

Teaching Council Fees and Levies Consultation 2022

Presentation for principals and professional leaders

February 2022

Content for leaders to share as information only.



**Teaching
Council of
Aotearoa
New Zealand**

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1. The consultation

The Teaching Council's consultation is asking the profession for their views on a proposed increase on the fees and levies they pay the Teaching Council.

The planned consultation begins mid-February 2022 and closes at 5pm on Friday 1 April 2022, which gives anyone who wants to make a submission around six weeks to do so.

If for some reason that's not enough time you can request an extension, details on how to do that are included in the consultation document.

Why is the Teaching Council consulting?

- The amount paid to the Teaching Council by teachers has **not increased in 12 years**. That means that while costs have increased for the Council to perform its mandatory statutory functions, the fees paid by the profession have not.
- The Government has also decided to no longer subsidise the council, limiting the options available to the Teaching Council. The Teaching Council must operate in a financially responsible manner, so it must collect fees and levies in order to perform its functions.
- Late last year, The Education and Training (Teaching Council fees, levies, and costs) Amendment Bill progressed through Parliament, and following royal assent, became law.

2. Actual and reasonable costs

- Deloitte New Zealand undertook an independent analysis of the Council's costs, as a means to test the Council's own analysis and make sure that the proposed fees and levies accurately represent the reality of delivering their services to teachers and strengthening/upholding the profession.
- They based their assessment on:
 - benchmarking against similar organisations using publicly available information
 - Council's cost management practices
 - Council's forecast costs over the period that the fees and levies are being proposed for
- This analysis confirmed that the costs are actual and reasonable.
- Deloitte was also asked to consider the appropriate period over which to charge the fee and confirmed that three years was appropriate.

3. The difference between a fee and levy

- Generally, a fee is a defined payment from a specified party to another in return for the provision of a good or service. For teachers, a fee is the payment made to be registered or have a practising certificate issued or renewed.
- A levy can be charged to a particular person or group for a specified purpose, but it is not necessarily for a specific good or service. For teachers, an example of a levy is the payment teachers make that is associated with the costs of the profession's conduct and competence functions.
- An individual teacher does not have a choice about receiving the service, so costs are shared across the profession. This also recognises it is in the profession's interests to retain responsibility for managing conduct and competence processes for its members.

Why propose a levy as well as fee increases?

- This is the first time the Council is proposing to set a levy. Amendments to the Education and Training Act 2020 clarified that a levy is a more appropriate mechanism than a fee for recovering the costs of some Council services and activities.
- The proposed levy reflects a change in the cost recovery mechanism; since 2015 the Council has had an expanded remit and new mandatory functions which were not charged for back in 2010

4. Impacts of inflation

- A significant proportion of the overall amount proposed for the fees and levies includes an adjustment to take account of inflation from 2010 to 2021. The current fee of \$220.80 including GST was set in 2010 and has not been adjusted in the last 12 years.
- From the first quarter of 2010 to the second quarter of 2021, the Reserve Bank's inflation calculator showed general inflation (measured by the consumers price index) increased by 20.9%.² Over the same period, wages (as measured by the wages index) increased by 40.4%.³ Taking a weighted average of the two in line with the proportion of Council's 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 deliver Council goods and services, it would be about \$292.78. While this would have resulted in an increase in available operational funding for the Council, it would still fall short of meeting Council's actual and reasonable costs (given the expanded remit, for example).

5. The judicial review

The purpose of the Education and Training (Teaching Council fees, levies, and costs) Amendment Bill was to clarify that the Council could recover fees and levies in respect of all of its mandatory functions, as the High Court decision had pointed out that the Council's functions had been progressively expanded over time but the power to charge fees had not and therefore did not completely align with the functions.

We are only consulting on a 3 year renewal period.

6. Requests for further government subsidies

Throughout the pre-consultation period, the Teaching Council heard from key stakeholders a strong message that:

- 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

All of these proposals would require further funding from government.

Continued...

- In December 2021 the Chief Executive of the Teaching Council met with the Minister of Education. The Minister noted the Government had supported the introduction and passage of the Education and Training (Teaching Council Fees, Levies, and Costs) Amendment Bill through the house to ensure that the Council was able to lawfully charge fees and levies for all of its mandatory functions and ruled out providing the Council with further subsidies for its mandatory functions at this time.
- The Governing Council has therefore formally agree that the proposed fees and levies should be calculated on the assumption that 100% of the Council's actual and reasonable costs of delivering its mandatory functions must be covered by fees and levies as there is no independent source of funding available

7. Payments by instalments

The Council asked external experts to carry out a comprehensive feasibility study on offering payments by instalments, including a survey of around 500 teachers, and of that 53% indicated their interest in paying fees by instalments, and 35% said it 'would depend'

The largest preference for payment method is payroll deduction (31%), followed by automatic payment (20%). The majority (48%) of teachers surveyed indicated a preference for fortnightly payment frequency – presumably in line with fortnightly salary payments.

Overall, the findings of the feasibility study show that offering payments by instalment is legally and technically feasible. The key challenge remaining is the impact on the Council's cashflow during the transition from 3-yearly lump-sum payments, which would require the Council to borrow with an attendant cost that would ultimately have to be borne by teachers.

Therefore, the Council has included this option as a proposal for consultation.

Payment by Instalments continued

Other instalment options that are being considered through the consultation are:

- Outsourcing to a “Buy Now Pay Later” provider such as Afterpay, which will provide a limited number of larger instalments
- To gauge teacher interest in a pre-payment type of option where teachers make small regular payments in advance removing the need for a teacher to have to pay a lump sum for renewing a practising certificate in the future.

The Teaching Council of Aotearoa New Zealand.