



19 December 2025

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Tēnā koutou and warm greetings

Re: Dental Council of New Zealand's 2026/27 Budgets, APC Fees and Disciplinary Levies

1. Executive Summary

NZDA welcomes the opportunity to comment on DCNZ's proposed budgets, APC fees and disciplinary levies for 2025/26 and 2026/27.

Our analysis of:

- The **2025/26 Budget & Fees Consultation**,
- The **2026/27 Budget & Fees Consultation**,
- DCNZ's **2024/25 Annual Report** (budget vs actuals),
- DCNZ's **Additional Disciplinary Levy letter dated 26 August 2025**,
- Earlier budgets and annual reports over six years,

reveals a **concerning disconnect** between DCNZ's explanations to practitioners and DCNZ's own financial statements.

In summary:

1. **Major unexplained overspend in 2024/25 strategic & organisational planning**
 - a. Budgeted and consulted: ~\$370k.
 - b. Actual spend: ~\$1.1m (overspend of approx \$730k).
 - c. No advance consultation about this scale of strategic spend; not addressed in the additional levy letter.
2. **Conduct, competence and discipline in 2024/25 were broadly on budget**
 - a. The 2024/25 Annual Report indicates discipline-related activity cost what was planned – not “way more” than planned.
 - b. Yet DCNZ now frames disciplinary costs as the main driver of levy increases.
3. **The 26 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.

- b. It does not acknowledge that discipline costs were on budget in 2024/25 or that the major overspend that year was strategic.
- 4. **Six-year pattern of over-forecasting deficits and volatile reserves**
 - a. DCNZ repeatedly budgets large deficits, but actual results are materially better than forecast.
 - b. Reserves are actively run down and then rebuilt, driving levy volatility.
- 5. **Dentists and dental specialists are carrying a disproportionate burden**
 - a. They face a large **additional levy in 2025** (\$335 + GST) and a **>300% increase** in disciplinary levy in 2026/27, off the back of an overspend that is strategic, not disciplinary.

Because of these issues, NZDA does **not** support the proposed levy increases as currently justified. We seek clear explanations and reforms to DCNZ's financial governance, forecasting, and reserve policy before further fee or levy hikes are implemented.

2. Context and Approach

NZDA has:

- Reviewed DCNZ's budget and fee proposals for 2025/26 and 2026/27.
- Analysed the 2024/25 Annual Report to compare budgeted and actual expenditure by line item.
- Reviewed DCNZ's **Additional Disciplinary Levy letter** sent to registrants on 26 August 2025.
- Considered the cumulative picture over six financial years.

Our focus is on:

- The fairness and robustness of DCNZ's cost-recovery arrangements under the HPCA Act.
- The impact on dentists and dental specialists, then other professions.

3. Six-Year Financial Trends

3.1 Structural over-forecasting of deficits

- Repeated pattern of budgeting large deficits but recording much better actual results.
- 2025/26 budget deficit: **-\$1.255m**; 2026/27: **-\$360k**.

3.2 Growing expenditure and volatility

- 2023/24 actual: **~\$6.86m**
- 2025/26 budget: **\$7.26m**; 2026/27 proposal: **\$7.82m**.

Drivers include IT, competence, complaints, and disciplinary reserves – but in 2024/25, the clear outlier is strategic/organisational planning.

4. 2024/25: What Actually Blew Out?

4.1 Strategic & organisational planning: Budget vs Actual

From the 2024/25 budget and actuals:

- **Budgeted (and consulted) for 2024/25:** approx **\$370k** for “Strategic and organisational planning”.

- **Actual 2024/25:** approx **\$1.1m** spent on this line.

Variance: ~**\$730,000 overspend**.

This is a very large increase for a discretionary, internal category. It represents a material change from what was consulted on, but there is no explicit explanation in:

- The 2024/25 Annual Report narrative;
- The 2025/26 consultation; or
- The 26 August 2025 disciplinary levy letter.

4.2 Conduct, competence and discipline: Budget vs Actual

The same 2024/25 tables show expenditure on:

- Complaints/conduct;
- Competence;
- Disciplinary (PCC & HPDT)

was **broadly in line with the 2024/25 budget**. There is no evidence there of a major disciplinary overspend.

4.3 Implication

The **real financial shock in 2024/25 was strategic and organisational spending**, not disciplinary activity. Yet DCNZ's more recent communications and consultations frame the situation as a "disciplinary blow out".

5. What the 26 August 2025 Additional Disciplinary Levy Letter Says

The **Additional Disciplinary Levy letter** outlines the following:

- Additional levies to be charged in November 2025:
 - Dentists & specialists: **\$335 excl GST / \$385.25 incl GST**
 - OHTs: \$150 excl GST
 - Hygienists: \$355 excl GST
 - Therapists: \$215 excl GST
- Reasons cited:
 - "Unexpected disciplinary costs" and an "unprecedented rise" in conduct cases.
 - 13 PCCs, 3 HPDT proceedings and 1 appeal across four professions.
 - Greater case complexity, more legal input, shorter HPDT timelines, general inflation.
- Forecast disciplinary reserves to 31 March 2026:
 - Dentistry: opening \$770k, levy \$306k, forecast costs \$(1,260)k → forecast closing **\$(184)k** (negative).
 - OHT, hygiene and therapy also forecast to move into deficit.
 - Policy minimum reserves: \$740k for dentistry; \$27k each for smaller professions.
- The additional levy is designed to:
 - Cover forecast disciplinary costs for 2025/26;
 - Restore reserves to their "minimum level" under policy.

In other words, the letter is **prospective**: it justifies a new levy based on **forecasts** and policy settings, not on past overspends.

6. The Critical Mismatch: Narrative vs Evidence

Putting the 2024/25 actuals and the levy letter together:

1. **2024/25 discipline costs were on budget.**
 - a. There is no “disciplinary overspend” in that year’s accounts.
2. **2024/25 strategic & organisational planning overspent by around \$730k.**
 - a. This is not mentioned in the levy letter.
3. **The levy letter justifies additional charges using forecast future costs, but does not acknowledge the large prior-year strategic overspend that also depleted reserves.**
4. **The 2026/27 consultation then builds on this narrative**, seeking a much higher ongoing disciplinary levy (e.g. dentists’ levy rising to \$422.33) and higher minimum reserves, again largely described as a disciplinary issue.

From NZDA’s perspective, this is a fundamental transparency and governance problem:

- The **actual** 2024/25 blowout was strategic;
- The **claimed** blowout in later documents is disciplinary;
- The **financial burden** is being passed to practitioners as “disciplinary levies”.

7. Specific Critical Questions for DCNZ

NZDA requests that DCNZ provide clear, written responses (and where appropriate, detailed numeric reconciliations) to the following:

7.1 Strategic & Organisational Planning Overspend

1. What specific activities, projects, or contracts comprise the ~\$1.1m actually spent on “Strategic and organisational planning” in 2024/25, compared with the ~\$370k budget?
2. When were these additional expenditures approved, by whom, and on what basis?
3. Why were practitioners not consulted or at least explicitly informed that strategic spending was expected to nearly triple the budgeted amount?
4. To what extent did this strategic overspend contribute to the depletion of reserves that are now cited as justification for higher levies?

7.2 Discipline, Conduct and Competence

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).
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?
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.

7.3 Forecasting & Reserves

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

7.4 Levy Design and Fairness

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?
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?

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?

We ask that DCNZ publish its responses so all registrants can understand the basis for the additional levies and proposed ongoing increases.

8. Recommendations

NZDA's earlier recommendations now have greater urgency:

1. **Independent review of forecasting and reserve policy**, including the treatment of disciplinary and strategic costs.
2. **Audit and governance review of strategic expenditure**, specifically the 2024/25 overspend.
3. **Re-design of profession-level cost allocation**, moving beyond a simple headcount model.
4. **Stabilisation of APC and levy settings** through multi-year planning and clear separation between:
 - a. recovering actual past overspends; and
 - b. building buffers for future risk.
5. **Enhanced transparency and engagement**: profession-specific data for cases, costs and trends should be routinely published.

9. Conclusion

NZDA supports robust, effective regulation that protects the public. However, the combination of:

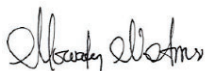
- A large, unexplained strategic overspend in 2024/25,
- On-budget disciplinary costs in that same year, and
- Subsequent levy increases framed principally as “disciplinary” in nature,

requires careful scrutiny and full explanation.

Until DCNZ provides clear, evidence-based justification and addresses the governance issues identified, NZDA **cannot support** the current proposals for additional disciplinary levies and ongoing levy increases.

We remain willing to work constructively with DCNZ to ensure that regulation is both **financially sound** and **fair to practitioners**.

Kind regards



Mo Amso

Chief Executive

NZDA