

BACKGROUND INFORMATION

Annual Practising Certificate Fee For the 2022/23 Practising Year (01 Apr 2022 to 31 March 2023)

This is a companion document to the [Consultation Document](#) on the Annual Practising Certificate Fee and provides more extensive background information to support the proposal for an increase in the Fee.

1. Consultation Summary

The Pharmacy Council is proposing to increase the Annual Practising Certificate (APC) Fee for 2022/23 with a net effect of two percent (1.96%, or \$16.01 for a practising pharmacist) from 1 April 2022. This document provides pharmacists and other stakeholders with detail of the proposal.

We have made no material adjustment to APC fees for the last three years. Last year there was no increase at all, and the year prior it was 0.88%. The year prior it was 0.1%. The proposed fee increase (a \$16.01 increase) for 2022/23 is necessary to meet the full operational cost recovery and capital replenishment required for continued delivery of Council's regulatory functions.

2. Who are we and what do we do?

Council is a Responsible Authority (RA) established under the Health Practitioners Competence Assurance Act 2003 (HPCA Act).

The Pharmacy Council is responsible for protecting the health, safety, and well-being of the public by ensuring that Pharmacists are competent and fit to practise in their profession.

To fulfil this purpose, we deliver the functions outlined under section 118 of the HPCAA, which include: setting professional standards and the qualifications required for registration; providing guidelines; authorising the registration of individual pharmacists; reviewing and promoting professional competence; and acting on concerns raised about the competence, professional conduct, or health of a practitioner.

3. Strategic plan¹

Our Strategy was updated in July 2019 and is not constrained by the time horizon of a traditional five-year strategic plan. Instead, the strategy document fulfils the role of a Strategic Framework, which provides the appropriate mechanism for which the Council can build its annual work programme. The strategy is reviewed annually to ensure it is still fit-for-

¹ <https://pharmacycouncil.org.nz/wp-content/uploads/2021/03/Pharmacy-Council-Strategic-Plan-2019-FINAL.pdf>

purpose. This allows Council to focus its efforts on the creation of the more detailed work programme (updated annually) and taking that programme through to action. This is a more cost-effective process.

The strategy was last reviewed by Council in February 2021 and the strategic direction was reaffirmed.

Two key strategic objectives underpin the Council's regulatory activities:

- 1: Minimise the risk of harm to public from pharmacist practice, and,
- 2: Maximise pharmacist competence and fitness to practice.

There are four key strategies that guide how these strategic objectives will be met:

- Investigation and understanding
- Development, enhancement, and application of proactive regulatory tools
- Reaction to notifications (i.e., application of reactive regulatory tools)
- Capacity and capability building.

4. Council priorities for 2021/22, 2022/23 and beyond

The health environment in Aotearoa NZ is volatile, uncertain, complex, and ambiguous.

Landmark reports like the WAI2575² and disruptive technologies³ and once-in-a-lifetime events such as COVID-19 and the Health and Disability System Review⁴ mean the Pharmacy Council needs to be responsive to change. As part of a cycle of continuous improvement, for 2021/22, 2022/23 and beyond we will critically review, develop and refine existing regulatory tools and core operations relating to:

- **Health Equity and Cultural Safety:** Supporting advancement of pharmacists' and Council's cultural safety competencies for health equity and Te Tiriti o Waitangi.
- **Clinical Governance and Quality Improvement:** Further advancing patient safety competencies to address concerns such as those outlined by Health & Disability Commission (HDC) and the Health Quality & Safety Commission (HQSC).
- **Prescribing:** Exploring unified prescriber standards across multi-disciplinary clinicians to help optimise prescribing practice and reduce medication errors.
- **Recertification:** Continuing work throughout 2021/22 and 2022/23 to further strengthen recertification systems.

² <https://www.health.govt.nz/our-work/populations/maori-health/wai-2575-health-services-and-outcomes-kaupapa-inquiry>

³ <https://www2.deloitte.com/global/en/pages/life-sciences-and-healthcare/articles/global-health-care-sector-outlook.html>

⁴ <https://dpmc.govt.nz/our-business-units/transition-unit/response-health-and-disability-system-review/information>

We commissioned the development and launch of the MyRecert platform in 2020/21. Pharmacists are now using this platform to record their continuing professional development to give Council the appropriate assurance during the annual recertification process that they remain fit and competent to practice. The initial platform development work was funded from Council's existing General Fund reserves with access to, and use of, the platform being provided to practitioners for no additional cost recovery or annual fee.

- **Accreditation:** Continuing work to further strengthen accreditation systems.
- **Performance review of regulatory authorities:** To support the continuous quality improvement (CQI) of the Council in carrying out its statutory functions.

Change of financial year, 2021/22 actual & 2022/23 forecast budgets

For the financial year beginning 1 July 2021 we will transition from a 30 June balance date to a 31 March balance date. This means we will report on a nine month only financial year for 2021/22. The main benefit in making this change is the realignment of our financial year with the APC year so that funding received from renewals in any given year will be clearly tagged for delivery of our workplan within that same year, thereby making the discussion around our proposed workplan and the regulatory cost more aligned to the revenue collected. Alignment of income and expenditure will also highlight the true nature of our reserves position in our annual financial statements.

The budget approved by Council in June 2021 for the period 1 July 2021 to 31 March 2022 is funded from the 2021/22 APC fees already collected in March of 2021.

We have forecast a deficit of around \$0.3 million for 2022/23. This is partly in response to the surplus position of just under \$0.4 million for 2021/22 reflecting the improvement in our 30 June 2021 closing reserves position.

We have been unable to reoccupy the premises located at 80 The Terrace following the Kaikoura earthquake on 14 November 2016. We are still in temporary accommodation and a move is planned, along with our Dental Council colleagues, to a smaller permanent premise in late 2021/22.

The proposed 2022/23 budget does include some revenue from partial subletting of 80 The Terrace which will help offset budgeted building costs.

5. Approach to determining fees

Health practitioner APC fees and disciplinary levies are set by each RA under sections 130 and 131 of the HPCAA. We follow the good practice guidelines established by both the Office of the Auditor-General⁵ and the Treasury⁶.

⁵ <https://oag.parliament.nz/good-practice/good-practice-guides>

⁶ <https://www.treasury.govt.nz/sites/default/files/2015-09/good-reg-practice.pdf>

We consider how best to deliver our statutory functions to expected standards of service and then to ensure this is done as effectively and efficiently as possible. We use a cost recovery approach to determine the level of fees necessary to deliver our functions while remaining a financially viable entity.

The level of APC fee required per practitioner depends annually on:

- The number of pharmacy practitioners in all scopes of practice who are either:
 - Entering the profession,
 - Recertifying,
 - Exiting the profession, or,
 - Transferring from / to the non-practising register.
- Our budgeted operational and capital investment costs.
- The maintenance of minimum reserve levels in accordance with our General Reserve Policy and Disciplinary Reserve Policy.

To assure ongoing financial viability we:

- Budget up to two years ahead.
- Prioritise the use of resources.
- Maintain appropriate cash balances and reserves (we have no borrowing facilities and our principal source of revenue is limited to the annual APC fee).

6. Proposal

We propose a total Pharmacists Annual Practising fee, effective from 1 April 2022, of \$816.63 (inclusive of GST) an increase of \$16.01 (\$13.93 fee and \$2.08 GST) for the APC fee for the 2020/21 and 2021/22 practising years of \$800.62 (a net 1.96 percent increase). The proposed fee is made up of:

- APC \$627.09 (\$12.30 increase relative to 2021/22), plus
- Disciplinary levy \$83.02 (\$1.62 increase relative to 2021/22), plus
- GST of \$106.52

7. Rationale for the proposed increase in the APC fee

The pharmacy sector in New Zealand is an increasingly diverse and multi-dimensional space where, unlike most other RAs, there are multiple regulatory bodies working in parallel with government agencies to ensure public safety is protected either through individual pharmacist's practice or through pharmacy and medicines management. Basic operating costs are generally increasing, and regulatory expectations continue to occupy the majority of the Council's work programme.

The proposed fee increase is necessary to meet the full operational cost recovery and capital replenishment required for continued delivery of Council's regulatory functions.

In late 2020 we offered a rebate of \$70.70 to reflect the pressures of COVID-19 on Council's workplan for 2019/20. This represented 10% of the APC fee component collected for the 2019/20 APC year⁷. Additionally, in consideration of the ongoing impact of COVID-19 on practitioners, we decided not to propose any change to fees for the 2021/22 APC year. These two actions have had an impact of around ~\$270k on Council's cash and reserves position.

The table below shows that since the 2019/20 APC renewal year the annual movements in APC fees have not kept pace with increases in costs, the result of which has been a slow but gradual decline in the power of our purchasing dollar.

To fund the costs of the delivery of our strategic objectives, to build sufficient reserves to maintain our capital replacement programme a gradual and regular increase in fees is seen as preferable rather than any short sharp shock.

Table1. Ordinary APC fee movements year on year

APC Year	APC Movement	Disciplinary Levy Movement	Total Ordinary APC & DL Fee	Increase (\$)	Net Movement
2019.20⁸	Increase	Decrease	\$793.62	\$0.97	0.1%
2019.20	<i>Rebate</i>	-	<i>(\$70.70)</i>	<i>(\$70.70)</i>	<i>(10%)</i>
2020.21	Increase	No change	\$800.62	\$7.00	0.88%
2021.22	No change	No change	\$800.62	nil	nil
2022.23	<i>Proposed increase</i>	<i>Proposed increase</i>	\$816.63	\$16.01	1.96%

We manage and deliver our functions under S118 of the HPCAA on a going-concern basis. The registration, annual recertification and competence assurance processes are well socialised and there are clear expectations set for practitioners which are generally well understood. Disciplinary and competency processes follow clear guidelines of natural justice and notifications are handled appropriately when they arise.

Registered pharmacist numbers have increased year on year by a net average of ~110 practitioners per annum, and we need to be able to flex appropriately to accommodate this steady growth.

⁷ At the close of the claim period in December 2020, 88.1% of eligible pharmacists (3,483 / 3,954) had applied for and been paid the rebate.

⁸ 10% of 2019.20 APC fee portion (\$70.70 GST inclusive) was refunded in Oct-Dec 2020 upon application to Council, so effectively a fee reduction for that APC year.

	2017	2018	2019	2020	2021
Practising Pharmacists (including Pharmacist Prescribers)	3,718	3,787	3,832	3,906	4,062
<i>Pharmacist Prescribers</i>	14	19	20	34	37
Non-practising Pharmacists	1,068	1,095	1,133	1,100	1,071
Intern Pharmacists	234	236	243	300	256
Total	5,020	5,118	5,208	5,306	5,433

8. Proposed fees for the period 1 April 2022 – 31 March 2023 are as follows⁹:

Pharmacist APC Practising	Current	Proposed
APC fee	614.79	627.09
Disciplinary Levy	81.40	83.02
Total payable	\$696.19	\$710.11
Total payable including GST	\$800.62	\$816.63

Pharmacist Prescriber APC Practising	Current	Proposed
APC fee	693.84	706.14
Disciplinary Levy	81.40	83.02
Total payable	\$775.24	\$789.16
Total payable including GST	\$891.53	\$907.54

Pharmacist Intern APC	Current	Proposed
APC fee	341.95	348.79
Disciplinary Levy	81.40	83.02
Total payable	\$423.35	\$431.81
Total payable including GST	\$486.85	\$496.58

Pharmacist APC (post 30 November fee)	Current	Proposed
APC fee	204.69	206.94
Disciplinary Levy	27.13	27.67
Total payable	231.82	234.61
Total payable including GST	266.59	269.80

We are not currently proposing that any adjustments be made in 2022/23 to our other published fees (details of which are reproduced below for completeness).

One-off Fees	
Application for registration – intern pharmacist	207.00
Application for registration – pharmacist (includes TTMR and REQR)	345.00
Application for registration – pharmacist prescriber	90.00
Interview Assessment	205.00
Re-instatement to the Register	100.00
Transfer within Register	28.00
Review Management Fee	500.00

⁹ Fees are inclusive of GST unless otherwise stated

One-off Fees	
Request Lodgement Fee	100.00
Application for initial consideration of registration for non-REQR applicants	690.00
Oral interview if required	1,125.00

Register Information	
Inspection of the Register	50.00
Documents for overseas registration	50.00

Pharmacist Prescriber Fees	
Application for Registration of Overseas Pharmacist Prescriber	2,070.00
Application for Pharmacist Prescriber Category 1	368.00
Application for Pharmacist Prescriber Category 2	690.00

Other Fees	
Non-practising fee	91.34
Application for an exemption from an approved English test for overseas pharmacists	128.00
Replacement of registration certificate	50.00

9. Council's 2020/21 financial results

For the financial year ending 30 June 2021 Council has reported a surplus of just under \$0.4 million against a planned deficit of slightly below breakeven. Several unexpected factors significantly influenced the result for this year:

- The illness and sudden death of a key member of our Management Team in early 2021 impacted the progress of some projects, and associated activities were halted while an operational review was undertaken, and long-term resourcing issues were addressed. This meant that some planned external costs were not incurred, even though the work continued.
- Our selection by the Ministry of Health to administer the Pharmacy Team Relief Fund application and its associated claims meant that a portion of budgeted FTE resourcing costs for 2020/21 were able to be recovered at cost.
- Provisions made in the 2019/20 financial statements for two significant doubtful debts were able to be reversed through successful debt collection activity in 2020/21.

We strive each year to deliver our regulatory activity within the planned budget outcome, however the timing and execution of many workstream activities does not always fit nicely into a reporting year. To be an agile and “right touch” regulator requires flexibility to read the sector and environment and be able to refocus on fresh priorities as they arise. Workplans are reviewed regularly to consider fresh information or environmental changes. This can mean our annual financial results may, and can, swing between surplus to deficit year to year.

A surplus position is viewed positively by Council as it allows for the replenishment of reserves and provides a buffer for the shifting cycle of external costs between budget periods.

Council's Business Capability Improvement (BCIP) journey

Over the last four years we have made a significant investment in BCIP initiatives such as the MARCO online, MyRecert platforms and the Compliance Management System as well as a rebuild of our website (~\$870k). The regeneration cycle of our current major BCIP platforms is estimated at between three to five years (but fully expensed over three years for accounting purposes), so renewal or replacement decisions for some larger bodies of BCIP work will come due for consideration in the next couple of years.

The focus for BCIP in 2021/22 and 2022/23 is around maximising the value of digital investment by leveraging our information for strategic value, focussing on continuous improvement of information stewardship, and enhancing stakeholder communications. The benefits are:

- **Service improvement** - Improving the practitioner experience and creating additional internal efficiencies.
- **Organisational resilience** - Enhancing the cyber security approach and ensuring the best use of cloud options.
- **Business / Strategic insights** – Making better use of data and information to inform Council's decision-making processes.

Reserves (General & Disciplinary)

Council's current Reserves Policy provides for two separate reserves, the General Fund (GF), and the Disciplinary Fund (DF).

These two reserve funds are operational in nature. The General Fund is designated to offset the risk of having insufficient cash reserves to provide for an average of one month's operating expenditure (currently calculated over the current budget year plus the next forecast budget year) and the Disciplinary Fund to hold a minimum of \$0.2 million against the risk of a spike in disciplinary proceedings and legal costs.

While Council's policy is not to budget to hold more than three times the minimum reserve for operational costs, the impact of Council's ongoing capital investment requirements on its cash reserves year-on-year must also be considered.

Over their lifetime (currently between three and ten years according to individual asset categories), our capital expenses (physical and intangible) are expensed into the annual statements of financial performance. At the point of replacement or renewal, commercial businesses would normally expect to have sufficient cash reserves set aside to undertake this activity without impacting negatively on either its bank balances or its ability to continue operating.

Our surpluses have had the effect of bolstering the overall cash reserves so the effect to date of capital expenditure on cash balances has been mitigated to a lesser degree.

Investment in capital works without the accompanying mechanisms in place to reserve sufficient cash for renewal or replacement could potentially jeopardise our ongoing operations, delivery of our regulatory function and ultimately the achievement of our strategic objectives.

Feedback and Responses

The consultation survey form is available on our [website](#) with this document. The decision we make on APC fees and disciplinary levies will be notified in the New Zealand Gazette.

Ngā mihi
Michael A Pead
Chief Executive