



New Zealand Qualifications Authority Cost Recovery Guidance

NZQA

Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority



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Introduction

About NZQA

1. Our purpose, “Trusted qualifications and credentials that enable people and communities to flourish”, encapsulates our role and ambition for learners and for Aotearoa New Zealand.
2. Our primary role is to ensure that Aotearoa New Zealand’s qualifications are accepted as credible and robust, both nationally and internationally. We do this through our stewardship of the New Zealand Qualifications and Credentials Framework (NZQCF), managing the qualifications system, regulating and quality assuring tertiary education (excluding universities), delivering credible senior secondary school external assessments, and quality assuring secondary school NCEA internal assessment.
3. We also assess overseas educational and vocational qualifications for recognition purposes and administer the Education (Pastoral Care of Tertiary and International Learners) Code of Practice 2021 (the Code).

About this document

4. The purpose of this guidance is to outline the principles and procedures for recovering costs associated with the services provided by the New Zealand Qualifications Authority (NZQA).
5. Cost recovered revenue is typically dedicated to a specific purpose. As Crown funding and cost recovered revenue is largely derived from the public, it is important that funds are used responsibly, efficiently, equitably, transparently, and be justifiable to those that pay the fees.
6. Cost recovery enables NZQA to maintain and enhance the quality and credibility of qualifications and credentials listed on the NZQCF, ultimately benefiting learners, schools, Tertiary Education Organisations (TEOs), and the broader community.
7. The guidance consists of principles and considerations that NZQA applies when developing its cost recovery arrangements. These include:

- when to recover costs
 - the types of costs that will be recovered
 - when and how often NZQA will review its fees
 - when and who NZQA will consult when determining fees
 - what advance notice NZQA will seek to provide to affected parties of any fee changes
 - how NZQA will consider the impacts of fees on affected parties; and
 - how often NZQA will report on the efficiency of cost recovered services.
8. This guidance does not prescribe NZQA's cost recovery model.
9. The Treasury¹ and Office of the Auditor General² (OAG) guidelines set out further requirements that statutory authorities must meet when they consider whether to set fees and charges to cover some or all the costs of service provision. This document has been developed in accordance with both sets of guidelines.
10. This guidance will be reviewed every three years to ensure its effectiveness and relevance, unless prompted to earlier i.e. in response to emergent issues. Regular reviews ensure that this guidance remains up to date with current practices, government guidance and stakeholder needs.

NZQA's fees

11. NZQA provides services that are not funded by the Crown but by third-party users of those services. Sometimes, this is referred to as "user pays".
12. In NZQA's context, users are mostly learners or education organisations who will be charged fees for the service provided. Generally, the user will pay for a service that benefits them, rather than providing a wider societal benefit or public good (which NZQA receives Crown funding for).
13. Approximately 25% of NZQA's total revenue is generated by charging third party fees for services provided.

¹ <https://www.treasury.govt.nz/sites/default/files/2017-04/settingcharges-apr17.pdf>

² <https://oag.parliament.nz/2021/fees-and-levies/docs/fees-and-levies.pdf>

14. The Education and Training Act 2020 (“the Act”)³ sets out NZQA’s legislative mandate to charge fees.
15. Section 457 of the Act is NZQA’s general fee charging provision, for example, credit reporting fees and quality assurance activities.
16. Section 452 of the Act allow certain annual fees to be charged, for example annual fees for registered private training establishments (PTEs) and Workforce Development Councils (WDCs).
17. A full list of NZQA’s fees is on our website: <https://www2.nzqa.govt.nz/about-us/rules-fees-policies/nzqa-fees/>.

When and who to charge for NZQA’s services

18. NZQA charges individuals, schools, TEOs and other organisations for various services, including qualification assessments, accreditation processes, and quality assurance activities. These fees are determined based on the complexity and time required to provide the service, ensuring they reflect the actual costs involved and consider corporate overhead costs.
19. Schools and TEOs typically forward on some NZQA fees to third parties (e.g. international learners) as part of their tuition or service fees.
20. Other organisations, such as commercial providers or subject associations, will on-charge NZQA fees to third parties (e.g. schools, TEOs, individuals) as part of their overall costs.

Objectives of cost recovery

21. Cost recovery specifically applies to services that the agency has a statutory authority to deliver⁴.

³ [Education and Training Act 2020](#)

⁴ <https://www.treasury.govt.nz/sites/default/files/2017-04/settingcharges-apr17.pdf> (page 9)

22. For NZQA, cost recovery applies to services it delivers to secondary schools and tertiary education organisations, which are not Crown-funded but are necessary for NZQA to fulfil its functions under the Act.
23. NZQA seeks to recover costs associated with its services and activities that are either not Crown funded or are only partially Crown funded.
24. Cost recovery enables NZQA to perform several key functions that ensure the quality and integrity of New Zealand qualifications and credentials. These functions include (but are not limited to):
- Maintaining the New Zealand Qualifications and Credentials Framework (NZQCF) and the Directory of Assessment and Skill Standards (DASS), including the development of Rules, operational policy and procedures.
 - Maintaining students' New Zealand Record of Achievement.
 - Approving programmes and accrediting TEOs, to ensure that educational programmes and qualifications meet national standards and provide value to learners.
 - Carrying out the development, approval, accreditation and review of micro-credentials to recognise learners' skills, experience or knowledge, while meeting demand from employers, industry and communities.
 - Enabling people to have their qualifications gained in other countries to be assessed for recognition purposes such as employment (including professional registration), admission to further education and immigration in New Zealand.
 - Quality assuring tertiary education (excluding universities) organisations. This includes ensuring TEOs maintain high standards, and that qualifications are credible and recognised nationally and internationally.
 - Administering Te Hono o Te Kahurangi, a whare ako framework NZQA uses for quality assurance of tertiary education organisations using Māori approaches and values.
 - Helping to cover the costs of risk management activities to ensure a safer and more reliable education environment for learners.
 - Providing professional development for secondary school teachers through best practice moderation workshops.
 - Enabling commercial use of NCEA and NZ Scholarship material and quality assurance of assessment materials.

Guiding principles to cost recovery

25. NZQA takes a principles-based⁵ approach to cost recovery, which allows NZQA to ensure multiple factors are considered when setting fees. The design and the administration of setting fees is informed by the key principles of **transparency**, **justifiability**, **efficiency** and **equity**.
26. Transparency and justifiability are about whether costs, and the services for the costs, are reasonable. These two principles of cost recovery work together to ensure NZQA is accountable for how it manages expenditure and revenue.
27. Efficiency and equity are about whether the way NZQA funds the services is efficient and fair.
28. NZQA must sufficiently meet the transparency and justifiability principles for costs to be eligible for cost recovery where possible. If these principles are met, recovering costs from beneficiaries/users is the most efficient option.

29. Transparency

- NZQA will have transparent processes for setting and managing fees. This includes clear documentation about the fees, and consultation with fee payers.
- Fee payers will be provided with enough information to understand and assess whether the:
 - basis or method for setting the fee is appropriate;
 - fee is fairly costed; and
 - revenue generated is correctly accounted for and used appropriately.

30. Justifiability

- Any fees NZQA recovers must be directly related to the services provided. NZQA will clearly define the service to ensure costs reflect the required service quality and delivery.

⁵ Principles taken from OAG.

- Fees will include direct costs (i.e. costs for a team providing the service – e.g. hourly rates) and indirect costs (i.e. overheads such as system costs and costs for corporate and other services and other overheads).
- Cross-subsidisation should be avoided where possible and relevant.

31. Efficiency

- NZQA will strive to deliver services efficiently, minimising unnecessary costs and ensuring value for money.

32. Equity

- Where possible, NZQA will set fees fairly and ensure that costs are not disproportionately charged to one group over another.
- NZQA will undertake regular reviews as necessary to maintain equity among fee payers.

How NZQA sets fees

33. NZQA will set fees based on all costs of providing the service/product, which will include direct costs and indirect costs.

34. NZQA's direct costs are directly linked to delivering the service, for example, includes:

- staff salaries, including training costs
- systems and equipment used in delivering the specific service.

35. NZQA's indirect costs includes corporate overheads. Corporate overhead costs refer to indirect expenses that support overall business operations but cannot be directly attributed to a specific activity. These may include, but are not limited to:

- executive and administrative salaries
- office rent and utilities
- IT and communication expenses
- Finance and HR department costs.

36. Indirect costs are necessary for maintaining the overall functionality of the organisation and will be distributed appropriately among all business activities.

37. At times, NZQA will need to undertake specific projects to improve services, or processes, which would be an indirect cost within the fee. These investments will usually seek to deliver effectiveness or efficiency benefits to service users and are generally recoverable. There may, however, be equity issues associated with recovering significant one-off costs, for example, when existing service users pay for benefits that future service users will receive. Recovery of these costs will be considered on a case-by-case basis and signalled transparently to affected stakeholders.
38. When recovering indirect costs, NZQA will approximate the actual costs associated with the service. For example, property costs could be allocated based on floor space per full time employee involved in delivery of the service.
39. NZQA will also take inflation of direct costs and indirect costs into account when reviewing fees. For example, the inflationary impacts on IT costs could be higher than the impacts on other indirect costs. These factors will be taken into account during fees reviews.

Fee types

Flat fees

40. Flat fees are pre-set charges for a particular good or service. The benefits of this approach to charging are that it is simple and provides certainty for charging entities and stakeholders.
41. For example, NZQA charges a fixed fee for evaluating international qualifications.

Variable charges

42. For some cost recovered activities, the costs of producing an output could vary depending on individual circumstances.
43. The amount of the fee depends on the time taken to complete the work. This is because the complexity and quality of the application will vary, and therefore the hours of work required to complete the work will also vary. Fees for this work are charged at a set hourly rate (plus any relevant expenses) to remain equitable across providers.

Management processes

Consultation

44. NZQA will consult with stakeholder groups that are likely to be substantially affected by any cost recovery changes.
45. Where possible, NZQA will tailor consultation methods to meet the needs of stakeholder groups that are substantially affected.
46. NZQA will engage with the relevant Ministers and appropriate government agencies before any changes are brought forward to the sector and prior to any approval being sought from the NZQA board in relation to fee changes.
47. During consultation periods, affected stakeholders can provide feedback on the proposed fee increases. NZQA will invite stakeholders to submit feedback through formal channels, such as email or an online portal.
48. As per The Treasury and Office of the Auditor General guidelines, it is allowable for public entities not to consult where there are good and well documented reasons for not doing so.
49. If consultation does not take place, NZQA will ensure stakeholders receive an advanced period of notification for any fee changes. This advance notice will include detailed information about the reasons for any fee increases and how the new or increased fees are calculated.

Notification of any potential fee increases

50. NZQA will endeavour to give sufficient lead in time to manage fee increases and signal any fees changes prior to their commencement.

Frequency of fee reviews

51. NZQA will review its fees at least biennially (at least every two years), and where possible, use data and evidence based on previous changes to the cost recovery regime to understand potential impacts on stakeholder groups.

52. Regularly reviewing fees aims to ensure NZQA's fees are appropriately monitored and result in changes to fees that are transparent and simple for stakeholders to manage.
53. NZQA will endeavour to remain aligned with the actual costs of service provision and remove any cross-subsidies where that is possible and relevant. As indicated earlier, NZQA will also take inflation of direct costs and indirect costs into account when reviewing fees.

Failure to pay fees

54. Failing to pay NZQA's fees may result in penalties as deemed appropriate by NZQA. This ensures that all parties adhere to the agreed-upon procedures and standards.
55. As per Section 352 of the Act, if a registered private training establishment is required under the Act to pay any fees to NZQA, and fails to pay those fees after receiving two reminder notices within three months, its registration lapses one calendar month after the date of the second reminder notice from NZQA.
56. NZQA may consider exemptions or fee reductions in special circumstances. These cases will be reviewed on an individual basis.

References

[Guidelines for Setting Charges in the Public Sector \[2017\]](#)
[Setting and administering fees and levies for cost recovery](#)