

Governing Council

27 January 2021



27 Hānuere 2021 – Zoom

9am-12pm



Topic: Fees, Costs, Levies 27th
Time: Jan 27, 2022 09:00 AM Auckland, Wellington





Teaching Council of Aotearoa Payment by Instalment

Proof of Concept Overview



Date 23 December 2021

Proof of Concept

- The Teaching Council of Aotearoa New Zealand is investigating the feasibility of offering all teachers the flexibility and convenience of paying their practicing certificate fees by instalment.
- JMG has been engaged to conduct an independent assessment on the technical, economic and professional feasibility of payment by instalment.
- The Council wants to understand the feasibility, costs, options for payment and likely uptake from teachers for an instalment payment service in the future including:
 - Stakeholder perspective, benefits and barriers to adoption
 - Estimated adoption rate
 - Impact on the Council’s technology and systems
 - Options
 - Cost-benefit analysis
 - Likely investment and ongoing costs
 - Preferred option and implementation implications
 - The case for investment

Teaching Council Fees

- The Teaching Council of Aotearoa New Zealand (the Council) currently charges teachers fees of \$220.80, and these are payable every three years in a single, lump sum payment.
- As part of pursuing a strategy of service innovation and digital manaaki, the Council is interested in providing all teachers with the flexibility and convenience of being able to pay Council fees and levies by instalment.
- The Council will shortly be consulting teachers on proposed new fees and levies which are significantly higher in order to ensure it can continue to deliver its mandatory functions and to become fully self-funded.
- The capability to offer teachers the ability to pay fees by instalments, as opposed to a large lump sum every 3-years, is seen as one of the few practicable ways that the Council can address the affordability of proposed higher fees and levies for groups of lower paid teachers in particular

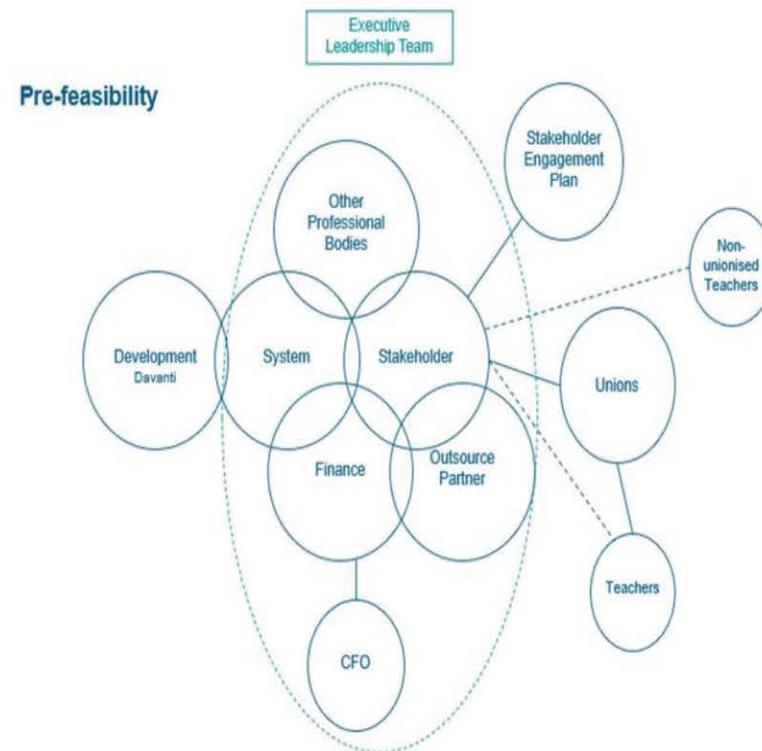
Scope

In Scope

- The scope of this report has been limited to consideration of feasibility of introducing a payment by instalment option for teachers:
 - Review of publicly available information of this practice in NZ,
 - Assessment of Council needs to determine strategic intent
 - Impacts, high-level implementation options and costs, and likely appetite from teachers for uptake of payment by instalment.

Out of Scope

- Advice on fee increases and conducting planned or considered price changes, and comment on the rationale for payment by instalment, or fees increases or changes.
- While this report covers implementation implications, it does not include a detailed plan for conducting the implementation of the project.



Proof of Concept Report



Research & Analysis

- Stakeholders
- Adoption rate
- Impact on Council
- Instalment payment process
- Industry research



Feasibility

- Technology
- Teacher Uptake
- Capability and capacity
- Other considerations



Affordability

- Upfront investment
- Transition
- Long term cost

Proof of Concept

FEASIBILITY



Stakeholders

Stakeholder	Findings
The Council	<ul style="list-style-type: none"> • The Council are interested in pursuing a strategy of service innovation and digital manaaki that is consistent with its values. • An aspect of this is offering teachers the option to pay Council fees and levies by instalment.
Teachers	<ul style="list-style-type: none"> • Many teachers have a positive attitude towards instalment payments and would be interested in having such an option. • Some view instalments as essential and believe a range of payment options should be offered. <ul style="list-style-type: none"> • Teachers view instalment payment as a matter of convenience consistent with other aspects of their lives. • Instalment payment is used frequently by younger generations. • Teachers are used to not paying the cost of instalment options e.g. when using Afterpay. • Teachers associate instalment payment with affordability, so those less able to pay upfront will need an instalment option and should have no extra cost imposed. • Teachers expect the Council to absorb the cost.
Other Professional Bodies	<ul style="list-style-type: none"> • The Council is the only professional body that issues three-yearly practicing certificates. • The Council has the lowest equivalent annual fee • 5 professional bodies offered payment by instalment. <ul style="list-style-type: none"> • As the majority of these organisations operate on an annual fee, there is less of a perceived need to offer this option despite significantly higher fees in some cases
Teacher Unions	<ul style="list-style-type: none"> • Feedback from the survey showed that the teachers compare the Council's work, responsibilities and fees to that of the various unions. In addition to the cost of Teaching Council fees and levies, teachers also have union fees to pay.

Research & Analysis

Research Topic	Findings
Adoption rate	<ul style="list-style-type: none"> • Of the teachers who responded to the survey, 53% of teachers would be interested in paying Council fees and levies by instalment and 35% said it depends/unsure. • The survey responses are representative of the overall population of registered teachers. • Based on this, we can estimate that at least 50% of teachers would adopt a payment by instalment option. • Factors which would influence the actual adoption rate include: <ul style="list-style-type: none"> • Method of payment • Frequency of payments • Timing and frequency of registration renewal • Amount per payment • Presence and size of additional fees for using the instalment option • Total fee amount
Impact on Council	<ul style="list-style-type: none"> • There are 3 key impacts on the Council if instalment payment is offered: <ul style="list-style-type: none"> • Impact on the Council's system <ul style="list-style-type: none"> • Considered relatively straightforward technically, with a moderate investment in development. • Impact on the Council's cashflow and the interest cost of a cashflow shortfall <ul style="list-style-type: none"> • Potentially significant depending on the actual level of uptake • Impact on resourcing due to uptake by teachers <ul style="list-style-type: none"> • The Council can not manage instalment payment within existing resource capability and capacity

Research & Analysis

Research Topic	Findings
Instalment Payment Process	<p>The key elements of potential solutions to consider whether operated in-house or out-sourced to a third-party, include:</p> <ul style="list-style-type: none"> • Technology – can the third-party provide an app to enable payment by instalment that can be integrated into the Teaching Council’s payment webpage • Transaction Processing – can the third-party administer payments? • Credit Admin and Control – can the third-party administer a ledger and comply with the Credit Contract and Consumer Finance Act 2003 (CCCFA)? • Debt Collection – can the third-party manage debt collection and recover bad debts? • Cashflow – can the third-party cover the cashflow shortfall of delayed revenue?
Industry Research	<ul style="list-style-type: none"> • There appears to be a gap in the market with no one company providing the full service from the 5 technological and operational aspects mentioned above. • Industry experts advised that the following instalment options were in widespread use: <ul style="list-style-type: none"> • Subscription plan/recurring credit card payments • Direct debit with outsourced administration and direct debit collection • Buy Now Pay Later (BNPL) • Payment gateways with recurring payment functionality.

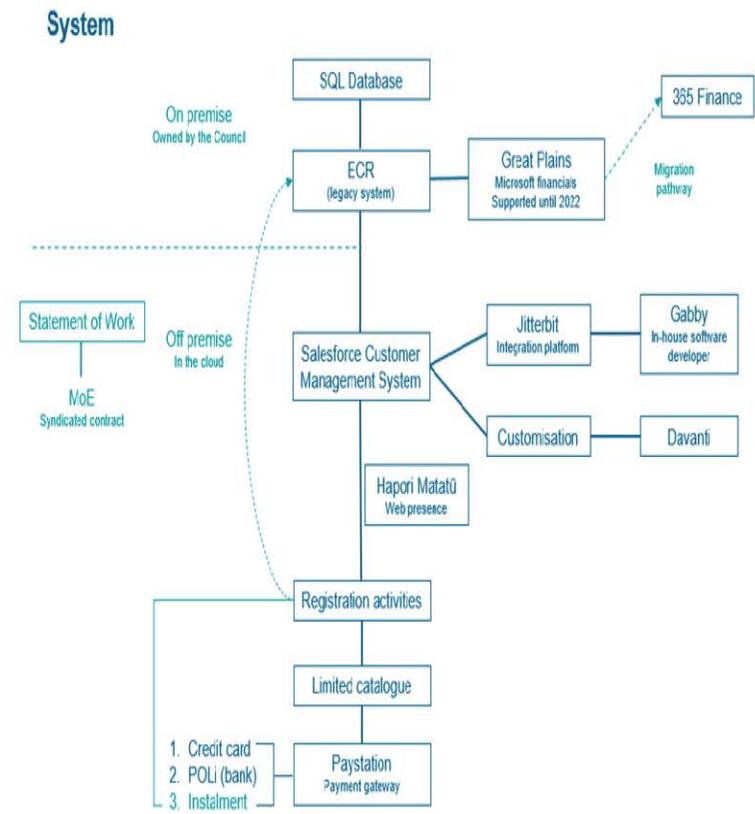
Proof of Concept

FEASIBILITY



Technology

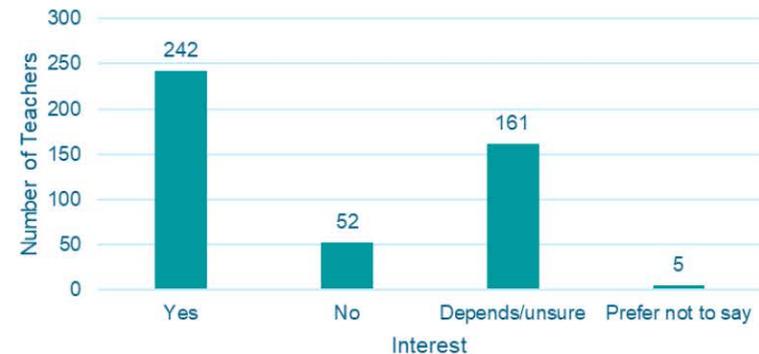
- Technically straightforward to implement using standard technology solutions.
- Estimated Cost of \$200,000 to \$300,000
- Estimated to take twelve to eighteen months to procure and implement
 - Additional payment option on existing payments webpage
 - Integration with the Council’s systems
 - Integration with existing or new 3rd party application



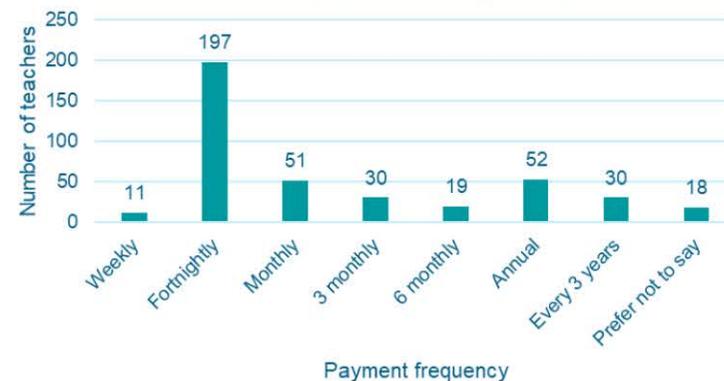
Teacher Uptake

- From our survey of teachers
 - 88% of teachers are interested in considering options for paying by instalment
 - With 60% of those teachers stating they would definitely pay by instalment if that option was available
- The overall preference is to pay in small regular instalments
 - Of the teachers saying yes
 - 30% would prefer a payroll deduction.
 - 20% automatic payment
 - 15% direct debit
- Serious risk is that paying by instalment would become the default option for most teachers
- Teachers are reluctant to pay anything extra to pay by instalment but nearly half would accept a small fee (\$0.50).

Interest in paying Teaching Council fees and levies by instalment

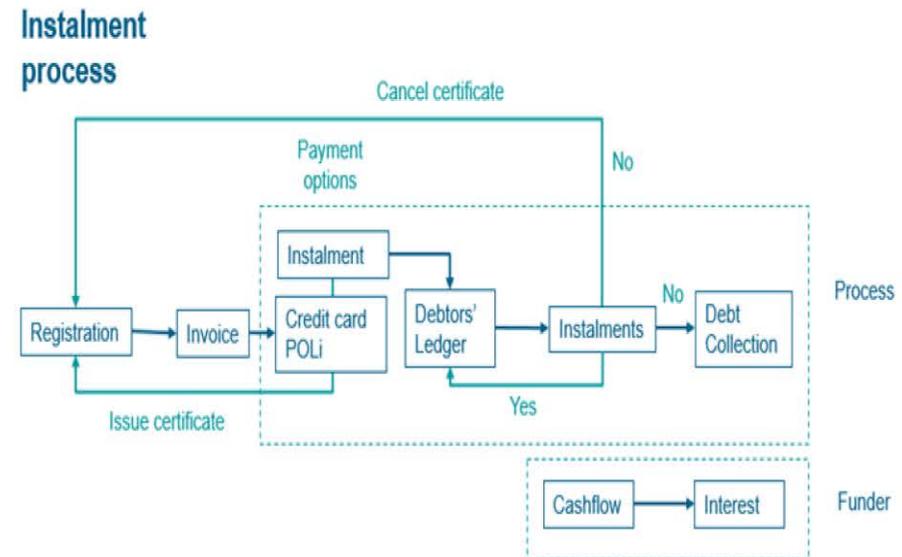


Preferred payment frequency



Capability & Capacity

- In-House
 - The Council does not have the ability to manage payment by instalment within existing resources regardless of uptake
- Outsource
 - There are several options available to the Council to outsource part or all of process to facilitate payment by instalment.
 - The requirements are well within the capability of the market with a variety of mature and emerging participants offering regular payment services (e.g. utility payments, subscriptions, memberships, and buy now pay later).



Impacts

- Other Considerations
 - Legal
 - Credit Contracts and Consumer Finance Act 2003
 - 2021 changes to the Act
 - » Due diligence
 - » Disclosure
 - » Responsible lending
 - » Fees
 - Buy now pay later
 - Not currently covered by the CCCFA
 - Teacher registration
 - No ability to withdraw registration if payments not made
 - Reputation Risk
 - Prompt payment discounts
 - Debt collection and bad debts

Proof of Concept

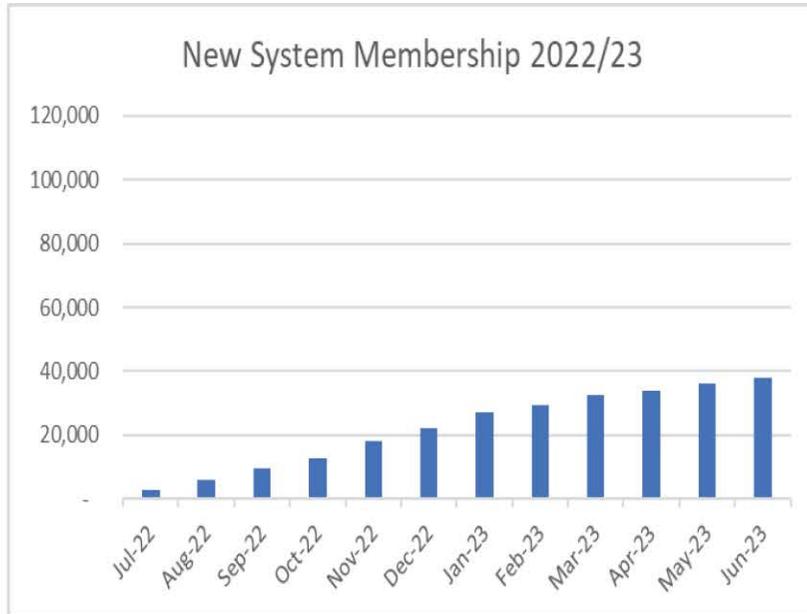
AFFORDABILITY



Cashflow Deficit

- Modelled 3 scenarios to estimate the impact on cashflow:
 1. Standard three yearly payment to match registration – No cashflow deficit throughout
 2. The scenario if everyone paid monthly from the date of their next registration – Cashflow deficit funded through increased fees to be cashflow positive by 2027/28
 1. Note this would approximate the cashflow of all teachers having their registration fees deducted from payroll
 3. The scenario if everyone paid annually from the date of their next registration - Cashflow deficit funded through increased fees to be cashflow positive by 2027/28
- The model shows that the Council would need to cover the cashflow deficit for an extended period. It would take the Council until 2027/28 to break even.

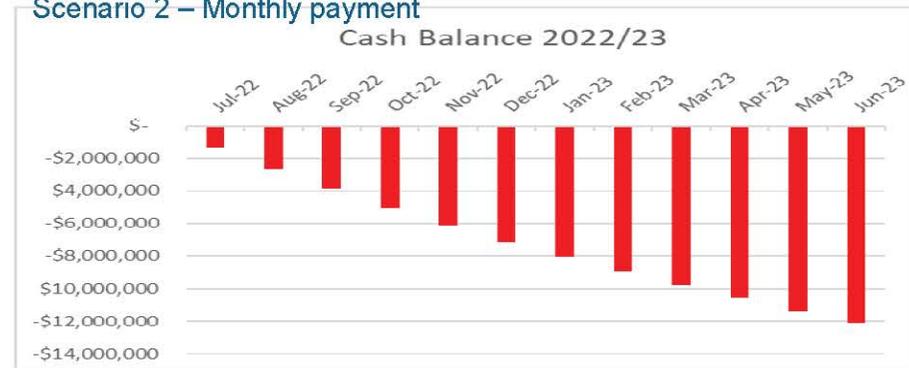
Year 1



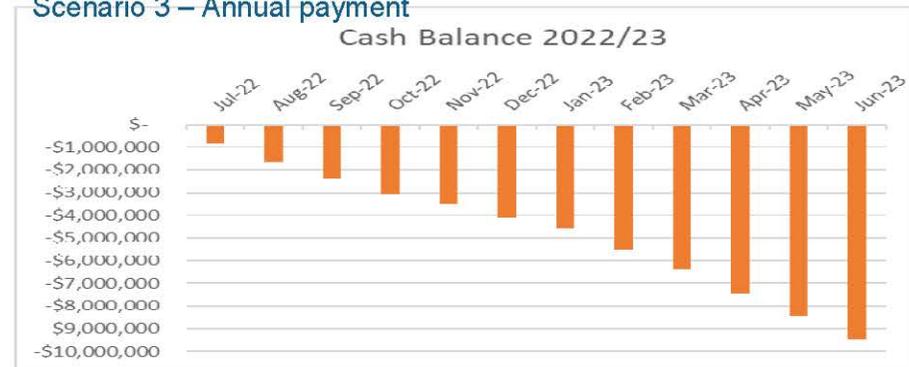
Scenario 1 – Baseline 3 yearly payment



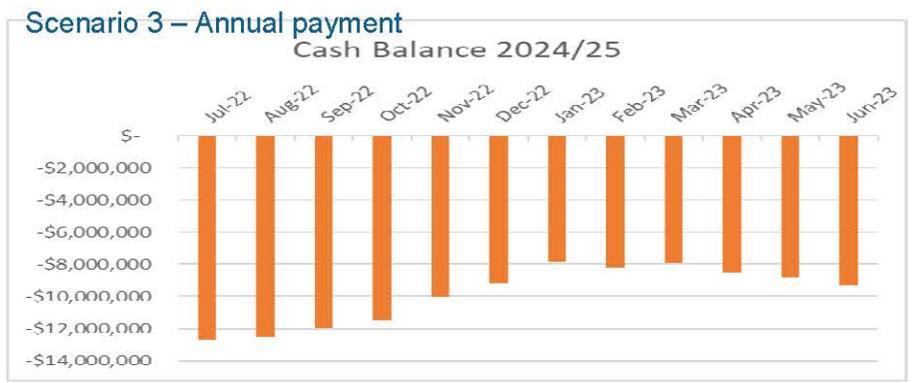
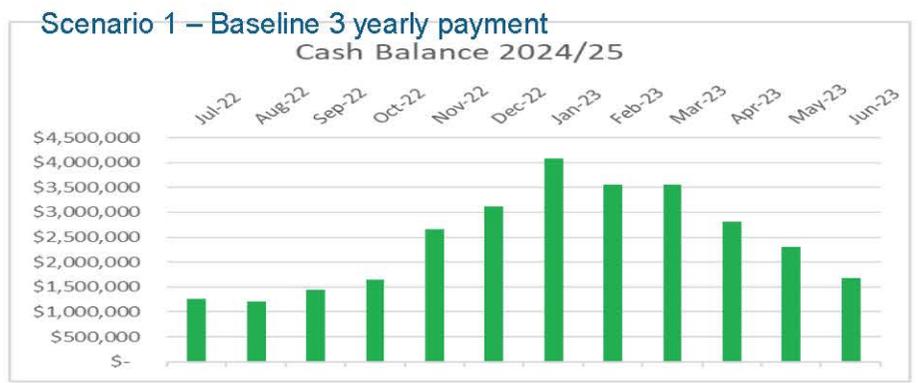
Scenario 2 – Monthly payment



Scenario 3 – Annual payment



Year 3





Teaching Council of Aotearoa Payment by Instalment

Final Survey Results



Date 23 December 2021

Payment by Instalment

- The Teaching Council of Aotearoa New Zealand (the Council) currently charges membership fees and levies on its members, and these are payable every three years in a single, lump sum payment. As part of pursuing a strategy of service innovation and digital manaaki, the Council is interested in providing teachers with the flexibility and convenience of being able to pay Council fees and levies by instalment.
- The Council would like to understand whether there is general support for payment of membership fees and levies in instalments, rather than in lump sum payments.
- The Council is interested in understanding and addressing the profession's concerns that are critical to the wider success of payment by instalment, where possible.
- We conducted the survey to directly engage with the profession to understand their views on payment by instalment.
- The survey has been used to identify influential factors on the rate of adoption for an instalment payment option and help us estimate the degree of uptake by teachers.

About the Survey

- Our primary method of directly engaging with the teaching profession is via a survey.
- The survey was sent out on 9th December 2021 via the Council's newsletter and closed on 20th December 2021.
- The newsletter audience is updated monthly with new registered teachers, however, old data is not removed. People who may have left the profession, or are stakeholders, peak bodies, or unions, also receive Council communications.
- The survey will help us assess the appetite for a payment by instalment option for their Teaching Council fees and levies.
- The survey covered topics including:
 - **Demographic information about the respondents;**
 - **interest in instalment payments;**
 - **payment methods and frequency of making payments (e.g. over 3 months, a year, 3 years);**
 - **whether there is an appetite for an instalment payment option if it involves additional fees for teachers (e.g. late fees or interest)**
- JMG is managing the survey so that it is anonymised and independent from the Council.

Survey Questions

1. In which sector do you currently work?
2. Would you be interested in paying Teaching Council fees and levies by instalment?
3. Do you have a preferred method of payment by instalment?
4. What sort of payment frequency would you prefer?
5. Would you use a payment by instalment option if there were an additional administration charge for this service?
6. We would like you to tell us how likely you would be to use pay by instalment, if an additional fee was charged by a third-party provider. The table below includes possible fees that may be charged, however, until further work is undertaken, actual fees are unknown at this time.
 - **Options for additional fees per instalment: \$0.50, \$1, \$3, \$5, more than \$5**
 - **Options for likelihood of paying by instalment: more likely, unsure, less likely, prefer not to say**
7. Is there anything else you would like to add?

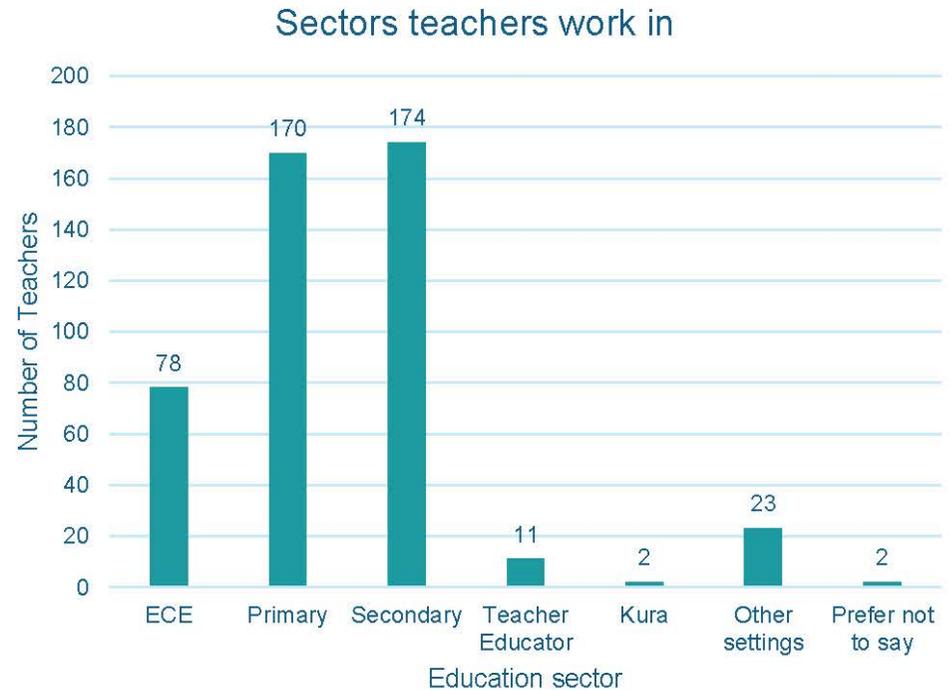


RESULTS

Question 1 - In which sector do you currently work?

We received 460 responses for this question:

- 37.83% of respondents work in the Secondary sector
- 36.96% of respondents work in the Primary sector
- 16.96% of respondents work in ECE
- 5% of respondents work in Other settings
- 2.39% of respondents were Teacher Educators
- 0.43% of respondents work in Kura
- 0.43% of respondents preferred not to say

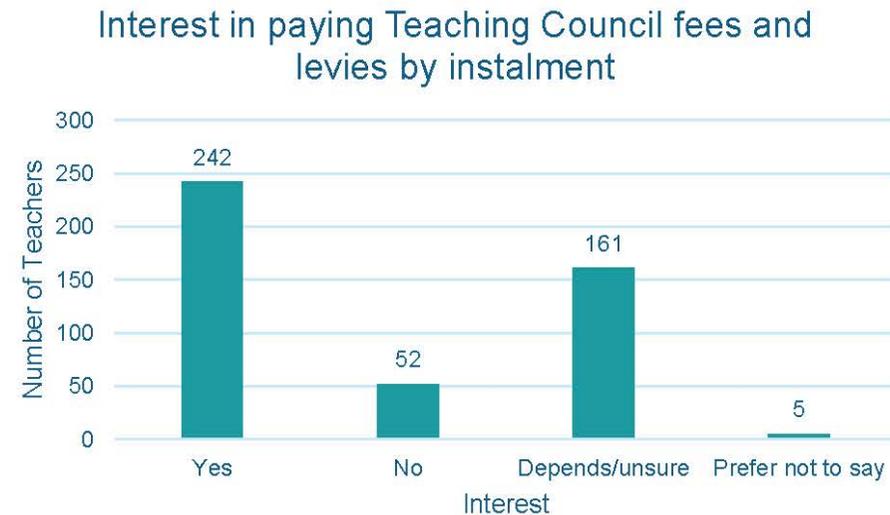


Question 2 - Would you be interested in paying Teaching Council fees and levies by instalment?

We received 460 responses for this question:

- 52.61% of teachers would be interested in paying by instalment
- 35% of teachers said it depends/unsure
- 11.30% of teachers would not be interested
- 1.09% preferred not to say

A common piece of feedback was that the survey was difficult to answer without knowing how much Council fees and levies would be.

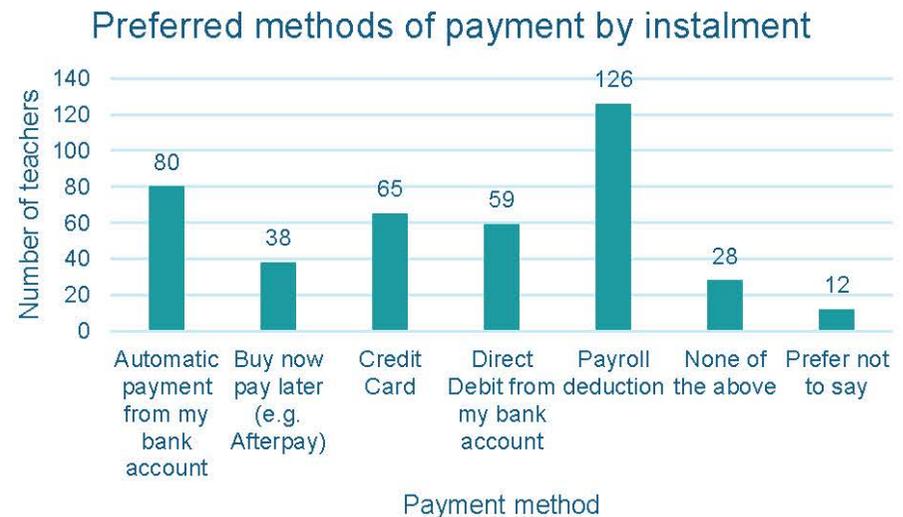


Question 3 – Do you have a preferred method of payment by instalment?

We received 408 responses to this question. Those who answered 'no' to the previous question were not shown questions 3-6 that are all based on their interest in instalment payments:

- 30.88% preferred Payroll deduction
- 19.61% of respondents preferred Automatic payment from their bank accounts
- 15.93% preferred credit card
- 14.46% preferred Direct Debit from their bank accounts
- 9.31% preferred Buy Now Pay Later options
- 6.86% preferred None of the above or had no preference
- 2.94% preferred not to say

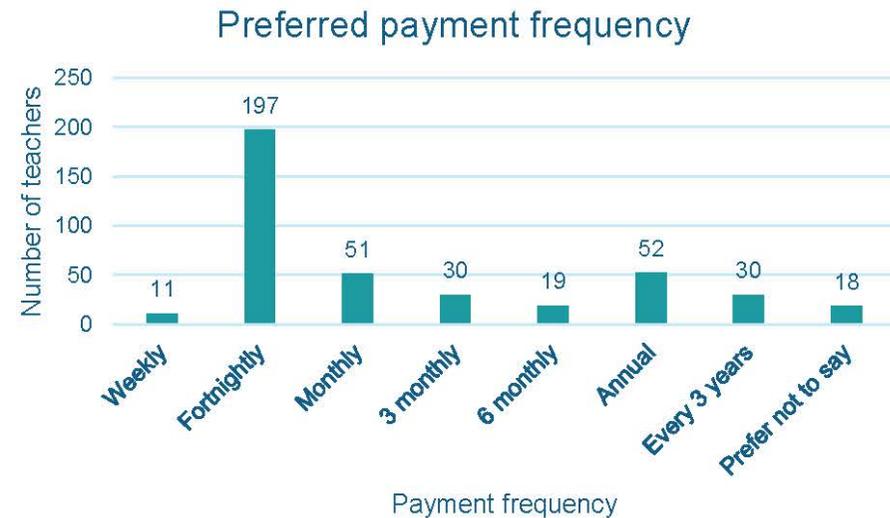
Teachers were not given the ability to select more than one option. We received feedback that some would be happy with any form of instalment payment.



Question 4 - What sort of payment frequency would you prefer?

We received 408 responses for this question:

- 48.28% preferred fortnightly
- 12.75% preferred annually
- 12.5% preferred monthly
- 7.35% preferred 3 yearly
- 7.35% preferred 3 monthly
- 4.66% preferred 6 monthly
- 4.41% preferred not to say
- 2.7% preferred weekly



There is a link between the preferred fortnightly frequency with the most common response to the previous question for preferred payroll deduction.

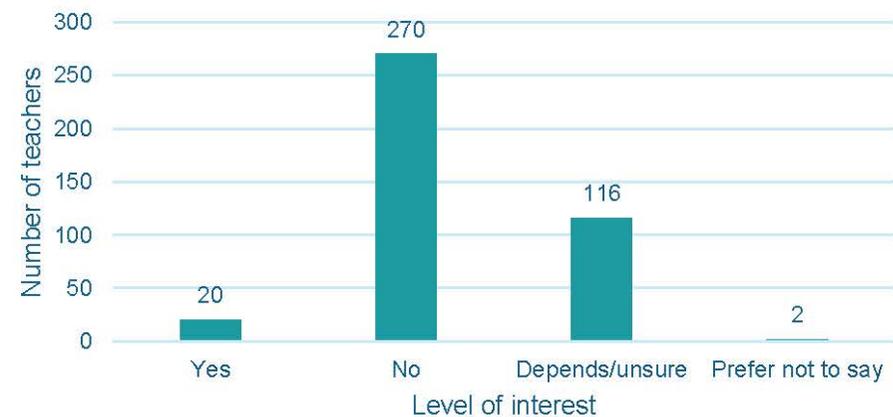
Question 5 - Would you use a payment by instalment option if there were an additional administration charge for this service?

We received 408 responses to this question:

- 66.18% of respondents would not
- 28.43% of respondents said it depends/unsure
- 4.9% of respondents would pay by instalment if there were an additional administration charge
- 0.49% preferred not to say

From the feedback we received, it was clear that those who would use instalment payments are those who are under financial stress. From the profession's perspective, including an additional administration charge is a penalty for teachers who cannot afford to pay upfront in full.

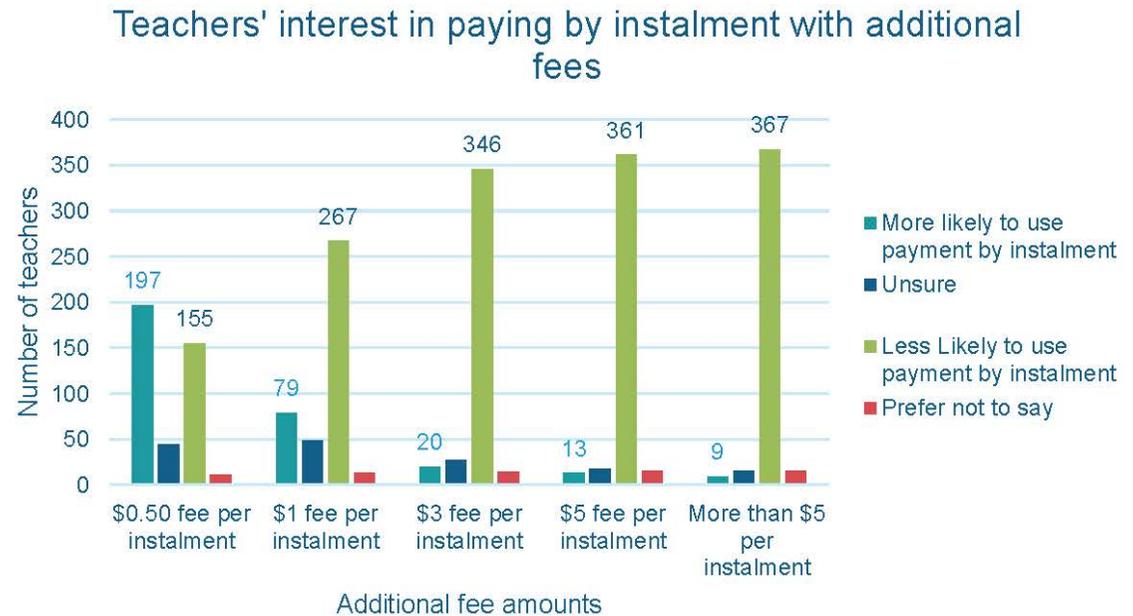
Teachers' interest in paying by instalment if an additional administration fee was charged



Question 6 - We would like you to tell us how likely you would be to use pay by instalment, if an additional fee was charged by a third-party provider.

We received 408 responses for each of the additional fee amounts

- 47.79% of teachers would be more likely to use payment by instalment if there was a \$0.50 fee per instalment
- 37.99% of teachers would be less likely to use payment by instalment if there was a \$0.50 fee per instalment
- A clear majority of teachers would be less likely to use payment by instalment for any of the additional fee options provided



From this we can see that some teachers would accept an additional fee of \$0.50 per instalment but would not accept anything greater.

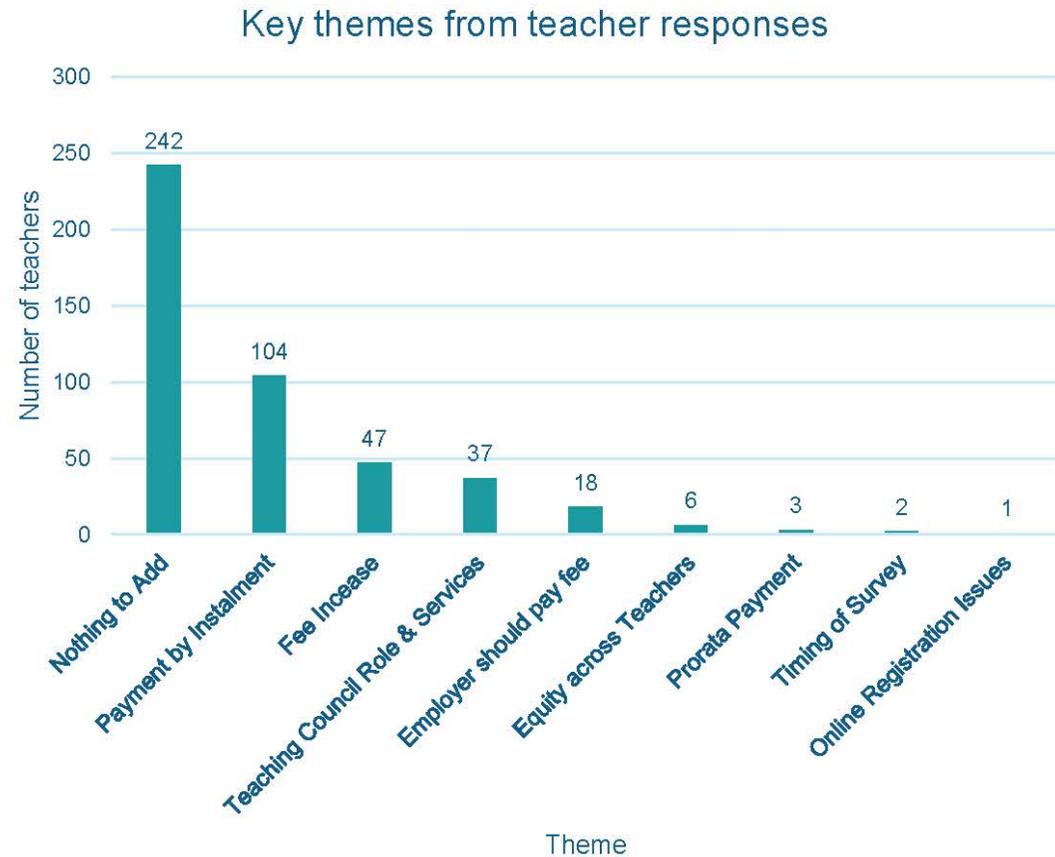
Question 7 - Is there anything else you would like to add?

There were several themes in the responses for this free text question.

The majority of respondents presented no additional commentary. Of the additional feedback that was provided, there were 3 key themes other than instalment payment options that teachers related to the project. These are:

- Fee increases
- Teaching Council Role & Services
- Employers should pay for fees

These topics could be worth further investigating but are outside the scope of this review.



Analysis

- **Sample size:** 460 responses
- **Population:** 150,709 recipients via the Council e-newsletter. Approximately 108,000 registered teachers.
- **Percentage:** 50% (used to determine a general level of accuracy for the sample)
- **Confidence level:** 95%
- **Margin of error:** 4.56

- This shows that the survey responses reliably represent the overall population of registered teachers.
- With a margin of error of less than 5%, we can be 95% sure that the results for each question are within +/- 5% of what is suggested.
- Taking this into account, the most common responses do not overlap with other choices which suggests that this would hold true for the general population.

- Estimated adoption rate: To be confirmed

Conclusion

- The analysis shows that the survey responses are representative of the views of the general population.
- From the feedback in question 7, the profession does not have a clear understanding of what the Council intends to do regarding fees.
 - **Some teachers thought the Council is continuing to issue annual practising certificates.**
 - **Many felt that the Council has not been listening to what the profession wants.**
 - **Many teachers focused on needing to know the size of fees to answer the survey accurately or saw payment by instalment only in the context of increased fees.**
- These factors will impact the adoption rate of an instalment payment option.
- Teachers need more communication and education on how it works including set up fees to provide them with an instalment option.

Payment by Instalment

Discovery Report

Client: Teaching Council of Aotearoa
New Zealand



Date 20 December 2021

Commercial in confidence

[Report title](#)

Version control table	
0.1	22/11/21
0.2	25/11/21
0.3	29/11/21
0.4	30/11/21
1.0	20/12/21



[Report title](#)

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Executive Summary

Purpose

This document provides a summary of the discovery undertaken by JMG in preparation for developing a Proof-of-Concept report on payment by instalment of teacher registration fees.

In this document we will:

- Present a summary of our findings from the discovery
- Make recommendations on next steps
- Describe our approach to the discovery phase
- Provide the background, summary of analysis and references

Introduction

This is the Discovery Report for the Payment by instalment project.

The Teaching Council of Aotearoa New Zealand is investigating the feasibility of offering all teachers the flexibility and convenience of paying their practising certificate fees by instalment. JMG has been engaged to conduct an independent assessment on the technical, economic and professional feasibility of payment by instalment.

The Council wants to understand the feasibility, costs, options for payment and likely uptake from teachers for the service in the future.

Key Findings

- The Council is the only professional body with a three-yearly registration
- 5 organisations offer payment by instalment
- Instalments are managed with their in-house systems
- Managing instalments in-house would be more than the Council can manage with current resources
- There are opportunities to include payment by instalment in the Council's system

Conclusion

There is value in continuing to the Proof-of-Concept Report. It would allow us to understand the offer of a payment by instalment option from the teachers' perspective, and concerns that the Council may need to address. It will also allow us to ascertain the opportunities for the Council to implement a payment by instalment option that would address the needs set out in this report.

Recommendation

Our recommendation to the Council is that:

- The Council continues the project to complete a Proof-of-Concept on the feasibility of payment by instalment



Detailed Report

Introduction

The Teaching Council of Aotearoa New Zealand is investigating the feasibility of offering all teachers the flexibility and convenience of paying their practising certificate fees by instalment.

The Discovery Report is the first step being a strategic assessment designed to provide the Council Executive with a high degree of confidence that the decision they are considering aligns with its strategic intentions and meets its business needs. It also recommends the steps to complete the proof of concept.

Context

The Teaching Council

The Teaching Council of Aotearoa New Zealand (the Council) is an independent professional body representing teachers from early childhood education through to primary and secondary, in English and Māori medium schools.

It promotes good teaching practice and provides registration and disciplinary functions.

Payment by Instalment

It is desirable that teachers have access to the same kinds of digital services from their professional body as they would expect from other

services providers they regularly interact with in their busy lives. Offering payment by instalment is part of the Council's strategy of service innovation and digital manaaki.

The Council is interested to understand, in general, the support for the ability to pay fees by instalment, and to identify issues or concerns that teachers may have. The Council is also interested in addressing concerns that are critical to the wider success of payment by instalment, where possible.

Purpose of Discovery

The purpose of Discovery is to define the project in sufficient detail for the project sponsor to commit to undertaking the next stage of the project.

This is a strategic assessment of payment by instalment. The report is designed to provide the Council Executive with a high degree of confidence that the decision they are considering aligns with its strategic intentions and meets its business needs. This includes evaluating key parts of the system, understand how payment by instalment might work, and key issues that might arise.

The output of this Discovery will be to justify the change and the rationale to proceed to the next stage of the project.

Scope

The scope of this report is to provide the Council with a detailed summary of JMG's findings from research and analysis, and



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stakeholder engagement during the Discovery Phase of the payment by instalment project.

Figure 1 illustrates key elements of the payment by instalment project in the pre-feasibility assessment. The scope of JMG's review is included in the middle section and the outer elements are the external parties for us to potentially engage with.

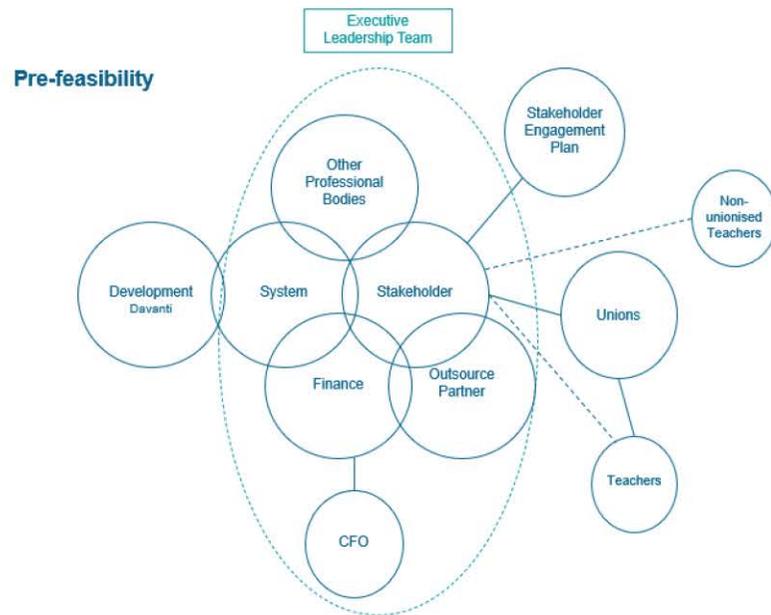


Figure 1

See Attachment 1 for the complete project outline and overall project scope.

Out of Scope

- Providing a detailed plan for the implementation of the project
- Conducting planned or considered price changes
- Advice on fee increases

Methodology

In undertaking our review, we have completed the following steps:

- Reviewed client and publicly available information, reports and data.
- Took stock of processes and systems
- Completed a Stakeholder Engagement Plan and Stakeholder Map (see Attachment 2) which identified key stakeholders, created an approach to engagement and developed messaging.
- Interviewed key stakeholders and staff from the Council to gather information and assess needs.
- Engaged with and undertook desktop research and analysis of other Professional Bodies to understand their practices and systems for payment.
- Conducted desktop research of financial institutions and services which present options for the Council to use in the implementation stage of this project.
- Analysed information gathered for impacts on resourcing, systems and sustainability.



Findings

Our brief focuses on the feasibility of offering all teachers the flexibility and convenience of payment by instalment for their practising certificate fees. We identify what we consider are important matters for the Council to be aware of in deciding the best way forward.

Stakeholders

We developed a Stakeholder Engagement Plan and Map that was signed off by the Council. The Discovery Report reflects that the breadth of engagement has not yet been carried out as indicated in the Stakeholder Engagement Plan. Engagement activities are likely to continue into early 2022. Due to time pressures, we have only managed to speak with internal Council stakeholders whose views are represented in this report.

See Appendix A for the summary of stakeholder engagement.

Other Professional Bodies

As part of our research, we examined what similar professional bodies are doing in this area. We looked for a precedent of payment by instalment but found that the Council is in a different position than the other professional bodies.

We found that of the 14 professional bodies we analysed, the Teaching Council was the only body that issued three-yearly practising certificates. All other organisations had an annual fee, with the exception of the Motor Trade Association whose registration is a monthly subscription.

The Council had the lowest equivalent annual fee except for the Science Technicians Association of New Zealand. However, membership of this organisation is voluntary, and payment is not required to practise.

5 professional bodies offered payment by instalment. As the majority of these organisations operate on an annual fee, there is less of a perceived need to offer this option despite significantly higher fees in some cases.

- New Zealand Association of Counsellors
- New Zealand College of Midwives
- Master Builders Association
- Engineering New Zealand
- Chartered Accountants Australia and New Zealand

These organisations tend to manage payment by instalment with their in-house systems. The organisations absorb the additional administration costs required to offer this option.

See Appendix B for a summary of the other professional bodies in New Zealand.

Impact on Council

Impact on system

Figure 2 below illustrates the current system and context in which the Council's registration activities are processed. The high-level schematic identifies how a payment by instalment option would fit alongside credit card and POLi payments.



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This additional payment option would require extra administration costs and efforts. As indicated in meetings with Council Management, performing these additional activities in-house would require more than the Council can manage with current resources. This is based on the assumption that at least 5% of teachers would make use of the payment by instalment option if offered.

System

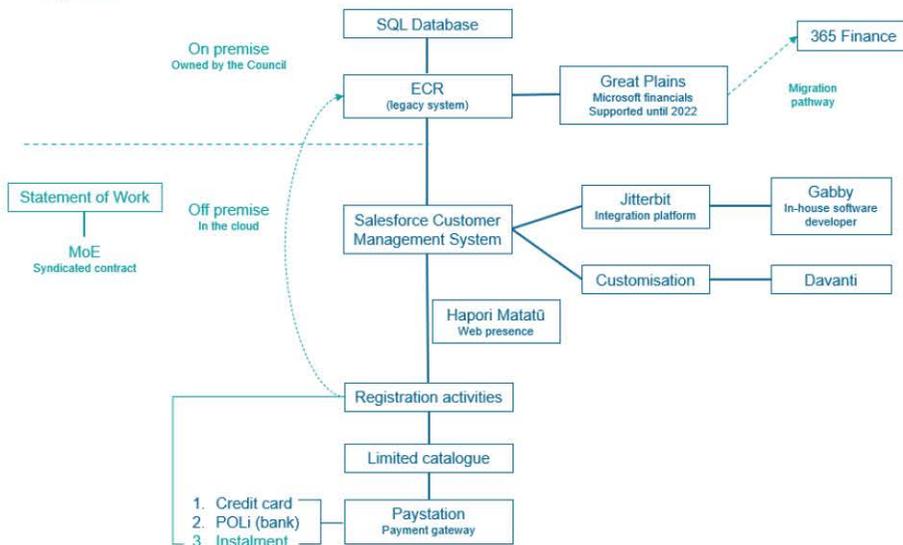


Figure 2

Opportunities for Implementation

Figure 3 identifies several payment methods and raises questions key to implementing a payment by instalment option for teachers. These are:

- **Technology** – can the third-party provide an app to enable payment by instalment that can be integrated into the Teaching Council’s payment webpage?
- **Transaction Processing** – can the third-party administer payments?
- **Credit Admin and Control** – can the third-party administer a ledger and comply with the Credit Contract and Consumer Finance Act 2003 (CCCFA)?
- **Debt Collection** – can the third-party manage debt collection and recover bad debts?
- **Cashflow** – can the third-party cover the cashflow shortfall of delayed revenue?

We are yet to identify an option that meets all of the Council’s needs. The Proof-of-Concept will look at these matters in more depth.

Instalment options

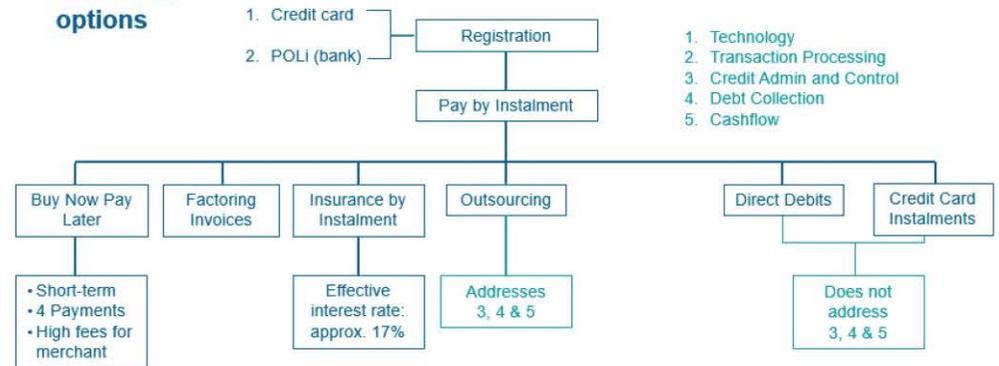


Figure 3



[Report title](#)

Risks

Several risks have been identified which may impact the feasibility of payment by instalment, including:

- Indications of implementation costs are higher than expected
- The payment by instalment option is not taken up by the profession
- If teachers cancel payments before paying the full registration fee
- If teachers and stakeholders perceive that the Council stands to gain financially from this change

Conclusions

In undertaking our assessment and identifying the key elements of the Discovery phase of the project, we conclude that it is common practice for professional bodies to have annual payments and that there are possibilities to implement payment by instalment in the Council's system. We are in the middle of looking at these options to suit the Council's needs.

We believe that it would be worthwhile for the Council to continue researching the feasibility of payment by instalment.

This would allow the opportunity to directly engage with the teaching profession, providing valuable insight into whether there is value in offering an instalment option from the teachers' perspective, and concerns that the Council may need to address.

Continuing to the Proof-of-Concept Report would allow us to also ascertain the opportunities for the Council to implement a payment by instalment option that would address the needs set out in this report.

Next Steps

The following steps will be addressed in the Proof-of-Concept Report.

Assess Appetite for Payment by Instalment

To date, we have introduced the project with teachers and representative groups indirectly via the Council's newsletter.

However, we have yet to engage directly with the profession. We intend to introduce the project, gain feedback, and understand the interests and concerns of each group.

Doing so will help us identify the perspectives and impacts of payment by instalment on different groups and assess the level of appetite teachers have for such an option.

As there are limited opportunities for engaging with teachers and representative groups directly, our primary method for gauging appetite for payment by instalment will be via a survey. The survey will be conducted by JMG and sent out to a random sample of 1000 teachers to understand the profession's views and any concerns that might restrict the feasibility of implementing an instalment option.

JMG has determined that in order for survey findings to have a confidence level of 95% and a margin of error of +/-3%, we would need



Report title

to take a random sample of 1000 teachers from the population of approximately 100,000 registered teachers.

See Attachment 4 for indicative survey questions.

Financial modelling

The CFO has provided JMG with the financial model used to ascertain the level of fees recovered to ensure the Council can operate so as to be self-funded without dipping into its reserves.

As part of the Proof-of-Concept we will model the financial impact on revenue of deferring income if the Council offers a payment by instalment option. Using monthly volumes of registrations, the model estimates monthly revenue flows, the timing and the amount of cashflow cover the Council will likely need.

Contact Financiers

Thus far, we have created a list of potential financial companies that offer instalment payment services, and contacted the Council's bank, the Bank of New Zealand, in an attempt to identify an outsourcing option for payment by instalment.

We are yet to identify an option that meets all of the Council's needs. In the next stage, we intend to reach out to additional financiers who may provide suitable services for the Council.



Appendix A

Stakeholder Engagement

Thus far, our direct stakeholder engagement has been limited to interviews with internal Council stakeholders. Council staff include:

Project Core

- Clive Jones, Deputy Chief Executive | Operational Services and Project Owner
- Ian McEwan, Chief Financial Officer and Project Director

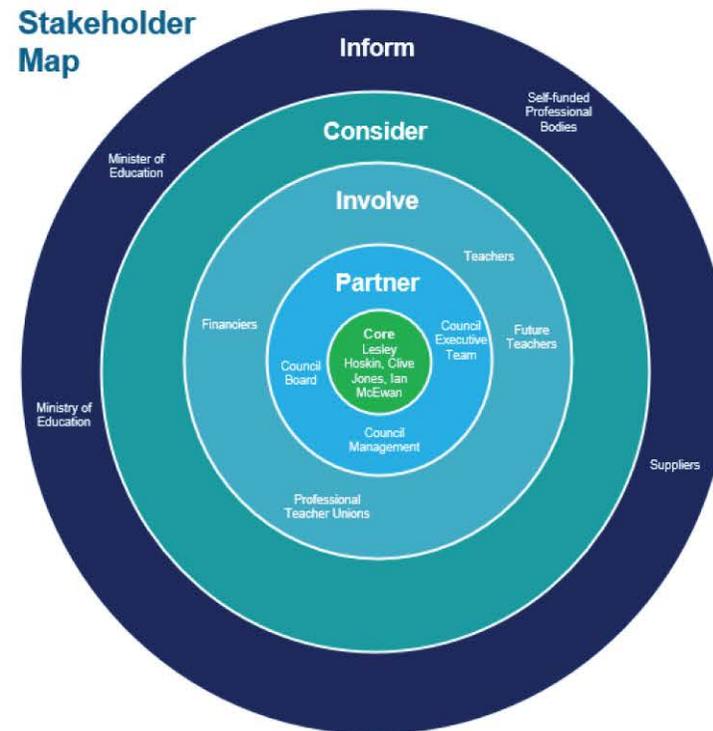
Council Executive Team

- Pauline Barnes, Deputy Chief Executive Professional Services
- Tamahau Rowe, Tātai Heke Māori | Deputy Chief Executive Māori

Council Management

- Susan Fogarty, Communications Manager
- Kerrian McGhie, Financial Systems Accountant
- Cragin Hoskin, Manager ICT

Stakeholder Map



Project Core

Partner
Stakeholders who need to be actively involved in and supportive of the project.
Focus most effort on these groups

Involve
Stakeholders who need to be actively involved in and supportive of the project.
Aim to increase their involvement

Consider
Stakeholders we need to consider for particular areas of the project.
Nurture their interest in the project

Inform
Stakeholders who need to be aware of the project and kept informed of the main developments.
Aim to increase their level of interest



Appendix B

Summary of Professional Bodies

Registration Frequency

- 11 of 13 professional bodies had an annual fee.
- 1 organisation had a monthly fee (Motor Trade Association)
- The Teaching Council is the only organisation with a three-yearly registration

Instalment Options

- 5 organisations offer payment by instalment:
 - New Zealand Association of Counsellors
 - New Zealand College of Midwives
 - Master Builders Association
 - Engineering New Zealand
 - Chartered Accountants Australia and New Zealand
- Those organisations that offered payment by instalment offered quarterly, monthly or fortnightly options.
- 1 offered monthly payments over 10 months.
- Methods of offering instalments included:
 - Automatic payments
 - Salary deductions
 - Direct debit
 - Credit or debit card
- Instalments are managed with their in-house systems

- Any additional administration costs are absorbed by the organisations and not passed onto members

Fees

- At least 7 organisations offer discounts (e.g. career break, financial hardship, students/early career)
- At least 4 organisations offer part year payments for those entering or leaving the profession
- 1 offered payment options only to their business members.
- Some have differential fees for Australian vs other internationally trained members (Trans-Tasman Mutual Recognition Act 1997)
- Many offered cheaper fees for non-practising members and provisional members
- Many offered cheaper subscriptions for people not in the profession, but interested in the topic
- Some charged high fees for accreditation or vocational assessment



[Report title](#)

Summary of Professional Bodies Registration Fees

	Low ¹	High ²	Standard member	Practising certificate fee (3 yearly)
Teaching Council of Aotearoa New Zealand	\$168.66	\$302.58	\$220.80	\$220.80

Organisation	Low	High	Standard member	Annual practising fee or membership cost
Teaching Council of Aotearoa New Zealand (Annual equivalent) ³	\$56.22	\$100.86	\$73.60	\$73.60
Nursing Council of New Zealand	-	-	\$110	\$110
New Zealand Association of Counsellors*	\$40	\$760	\$415	\$415
New Zealand Institute of Landscape Architects	\$0	\$605	\$605	\$206-605
The New Zealand Law Society	\$1,292	1,672	\$1,292	\$1,292
New Zealand Medical Association*	\$40	\$917	-	\$40-\$917
Medical Council of New Zealand	-	-	\$889.64	\$889.64
Veterinary Council of New Zealand	\$552	\$579	\$579	\$579.00
Science Technicians Association of New Zealand	\$0	\$20	\$20	\$20.00
New Zealand College of Midwives*	\$54	\$695	\$345	\$345-695
Motor Trade Association	-	-	\$ 839.04	\$839.04
Master Builders Association*	\$0	3,967.50	\$247.25	\$126.50-3967.50
Engineering New Zealand*	\$0	\$661.25	\$483	\$120.75-661.25
Chartered Accountants Australia New Zealand*	-	-	-	\$323-1445

¹ Low refers to discounted fees e.g. for limited participation in profession, career break, student, provisional membership.

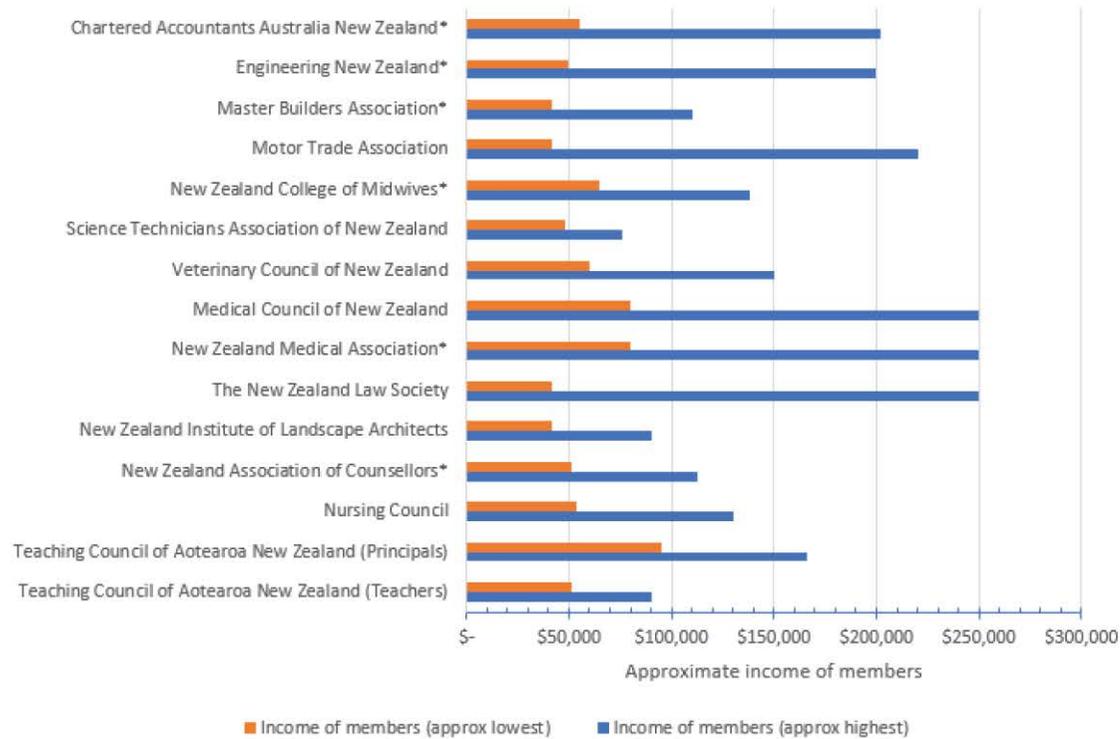
² High refers to the highest membership or practising certificate fee the professional body has, usually based on level of a member's income or overseas qualification.

³ The Teaching Council is the only professional body with a triennial fee. The annual equivalent is included for comparison.



Summary of Comparative Incomes

Approximate comparative incomes of professional organisations members



Note: * refers to the professional bodies which offer payment by instalment options.



Report title

Attachments

1. Project Outline

2. Stakeholder Engagement and Communications Plan

3. Survey Questions



Council Paper

Item 5
Council Meeting
27/01/2022

SUBJECT:	Payments by instalments – feasibility study findings and next steps UPDATED
TO:	Governing Council
FROM:	Ian McEwan, Chief Financial Officer
FOR:	<input checked="" type="checkbox"/> Approval <input checked="" type="checkbox"/> Discussion <input checked="" type="checkbox"/> Information

It is recommended that the Governing Council:

- i. **Notes** that being able to offer teachers the ability to pay fees and levies by fortnightly instalments, as opposed to a large lump sum every 3-years, is currently seen as one of the few practicable ways that the Council can address the affordability of proposed higher fees and levies for teachers.
- ii. **Notes** the work that has been undertaken to determine the feasibility of offering payment by instalment and the summary of the key findings.
- iii. **Notes** the initial draft paper has been discussed with the Chair of the Risk, Audit, and Finance Committee and updated as a result of feedback.
- iv. **Discusses** the following question posed for consideration:
 - Would the governing Council consider in *principle* taking on debt for the purposes of funding the cost of transition to payments by fortnightly instalments for a specific group of lower paid teachers?
- v. **Agrees** that it is not economically feasible to offer teachers the ability to pay fees by fortnightly or monthly instalments.
- vi. **Agrees** that a formal Request for Proposal for a 'Buy-now-pay-later' (BNPL) service is developed and issued to the market to quantify the costs and benefits for teachers and the Council.
- vii. **Agrees** that key stakeholders are advised ahead of the consultation on proposed increases to fees and levies of the findings of the feasibility study (including cost and cashflow implications for the Council) and the intended next steps.
- viii. **Agrees** that teachers are advised through the consultation on proposed increases to fees and levies of the findings of the feasibility study (including cost and cashflow implications for the Council) and the intended next steps.
- ix. **Agrees** that the Minister of Education is advised of the findings of the feasibility study (including cost and cashflow implications) and intended next steps.

Purpose

1. To provide the governing Council with an overview of the key findings of the study undertaken to determine the feasibility of offering teachers the ability to pay fees and levies by instalments.
2. To outline a number of key strategic issues associated with payments by instalments for consideration by the governing Council.
3. To provide a number of recommendations and next steps for discussion and agreement.

Background: affordability of higher fees and levies remains a key issue for teachers

4. In the 2020 consultation on proposed fees, teachers most frequently provided feedback on the scale of increases proposed (unreasonable and unfair) and the disproportionate impact of increases on groups of lower paid teachers.
5. After the June 2021 decision of the High Court resulted in practising certificates reverting to a 3-year period, the Council recognised the urgency of progressing work to determine the feasibility of payments by instalments and signalled its importance as a major business improvement initiative by agreeing to its inclusion in the 2020-2022 Business Plan.
6. During the period September 2021 to December 2021, feedback from key stakeholders during the pre-consultation on proposed fees and levies in early 2022 clearly told us 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*.
7. Over the period November 2021 to January 2022 the Governing Council developed and carefully assessed two major options aimed at addressing the issue of affordability of higher fees and levies for teachers including:
8. Seeking ongoing operating funding from government towards the Councils mandatory functions to reduce the size of any proposed increases in fees and levies required to be paid by teachers in the short to medium term.
9. [REDACTED]
10. With both these major options having been ruled out, the ability to offer the facility for teachers to pay fees by instalments, as opposed to a large lump sum every 3-years, is seen as one of the few practicable ways that the Council can address the affordability of proposed higher fees and levies for groups of lower paid teachers in particular.
11. For reference, the recurring instalment payment associated with the currently proposed total fees and levies payable to renew a practising certificate would be \$6.06 per fortnight over 3-years (excluding any additional costs associated with providing a payment by instalment option. See table in paragraph 37).

The feasibility study process

12. In March 2021 the Council issued a Request for Quote (RFQ) to selected All-of-Government consultancy services suppliers for the purposes of undertaking a feasibility study on the Council's ability to offer teachers the facility to pay fees by instalments.
13. After extending the initial deadline for responses, no quotes were received, and a Request for Proposal (RFP) was issued in on 27 May 2021.
14. On 17 August 2021 the Council accepted a proposal from Jarvis McDonald Group (JMG).

15. JMG have completed the work required and have provided the Council with a final report which is attached for your information.

Scope of the work undertaken

16. The work undertaken was a study to determine the technical, economic [REDACTED] of offering teachers the ability to pay fees by instalments, together with an estimate of the likely rate of adoption.
17. In undertaking the feasibility study the Council was seeking to:
- Confirm the key benefits to teachers and estimating the likely rate of adoption if payment by instalment was made available
 - Confirm the likely impacts of payment by instalment on Council's current technology, business systems and processes, resourcing, and financial sustainability
 - Confirm the extent of change required to current technology, business systems and processes, current approaches to managing financial risk, technology and people etc. to support payment by instalment
 - [REDACTED] together with potential impacts on the Council's financial sustainability
 - Provide a detailed estimate of the likely up-front cost and ongoing operating costs of offering payment by instalments, together with options for how such costs should be apportioned.
 - Produce a detailed cost benefit analysis as the basis of an investment case for the governing Board of the Council.

Summary of key findings

18. 53% of teachers surveyed indicated their interest in paying fees by instalments with a further 35% saying it 'would depend'.
19. In the context of the current proposals to increase total fees and levies payable by 114%, we should assume that the uptake would likely be as high as 88% of all teachers holding practising certificates or around 95,000 teachers.
20. By far and away 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.
21. Council systems can be modified to accept payment by instalment.
22. There are third-party providers that have shown interest in supporting the Council with a payment by instalment option.
23. There are significant challenges making a payment by instalment option financially viable; however, it is likely that some options are available.
24. An estimated 12-to-18-month period is required to procure and implement a solution including the provision of additional payment options within Hapori Matatū, integration with Council's financial systems, and integration with existing or new 3rd party applications.

Technology impact

25. The Councils systems will require changes to allow payment by instalment. This is primarily in relation to the payment gateway embedded in the application process in Hapori Matatū. Currently

a teacher has two options when applying for, or renewing, a practising certificate. The two options are to pay by credit card or by bank transfer using POLi.

26. The time and cost of updating the systems to enable payments by instalments has not been scoped yet; however, it is not thought that it would be difficult to do or prohibitively expensive.
27. Technology considerations will not stop payment by instalment from being offered.

Financial sustainability impact

28. JMG has modelled the impact of offering a monthly payment by instalments option on the Council's cash flow and we have undertaken our own financial analysis in respect of a fortnightly payment option which is the clear preference in the survey of teachers.
29. It is assumed that within available cash reserves and/or project funding that the Council would be able to fund the one-off costs (e.g. system changes) required to implement fortnightly payments – estimated to be up to \$300,000.
30. However, the transition funding required to move from the current operating environment - where all teachers pay an upfront lump sum every 3-years - to a new operating environment where most teachers pay via fortnightly instalments - is very significant; estimated to be up to \$23.5 million¹ - and would need to be under-written by a loan from a third-party such as a bank or possibly the crown.
31. Third-party funding from a lending institution would add additional cost in terms of interest on the debt that would need to be built into the costing of fees and levies. Repayment of the transitional funding would also have to be built into the costing.

Delivery of service by in-house or outsourced provision

32. On the basis that the technology can be modified to enable payment by instalment and there is very likely to be uptake from the profession if the option was offered, the Council must consider whether the service will be provided in-house or by an external provider.
33. In-house provision would require additional resources to process the significant increase in the number of transactions and monitoring the payments to ensure teachers maintain their payments. Because of this, it is likely that outsourcing to an external provider will be a more cost-effective solution.
34. JMG has instigated discussions with potential external providers to gauge their interest in providing a payment by instalment service to the Council. The indication is that there is interest and capability for outsourced provision.

Other considerations

35. The amendment to the legislation included an ability for the Council to take debt recovery action if a teacher owes money on their practising certificate fees and levies. However, it does not allow the Council to cancel the practising certificate in that situation. The Council will need to put in place policies and procedures to identify what action the Council will take where a teacher ceases payment after their certificate has been issued.
36. There will be a cost associated with offering a payment by instalment option. Whether that is increased internal costs, interest on bridging finance, or fees charged by third-party providers. The Council will need to decide whether these additional costs are borne by the whole profession or by those teachers paying by instalment.

¹ note we would not require the funding from the start as the shortfall is incurred over the 24 months that it takes for all teachers to be paying. We would also want to have some level of contingency to cover teachers who may default on their payments

Cost and cashflow implications

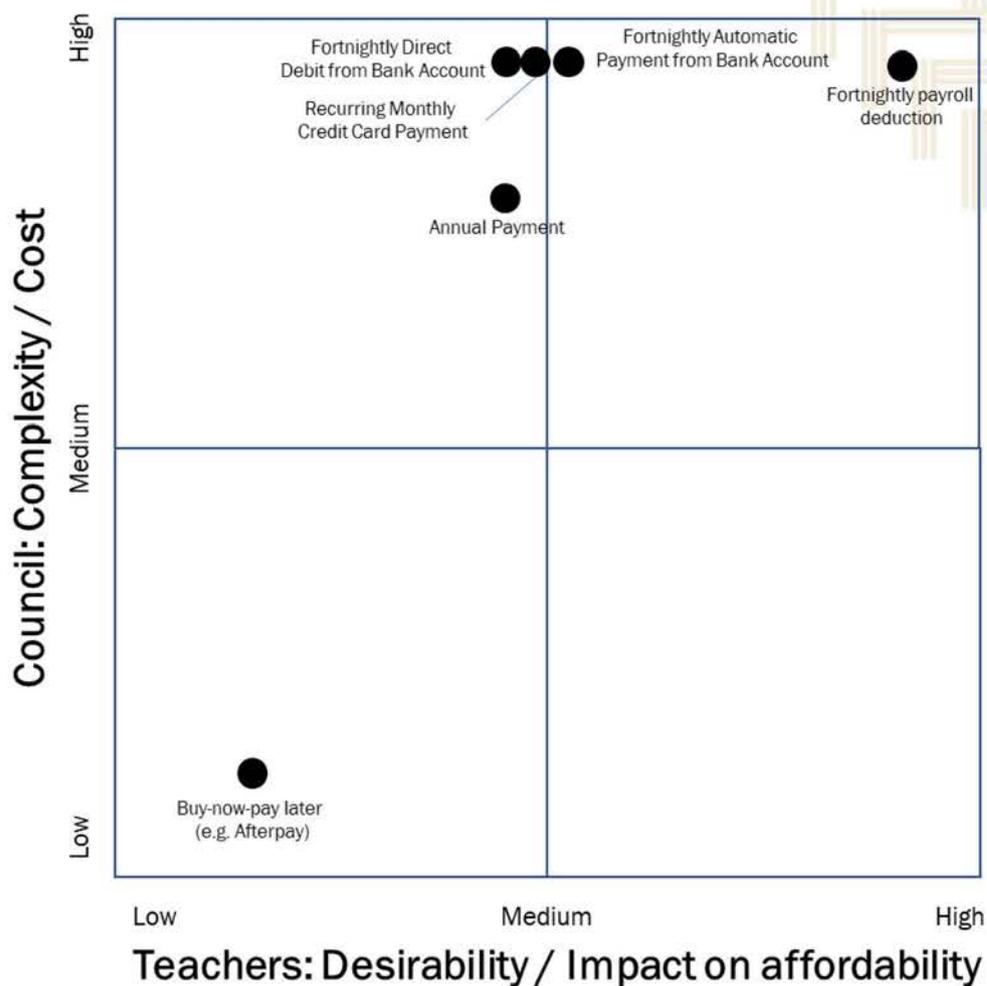
37. Payment by instalment has significant cost and cashflow implications for the Teaching Council as set out in the table below based on the following assumptions:

- 100% uptake
- Accumulated cash flow deficit at the end of FY2024/25 is \$24.0 million
- This would result in the triennial fee increasing by circa \$110 per renewal (decreasing as the principle is repaid). At the end of the ten years, the additional cost would be the cost of administering the payments.

Type of cost	Additional Costs	Notes
Financing Cost – interest	At an estimated 6% interest rate this would initially be \$1.41 million per annum but reduce over the term of the loan as the principal amount was repaid	On a cost per teacher basis this would equate to \$35 ex GST
Financing Cost – principal repayment	Assume a repayment period of 10 years – this would amount to \$2.4 million per annum. It is likely that we would require legislative change to allow us to levy teachers for the purpose of debt repayment	On a cost per teacher basis this would equate to \$58 ex GST
Technology Change Costs	Changes to Hapori Matatū and/or Council's financial systems – estimate of \$300,000	Not applicable – a level of project funding already included in current estimates
Project and Procurement Costs	As a significant project this would require procurement and project management support – estimate \$200,000	Not applicable – a level of project funding already included in current estimates
Operating costs	Additional finance roles required to monitor millions of payment transactions per annum and additional provision for bad debts / debt collection costs – assume ~\$500,000 per annum OR Additional external costs if this is outsourced. Assume 4% of annual transaction volume or ~\$500,000 per annum	On a cost per teacher basis this would equate to \$19 incl GST

Evaluation of options

38. Based on the findings of the feasibility study, we undertook a high-level evaluation of the options with respect to their desirability and impact on affordability of fees and levies for teachers versus their cost (upfront and ongoing) and complexity for the Council.



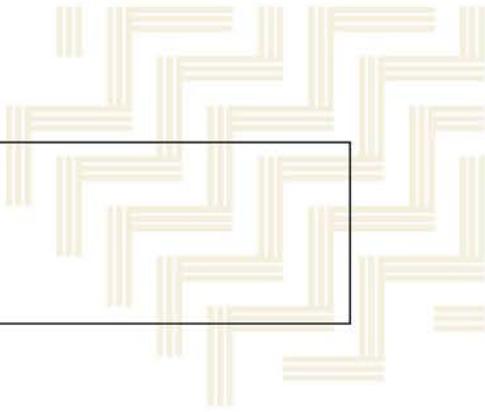
39. It should be noted that while fortnightly payroll deduction was seen by survey respondents as the most desirable option, as a solution outside of the compulsory sector (e.g. ECE, independent schools etc.) it is likely to be complex given the multiplicity of payroll providers.

Risks

40. A number of key risks associated with payments by instalments were identified and have been set out in the table below:

Risk	Issue	Risk Rating
Technology Risk	If implemented internally changes to Hapori Matatu and the Council's Finance system will be required If implemented externally by a third-party, reliance on external vendor(s) will be increased.	Moderate
Interest Rate Risk	If Council takes on a commercial loan to fund the transition cost to payments by instalments that funding will come with interest rate risk, and funding requirements	Moderate

	If Council takes on a crown loan to fund the transition cost to payments by instalments, that funding will come with conditions and monitoring requirements.	
Bad Debt Risk	<p>If a teacher stops paying by instalments before the full amount of fees and levies owing is due, it may not be possible to seek recovery until they renew their practising certificate (up to 3 years).</p> <p>If a teacher retires or leaves the profession and stops paying, it may be uneconomic to take debt recovery action.</p>	Moderate
Customer Expectation Risk	<p>Teachers may expect that the ability to pay fortnightly by instalment should be free and/or that the Council should absorb these costs without passing them on to teachers.</p> <p>Teachers may also think that on the basis of equity, the facility to pay fees and levies by fortnightly instalments should be available to all teachers, or at least all lower paid teachers regardless of sector.</p>	High
Operational Risk	<p>The requirement to track and manage millions of individual payment transitions annually may require additional people resources adding to the Council's cost base.</p> <p>If outsourced to a third-party this will also add to Council's operating costs.</p>	Moderate
Change Management Risk	The complexity of the project to procure and implement a solution is significant and the impact on the Council's IT and Finance teams will be significant.	High
Legal Risk	Current or future Changes to the Consumer Finance and Credit Contracts Act may affect the Council including disclosure, due diligence, responsible lending, and fees	Moderate
Financial Risk	Interest payments on a loan would add significantly to the Council's actual and reasonable costs to deliver its mandatory functions – these costs would need to be passed on to teachers.	High



	Capital repayments on a loan would add significantly to the Council's actual and reasonable costs to deliver its mandatory functions – these costs would need to be passed on to teachers.	
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Recommendations and next steps

41. That the governing Council agrees that it is not economically feasible to offer teachers the ability to pay fees by fortnightly or monthly instalments .
42. That a formal Request for Proposal for a 'Buy-now-pay-later' (BNPL) service is developed and issued to the market to quantify the costs and benefits for teachers and the Council.
43. That the Minister of Education is advised of the findings of the feasibility study (including cost and cashflow implications) and intended next steps.