Payroll's capital management policy with the primary goal of ensuring the company maintains sufficient funds to carry out its core function – payroll delivery.

Our objective is to ensure that adequate returns are generated to fund our day-to-day activities, maintain a strong capital base and minimise our risk exposure.

### Shareholders' equity

|                                                           | Shares | 2024  | Shares | 2025  |
|-----------------------------------------------------------|--------|-------|--------|-------|
|                                                           |        | \$000 |        | \$000 |
| Contributed equity                                        |        |       |        |       |
| Issued at no par value and not fully paid ordinary shares | 100    | –     | 100    | –     |

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

## 17. EVENTS AFTER REPORTING DATE

No events have occurred after the balance date that would require recognition or disclosure in the financial statements (2023–24: nil).

## 18. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

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

### Statement of comprehensive revenue and expenses

#### Revenue

Revenue was close to budget, with a shortfall of \$130,000 due to timing. This relates to projects where some expenditure will now occur in the 2025–26 financial year. The associated revenue will be recognised when the related expenditure is incurred.

#### Expenses

The full-year positive variance reflects prudent financial management across several key expense categories. Depreciation costs were lower than budgeted, following adjustments to asset lifespans approved by the Board in late 2024.

Personnel expenses also tracked below budget, driven by vacancies and improved staff retention, which reduced reliance on overtime and contractors.

Capital expenditure transfers came in under budget due to a streamlined methodology for allocating contractor time directly to supported projects. ICT costs were also lower than expected, primarily due to timing shifts in planned initiatives and staffing provisions.

We impaired \$317,000 in work in progress following an assessment of our assets and work in progress accounts during the financial year. The review determined that, due to a shift in focus in early 2024–25 transitioning Education Payroll's two-factor authentication project to a new framework using the Ministry's Education Sector Logon, parts of the original build had become obsolete. In accordance with accounting standards, we expensed these components as they no longer supported future economic benefit or aligned with our strategic direction.

### Statement of financial position

We hold high cash reserves mainly because we received funding for initial payroll upgrade and cyber security improvements. We will recognise this income progressively as we incur the expenditure in 2025–26.

The original budget for intangible assets is \$5.058 million higher than actuals, with no budget allocated for work in progress, based on the assumption that all work in progress transactions would be capitalised at end of year. These variances offset each other. We reviewed the balance in work in progress and confirmed that it reflects valid development work with future value that is not yet ready for capitalisation.





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