

Pharmacy Council's Budget and Fee / Levy Consultation

Friday 10 November 2023

Proposal for:

- Draft 2024/25 budget
- Annual practising certificate fees and disciplinary levies for pharmacists
- Other fees (registration, competence, accreditation, and other miscellaneous fees)

Submissions close: 9.00am, Monday 11 December 2023

Summary of consultation proposal

The Pharmacy Council is consulting on:

1. The proposed 2024/25 budget
2. The proposed 2024/25 increases to:
 - Disciplinary levies - \$50.00
 - Annual practising certificate (APC) fees - \$25.00

Scope	Proposed APC fee	Proposed disciplinary levy	GST	Total proposed APC and disciplinary levy 2024/25
Pharmacist	\$673.92	\$130.43	\$120.65	\$925.00
Pharmacist Prescriber	\$759.14	\$130.43	\$133.43	\$1,023.00
Intern	\$373.04	\$130.43	\$75.53	\$579.00

3. All other proposed administrative fees (registration, competence, accreditation, and other miscellaneous fees) adjusted by five percent.

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

All proposed fees would apply from 1 April 2024, except the proposed pharmacist intern APC fee and disciplinary levy, which shall apply from 15 December 2024.

After the consultation feedback is considered, Council will give effect to any change in APC fees and disciplinary levies by notice in the New Zealand Gazette.

Feedback and submissions

Details of how to make submissions and provide your feedback are on page 10 of this document. Submissions close 9.00am, Monday 11 December 2023.

1. 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:

- Draft 2024/25 budget
- Proposed increases to the APC fees and disciplinary levies for
 - pharmacists and pharmacist prescribers for the practising year 1 April 2024 - 31 March 2025
 - pharmacist interns for the practising year 15 December 2024 - 14 December 2025
- Proposed registration, competence, accreditation, and other administrative fee increases, effective from 1 April 2024.

2. Background

The Council follows the good practice guidelines 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. The Council endeavours to cover all costs over a one-to-two-year period, consider the impact on reserves over the same period, and is committed to operating in a cost effective and fiscally responsible way, while balancing our obligations to protect the public.

The level of APC fee per practitioner depends on:

- The projected number of practitioners
- Direct income and expenditure budgets, and
- The reserves carried forward from the previous year, plus the agreed minimum reserve levels.

The minimum level of reserves intended to be maintained in accordance with the Council's Reserves Policies is critical for it to be able to meet any unexpected expenditure requirements. Two reserves are maintained:

- General reserve – based on one month's average budgeted operating expenditure¹ (e.g., to cover unexpected business interruption for events, like fire, earthquakes, cyber-attacks etc, which are partially mitigated by insurance)
- Disciplinary reserve – a minimum amount of \$200,000 to cope with any unexpected compliance costs.

¹ For the 2023/24 approved expenditure budget this equates to ~\$0.339m.

The proposed 2024/25 budget is set in the context of an ongoing period of significant cost increases and has regard to the associated financial impacts on practitioners and the need for Council to hold a minimum level of reserves.

3. Proposed 2024/25 budget

Overall position

Council is proposing a Disciplinary levy increase of \$50 and an APC fee increase of \$25 (both GST inclusive), as the regulatory workload has not declined and the costs of providing these services has continued to grow, at rates, at least similar to inflation. It is evident Council has been trying to absorb the cost pressures while continuing to meet increased levels of service demand, as shown by operating deficits over the past years and projecting an end of year reserves position of just over \$20,000. This reserve position is well below Council policy and levels held by almost all similar responsible authorities. It is not prudent to maintain such a financial position. Savings have also been achieved in Council operations, as is demonstrated by deficits being less than budgeted, over past years. If no increase is approved the disciplinary reserve is projected to be in a deficit position due to the complexity and number of disciplinary cases / matters managed by the Council team.

Each of the components of Council's budget and the detailed build up to its total expenditure, revenue requirement and reserves position for 2024/25 are explained in the following sections.

Reserves

Council's nine-month financial year result for 2021/22 reported a substantial deficit of \$2.146m due to the realignment of its end of financial year from June to March. While the following 2022/23 financial year did result in a better than planned deficit result of \$0.205m against a budgeted deficit of \$0.4m, the overall end of year reserves balance at 31 March 2023 was just \$0.183m and therefore, well below Council's reserves policy minimums².

The current forecast to 31 March 2024 is an operating deficit of around \$0.16m (as shown in *Table 1*). This is an improvement on the budgeted 2023/24 operating deficit of \$0.4m. The deficit has taken into consideration the delays experienced to date to secure the appropriate resourcing for some of the development and capability improvement work budgeted for completion this year.

Council cannot keep absorbing increased cost pressures and a higher workload and allow its overall reserves to reach deficit levels. Council is committed to a range of ways to enable further reductions to its operating expenditure (as has been demonstrated over past years, where deficits have been below budget) and enhancing its reserve levels to help keep proposed APC fees and disciplinary levies at a minimum, without compromising the regulatory outcomes expected of it under the HPCAA.

² Being one month's average operating expenditure plus a \$0.2m reserve for disciplinary costs.

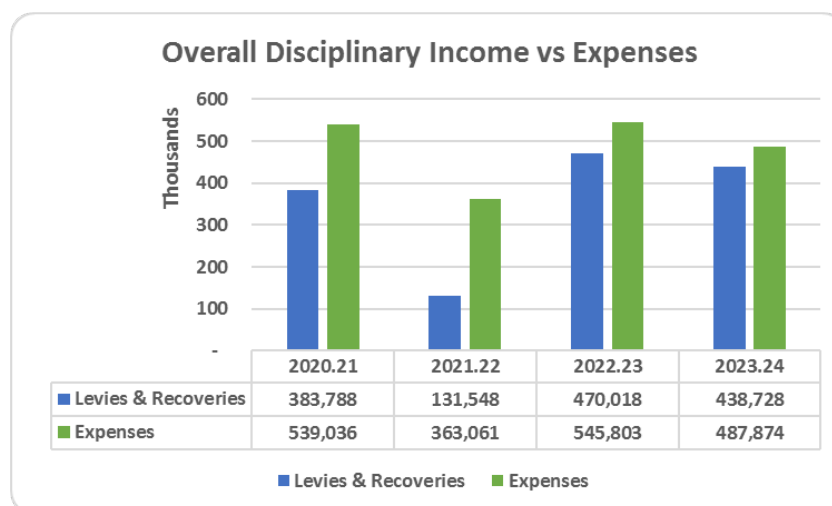
Table 1.

Reserves				
\$'000s	2020/21 Actual	2021/22 Actual (9 months)³	2022/23 Actual⁴	2023/24 Year-end Forecast
Total opening reserves	2,336	2,534	388	183
Less: expenditure	(4,209)	(2,911)	(3,857)	(3,822)
Plus: income	4,407	765	3,652	3,662
Surplus/(Deficit)	198	(2,146)	(205)	(160)
Total closing reserves	2,534	388	183	23
Made up of				
- General fund	2,209	294	165	50
- Disciplinary fund	325	94	18	(27)

Disciplinary costs for Professional Conduct Committee (PCC) and Health Practitioners Disciplinary Tribunal (HPDT) procedures incurred in recent years (*Table 2*) have consistently outstripped both the annual levies paid and the less-than-optimal contributions to costs awarded to Council from the outcomes of HPDT processes⁵. Taking the additional financial impact of management of disciplinary bad debts into account as well, this has caused a significant depletion of the Disciplinary Reserve.

The proposed budget for 2024/25 begins to address this depletion through the application of a \$50 increase to the disciplinary levies from \$100 to \$150 (GST inclusive). Council does have the ability under the HPCAA to raise additional disciplinary levies from the profession during the year if required.

Table 2.



In terms of the APC fee component, Council is proposing a smaller increase of \$25. Council acknowledges that this is markedly less than the current rate of inflation and will not immediately return the General reserve to a more sustainable level, however the level of fee

³ Transition to 31 March financial year from 30 June

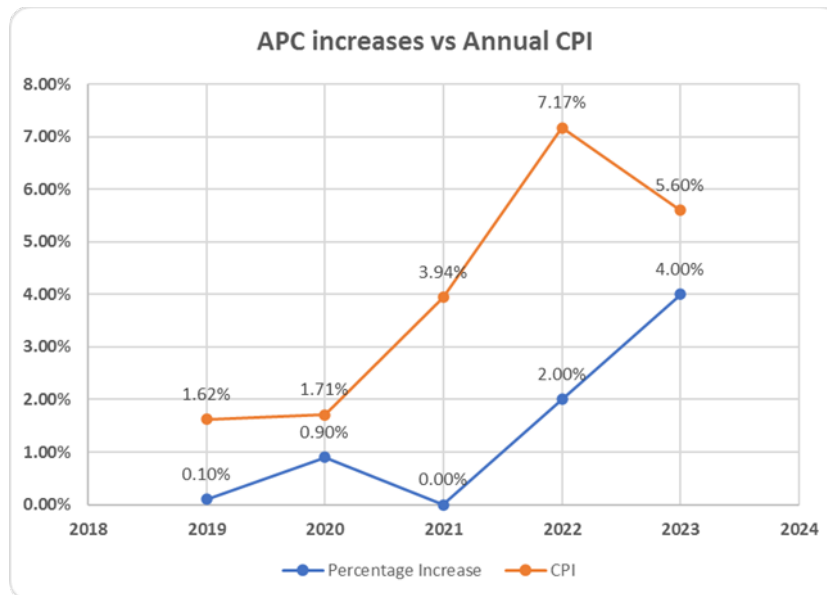
⁴ See Appendix 1 – 2022/23 Audited Financial Statements

⁵ Average awards over recent years have been between 25-30% of actual costs.

increase required to achieve that position is not viewed by Council as an acceptable option to impose on the profession in one step.

The shortfall over the last five years between the external pressures being applied to Council’s annual regulatory operating costs and the fees / levies income collected to fund them is reflected in Table 3. In simple terms, cumulatively the effects of annual inflation movements for the period amount to about 20 percent while the levels of APC fee / disciplinary levy increases applied by Council over the same period amount to only seven percent.⁶

Table 3.



4. Overview of proposed budget income and expenditure

The Council has proposed an overall deficit budget of \$0.197m for the 2024/25 year.

Income

Council’s proposed 2024/25 budget assumes adoption of an overall adjustment of \$25 for the Pharmacist APC fee and \$50 for the disciplinary levy. (Pharmacist Prescriber and Pharmacist Intern APC fees and disciplinary levies would also increase).

A five percent adjustment for cost and inflation is proposed for other administrative fees. The proposed adjustments for these fee types are listed in Appendix 2.

Council’s income from other activities is limited to interest earned on its cash balances which progressively decline as the financial year progresses.

⁶ No adjustment made for the compounding effect of year-on-year adjustments in either case and also excludes the 10% APC fee rebate payment separately made to practitioners for the 2019/20 recertification year in recognition of the impact of Covid-19 on Council’s work plan.

Operating expenditure

The proposed expenditure for 2024/25 is \$4.254m, an overall increase of 4.7 percent compared with the 2023/24 budgeted expenditure.

Table 4

	2022/23 ⁷	2023/24	2024/25
\$000's	Actual	Approved Budget	Proposed Budget
Council development and profession expenses			
Registration and discipline	528	555	592
Information technology	309	439	543
Review and development	176	307	254
Governance – fees and expenses	271	297	309
Stakeholder engagement	14	44	47
Total Council development and profession expenses	1,298	1,642	1,745
Administration expenses			
Personnel and related costs	1,902	1,919	1,998
Rent and premise outgoings	142	171	186
Amortisation and depreciation	191	210	185
Bank fees / online payment charges	46	55	55
General office expenses ⁸	79	31	42
Legal and professional fees	31	16	23
Insurance	18	18	20
Total administration expenses	2,409	2,420	2,509
Total overall expenditure	3,707	4,062	4,254

Key changes between the 2023/24 year and the proposed budget for 2024/25 relate to:

Registration and discipline:

- **Disciplinary proceedings** – proposed at \$0.413m (budget 2023/24: \$0.364m). The increase of \$0.048m allows for four medium complexity cases to be investigated by PCCs and three medium complexity pharmacy cases to be heard by HPDT.
- **Accreditation processes** – following development of the accreditation standards and system framework in 2022/23, in-house accreditation processes were fully operationalised in 2023/24. 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).

Information technology – Council has recently undertaken a comprehensive analysis of its IT functions and applications, future business goals and objectives, business drivers for investment and capability, roadmaps to determine capability, and capacity uplift priorities for the next three years. Overall Council's core digital systems are in good health; however, the analysis highlighted the need for continued investment to manage obsolescence, mitigate

⁷ Excludes 2022.23 reimbursements of \$0.151m to individual pharmacies from the Pharmacy Team Relief Fund.

⁸ Includes photocopying, printing, postage, couriers, and telecommunications.

risks, keep pace with technology trends and better meet stakeholder expectations. Key technology trends include the rapid adoption of artificial intelligence, increasing cyber security threats and far more sophistication and functionality in the digital workspace. Council's intention is to adapt to these changing contexts proactively and systematically, rather than defer investment and potentially require a more aggressive change in future. A significant provision has been made for a portion of the overall workplan to be managed within the 2024/25 financial year.

Review and development – overall, budgeted costs for 2024/25 have been reduced by \$0.053m as Council has experienced delays in resourcing commencement of pieces of the current year work programme. While some of this work may start and potentially be completed prior to March 2024, some costs may push forward into the new budget year.

- **Scopes of practice** – undertaking a review with a particular focus on issues of medicines management.
- **Assessment centre blueprint review** – the implementation of new competence standards from 1 April 2024 will require a review of the Assessment Centre Blueprint to ensure that the two are appropriately aligned.
- **Health equity and cultural safety** – developing and embedding Council's Te Tiriti obligations across all its regulatory functions. (We expect that ongoing costs for this work programme will normalise and be considered 'business as usual' from 1 April 2025.)

Governance fees and expenses – with guidance from the [Cabinet Office Fees Framework](#)⁹ Council reviewed the level of its governance fees in August 2023 (last reviewed and adjusted July 2022) and has made provision in the budget for a small adjustment to fees to be effective from 1 April 2024 to reflect the time and expertise required for governors to effectively fulfil their regulatory obligations on behalf of Council.

Personnel and related costs – proposed to increase by \$0.079m in 2024/25 partly in relation to an overall increase in permanent FTE resourcing (15.825 versus 2023/24 - 14.825), as well as adjustments from the annual remuneration review processes.

Rent and outgoings – rent and associated outgoings normalised during 2023/24 with the close of shared lease obligations at 80 The Terrace (October 2023) and the relocation to a smaller permanent premise at 22 The Terrace, occupied on a shared cost basis with the Dental Council. The shared fit-out costs for the new premise have also been capitalised over a period of six years and the annual amortisation has been apportioned to expenditure accordingly.

Capital expenditure

Expenditure of \$0.16m is budgeted for 2024/25 (2023/24: \$0.05m). This is an estimate for an uplift in capability and capacity for Council's proprietary software systems¹⁰ (\$0.14m) and the staggered cyclical replacement of out of warranty/end of life computer equipment (\$0.02m).

⁹ Which provides for an increase of ten percent to the fee ranges for Groups 2, 3 and 4 bodies

¹⁰ Reg Online, MARCO, CMS, Assessment Manager

Reserves impact of 2024/25 budget proposal

Assuming that the proposed Disciplinary levy and APC fee increase is adopted, and alongside a consistent spend pattern that fully meets budget month on month, Council's potential reserves position immediately prior to the APC renewal period in March 2025, without the application of prudent expenditure management during the year would be an overall reserves deficit of ~\$0.174m. Council is continuing to review its expenditure and income levels as part of its overall budget approval process to rebalance this to at least a break even position.

5. APC fees / disciplinary levies for part-time pharmacists

Pro-rated or reduced fees for part-time pharmacists has been a recurring theme in feedback to Council's previous fee consultations. Council has considered the matter extensively and has consulted on these options in the past. There are several reasons why these options are not possible. These include:

- The cost of regulation does not change in relation to the number of hours worked by a pharmacist. There is no sliding scale of professional competence or responsibility relative to hours worked. The cost of developing and maintaining standards, for example, is the same regardless of a full-time or part-time working pharmacist.
- Under the HPCAA there is no opportunity to withdraw an APC if a pharmacist decides mid-way through the year to reduce their hours or to stop working altogether.
- There would be additional administrative costs in providing any part-time arrangement. For example, it would be necessary to define what is meant by part-time (someone ill, long holidays, maternity leave, etc) and then have processes to be able to verify the part-time status. The costs of these processes would add to Council's overall expenditure budget, which would necessitate increasing the APC fee to meet them.
- Any reduction in fees offered to one practitioner would then have to be met by the others as the cost basis is unchanged. (see Table 5 below for an illustrative example with the application of a hypothetical 40% discount)

Table 5.

Status	Practising Pharmacists ¹¹	2023.24 APC cost ¹² (current)	APC Discount (say 40%)	Cost Transfer	Additional APC cost / discount	Total APC Cost (per annum)
Full time e.g., >1,440 hours	2,893	\$850.00	Nil	\$377,400	\$130.45	\$980.45
Part time ¹³ <1,440 hours	1,110	\$850.00	\$340.00	(\$377,400)	(\$340.00)	\$510.00

For these reasons, Council has no plans to propose a reduction in APC fees for part-time pharmacists.

¹¹ Source: 2022 Pharmacy Council Demographic Report

¹² GST inclusive

¹³ For illustrative purposes only and assumes that a part-time working week comprises 28 hours or less.

6. 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 is also available on our [website](#) for feedback from any interested member or sector of the public.

The Council will consider all submissions and feedback prior to making a final decision on the draft 2024/25 budget and proposed fees outlined in this document.

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

All submissions received and the name of the submitter will be published on our website and will remain publicly available. Published submissions from individuals will include your name and your profession if you are a registered health practitioner. All other personal and contact details will be removed.

We will not publish any submissions we consider derogatory or inflammatory as this would impact negatively on professional integrity and ethics.

As this is a public consultation, “in confidence” information will only be accepted under special circumstances. Please contact us before submitting material in confidence.

Council will be extending invitations directly to the pharmacist professional membership bodies to meet and discuss the details of this consultation. We also encourage you to consider providing your feedback through these bodies as well.

Your submissions must reach us by **9.00am Monday 11 December 2023**.

Please send your submissions to:

Pharmacy Council
P O Box 25-137
Wellington 6140
Email: consultations@pharmacycouncil.org.nz

Ngā mihi

Michael A Peard
Chief Executive

Appendices

Appendix 1 – Pharmacy Council – [Audited 2022/23 Financial Statements](#)

Appendix 2 – Other 2024/25 proposed fees (including GST)

Fee	Current fee \$	Proposed fee \$
One Off Fee		
Application for Registration – Intern Pharmacist	222	233
Application for Registration – Pharmacist (includes TTMR* and REQR*)	369	387
Application for Registration – Pharmacist Prescriber	96	100
Application for initial consideration of registration for non-REQR* applicants	740	777
Interview Assessment	220	231
Re-instatement to the Register	150	157
Request Lodgement Fee	150	157
Review Management Fee	535	562
Transfer within the Register	30	32
Register Information		
Inspection of the Register	75	79
Documents for Overseas Registration	75	79
Application Fees – Pharmacist Prescriber		
Application for Registration of Overseas Pharmacist Prescriber	2,215	2,325
Application for Pharmacist Prescriber – Category 1	395	415
Application for Pharmacist Prescriber – Category 2	740	777
Any Other Matter		
Replacement of registration certificate	75	79
Non-practising certificate	98	101

*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.