

**Reliable, timely,
accurate pay**

EDUCATION PAYROLL

BRIEFING TO INCOMING MINISTER

Friday 19 September 2014



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Guide to this document

Part 1: Our payroll system had problems at 'go live'

Part 1 describes how the payroll is not standard – that it is large and complex.

It describes the problems experienced by schools when the payroll service transferred from Datacom to Talent2.

Part 2: We implemented a plan to fix and improve the system

Part 2 tells how we engaged independent reviewers to assess the system and its stability. We outline the initial programme of work that was delivered to improve the experience for schools by quickly stabilising the system and providing more support, especially through End of Year/Start of Year 2013/14. We then outline the 2014/15 plan to improve service quality to schools now and into the future.



Part 3: We have stabilised the system

Part 3 details how we have stabilised and improved the payroll service to date. This includes:

- ▶ stabilising the system and reducing processing backlogs
- ▶ providing immediate support to schools through a regional support model
- ▶ ensuring a smooth End of Year/Start of Year in 2013/14
- ▶ reviewing, with the school sector, the service delivery model, including an agreed vision for the future
- ▶ ensuring a sustainable payroll provider going forward.

Part 4: We are working to improve the system

Part 4 details how we will improve the payroll service from now until the end of 2015. It covers:

- ▶ delivering an improved End of Year/Start of Year 2014/15 and getting it on a sustainable footing for the future
- ▶ continuing to implement changes to the service delivery model
- ▶ clearing payroll processing backlogs
- ▶ simplifying the payroll system
- ▶ continuing to improve the IT system
- ▶ managing the transfer of payroll services to Education Payroll Limited
- ▶ managing costs back to a sustainable level.

Working with you

This section outlines how the Ministry of Education is ready to work with you to improve the performance of the schools payroll service and deliver on your priorities as Minister.







Our payroll system had problems
at 'go live'

Part 1: Our payroll system had problems at 'go live'



The schools payroll is the largest in New Zealand

The schools payroll is the largest in New Zealand and one of the top 10 in Australasia. It pays around 90,000 teachers and support staff in around 2,500 schools every fortnight. It pays approximately \$170 million per pay period and \$4.4 billion per annum. This comprises almost five per cent of government expenditure.

The Secretary for Education is charged with providing a schools payroll under the Education Act 1989. This may be delivered by the Ministry or on its behalf. All state and state-integrated school boards of trustees must use the payroll service to pay teachers. They may opt out of the schools payroll to pay non-teaching staff, with the agreement of the Secretary for Education.

The schools payroll is complex

The schools payroll is not a standard payroll. In addition to making payments, the service includes payroll and human resources advice and training to around 2,500 individual schools. And it relies heavily on employers, employees, the payroll provider and the Ministry of Education being clear on their roles and responsibilities and working together to make it work.

The calculation of payments is also hugely complex due to:

- ▶ *multiple collective agreements* – 14 collective agreements are paid through the schools payroll with a huge variety of provisions
- ▶ *school funding and resourcing* – teachers are paid from two different sources (the operating grant and teachers' salaries) sometimes at the same time
- ▶ *schools can save or 'bank' staffing entitlements to use at a later date* – this flexibility requires processes to balance under-and over-usage
- ▶ *variations in school employment practices* – such as the high usage of fixed-term contracts
- ▶ *the variety of entitlements in collective agreements* – increasing the number of transactions and calculations required every fortnight, while the large number of allowances adds further complexity
- ▶ *payroll processes* – complex operational rules that govern payroll processing create difficulties for schools. Schools also have different practices in how they manage their payroll, adding further to the complexity.

The Ministerial Inquiry noted that in fact there is not one single payroll, but around 2,500 individual payrolls (one for each school) involving a set of complex, inter-related business rules. There are more than 1,500 unique rates of pay possible across all agreements. Taking account of the variety of allowances, leave provisions and other employment conditions with impacts on pay, the number of possible permutations for individual pays can be as high as 10,000.¹ This would be costly and problematic to automate. The current system requires school administrators to make an accurate decision from a mass of information when entering pay changes into the system.

1 Report of the Ministerial Inquiry into the Novopay Project

Key payroll facts & figures

- ▶ around 2,500 individual schools
- ▶ 2 funding streams
- ▶ 14 collectives
- ▶ 1,500 possible unique rates of pay
- ▶ 10,000 possible permutations
- ▶ around 13% of employees need some pay change every fortnight

The system had problems from the day it went live

Talent2 was contracted to deliver the schools payroll in 2008. Following a lengthy development process, Talent2 went live with Novopay on 20 August 2012. In the first pay, while the majority of school staff received the right pay at the right time, a significant minority did not. Approximately 5,000 school staff were underpaid and 15 people were not paid at all. This signalled what was to come with schools and school employees experiencing significant numbers of overpayments, underpayments and no pays.

It very quickly became apparent that the Novopay service rolled out to schools had some serious system and design flaws. The degree of customisation required to manage the payroll complexity led to software defects in the system. These were not picked up due to the lack of thorough testing.

As a result of these defects, schools experienced a system that produced seemingly random errors that they could not understand. For example, they could not always reconcile what they entered into the system with what was reported. There was no obvious pattern to these pay-impacting errors and the arbitrary nature of them made it very stressful for schools as they tried to ensure their employees were paid correctly.

Schools' experience was made worse by a new online system that was not easy to use. As a result, many administrators reverted back to using manual forms to submit a large number of payroll changes. The Novopay service centre was resourced based on the assumption of a great deal more online processing and was not prepared for the large number of calls from schools. In addition, service centre staff were not adequately prepared for the range of questions from schools, resulting in inconsistent and incorrect advice given to school administrators.

As a result, schools experienced lengthy delays from the service centre and processing backlogs for issues requiring action. The poor support for schools generated significant stress and increased the time and effort required from schools. The lack of support also created a downward spiral of additional errors and increasing use of manual forms rather than online entry.

Through the early months, Novopay continued to struggle to pay people on time and accurately and there was an increasing backlog in leave, overpayments and queries from schools. The End of Year and Start of Year payroll processing peaks from late October to March are testing times for the system. These are particularly complex and difficult due to the large numbers of employees changing roles or their employment status requiring changes to ensure they are paid correctly. The additional pressure and backlogs created at this time exacerbated the problem.

The high error rate, the difficulty in using Novopay Online, and lengthy waiting times for assistance at the service centre led to a complete lack of confidence in the Novopay service. This has continued to limit our effectiveness in increasing the number of school administrators completing transactions online.



A woman with dark hair tied back is shown in profile, looking down at a desk. She is wearing a pink collared shirt under a dark grey vest. The desk in front of her has some papers and a brown textured bag. The background is slightly blurred, showing what appears to be an office or library setting. A large, semi-transparent red number '2' is overlaid on the left side of the image, partially covering the woman's face and hair. The number is white with a red outline. There are also some red geometric shapes in the bottom right corner of the image.

2



We implemented a plan to fix and improve the system

Part 2: We implemented a plan to fix and improve the system

We asked independent experts to review the system

We needed to make an early decision whether to continue with the new software or change. Early in 2013, the Minister Responsible for Novopay requested an independent assessment of the stability of the Novopay system. We engaged Deloitte and they concluded that Novopay could provide a stable platform, but that this would require sustained effort. They recommended:

- ▶ strengthening the remediation work already underway and reducing outstanding issues to below one per cent in any pay period
- ▶ reviewing business requirements and solution design to assess the degree of change needed to make Novopay suitable for the long term
- ▶ developing an upgrade plan, prioritised to ensure that schools and teachers gained most value
- ▶ carrying out specific 'build, test and deploy' plans for key business processes such as End of Year/ Start of Year
- ▶ increasing engagement and training to build user confidence.

At the same time, the Minister Responsible for Novopay ordered a Ministerial Inquiry to determine why the project had not succeeded as intended and to make recommendations on how to address performance issues and rebuild confidence in the payroll.

The Ministerial Inquiry reviewed the Novopay project from development through to delivery. In addition to issues of governance and management of the project, the Inquiry team found that the complexity of the schools payroll environment and the failure to involve users appropriately were significant causes of the underlying problems.



The Ministerial Inquiry made a number of recommendations, including that the Ministry:

- ▶ stabilise and simplify the system
- ▶ improve the process at End of Year and Start of Year
- ▶ review the payroll service delivery model
- ▶ renegotiate the contract with Talent2.

We accepted all of the recommendations in both reports and they have been key to our response to date.



We needed a clear plan to fix the system and improve the service to schools

We developed a two-stage plan – stabilise and improve

We needed a clear plan to fix the system and improve the service to schools. The payroll provider, Talent2, was not making sufficient progress and so the Ministry stepped up with increased management and programme resources to reduce day-to-day problems and put the payroll on a stable path.

A two-stage plan was developed. The first stage was designed to stabilise the system and address the immediate problems facing schools and employees by reducing errors and providing better support to schools, especially during the End of Year/Start of Year period. A one-year plan was developed to:

- ▶ stabilise the system and reduce processing backlogs
- ▶ provide immediate support to schools through a regional support model
- ▶ plan and prepare well to ensure a smooth End of Year/Start of Year for 2013/14
- ▶ review, with the school sector, the service delivery model
- ▶ identify a sustainable payroll provider for the future.

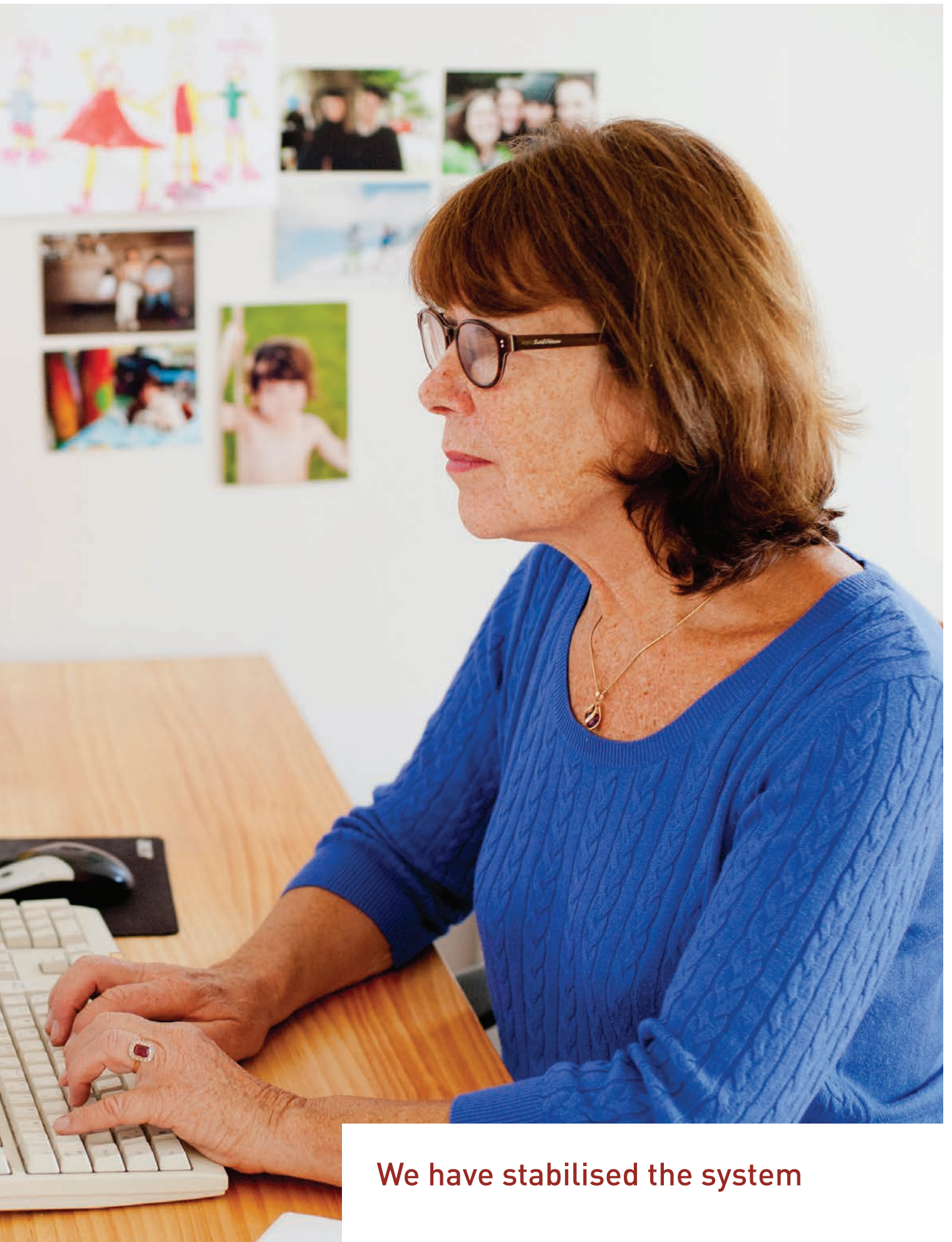
We have delivered this first stage of the plan.

The second stage is to further improve service quality to schools, to implement changes proposed by the joint review of the service delivery model and to build a sustainable system for the longer term. Part of this is the transfer of payroll services from Talent2 to the new payroll provider, Education Payroll Limited (See Appendix 1 for more information on Education Payroll Limited). The second stage of the plan includes:

- ▶ delivering an improved End of Year/Start of Year 2014/15
- ▶ improving service delivery – delivering a more responsive service to schools and building capability, knowledge and skills to help schools to more easily self-manage their payroll responsibilities
- ▶ clearing payroll processing backlogs
- ▶ simplifying the payroll and making it easier to use
- ▶ delivering a fit-for-purpose IT platform
- ▶ managing the transfer of payroll services to Education Payroll Limited
- ▶ managing costs and bringing them back to a sustainable level.

3





We have stabilised the system



WE HAVE STABILISED
THE SYSTEM

Part 3: We have stabilised the system

We stabilised the system and improved accuracy

Stage one of our plan meant making alterations to the underlying software, implementing temporary manual solutions for some functions that could not be changed quickly and addressing payroll processing backlogs.

Initially we fixed software defects to increase accuracy of the pay and confidence in the system. The Deloitte technical review looked at the hierarchy of software defects and set benchmarks to achieve: no severity level 1 defects and fewer than 10 severity level 2 defects. In a system of this scale and complexity, defects are expected and can be managed. It was the scale and impact of the defects in the payroll system that was the problem.²

We started with defects that had the biggest impact and were more likely to prevent successful delivery of the payroll. We then moved to resolve defects to help achieve a successful End of Year/Start of Year in 2013/14. Defects remain, but none are severity level 1 and only one is severity level 2.

We recruited additional staff and made considerable progress in clearing the payroll processing backlogs. However, backlogs remain in three areas: managing leave, queries about overpayments and the impacts of overpayments on third parties. The latter can be quite complex, such as when incorrect overpayment of income can affect payments to superannuation schemes.

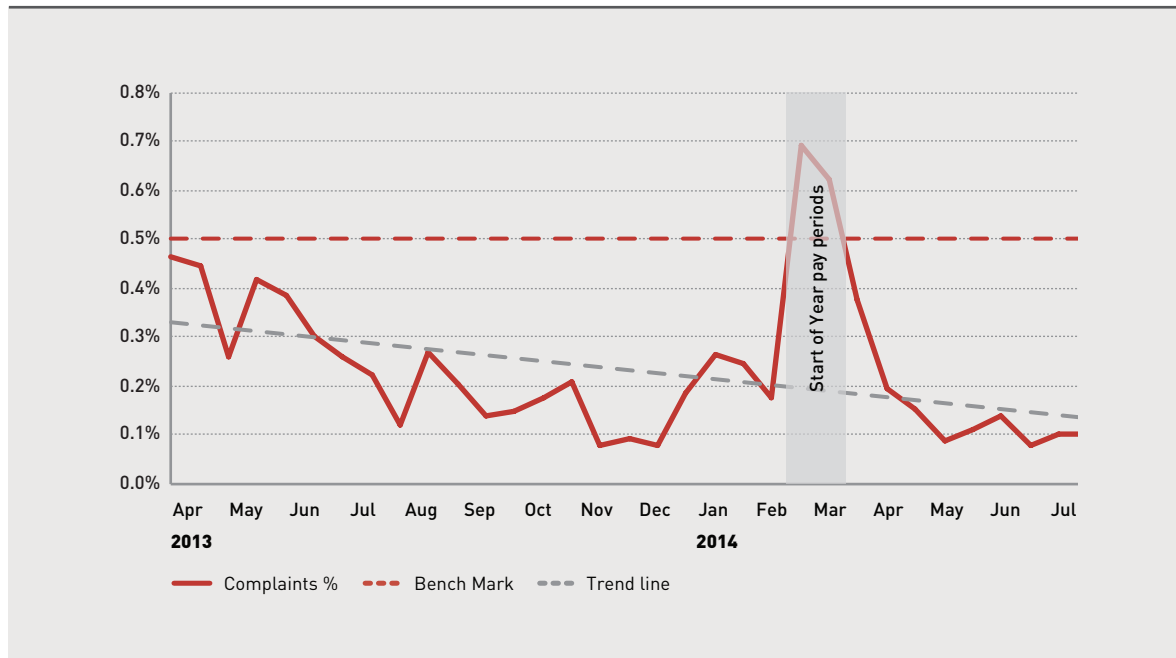
We established a consistent method of measuring errors in April 2013.³ We set a benchmark error rate of not more than 0.5% of errors in each pay, based on the findings of the Deloitte Novopay technical review. The error rate in each pay has remained below this benchmark since that time, other than over the Start of Year 2014 period. Maintaining this performance relies on some continuing manual solutions where the software still does not function adequately.

**Initially we fixed software
defects to increase
accuracy of the pay and
confidence in the system**

² Computer software will always have defects, and it is inevitable that as testing continues, issues that may previously have gone undetected surface. Our objective was to fix the defects that had the most impact on delivering a stable payroll, as well as reducing the overall numbers of defects.

³ The error rate is calculated as: total complaints about no pays, underpayments, and overpayments (received by Novopay and the Ministry of Education from Monday to Friday of the payment week), divided by the number of staff paid that week.

Figure 1. Novopay Complaints



We increased support to schools

We worked with school administrators, who are dealing with the payroll every day, to identify changes required to help them use the Novopay system and what should come first. School staff helped define further training and the kinds of support offered, as well as user-testing system changes. Sector leaders were also involved in setting priorities for change.

Based on feedback from schools we:

- ▶ established a regional network of education payroll advisors who initially helped resolve issues but moved to proactively work with schools to build their understanding and knowledge of Novopay Online
- ▶ provided a range of training to build capability of all those involved in delivering the payroll.

Schools helped us achieve a smoother End of Year/Start of Year

We established a programme of work to improve End of Year/Start of Year 2013/14 by fixing system defects and providing intensive support to schools. In consultation with schools, a training programme focused on entering data for End of Year/Start of Year was introduced. This included:

- ▶ online workshops where a small number of participants log into a web-based classroom and audio conference at a scheduled time
- ▶ self-paced interactive modules that can be completed at an individual's own pace and at a time that suits them
- ▶ online videos that use screen recordings and audio narrative to describe a process or scenario
- ▶ intensive support to enter data online.

Novopay Online was improved to make it easier for schools to enter data online and ensure requested payroll changes were on track to be made in each pay period. We also provided school administrators with improved, quick-reference guides online.

WE HAVE STABILISED
THE SYSTEM

As a result, End of Year was largely incident-free and schools completed the process on time and online where possible. However, at Start of Year, Talent2 did not allocate sufficient resources to deal with the influx of additional pay changes. They did not process the changes on time and this resulted in an increased error rate.

We reviewed the service delivery model

Our next step was to work with sector leaders and school administrators to design improvements to the services provided and the way they will be delivered in the future. An advisory group of sector representatives brought their expertise and understanding to testing new ideas and shaping our future direction. School administrators also identified what will work best for them, and what kind of local support will best meet their needs.

Schools confirmed that they want to retain a self-managing payroll service that integrates human resources and payroll support. Self-managing means that payroll administrators and school staff are able to fulfil their payroll responsibilities and build their skills and knowledge independently, without needing to contact someone else for assistance.

A wide range of representatives from schools and sector groups worked together with the Ministry of Education to identify a vision for the future. We also confirmed the responsibilities of employers, employees, the Ministry and the payroll provider, and what the signs of success are for each participant in the payroll process.

The vision agreed with schools is:

“Provision of an efficient, integrated and future-proofed service to boards of trustees which ensures their employees’ payroll information and entitlements are accurately recorded, and they are paid correctly and on time.”



We agreed that we will know we have achieved our vision when the payroll:

- ▶ is reliable, timely and accurate
- ▶ delivers responsive services to schools
- ▶ is less complex and easier to use
- ▶ is supported by the right capability, knowledge and skills
- ▶ has a fit-for-purpose IT platform able to carry the education payroll service into the future
- ▶ is sustainable over the medium term
- ▶ has a clear contractual framework and delivers to agreed service levels
- ▶ enjoys the confidence of schools, the wider sector and other stakeholders.

This work has informed the second stage of our plan.

A new government-owned company, Education Payroll Limited, will take over payroll delivery

We now have a sustainable payroll provider for the future

It was clear early on that Talent2 was struggling to manage the service within the parameters of the contract originally agreed. In 2013, we assessed whether Talent2 should continue to administer the payroll, or whether we should move to a new provider or go back to the old provider (Datacom). The decision was taken to remain with Talent2 in the short term. Moving provider at that time would have generated additional and unjustifiable risks to the reliability of the schools payroll at a time when we were trying to stabilise the system. The longer term future of the system remained under review.

Once we had stabilised the system and completed End of Year/Start of Year, we reviewed the commercial arrangements with Talent2 as recommended by the Ministerial Inquiry.

A key goal of this review was to establish an improved service to schools at the same time as putting the schools payroll on a financially sustainable footing. We looked at a range of options, from taking over the service desk, which was a source of some frustration for schools, through to the transfer of all services. Talent2 seemed unable to deliver the schools payroll on terms required by the Ministry, and needed to reduce its costs in order to remain financially viable. It became clear through negotiations that the transfer of all services was the only viable option for both parties.

The Ministry and Talent2 completed negotiations in July and agreed a full and final financial settlement valued at between \$18 and \$22 million, including a \$7 million cash payment from Talent2 to the Crown. We also agreed that Talent2 will exit the education payroll service and transfer all assets to the Crown on 17 October 2014.

A new government-owned company, Education Payroll Limited, will take over payroll delivery from that date. It will focus solely on managing school payroll services end-to-end, with clear accountabilities and expectations that staff will get paid on time, every time and schools will be supported in the right way. It will be service-driven, and not focused on a commercial bottom line. The company directors are:

-
- ▶ Dame Patsy Reddy (chair), a professional company director and consultant
-
- ▶ Murray Jack, Chairman of Deloitte, who was a key player in the Deloitte Novopay technical review and the Ministerial Inquiry
-
- ▶ Peter Hughes, Secretary for Education.

The board held its first meeting on 9 September. It appointed Cathy Magiannis (Deputy Secretary, Education Payroll Service) as interim chief executive. Appendix 1 has more information about Education Payroll Limited.

In the future, the Government will make a decision about whether to retain the payroll in Crown ownership or return it to the private sector.



4





We are working to improve the payroll system

Part 4: We are working to improve the payroll system

Stage two of our plan is now underway

Having stabilised the payroll service, we are now delivering stage two of our plan – improvement. The primary focus for the next six months is an improved service to schools, particularly through the End of Year/Start of Year period. This plan aims to:

- ▶ deliver an improved End of Year/Start of Year 2014/15
- ▶ continue to improve the service delivery model
- ▶ clear the backlogs
- ▶ simplify the payroll system
- ▶ continue to improve the payroll software
- ▶ manage the transfer of payroll services to Education Payroll Limited
- ▶ manage costs back to a sustainable level.

We will deliver an improved End of Year/Start of Year 2014/15

There is no single solution to improving End of Year/Start of Year for schools. In the longer term, improving software, capability and preparedness will not be sufficient. We will need to consider more systemic solutions, such as simplifying the complex sector employment arrangements or process changes.

However, in the short term, we are focusing on areas that will have the most impact on improving the experience for schools such as resolving key software defects, increasing use of online data entry and providing additional training and intensive support.

In order to maximise the accuracy of the End of Year/Start of Year 2014/15 payrolls, we will:

- ▶ make it easier for schools to instruct the service centre when payroll changes are needed – by, for example, providing intensive support for schools, simplified payroll guidance and making high-usage forms easier to complete
- ▶ encourage schools to provide payroll instructions earlier to smooth out processing peaks – by, for example, allowing more time to complete Start of Year and providing particular support to schools with higher numbers of the employee types most likely to require changes
- ▶ ensure that payroll instructions are processed accurately and on time – by, for example, supporting the service centre and schools to improve workflow management and reporting, and preventing unnecessary calls to the service centre and double handling of payroll instructions
- ▶ reduce the need to submit payroll instructions in certain circumstances – by, for example, allowing some non-teacher allowances to remain in place between End of Year and Start of Year reducing the need for alterations to be made at Start of Year.



We will free up our network of education payroll advisors to work one-on-one with individual schools needing additional or individualised support and training

Specific training and support for End of Year/Start of Year starts at the end of September. This includes:

- ▶ webinars specific to End of Year/Start of Year processes for schools and service centre staff
- ▶ assisted data entry for schools on request
- ▶ training for schools on how to better manage payroll instructions and reduce double handling
- ▶ ensuring consistency in treatment of forms returned to schools because of errors, so that schools know what to expect
- ▶ advanced training for all Ministry of Education and Education Payroll Limited staff dealing with the sector on how to handle complex queries for End of Year/Start of Year.

After Start of Year in March/April 2015, we will develop a plan for delivering a sustainable approach to management of End of Year/Start of Year in 2015/16.

We will continue to improve the service delivery model

Building on changes already made since Novopay started and the service delivery model review completed in stage one of our plan, we are focusing primarily in two areas – being more responsive and building capability.

We will deliver more responsive services to schools

In the period to the end of 2014, we are making four key changes to improve payroll services. We will:

- ▶ improve local support for schools – we will free up our network of education payroll advisors to work one-on-one with individual schools needing additional or individualised support and training. They will work closely with the New Zealand School Trustees Association's new locally-based human resources advisors and regional Ministry of Education staff supporting schools
- ▶ enhance the issues and complaints management service – we will clear outstanding school queries and deal with complaints and issues more speedily. A new centralised issues management function will be in place by November 2014
- ▶ make it easier for schools to find the payroll information they need – we are making the Novopay website easier for schools to navigate, improving the level of payroll guidance and adding more information in areas schools have identified
- ▶ plan services that will be provided centrally to schools, once Education Payroll Limited is operating.





In 2015, we will continue to make the system easier for school administrators to operate. We will:

- ▶ make it simpler for schools to access human resources and payroll support through a reduced number of common service access points to reduce confusion and more quickly resolve schools' queries. This includes the New Zealand School Trustees Association's expanded role in supporting school boards to build their capability in human resources management
- ▶ provide schools with guidelines on how they could share their payroll administration expertise with other schools. This is based on the existing experience of schools working together to administer the payroll
- ▶ further improve guidelines, forms and information on the self-service website. We intend to integrate the payroll self-service website with the human resources information on the New Zealand School Trustees Association website through a single online access point.

We will support capability-building across the sector

Schools value the ability to work online. To assist this, we are providing a programme of training covering a range of areas to help them more easily use Novopay Online. This is in addition to the training specifically targeted at improving schools' experience at End of Year/Start of Year.

Locally-based education payroll advisors will continue to provide help at the local level. They will:

- ▶ provide intensive support to schools over End of Year/Start of Year
- ▶ support schools with low online usage to increase their use of online processing
- ▶ coach and guide schools identified as needing additional support to self-manage their payroll
- ▶ build strong regional networks with New Zealand School Trustees Association human resources advisors and regionally-based Ministry of Education staff.

In addition, over the next twelve months Education Payroll Limited will build its staff capability so we can continue to improve the service to schools.

We will clear payroll processing backlogs

Payroll processing backlogs remain in three areas – managing leave, queries about overpayments and addressing the impacts of overpayments on third parties. Resolving leave issues requires the leave-processing software function to be redeveloped. This work will continue into 2015 and, when completed, will allow confirmation of leave balances, and deal with a longstanding issue for schools. Work in 2015 to resolve issues for third parties is primarily to correct errors resulting from overpayments on tax and superannuation and inaccuracies in payroll deductions for union subscriptions.

Success will require progressively working through a planned approach with schools, the wider sector and other key players

We will simplify the payroll system

The Ministerial Inquiry recommended that the Ministry of Education re-examine the requirements of the current schools payroll to remove unnecessary practices and complexity. This has the potential to improve usability for schools, reduce payroll processing errors, decrease reliance on manual solutions, improve sustainability and build confidence in the system.

Analysis on the sources and nature of the complexity is underway and will be completed in early 2015. This will give clarity on what changes would most effectively simplify the payroll, the feasibility of making these changes and how much they would cost. We will then test these options with schools. School staff and the wider sector will bring valuable experience to this and their involvement will be a key to success.

In the shorter term, we are simplifying the End of Year/Start of Year period processing to make that simpler for school administrators and principals. And we are building this goal into other work being done by the Ministry. For example, the Ministry will have reviewed the banking staffing policy by the end of 2014. The team delivering this is considering how their work can contribute to simplifying the payroll.

We know that reducing complexity in the payroll will not be an easy task. Some of the drivers of complexity are longstanding, form part of the wider policy environment or are built into collective agreements. Over time, for example, it is desirable to standardise employee terms and conditions. This can be managed through the cycles of collective contract negotiations.

Success will require progressively working through a planned approach with schools, the wider sector and other key players. If we do nothing, complexity will continue to grow.

We will continue to improve the IT system

In 2015, we will undertake a review of the IT platform and solution (Alesco) to assess what change is needed to make Novopay fit for purpose over its remaining lifespan. Planning well ahead will prevent a recurrence of the problems experienced when implementing the current system.

Our review will include:

- ▶ documenting the current state (including customisations and temporary manual solutions)
- ▶ identifying any major areas of customisation that drive payroll service complexity
- ▶ clarifying what functionality is not being used that could be used
- ▶ identifying options for change and trade-offs involved in any improvements that might be made in the medium term
- ▶ confirming lessons from the existing payroll to take into the design of any future payroll IT platform
- ▶ identifying and assessing options for change, including both short- and long-term costs and benefits, with a focus on ensuring that schools gain most value.

We will manage the transfer of payroll services to Education Payroll Limited

On 17 October, we will take responsibility for the delivery of the payroll service from Talent2 through a new government-owned company, Education Payroll Limited. At its first meeting in September, the Board confirmed its primary focus for the first six months is delivering an improved End of Year/Start of Year and improving service delivery to schools.

The change in ownership of payroll services gives us a greater level of control over the delivery of services to schools. The company will have oversight of and will manage the entire end-to-end payroll service. We will ensure the right resources are allocated when required during peak-processing times and an increased level of systems support is delivered.

Talent2 and the Ministry of Education are committed to making the transfer as seamless for the sector and as smooth for staff and suppliers as possible. The focus in managing the transfer is to ensure continuity of service to schools is maintained and that we retain key staff with the payroll knowledge and experience, so that we can deliver a better service to schools.

We are ensuring the sector is updated on progress and schools know what to expect on 17 October. We meet regularly with sector leaders and update school administrators regularly in the Novopay News and the Education Gazette.

We are managing costs and bringing them back to a sustainable level

The payroll service-related budget will be confirmed later this year as we work through roles and responsibilities of Education Payroll Limited and the Ministry of Education. This will include business-as-usual payroll service delivery and the programme of improvement already underway and planned for the future. The Novopay service has cost significantly more than originally budgeted. We are managing costs and will bring them back to a sustainable level.



We meet regularly with sector leaders and update school administrators regularly in the Novopay News and the Education Gazette

To put the payroll on a long-term sustainable basis for schools and the government, work is required to address the outstanding and challenging issues within the IT system and the wider payroll environment

We still have challenges ahead

The current payroll has evolved in the face of existing complexities, challenges and performance levels that demanded a flexible response. To put the payroll on a long-term, sustainable basis for schools and the government, work is required to address the outstanding and challenging issues within the IT system and the wider payroll environment.

These include making Novopay Online easier for schools to use, simplifying payroll processes, supporting schools to build the knowledge and skills necessary to self-manage the payroll and providing opportunities for groups of schools to collaborate and manage the payroll in a more sustainable way.

We have a good understanding of the issues facing schools and the improvements required. However, until we take over the management of the schools payroll service from Talent2 and are able to more closely examine the system, we cannot be sure of the solutions required.



Working with you

We have made significant progress since Novopay went live in August 2012. The payroll service is stable and a programme of improvement is underway.

Education Payroll Limited is now being set up, with the clear accountability and expectation that it will ensure staff get paid correctly on time, every time. But we are not in the position we want to be in yet.

This briefing outlines our plan to improve the delivery of payroll services to schools. Delivering this plan is key to rebuilding trust and confidence in the payroll system. Paying employees their wages or salary accurately and on time, every time, is a basic responsibility of every employer. We need to get this right and we are committed to doing that.

We will work with you to confirm a work programme that delivers on your priorities as Minister.

We can provide further briefings to inform decisions you may wish to take on the issues and actions we have raised.

We look forward to working with you.

Education Payroll Limited is now being set up, with the clear accountability and expectation that it will ensure staff get paid correctly on time, every time

Appendix 1

Education Payroll Limited

Education Payroll Limited has been formed to take over the operation of the schools payroll service from Talent2. Education Payroll Limited is a Schedule 4A Public Finance Act company. It is incorporated under the Companies Act and as a result of its addition to Schedule 4A of the Public Finance Act is also subject to the Crown Entities Act and the Official Information Act.

Education Payroll Limited is aligned closely to the requirements of the Ministry of Education and is focused solely on the provision of schools payroll services.

Education Payroll Limited will deliver services on the basis of a services agreement with the Ministry of Education.

Education Payroll Limited is 100% owned by the Crown. The shareholders of Education Payroll Limited are the Minister of Finance (50%) and the Minister Responsible for Novopay (50%). It is expected that, once the transfer has successfully occurred, shareholding will transition from the Minister Responsible for Novopay to the Minister of Education.

The directors of Education Payroll Limited are:

- ▶ Dame Patsy Reddy
- ▶ Murray Jack
- ▶ Peter Hughes (Secretary for Education)

Dame Patsy Reddy is the chair. Appointments are for a 12 month period.

Education Payroll Limited will be funded solely by the Ministry of Education through payment for services delivered.







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