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Tēnā koe Mo

## Dental Council consultation on the 2026/27 proposed fees, levies and budget

Thank you for your letter dated 19 December 2025 regarding the Dental Council's (Council) proposed fees, levies and budget for 2026/27. Your submission was discussed by the Council at its meeting on 27 January 2026.

As part of the budget consultation process, Council sought feedback from New Zealand Dental Association (NZDA) as an important stakeholder in oral health. We note that while you have raised many questions around our historic budgeting and accounting, you have provided limited feedback specific to the 2026/27 proposed fees and levies that would alter the outcome of this consultation.

Many of the concerns you have raised in your submission appear to stem from fundamental misunderstandings of the legislative and accounting processes that underpin the Council's core processes, including budgeting. With respect, we think these concerns can be resolved with a full understanding of these processes. We are happy to talk you and the NZDA Executive through these processes at our next meeting. For clarity, we have responded to each of your specific questions or concerns in detail below as an attachment to this letter at Appendix 1. We have included an overview of our budgeting processes as Appendix 2.

After considering all relevant feedback received the Council has issued an outcome letter for this consultation. The Council has resolved to adopt the proposed budget and the resulting fees and levies as detailed in the consultation document, which will come into effect on 1 April 2026.

### **Summary of the New Zealand Dental Association submission**

We note that your submission relates primarily to historic expenditure as reported in the 2024/25 financial year and which was audited by the Office of the Auditor General (OAG). The 2024/25 year received an unqualified (clean) audit report.

We want to directly address the inconsistencies and inaccurate statements raised in your submission letter, particularly:

#### **1. 2024/25 "blowout/financial shock": actual versus budget results**

**This statement is not correct** - The budget (as consulted on) for 2024/25 was based on Council returning a net loss of \$1,047,745. The Council actually returned a net loss of \$783,031. This equates to **savings** of \$264,714 that has been returned to practitioners.

<b>Budgeted net loss</b>	<b>-\$1,047,745</b>
<b>Actual net loss (audited)</b>	<b>-\$783,031</b>
<b>Savings returned to practitioners</b>	<b>\$264,714</b>

2. *Actual strategic project costs are triple the budgeted amount and conclude dentists/dental specialist primary funding source for strategic initiatives and are cross-subsidising other professions*

**This statement is not correct.** All professions bear a fair proportion of Council's shared costs as we cannot and do not cross subsidise. We also note that strategic project costs of \$1.1m were consulted on through the 2024/25 budget consultation (page 5/6) and reported in our audited financial statements for the year as a \$1.1m strategic spend.

3. *Strategic operational overspend has depleted disciplinary (or any) reserves, resulting in increased disciplinary levies*

**This statement is not correct.** The Council cannot and does not cross subsidise between operational and disciplinary reserves.

The Council is committed to working with NZDA throughout the coming years in the best interest of oral healthcare in New Zealand. We also strongly believe that NZDA has an active role in promoting professional conduct by practitioners in the dental profession. Council is committed to ensuring good, safe oral health care. We are keen to work with NZDA and other stakeholders to better understand the challenges facing the professions that have led to the increased number of disciplinary cases reaching the threshold for investigation.

I was hoping you could have attended our proposed meeting on 16 February 2026. As I understand that you are not available on this date I would appreciate if you could come back with an alternative date, if possible prior to the stakeholder forum on 2 March 2026. Both the Chair and I remain keen to discuss key issues impacting your members and all oral health registrants with NZDA.

I appreciate you taking time to provide feedback on the 2026/27 budget.

Nāku iti noa, nā



Marie MacKay  
Chief Executive

## APPENDIX TWO

### Council responses to specific concerns

The Council's responses to the individual queries raised in your submission are set out below. For clarity all numbering and title references mirror those as outlined in your submission letter and are highlighted **blue**. We have also included a summary on our budgeting processes at **Appendix 2**.

#### 1. Executive Summary

*In summary*

##### 1. Major unexplained overspend in 2024/25 strategic & organisational planning

**This statement is not correct, and we do not agree with your conclusion.**

The 2024/25 budget was based on a return of a **net loss** of \$1,047,745. It actually returned a net loss of \$783,031. This equates to **savings** of \$264,714 that has been returned to practitioners.

You have taken \$370k allocated to one strategic initiative from the 2024/25 budget consultation document and directly compared this figure to a number in the audited annual financial statements of \$1.1m, allocated for 3 strategic initiatives. For the 2024/25 year, these two documents are not directly comparable and as a result you are concluding that we have significantly overspent in strategic projects.

The strategic project costs of \$1.1m for the delivery of our strategic initiatives were detailed in the narrative on pages 5-6 of the 2024/25 budget consultation document, which set out project deliverables for each initiative and the expenditure line the budget was allocated to.

On page 70 of our 2024/25 annual report Note 7: Components of net surplus presents the three strategic initiative expenditure together entitled 'Strategic and organisational planning'

Strategic initiative 1 – cultural safety:	\$333.9k
Strategic initiative 2 – data strategy:	\$370.6k
Strategic initiative 2 – data strategy – <i>operational costs to implement</i>	\$115.0k
Strategic initiative 3 – compliance:	\$280.9k
<b>TOTAL</b>	<b>\$1,140.4k</b>

If you refer to our 2025/26 budget consultation (page 10) issued in September 2024, you will see that the Council expenditure table was amended to show the strategic projects as individual expenditure lines, to improve transparency and keep one-off project driven costs separate from business-as-usual costs. This same format was presented in the latest 2026/27 budget consultation (page 12).

##### 2. Conduct, competence, and discipline in 2024/25 were broadly on budget.

**The Council agrees with this statement.**

The Council started seeing an increase of activity in conduct in the last period of the 2024/25 year. As at 31 March 2025 it had not borne any costs in relation to this increase in activity, therefore correctly there is no significant increase in costs to report within the financial statements for the year ending 31 March 2025.

To date in the 2025/26 financial year, the Council has seen cases move to Professional Conduct Committees (PCC) and Tribunal as well as disappointingly receiving more notifications regarding conduct matters. As such, conduct costs are now being incurred faster and at a higher cost than have been experienced historically.

##### 3. The August 2025 levy letter relies on forecasts, not actual blowouts.

a. The letter cites an "unprecedented rise" in conduct cases and forecasts negative disciplinary reserves by 31 March 2026, and uses this to impose an additional levy on several professions.

**The Council agrees that we have used forecasting to calculate the additional disciplinary levy.**

Responsible governance requires the Council to provide quality forecasts out two years to inform its decision making. The forecast at the time was based on:

- actual cases referred by Council to a PCC investigation, estimating timing/costs across the investigations to be incurred up to 31 March 2026;
- actual Tribunal cases where the PCC has laid charges before the Tribunal, estimating timing/costs across the cases to be incurred up to 31 March 2026;
- the forecasting of costs to be incurred by 31 March 2026 where matters had been raised but not referred to either a PCC or Tribunal; and
- a top up for the projected deficit reserves back to minimum levels for each of the professions levied.

The Council holds limited disciplinary reserves and does not cross subsidise across professions or reserve types (operational to disciplinary). Based on the forecasting the Council raised the additional disciplinary levy to manage the risk of having negative disciplinary reserves for a number of professions. Council cannot externally debt fund itself. Once a disciplinary reserve is exhausted, it must go out to practitioners to seek monies.

b. [It does not acknowledge that discipline costs were on budget in 2024/25 or that the major overspend that year was strategic.](#)

***This statement is not correct.***

The forecast negative reserves were as at 31 March 2026, and relate to disciplinary activity only, occurring within the current financial year.

There was no major overspend on strategic projects in 2024/25. Council does not transfer expenses between reserve types, therefore any strategic or other operational expenditure would have no impact on the disciplinary reserves, or the disciplinary levy imposed on practitioners. Any variation in strategic costs to budget would only affect operational reserves.

[4. Six-year pattern of over-forecasting deficits and volatile reserves.](#)

***The Council do not agree with the statement.***

The Council has assumed that you mean over-budgeting deficits as compared to actual results.

Council budgets are based on forecasts, which by definition will never be exact. The impacts of the COVID pandemic and recovery since 2020 had a significant impact on all areas of healthcare, including dental and oral healthcare. These impacts have had a material impact upon Dental Council operations and processes.

The 2024/25 year was the first year post pandemic where Council had relative stability.

In terms of reserves, which are separate from operational and strategic spend, the Council's model is to rebase reserves annually within the budget process and return any unused reserves to practitioners at the next available budget round (as per OAG guidelines) and as presented in each annual consultation. Conversely, if the Council needs to fund reserves from approved overspend it would ordinarily do so at the next budget round.

The Council would openly state that, given the increase in conduct cases and the consequential decision to pull back on various costs including strategic initiative delivery, this year its reserves will also not meet budget.

[5. Dentists and dental specialists are carrying a disproportionate burden.](#)

***This statement is not correct.***

Operational costs (including strategic costs) and disciplinary costs are legally held separate to each other. This applies across each of the oral health professions. The Council does not cross subsidise or move costs across professions or reserve types. This fact is supported by unmodified (clean) audit reports received from the OAG.

The additional disciplinary levy imposed on dentists is solely a result of a rise in conduct related notifications that raise questions about the professional conduct of a number of practitioners in that profession (page 49 of our 24/25 annual report lists the nature of matters before PCCs).

#### 4. 2024/25: What Actually Blew Out?

4.3 Implication. The “financial shock” in 2024/25 was strategic and organisational spending.

***This statement is not correct.***

As detailed above, this statement is factually incorrect - there was no blow out in either strategic and organisational planning or in disciplinary costs in 2024/25.

#### 7. Specific Critical Questions for DCNZ (listed per the points contained in your letter).

7.1.1 What specific activities, projects, or contracts comprise the \$1.1m spend.

The Council reiterates that the comparison of the 2024/25 figures between the \$1.1m spend and your budget figure of \$370k is incorrect, with detail provided above in point 1(1).

7.1.2 When were these additional expenditures approved, by whom, and on what basis?

The expenditure was correctly approved by Council as part of the budget process, and as spending was within budget it needed no additional approvals. The Council and its sub-committee receive regular and detailed reporting of financial activity.

7.1.3 Why were practitioners not consulted or at least explicitly informed that strategic spending was expected to nearly triple the budgeted amount?

The total costs were in line with the consultation and there was no additional spend.

7.1.4 To what extent did this strategic overspend contribute to the depletion of reserves that are now cited as justification for higher levies?

***This question is incorrect.***

There was no strategic overspend.

Disciplinary levies are imposed solely for disciplinary related costs, being those associated with the investigation of alleged conduct of practitioners and any related disciplinary proceedings before the Tribunal.

The Council’s model is to rebase reserves annually within the budget process and return any unused reserves to practitioners at the next available budget round (as per OAG guidelines) and as presented in each annual consultation. Conversely, if the Council needs to fund reserves from approved overspend it would ordinarily do so at the next budget round.

7.2.5 Please reconcile the 2024/25 actual costs for conduct, competence and discipline with the amounts budgeted, showing that they were in line with budget (or if not, exactly how they differed)

Council is happy to provide any clarification needed around our published financial statements, which outline the actual costs for conduct, competence and discipline up to March 2025. A full set of accounts for the current financial year, including all disciplinary costs will be published in our next annual report.

7.2.6 If 2024/25 discipline costs were broadly on budget, on what evidence does DCNZ base the statement that recent disciplinary activity has created an urgent need to raise additional levies?

***Council believes this question has been addressed in the additional disciplinary levy correspondence.***

As detailed in our letter regarding the additional disciplinary levy, the Council currently has 14 conduct matters active across our professions and have forecast the costs relating to each of these cases. Forecasting identified that disciplinary reserves in several professions would be depleted at 31 March 2026.

Each case forecast is based on a variety of factors. This may include:

- Nature of each conduct matter;
- Costs of each matter to date;
- Progress and engagement of all participants to date;
- Likelihood of matters going to Tribunal;
- Case scheduling by the Tribunal;
- Engagement by the practitioner and their legal representatives;
- Historic hours spent on similar matters by PCCs at the current hourly rates;
- Analysis of spend to date versus progress of each matter to build estimated future costs;
- Estimates of costs from the HPDT based on similar cases;
- A legal estimate from PCC external lawyers; and
- A legal estimate from Council external lawyers.

**7.2.7 Please provide historical data (case numbers, complexity, costs) for PCC and HPDT matters by profession for at least the last five years, so practitioners can see the factual basis for the “unprecedented rise” described in the levy letter**

***Council believes this question has been addressed in the additional disciplinary levy correspondence.***

Please refer to Appendix A of our 26 August 2025 additional disciplinary levy letter. As can be seen by the modest disciplinary levies raised in the past 5 years, activity in PCC and Tribunals has also been modest. As clearly stated in that letter “the Council has been subjected to unexpected disciplinary costs due to a significant rise in professional conduct cases across multiple professions”. On this basis, we believe a historic report will not provide any purpose in this context.

The fact that these costs have been unexpected indicates a lack of historic activity.

**7.3.8 How have DCNZ’s forecasting models changed between the 2024/25 budget, the 2025/26 budget, and the forecasts used in the August 2025 letter**

Wherever possible the Council forecasts on a ‘ground up’ basis using historic trends and data. Disciplinary forecasting will, by its nature, contain more dependencies leading to additional assumptions. Our forecasting models have not changed fundamentally across this time.

While all forecasts are based on historic trends and data, what the most recent forecast for the August 2025 letter includes is the forecasted costs for actual open and active cases at a volume that historic trends would not have us forecasting for. This is an unprecedented increase in disciplinary cases, arising from a significant increase in notifications and complaints (refer page 23 of Council’s annual report). This shift is included in the forecast as they are known, but whether this shift is sustained in the future at this level, lower, or even higher remains unknown.

**7.3.9 What sensitivity analysis has been performed on disciplinary cost forecasts and reserve settings, and can those scenarios be published.**

***Council does undertake sensitivity analysis.***

As part of modelling to set each annual and the additional disciplinary levy the Council identified its primary key dependencies, drivers, and risks. It then tested each of these drivers by examining how key assumptions affected financial outcomes. Due to the external nature of PCCs and the Tribunal, there is limited ability to control outcomes. This has understandably resulted in a more conservative calculation than if it was possible to control outcomes ourselves.

We do not publish our scenarios as they detail individual practitioners and circumstances.

**7.3.10 Why were minimum disciplinary reserve levels not revisited earlier, given the reliance on modest reserves and the ability to raise additional levies under s.131 of the HPCA Act?**

***Council continuously examine reserve levels based on trends and forecasting.***

Council has always aimed to hold modest operational and disciplinary reserves as holding excess reserves is not an efficient use of resources. The holding of modest reserves, and returning of unused reserves, has always been supported by Oral Health Associations including NZDA (see for example NZDA's letters of 21 December 2020 or 17 November 2023).

We stand by the Council's reserves policy and process which has continued to be robust and efficient. At the time of preparing the 2025/26 budget, fees, levies and minimum reserve levels by profession, discipline activity and/or costs did not indicate a need to increase the minimum reserve levels.

The annual process for setting fees and disciplinary levies includes using a model that resets each operational and disciplinary reserve to its minimum level, meaning that for each profession the Council can return any unused funds in the next fee/levy setting process. The Council's approach is to meet the good practice guidelines set by the OAG which states the Council should use or return any funds over a one to two year period. This ensures the same practitioner pool who paid each fee is likely to receive the benefit of any refund. Holding unused funds year on year to build reserves is not in line with good practice or in practitioners' best interests.

Resetting the reserves annually back to the minimum required and applying the OAG guidance regarding setting fees and levies, by its nature, leads to fluctuations across years. These refunds and reserves are audited and published in our annual financial statements.

**7.4.11 Given that discipline costs and activity do not occur in strict proportion to headcount, why does DCNZ continue to base allocations and reserve settings primarily on practitioner numbers rather than activity and risk?**

***This question is not correct.***

Disciplinary costs are not allocated on headcount. Disciplinary costs relate to specific matters that are unique to a practitioner. Each practitioner is unique to a profession. The Council budgets for these expenses, and bases its reserves, on the historic activity of each profession.

There is one exception to this direct cost to profession model. Annually, the Tribunal charges all Responsible Authorities a modest administration charge. This charge is allocated proportionally across the oral health professions based on practitioner headcount.

**7.4.12 How is DCNZ ensuring that dentists and dental specialists are not being used as the primary funding source for strategic initiatives or cross-subsidising other scopes?**

***This question is not correct.***

The Council does not – and legally cannot - cross subsidise professions or reserve types.

**7.4.13 What options were considered other than an additional mid-year levy (e.g. staged increases, drawing temporarily on general reserves, or delaying non-essential strategic spend)? Why were those options rejected?**

***The Council considered all options in making this decision.***

We reiterate that we cannot cross subsidise professions or reserve types. Council also cannot externally debt fund. In raising the additional disciplinary levies, we looked at each professions forecast disciplinary spend and reserve which indicated reserves below the minimum required or negative reserves, when setting the amount to impose. On this basis our options were limited.

**Other themes to address from your submission**

**1. Growing expenditure and volatility**

***Council disagrees with this broad statement.***

The large variances in budget across the years 2023/24 to 2026/27 are primarily from two sources:

1. Strategic projects; and
2. Disciplinary expenses.

Strategic projects are discrete pieces of work that are specifically detailed in each annual budget consultation. Disciplinary expenses resulting from an increase in conduct matters, as has been noted above, has increased in an unprecedented manner.

Over this period our underlying operational costs have been stable. Key changes have been increasing IT costs, increased costs around complaint management, and increased competence related costs. IT costs mirror increased technology demands paired with managing risk and threats, particularly around data security. Complaints and competence costs mirror the increase in conduct matters being experienced.

**2. The financial burden is being passed to practitioners as “disciplinary levies”**

***This statement is not correct.***

Disciplinary levies can only be used to fund conduct matters for PCC's and the Tribunal. No operational costs are being met from the additional disciplinary levy or indeed any disciplinary levy.

## APPENDIX TWO

### THE BUDGET PROCESS – how does Council budget?

The principles of Council's budget process have been in place since the inception of the Health Practitioners Competence Assurance Act 2003 (the Act) in 2003 and are as follows.

To ensure the Council can continue to be an effective regulator we need to raise monies annually in advance from practitioners. In doing this we must operate within the confines of the Act. Under the Act, costs of the Council must be borne by one of five professions and must fit into one of two types as follows:

1. Fees (section 130). These represent all costs required for the Council to carry out regulatory functions. With the exception of competence and health matters, the Council can generally control these costs. Fees can only be raised to each profession once a year.
2. Levies (section 131). The Council imposes a disciplinary levy for the purpose of funding costs for conduct matters that include Professional Conduct Committees (PCC) and proceedings of the Health Practitioners Disciplinary Tribunal (Tribunal). Both PCCs and the Tribunal are independent of the Council and so the Council cannot directly control these costs. The Act anticipates that the Council can impose a levy at any time to cover unexpected increases in these specific costs.

For levies it is important to state that the Council cannot directly control the poor choices of practitioners when it comes to conduct matters. It also has no ability to control the timing of conduct notifications or the costs of investigating those matters. The Council has a responsibility to protect public safety, and where issues cannot be resolved with an educative or rehabilitative response it has no other responsible option but to act in a timely manner to have the concerns investigated and resolved.

Section 114 of the Act defines the professions regulated by the Council. Each profession is financially independent.

The Council commences its budget process in July of each year for the next financial year concluding 31 March. (As an example, for clarity, July 2010 for the year 1 April 2011 to 31 March 2012). Due to the Dentist fee/levy cycle starting in September of the next year, each budget process, particularly regarding reserves, needs to look forward at least two full years.

The annual process for setting fees and disciplinary levies has included annually resetting each operational and disciplinary reserve to its minimum level, meaning that for each profession the Council returns any unused funds in the next fee/levy setting process. This meets the good practice guidelines published by the OAG which states that the Council should use or return any funds over a one-to-two-year period to ensure the same practitioner pool who paid each fee is likely to receive the benefit of any refund.

Within the budget process, the Council needs to forecast the current year's results to a high level of accuracy for the current financial year, 6 months in advance of that end of year so it can include any excess/shortfall of opening reserves in the overall budget calculation for the following budget year (together this is 18 months in advance.). It must then also budget for the next financial years activity driven by statutory processing - registrations, competence, health and conduct, recertification, accreditation etc, cyclical reviews and incorporation of any strategic project delivery.

Due to the complexity, external factors, and timeframe of the process we can categorically state that budget and actual net expenses, and closing budget and actual reserves balances, will never be equal.

Budgeting for disciplinary costs is more complex. The Council cannot directly control practitioner conduct. Where a serious conduct issue is identified the Council must act, including by referral to an independent PCC which has the potential to result in a Tribunal process. The Council budget is based on historic activity, costs, and timeframes for conduct matters. The disciplinary reserves are also based on historic activity, costs, and timeframes. Again, if the Council has no activity in a given year any excess reserves above minimum are returned to practitioners in the next available budget cycle.

Aside from holding excessive reserves "just in case", this approach to budgeting for disciplinary costs is a sound and prudent approach. However, if the Council has an unprecedented increase in conduct activity, as has recently occurred, the Act specifically allows the Council to impose additional levies in response to the large increases in activity.

## **FORECASTING – What do Council financially forecast?**

Responsible governance ensures the forecasting process is transparent, consistent and reliable supporting high-quality forecasts on which Council can make informed decisions and effectively manage financial risks. While forecasting cannot eliminate uncertainty, it provides a structured approach to planning and preparing for the future.

Financial forecasting involves estimating future financial performance by analysing historical and current data and assessing the potential future financial impact created by prevailing trends and activity. To ensure we remain well informed and support sound decision making Council must maintain financial forecasts out at least two years.

Due to the need to keep all professions and each reserve financially sound now and into the future Council forecast its financial position regularly. In Councils context forecasting has three distinct outcomes:

- In the current year it allows us to see where we will end up compared to budget. This enables us to adjust current operations and focus based on changes in outcomes or to reflect resource constraints;
- The forecast is a key input to the budget process as it informs our opening reserve balances for the start of the next budget cycle; and
- Forecasting allows us to pre-empt any large, unexpected trends early – for example like the recent increase in conduct matters that led to us raising the additional disciplinary levy. This allows planned and realistic responses to be undertaken in a timely manner.

Due to the nature of regulation, forecasting needs to examine both quantitative and qualitative inputs. Quantitative forecasts are driven by historical data and so is by its nature less volatile. Qualitative forecasting looks at the impact of current and predicted change on financial outcomes. Qualitative thus reflects current or future volatility and so is more prone to assumption and variance.

As forecasting is future focused it is by its nature never going to exactly match actual results.