

4 March 2025

Ian McEwan  
Chief Financial Officer  
Teaching Council of Aotearoa New Zealand  
Level 11/7 Waterloo Quay  
Pipitea  
**Wellington, 6011**

Dear Ian,

## Review of Operating Cost Forecast

### Introduction

Deloitte (**Deloitte** or **we/us**) was asked to review The Teaching Council of Aotearoa New Zealand's (**you, the Client,** or the **Council**) forecast of operating costs.

The Council has developed a financial model to forecast the three-year period from FY26<sup>1</sup> to FY28. This is being used as the basis for consultation on new fees and levies over that period. We have completed development of a parallel model to compare the results of the Council's model. The purpose of this process is to provide confidence the Council's forecasts have been calculated correctly, based on the assumptions we were provided.

This letter outlines the approach and results of our work, as agreed in our signed Consultancy Services Order (CSO) dated 23 January 2025.

### Background

The Education and Training Act 2020 was amended in 2021 to include section 480(6) requiring that the Council can only recover the actual and reasonable costs incurred in performing its mandatory functions set out in Section 479(1). The Council sets fees and levies for a three-year period, which reflects the fluctuations in application volumes with a peak year every three years. Fees and levies were increased with effect from 11 July 2022 following consultation with the profession between February and April 2022. The Council now plans to consult with the profession through to April 2025 on the appropriate fees and levy to apply from 1 July 2025.

### Scope

Our scope was to develop a parallel model, based on the same assumptions as the Council has used. We have then compared results between our parallel model and the Council's model to highlight potential issues.

The models disaggregate organisation-wide operating costs into 10 statutory functions (refer Appendix). We agreed with you a materiality level at \$500,000.

The Council provided the set of assumptions to model, using the FY25 Budget as the base year.

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<sup>1</sup> The Financial Year end 30 June 2026. In this letter, we have used the convention of describing financial years using "FY" and the year in which these conclude.

## Modelling Approach

The following outlines our approach in developing our parallel model:

1. Obtained the FY25 Budget (operating costs) provided by the Council across the following business divisions: Professional Responsibility, Registration & Contact Centre, Professional Services, Corporate, and Strategic Projects & Business Improvement Initiatives.
2. Using the FY25 Budget as the starting point, applied cost escalation per Table 1 below and specific cost adjustments as outlined in Table 2 below, to form the FY26-FY28 annual forecasts. Note the sequence of these calculations was to apply cost escalation first, and then the Table 2 adjustments in nominal terms.
3. Calculated the average annual FY26-FY28 figure for each cost item and allocated it to each of the Council's Statutory functions based on allocation factors provided to us by the Council.
4. Calculated the gross operating cost for each of the three financial years from FY26-28 as per Table 3 and the average gross operating cost for each statutory function.
5. Applied further targeted savings, grants, and other revenue to the average gross operating cost for each statutory function to calculate net expenditure. This is presented in Table 3 below. Note the revenue adjustments to the FY25 budget are shown in Table 2 along with the abovementioned cost adjustments.
6. Calculated fee per teacher on a per statutory function and total basis, including and excluding GST as per Table 4, by dividing net expenditure for each statutory function by a denominator (see Table 5). This denominator is largely made up of the applications attributed to each statutory function and the difference in the fee paid by teachers renewing compared to teachers moving from full to temporary.
7. Compared all the above to the Council's results (see Table 6).

The **reference version of the Council's model** we have used is:

- 17.02.25 Cost Model.xlsx | Last modified: 26/02/2025 9:39 am | Size 254 KB

## Escalation Assumptions

The following general escalation rates (Table 1) have been applied in the model, with FY25 as the base year (0% escalation) and FY26 as the first year of escalation.

**Table 1: Annual Escalation Assumptions**

%	
Salaries & Temps (includes inflation adjustment)	3.0%
Contractors & Consultants	3.0%
Legal Costs	3.0%
Insurance	5.0%
Computer Licences & Maintenance	10.0%
Learning & Development	3.0%
Recruitment Costs	3.0%

Source: Management Information, Deloitte Analysis

## Specific Adjustments

Table 2 below outlines all the further specific adjustments made to each forecast year from FY26-FY28. Note these are year-on-year changes – for example, the increase in FY26 in legal costs (refer second line) of \$450,000 is then reversed across FY27 and FY28.

**Table 2: Specific Adjustments**

\$NZD	FY26	FY27	FY28
<b>Professional Responsibility</b>			
Personnel costs	(100,000)	(100,000)	
Legal costs	450,000	(350,000)	(100,000)
<b>Registration</b>			
Bank charges	25,000		
<b>Policy &amp; Implementation</b>			
Personnel costs	40,000		
<b>Finance &amp; Shared Services</b>			
Personnel costs	125,000		
Depreciation	(18,000)		
Building costs			69,981
<b>IT</b>			
SaaS Developments *	704,000		
<b>Executive</b>			
Personnel costs	195,000		
<b>Strategic Projects &amp; Business Improvement Initiatives</b>			
Projects funded by Teacher Fees / Levy *	(1,954,000)		
<b>Recovery / Grants / Interest Income</b>			
Professional Responsibility Cost Recovery	(3,000)		
ITE Appraisal Recovery	(87,930)		
Interest/Sundry Income	(195,064)		

Source: Management Information, Deloitte Analysis

\* Part of the reduction in Strategic Projects has been recategorised as SaaS Developments

## Net Expenditure

Table 3 below presents net expenditure and the allocation across the Council's statutory functions (refer Appendix for a list and description of these functions). Note gross and net expenditures below are in annualised nominal terms as the average (mean) of the three forecast years FY26 to FY28.

**Table 3: Net Expenditure**

\$NZD	FY26	FY27	FY28	Average
Gross operating cost	21,369,992	21,464,600	21,989,322	21,607,972
Additional savings/revenue				(281,500)
Recovery/grants/interest income				(2,204,000)
<b>Net expenditure</b>				<b>19,122,472</b>
S479(1)(l, m, n)				8,937,227
S479(1)(l, o)				851,289
S479(1)(d, e, f, p)				5,780,115
S479(1)(g, h)				916,145
S479(1)i)				1,215,241
S479(1)(k)				340,903
S479(1)(j)				96,193
S479(1)(a)				291,864
S479(1)(b)				389,741
S479(1)(c)				303,753
<b>Total</b>				<b>19,122,472</b>

Source: Management Information, Deloitte Analysis

## Teacher Fees

Table 4 presents a breakdown of our calculated levy/fee per teacher (including and excluding GST). It presents the fee across the Council's statutory functions and as a total. Note the fee for function S479(1)(d, e, f, p) is calculated after deducting \$1,094,684 of various other payments (e.g. overseas application fees and late fees).

**Table 4: Teacher Fees (NZD)**

Statutory function	Net Expenditure	Other Payments	Denominator	Fee (excl GST)	Fee (incl GST)
S479(1)(l, m, n)	8,937,227		40,892	218.56	251.34
S479(1)(l, o)	851,289		39,642	21.47	24.70
S479(1)(d, e, f, p)	5,780,115	1,094,684	42,167	111.12	127.78
S479(1)(g, h)	916,145		39,642	23.11	26.58
S479(1)(i)	1,215,241		39,642	30.66	35.25
S479(1)(k)	340,903		40,892	8.34	9.59
S479(1)(j)	96,193		39,642	2.43	2.79
S479(1)(a)	291,864		39,642	7.36	8.47
S479(1)(b)	389,741		39,642	9.83	11.31
S479(1)(c)	303,753		40,892	7.43	8.54
<b>Total</b>	<b>19,122,472</b>			<b>440.28</b>	<b>506.35</b>

Source: Management Information, Deloitte Analysis

## Application Assumptions (Denominators)

We understand as of 31 December 2024, there were 116,000 Practising Certificates or Limited Authorities to Teach. The actual volume of applications processed in the three years ending 30 June 2024 was 126,500. We understand the volume of applications over a three-year period is expected to be greater than the number of Practising Certificates and Limited Authorities to Teach due to timing of applications to move from provisional to full certificates.

Table 5 presents the assumptions used in the model to set the proposed fees and levy for the three years to June 2028. We note that the average values are calculated to be over the three years FY26 to FY28. The denominators used for all types other than S479(1)(d, e, f, p) include a scaling adjustment to recognise the impact of application to move from provisional to full.

**Table 5: Application Assumptions**

#	
Renewal of practising certificate	90,359
Issue of new provisional certificate (NZ)	12,591
Issue of new provisional certificate (overseas)	4,500
Issue a Limited Authority to Teach (LAT)	3,750
<b>Subtotal</b>	<b>111,200</b>
Move from provisional to full certification	15,300
<b>Total applications forecast</b>	<b>126,500</b>
Average annual applications	42,167
Average weighted for portion of provisional to full, incl LAT	40,892
Average weighted for portion of provisional to full, excl LAT	39,642

Source: Management Information, Deloitte Analysis

## Comparing to the Council's findings

The Table below presents a comparison between the Council's average FY26-FY28 figures and our results.

**Table 6: Comparisons**

\$NZD	The Teaching Council	Deloitte
Gross operating cost	21,607,972	21,607,972
Net expenditure	19,122,472	19,122,472
Fee per teacher (excl GST)	440.30	440.30
Fee per teacher (incl GST)	506.35	506.35

Source: Management Information, Deloitte Analysis

## Conclusion

We found no difference between our parallel model results and the Council's results for gross operating cost, net expenditure and total fee per teacher.

We note the FY25 budget (\$21.4 million gross costs) that provides the basis for the cost forecasts included significant new investment in projects (\$3.05 million in FY25 compared to \$1.34 million in FY24). The subsequent reduction in project investments over the forecast period (net of SaaS Developments, refer Table 2 above) represent the most material decrease in the cost forecast. Changes in Professional Responsibility costs are also material, with a forecast of increased costs for FY26 then reversed over the following two years (refer Table 2 above). Throughout our work, the Council has provided explanations and its rationale for the assumptions that have been modelled. We acknowledge different assumptions could be made, and this is in the nature of forecasting. Through our work, we have not seen any forecasting assumption made by the Council that we consider unreasonable, or which the Council was unable to explain when we enquired.

## Limitations

Our scope does not include validating the FY25 Budget or commentary about the reasonableness of the Council's assumptions. Please note the following limitations.

- The Services do not constitute an assurance engagement in accordance with New Zealand standards for assurance engagements, nor do they represent any form of audit under New Zealand standards on auditing (International Standards on Auditing (New Zealand)).
- In no way does Deloitte guarantee or otherwise warrant that any forecasts of future profits, cash flows 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 your control. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.
- We have not assessed or reported on the accuracy of any assumptions or inputs contained within the model (including any which may have been linked to, or manually copied from, any other models within the Council). The accuracy and assessment of all assumptions remains your responsibility.
- Our work and this letter are for the Council's purposes only. Deloitte disclaims any reliance by a third party on the results.

Yours sincerely,



**Jane Fraser-Jones**

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



**Rauno Engel**

Director & Project Lead

## Appendix: List of Statutory Functions

Reference to Act	Description	
S479(1)(l, m, n)	<b>Matatika</b>	To carry out the functions relating to conduct
S479(1)(l, o)	<b>Mataara</b>	To carry out the functions relating to competence
S479(1)(d, e, f, p)	<b>Whai Rēhitanga</b>	To carry out functions relating to registration
S479(1)(g, h)	<b>Here Tōmua</b>	To establish and maintain standards for qualifications that lead to teacher registration
S479(1)i)	<b>Here Tōmua</b>	To conduct, in conjunction with quality assurance agencies, approvals of teacher education programmes
S479(1)(k)	<b>Tikanga Matatika</b>	To establish and maintain a code of conduct for teachers under section 485
S479(1)(j)	<b>Ngā Paerewa</b>	To establish and maintain standards for ongoing practice
S479(1)(a)	<b>Aro Whakamua</b>	To provide direction for teachers
S479(1)(b)	<b>Aro Whakamua</b>	To enhance the status of teachers
S479(1)(c)	<b>Aro Whakamua</b>	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