

# Cost Recovery Impact Statement

04 February 2022 (UPDATED)

## Teaching Council fees and levies 2022-2025



**Teaching  
Council of  
Aotearoa  
New Zealand**

Matatū. Tū Mataora.  
Stand tall. Shape the future.

# Agency Disclosure Statement

This Cost Recovery Impact Statement (CRIS) has been prepared by Teaching Council of Aotearoa New Zealand | Matatū Aotearoa. It has been developed based on Treasury's Stage 2 Cost Recovery Impact Statement template designed specifically for proposals seeking agreement on cost recovery levels and incorporates the key principles and considerations principles underpinning the Treasury guidelines<sup>1</sup> and the Auditor General's Good Practice Guide<sup>2</sup> including equity, efficiency, justifiability, and transparency.

The CRIS provides an analysis of options to ensure that the Council can sustainably deliver its mandatory functions under the Education and Training Act 2020 in order to ensure safe and high-quality leadership, teaching, and learning for children and young people in early childhood, primary, secondary, and senior secondary schooling in English-medium and Māori-medium settings through raising the status of the profession.

## Key Gaps

There are no key gaps noted in the analysis undertaken.

## Assumptions

Government policy is that the Teaching Council be fully self-funded by teachers. This is understood to mean that no further government operating funding will be provided to support the delivery of the Council's mandatory functions.

From FY2022/23 the Council faces a significant shortfall in revenue from teacher fees and levies with which to fund the actual and reasonable costs of delivering its mandatory functions. The shortfall is estimated to be around \$9 million per annum or 48% of the estimated expenditure required.

In the current regime where teacher registration is for life, the cohort of around 156,000 Registered teachers include a large number of individuals (estimated 40,000+) who have retired, changed careers, moved overseas or are deceased. This cohort usually also have an expired practising certificate (they have not or cannot renew their practising certificate).

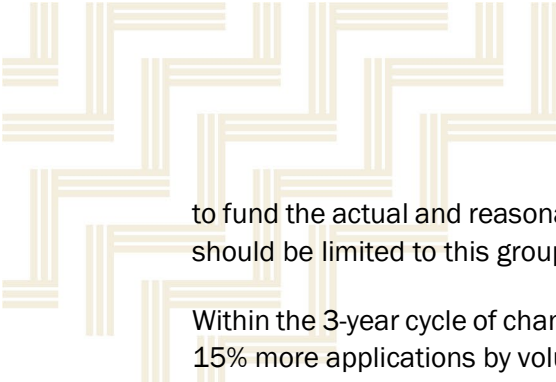
In order to be employed as a teacher in New Zealand, individuals must legally hold a current practising certificate or be authorised to teach. The volume of practising certificates issued each year varies due to an underlying 3-year cycle and to changes in overall teacher workforce size and structure – including the number of new graduates entering the profession and existing teachers retiring or leaving the profession.

Given that it is only those teachers holding a current practising certificate or Limited Authority to Teach (LAT) that are able to actively participate in the teaching profession, charging fees and levies

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<sup>1</sup> The Treasury. (2017, April). *Guidelines for Setting Charges in the Public Sector*. Retrieved from <https://www.treasury.govt.nz/sites/default/files/2017-04/settingcharges-apr17.pdf>

<sup>2</sup> Office of the Auditor General. (2021, August). *Setting and administering fees and levies for cost recovery: Good practice guide*. Retrieved from <https://oag.parliament.nz/2021/fees-and-levies/docs/fees-and-levies.pdf>



to fund the actual and reasonable costs for the Teaching Council to deliver its mandatory functions should be limited to this group.

Within the 3-year cycle of changes in registration/certification applications peak years have around 15% more applications by volume than non-peak years. This has important implications for output costs when measured on an annual basis. To ensure that fees and levies are set in a fair and equitable manner we believe that a 3-year period for cost recovery should be adopted, to smooth the annual fluctuation in output costs and to ensure that every teacher pays the same amount regardless of where they fall within the 3-year cycle.

Annual costs also vary due to the impact of inflation, and this charging regime incorporates forecast inflation (wages and general (CPI)) over the period FY2022/23 to FY2025/26.

As well as a 3-yearly cycle in registration/certification applications, there is an annual cycle which has important implications in terms of input costs, especially regarding the registration/certification function. Around  $\frac{1}{3}$  of all applications are received in the period November to January every year – ahead of the start of term 1 of the school year in February. To maintain a service performance standard across the whole year requires the Council to ensure it has sufficient skilled and experienced registration staff on hand to deal with the volume of applications during these peak months.

Other mandatory functions do not have an underlying cycle, but in line with the principle of simplicity, collection of levies is necessarily tied to collection of fees to ensure payment and collection costs are minimised. There is nothing about the way that input costs are incurred in other mandatory functions that would advantage or disadvantage teachers by electing for a 3-year period for cost recovery.

## Dependencies

There are no key dependencies identified in the analysis undertaken.

## Constraints, caveats, or uncertainties

There are no significant constraints, caveats or uncertainties concerning the analysis beyond the assumptions identified above and those used in developing the cost model.

## Time constraints

The Council is aiming to resolve its shortfall in revenue from fees and levies by July 2022 as it is currently incurring a large operating deficit that cannot materially be sustained much beyond this time.

Additionally, a new Governing Council will commence their term of office from 1 July 2022 and if decisions regarding the level of fees and levies have not been taken, the new Council members could be reasonably expected to want to carefully consider the analysis and issues afresh. This process could be anticipated to take a minimum of six months<sup>3</sup> and this would take the Council

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<sup>3</sup> Based on the experience that was constituted on 01 July 2019

beyond the point where it is able to maintain its Council mandated minimum operating reserves equivalent to 3½ months of normal operating expenditure.

## Further work required

Government has already determined that the Council should be fully self-funded by teachers. The Council has subsequently developed proposals for increases in fees and levies, using the guidance provided by the Treasury and OAG guidelines, based on the actual and reasonable costs of undertaking the work necessary to deliver its mandatory functions.

The only remaining work to be undertaken before any new cost recovery regime is implemented is to undertake consultation with teachers on the proposed increases to fees and levies, and to consider the feedback with an open mind before making final decisions.

## Reliance on this analysis

The analysis contained in this Cost Recovery Impact Statement should be read in conjunction with:

1. The [Deloitte assessment](#) of the actual and reasonable costs of the Teaching Council;
2. The [cost model](#) used to estimate Council's actual costs to deliver its mandatory functions over the period FY2022/23 to FY2024/25.
3. The information contained in the pre-consultation discussion paper '[Council's role, strategy, activity, and costs](#)'.

This CRIS was originally published on 03 February 2022

Ian McEwan, Chief Financial Officer

Jo Scott, Lead Analyst

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## Executive Summary

The Teaching Council of Aotearoa New Zealand | Matatū Aotearoa (the Council) is an independent statutory body responsible for the professional regulation of primary and secondary school teachers, and some early childhood education teachers.

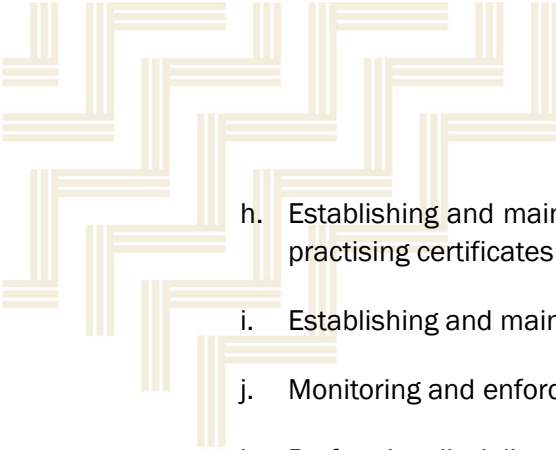
Since its establishment in 2015 the Council has been funded through a combination of fees paid by teachers and government transition funding. Government funding totalling nearly \$47 million between 2015 and 2021 was provided on the basis that the Council was expected to become fully self-funded through the collection of fees.

The current fee payable by teachers of \$220.80 including GST was last set in 2010 and has not been increased in the last 12 years despite inflation of between 19.2% and 24.8% in this period. From as early as 2014 it was known that the Council's revenue was insufficient to meet its operating costs. Fees paid by teachers currently provide annual revenue of approximately \$8 million per annum, leaving the Council with a deficit of approximately \$9 million per annum.

Belonging to or being part of a profession confers individual rights and responsibilities as well as a collective interest in being assured that the overall integrity of the profession is being cared for to maximise the success of every learner/ākonga. As members of the teaching profession, individual teachers commit to uphold the *Code | Ngā Tikanga Matatika and Standards | Ngā Paerewa*, as well as meeting all the other requirements of the profession. Individual teachers as professionals also have an interest in the collective responsibilities of the teaching profession, including matters such as the quality of initial teacher education, ensuring high-quality leadership for the profession, and processes to address concerns where the behaviour of individual teachers puts children, young people or the profession at risk.

The Council's unique role in our education system is to ensure systems and processes are in place to maintain trust in teachers and the teaching profession, and to protect children and young people through performance of its functions which include:

- a. Providing direction for teachers
- b. Enhancing the status of teachers
- c. Identifying and disseminating best practice in teaching and fostering the teaching profession's continued development in light of research and evidence of changes in society and technology.
- d. Carrying out functions related to teacher registration
- e. Establishing, maintaining, and reviewing any criteria for teacher registration
- f. Setting standards for qualifications that lead to registration
- g. Conducting approvals of teacher education programmes

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- h. Establishing and maintaining standards for ongoing practice, and criteria for the issue of practising certificates
  - i. Establishing and maintaining a code of conduct for teachers
  - j. Monitoring and enforcing requirements relating to mandatory reporting
  - k. Performing disciplinary functions relating to teacher misconduct and reports of convictions
  - l. Setting criteria for reporting serious misconduct and competence issues
  - m. Performing functions relating to teacher competence
  - n. Co-ordinating police vetting
  - o. Performing any other functions conferred upon the Council by the Act

With written approval from the Minister of Education, the Council may also:

- a. Provide leadership to the education profession
- b. Enhance the status of education leaders
- c. Identify and disseminate best practice in education leadership.

This work contributes to strengthening and stabilising the teaching profession and provides assurance to our communities that learners/ākonga are supported by competent and effective teachers.

The Council is the only body with responsibility for setting expectations and direction for all teachers in all settings across the education sector. In order to undertake this work on behalf of the teaching profession, the Council needs to be properly resourced to effectively undertake all its mandatory functions and meet its obligations to teachers, professional leaders and the wider community.

As members of the teaching profession, individual teachers contribute to their profession via fees and levies. The fees and levies encompass both the costs associated with an individual teacher meeting the requirements for registration and certification and the other services provided to support and maintain the integrity of the profession.

The Council's mandated functions capture both these individual requirements and the collective responsibilities of being in a profession, which also include the expectations that families/whānau and our communities have for the profession.

The Council has therefore undertaken its costs analysis for the proposed fees and levies on this basis, using the principles from the Treasury and OAG guidance. This has allowed us to determine how the costs associated with the services and activities we are required to undertake might be distributed as fees or levies teachers and holders of LATs are required to pay.

## The key conclusions of this CRIS are:

- Parliament has determined what mandatory functions the Teaching Council must carry out, and government has confirmed its policy that the costs arising from the mandatory functions of the Teaching Council should be fully funded by teachers.
- That it is not possible for the Council to deliver its mandatory functions with the current level of revenue from fees and levies paid by teachers without impacting on its ability to uphold its statutory purpose and maintain acceptable levels of service performance.
- It is equitable for the Council's actual and reasonable costs to deliver its mandatory functions be recovered in a manner consistent with the Treasury and OAG guidelines.
- That the Council's costs have increased significantly since its establishment in 2015 primarily due to:
  - An expanded remit and new mandatory regulatory functions
  - The impact of inflation
  - Decreased threshold for referral of conduct matters to the Disciplinary Tribunal
  - The need to maintain acceptable levels of service to teachers
- That independent assessment by Deloitte of the Council's actual current costs and its estimated costs over the period FY2022/23 to FY2024/25 concluded those costs to be reasonable.
- That formal consultation with teachers should be undertaken on proposed fees and levies totalling up to \$472.21 to renew a practising certificate, an increase of 114%. A review of fees and levies should be undertaken after three years.

## Status quo

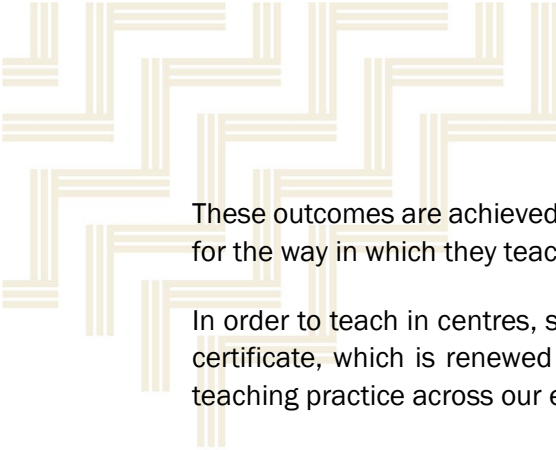
### Council purpose and functions

The Teaching Council of Aotearoa New Zealand is the professional regulatory body for teachers. The Council works with and for more than 109,000 registered and certificated teachers in New Zealand, in early childhood, primary and secondary schooling and in English and Māori medium settings.

The Council's statutory purpose is to ensure safe and high-quality leadership, teaching, and learning for children and young people in early childhood, primary, secondary, and senior secondary schooling in English-medium and Māori-medium settings through raising the status of the profession.<sup>4</sup>

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<sup>4</sup> Education and Training Act 2020, section 478



These outcomes are achieved by ensuring teachers are competent, fit to practice and accountable for the way in which they teach.

In order to teach in centres, schools and kura, registered teachers must hold a current practising certificate, which is renewed every three years. This is one of the ways to assure the quality of teaching practice across our education settings.

Many professional bodies in New Zealand play a solely regulatory function for their members but the Teaching Council is more than just a regulatory body, being responsible for:

- Registering and certificating New Zealand teachers
- Keeping a register of all teachers
- Protecting the reputation of the teaching profession
- Setting standards for teacher practice and behaviour
- Promoting continuous learning for teachers so their skills are up to date
- Enhancing the status of teachers
- Managing concerns about conduct or competence
- Making sure teacher students and new teachers get the right education and preparation (by approving and monitoring Initial Teacher Education)
- Providing direction to teachers
- Sharing research and best teaching practice

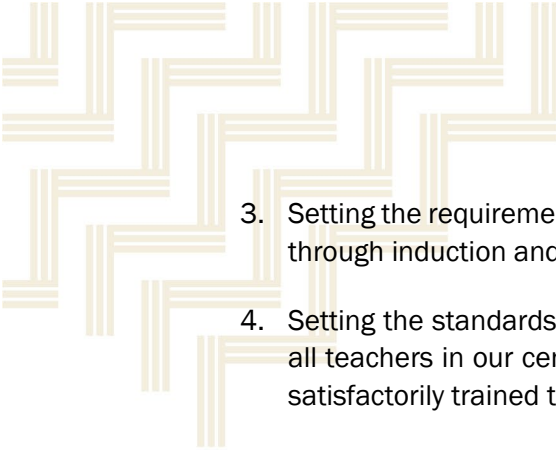
The Council is one part of the education system, and works closely with teachers, leaders, education academics, the Ministry of Education, unions, associations and other education organisations.

Teachers are one of the most trusted groups of professions in New Zealand. That trust comes from society's belief that teachers are good people who behave ethically, protect the vulnerable, and are honest, and the role of teachers in looking after our children, supporting their wellbeing, and helping them gain the skills and knowledge they need to succeed in the future is crucial.

The Council's unique role in New Zealand's education system is to ensure systems and processes are in place to maintain trust in teachers and the teaching profession, and to protect children and young people through:

1. Maintaining a Code of Professional Responsibility and Standards for the Teaching Profession to ensure that all teachers understand the expectations of being a teacher and can meet the requirements and develop and grow their practice over time as they continue to teach.
2. Setting the standards (known as requirements) for Initial Teacher Education to ensure new teachers are appropriately trained and have the skills and knowledge needed to be effective in the classroom.



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3. Setting the requirements to ensure that new teachers receive support early in their careers through induction and mentoring from more experienced teachers.
  4. Setting the standards and criteria for teacher registration and certification to ensure that all teachers in our centres and classrooms are of good character, fit to be a teacher, and satisfactorily trained to teach.
  5. Maintaining a public register of all teachers to provide assurance to schools, centres and the public that their teachers are of good character, fit to be a teacher, and satisfactorily trained to teach.
  6. Investigating and acting on issues relating to teacher conduct or competence to ensure the safety of children and young people.
  7. Supporting teachers to develop and adapt their practice to meet a changing future.

## **Consultation options considered in this analysis**

The Council engaged in a series of pre-consultation hui with stakeholders in September, October, and November 2021 to seek their feedback on the design of the consultation process and options that could be considered for setting fees and levies.

The feedback was summarised into themes and sub-themes and further analysed to determine which of these proposals would go forward into the consultation document. The proposals are set out below, with a summary of decisions about inclusion as a proposal in the consultation document.

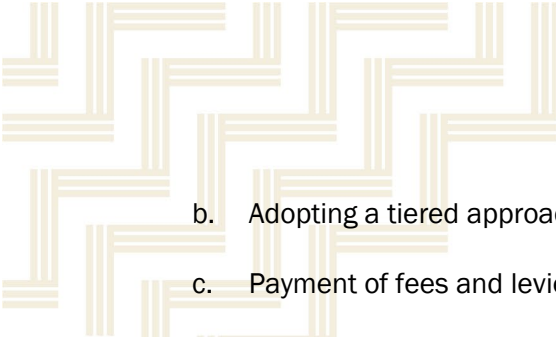
### **Summary of options to be included in the consultation**

- a. Timing of consultation
- b. Duration of consultation
- c. Provision of detailed information on Council's estimated costs to deliver its mandatory functions
- d. Increasing fees and levies to meet the actual and reasonable costs to deliver the Council's mandatory functions
- e. Cost of providing conduct and discipline functions should be funded by all teachers
- f. Cost of establishing standards for ITE qualifications and approving ITE programmes should remain collectively funded by all teachers with limited user pays

### **Summary of options not included in the consultation**

Some themes from the stakeholder feedback were not reflected in the design of the consultation because it was not practical or economically feasible to do so including:

- a. Retaining the current level of fees and levies

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- b. Adopting a tiered approach to fees and levies based on teacher salaries
  - c. Payment of fees and levies by fortnightly instalments
  - d. Lower level of service provision for registration/certification service
  - e. Cost of providing conduct and discipline functions should not be fully user funded
  - f. Government should contribute funding to the costs of the conduct and discipline functions
  - g. Cost of establishing standards for ITE qualifications and approving ITE programmes should not be fully user funded
  - h. Different timeframes for different practising types

The full list of consultation options considered and the analysis and rationale for the inclusion or exclusion as a proposal in the consultation on fees and levies can be found in Appendix One.

Note that the Teaching Council cannot make any decisions regarding the proposed increases to fees and levies, or preferred implementation options prior to completing consultation with teachers and considering all feedback with an open mind.

## **Statutory authority to charge**

The Education and Training (Teaching Council Fees, Levies, and Costs) Amendment Act 2021 (Amendment Act) came into force on 20 November 2021 and amends the Education and Training Act 2020 (Act). Among other things, the Amendment Act addresses the issues highlighted by the June 2021 High Court decision in *Jones v. Teaching Council of Aotearoa New Zealand*, including that there was a legislative gap between the functions the Council was required to perform and what the Act enabled it to charge for.

Responding to feedback from teachers during the Select Committee stage, the Act, as amended, separates the Council's functions into mandatory and optional functions. Professional leadership functions are optional, can be carried out only with the approval of the Minister and cannot be paid for by teachers' fees and levies. All other functions are mandatory.

The Amendment Act gives effect to the policy that the Council should be able to recover the actual and reasonable cost of its mandatory functions from teachers.

The Council's obligation to consult with teachers before setting fees and levies is made explicit in the Act, as is its power to charge fees in instalments and recover unpaid fees.

Hence the policy options contained in this document are in relation to how a cost recovery regime should be implemented, and which activities should be a fee or a levy, rather than if it should be implemented.

The Act makes clear that the Council has the ability to charge levies as well as fees. The distinction between fees and levies is not always clear-cut, but a fee is often described as a payment from a specific party in return for the provision to that party of a specific good or service. A levy may be charged to a particular party or group, a "club" that all benefit from the service.

The Act, as amended, empowers the Council to fix fees payable for—

- (i) registration as a teacher:
- (ii) the issuing of a practising certificate:
- (iii) the granting of a limited authority to teach:
- (iv) any other matter associated with those matters (for example, inspection of the register of registered teachers or supplying a copy of an entry in the register):

The Act goes on to empower the Council to impose a levy payable by registered teachers, holders of a limited authority to teach, and applicants for registration as a teacher or a limited authority to teach for the purpose of funding the Teaching Council’s mandatory functions set out in section 479(1) of the Act.

## Proposed fees and levies

For	Proposed Fee payable	Proposed Levy payable	Total proposed
Renewal of a practising certificate valid for 3-years <sup>5</sup>	\$128.96	\$343.25	\$472.21
Registration and Provisional practising certificate for graduates from an approved NZ ITE programme <sup>6</sup>	\$128.96	\$343.25	\$472.21
Registration and Provisional practising certificate for overseas trained teachers <sup>7</sup>	\$228.96	\$343.25	\$572.21
A Limited Authority to Teach (LAT) valid for 3-years	\$128.96	\$343.25	\$472.21
A Limited Authority to Teach (LAT) valid for 2-years	\$85.97	\$228.83	\$314.80
A Limited Authority to Teach (LAT) valid for 1-year	\$42.99	\$114.42	\$157.41
A teacher holding a Provisional practising certificate or Full (Category Two) applying for a Full	\$228.96	\$343.25	\$572.21

<sup>5</sup> Applicable to any teacher renewing a current Practising Certificate including Tiwhikete Whakaakoranga Tōmua | Provisional Practising Certificate), Tiwhikete Whakaakoranga Tūturu | Full Practising Certificate (Category One) and Tiwhikete Whakaakoranga Pūmau | Full Practising Certificate (Category Two).

<sup>6</sup> Applicable to graduates from an approved New Zealand initial teacher education programme who apply for Kaiako Whai Rēhitanga | Teacher Registration and a Tiwhikete Whakaakoranga Tōmua | Provisional Practising Certificate valid for three years.

<sup>7</sup> Applicable to overseas trained teachers who apply for Kaiako Whai Rēhitanga | Teacher Registration and a Tiwhikete Whakaakoranga Tōmua | Provisional Practising Certificate valid for three years (this includes applications made under the Trans-Tasman Mutual Recognition Agreement (TTMRA)).

(Category One) practising certificate valid for 3-years <sup>8</sup>			
Registration (only) for graduates from an approved NZ ITE programme <sup>9</sup>	\$128.96	-	\$128.96
Returning to Teaching in Aotearoa New Zealand practising certificate valid for 3-years <sup>10</sup>	\$128.96	\$343.25	\$472.21
Late Application Fee <sup>11</sup>	\$100.00	-	\$100.00

The fees and levies proposed are an amendment to current (2010) fees, which were gazetted by the Education Council of Aotearoa New Zealand in 2015<sup>12</sup>, rather than new fees. However, it should be noted that the current fee is an omnibus fee covering all the Council's functions.

The Council is proposing that from FY2022/23 separate fees and levies covering the different functions of the Council should be calculated and charged to teachers when they register and are issued with or renew their practising certificates or limited authority to teach.

## Review of existing cost recovery charges

As outlined previously, the reason for the review is to address a problem with the current user charge levels.

Council's existing cost recovery policy is that fees paid by teachers for registration and certification should cover the actual and reasonable costs for the Council to deliver its mandatory functions, net of recoveries and ongoing grants.

However, the June 2021 High Court decision in *Jones v. Teaching Council of Aotearoa New Zealand*, found that there was a legislative gap between the functions the Council was required to perform and what the Act enabled it to charge for, hence the fees gazetted in May 2020 were found to be invalid and reverted to those set in 2010 and gazetted in July 2015.

The Education and Training (Teaching Council fees, levies, and Costs) Amendment Act 2021 addresses this by empowering it to charge fees or levies for all of its mandatory functions based on the actual and reasonable costs to deliver these.

The problem with carrying on with the status quo is as follows:

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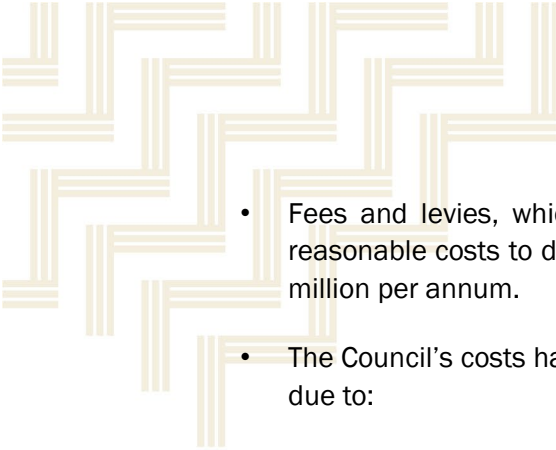
<sup>8</sup> Applicable to teachers who are provisionally certificated or fully certificated teachers who hold Tiwhikete Whakaakoranga Pūmau | Full Practising Certificate (Category Two) and who now apply for a Tiwhikete Whakaakoranga Tūturu | Full Practising Certificate (Category One) valid for three years

<sup>9</sup> Applicable to who are graduates from an approved New Zealand initial teacher education programme who apply for Kaiako Whai Rēhitanga | Teacher Registration only

<sup>10</sup> Applicable to Registered teachers who were fully certificated but whose practising certificate has expired, who cannot meet satisfactory recent teaching requirements, and are not able to renew using extension to teach provisions.

<sup>11</sup> Applicable to any applicant who lodges their renewal application after the expiry date of their current practising certificate (this applies to any teacher who is currently employed in a teaching position where they do not hold a current certificate of the kind required to legally undertake that role and applies for registration or certification).

<sup>12</sup> <https://gazette.govt.nz/notice/id/2015-gs3644>

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- Fees and levies, which were last set in 2010, do not cover the Council's actual and reasonable costs to deliver its mandatory functions. There is an estimated shortfall of \$9 million per annum.
  - The Council's costs have increased significantly since its establishment in 2015, primarily due to:
    - An expanded remit and new mandatory regulatory functions
    - The impact of inflation
    - Decreased threshold for referral of conduct matters to the Disciplinary Tribunal
    - The need to maintain acceptable levels of service to teachers
  - Without a significant increase in fees and levies, the Council will become insolvent within a short period of time (<12 months).
  - Government has confirmed it is not willing to contribute additional funding, even as a partial contribution, to support the delivery of the Council's mandatory functions.
  - Financial analysis undertaken by the Council shows that while modest cost savings can be achieved (circa \$0.5 million) it cannot practicably deliver its mandatory functions to a reasonable standard / level of quality with the current level of fees (\$8 million per annum).
  - Full analysis of the impacts is set out in Appendix Two and includes unreasonable delays in processing applications for registration / certification, large backlogs of work to be undertaken, and effects on natural justice aspects of conduct and competency processes arising from undue delay.

## Cost recovery principles and objectives

The Teaching Council has decided to adopt the key considerations from the Treasury guidelines<sup>13</sup> for setting charges in the public sector and the Office of the Auditor General's (OAG) Good Practice Guide<sup>14</sup> for the setting and administration of fees and levies in the design of the CRIS.

### Treasury principles for cost recovery

The Treasury guidelines are designed to be used where there is statutory authority to charge third parties to cover the costs of an activity undertaken by government and the government is a monopoly supplier of the activity. Services delivered to fulfil the Council's functions under section 479(1) of the Education and Training Act 2020 (Act) are such an activity and section 480 of the Act provides statutory authority for the Council to charge for them.

The guidelines provide a number of key considerations / principles that should inform the design of cost recovery regimes, but also recognise that sometimes these principles may be in conflict – for example, what is most efficient or equitable might not necessarily be the simplest approach. The key considerations are set out in full below together with how these have been addressed by the Council:

Principal	Consideration	How this has been addressed
Effectiveness	Are resources allocated in a way that contributes to the outcomes being sought by the activity? Is the level of funding fit for purpose? Does it enable the cost recovered activity to be delivered to a level of quality that is appropriate for the circumstances (e.g., it should not be 'gold-plated' or conversely at a poor level of performance that impedes the ability of organisations to do business)?	<ul style="list-style-type: none"> <li>The Council has benchmarked fees with other allied professional bodies in New Zealand and Australia</li> <li>Council has examined options for a lower service performance standard in its registration/certification function</li> <li>Council engaged Deloitte New Zealand to undertake an independent assessment of whether the Council's estimated costs to deliver its mandatory functions were actual and reasonable</li> <li>Deloitte were satisfied that the Council's proposed costs for delivering its functions, as a part of its planned consultation on proposed fees and levies, are reasonable based on the assessment above.</li> </ul>
Efficiency	are decisions on volume and standards of services, and costs to recover and when to recover, consistent with the efficient allocation of resources? What efforts have been made to ensure that there are reasonable constraints on charging, in order to demonstrate efficiency, particularly in the context of variable or hourly fees? Have	<ul style="list-style-type: none"> <li>The Council has benchmarked fees with other allied professional bodies in New Zealand and Australia</li> <li>Council has examined options for a lower service performance standard in its registration/certification function</li> <li>Council engaged Deloitte New Zealand to undertake an independent assessment of whether the Council's estimated costs to deliver its mandatory functions were actual and reasonable</li> </ul>

<sup>13</sup> The Treasury. (2017, April). *Guidelines for Setting Charges in the Public Sector*. Retrieved from <https://www.treasury.govt.nz/sites/default/files/2017-04/settingcharges-apr17.pdf>

<sup>14</sup> Office of the Auditor General. (2021, August). *Setting and administering fees and levies for cost recovery: Good practice guide*. Retrieved from <https://oag.parliament.nz/2021/fees-and-levies/docs/fees-and-levies.pdf>

	options for pricing been considered in terms of what would be most efficient?	<ul style="list-style-type: none"> <li>Deloitte were satisfied that the Council's proposed costs for delivering its functions, as a part of its planned consultation on proposed fees and levies, are reasonable based on the assessment above.</li> </ul>
<b>Transparency</b>	is information about the activity and its costs available in an accessible way to all stakeholders? Has the cost recovery analysis been approached in an 'open book' manner? Is detailed information about the cost drivers and the components that make up the charges available to stakeholders?	<ul style="list-style-type: none"> <li>pre-consultation hui with stakeholders were held on 29 September 2021, 14 October 2021, 21 October 2021, 22 October 2021, 27 October 2021, and 29 October 2021</li> <li>Extensive information was provided to key stakeholders on the Council's 'Council's role, strategy, activity, and costs</li> <li>Council's financial modelling of its estimated costs over the period FY2022/23 to FY2024/25 has been independently assessed by Deloitte and found to be reasonable</li> <li>The consultation document for proposed fees and levies includes extensive and detailed information on Council's activity, costs, and cost drivers</li> <li>The Deloitte assessment of Council's actual and reasonable costs will be published and available to all teachers and stakeholders as part of the consultation process</li> </ul>
<b>Consultation</b>	Has the entity engaged in meaningful consultation with stakeholders, and is there opportunity for stakeholders to contribute to the policy and design of the cost recovery activity	<ul style="list-style-type: none"> <li>pre-consultation hui with stakeholders were held on 29 September 2021, 14 October 2021, 21 October 2021, 22 October 2021, 27 October 2021, and 29 October 2021</li> <li>Consultation with teachers will take place between 16 February 2022 and 01 April 2022</li> </ul>
<b>Equity</b>	have the impacts of the proposed or existing cost recovery regime been identified? Will stakeholders be treated equitably? Have impacts over time been identified	<ul style="list-style-type: none"> <li>The consultation document clearly sets out the arguments for the individual rights and responsibilities of teachers as well as a collective interest in being assured that the overall integrity of the profession is being cared for to maximise the success of every learner/ākonga</li> <li>As members of the teaching profession, individual teachers contribute to their profession via a fees and levies. The fees and levies encompass both the costs associated with an individual teacher meeting the requirements for registration and certification and the costs associated with being a member of a profession.</li> <li>Four major options for improving the affordability of higher fees and levies on groups of lower paid teachers have been explored in the development of proposed fees and levies</li> <li>Council is seeking feedback from teachers in the consultation period on ways to make it easier for teachers to manage the cost of higher fees and levies</li> <li>Proposed fees and levies have been limited to only those teachers holding a current practising certificates or Limited Authority to Teach (LAT) as this is the only group that are able to actively participate in the teaching profession.</li> </ul>
<b>Simplicity</b>	is the cost recovery regime straightforward and understandable to relevant stakeholders? Have the costs of participation been kept low and evasion opportunities mitigated to acceptable levels	<ul style="list-style-type: none"> <li>A number of options suggested by stakeholders during pre-consultation have not been included in final proposals for consultation because they do not accord with the simplicity principal</li> <li>A number of options suggested by the Council have not been included in final proposals for consultation because they do not accord with the simplicity principal</li> <li>Payment of levies has been tied to applications for registration / certification to minimise collection costs and to ensure simplicity</li> </ul>
<b>Accountability</b>	public entities are accountable to Parliament and to the public. In practical terms, this can be demonstrated by consultation with stakeholders about change, through recording any surpluses and deficits generated by cost recovery regimes, through reporting on performance, and through reviews of the use of powers to set fees under regulation	<ul style="list-style-type: none"> <li>pre-consultation hui with stakeholders were held on 29 September 2021, 14 October 2021, 21 October 2021, 22 October 2021, 27 October 2021, and 29 October 2021</li> <li>Consultation with teachers will take place between 16 February 2022 and 01 April 2022</li> <li>Council's annual report for FY2020/21 including audited financial statements and its performance metrics will be presented to parliament in February 2022</li> </ul>

## OAG principles for setting and administering fees and levies

The OAG Good Practice Guide sets out expectations, principles and administrative matters that should be considered by public organisations when setting and administering fees and levies charged for goods and services they are required to provide. They are summarised below:

Principal	Consideration	How this has been addressed
<b>Equity</b>	<p>Ensuring that public organisations administer and manage fees and levies in a way that is administratively fair and considering equity matters so that the recovery of costs from fee and levy payers is fair. This means not seeking to recover costs from one group that could benefit a previous or future group. Equity can also be relevant in determining when and who to charge.</p>	<ul style="list-style-type: none"> <li>The consultation document clearly sets out the arguments for the individual rights and responsibilities of teachers as well as a collective interest in being assured that the overall integrity of the profession is being cared for to maximise the success of every learner/ākonga</li> <li>As members of the teaching profession, individual teachers contribute to their profession via a fees and levies. The fees and levies encompass both the costs associated with an individual teacher meeting the requirements for registration and certification and the costs associated with being a member of a profession.</li> <li>Four major options for improving the affordability of higher fees and levies on groups of lower paid teachers have been explored in the development of proposed fees and levies</li> <li>Council is seeking feedback from teachers in the consultation period on ways to make it easier for teachers to manage the cost of higher fees and levies</li> <li>Proposed fees and levies have been limited to only those teachers holding a current practising certificates or Limited Authority to Teach (LAT) as this is the only group that are able to actively participate in the teaching profession.</li> </ul>
<b>Efficiency</b>	<p>Producing as many goods, or providing as many services, to the desired level of quality as possible from a given quantity of resources to achieve value for money.</p> <ul style="list-style-type: none"> <li>Fees and levies should be structured in a way that closely reflects the costs needed to produce the goods or provide the services to an individual or organisation and delivering those goods and services as efficiently as possible and not incurring any unnecessary costs.</li> <li>Public organisations should consider how much effort they will put into determining the costs of services. Sometimes, accurately costing individual consumption might take more effort and generate more costs than the cost of the goods and services that need to be recovered</li> </ul>	<ul style="list-style-type: none"> <li>The Council has benchmarked fees with other allied professional bodies in New Zealand and Australia</li> <li>Council has examined options for a lower service performance standard in its registration/certification function</li> <li>Council engaged Deloitte New Zealand to undertake an independent assessment of whether the Council's estimated costs to deliver its mandatory functions were actual and reasonable</li> <li>Deloitte were satisfied that the Council's proposed costs for delivering its functions, as a part of its planned consultation on proposed fees and levies, are reasonable based on the assessment above.</li> </ul>
<b>Justifiability</b>	<p>Costs that public organisations recover through fees or levies should reasonably relate to the goods or services they are charging the fees or levies for – this means eliminating cross-subsidisation where possible.</p> <ul style="list-style-type: none"> <li>To justify fees or levies, public organisations need to have an accurate understanding of both the direct and indirect costs of the goods or services. When charging for a service, there needs to be clarity around what the service is and the standard to which it is delivered to, so that the costs reflect the service quality the recipient receives.</li> </ul>	<ul style="list-style-type: none"> <li>Extensive information was provided to key stakeholders on the Council's 'Council's role, strategy, activity, and costs</li> <li>Council's financial modelling of its estimated costs over the period FY2022/23 to FY2024/25 has been independently assessed by Deloitte and found to be reasonable</li> <li>The consultation document for proposed fees and levies includes extensive and detailed information on Council's activity, costs, and cost drivers</li> <li>The Deloitte assessment of Council's actual and reasonable costs will be published and available to all teachers and stakeholders as part of the consultation process</li> </ul>



	<ul style="list-style-type: none"> <li>Reliably establishing the costs of delivery is essential to managing costs and identifying potential inefficiencies. This is important regardless of how costs are recovered. It is important to recover only those costs that can reasonably be attributed to producing the goods or providing the services that the charges apply to.</li> <li>This includes a reasonable portion of costs that can be attributed to multiple services (for example, overhead costs). Services will draw on other indirect costs, such as an organisation's management layer.</li> <li>It is justifiable to recover a portion of the direct and indirect overheads associated with the goods or services through an overhead component in the charge.</li> </ul>	<ul style="list-style-type: none"> <li>The consultation document clearly sets out the arguments for the individual rights and responsibilities of teachers as well as a collective interest in being assured that the overall integrity of the profession is being cared for to maximise the success of every learner/ākonga</li> <li>As members of the teaching profession, individual teachers contribute to their profession via a fees and levies. The fees and levies encompass both the costs associated with an individual teacher meeting the requirements for registration and certification and the costs</li> <li>The consultation document provides a clear explanation of how overheads have been allocated to individual functions</li> <li>A 3-year cost recovery period has been chosen and the rationale for this clearly identified</li> </ul>
<p><b>Transparency</b></p>	<p>Public organisations are accountable to Parliament and the public. To be accountable for their charging practices, they need transparent processes for setting and managing fees or levies.</p> <ul style="list-style-type: none"> <li>Fee and levy payers need to have enough information to understand and assess whether the: <ul style="list-style-type: none"> <li>basis or method for setting the fee or levy is appropriate;</li> <li>fees or levies are fairly costed; and</li> <li>revenue generated is correctly accounted for and used appropriately.</li> </ul> </li> <li>Transparent fees, levies, and charging practices are the main way that public organisations are held to account for their charging decisions. Public organisations can achieve transparency and accountability in a variety of ways, including: <ul style="list-style-type: none"> <li>building relationships by engaging with fee and levy payers;</li> <li>recording surpluses and deficits associated with the fees and levies; and</li> <li>regularly reporting the status of memorandum accounts, changes in forecast revenues and costs, changes in service mix, performance, and cost allocations to fee and levy payers.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>pre-consultation hui with stakeholders were held on 29 September 2021, 14 October 2021, 21 October 2021, 22 October 2021, 27 October 2021, and 29 October 2021</li> <li>Extensive information was provided to key stakeholders on the Council's 'Council's role, strategy, activity, and costs</li> <li>Council's financial modelling of its estimated costs over the period FY2022/23 to FY2024/25 has been independently assessed by Deloitte and found to be reasonable</li> <li>The consultation document for proposed fees and levies includes extensive and detailed information on Council's activity, costs, and cost drivers</li> <li>The Deloitte assessment of Council's actual and reasonable costs will be published and available to all teachers and stakeholders as part of the consultation process</li> </ul>

## **Objectives of the cost recovery proposal**

The objective of the cost recovery proposal is to ensure that a charging regime of fees and levies so that the Teaching Council can deliver its mandatory functions in a financially sustainable way that is simple, effective, equitable, and transparent.

A further objective of the cost recovery proposal is to ensure that user charges will allow the Council to undertake its mandatory functions at an appropriate level of quality and service performance to ensure the safety of the regime.

The Council is required under Section 479 (1) (l) – (o) of the Act to perform the functions related to conduct and competence. This is a significant aspect of the Council's operations accounting for approximately 43% of the total costs. The Council recovers only 2% of the costs associated with this function from some teachers where a disciplinary outcome has been imposed by the Disciplinary Tribunal and the remaining costs are borne by the profession.

The level of costs that can be recovered are determined by the independent tribunal. If a higher proportion of the costs were to be charged to the teacher, it is very unlikely that they would be paid. The hallmark of a profession is that members of that profession have a strong reputation for expertise, integrity, and a high ethical compass. As the beneficiaries of the services provided to maintain the professionalism of the profession, it is fair that members fund the disciplinary functions required to maintain that reputation.

The Council has previously not distinguished teachers by the hours that they work or the sector that they work in. Teachers regardless of these factors have paid the same fees. This is because the effort to deliver the Council's services are the same irrespective of these factors.

The Council has looked at its ability to set tiered fees or levies based on income from an equity perspective but has found it does not have the authority to do so.

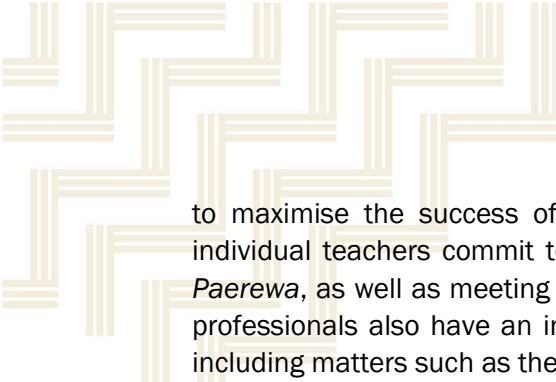
## **Policy Rationale: The need for a user charge and the most appropriate type of charge**

The Act requires the Council to perform the mandatory functions listed in S479 of the Act. The Council was established as an independent statutory organisation with the clear intent that it would not be funded by the Crown. It is essential that the profession is the main funder of the Council as this maintains the Council's independence.

### **The role of a professional and regulatory body**

Teachers are one of the most trusted professions in Aotearoa New Zealand. That trust comes from society's belief that teachers are knowledgeable and capable teachers, are good people who behave ethically, protect the vulnerable, are honest, and that there are systems and processes in place to assure families/whānau and our communities of this. It also recognises the critical role teachers play in looking after our children and young people, supporting their wellbeing, and helping them gain the skills and knowledge they need to succeed in the future.

Belonging to or being part of a profession confers individual rights and responsibilities as well as a collective interest in being assured that the overall integrity of the profession is being cared for



to maximise the success of every learner/ākonga. As members of the teaching profession, individual teachers commit to uphold the *Code | Ngā Tikanga Matatika and Standards | Ngā Paerewa*, as well as meeting all the other requirements of the profession. Individual teachers as professionals also have an interest in the collective responsibilities of the teaching profession, including matters such as the quality of initial teacher education, ensuring high-quality leadership for the profession, and processes to address concerns where the behaviour of individual teachers puts children, young people or the profession at risk.

### **Individual contribution for the collective good**

The Council is the only body with responsibility for setting expectations and direction for all teachers in all settings across the education sector. In order to undertake this work on behalf of the teaching profession, the Council needs to be properly resourced to effectively undertake all its mandatory functions and meet its obligations to teachers, professional leaders and the wider community.

As members of the teaching profession, individual teachers contribute to their profession via fees and levies. The fees and levies encompass both the costs associated with an individual teacher meeting the requirements for registration and certification and other services provided to support and maintain the integrity of the profession.

The Council's mandated functions capture both these individual requirements and the collective responsibilities of being in a profession. All teachers benefit from the Council successfully delivering all of the mandatory functions whether directly or indirectly.

### **Nature of the output from the activity**

The Council provides “club” goods / services because people can be excluded from the benefits at a low cost i.e., a teacher must complete an application and meet the requirements to obtain a practising certificate without which they cannot teach.

Registration/certification is a private good, as people can be excluded from its benefits at a low cost and use by one person conflicts with use by another. e.g. passport, export certificate. The other mandatory services the Council provides are ‘club’ goods –all registered teachers benefit from the services but use by one does not detract from use by the others.

The Council receives some support from the Crown for the operating costs of the primary software system used by the Council. It also recovers some of the costs associated with the ITE programme and conduct & competence. This amounts to less than 10% of the Council's cost base; however, this does mean that partial cost recovery is being proposed.

The Council is proposing a combination of fees and levies. The proposal is for a fee for functions relating to registration/certification and a levy for the remaining functions.

There are approximately 109,000 teachers with practising certificates. Each year around 5,500 new teachers join the profession and a similar number leave it. Over the last six years the number of teachers holding a current practising certificate has increased by about 6%; however, the teaching profession has around 15% of teachers aged over 60, which may result in a drop in teacher numbers as these teachers decide to retire from the profession.

## The level of the proposed fee and its cost components (cost recovery model)

### Design of cost recovery charges

For	Proposed Fee payable	Proposed Levy payable	Total proposed
Renewal of a practising certificate valid for 3-years <sup>15</sup>	\$128.96	\$343.25	\$472.21
Registration and Provisional practising certificate for graduates from an approved NZ ITE programme <sup>16</sup>	\$128.96	\$343.25	\$472.21
Registration and Provisional practising certificate for overseas trained teachers <sup>17</sup>	\$228.96	\$343.25	\$572.21
A Limited Authority to Teach (LAT) valid for 3-years	\$128.96	\$343.25	\$472.21
A Limited Authority to Teach (LAT) valid for 2-years	\$85.97	\$228.83	\$314.80
A Limited Authority to Teach (LAT) valid for 1-year	\$42.99	\$114.42	\$157.41
A teacher holding a Provisional practising certificate or Full (Category Two) applying for a Full (Category One) practising certificate valid for 3-years <sup>18</sup>	\$228.96	\$343.25	\$572.21
Registration (only) for graduates from an approved NZ ITE programme <sup>19</sup>	\$128.96	-	\$128.96

<sup>15</sup> Applicable to any teacher renewing a current practising certificate including Tiwhikete Whakaakoranga Tōmua | Provisional Practising Certificate, Tiwhikete Whakaakoranga Tūturu | Full Practising Certificate (Category One) and Tiwhikete Whakaakoranga Pūmau | Full Practising Certificate (Category Two).

<sup>16</sup> Applicable to graduates from an approved New Zealand initial teacher education programme who apply for Kaiako Whai Rēhitanga | Teacher Registration and a Tiwhikete Whakaakoranga Tōmua | Provisional Practising Certificate valid for three years.

<sup>17</sup> Applicable to overseas trained teachers who apply for Kaiako Whai Rēhitanga | Teacher Registration and a Tiwhikete Whakaakoranga Tōmua | Provisional Practising Certificate valid for three years (this includes applications made under the Trans-Tasman Mutual Recognition Agreement (TTMRA)).

<sup>18</sup> Applicable to teachers who are provisionally certificated or fully certificated teachers who hold Tiwhikete Whakaakoranga Pūmau | Full Practising Certificate (Category Two) and who now apply for a Tiwhikete Whakaakoranga Tūturu | Full Practising Certificate (Category One) valid for three years

<sup>19</sup> Applicable to graduates from an approved New Zealand initial teacher education programme who apply for Kaiako Whai Rēhitanga | Teacher Registration only

Returning to Teaching in Aotearoa New Zealand practising certificate valid for 3-years <sup>20</sup>	\$128.96	\$343.25	\$472.21
Late Application Fee <sup>21</sup>	\$100.00	-	\$100.00

## Outputs and costs

In this section we set out our estimate of the quantity of each mandatory service to be produced and our estimate of the cost of resources and inputs required to produce these.

### Estimate of volume of services to be produced

The key activities undertaken by Council that give rise to its operating costs include:

- Processing around **40,000** registration and certification applications per year
- Receiving around **110,000** phone calls or emails from teachers or professional leaders per year
- Receiving around **600** complaints or Mandatory Reports per year
- Undertaking around **300** conduct investigations per year
- Undertaking around **30** competence investigations per year
- Reviewing or approving around **25** ITE programmes during the three-year period in which providers must review and seek approval under the new ITE standards (referred to as the *ITE Programme Approval, Monitoring and Review Requirements*)
- Responding to around **100** OIA requests per year
- Undertaking **4-5** consultation processes relating to rules or other key processes per year

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<sup>20</sup> Applicable to Registered teachers who were fully certificated but whose practising certificate has expired, who cannot meet satisfactory recent teaching requirements, and are not able to renew using an extension to teach provision.

<sup>21</sup> Applicable to any applicant who lodges their renewal application after the expiry date of their current practising certificate (this applies to any teacher who is currently employed in a teaching position where they do not hold a current certificate of the kind required to legally undertake that role and applies for registration or certification).

## Estimate of the cost of resources and inputs

The Council has undertaken financial modelling to derive the net<sup>22</sup> costs of undertaking the work associated with each of its major mandatory functions.

Mandatory functions	Estimated net annual cost to deliver this function FY2022/23 to FY2024/25 (\$ million)	% of total
The future direction of teaching	\$0.771	4.5%
Registration and certification	\$5.049	29.6%
<u>Code and Standards</u>	\$0.791	4.6%
<u>Establishing and maintaining standards for Initial Teacher Education</u> and undertaking ITE programme approvals	\$1.628	9.5%
Conduct	\$7.389	43.2%
Competence	\$1.459	8.5%
<b>Total</b>	<b>\$17.078</b>	<b>100%</b>

A detailed breakdown of the Council's estimated costs for undertaking this work can be found in Appendix Three.

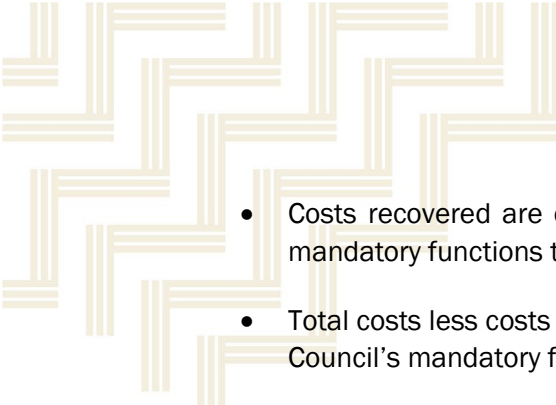
## Allocation of overheads

Within the model, overheads and indirect costs have been allocated on the following basis:

- All direct expenditure is directly attributed to Council's mandatory functions
- Direct expenditure includes Professional Responsibility, Registration, Communications and Advice (Contact Centre), Teacher Capability and Collaboration, and Policy and Implementation teams
- Where appropriate support function expenditure is directly attributed to Council's mandatory functions e.g., software licences, depreciation & amortisation
- Remaining expenditure (indirect expenditure) is pro-rated to the work areas associated with the Council's mandatory functions, using direct expenditure as a driver

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<sup>22</sup> After recoveries and ongoing government grants

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- Costs recovered are directly attributed to the work areas associated with the Council's mandatory functions to offset total expenditure
  - Total costs less costs recovered is the net costs of delivering the work associated with the Council's mandatory functions

A detailed breakdown of the Council's direct and indirect costs can be found in Appendix Four.

### **Other factors considered when determining costs**

As part of the analysis of stakeholder proposals, the Council also looked at changes regarding reporting serious misconduct that have impacted on the workload of the CAC and Disciplinary Tribunal, and what impact changes in current service levels might have on cost and teachers' expectations for service.

#### **Impacts of a decreased threshold for referral to Disciplinary Tribunal**

In 2015 legislative changes were made regarding mandatory reporting which lowered the threshold for cases requiring Disciplinary Tribunal hearings to all those that "may possibly constitute serious misconduct".

These changes have driven increases in both the volume of mandatory reports (by up to 50%), and the complexity and cost of investigating and resolving these. All cases heard by the Complaints Assessment Committee (CAC) that 'may possibly constitute serious misconduct' are now required to be referred to the Disciplinary Tribunal.

The Council is seeking legislative reform to address this issue, with changes forming part of the Education and Training Act Bill (No.2) currently in progress.

#### **Maintaining acceptable service standards**

The Council has undertaken modelling and analysis to understand its ability to deliver its mandatory functions such as registration and certification at an acceptable service performance standard without an increase to the current fee.

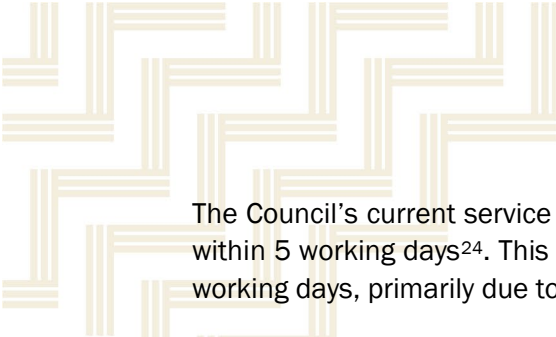
This modelling and analysis assumed that the Council would continue to undertake the work associated with its mandatory functions at around 50% of the current level of expenditure, with the relative proportion of expenditure on each function maintained.

In this respect the modelling is simplistic as some of the costs attributed to registration are either not scalable to the same extent as personnel costs (e.g., software licences) or fixed (e.g., premises related costs). This means the model will tend to underestimate the service performance impacts of reduced funding for this function.

The analysis also assumed that the Registration team would be able to maintain the same level of efficiency as currently produced, due to the previous investment of nearly \$8 million<sup>23</sup> in the Council's digital services platform for teachers, Hapori Matatū, which has significantly streamlined the application process for teachers and improved the processing efficiency of the Council.

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23 Funded by government together with ongoing costs to support the system



The Council's current service performance standard is to finalise 65% of all renewal applications within 5 working days<sup>24</sup>. This is a significant improvement on the previous service standard of 20 working days, primarily due to the benefits of investment in technology.

In the case of the work we undertake associated with our registration responsibilities, with 50% reduced funding the analysis showed that the volume of incoming applications from teachers would exceed the capacity of the Registration team to process them by between 50% to 65% per month.

The analysis also showed that by the end of the first year of such reduced operation, the backlog of applications waiting to be processed would have grown to approximately 20,000 and the average processing time would exceed 12 months.

Scenario modelling shows that using the same technology and approach, while reducing the cost of delivering this work by more than 20%, would result in an average processing time of around 3 months at the end of the first year, and this would continue to grow in a linear fashion.

While the Council's Professional Responsibility team handles a volume of complaints and mandatory reports annually that is two orders of magnitude less than applications for registration and certification, the analysis and modelling undertaken above strongly suggest that significantly reduced funding for work associated with our conduct responsibilities would result in investigation times that quickly grew from 2 to 8 months to years. Such delays would clearly impact on the ability of the process to comply with the principles of natural justice and would have significant impacts on those teachers or kaiako involved, together with their employers and whānau or families.

### **Changes since fees were last set**

Between its establishment in 2015 through to 30 June 2020, Government provided the Council with an operating grant for the purposes of supporting its transition to being fully self-funded.

In FY2019/20 funding from teacher fees amounted to \$7.623 million or just over 42% of the Council's total actual expenditure.

In February 2021 Government provided the Council with \$11.0 million with a further \$5.5 million paid in December 2021 for the purposes of "transition to collection of an annual practising certificate fee or the Council is able to set new three yearly practising certificate fees if the transition to annual certification does not occur".

The Minister of Education has publicly indicated it remains government policy that the Council be fully self-funded, and he has reconfirmed that no further government transition funding will be provided to support the work associated with the Council's mandatory functions<sup>25</sup>.

The Minister has also publicly indicated that costs of delivering the Council's leadership functions should be borne by government and not funded via teacher fees. The Act provides that these functions can only be undertaken with written approval of the Minister. Therefore, no costs, fees or levies related to Council's leadership functions are included in this consultation document. Funding levels and arrangements for leadership functions are determined with the Ministry of Education following the Minister's approval of the proposed work programme and priorities.

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<sup>24</sup> From the time the teacher submits a completed application and the police vetting and endorsement is completed.  
<sup>25</sup> [https://www.parliament.nz/en/pb/hansard-debates/rhr/combined/HansDeb\\_20210812\\_20210812\\_20](https://www.parliament.nz/en/pb/hansard-debates/rhr/combined/HansDeb_20210812_20210812_20)



Teaching Council total income, total expenditure, and funding sources by Financial Year

Financial Year	Total Income (\$m)	Total Expenditure (\$m)	Operating Surplus (Deficit) before government transition funding (\$m)	Government transition funding <sup>26</sup> (\$m)	Operating Surplus (Deficit) after government transition funding (\$m)
<b>2015/16 Actual</b>	\$16.680 <sup>[2]</sup>	\$10.520	\$6.160	-	\$6.160
<b>2016/17 Actual</b>	\$9.432	\$14.180 <sup>[3]</sup>	(\$4.748)	\$4.934	\$0.186
<b>2017/18 Actual</b>	\$10.156	\$17.754 <sup>[4]</sup>	(\$7.598)	\$6.484	(\$1.114)
<b>2018/19 actual</b>	\$13.894	\$19.547	(\$5.653)	\$9.137	\$3.484
<b>2019/20 Actual</b>	\$9.793	\$18.172	(\$8.379)	\$9.644	(\$1.265)
<b>2020/21 Actual</b>	\$9.505	\$17.689	(\$8.184)	\$11.000	\$2.816
<b>2021/22 Actual</b>	\$9.687	\$18.708	(\$9.021)	\$5.500	(\$3.521)
<b>2022/23 Forecast</b> (without an increase to current fees)	\$9.633	\$18.630	(\$8.997)	-	(\$8.997)

The individual contribution teachers make to the profession via payment of their fees and levies allow the Council, working alongside the profession, to do the work necessary to strengthen and support it.

The Council's fees were last set in 2010, with no further changes in this amount to respond to any cost increases, including for annual inflation.

Since 2015 the Council's costs have increased significantly due to:

- a. An expanded remit and new mandatory regulatory functions
- b. The impact of inflation

26 Initial Cabinet funding package of \$21.34m less \$0.785m transferred to NZ Police to fund a priority vetting service plus extension for 2019/20 of \$9.60m

[2] The increase in revenue in 2015/16 reflects the one-off revenue recognition policy adjustment (see note 18, 2015/16 Education Council Annual Report) and the Grant funding from the Government to assist with the establishment of the Council.

[3] The increase in expenditure between 2015/16 and 2017/18 largely reflects the growth in the Education Council required to deliver its expanded statutory functions.

[4] The increase in expenditure in 2017/18 through 2019/20 is related to one-off costs associated with the online services project.

- c. Decreased threshold for referral of conduct matters to the Disciplinary Tribunal
- d. The need to maintain acceptable levels of service to teachers and the public
- e. Other cost drivers relating to new requirements because of changes in legislation

### **Teaching Council's expanded remit**

Since fees were last set in 2010, the Council's mandatory functions (outside of leadership) have expanded. For example, the requirement to undertake work focused on providing direction for teachers and lifting the status of the profession.

In June 2021, a High Court decision on a judicial review of the Council's 2021 consultation on setting fees and levies found that the Council's power to charge fees for its services to the teaching profession had not been updated over time to reflect all its functions.

Following the High Court's decision, an amendment to the Act was made to enable the Council to set fees and impose levies for all its mandatory functions<sup>27</sup>.

Note that costs associated with leadership functions which also form part of the Council's functions (with agreement by the Minister for Education) are not included in the modelling or proposals, as these are not charged to teachers or LAT holders, but instead may be funded separately by Government.

### **Impacts of inflation**

A significant proportion of the overall amount proposed for the fees and levies includes an adjustment to take account of inflation for the period 2010 to 2021. The current fee of \$220.80 including GST was last set in 2010 and has not been adjusted for inflation in the last 12 years.

We commissioned reports from two independent experts that separately estimated the impact of inflation on Teaching Council 2010 fees. We also considered a third estimate undertaken by an independent expert who had been engaged by the Post Primary Teachers Association (PPTA Te Wehengarua).

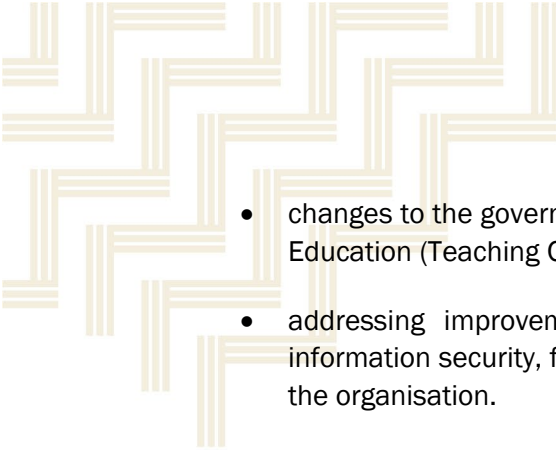
The three independent expert estimates of the impact of inflation were 19.2%, 20.7% and 24.75%. This contrasts with the figure of 33% used to estimate the figure of \$292.78 included in the consultation document. Using these alternative estimates would mean that if the 2010 fee had increased solely to reflect the increased costs to deliver goods and services it would be \$263.19, \$266.51, or \$275.48 depending on which estimate of inflation was used.

### **Other cost drivers**

Other drivers for increased cost include:

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<sup>27</sup> The Ministry of Education's *Departmental Report* on the Education and Training (Teaching Council fees and levies) Amendment Bill to the Education and Workforce Select Committee details at Appendix A changes to the mandatory functions of the Teaching Council compared with its predecessors.

- 
- changes to the governance model (a larger Board) that were required after passing of the Education (Teaching Council of Aotearoa New Zealand) Amendment Act 2018
  - addressing improvements in support capabilities in areas like health and safety, information security, finance, IT, legislative compliance etc. that constitute critical risks to the organisation.

## How we assessed our efficiency

We have assessed whether our current and estimated future costs are reasonable by engaging expert advisors to undertake an independent assessment and by looking to other professional bodies for benchmarking.

Further information about the Council's accountability requirements can be found in Appendix Five.

## External Assessment of reasonableness of costs

In November 2021, The Council engaged audit and assurance specialists Deloitte New Zealand to undertake an independent assessment of whether the Council's estimated costs to deliver its mandatory functions were actual and reasonable.

### Deloitte's approach

There is no clear and objective definition of what constitutes reasonable costs. Inherently, this requires professional judgement and different parties could reach different conclusions.

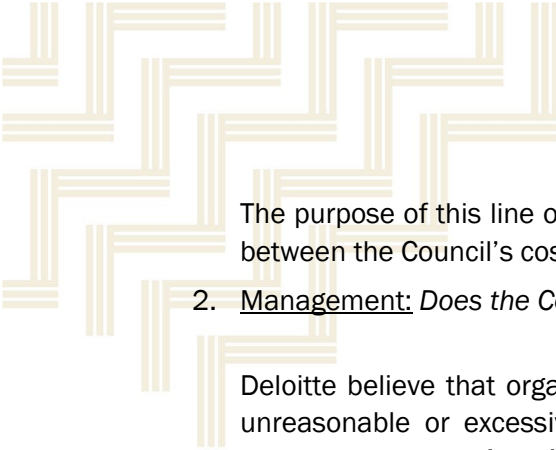
To address the question of whether the Council's costs are 'actual', Deloitte used the actual financial results for FY21 as their starting point. The audit of the Council's FY2020/21 financial results by Audit New Zealand was still underway, but they have assumed the audit would not raise any material issues. Deloitte expect Council stakeholders to take confidence that its costs are 'actual' from the financial audit.

To address the question of whether the Council's costs are 'reasonable', Deloitte have sought and assessed quantitative and qualitative information. Their broad approach in doing so has been to look for indications or evidence the costs are **not** reasonable – and in the absence of such to accept that they **are** reasonable.

Deloitte completed their assessment in three sections.

1. Benchmarking: *How do the Council's costs compare with costs of other similar organisations?*

Deloitte **benchmarked the Council's organisational costs** with publicly available information for a small number of other relevant professional bodies and organisations. This included specific comparisons with various Australian teaching professional bodies. Cost comparisons made include total costs per member, total costs per full-time employee (FTE), average personnel costs (salary), external legal fees, and corporate services per FTE. Deloitte noted various organisations have different sets of responsibilities and functions, and this provides important context for benchmarking.



The purpose of this line of enquiry was to highlight consistencies or significant discrepancies between the Council's costs and those of other organisations.

2. Management: *Does the Council have good management practices?*

Deloitte believe that organisations with good management practices are less likely to incur unreasonable or excessive costs, than organisations with weak management disciplines. Deloitte have **questioned Council management's approach to how resourcing decisions are made**. This has included specifically understanding processes around budgeting and cost control, as well as how salaries are set.

The purpose of this line of enquiry was to gain confidence that the Council's management disciplines make it unlikely it is incurring unreasonable costs.

3. Costings: *Have the future costs the Council is basing its fees and levies consultation on been forecast appropriately?*

Deloitte developed a 'shadow' forecast of future costs per main function, based on the Council's actual FY21 costs, planned budget for FY22 and additional assumptions for cost pressures for three additional outyears (FY23-25). This involved identifying and adjusting for any one-off and unusual items, known or expected changes in business activity, and inflationary pressures, and reconciling these calculations back to the Council's budget and forecasts.

The purpose of this line of enquiry was to challenge and test the Council's assumptions and calculations – both for setting the current year budget (FY22) and the three out years the fees and levies consultation will be based on.

## Key findings from the review

Deloitte's review of the available information across these three components has **not** highlighted any issues of reasonableness overall and Deloitte have stated they are satisfied that the Council's proposed costs for delivering its functions, as a part of its planned consultation on proposed fees and levies, **are reasonable** based on the assessment above.

The detailed findings from Deloitte's independent review have been incorporated into the analysis for the proposed fees and levies set out in this document. Deloitte's report is available on the Council website alongside this consultation document to inform your consideration of the proposals.

## Comparison of fees with other allied professional regulatory bodies

The Council periodically benchmarks its fees against other professional regulatory bodies in allied fields within Aotearoa New Zealand and against teacher registration bodies in Australia.

Current fees are substantially lower than all other comparators including the Nursing Council, which charges \$110.00 per annum, which is 1.5 times the Council's current fee. If the proposed increase to fees and levies is implemented (annual equivalent fee of \$157), the Council will still

be at the low end of the fee scale for similar services. Only the Nursing Council will have a lower practising certificate renewal fee.

While the scope of functions and scale of membership varies from organisation to organisation, the data collectively supports broad comparisons.

*Comparison of Teaching Council fees with other professional regulatory bodies*

Professional Body	Equivalent annual cost to renew a practising certificate
Teaching Council <sup>28</sup>	\$74
Nursing Council	\$110
Occupational Therapy Board	\$415
Social Workers Registration Board	\$468
New Zealand Psychologists Board	\$490
Physiotherapy Board	\$556
Midwifery Council	\$700
Pharmacy Council	\$892
Psychotherapists Board	\$1,050

*Comparison of current Teaching Council fees with Australasian Teacher Registration bodies*

Australasian Teacher Registration Bodies	Victoria	NSW	QLD	WA	SA	TAS	NZ
# Authorised teachers	136,470	150,000	111,175	55,710	36,335	11,718	108,992
Annual renewal fee <sup>29</sup>	A\$108	A\$100	A\$95	A\$90.50	A\$110	A\$102	NZ\$73.60*
Responsible Organisation	VIT	NESA	QCT	TRBWA	TRBSA	TRBTAS	Teaching Council
Total Expenditure	A\$14.9M	A\$153.7M	A\$12.1M	A\$6.0M	A\$4.6M	A\$1.6M	NZ\$16.7M
Revenue derived from Registration and application fees	A\$15.5M	A\$14.6M	A\$11.1M	A\$6.7M	A\$4.1M	A\$1.3M	NZ\$7.6M

<sup>28</sup> Annual equivalent only for comparison purposes. New Zealand teachers are required to renew their Practising Certificates every three years at a current cost of \$220.80

<sup>29</sup> Excludes a range of other charges and fees including police checks, 5 yearly renewal fee. Some of these fees are exempt from GST

## Impact analysis

The impact of the proposed fees and levies is that the majority of teachers will face an approximately 114% increase in the cost of renewing a 3-year practising certificate.

For a beginning teacher, the total of fees and levies proposed of \$472.21 per 3-year certificate represents 0.4% of the take home pay of a New Zealand trained beginner teacher earning \$49,862 before tax over that same period.

The proposed increase will affect all teachers with practising certificates circa 106,000 from the time that they apply to renew their current practising certificate. It is unlikely to create a barrier to entry for teachers in primary and post-primary education; however, it may be an issue for those in the ECE sector where pay is quite low. It may also be a disincentive to part-time and relieving teachers.

In an effort to address the affordability of higher fees and levies for teachers, and in particular groups of lower paid teachers such as ECE teachers, part-time and relief teachers etc., the Council carefully analysed four options to ameliorate the impact of higher fees and levies including:

1. **Seeking an ongoing government funding contribution to the Council’s mandatory functions:**
2. **Offering tiered or variable fees and levies based on income:**
3. **Offering tiered or variable fees or levies based on practising certificate type or registration status:**
4. **Offering payments by instalments:**

The analysis was undertaken in accord with the Treasury and OAG principles as follows:

Affordability mechanism	Principles applied	Outcome
Ongoing government funding contribution	Equity	Not included in the proposed consultation
Tiered fees or levies based on income	Equity	Not included in the proposed consultation
Tiered fees or levies based on practising certificate type or registration status	Simplicity, efficiency, effectiveness, equity	Not included in the proposed consultation
Payments by instalments	Equity, simplicity	Included in the proposed consultation

The Council does not expect to see any change in demand as teachers must have a practising certificate to teach.

## Consultation

Extensive pre-consultation discussions have been undertaken with key stakeholders including peak bodies and unions over the period September to November 2021. Feedback from stakeholders have been analysed and used to shape the proposed cost recovery regime.

Consultation with all teachers will be undertaken in between 16 February 2022 and 01 April 2022. The feedback will be analysed and carefully considered by the governing Council with an open mind before any final decisions on fees and levies are made.

Based on two previous consultation processes on fee increases undertaken in 2017 and 2020 it is expected that a significant minority of teachers will oppose or strongly oppose any increase in fees and levies.

## Conclusions and recommendations

Our analysis of Treasury's guidelines for setting fees and charges confirms that it is equitable for the profession to pay the costs of delivering the Council's mandatory functions. Parliament has determined what mandatory functions the Teaching Council must carry out, and government has confirmed its policy that the costs arising from the mandatory functions of the Teaching Council should be fully funded by teachers.

Council's careful analysis is that it is not possible for the Council to deliver its mandatory functions with the current level of revenue from fees and levies paid by teachers without impacting on its ability to uphold its statutory purpose and maintain acceptable levels of service performance.

The Council's costs have increased significantly since its establishment in 2015 primarily due to:

- An expanded remit and new mandatory regulatory functions
- The impact of inflation
- Decreased threshold for referral of conduct matters to the Disciplinary Tribunal
- The need to maintain acceptable levels of service to teachers

The Council's actual and reasonable costs to deliver its mandatory functions are proposed to be recovered in a manner consistent with the Treasury and OAG guidelines.

An independent assessment by Deloitte of the Council's actual current costs and its estimated costs over the period FY2022/23 to FY2024/25 concluded those costs to be reasonable.

Formal consultation with teachers should be undertaken on proposed fees and levies totalling up to \$472.21 to renew a practising certificate, an increase of 114%. A review of fees and levies should be undertaken after three years.

## Implementation plan

An implementation plan for the proposed cost recovery regime can only be developed once consultation has been completed, the feedback considered with an open mind and final decisions made.

An increase to fees and levies is likely to take effect from 1 July 2022 but will only impact the majority of teachers when they apply to renew their practising certificate. For some this will be as late as June 2025.

The cost recovery regime proposed has been designed to be simple and efficient in that it can be implemented within the Council's existing registration system without undue cost, complexity, or delay.

The Education and Training Act 2020 provides the authority for the Council to undertake a data match with the Ministry of Education for the purposes of identifying teachers who are employed but do not hold the required practising certificate or authority to teach. The Act also provides for fines for teachers and employers for not complying with these requirements.

## Monitoring and evaluation

The Council has an existing performance management framework spanning activity, quality, and outcome measures.

This framework will be reviewed for updated as required for FY2022/23 and actual performance will be reported annually through the Annual Report.

## Review

The Council has identified that a 3-year period for cost recovery is appropriate and will undertake a review at the end of that period. The cost recovery impact template will be updated to reflect actual outputs and outcomes.

## Post-consultation

After considering feedback received from consultation, the Council undertook further analysis across a range of areas and determined that further cost savings could be made, on top of those included in the original proposals.

Additional revenue or savings identified and agreed over the period 2022/23 to 2024/25 were as follows:

Area of revenue or expenditure	Additional Revenue or Savings Identified
Likely savings while positions are vacant during the recruitment process	\$394,521
Efficiencies gained in the Registration process	\$240,000



<b>Deferral of strategic projects</b>	\$300,000
<b>Reduction in travel associated with conduct matters</b>	\$100,000
<b>Reduction in travel associated with initial teacher education</b>	\$75,000
<b>Increased recovery of costs from initial teacher education providers</b>	\$400,000
<b>Total</b>	<b>\$1,509,521</b>

The impact of the additional revenue and savings on the net<sup>30</sup> costs of undertaking the work associated with each of its major mandatory functions are as follows:

<b>Mandatory functions</b>	<b>Estimated net annual cost to deliver this function FY2022/23 to FY2024/25 (\$ million)</b>	<b>% of total</b>
<b>The future direction of teaching</b>	\$0.752	4.5%
<b>Registration and certification</b>	\$4.906	29.5%
<b><u>Code and Standards</u></b>	\$0.765	4.6%
<b><u>Establishing and maintaining standards for Initial Teacher Education</u> and undertaking ITE programme approvals</b>	\$1.442	8.7%
<b>Conduct</b>	\$7.322	44.1%
<b>Competence</b>	\$1.433	8.6%
<b>Total</b>	<b>\$16.620</b>	<b>100%</b>

The Council also undertook further analysis on the proposed fee or levy for applications for some practising certificate types, for the Limited Authority to Teach (LAT), and the level proposed for the Late Fee.

Because this further analysis identified that there was a reasonable argument to charge a lower levy to holders of a LAT and the Council wanted to seek feedback from the teaching profession about how the additional cost savings could be distributed, a further short period of re-consultation was agreed.

The re-consultation asked two questions:

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<sup>30</sup> After recoveries and ongoing government grants

1. Share a larger portion of the savings with holders of a LAT, and a smaller portion with certificated teachers, so a holder of a LAT would pay a lower levy.

Or

2. Share the savings equally across holders of a LAT and certificated teachers so they pay the same levy

After the re-consultation concluded, the Council made the following final decisions about the fee and levy:

*Schedule of fees and levies*

For	Fee Payable (inc GST)	Levy Payable (inc GST)	Total Payable (inc GST)
Renewal of a practising certificate valid for 3 years	\$128.96	\$335.41	\$464.37
Registration and Provisional practising certificate for graduates from an approved New Zealand Initial Teacher Education programme	\$128.96	\$335.41	\$464.37
Registration and Provisional practising certificate for overseas-trained teachers	\$228.96	\$335.41	\$564.37
A Limited Authority to Teach valid for 3 years	\$128.96	\$224.91	\$353.87
A Limited Authority to Teach valid for 2 years	\$85.97	\$149.94	\$235.91
A Limited Authority to Teach valid for 1 year	\$42.99	\$74.97	\$117.96
A teacher holding a Provisional or Full (Category Two) practising certificate applying for a Full (Category One) practising certificate valid for 3 years	\$176.96	\$335.41	\$512.37
Returning to Teaching in Aotearoa New Zealand Practising Certificate valid for 3 years	\$128.96	\$335.41	\$464.37
Registration (only) for graduates from an approved New Zealand ITE programme	\$128.96	\$Nil	\$128.96

Table 1: Proposals in first consultation document

Proposal		Decisions
1	Set fees and the levy for teachers and holders of LATs (as set out in Tables 1 and 8), to cover the Council's actual and reasonable operating costs	Agreed to fix fees and the levy for a three-year period
2	Charge the same levy for teachers and for holders of LATs	Subsequent re-consultation on charging a different levy for holders of a LAT
3	Charge a higher fee for overseas teachers for registration and their first Tōmua   Provisional practising certificate to reflect the additional costs involved in evaluating their applications	Agreed based on the fee reflecting actual and reasonable costs for processing these applications
4	Charge a higher fee for Tōmua   Provisional or Pūmau   Full (Category Two) certificated teachers applying for a Tūturu   Full (Category One) practising certificate, to reflect the additional costs involved in evaluating those applications	Further analysis of actual costs related to evaluating these applications resulted in a reduced additional fee
5	Continue to fund the cost of providing conduct and discipline functions collectively from all teachers and holders of LATs	Agreed teachers and holders of a LAT should collectively fund these costs
6	Continue to fund the cost of establishing standards for initial teacher education qualifications and approving ITE programmes collectively from all teachers and holders of LATs with ITE providers contributing towards approval, review and monitoring of their programme	Agreed for registered teachers. Not progressed for LATs based on the view that they did not benefit in the same way as teachers from work associated with this function
7	Explore the viability of a 'buy now pay later' instalment option for payment of fees and the levy	Decision not to progress as feedback indicated minimal support from teachers and holders of LATs
8	Explore the viability of options to pay fees and the levy by instalment, in regular, small amounts	Agreed to continue to scope viability of options
9	Fix fees and the levy for a three-year period, with an allowance for expected inflation over the period	Agreed to implement this proposal
10	Increase the late fee from \$50 to \$100	No change from \$50.00

Table 2: Proposals in re-consultation document

Proposal		Decisions
1	To use some of the additional savings of \$1.50M to reduce the levy imposed on holders of a LAT issued for three years.	Decided on option 1
2	Teachers and holders of LATs should pay the same levy with the additional savings of \$1.50M shared equally by teachers and holders of a LAT.	Decided on option 1

# Appendix One – consultation options considered

1. Consultation on fees and levies will take place between Wednesday 16 February 2022 and Friday 01 April 2022.

**Rationale** – Feedback from stakeholders supported a consultation period outside of the summer holidays and that avoids the beginning of the school year. This period is two weeks longer than the 2020 consultation which commenced on 28 January 2020. This timeframe provides a longer period for feedback while also allowing analysis and decision-making to be undertaken in a timely manner, to meet a mid-year implementation goal. It reflects the **consultation** principle in the Treasury guidelines. It is possible that, as a result of feedback, the Governing Council may wish to reconsult on some aspects of the proposals. This timeframe does not include a contingency for this, and the overall implementation goal may need to be amended should it be necessary to reconsult.

**Outcome:** Agreed

2. Consultation on fees and levies will use the whole structure and narrative which will be integrated into the consultation document and form the basis of communications to teachers and stakeholders.

**Rationale** – This responds to the principles of **authority, transparency and accountability** outlined in the Treasury guidelines. It will assist in aligning the proposals in the consultation document with the Council’s legislated functions and organisational values.

**Outcome:** Agreed

3. Stakeholders will be given a summary of the decisions that the Governing Council has made on the design proposals for consultation and the rationale for each of these, after careful consideration of the pre-consultation feedback, ahead of the formal consultation commencing.

**Rationale** – This ensures the Council is adhering to the principles of **consultation** and **accountability** outlined in the Treasury guidelines. It aligns to the commitments made to stakeholders at the beginning of the pre-consultation work to seek their views and to clearly communicate decisions made because of these contributions.

**Outcome:** Agreed

4. Registered teachers and holders of a Limited Authority to Teach (LAT) will be provided with a summary of the decisions that the Governing Council has made on the design proposals for consultation and the rationale for each of these, after careful consideration of the pre-consultation feedback, ahead of the formal consultation commencing.

**Rationale** - This ensures the Council is adhering to the principles of **transparency, consultation** and **accountability** outlined in the Treasury guidelines. It aligns to the commitments made to teachers, LAT holders and stakeholders to undertake an open and transparent process.

**Outcome:** Agreed

5. All Registered teachers and holders of a LAT will be sent a copy of the full consultation document.

**Rationale** – This ensures full information is available to all teachers and holders of a LAT so that they can provide informed feedback. This aligns to the **transparency** principle in the Treasury guidelines.

**Outcome:** Agreed *noting the need for an appropriate short form version of the full consultation document to support engagement in the consultation process.*

6. All stakeholders will be sent a copy of the full consultation document.

**Rationale** – This ensures full information is available to all stakeholders, so that they can provide informed feedback. This aligns to the **transparency** principle in the Treasury guidelines.

**Outcome:** Agreed

7. The Teaching Council will disclose the outcome of the request made to the Minister of Education to provide up to \$3.0 million per annum in operating funding as a partial contribution to Council’s mandatory functions to allow any increases in fees and levies for teachers to be introduced more moderately in 2022.

**Rationale** – This ensures full information is available to all teachers, so that they can provide informed feedback. This aligns to the **transparency, and accountability** principles in the Treasury guidelines.

**Outcome:** Amend *draft wording required before a decision is made*

8. Consultation on fees and levies will include detailed information about actual and reasonable costs and the level of fees and levies required to undertake all the Council’s mandated functions. This will include break-down of costs according to functions and modelling of options where appropriate.

**Rationale** – This ensures full information is available to all teachers and stakeholders, so that they can provide informed feedback. This aligns to the **transparency** principle in the Treasury guidelines.

**Outcome:** Agreed

9. Subject to Deloitte providing confirmation that a cost recovery period of 3 years is reasonable, the estimate of the actual cost of resources required for the Teaching Council to deliver its mandatory functions in the period FY2022/23 through FY2025/26 should include an estimate of the impact of inflation.

**Rationale** – This ensures full information is available to all teachers, so that they can provide informed feedback. This aligns to the **transparency, and consultation** principles in the Treasury guidelines.

**Outcome:** Agreed

10. Consultation on fees and levies will include an option for paying by instalment along with an indication of when this might be available in the future.

**Rationale** – This acknowledges the financial impact an increase in fees and levies has on individual teachers and provides a solution to enable the amount to be spread over a longer time period, while having less impact on Council budgets and systems.

**Outcome:** Agreed

11. Consultation on fees and levies will include an option for a lower level of registration/certification service for teachers and relevant information in relation to quality and cost of the options available.

**Rationale** – Because this part of fees, costs and levies is an individual fee for each teacher, this provides an option for teachers to indicate their preference for the level of service to be provided, while having minimal impact on Council operations and finances. It aligns to the **simplicity, effectiveness, and equity** principles within the Treasury guidelines.

**Outcome:** Disagreed *It was noted that the significant level of investment in technology and automation over the last four years had resulted in service level that were now appropriate for a digital services organisation and that while stakeholder feedback was mixed, there was a strong challenge not to relinquish registration service improvements that were valued by the profession. It was also noted that the estimated potential savings from a lower registration service level standard for teachers were small given the underlying application cycle within each calendar year and the need to maintain sufficient skills and experience to ensure service performance can be maintained during peak months.*

12. Consultation on fees and levies will include an option for a lower level of service for applications for a LAT and relevant information in relation to quality and cost of the options available.

**Rationale** – Because this part of fees, costs and levies is an individual fee for each applicant, this provides an option for applicants to indicate their preference for the level of service to be provided, while having minimal impact on Council operations and finances. It aligns to the **simplicity, effectiveness, and equity** principles within the Treasury guidelines.

**Outcome:** Disagreed *It was noted that the significant level of investment in technology and automation over the last four years had resulted in service level that were now appropriate for a digital services organisation and that while stakeholder feedback was mixed, there was a strong challenge not to relinquish registration service improvements that were valued by the profession. It was also noted that the estimated potential savings from a lower registration service level standard for teachers were small given the underlying application cycle within each calendar year and the need to maintain sufficient skills and experience to ensure service performance can be maintained during peak months.*

13. Consultation on fees and levies will **NOT** seek feedback on whether the Council should retain the current level of fees and levies charged to teachers and holders of LATs.

**Rationale** – Financial modelling has determined the actual and reasonable costs for undertaking all the Council's mandated functions, which indicates that an increase is

required to enable this work to continue and to maintain the current quality of service to teachers.

This option was considered under the **effectiveness, efficiency consultation** and **equity** principles of the Treasury guidelines.

**Outcome:** **Agreed** *It was further noted that the Council had developed a proposal for ongoing government funding and sought feedback from the Minister of Education who had advised that no further ongoing funding for the Council's mandatory functions would be provided.*

14. Consultation on fees and levies will **NOT** seek feedback on the desirability of a tiered approach to fees and levies based on teacher income.

**Rationale** - Whilst this option may address concerns about the ability to pay for some teachers, technical [REDACTED]. The ability for Council's online application system to support the implementation of a tiered approach to fees and levies is currently unknown, [REDACTED]. [REDACTED] Should substantial system changes be required to support such an approach, it will likely take 6-12 months to implement such changes.

**Rationale** - Financial impacts would be likely to be considerable, with a significant deficit building over a short time period. This would impact on the Council's ability to undertake its functions and consequently to provide necessary services to teachers. A delay in implementing new fees and levies while any system changes were made would require the Council to use reserves to continue to fund the current operating deficit at an estimated rate of \$0.75 million per month. \$4.5 million to \$9.0 million.

This option was considered under **equity** and **transparency** principles of the Treasury guidelines.

**Outcome:** **Amend** [REDACTED]

15. Consultation on fees and levies will **NOT** seek feedback on requiring a full user pays model for costs associated with disciplinary functions.

**Rationale** - A full user pays model does not recognise the interest all teachers have in there being a robust system for ensuring a high standard of teacher conduct. Instead, it places costs onto individual teachers who may also face employment consequences because of DT decisions.

**Rationale** - Where decisions are in favour of the teacher, costs would fall to the complainant or would need to be met by the Council, leaving an unknown additional financial impact on the Council's budgets.

This option was considered under the **equity** principle within the Treasury guidelines.

**Outcome:** **Agreed**



16. Consultation on fees and levies will **NOT** seek feedback on proposals to seek further Government funding to meet the costs associated with the disciplinary function.

**Rationale** – The Government has clearly stated that its expectation is the Council is financially independent (other than leadership functions requiring government funding).

This option was considered under the **authority** principle within the Treasury guidelines.

**Outcome:** **Agreed** *It was further noted that the Council had developed a proposal for ongoing government funding and sought feedback from the Minister of Education who had advised that no further ongoing funding for the Council's mandatory functions would be provided.*

17. Consultation on fees and levies will **NOT** seek feedback on requiring a full user pays model for costs associated with the ITE function.

**Rationale** – The Act allows the Council to include in a levy on teachers some or all of the costs of approving ITE programmes. However, all teachers have a vested interest in the quality of the provision of Initial Teacher Education programmes. Shifting full costs to ITE providers means that ultimately student teachers (and therefore the future cohort of registered teachers) would bear these costs.

This option was considered under the **equity** principle within the Treasury guidelines.

**Outcome:** **Agreed**

18. Consultation on fees and levies will **NOT** seek feedback on adopting different timeframes for different practising certificate types.

**Rationale** – This option would result in limited cost savings per application, other than a small amount of administration costs, because costs for registration/certification are the actual amount to undertake this service.

**Rationale** – The option would be costly at a system level –it would require significant re-building of Hapori Matatū.

This option was considered under the **simplicity**, and **effectiveness** principles within the Treasury guidelines.

**Outcome:** **Agreed**

19. Consultation on fees and levies will seek feedback on increasing the Late Fee from \$50 to \$100 including GST.

**Rationale** – This option would result in limited cost savings per application, other than a small amount of administration costs, because costs for registration/certification are the actual amount to undertake this service.

**Rationale** – The option would be costly at a system level –it would require significant re-building of Hapori Matatū.

This option was considered under the **simplicity**, and **effectiveness** principles within the Treasury guidelines.

**Outcome:** **Amend** *Further supporting information required to determine whether increasing the Late Fee would likely achieve the objective of incentivising more teachers to meet their legal requirements under the Education and Training Act 2020.*

20. Consultation on fees and levies will seek feedback on a retired teacher practising certificate that would enable ongoing contribution to the profession at a lower cost.

**Rationale** – This option acknowledges the financial impact an increase in fees and levies has on teachers nearing or in retirement and seeks a solution to allow their ongoing contribution to the teaching profession.

**Outcome:** **Amend** *Further information was requested on how this could be implemented within the current requirements of the Act and Registration Policy before a decision can be made.*

## Appendix Two – analysis of impact of retaining current fees

The Council has undertaken modelling and analysis to understand its ability to deliver core mandatory functions such as registration and certification at an acceptable service performance standard without an increase to current fees.

This modelling and analysis assumed that Council would continue to deliver all of its mandatory functions at around 50% of the current level of expenditure, with the relative proportion of expenditure on each function maintained.

In this respect the modelling is simplistic as some of the costs attributed to registration are either not scalable to the same extent as personnel costs (e.g., software licences) or fixed (e.g., premises related costs). This means the model will tend to underestimate the service performance impacts of reduced funding for this function.

The analysis also assumed that the Registration team would be able to maintain the same level of efficiency as it currently produces, due to the previous investment of nearly \$8 million<sup>31</sup> in the Council's digital services platform for teachers, Hapori Matatū which has streamlined the application process for teachers and improved the processing efficiency of this part of the Council's services.

Council's current service performance standard is to finalise 65% of all renewal applications within 5 working days<sup>32</sup>. This is an improvement on the previous service standard of 20 working days, primarily due to the benefits of the investment in technology.

In the case of the registration function, with 50% reduced funding the analysis showed that the volume of incoming applications from teachers would exceed the capacity of the registration team to process them by between 50% to 65% per month.

Further analysis showed that by the end of the first year of such reduced operation, the backlog of applications waiting to be processed would have grown to approximately 20,000 and the average processing time would exceed 12 months.

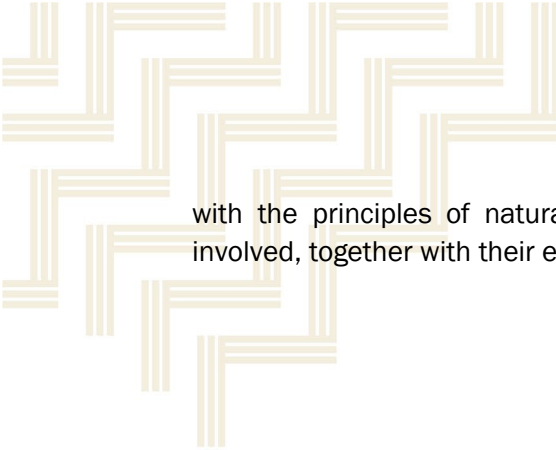
Scenario modelling shows that using the same technology and approach while reducing the cost of delivering the registration function by more than 20% would result in an average processing time of around 3 months at the end of the first year and this would continue to grow in a linear fashion.

While the Council's Professional Responsibility team handles a volume of complaints and mandatory reports annually that is two orders of magnitude less than applications for registration and certification, the analysis and modelling undertaken above strongly suggest that significantly reduced funding for the conduct function would quickly result in investigation times that grew from 2 to 8 months to years. Such delays would clearly impact on the ability of the process to comply

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<sup>31</sup> Funded by government together with ongoing costs to support the system

<sup>32</sup> From the time the teacher submits a completed application and the police vetting and endorsement is completed.



with the principles of natural justice and would have significant impacts on those teachers involved, together with their employers and families.

### Appendix Three –Actual costs by statutory function<sup>33</sup>

Statutory Function	Overhead	To carry out the functions relating to conduct	To carry out the functions relating to competence	To carry out functions relating to registration	To establish and maintain standards for qualifications that lead to teacher registration	To establish and maintain standards for ongoing practice	To conduct, in conjunction with quality assurance agencies, approvals of teacher education programmes	To provide direction for teachers	To enhance the status of teachers	To identify and disseminate best practice in teaching and foster the teaching profession's continued development in light of research and evidence of changes in society and technology	To establish and maintain a code of conduct for teachers under section 485	To perform any other functions conferred on it by this Act or any other enactment	Government funded Leadership of the profession
Education and Training Act 2020		S479(1)(l, m, n)	S479(1)(l, o)	S479(1)(d, e, f, p)	S479(1)(g, h)	S479(1)(j)	S479(1)(i)	S479(1)(a)	S479(1)(b)	S479(1)(c)	S479(1)(k)	S479(1)(q)	
Cost per Annum													
<b>Professional Responsibility</b>													
Personnel	2,534,307	-	2,534,307	-	-	-	-	-	-	-	-	-	-
Contractors & Consultants	59,898	-	59,898	-	-	-	-	-	-	-	-	-	-
Legal	892,698	-	892,698	-	-	-	-	-	-	-	-	-	-
Travel - Staff	75,000	-	75,000	-	-	-	-	-	-	-	-	-	-
DT Committee/Tribunal Fees/Hearing Fees	316,667	-	316,667	-	-	-	-	-	-	-	-	-	-
IC Committee/Tribunal Fees/Hearing Fees	8,000	-	8,000	-	-	-	-	-	-	-	-	-	-
CAC Committee/Tribunal Fees/Hearing Fees	290,000	-	290,000	-	-	-	-	-	-	-	-	-	-
Other Expenses	95,000	-	95,000	-	-	-	-	-	-	-	-	-	-
<b>Total Prof Responsibility Expenditure</b>	<b>4,271,570</b>	-	<b>4,271,570</b>	-	-	-	-	-	-	-	-	-	-
<b>Registration &amp; Contact Centre</b>													
<i>Registration</i>													
Personnel	1,281,350	-	-	-	1,281,350	-	-	-	-	-	-	-	-
Bank Charges	140,000	-	-	-	140,000	-	-	-	-	-	-	-	-
Postage	34,000	-	-	-	34,000	-	-	-	-	-	-	-	-
Printing	18,000	-	-	-	18,000	-	-	-	-	-	-	-	-
Registration Panel	42,000	-	-	-	42,000	-	-	-	-	-	-	-	-
TER Review Panel	6,000	-	-	-	6,000	-	-	-	-	-	-	-	-
Priority Police Vetting Expenses	94,000	-	-	-	94,000	-	-	-	-	-	-	-	-
Other Expenses	14,000	-	-	-	14,000	-	-	-	-	-	-	-	-
<i>Contact Centre</i>													
Personnel	534,351	-	80,153	-	454,199	-	-	-	-	-	-	-	-
<b>Total Registration/Contact Centre Expenditure</b>	<b>2,163,702</b>	-	<b>80,153</b>	-	<b>2,083,549</b>	-	-	-	-	-	-	-	-

<sup>33</sup> This table excludes the impact of the additional cost savings and recoveries of \$1.5m over three years identified after the initial consultation.

<b>Professional Services</b>														
<i>Policy &amp; Implementation</i>														
Personnel	786,237	32,760	98,280	65,520	196,559	163,799	32,760	-	58,968	52,416	52,416	32,760	-	-
Travel	13,000	-	-	-	-	13,000	-	-	-	-	-	-	-	-
<i>Teacher Capability &amp; Collaboration</i>														
Personnel	1,687,016	-	-	590,456	274,140	-	168,702	421,754	56,178	56,178	56,346	-	-	63,263
Travel	181,667	-	-	36,333	10,900	-	5,450	128,983	-	-	-	-	-	-
Competence Authority Costs	43,000	-	-	43,000	-	-	-	-	-	-	-	-	-	-
Contractors/Consultants	125,000	-	-	-	-	-	-	125,000	-	-	-	-	-	-
<b>Total Professional Services</b>														
<b>Expenditure</b>	<b>2,835,920</b>	<b>32,760</b>	<b>98,280</b>	<b>735,309</b>	<b>481,599</b>	<b>176,799</b>	<b>206,912</b>	<b>675,737</b>	<b>115,145</b>	<b>108,593</b>	<b>108,762</b>	<b>32,760</b>	<b>-</b>	<b>63,263</b>
<b>Strategic Projects &amp; Business Improvement Initiatives</b>														
See separate allocation sheet	800,000	-	120,000	80,000	120,000	-	40,000	80,000	26,720	26,640	26,640	80,000	-	200,000
<b>Corporate</b>														
<i>Finance</i>														
Personnel	776,570	614,196	49,418	14,119	98,836	-	-	-	-	-	-	-	-	-
Depreciation	650,000	299,366	60,316	26,447	197,470	-	-	9,527	-	-	56,875	-	-	-
Other Personnel	30,000	30,000	-	-	-	-	-	-	-	-	-	-	-	-
Audit Fees	57,000	57,000	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	120,000	40,000	26,400	13,600	40,000	-	-	-	-	-	-	-	-	-
Consultants	8,000	8,000	-	-	-	-	-	-	-	-	-	-	-	-
<i>IT</i>														
Personnel	535,455	374,818	48,191	16,064	96,382	-	-	-	-	-	-	-	-	-
Computer Licences & Maintenance	1,106,692	340,108	174,264	76,416	488,411	-	-	27,492	-	-	-	-	-	-
Telephone / Data Centre Hosting	404,000	404,000	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenditure	54,000	16,200	-	-	-	37,800	-	-	-	-	-	-	-	-
<i>HR / Admin</i>														
Personnel	1,254,596	1,022,264	139,400	92,933	-	-	-	-	-	-	-	-	-	-
Professional Learning & Dvpt	218,574	218,574	-	-	-	-	-	-	-	-	-	-	-	-
Recruitment Costs	158,466	158,466	-	-	-	-	-	-	-	-	-	-	-	-
Building Costs	682,082	682,082	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenditure	328,000	328,000	-	-	-	-	-	-	-	-	-	-	-	-
<i>Communications</i>														
Personnel	565,835	-	282,917	-	226,334	28,292	-	28,292	-	-	-	-	-	-
Media Services/Printing	7,300	-	3,650	-	2,920	365	-	365	-	-	-	-	-	-
Stakeholder Communications	38,300	-	19,150	-	15,320	1,915	-	1,915	-	-	-	-	-	-
Website Project	20,800	-	10,400	-	8,320	1,040	-	1,040	-	-	-	-	-	-
<i>Executive</i>														
Salaries/Temps	1,208,464	347,433	163,143	57,402	117,825	178,248	117,825	57,402	27,190	27,190	27,190	87,614	-	-
Consulting	150,000	49,500	49,500	-	51,000	-	-	-	-	-	-	-	-	-
Travel	35,500	35,500	-	-	-	-	-	-	-	-	-	-	-	-

Other Expenditure	6,700	6,700	-	-	-	-	-	-	-	-	-	-	-	-
<b>Governance</b>														
Board/Committee Fees	206,500	206,500	-	-	-	-	-	-	-	-	-	-	-	-
Board/Committee Expenses	30,500	30,500	-	-	-	-	-	-	-	-	-	-	-	-
Travel	100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Corporate Expenditure</b>	<b>8,753,334</b>	<b>5,369,208</b>	<b>1,026,749</b>	<b>296,981</b>	<b>1,342,818</b>	<b>247,660</b>	<b>117,825</b>	<b>126,032</b>	<b>27,190</b>	<b>27,190</b>	<b>84,065</b>	<b>87,614</b>	<b>-</b>	<b>-</b>
<b>Total Direct Expenditure</b>	<b>18,824,526</b>	<b>5,401,968</b>	<b>5,596,751</b>	<b>1,112,290</b>	<b>4,027,967</b>	<b>424,460</b>	<b>364,737</b>	<b>881,770</b>	<b>169,056</b>	<b>162,424</b>	<b>219,468</b>	<b>200,374</b>	<b>-</b>	<b>263,263</b>
<b>Overhead Allocation</b>		<b>- 5,401,968</b>	<b>2,252,437</b>	<b>447,646</b>	<b>1,621,073</b>	<b>170,826</b>	<b>146,790</b>	<b>354,872</b>	<b>68,037</b>	<b>65,368</b>	<b>88,326</b>	<b>80,641</b>	<b>-</b>	<b>105,951</b>
<b>Total Expenditure (including Overhead)</b>	<b>18,824,526</b>	<b>-</b>	<b>7,849,188</b>	<b>1,559,936</b>	<b>5,649,040</b>	<b>595,285</b>	<b>511,527</b>	<b>1,236,642</b>	<b>237,093</b>	<b>227,792</b>	<b>307,793</b>	<b>281,015</b>	<b>-</b>	<b>369,215</b>
<b>Recovery / Grants / Interest Income</b>														
Professional Responsibility Cost Recovery	150,000		150,000											
ITE Appraisal Recovery	200,000							200,000						
Government Leadership Grant	200,000													200,000
Innovation & Collaboration Appraisal Grant	178,000													178,000
Online Services Grant	979,000		293,700	97,900	587,400									
Interest/Sundry Income	40,000	40,000	17,012	3,381	12,244	1,290	1,109	2,680	514	494	667	609	-	
<b>Total Recovery</b>	<b>1,747,000</b>	<b>40,000</b>	<b>460,712</b>	<b>101,281</b>	<b>599,644</b>	<b>1,290</b>	<b>1,109</b>	<b>202,680</b>	<b>514</b>	<b>494</b>	<b>667</b>	<b>609</b>	<b>-</b>	<b>378,000</b>
<b>Net Expenditure</b>	<b>17,077,526</b>		<b>7,388,476</b>	<b>1,458,655</b>	<b>5,049,397</b>	<b>593,995</b>	<b>510,418</b>	<b>1,003,961</b>	<b>236,579</b>	<b>227,298</b>	<b>307,126</b>	<b>280,406</b>	<b>-</b>	<b>-8,785</b>

## Appendix Four – Allocation of overheads and indirect costs<sup>34</sup>

Statutory Function	Overhead	To carry out the functions relating to conduct	To carry out the functions relating to competence	To carry out functions relating to registration	To establish and maintain standards for qualifications that lead to teacher registration	To establish and maintain standards for ongoing practice	To conduct, in conjunction with quality assurance agencies, approvals of teacher education programmes	To provide leadership to teachers and direction for the education profession	To enhance the status of teachers and education leaders	To identify and disseminate best practice in teaching and leadership and foster the education profession's continued development in light of research and evidence of changes in society and technology	To establish and maintain a code of conduct for teachers under section 485	To perform any other functions conferred on it by this Act or any other enactment	Government funded Leadership of the profession	Check Total
<b>Direct Costs</b>														
Personnel		3,455,706	836,494	2,745,626	370,340	319,287	507,448	142,336	135,784	135,953	120,374	-		8,769,346
Legal		892,698	-	-	-	-	-	-	-	-	-	-		892,698
Hearing Costs		614,667	43,000	48,000	-	-	-	-	-	-	-	-		705,667
Licences & Maintenance		174,264	76,416	488,411	-	-	27,492	-	-	-	-	-		766,583
Depreciation		60,316	26,447	197,470	-	-	9,527	-	-	56,875	-	-		350,634
Projects		120,000	80,000	120,000	-	40,000	80,000	26,720	26,640	26,640	80,000	-		600,000
Governance		-	-	-	-	-	-	-	-	-	-	-		-
Travel		75,000	36,333	10,900	13,000	5,450	128,983	-	-	-	-	-		269,667
Insurance		26,400	13,600	40,000	-	-	-	-	-	-	-	-		80,000
Priority Police Vetting		-	-	94,000	-	-	-	-	-	-	-	-		94,000
ITE Review Panels		-	-	-	-	-	125,000	-	-	-	-	-		125,000
Other		177,700	-	283,560	41,120	-	3,320	-	-	-	-	-		505,700
<b>Total Direct Costs</b>		<b>5,596,751</b>	<b>1,112,290</b>	<b>4,027,967</b>	<b>424,460</b>	<b>364,737</b>	<b>881,770</b>	<b>169,056</b>	<b>162,424</b>	<b>219,468</b>	<b>200,374</b>	<b>-</b>		<b>13,159,295</b>
<b>Indirect Costs</b>														
Salaries / Temps / Other Personnel (Payroll, ACC)	2,421,471	1,029,871	204,675	741,195	78,106	67,116	162,256	31,108	29,888	40,385	36,871	1,029,871		2,421,471
Computer Licences & Maintenance	340,108	144,651	28,748	104,105	10,970	9,427	22,790	4,369	4,198	5,672	5,179	144,651		340,108
Depreciation	299,366	127,323	25,304	91,634	9,656	8,298	20,060	3,846	3,695	4,993	4,558	127,323		299,366
Learning Development	218,574	92,961	18,475	66,904	7,050	6,058	14,646	2,808	2,698	3,645	3,328	92,961		218,574
Recruitment Costs	158,466	67,397	13,394	48,505	5,111	4,392	10,618	2,036	1,956	2,643	2,413	67,397		158,466
Travel	35,500	15,098	3,001	10,866	1,145	984	2,379	456	438	592	541	15,098		35,500
Building Costs (Rent, Cleaning, Mtce, Utilities)	682,082	290,095	57,653	208,780	22,001	18,905	45,704	8,763	8,419	11,376	10,386	290,095		682,082
Other	1,246,400	519,706	103,286	374,031	39,415	33,869	81,880	15,698	15,082	20,379	18,606	-		1,221,954
<b>Total Indirect Costs</b>	<b>5,401,968</b>	<b>2,252,437</b>	<b>447,646</b>	<b>1,621,073</b>	<b>170,826</b>	<b>146,790</b>	<b>354,872</b>	<b>68,037</b>	<b>65,368</b>	<b>88,326</b>	<b>80,641</b>	<b>-</b>		<b>5,296,016 *</b>
<b>Total Cost</b>		<b>7,849,188</b>	<b>1,559,936</b>	<b>5,649,040</b>	<b>595,285</b>	<b>511,527</b>	<b>1,236,642</b>	<b>237,093</b>	<b>227,792</b>	<b>307,793</b>	<b>281,015</b>	<b>-</b>		<b>18,455,311</b>
<b>Less Recoveries / Grants</b>		<b>460,712</b>	<b>101,281</b>	<b>599,644</b>	<b>1,290</b>	<b>1,109</b>	<b>202,680</b>	<b>514</b>	<b>494</b>	<b>667</b>	<b>609</b>	<b>-</b>		<b>1,369,000</b>
<b>Net Cost</b>		<b>7,388,476</b>	<b>1,458,655</b>	<b>5,049,397</b>	<b>593,995</b>	<b>510,418</b>	<b>1,033,961</b>	<b>236,579</b>	<b>227,298</b>	<b>307,126</b>	<b>280,406</b>	<b>-</b>		<b>17,086,311</b>

<sup>34</sup> This table excludes the impact of the additional cost savings and recoveries of \$1.5m over three years identified after the initial consultation.





\*Excludes overhead apportioned to Crown funded leadership activities