



Briefing Note: Teaching Council Funding

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| To: | Hon Chris Hipkins, Minister of Education | | |
| Date: | 5 March 2020 | Priority: | High |
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| Messaging seen by Communications team: | No | Round Robin: | No |

Purpose of Paper

This paper provides advice on options for reducing the Teaching Council's functions, in order to reduce costs and enable the Council to reduce the increase to its fees.

Summary

- We have identified the following options for reducing the Teaching Council's (the Council's) functions, to reduce costs:
 - Option 1: Rescind the invitation to the Council to establish a leadership centre;
 - Option 2: Amend the Education Act 1989 to remove some or all of the Council's functions related to leadership of the teaching profession;
 - Option 3: Combination of rescinding the invitation to the Council to establish a leadership centre, with transition to an annual practising certificate fee.
- We also considered the option of the Council adopting a service level agreement with the Ministry. Under this option the Ministry would provide all back-office functions and operational policy functions for the Council, with the Council's statutory functions unchanged. However due to the complexities and the potential financial implications for the Ministry, we do not consider this option viable.
- We think the best option is to rescind the invitation to the Council to establish a leadership centre, combined with providing funding to support the Council to transition to an annual practicing certificate and fee. We estimate that this option would enable an annual fee of approximately \$147 (reduction of about \$10 per annum from the current proposed new fee).
- We could discuss these options with you at the agency meeting on Monday, 9 March.

Proactive Release Recommendation

Agree that this Briefing Note is NOT released at this time, because it contains Budget sensitive information.

Agree / Disagree



Dr Andrea Schöllmann
Deputy Secretary
Education System Policy

05/03/2020



Hon Chris Hipkins
Minister of Education

8/3/20

Proactively Released

Background

1. We have previously provided advice on options for mitigating the Council's proposed fee increase [METIS 1221157 refers]. At the agency meeting on 2 March, you asked for advice on options for reducing the Council's functions to reduce costs.
2. We have not consulted the Council on this advice, and we will need to test with them the feasibility of any options you wish to progress. The figures used in this report are our initial, high level estimates of the required fee and associated funding required.
3. To obtain a more accurate estimate the Ministry will need to engage with the Council and run scenarios through its financial model, which includes a detailed breakdown to all revenue line items and all costs associated with running the organisation. We will do this once you've indicated which options you'd like to progress.
4. The estimated fee levels referred to assume the Council's set flat rate for all teacher registrations, which is Option 1 in the Council's consultation document. We've also assumed that the number of registered teachers remains consistent with the Council's projection of 104,000.
5. We will need to finalise any Budget 2020 related implications from this work by 16 March, because all Budget new initiatives need to be uploaded in the Crown's Financial and Information System (CFISnet) by 17 March.

Options for reducing the Council's functions to reduce costs

6. The Council has completed a large amount of work in its professional leadership role since the changes made in the 2015 Education Act update. These include:
 - a. Establishing the new conduct and competence processes, including the development of associated Rules;
 - b. Developing a new Code of Professional Responsibility;
 - c. Developing new Professional Standards;
 - d. Reviewing ITE programme requirements;
 - e. Reviewing the Council's registration policy;
 - f. Developing the *Leadership Strategy* and *Leadership competence framework*.
7. It may be possible to reduce the future work programme in relation to the Council's leadership of the profession, acknowledging that a lot of establishment work has been done. The Council could itself decide to reduce the expenditure on these functions, but we assume that the Council has already considered and rejected that option in deciding what level of fees to consult on.
8. We do not consider it feasible to reduce the conduct and competence or the certificate and registration function of the Council. However, it may be possible to reduce the Council's functions related to leadership of the profession. The following options below discuss the two ways that we could reduce the Council's functions in this area.

Option 1: Rescind the invitation to establish the leadership centre

9. The Government could withdraw the invitation to the Council to establish a Leadership Centre, and instead have the Education Support Agency (ESA) provide all the support for school leadership intended as part of the Tomorrow's School's work programme. This would save up to \$1m per annum from the Council's current budget. In addition, it may be possible to make other savings by reducing the Council's professional leadership work programme, but this would require the Council's agreement.
10. Under this option, we estimate that the Council would be able to adopt a new triennial fee of \$440 - down from the current proposed flat fee of \$470.

Option 2: Amend the legislation to reduce Council's leadership function

11. A more significant way to reduce the Council's functions would be to change the Act to narrow the Council's functions, particularly regarding leadership of the profession. Under this option, the Council's functions would be focused largely on its functions related to conduct, competence, registration and certification.
12. The Council's current statutory functions, as set out in the Act, are listed in Annex 1. Under this option, functions such as (a) "to provide leadership to teachers and direction for the education profession", (b) "to enhance the status of teachers and education leaders, (c) "to identify and disseminate best practice in teaching and leadership and foster the education profession's continued development in light of research, and evidence of changes in society and technology" could be removed to reduce the Council's functions.
13. It would be possible to go further, by removing functions more closely related to the Council's regulatory and discipline role, such as its role in Initial Teacher Education and standard setting for the profession. However, these changes would impact more significantly both on the Council's remaining role and on its independence from Government.
14. Under this option, Council functions would need to be allocated to other agencies, and those agencies would require some funding to carry them out – although some savings may be possible due to the economies of scale able to be achieved by larger agencies.
15. To make these changes to the Council's functions in the short term would mean introducing a Supplementary Order Paper (SOP) to the Education and Training Bill. The timelines for the Bill's consideration by Select Committee mean that a Cabinet paper seeking agreement to such a proposal would need to be lodged by the 8th of April. This means consultation with the profession would not be possible, making this option unviable in the short term. However, it could be done through progressing a change to the Council's functions through a legislative vehicle in 2021.
16. To reduce the Council's functions in the medium term, we would need to work with the Council to confirm what reduction in the proposed fee level would be possible. Transitional funding may be necessary to cover any difference between the Council's new fee income and its costs until the reduction in functions is implemented.
17. It is not possible to estimate the savings that could be achieved from these changes to the Council's functions, without detailed discussions with the Council. Because of the need for some functions to continue to be performed by other agencies, and bearing in mind that it may be difficult for the Council to make significant savings in its overhead

costs, we consider that a maximum savings figure could be \$2m per annum. However, this would be subject to change following any discussion of this option with the Council.

18. Savings of \$2m per annum would enable the Council to reduce its proposed triennial fees by around \$60 to \$410.
19. However, if the professional leadership function is transferred elsewhere, then this will require additional funding, including set up costs, which could result in it being more expensive in the short term than funding the Council to undertake these activities.
20. Additionally, for savings to be realised, there could be one-off redundancy costs for the Council for existing staff employed in the professional leadership functions.

Option 3: Combination of rescinding the invitation of the Council to establish a leadership centre, with transition to an annual practising certificate fee

21. This option would combine option 1, with transitional funding to support the Council to move to an annual practising certificate and fee. An option to transition to an annual fee is likely to be needed to avoid a significant jump in the triennial fee, because the Council is not currently recovering all of its direct costs through fees.
22. This would involve funding to help absorb the difference in fee payments for the first two years, which we have previously estimated to be approximately \$11m in the first year, and \$5.5m in the second year.
23. We think the best option for reducing the Council's functions is to remove the Leadership Centre from the Council, saving approximately \$1m from the Council's budget and enabling a triennial fee of \$440. This would mean, with transitional support from Government, an annual fee of approximately \$147.

Rejected option: Service level agreement with the Ministry for the provision of back-office functions for the Council

24. We also considered an option whereby the Council would operate as a Governance Board, with minimum regulatory functions including competence and conduct functions, as well as registration/certification functions. This option would involve the Ministry providing all back-office and operational policy functions, including ICT, HR, finance, advice on standard setting, and so on.
25. However, there are some significant challenges in implementing this option:
 - a. Because the Council's statutory functions would remain unchanged, the Council would need to agree that the Ministry would provide these services and they would need to accept the levels of service that the Ministry could provide;
 - b. The economies of scale associated with the Ministry taking over these functions are uncertain – we don't know how much this would save the Government, because the Ministry would need additional funding to take on this service provision;
 - c. If the Ministry did not agree to employ current Council staff who are currently doing these functions, those staff would need to find new employment, and redundancies may result;
 - d. There would also be other one-off costs, including the cost of exiting the property lease, terminating long term contracts i.e. IT service agreements and there will likely be external consultancy costs. These costs may impact on the timing of any

change. For example, if the lease is expiring in twelve months' time, then it would be beneficial to complete the restructure at that point to mitigate the expense;

26. Furthermore, this option would significantly impact the Council's perceived independence.
27. Any savings from this option are likely to be limited, as the Ministry would need to be funded for these services.
28. Taking all of these issues into consideration, particularly the uncertainty over cost savings and timing, we do not think this option is viable.

Next Steps

29. Budget initiatives must be uploaded in CFISnet by 17 March.
30. If you wish to proceed with any of the options that require additional funding, you will need to write to the Minister of Finance, seeking permission for the new initiative to be included in the Budget
31. At the same time, we will prepare a new Budget initiative template for uploading into CFISnet.
32. As the Education Budget package is currently oversubscribed, we would also need to adjust other initiatives in the package, to make room for the selected option and the required funding.

Annexes

- Annex 1: Functions of the Teaching Council, Education Act 1989

Annex 1: Functions of the Teaching Council

Extract from the Education Act 1989:

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- (1) The functions of the Teaching Council are as follows:
 - (a) to provide leadership to teachers and direction for the education profession;
 - (b) to enhance the status of teachers and education leaders;
 - (c) to identify and disseminate best practice in teaching and leadership and foster the education profession's continued development in light of research, and evidence of changes in society and technology;
 - (d) to carry out the functions under [Part 31](#) relating to teacher registration;
 - (e) to establish and maintain any criteria for teacher registration under [Part 31](#) that the Teaching Council considers necessary or desirable;
 - (ea) to review, at any time, the criteria for teacher registration established under paragraph (e) and, after consultation with the Minister,—
 - (i) vary, delete, or replace 1 or more of the criteria; or
 - (ii) add 1 or more criteria; or
 - (iii) delete all of the criteria and substitute new criteria;
 - (f) to establish and maintain standards for qualifications that lead to teacher registration;
 - (fa) to review, at any time, the standards for qualifications established under paragraph (f) and, after consultation with the Minister,—
 - (i) vary, delete, or replace 1 or more of the standards; or
 - (ii) add 1 or more standards; or
 - (iii) delete all of the standards and substitute new standards;
 - (g) to conduct, in conjunction with quality assurance agencies, approvals of teacher education programmes;
 - (h) to establish and maintain—
 - (i) standards for ongoing practice; and
 - (ii) criteria for the issue of practising certificates of different kinds;
 - (i) to ensure that appraisals made by professional leaders for the issue and renewal of practising certificates achieve a reasonable and consistent standard, by auditing and moderating the appraisals made for at least 10% of the practising certificates issued or renewed in each year;
 - (j) to establish and maintain a code of conduct for teachers under [section 387](#);
 - (k) to monitor and enforce the requirements relating to mandatory reporting in this Part and [Part 31](#);
 - (l) to perform the disciplinary functions in this Part relating to teacher misconduct and reports of teacher convictions;
 - (m) to set the criteria for reporting serious misconduct and for reporting on competence issues;
 - (n) to perform the functions in this Part relating to teacher competence;
 - (o) to co-ordinate a system providing for the vetting by the Police of all teachers;
 - (p) to perform any other functions conferred on it by this Act or any other enactment.
- (2) The functions specified in subsection (1)(e) and (h) must be performed as soon as practicable but no later than 2 years after the date of commencement of this section.
- (3) When performing its functions and exercising its powers, the Teaching Council must act in accordance with the rules of natural justice.