

Actual and Reasonable Assessment
Teaching Council of Aotearoa New
Zealand

02 February 2022



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Clive Jones
Deputy Chief Executive – Operational Services
Teaching Council of Aotearoa New Zealand

02 February 2022

Dear Clive,

We have completed our draft report (the Report) in relation to whether the costs of the Teaching Council of Aotearoa New Zealand (the Council) are “actual and reasonable”. You requested this report as part of your preparations for consultation on proposed fees and levies under Section 479(1) of the Education and Training Act 2020.

We have relied upon audited financial data for FY20, and FY21 data that is subject to audit, and accept the historic cost information we have reviewed represents actual costs.

Our assessment of reasonableness has included three components:

- a) Specific benchmarking with a number of analogous organisations to provide quantitative comparisons of key costs.
- b) Understanding (through interviews and working sessions with the Council) the management practices of the Council, how resourcing decisions are made, approach and controls to costs, including salary setting processes.
- c) Review of the Council’s forecast operating costs, including review and challenge of assumptions made, any material changes from historic actual costs, and parallel calculations of the forecast for consistency with our understanding.

Our review of the available information across all of these three components has **not** highlighted any issues of reasonableness overall.

Therefore, we 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.

We would like to acknowledge the time and effort of the Council staff who have worked with us throughout this project within very tight timeframes. We appreciate the open and transparent way the Council teams have responded to our questions and shared their thoughts. We would also like to thank the people in the Ministry of Education’s Monitoring and Appointments team, who gave their time to talk to us about the Council.

Yours sincerely,



John Tan

Partner
for Deloitte Limited (as trustee for the Deloitte Trading Trust)



Rauno Engel

Director & Project Lead

Glossary

Term	Description
AITSL	Australian Institute for Teaching and School Leadership
BASS	Benchmarking Administrative and Support Services
CAANZ	Chartered Accountants Australia and New Zealand
ETA	Education and Training Act 2020
FY FY(NN)	Financial Year For example, FY21 is the Financial Year ended 30 June 2021
MCNZ	Midwifery Council
NCNZ	Nursing Council of New Zealand
NESA	NSW Education Standards Authority
NZRAB	New Zealand Registered Architects Board
PCNZ	Pharmacy Council of New Zealand
QCT	Queensland College of Teachers
SWRB	Social Workers Registration Board
The Bill	The Education and Training (Teaching Council Fees, Levies, and Costs) Amendment Bill
The Council	Teaching Council of Aotearoa New Zealand
TRBSA	Teachers Registration Board of South Australia
VIT	Victoria Institute of Teaching

Introduction

The Teaching Council of Aotearoa New Zealand has been engaging with key stakeholders in the education system on the Council's functions and expected costs as a part of a pre-consultation process. The Council has sought an independent assessment to provide confidence that its proposed costs for delivering its functions are 'actual and reasonable.'

Context – The Teaching Council

The Teaching Council of Aotearoa New Zealand (the Council) is the professional body for teachers. The Council works with and for registered and certificated teachers in New Zealand, in early childhood, primary and secondary schooling and in English- and Māori-medium settings.

The purpose of the Council is set out under section 478 of the Education and Training Act 2020 (ETA), which is to ensure safe and high-quality leadership, teaching and learning for children and young people, by ensuring teachers are competent, fit to practice and accountable for the way in which they teach.

As per section 479 of the ETA, the Council is 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 leadership for all teachers
- Managing concerns about conduct or competence
- Making sure teacher students and new teachers get the right training (by approving and monitoring Initial Teacher Education).

The Education and Training (Teaching Council Fees, Levies, and Costs) Amendment Bill (the Bill) traversed through the legislative process and received Royal Assent on 19 November 2021. Section 480 (3C) of the Bill requires that the Council can only recover **actual and reasonable costs** incurred in performing its functions.

Background

The Council has been engaging with key stakeholders in the education system on the Council's functions and expected costs as part of a pre-consultation process. A wider consultation on proposed fees and levies, with registered teachers and holders of limited authorities to teach is planned for early 2022.

The purpose of this Report is to provide an independent assessment to the Council of whether the Council's costs are actual and reasonable.

The Education and Training (Teaching Council Fees, Levies, and Costs) Amendment Bill (the Bill) requires that the Council can only recover actual and reasonable costs incurred in performing its functions.

Our approach

We note 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' we have used the actual financial results (per the Council's information) for FY21 as our starting point. The audit of the Council's FY21 financial results is currently underway, and we have assumed the audit will not raise any material issues. We 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', we have sought and assessed quantitative and qualitative information. Our 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.

We have completed our assessment in three sections.

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

We have **benchmarked the Council's organisational costs** with publicly available information for a small number of other relevant professional bodies and organisations. This has 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. We note 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?*

In our experience, organisations with good management practices are less likely to incur unreasonable or excessive costs, than organisations with weak management disciplines. We 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?*

We have **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 has involved identifying and adjusting for any one-off and unusual items, known or expected changes in business activity, and inflationary pressures, and reconciling our calculations back to the Council's budget and forecasts.

The purpose of this report is to provide an independent assessment of whether the Council's costs are actual and reasonable.

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.

Each of these three lines of enquiry is discussed in further detail in the sections below in the remainder of this report.

Scope exclusions

We have assumed and relied on information provided for FY21 from the Council's systems to reflect actual costs. We have not carried out any further procedures to test that the Council's information represents actual costs.

Any consideration of fees or other revenues / recoveries is out of scope for this Report.

Limitations

We have relied upon audited financial data for FY20 and FY21 data that is subject to audit, and accept the historic cost information we have reviewed represent actual costs. Our findings and analysis may not be accurate if the FY21 audit is qualified or notes any material issues.

This report is limited by the time available for the work, the agreed scope, the information available, the accessibility of information sources, and clarity or lack of clarity of the objectives.

Our work performed does not constitute an assurance engagement in accordance with New Zealand standards for assurance engagements, nor represent any form of audit under New Zealand standards on auditing (International Standards on Auditing (New Zealand)), and consequently, no assurance conclusion nor audit opinion has been provided. We do not warrant that our enquiries have identified or revealed any matter which an assurance engagement or audit might disclose.

In no way does Deloitte guarantee or otherwise warrant that any forecasts of costs or financial position of the Council will be achieved. Forecasts are inherently uncertain. They are predictions of future events which cannot be assured. They are based upon assumptions, many of which are beyond control. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

Deloitte has not reviewed, nor commented on, the logical integrity of any financial model, or any governance and model management processes established in relation to any Model. Deloitte has relied on a static base case of financial information (actuals and forecasts) provided by the Council.

Deloitte has not reviewed any scenarios or undertaken any sensitivity analysis. Deloitte has not flexed the value of any input assumptions, other than through the development of the shadow forecast. Deloitte has no responsibility to update the Report for events and circumstances occurring after the date of this report. We have no responsibility for changes made to the Council's financial information.

Note all dollar figures in this report are nominal New Zealand dollars. Numbers in tables may not add precisely due to rounding.

Benchmarking

Approach

Our assessment of the Council's proposed costs for delivering its functions includes specific benchmarking with a small number of similar organisations to provide quantitative comparisons of key costs in an appropriate context (including scope and scale of activities).

Information about organisations was sourced from published annual reports and financial statements. Comparison information for the Teaching Council comes from its annual reports, consultation report and internal cost model. Public sector benchmarks were sourced from publicly available information published by the Public Services Commission.

Comparator Organisations

We identified the organisations below as appropriate comparable benchmarks, based on our understanding of roles and availability of information. We have used comparative information obtained from the relevant organisations annual reports in FY18, FY19 and FY20, usually averaged over the three-year period.

Each organisation is unique, and we do not expect exact matches from benchmarking results, but rather an indication of whether there may be unusual costs or features. We also note organisations may have one-off events that can skew operational and financial results in any one year; we sought to mitigate such risk by using three-year averages.

Organisation	Average Members (2018-2020)	Average FTE (2018-2020)	Head Office	Description
Teaching Council of Aotearoa NZ	104,958 ¹	106.0	Wellington, NZ	The Council is responsible for registering and certificating teachers, setting and maintaining professional standards, ensuring teachers are competent and fit to practice, setting standards for programmes that lead to teacher registration, and approval of ITE programmes.
Queensland College of Teachers (QCT)	109,675	66.0	Brisbane, QLD	The QCT is has responsibilities for registration, certification and professional conduct in Queensland. (QCT information obtained from FY18, 19 and 20 annual reports) ²
Victoria Institute of Teaching (VIT)	133,417	89.3	Melbourne, VIC	The VIT provides registration, certification and professional conduct services to teachers in Victoria. (VIT information obtained from FY18, 19 and 20 annual reports) ³
Teachers Registration Board of South Australia (TRBSA)	35,791	N/A	Adelaide, SA	The TRBSA provides registration, certification and professional conduct services to teachers in South Australia. (TRBSA information obtained from FY18, 19 and 20 annual reports) ⁴

¹ Teachers holding a current practising certificate or Limited Authority to Teach

² QCT 2020 Annual Report, p55. QCT 2019 Annual Report, p57. QCT 2018 Annual Report, p55 <<https://www.qct.edu.au/about/corporate-publications>> Accessed Dec 2021

³ VIT 2020 Annual Report, p39. VIT 2019 Annual Report, p36. VIT 2018 Annual Report, p38 <<https://www.vit.vic.edu.au/about/reports>> Accessed Dec 2021

⁴ TRBSA 2020 Annual Report, p29. TRBSA 2019 Annual Report, p23. TRBSA 2018 Annual Report, p26. <<https://www.trb.sa.edu.au/annual-report>> Accessed Dec 2021

NSW Education Standards Authority (NESA)	~150,000	N/A	Sydney, NSW	NESA is responsible for monitoring the quality of teaching, assessment and schools in New South Wales. Additionally, NESA is tasked with the provision of the curriculum for school children from kindergarten to year 12 in the state. (NESA information obtained from FY18, 19 and 20 annual reports) ⁵
Australian Institute for Teaching and School Leadership (AITSL)	538,118	68.1	Melbourne, VIC	AITSL provides professional development and standards functions to the Australian teaching body. The combined functions of AITSL and state bodies are similar to those of the New Zealand Teaching Council. (AITSL information obtained from FY18, 19 and 20 annual reports) ⁶
Nursing Council (NCNZ)	58,018	50.5	Wellington, NZ	The Nursing Council provides registration, competence, certification and conduct functions to the Nursing profession in New Zealand. (Nursing Council information obtained from FY18, 19 and 20 annual reports) ⁷
Chartered Accounts Australia and New Zealand (CAANZ)	125,301	447.3	Sydney, NSW	CAANZ provides registration, certification, conduct, professional development and professional standards functions to the Accounting profession in Australia and New Zealand. (CAANZ information obtained from FY18, 19 and 20 annual reports). ⁸
NZ Registered Architects Board (NZRAB)	2,035	4.5	Wellington, NZ	The NZRAB provides registration and conduct functions to the Architecture profession in New Zealand. (NZRAB information obtained from FY18, 19 and 20 annual reports) ⁹
Social Workers Registration Board (SWRB)	7,851	16.7	Wellington, NZ	The SWRB provides registration, certification, professional development and conduct functions to Social Workers in New Zealand. (SWRB information obtained from FY18, 19 and 20 annual reports) ¹⁰
Midwifery Council (MCNZ)	3,300	8.0	Wellington, NZ	The Midwifery Council provides registration, accreditation, competence, conduct and professional development functions to the Midwifery profession in New Zealand. (Midwifery Council information obtained from FY18, 19 and 20 annual reports) ¹¹
Pharmacy Council (PCNZ)	3,842	12.2	Wellington, NZ	The Pharmacy Council provides registration, competence and professional development functions to the Pharmacy profession in New Zealand. (Pharmacy Council information obtained from FY18, 19 and 20 annual reports) ¹²

⁵ NESA Annual Report 2020, p58. NESA Annual Report 2019, p139. NESA Annual Report 2018, p175. <<https://educationstandards.nsw.edu.au/wps/portal/nesa/about/who-we-are/annual-report>> Accessed Dec 2021.

⁶ AITSL Annual Report 2020, p35. AITSL Annual Report 2019, p46. AITSL Annual Report 2018, p54. <<https://www.aitsl.edu.au/about-aitsl/governance>> Accessed Dec 2021.

⁷ Nursing Council 2020 Annual Report, p51. Nursing Council 2019 Annual Report, p53. Nursing Council 2018 Annual Report, p60.

<https://www.nursingcouncil.org.nz/Public/News_Media/Publications/Annual_report/NCNZ/publications-section/Annual_reports.aspx?hkey=8e07d135-7e88-4024-9a2e-4d55e2900eef> Accessed Dec 2021

⁸ CAANZ 2020 Annual Report, PtlI p1. CAANZ 2019 Annual Report, p61. CAANZ 2018 Annual Report, p66.

<<https://www.charteredaccountantsanz.com/about-us/governance/annual-reports>> Accessed Dec 21

⁹ NZRAB 2020 Annual Report, p19. NZRAB 2019 Annual Report, p15. NZRAB 2018 Annual Report, p14

<<https://www.nzrab.nz/c/Key-Documents>> Accessed Dec 21

¹⁰ SWRB 2020 Annual Report, p57. SWRB 2019 Annual Report, p32. SWRB 2018 Annual Report, p26.

<<https://swrb.govt.nz/about-us/news-and-publications/publications/>> Accessed Dec 21

¹¹ Midwifery Council 2020 Annual Report, p38. Midwifery Council 2019 Annual Report, p39. Midwifery

Council 2018 Annual Report, p35. <<https://www.midwiferycouncil.health.nz/Public/03.-Publications/Publications-Type-A/Annual-Reports.aspx?hkey=ad216505-605a-44cd-93c8-922b6bc33f67>>

Accessed Dec 21

¹² Pharmacy Council 2020 Annual Report, p27. Pharmacy Council 2019 Annual Report, p35. Pharmacy

Council 2018 Annual Report, p39. <<https://pharmacycouncil.org.nz/public/annual-reports/>> Accessed Dec

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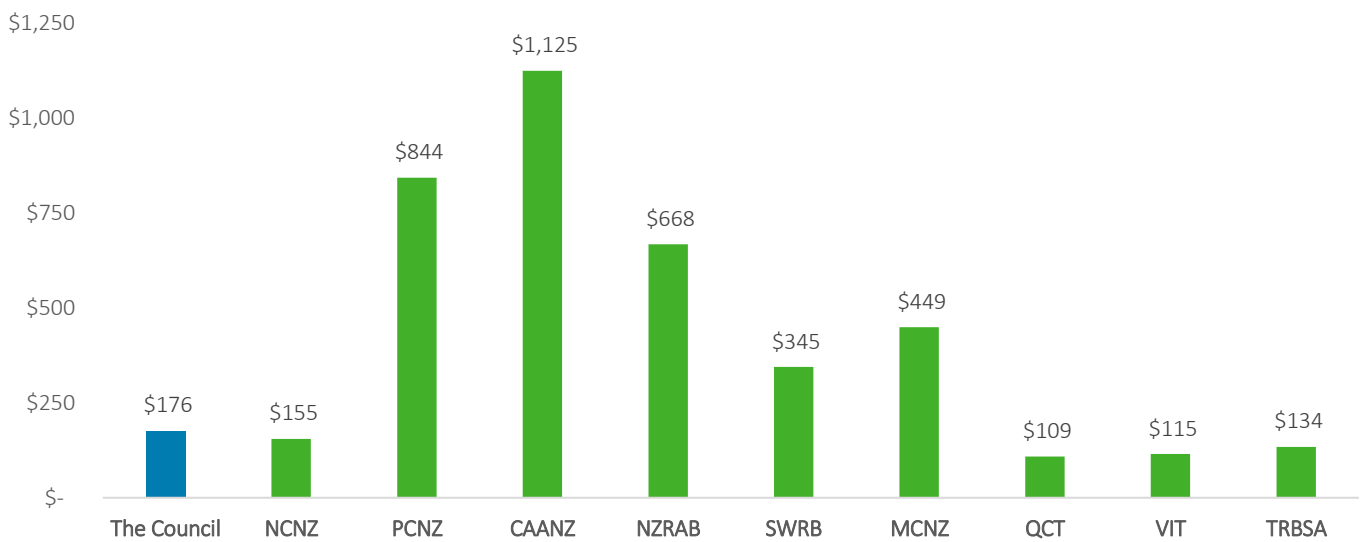
All currency values are expressed in New Zealand Dollars (NZD), and where appropriate an exchange rate of 1.04 NZD/AUD has been applied.

Where actual FTE data was not available, but the number of staff by employment type was, FTE was approximated based on full-time as 1 FTE, part-time as 0.7 FTE and casual as 0.4 FTE.

Total Cost Benchmarks

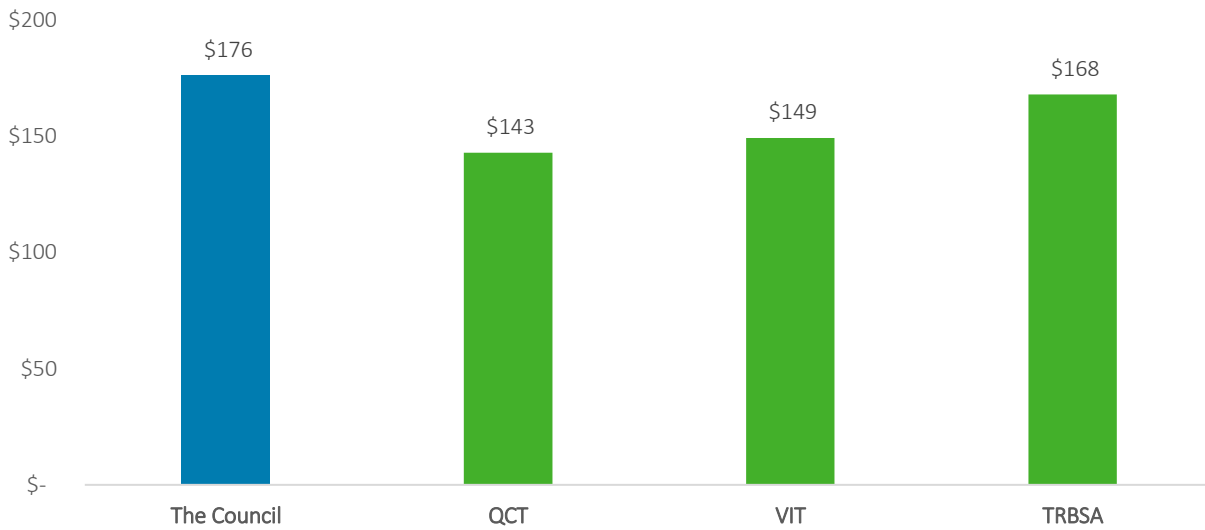
The Council’s costs per member are significantly lower than many other professional bodies such as CAANZ, and similar to NCNZ. They are higher than QCT and VIT in Australia.

Figure 1: Total costs per member averaged over three-year period (FY18-FY20)



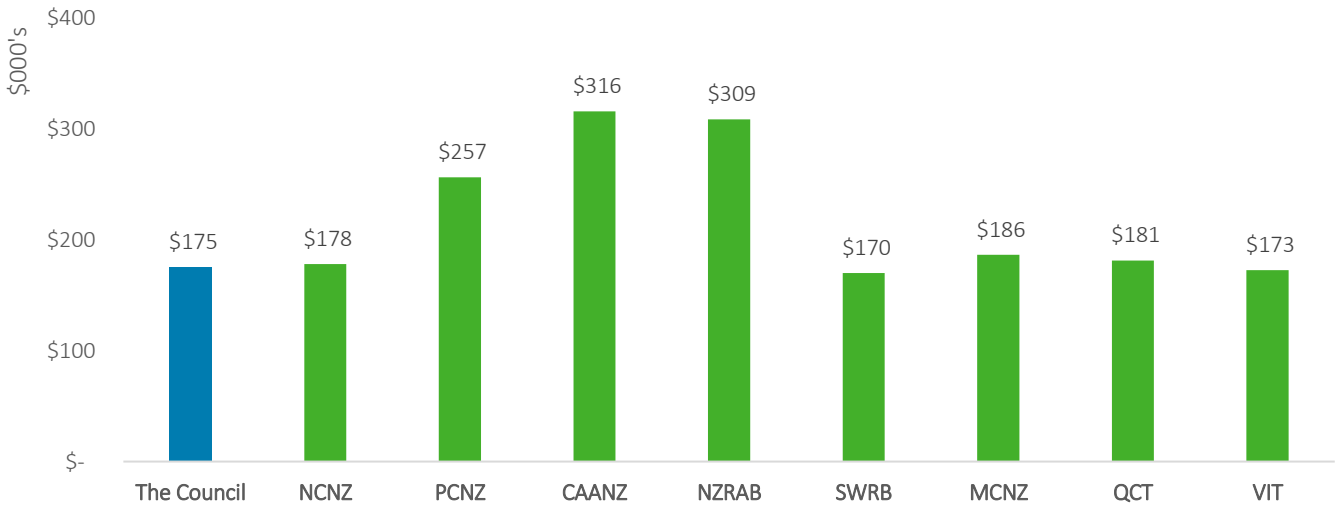
Overall, the chart above shows there is significant variation between organisations. In order to assess the relatively higher costs of the Council compared to QCT and VIT, we recognised that these State organisations do not carry out the full role as the Council does here in New Zealand. Therefore, we carried out an additional comparison for the Australian State-based organisations, with an allocation of AITSL costs to each, to approximate a better like-for-like comparison.

Figure 2: Total cost per member averaged over three-year period (FY18-20) with AITSL costs allocated to Australian State-based organisations¹³



As shown in Figure 2 above, making an additional allowance for AITSL costs in the comparison results in more similar total costs per member across the Council and the three Australian organisations. Note Figure 2 is the only chart where we have made this adjustment for AITSL costs.

Figure 3: Total cost per FTE averaged over three -year period (FY18-20)



The Council’s total cost per full-time employee (FTE) is very similar to five of the comparator organisations, and significantly lower than PCNZ, CAANZ and NZRAB.

We believe the benchmarking of total costs above does not highlight any issues of reasonableness.

¹³ Adjusted for approximate share of AITSL costs for each State

Personnel Costs and Salaries

Average personnel costs per FTE incurred by the Council sit reasonably in line with other New Zealand-based organisations and slightly below Australian organisations.

Figure 4: Personnel costs per FTE averaged over three -year period (FY18-20)

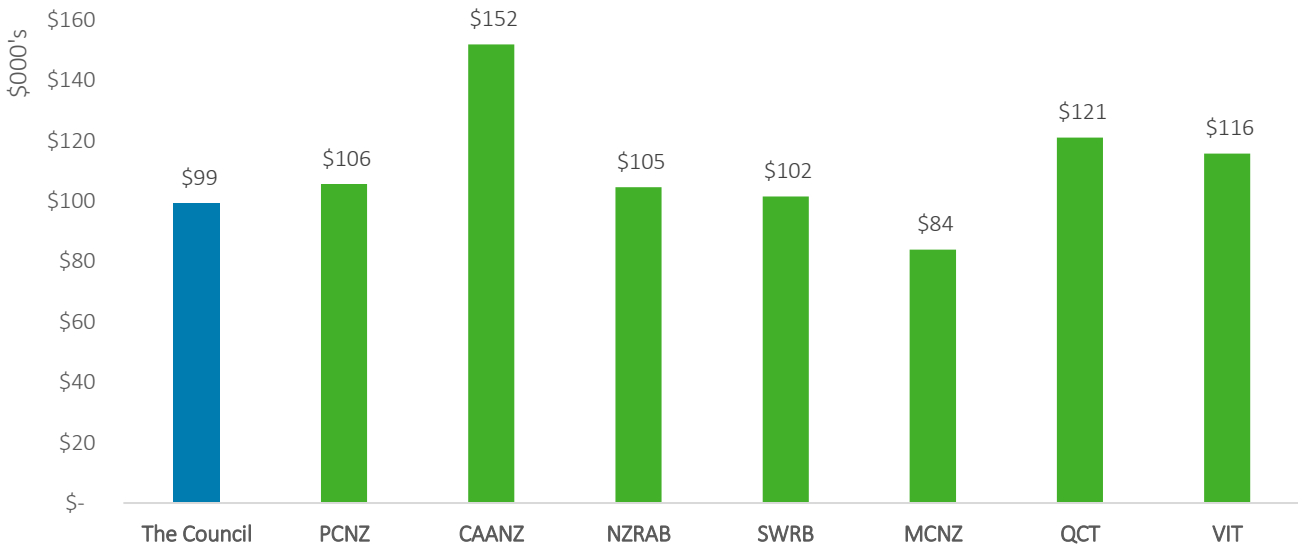
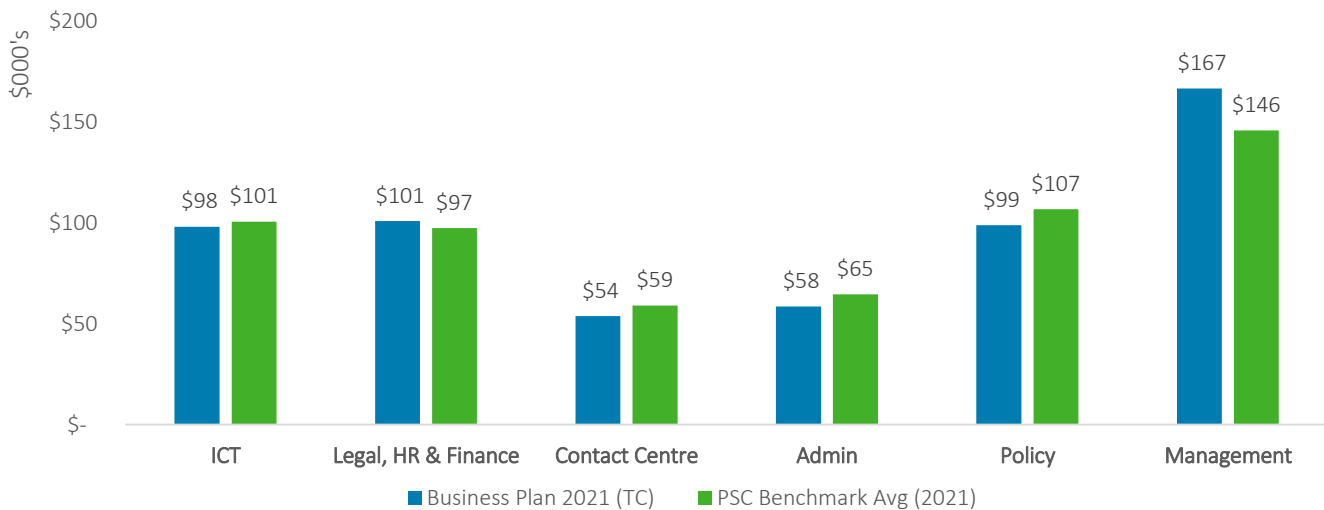


Figure 5: Teaching Council’s salary compared to other public sector entities for occupation types¹⁴



Council salaries are comparable to other agencies within the public sector across each of the five occupation types (excluding Management). The Council’s average salaries for Management are somewhat higher than the public sector average. We note the public sector average for Management includes all staff who have staff reporting to them – i.e. would include managers and team leaders at Tier 5 and even Tier 6 in large public sector organisations. The Council figures reflect a smaller organisation with fewer reporting Tiers. Note we also discussed the salary-setting process with the

¹⁴ Benchmarked using Public Service Commission’s annual public sector workforce data for 2021 <<https://www.publicservice.govt.nz/our-work/workforce-data/remuneration-pay/wage-trends/>> Accessed Jan 2022.

Council (refer page 18). We believe the process used by the Council to set salaries is appropriate and in line with good practice.

We believe the benchmarking of personnel costs above does not highlight any issues of reasonableness. In particular, we believe this benchmarking shows the Council’s personnel costs are in line with other public sector entities, as well as other professional organisations.

Legal Fees

We selected legal fees as a cost category for benchmarking, given this is a significant area of expenditure for the Council’s Professional Responsibility area in particular.

Benchmarking the Council’s external legal fees incurred per member, and as a percentage of total costs, suggests the Council’s costs are relatively high.

Figure 6: Legal fees per member averaged over three -year period (FY18-20)

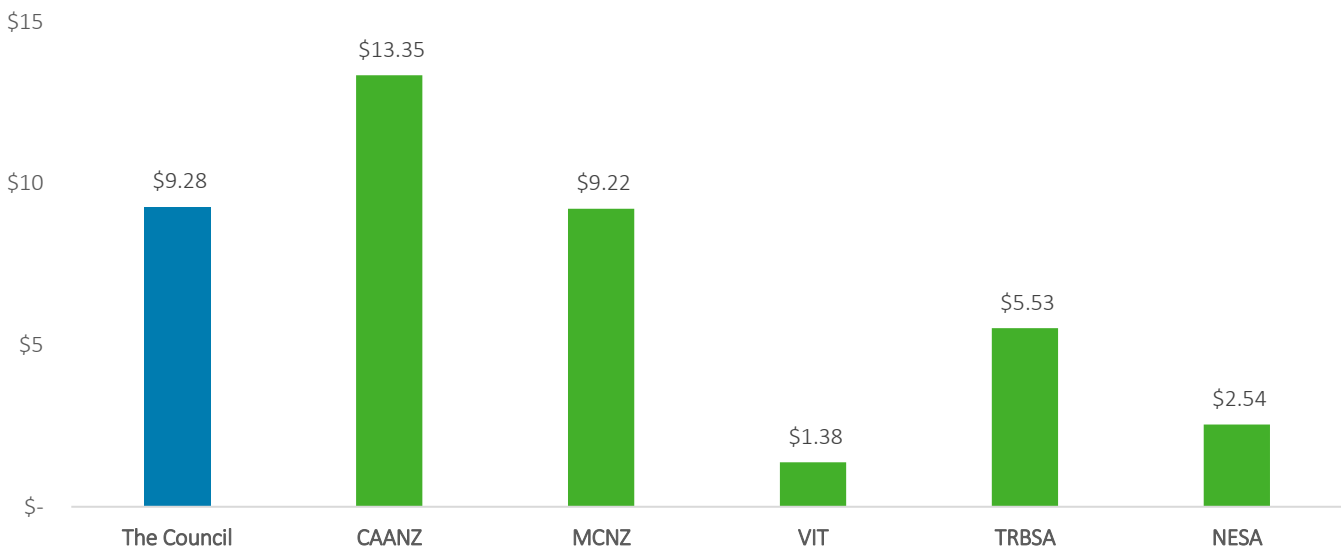
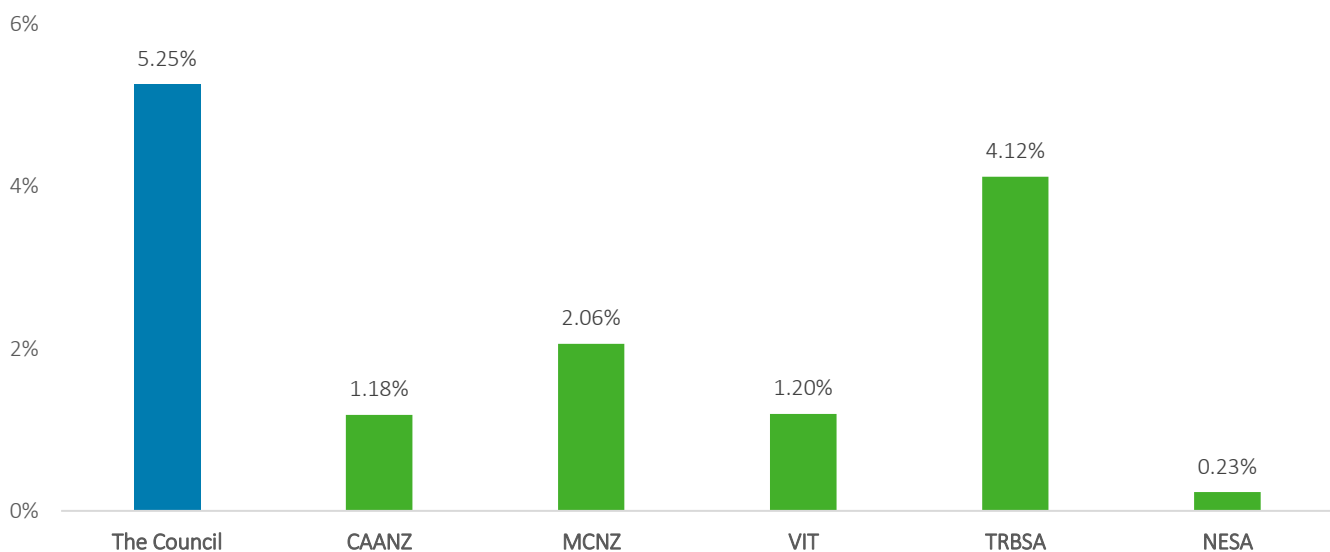


Figure 7: Legal fees as a percentage of total costs averaged over three -year period (FY18-20)



These high costs may reflect the additional work the Council is currently undertaking in the Professional Responsibility area to address a historic backlog of cases, the greater proportion of cases that go through to the Disciplinary Tribunal, and the recent Judicial Review process the Council has undergone.

While we do not believe the benchmarking of legal costs above highlights clear issues of reasonableness, this is an area of the Council's expenditure that may warrant further review (also refer page 19 below).

Corporate Services

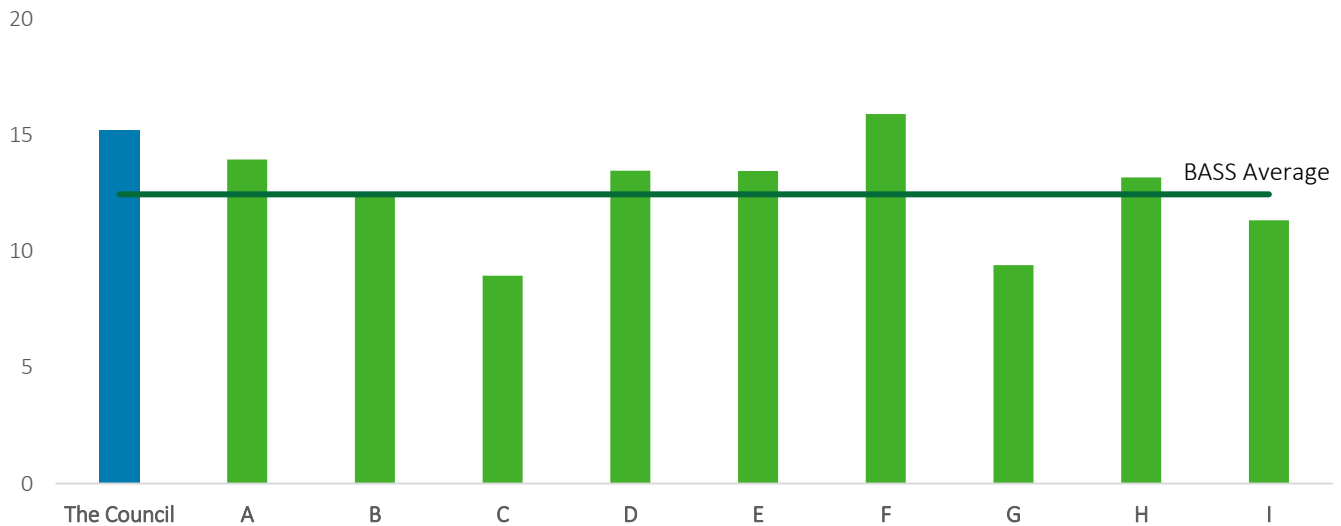
New Zealand Treasury's Benchmarking Administrative and Support Services (BASS) benchmarks¹⁵ provide a comparison for staff numbers in corporate service departments. While BASS has not been continued since 2017 data, and the information available is somewhat dated, we believe it remains a relevant yardstick for assessing the size of corporate functions (comparing functional FTE to total organisational FTE).

We benchmarked the Council against nine government organisations with fewer than 600 total FTE. These organisations are denoted by the letters "A" through "I" in the following charts. Note only two of these organisations had between 100-120 FTE (similar to the Council) and the remainder were significantly larger (up to 577 FTE).

Corporate services FTE metrics for the Council include the heads of each service area (e.g. Chief People Officer and Chief Financial Officer).

The comparisons show that the Council's corporate services are slightly above the BASS average overall.

Figure 8: Combined corporate services FTE per 100 total FTE



¹⁵ Treasury NZ BASS Benchmarks for FY17 <<https://www.treasury.govt.nz/information-and-services/state-sector-leadership/cross-agency-initiatives/benchmarking-administrative-and-support-services>> accessed Dec 2022

Figure 9: HR FTE per 100 total FTE

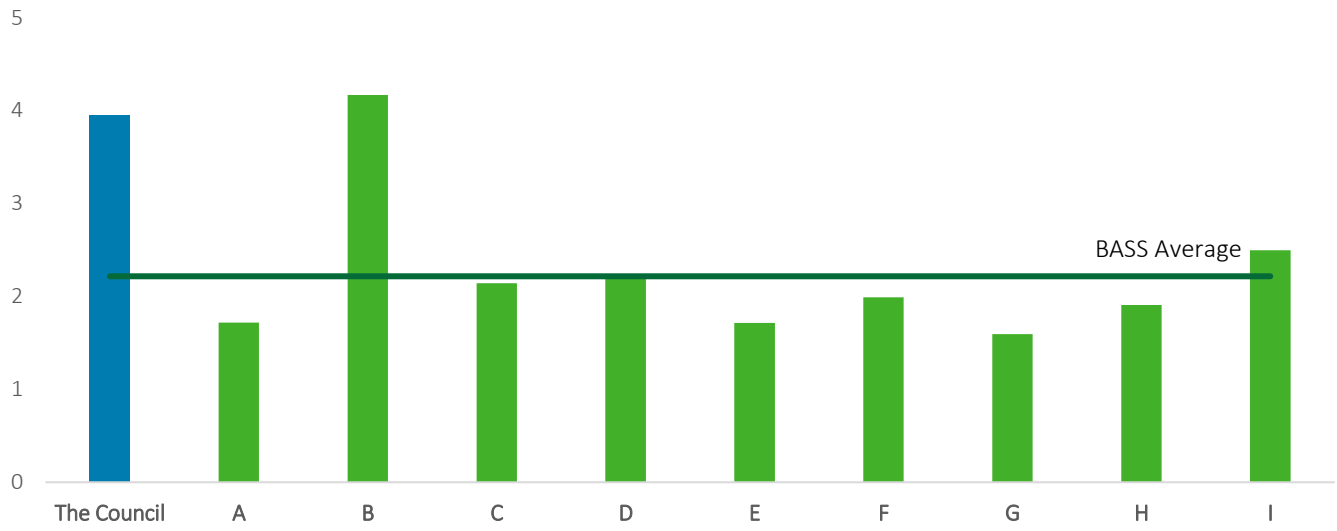


Figure 10: Finance and procurement FTE per 100 total FTE

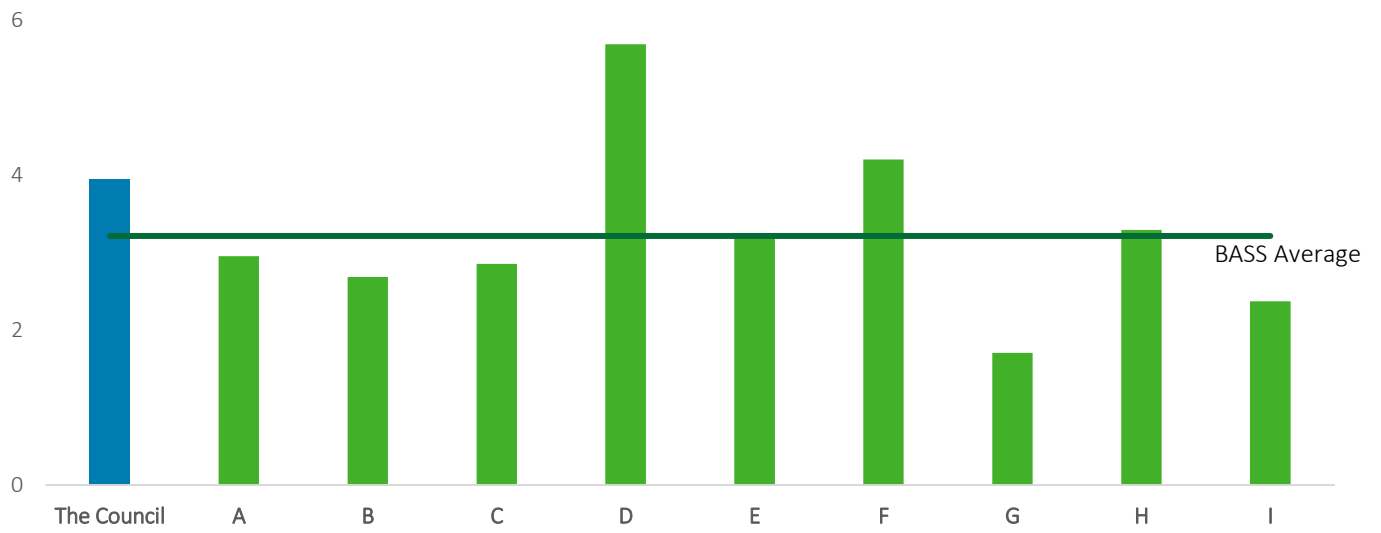


Figure 11: Communications FTE per 100 total FTE

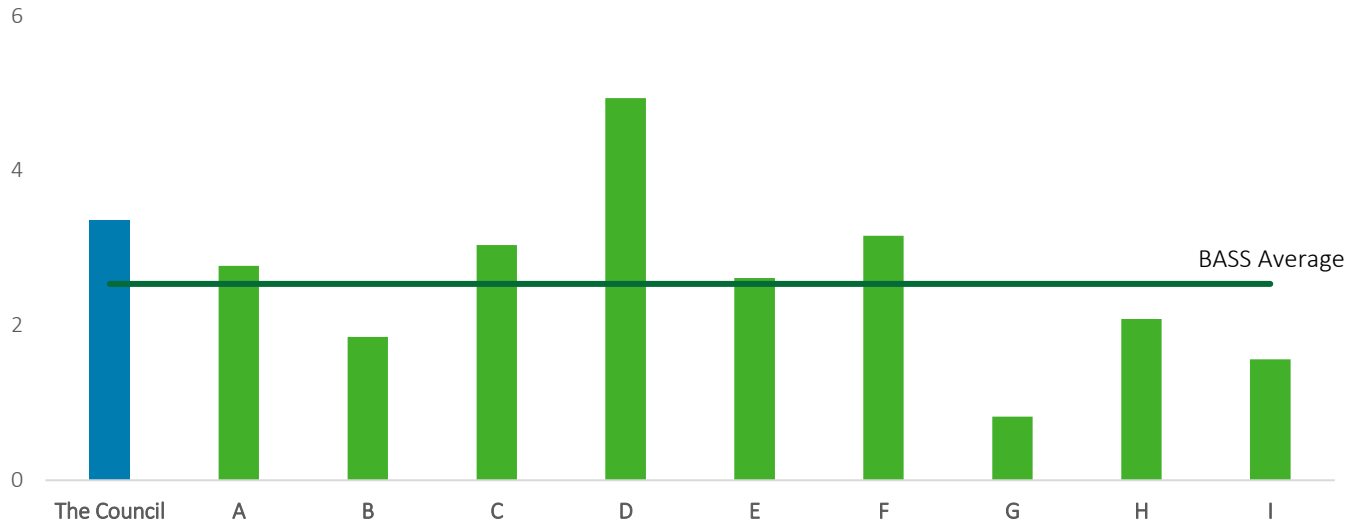
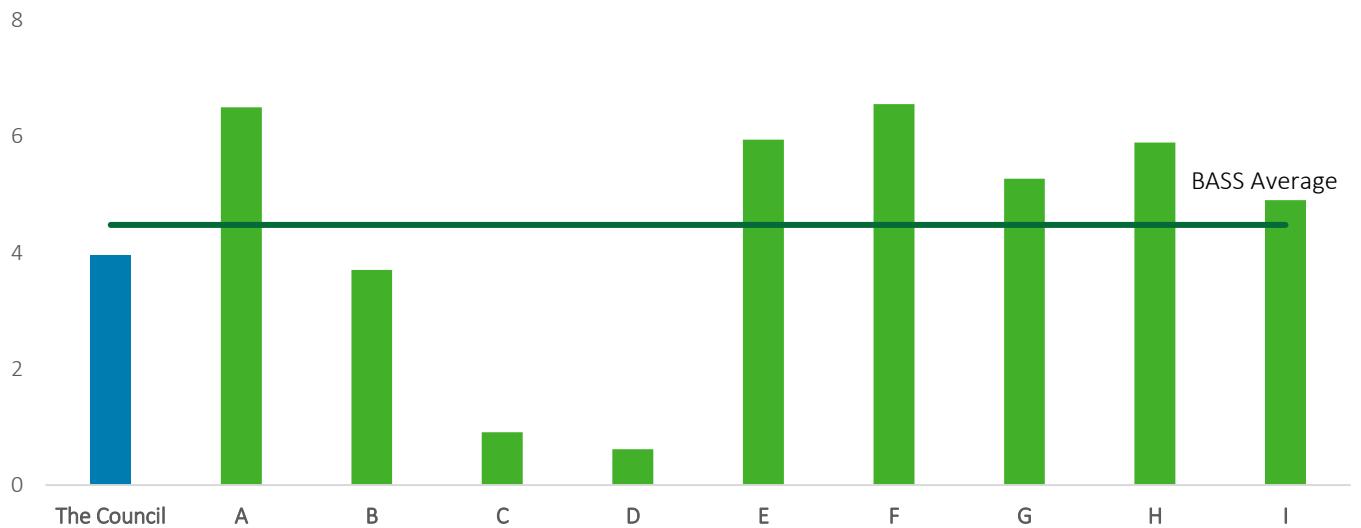


Figure 12: ICT FTE per 100 total FTE



We believe the benchmarking of Corporate services FTE above does not highlight any issues of reasonableness. In our experience, smaller organisations will tend to be higher on these measures, as they have a smaller organisational complement for the denominator while still needing to carry out each function effectively – i.e. they lack economies of scale that larger organisations can benefit from.

Management

Approach

We have explored the strength of the Council's management processes as part of our assessment. This is based on the hypothesis that an organisation with good management disciplines is more likely to incur reasonable costs than an organisation with weak management disciplines.

As part of our work, we gained an understanding of specific processes through interviews and posed written questions, reviewed responses and reviewed a range of other documentation provided.

External scrutiny

We note the Council – like most organisations – undergoes annual audit scrutiny, and has also been subject to some monitoring by the Ministry of Education. While this scrutiny has not explicitly focused on reasonableness of costs, we would expect readers of this Report to take some confidence in the Council's management processes and costs from such regular, external scrutiny.

We reviewed the *Report to the Governing Council on the audit of (the) Teaching Council of Aotearoa New Zealand* for the years ended 30 June 2020 and 30 June 2019. This type of report is commonly used by auditors to make recommendations in relation to management practices and cost control, based on their observations during the audit. We note no "urgent" recommendations (the highest priority) were raised in either year.

We also interviewed members of the Ministry of Education's Monitoring and Appointments team. The team's monitoring role commenced at the end of 2016 when Cabinet agreed to provide funding to the Council until the end of the 2019 financial year. The funding gave the Teaching Council a period of time to put a new fee structure in place to be financially sustainable and self-sufficient, and the funding agreements have been extended (as required) since 2019.

The Ministry's role was to monitor the Teaching Council's progress towards financial sustainability and self-sufficiency, which primarily involved reviewing quarterly reports provided by the Teaching Council and engaging regularly with the senior leadership team. The monitoring was focused on financial performance and position (both historic and forecast), whether the Teaching Council had sufficient people, processes and structure in place for an organisation of its size, and whether the Teaching Council had met milestones in the funding agreements. We note the role was not to advise on any value for money or reasonableness of expenses being incurred.

The final monitoring report was provided to the Minister of Education in July 2020. Through our interview with the Ministry team and review of documentation, we are not aware of any significant, ongoing management concerns identified through this monitoring.

Risk, Audit and Finance Committee (RAFC)

We talked to the Chair of the Risk, Audit and Finance Committee, which is a sub-committee of the Governing Council.

The RAFC has an important role in assurance and cost management and budget control for the Council. This includes:

- Approval of the annual budget, including discussion and challenge with management
- Review of monthly financial performance and variance reporting
- Review of quarterly financial reforecasts

The RAFC and management have established a “sweep” process whereby some under-spend variances against budget are set aside throughout the year (where these are not identified as temporary in nature). This discipline reduces the risks the Council incurs unnecessary expenditure against budget line items and is a common, good practice approach to cost management. For example, we understand the Council was able to fund around \$300k of one-off project work from money that had been budgeted for operations, but was identified as being able to be saved in FY21.

Salary setting

We interviewed the Chief People Officer to understand how the Council sets salaries for its staff.

Remuneration is determined by the size of each role, and the Council uses data from Strategic Pay (an external, specialist source of remuneration and market information) to set salary bands for positions.

Each employee’s remuneration is then based on their position, the salary band, and their performance.

There is also Governing Council oversight via the HR and Remuneration Committee, which meets every two months, and also reviews reports in relation to recruitment, turn-over and health and safety.

As well as using Strategic Pay, the Council reviews public sector data made available by the Public Service Commission (PSC) to benchmark salaries. As our earlier analysis shows (refer to Figure 5), the Council’s salaries across a range of functions is closely aligned with PSC benchmarks.

We believe the process used by the Council to set salaries is appropriate and in line with good practice.

Operational areas

We posed a range of high-level questions to each of the Council’s operational areas, covering:

- Performance, how this is tracked and recent trends
- Operational workload, demand, cost drivers and recent trends
- Operational changes made or considered to improve performance

The Council provided a range of documentation as well as some specific written answers in response to these questions, across each of its core operational areas, and we supplemented this through interviews with some Council staff.

At an overall level, we were satisfied with the responses to our questions. In particular, the responses provided us with confidence the Council:

- Seeks to measure performance and understand performance, with a range of measures established across most of the operational areas.
- Has challenged itself (including through the budgeting process) to right-size its resources and efforts, to meet workload demand as well as appropriate service levels.
- Has implemented changes to improve the efficiency or quality of its processes, and continues to seek opportunities to do so.

We believe these management behaviours and disciplines are an indicator the Council has sound management practices in place.

Some of the specific examples we would like to highlight in this report are summarised in the table below:

Function / Area	Example
Dashboard Reporting	<p>The Council has started to develop dashboard reports that present performance information to management in a transparent, timely and digestible way. We understand the Council plans to extend and build on this reporting capability, so it provides coverage and performance measures across all core operational areas. We support this objective.</p> <p>We believe this demonstrates the Council is seeking to streamline its management practices and information, and challenges itself to better understand organisational performance.</p>
Better Systems	<p>The Council completed its Online Services project in FY21, which included moving paper-based applications to a new online platform. This has resulted in both service-level improvements for members, as well as efficiency savings in Registration. We understand the Council plans to continue to move business processes onto its new systems to enhance information management and workflow. We support this objective.</p> <p>We believe this demonstrates the Council actively seeks and implements performance improvements – and, crucially, has been able to implement and realise benefits.</p>
Professional Responsibility	<p>This area of the Council’s responsibilities has been subject to significant pressures and change since 2016. In terms of workload, the average number of mandatory reports the Council receives per annum has increased around 50% (from 400 to 600 per year), and the proportion of cases that must be referred to the Disciplinary Tribunal (rather than being fully resolved by the Complaints Assessment Committee) has increased significantly.</p> <p>The Council recognised a backlog of cases needed to be addressed, so resolution times could be reduced to more acceptable levels. The Council increased its resourcing in response. While this backlog is not yet fully addressed, the Council has made significant progress reducing this.</p> <p>The Council has also sought to understand what was driving the increased workload, what can be done to make the process more efficient and what can be done to make the process more effective. This has included:</p> <ul style="list-style-type: none"> • Planning and progressing a proposal for law changes, to reduce the need for such a high proportion of cases to be referred to the Disciplinary Tribunal • Seeking specialist external advice on how it can improve its process (in terms of robustness and fairness of outcomes) • Making tactical enhancements to streamline its process – e.g. in relation to how cases are triaged

-
- Planning further roll-out and adoption of its new online platform for the end-to-end case management process

This has clearly been challenging for the Council, as it has sought to run Professional Responsibility processes efficiently and effectively. We believe it demonstrates the Council's ability to respond and seek to fix issues, as well as its process improvement mindset – balancing efficient use of resources with appropriate levels of service and responsiveness to members.

Conclusion

Our assessment in this area provides us with confidence the Council has good management disciplines in place, and is continuing to seek to strengthen how it manages and operates its business.

Our work has not highlighted any issues that provide us with material concerns about the reasonableness of the Council's costs.

Costings

Approach

Our approach to Costings was to carry out two sets of reconciliations / calculations:

- Rebuilding the Council's FY22 (current year) financial operating budget, based on FY21 actuals and comparing this to the Council's FY22 budget
- Forecasting the Council's FY23, FY24 and FY25 (three out-years) costs by developing a "shadow" model to compare with the Council's own forecasts for this period, based on the FY22 budget.

Throughout this process, we challenged assumptions, reconciling items and differences, seeking explanations from the Council for any significant differences.

The purpose of our work and approach was to gain confidence the Council's budgeting and forecasting has adopted reasonable assumptions and information about business activity, as well as mitigating the risk the Council may have made a significant arithmetical error in its budgets and forecasts (through parallel or "shadow" model calculations).

Data and structure of the financial information

The Council provided a comprehensive list of General Ledger (GL) actual costs from FY21, as well as a functional structure of the Council, which it is using as a part of its consultation and pre-engagement. Core operational (non-corporate) expenditure functions are as follows:

- Professional Responsibility
- Registration
- Contact Centre
- Professional Service – Policy and Implementation
- Professional Services – Teacher Capability and Collaboration
- Projects

Additionally, corporate services are divided into six further functions (Finance, IT, HR/Admin, Communications, Executive, Governance Council)

Steps in our approach

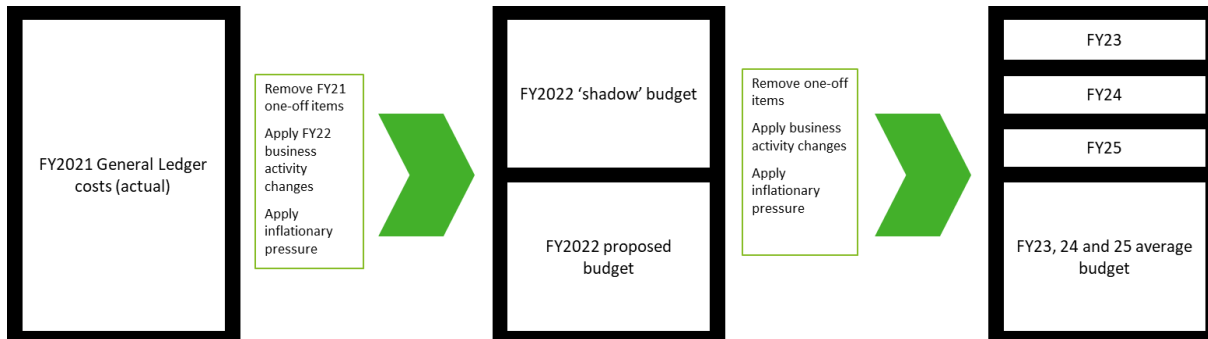
Assessing the Council's FY22 budget involved the following steps:

1. Allocating the full FY21 GL costs to the functions of the Council
2. Bridging the FY21 cost to the budget by identifying and adjusting **for one-off and unusual cost items** which occurred in FY21.
3. Reviewing and applying the Council's **business activity changes** to take place in FY22
4. Reviewing and applying further **inflation pressures** to the model.

Forecasting the Council's FY23-FY25 costs involved repeating step 2,3 and 4 in relation to the FY22 budget.

This is illustrated in the diagram below:

Figure 13: Process for model build and assessment of the Council’s budgets



Findings – FY22 Budget comparison

Comparison by function of actual costs in FY21 and budget costs in FY22 (all \$000s)

Function	FY21 Actual Cost	FY22 Budget Cost	Comments
Professional Responsibility	3,932	4,337	Around 10% increase reflects activity is expected to be higher in FY22 (to continue to work through the backlog) and more Complaints Assessment Committee and Disciplinary Tribunal hearings will involve travel.
Registration	1,628	1,480	Around 9% decrease relates to lower staffing planned for and required in FY22 than FY21, and some operating cost savings from moving to online systems.
Contact Centre	580	509	Around 12% decrease relates to lower staffing planned for and required in FY22 than FY21, and some operating cost savings from moving to online systems.
Policy and Implementation	742	761	Small difference relates to modest inflationary pressures.
Teacher Capability and Collaboration	1,856	1,988	Travel in FY21 in relation to Initial Teacher Education (ITE) work was very low, and this is expected to revert to more normal levels in FY22, leading to slightly higher costs.
Projects	1,517	600	Project expenditure in FY21 included the categorisation of the Judicial Review as a project, and this drove an unusually high level of expenditure that is not expected to be replicated.
Corporate Expenditure	7,498	8,492	IT Expenditure in FY21 was unusually low, reflecting a credit for licences received from the Ministry of Education. Higher licensing and maintenance costs in FY22 (also reflecting the investments in online systems) explain almost half of the increase in Corporate Expenditure, and a significant increase in depreciation accounts for the majority of the remaining cost increase.
Total	17,753	18,167	

Throughout our assessment of the FY22 budget, the Council has been able to answer our questions, reconcile and explain differences. We are satisfied the Council has provided us with a reasonable rationale for the current FY22 budget.

Findings – FY23-FY25 forecasted cost comparisons

Comparison by function of budget costs in FY22 and forecast costs for three outyears
– averaged across FY23 to FY25 (all \$000s)

Function	FY22 Budget Cost	FY23-FY25 Average	Comments
Professional Responsibility	4,337	4,272	The Council expects to achieve savings in legal costs over the forecast period, as a result of reduced workload. This is somewhat offset by expected salary inflation.
Registration	1,480	1,629	The increased costs are due to a provision for salary inflation and higher bank fees – the latter relating to greater volume of card and online transactions.
Contact Centre	509	534	Small difference relates to modest inflationary pressures.
Policy and Implementation	761	799	Small difference relates to modest inflationary pressures.
Teacher Capability and Collaboration	1,988	2,037	Small difference relates to modest inflationary pressures.
Projects	600	800	The Council intends to set aside an additional \$200,000 per year for projects, compared to FY22.
Corporate Expenditure	8,492	8,753	Other than a provision for salary inflation, the increase includes higher expenditure on software licensing and maintenance (as the Council extends its new systems across operational areas).
Total	18,167	18,825	

Our parallel development of these forecasts has not highlighted any material arithmetical errors. These forecasts (and changes from FY22) are based on three key assumptions:

- The Council is providing 2.5% each year for increases in personnel costs. We believe this is reasonable. There is currently significant inflationary pressure on the talent market in New Zealand and Wellington, and this provision is required to help ensure the Council is able to retain or attract the workforce it needs.
- The Council is **not** providing for inflation on any other costs. Although general inflation has increased over the last year, and is forecast to remain above historic norms, we believe this assumption is reasonable. This is because some cost base items are “locked in” and not subject to inflation (e.g. depreciation and property costs already contracted for) and the Council can be expected to deal with inflationary pressures by either reprioritising expenditure (e.g. through the sweep process) or managing demand / usage (e.g. reducing travel if airfares increase significantly).
- The Council expects to reduce legal costs, reflecting potentially lower workload from the proposed law change in relation to Professional Responsibility and significant progress having been made on the backlog of cases. We believe this assumption is not unreasonable. It is difficult to predict what these costs might be, given the uncertainty and level of change in this part of the Council’s business (*also refer page 19 above*).

Observations

Three-year period

The Council has selected a three-year period over which to forecast costs and set fees and levies. Practicing certificate renewals are required every three years, and there is therefore a natural three-year cycle of applications for the Council and its members. We believe the Council's approach of using a three-year period is reasonable from a financial management perspective.

Risks

New Zealand's economy is currently experiencing an unusually high level of inflation (both CPI and wage inflation), and there is significant uncertainty around how long this might persist and at what rates. In its forecasts, the Council has allowed for 2.5% increases per year for personnel costs, but no additional general inflation.

Consumer Price Index (CPI) figures released by Statistics NZ on 27 January 2022 showed annual price inflation in the December 2021 quarter was 5.9 percent, up from 4.9 percent in the previous (September) quarter.

We have discussed the risk that actual inflationary pressures will be higher over the three-year period with the Council, and understand it has a range of mitigations available if this were to occur – ultimately having the ability to use some of its accumulated reserves, should that be required. We note there are uncertainties and risks in any financial forecast.

Appendix A – Benchmarking Tables

Notes about information availability – Benchmarking

We sought to include as many relevant benchmarked organisations in each benchmark as practicable. However, due to differences in information availability and reporting, some benchmarks exclude potentially relevant organisations.

Notably TRBSA and NESAs annual reports did not contain staff or FTE details. Other Australian teacher registration bodies, such as Western Australia, were excluded as we were not able to readily source information.

NESA was also excluded from several benchmarks due to its high annual expenditure, due to its wider mandate compared to other organisations.

Benchmarking with allocated AITSL costs

The Australian Institute for Teaching and School Leadership (AITSL) provides professional development and standards functions to the teaching profession in Australia at a Federal level. On the other hand, each Australian state has its own professional body for teachers delivering registration, certification and conduct services.

We apportioned AITSL costs across State bodies based on membership (number of teachers in each state) to enable the comparison in Figure 2 of this Report. This approach provides a more “like-for-like” comparison between the State bodies and the Teaching Council, in terms of core functions.

Appendix B – Costings

Attached below is a detailed snapshot of all FY21 actual costs, FY22 budgeted costs and forecasted FY23, FY24 and FY25 costs for the Council under each function (all \$ thousands).

Function	FY21 Actual Cost	FY22 Budgeted Cost	Change from FY21 to FY22		3-year average (FY23-FY25)	Change from FY22 to 3-year average (FY23-FY25)
			(\$)	(%)		
<i>Professional Responsibility</i>	3,932	4,337	405	10.3	4,272	-55
<i>Registration</i>	1,628	1,480	-148	-9.1	1,629	149
<i>Contact Centre</i>	580	509	-71	-12.3	534	26
<i>Professional Services (Policy and Implementation)</i>	742	761	19	3	799	38
<i>Professional Services (Teacher Capability and Collaboration)</i>	1,856	1,988	132	7.1	2,037	48
<i>Projects</i>	1,517	600	-917	-60.4	800	200
<i>Corporate – Finance</i>	1,509	1,794	285	18.9	1,642	-152
<i>Corporate – IT</i>	1,428	1,835	407	28.5	2,100	265
<i>Corporate – HR/Admin</i>	2,256	2,552	295	13.1	2,642	101
<i>Corporate – Communications</i>	587	605	18	3	632	27
<i>Corporate – Executive¹⁶</i>	1,450	1,342	-107	-7.4	1,401	58
<i>Corporate – Governance Council</i>	268	364	96	35.8	337	-27
Total	17,753	18,167	414	2.3	18,825	679

¹⁶ Note this includes salaries as well as other cost budgets held by the Executive such as for corporate legal services

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