

Financial Sustainability – not a new issue for the Teaching Council

From as early as 2014, it was known that the Council’s revenue was insufficient to meet its operating costs. The Government provided supplementary funding for the period of the transition to EDUCANZ, so that the incoming governance board would have the opportunity to assess the Council’s revenue and costs and make a decision about the level of fees it should set.

FY2022-23 Forecast	\$ (approx.)	%
Actual costs to deliver Council’s mandatory functions ⁱ	\$17m	100%
Revenue from teacher fees at current (2010) levels	\$8m	47%
Operating deficit	(\$9m)	53%

Government has provided significant funding to support the Teaching Council to become financially self-sufficient

Teaching Council Financial Year	Government transition funding ⁱⁱ for the Teaching Council (\$m)
2016/17	\$4.934
2017/18	\$6.484
2018/19	\$9.137
2019/20	\$9.644
2020/21	\$11.000
2021/22 forecast	\$5.500
Total	\$46.699

Current fees have not been increased over the last 12 years

- 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.
- Over the period Q1 2010 to Q2 2021 the Reserve Banks Inflation Calculator shows general inflation (CPI) increased by 20.9%ⁱⁱⁱ. Over the same period the Wages index increased by 40.4%. Taking a weighted average of the two in line with the proportion of Councils salaries and wages to other costs (60%:40%) gives a weighted average inflation rate of 33%.
- On this basis, if the 2010 fee were increased solely to reflect the increased cost to produce goods and services, it would currently be **\$292.78**.

What stakeholders told us in pre-consultation discussions

- There is a limit to the size of any increase in fees and levies that will be acceptable to teachers on the grounds of affordability
- That government should continue to contribute to the operational funding of the Council as its mandatory functions benefit society as well as teachers and the teaching profession
- That the consultation process should be undertaken over a much longer period to ensure that teachers can engage and be appropriately informed

Where the Teaching Council currently stands

- We are planning on undertaking formal consultation with teachers on increased fees and levies in early 2022
- Based on the current projections of actual and reasonable costs to deliver our mandatory functions, we could be proposing fees and levies of around \$474 including GST – an increase of 115%
- We could reasonably anticipate that teachers will tell us that an increase of this size is excessive, even though it is based on our actual and reasonable costs
- We are working on the feasibility of offering options for payment by instalments, but do not have the financial resources to support annual instalment payments on a 3-year practising certificate

For consideration – a tripartite option

- Council consults teachers on proposed total fees/levies of \$360 incl GST being inflation plus increased contribution to actual and reasonable costs – this amount would increase after FY24/25
- Government agrees to contribute up to \$3.0m pa for FY2022-23 to FY2024-25 – this amount would decrease after FY24/25
- Teaching Council agrees to reduce net costs by \$1.0m pa over the period FY2022-23 to FY2024-25

Tripartite option	\$ (approx.)	%
Actual costs to deliver Council’s mandatory functions ^{iv}	\$16m	100%
Revenue from teacher fees	\$13m	81%
Government grant	\$3m	19%
Operating deficit	(\$0m)	0%

ⁱ Net of ongoing government grants and recoveries

ⁱⁱ 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

ⁱⁱⁱ <https://www.rbnz.govt.nz/monetary-policy/inflation-calculator>

^{iv} Net of ongoing government grants and recoveries