

Pharmacy Council's Budget & Fee/Levy Consultation

Proposal for:

- **Draft 2023/24 budget**
- **Annual practising certificate fees and disciplinary levies for pharmacists**
- **Other fees** (registration, competence, accreditation, and other miscellaneous fees)

Issued: Tuesday 6 December 2022

Submissions close: 5pm, Monday 16 January 2023

Summary of consultation proposal

The Pharmacy Council is consulting on:

1. The proposed 2023/24 budget
2. The proposed 2023/24 annual practising certificate (APC) fees and disciplinary levies (including GST¹):

Scope	Proposed APC fee	Proposed disciplinary levy	Total proposed APC and disciplinary levy 2023/24	% Increase
Pharmacist	\$750	\$100	\$850	4.1
Pharmacist Prescriber	\$845	\$100	\$945	4.1
Intern	\$415	\$100	\$515	3.7

3. Other fees (registration, competence, and other miscellaneous fees) with proposed adjustments (as outlined in the Appendix, Table 5).

If approved, the proposed APC fee, disciplinary levy and other fees shall apply from 1 April 2023. Council will give effect to the proposed fee changes by placing a notice in the New Zealand Gazette.

Feedback and submissions

Details on how to make submissions and provide your feedback are on page 9 of this document. Submissions close at 5pm on Monday 16 January 2023.

¹ Figures in this consultation document are inclusive of GST, unless otherwise stated.

Introduction

The Pharmacy Council | Te Pou Whakamana Kaimatū o Aotearoa (the Council) sets APC fees and disciplinary levies for pharmacists under sections 130 and 131 of the Health Practitioners Competence Assurance Act 2003 (the HPCAA). This consultation document sets out proposals on the Council's:

- 2023/24 budget
- APC fees and disciplinary levies for
 - pharmacists and pharmacist prescribers for the practising year 1 April 2023 – 31 March 2024
 - pharmacist interns for the practising year 15 December 2023 – 14 December 2024
- Registration, competence, accreditation, and other miscellaneous fees, effective from 1 April 2023.

Background

The Council follows the [good practice guide on setting and administering fees and levies for cost recovery](#) established by the Office of the Auditor-General and the Treasury. The Council's budget, fees and levies are calculated on a full cost recovery basis apportioned across the number of registered practitioners². The Council endeavours to cover all costs over a one-to-two-year period and is committed to operating in a cost effective and fiscally responsible way, while meeting our obligations to protect the public.

The proposed budget to determine operating and capital expenditure for the financial year to 31 March 2024 is set in the broader financial context of significant cost inflation pressure for Council and practitioners, whilst also needing to maintain minimum levels of reserves. The Council is also faced with other unquantifiable factors from the lasting effects of the COVID-19 pandemic, for example, changed processes for increased numbers of overseas practitioners seeking to move to Aotearoa.

² To maintain appropriate reserves and sustain financial viability, the Council budgets, and forecasts prudently, and rations and prioritises resources to maintain a buffer for operational unknowns (or emergencies).

Proposed 2023/24 budget (1 April 2023 – 31 March 2024)

Overall position

For 2023/24 Council is proposing an operating budget with a deficit of \$390k. The budget proposal has been prepared based on Council fulfilling all thirteen of its core regulatory functions under the HPCAA including the development and implementation of strategic initiatives and priorities.

Context

For the financial year 2021/22 Council transitioned from a 30 June to 31 March balance date to better align the financial year to the APC year funding its regulatory activities, and to allow for greater transparency over its true reserves position at the end of each APC year.

For the nine months ended 31 March 2022, Council reported an operating deficit of \$2.146m. This result was consistent with our expectation. Income received in March 2022 for the 2022/23 APC year is recorded as a liability as it relates to the financial year ending 31 March 2023.

The nine-month transitional period (1 July 2021 to 31 March 2022) realigns the reserves to match the full year APC period. Reserve movements are illustrated in the following table:

Table 1 – Reserves Movement (Year on Year)

Reserves			
\$'000s	2021/22 Actual (transitional)	2022/23 Year-end Forecast	2023/24 Budget Proposal
Total opening reserves	2,534	388	188
Less: expenditure	2,911	3,680	4,017
Plus: income	765	3,480	3,627
Surplus/(Deficit)	(2,146)	(200)	(390)
Total closing reserves	388	188	(202)
Made up of			
- General reserve	294	171	(257)
- Disciplinary reserve	94	17	55

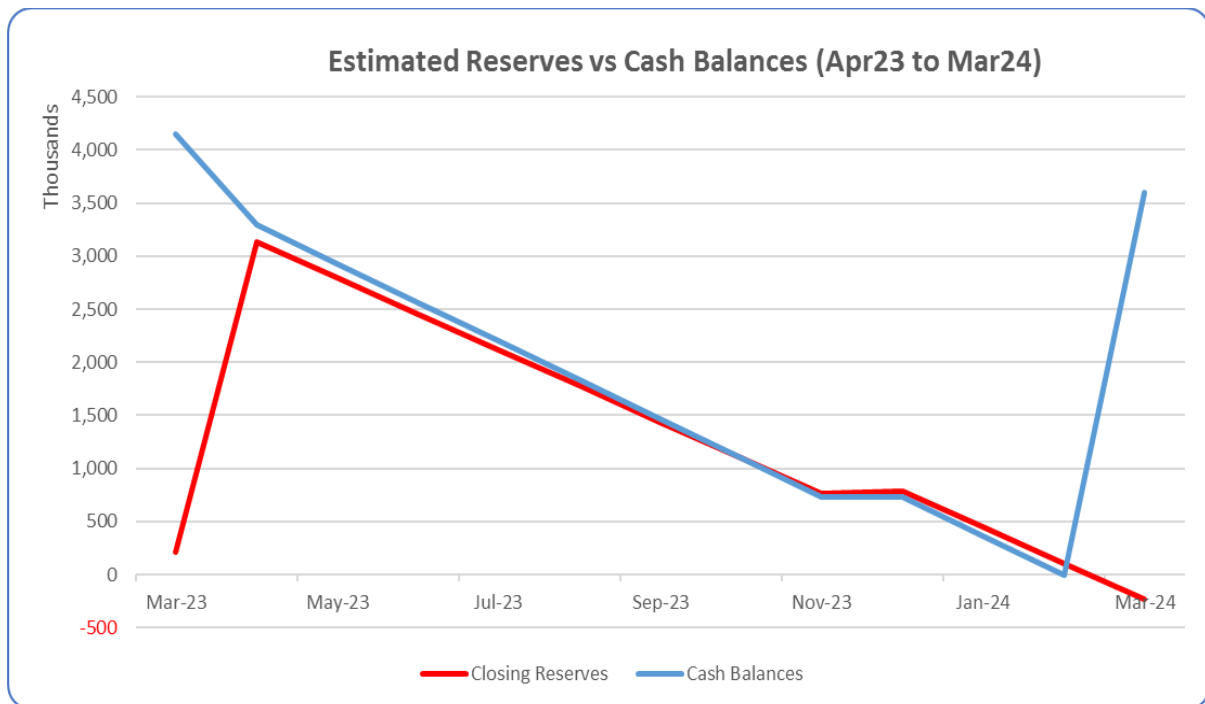
Note we have forecast a year end (31 March 2023) operating deficit of around \$200k. This includes actuals for six months and a forecast for six months. There are several factors that may mean a different outcome (e.g., the number of expected practitioners) is achieved.

Reserves impact of 2023/24 budget proposal

Assuming that the proposed APC fee increase is adopted, and alongside a consistent spend pattern that fully meets budget month on month, Table 2 illustrates a worst-case scenario of

how close Council could come to a nil (or potentially a negative) reserves position immediately prior to the APC renewal period in March 2024 without prudent expenditure management. However, we would emphasise that this would only be for a very short period (i.e., a day) until cash reserves are replenished.

Table 2 – Reserves Illustration (worst-case scenario)



Council has traditionally relied on utilising its reserves to support delivery of its regulatory functions. While maintenance of a higher level of reserves against the impact of unexpected events is a desirable state for any organisation to aspire to, the stark reality is that the true nature of fee increase required to achieve this position is not viewed by Council as an acceptable option in the current environment for the profession to absorb.

Overview of proposed budget income and expenditure

Operating Expenditure

Overall, Council’s proposed operating expenditure budget for 2023/24 has increased by **\$82k** (just over 2%) in comparison to the approved 2022/23 budget (Appendix, Table 6).

Council has, in alignment with a recent review of its [strategic framework](#), determined its priorities for **review and development**³ in the coming year (**an increase of \$100k**):

Te Tiriti - Developing and embedding Council’s Te Tiriti obligations across all its regulatory functions. This has included the setting up in 2022/23 of a Te Tiriti Advisory Group which provides advice for all regulatory development at an operational level, whilst also providing strategic advice to Council’s governors (i.e., a form of co-design and co-governance).

³ Review & development costs - Appendix, Table 6

Accreditation processes - Following development of the accreditation standards and system framework in 2022/23, in-house accreditation processes will be fully operationalised in 2023/24. Provision has been made for increased accreditation costs compared to previous years, due to the need to accommodate the cyclical review for the Universities of Auckland and Otago degree programmes, the EVOLVE intern programme and development of material relating to the Council's standards framework. As some offset of income is achieved, accreditation reviews are a partial cost recovery activity with costs shared between accredited parties and the Council (i.e., the profession).

Scope of practice review - Undertaking a review with a particular focus on issues of medicines management.

Competence standards - Socialisation of revised competence standards including a review of the alignment of the Assessment Centre blueprint.

Positional statements - Several discrete but inter-related pieces of work relating to positional statements and the review of policies and legislation likely to impact the profession (e.g., the [Therapeutic Products Bill](#)).

In the context of all other **administration and profession**⁴ expenses for 2023/24 (**an overall reduction of \$18k**):

Disciplinary - The direct costs of disciplinary proceedings are proposed at \$364k (budget 2022/23: \$393k). The proposed budget includes three medium complexity pharmacist case(s) to be heard by the HPDT.

Appeal costs were incurred (as budgeted) in 2022/23, however based on the current caseload activity there is currently no indication that Council should provide for these again in 2023/24.

The disciplinary levy under section 131 of the HPCAA funds both the Professional Conduct Committee (PCC) and HPDT costs with Council policy allocating these funds to a disciplinary reserve. It is expected that the minimum disciplinary reserve held will be sufficient to cover any cases that may arise. Should higher costs be incurred over and above the reserve, an additional disciplinary levy could be raised after further consultation.

Governance - With guidance from the [Cabinet Office Fees Framework](#) Council reviewed the level of its governance fees in July 2022 (last reviewed and adjusted September 2019) and has adjusted its meeting fee framework to better reflect the time and expertise required for governors to effectively discharge their regulatory obligations on behalf of Council.

Premises - Rent and associated premises costs are expected to normalise in 2023/24 as Council comes to the close of its shared lease obligations for 80 The Terrace (October 2023). In June 2022 Council relocated (along with the Dental Council) from temporary premises in Willis Street to smaller permanent premises at 22 The Terrace and occupies the reduced floor space on a shared cost basis.

⁴ Appendix, Table 6

Information Technology (IT) - Increased costs of service under support agreements for O365, MARCO (practitioner portal), CMS (Case Management System) MyRecert, and changes to accounting standards relating to the criteria for recognition of intangible assets (i.e., the immediate expensing of software development and purchases versus capitalisation and amortisation over the life of the asset).

Capital expenditure

Expenditure of \$50k is budgeted for 2023/24 (2022/23: \$181k). This is an estimate for the replacement of out of warranty/end of life computer equipment, and the purchase of replacement office furniture (i.e., workstation chairs).

Income

The Council's proposed 2023/24 budget assumes adoption of an overall inflationary adjustment of 4.1% for the Pharmacist APC and disciplinary levies (and below the reported Annual Inflation Rate of 7.2% per the [Reserve Bank Monetary Policy Statement November 2022](#)). (Pharmacist Prescriber APC fees would also increase by 4.1% and Pharmacist Intern APC fees by 3.7%).

Table 3. Proposed APC fees for the period 1 April 2023 – 31 March 2024

Pharmacist	Current (\$)	Proposed (\$)	Increase (\$)	%
APC fee	627.10	652.17	25.07	4.0
Disciplinary Levy	83.02	86.96	3.94	4.8
Total payable	710.12	739.13	29.01	4.1
Total payable including GST	816.63	850.00	33.37	4.1

Pharmacist Prescriber	Current (\$)	Proposed (\$)	Increase (\$)	%
APC fee	706.15	734.78	28.63	4.0
Disciplinary Levy	83.02	86.96	3.94	4.8
Total payable	789.17	821.74	32.57	4.1
Total payable including GST	907.54	945.00	37.46	4.1

Pharmacist Intern	Current (\$)	Proposed (\$)	Increase (\$)	%
APC fee	348.79	360.87	12.08	3.5
Disciplinary Levy	83.02	86.96	3.94	4.8
Total payable	431.81	447.83	16.02	3.7
Total payable including GST	496.58	515.00	18.42	3.7

Council receives no operational funding from the Crown to undertake its legislated regulatory functions so by necessity the full cost recovery model requires that delivery of its work programme be entirely funded from within the number of registered practitioners (Table 4).

Table 4 – APC holders by profession

APC – Practitioner Numbers ⁵	Actual 2019/20	Actual 2020/21	Actual 2021/22	Forecast 2022/23	Estimated 2023/24
APC – Pharmacists	3,940	4,062	4,118	4,180	4,275
APC – Pharmacist Prescribers	34	37	46	46	46
APC – Intern Pharmacists	300	256	249	275	310
Total practitioners	4,274	4,355	4,413	4,501	4,629

A separate adjustment is also proposed for the non-practising fee (which has not been adjusted by Council since 2015), and for other administrative fees (which similarly have not been adjusted since 2010 or earlier). The proposed adjustments for these fee types are listed in the Appendix, Table 5.

Council’s income from other activities is limited to interest earned on investments. Other income items include the receipt of card payment fees for debit/credit card transactions (which are then passed straight back to the banking system as fees payable by Council) and recovery of disciplinary debt awarded by the Health Practitioners Disciplinary Tribunal (HPDT) (noting that recoveries awarded are always significantly less than costs incurred).

Alternative approach to fee setting?

Council has also debated whether there is another fee setting approach that might be preferable to the profession, especially considering rising inflationary pressures being experienced within Aotearoa’s economy as well as the global economy. This approach in essence would mean Council increasing its reserves to absorb the fluctuations in costs over, for example, a three-year period. This provides practitioners more certainty but would not necessarily mean a reduction in fee as such.

It was suggested that Council consult on an alternative method of fee increase options for the 2024/25 APC year, i.e., whether it would give more certainty and be more manageable for the profession if Council:

- applied a substantial percentage increase up front (i.e., year one), but then commits to not increasing the fee for the following two years, or,
- applied a more pragmatic annual percentage fee increase ‘locked in’ at the same rate for a minimum of three years.

In both cases Council effectively would take ownership of some of the inflationary risk and would be required to manage its planned activities accordingly. A significant benefit is that APC fee consultation processes could potentially be limited to a three yearly review cycle.

⁵ Pharmacy Workforce Demographic Report. Available at: <https://pharmacycouncil.org.nz/wp-content/uploads/2022/10/Workforce-Demographic-Report-2022-Final.pdf>

As part of the 2023/24 APC fee consultation process you are invited to share your view of these alternatives to promote further discussion and consideration by Council prior to commencement of any consultation process for the 2024/25 APC year onwards.

Feedback and submissions

The Council invites all practitioners and other individuals or organisations with an interest in this proposal to comment. We welcome and value all submissions, but please note, multiple, identical submissions do not carry any more weight than a single submission. The consultation document will also be available on our [website](#) for feedback from any interested member or sector of the public.

Council has extended invitations directly to pharmacist professional membership bodies to meet and discuss the details of this consultation. We would also encourage you to consider providing your feedback through them as well.

In early January 2023 Council will consider all submissions and feedback received prior to making a final decision on the draft 2023/24 budget and proposed fees outlined in this document.

The online response form can be found [here](#).

Council will give effect to any change in APC fees and disciplinary levies by placing a notice in the New Zealand Gazette.

Appendix

Table 5: Other 2023/24 proposed fees (including GST)

Fee	Last Review Date	Current fee \$	Proposed fee \$	Increase %
One Off Fee				
Application for Registration – Intern Pharmacist	2010	207	222	7%
Application for Registration – Pharmacist (includes TTMR* and REQR*)	2010	345	369	7%
Application for Registration – Pharmacist Prescriber	2013	90	96	7%
Application for initial consideration of registration for non-REQR* applicants	2010	690	740	7%
Interview Assessment	2010	205	220	7%
Re-instatement to the Register	2006	100	150	50%
Request Lodgement Fee	2016	100	150	50%
Review Management Fee	2016	500	535	7%
Transfer within the Register	2010	28	30	7%
Register Information				
Inspection of the Register	2005	50	75	50%
Documents for Overseas Registration	2005	50	75	50%
Application Fees – Pharmacist Prescriber				
Application for Registration of Overseas Pharmacist Prescriber	2015	2,070	2215	7%
Application for Pharmacist Prescriber – Category 1	2015	368	395	7%
Application for Pharmacist Prescriber – Category 2	2015	690	740	7%
Any Other Matter				
Non-Practising Fee	2015	91.34	98	7%
Replacement of registration certificate	2005	50	75	50%
Programme Fees				
Competence / recertification programme	n/a	Full cost recovery	Full cost recovery	n/a
Supervision	n/a	Full cost recovery	Full cost recovery	n/a

*TTMR = **Trans-Tasman Mutual Recognition Act (1997)** applicants from Australia.

*REQR = **Recognised Equivalent Qualification Route** applicants are overseas qualified pharmacists holding recognised qualifications and registration from countries recognised by the Australian Pharmacy Council. These are the United Kingdom, Ireland, Canada, and the United States of America.

* Non-REQR = **Non- Recognised Equivalent Qualification Route**. Applicants that are registered pharmacists overseas, but do not meet the eligibility criteria for REQR route.

Table 6: Pharmacy Council expenditure⁶ (ex GST)

	2023/24	2022/23	2021/22
\$	Proposed Budget	Budget ⁷	Actual (12 months ⁸)
Administration expenses			
Salaries	1,822,868	1,677,231	1,494,485
Staff welfare, training, ACC levies and recruitment	51,900	75,059	64,904
Telecommunications	9,085	8,808	8,789
Photocopying, printing, postage, and couriers	10,600	6,950	6,836
Doubtful debts / (doubtful debts recovered)	-	-	37,763
Office expenses	24,236	15,400	18,821
Rent and premise outgoings	219,566	290,206	241,626
Insurance	18,000	18,000	15,741
Bank charges	55,300	49,780	56,226
Legal	5,000	20,000	24,058
Professional fees	10,500	88,120	202,881
Amortisation and depreciation	150,000	158,677	122,725
Loss on disposal of assets	-	-	1,162
Total administration expenses	2,377,055	2,408,231	2,296,017
Council development and profession expenses			
Governance – fees and expenses	296,740	256,611	174,964
Information technology	439,335	391,589	387,482
Registration and discipline	554,775	578,140	560,461
Review and development	306,500	206,280	133,314
Stakeholder engagement	42,500	94,000	42,029
Total Council development and profession expenses	1,639,850	1,526,620	1,298,250
Total expenditure	4,016,905	3,934,851	3,594,267

⁶ Excluding reimbursements to pharmacies from the Pharmacy Team Relief Fund.

⁷ 2022/23 Budget figures used for comparison as six months activity to the end of financial year still to come.

⁸ For comparison purposes only this column reflects three months actuals (i.e., Q4) of the 2020/21 financial year plus the nine months actuals of the transitional 2021/22 financial year.