

# CONSULTATION DOCUMENT

## Annual Practising Certificate Fee for the 2020-21 Practising Year

**Released: Friday 23 August 2019**

**Submissions close: 5pm, Friday 20 September 2019**

### Purpose

The purpose of this consultation document is to seek pharmacists' and stakeholders' views on the comprehensive material provided to better understand and to debate what work the Pharmacy Council (Council) is engaged in, how it is performing, and to provide feedback on the proposed Annual Practising Certificate (APC) fee for the 2020/21 practising year.

Feedback is welcome and will be carefully considered by Council before a final decision is made.

### Background

Council regulates the profession of pharmacy in New Zealand in accordance with the Health Practitioners Competence Assurance Act 2003 (the Act). It sets scopes of practice, qualifications and professional standards and manages registration, recertification, notifications and complaints.

Council sets fees for pharmacist practitioners under sections 130 and 131 of the Act.

### 2.1 Consultation Material and Process

This consultation document includes the following contextual material for stakeholders in support of Council's proposed fees for the recertification year commencing 1 April 2020:

- Council's refreshed Strategic Plan
- 2019/20 Workplan and associated Business Measures
- 2019/20 Budget<sup>1</sup>

Please provide your feedback by 5pm, 20 September 2019. Council will consider all feedback as part of the consultation process and aims to make final decisions about the APC fee and disciplinary levy in September 2019. Council will then give effect to any change in the APC fee and disciplinary levy by placing a notice in the New Zealand Gazette.

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<sup>1</sup> Figures reported in this consultation document are exclusive of GST, except where expressly stated otherwise.

## 2.2 Approach to Determining Fees

Council's fees are calculated on a full cost recovery basis which is the philosophy of the good practice guidelines established by the office of the Auditor-General and the Treasury. Council is committed to operating cost effectively and efficiently whilst meeting its overarching obligations to protect the health and safety of the public.

The level of APC fee per practitioner depends annually on:

- The budgeted / forecasted 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
- Budgeted Council costs including capital expenditure
- Maintenance of minimum reserve levels in accordance with Council's General Reserve Policy and Disciplinary Reserve Policy (to meet any unexpected expenditure).

To ensure financial viability Council must:

- Budget and forecast up to two years ahead (as APC fee collection does not align with Council's financial year);
- Prioritise the use of resources;
- Maintain appropriate reserves; and,
- Keep appropriate cash levels (given Council has no borrowing facilities and its principal revenue source is APC collection once a year).

## Strategic Plan

Council's refreshed Strategic Plan is effective from 1 July 2019<sup>2</sup> and has not been limited by the traditional time horizon of five years. Council believes it will guide and direct its regulatory work programme to help protect the health and safety of members of the public through mechanisms that ensure pharmacists are fit to practice in their profession.

It will further align Councils ongoing workplan with the principles of right touch regulation, i.e.:

**Proportionate:** it will use only the minimum amount of regulatory force needed

**Accountable:** it is subject to public scrutiny and able to fully justify our actions

**Transparent:** it will have open, honest and user-friendly communication

**Targeted:** it will focus on solving a problem while minimising unintended consequences

**Agile:** it is adaptable to change

**Consistent:** it will apply policies, rules and standards fairly

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<sup>2</sup> The Strategic Plan refresh will also support Council's preparation for the early adoption in July 2020 of mandatory Statements of Service Performance Reporting Standards with a far greater focus on achievement of outputs and outcomes rather than the traditional but limited input lens.

Council has identified two key strategic objectives that underpin all its regulatory activities:

**Strategic Objective 1: Minimise risk of harm to public from pharmacist practice, and, Strategic Objective 2: Maximise pharmacist's competence and fitness to practise.**

Council's workplan and budgeting has been grouped into the following four key strategies / approaches to guide its work on how these objectives will be met:

- Investigation and understanding – (**Strategies S1.1 & S1.2**)
- Development, enhancement and application of proactive regulatory tools – (**Strategies S2.1 & S2.2**)
- Reaction to notifications (**Strategies S3.1 & S3.2**)
- Capacity and capability building (**Strategy 4**)

View Council's updated Strategic Plan [here](#).

### **Council's 2019/20 Workplan and Business Measures**

Council will continue to fulfil its regulatory functions and advance specific pieces of investigative work and development of regulatory tools.

Council has prioritised some planned investigation and development work in terms of Qualifications Review, Review of Competence Standards, Competence Assurance, Legislation and the Role of Pharmacist.

Other areas of Council's ongoing work include the management and delivery of intern examination and Assessment Centre processes, competence reviews, fitness to practice evaluations, health assessments and management of disciplinary processes.

Council's 2019/20 Workplan [*Appendix 1*] shows the development work already underway, development work yet to commence and how it is aligned to the strategic plan. The development workplan sits alongside Council's day to day regulatory functions and the outcomes of each individual work stream inform and support the achievement of Council's overall strategic objectives.

The specific deliverables and the business measures Council will hold itself to account for in 2019/20 (that are in alignment with our strategic plan) are defined by strategy in the following:

View Council's 2019/20 Business Measures [here](#).

### **Council's Unconfirmed 2018/19 Financial Results**

Council's draft financial results (unaudited) for 2018/19 are reported here (*Table 1.*) and record a deficit of around \$(82,000) against a budgeted deficit of just under \$(320,000). This better than forecasted result is a composite of several specific events:

- The receipt of insurance claim proceeds during the year for additional occupancy costs incurred in association with the 2016 Kaikoura earthquake;

- Timelines for specific pieces of project work being delayed during the year (and subsequently pushing forward into the new financial year) due to external stakeholder factors beyond the immediate control of Council;
- Costs for external consultants lower than expected due to workplan scheduling; and,
- The decision by Council (in consultation with its auditors) to review its stated position on the lease issues of its original office space (80 The Terrace). As a result of unresolved problems relating to the safety rating of these offices, it is necessary for Council to make provision for writing off the remaining lease and the value of the fit-out in the annual accounts.

**Table 1.**

	30Jun19 Actuals (draft) <sup>3</sup> \$'000s	2018/19 Approved Budget \$'000s	2019/20 Proposed Budget \$'000s	2020/21 Budget Forecast \$'000s
<b>INCOME</b>				
Practitioner Fees	2,836	2,865	2,691	2,716
Disciplinary Levies / Recoveries	404	375	386	386
Other Income	197	96	97	97
<b>TOTAL</b>	<b>3,437</b>	<b>3,336</b>	<b>3,174</b>	<b>3,200</b>
<b>EXPENDITURE</b>				
Personnel	1,331	1,500	1,531	1,531
Governance	185	265	246	246
Registration, Health & Competence	254	314	87	102
Discipline	310	329	319	319
Organisational Support	102	125	144	148
Development Projects / Workplans	332	468	527	332
Organisational Overheads	1,005	651	646	668
<b>TOTAL</b>	<b>3,519</b>	<b>3,652</b>	<b>3,500</b>	<b>3,346</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>(82)</b>	<b>(316)</b>	<b>(326)</b>	<b>(146)</b>

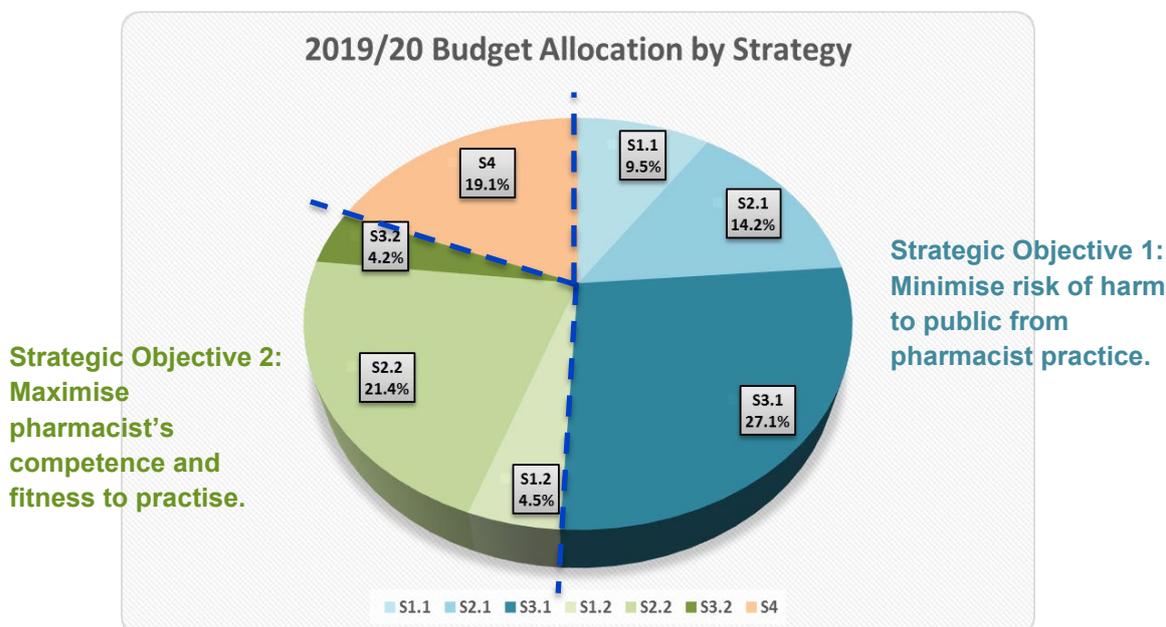
### Proposed 2019/20 budget

To align with the refreshed Strategic Plan Council has this year drafted its 2019/20 budget from two discrete perspectives: first and foremost, a budget based on the total calculated cost of delivering results against each of the newly defined strategies (*Table 2.*) and secondly by the more traditional functional business areas of the organisation (*Table 3.*).

<sup>3</sup> Draft pending the completion of the 2018/19 audit field work in early September 2019. It is expected audited financial statements will be available late September / early October 2019.

Council’s shift in focus towards better understanding the nature and causes of risk to the public arising from pharmacists’ activities will further enable it to target its regulatory activities more effectively to the specific areas where the greatest benefit can be achieved.

**Table 2.**



For the 2019/20 financial year Council has budgeted for an overall deficit of \$(325,528) (Table 3.) Council has budgeted for a deficit position because it believes with careful management and close attention to costs the reserves that it holds at 30 June 2019 combined with the income from the 1 April 2020 APC renewals process will be enough to sustain its operations and workplan out to the renewal period beginning 1 April 2021.

**Table 3.**

Budgeted Financial Performance		2019/20 \$'000s
<b>INCOME</b>		
Practitioner Fees		2,691
Disciplinary Fees & Recoveries		386
Other Income		97
<b>TOTAL INCOME</b>		<b>3,174</b>
<b>EXPENSES</b>		
Registration, Health & Complaints		1,117
Discipline		425
Qualifications & Competence Assurance		736
Policy & Standards		825
Organisation Support		397
<b>TOTAL EXPENSES</b>		<b>3,500</b>
<b>NET SURPLUS/(DEFICIT)</b>		<b>(326)</b>

## Capital Expenditure

Capital expenditure of \$290,500 has been budgeted for 2019/20 (*Table 4*).

This includes the implementation phase of Council's Compliance Case Management System (including Notify Online), Risk and Competence Data Design, the deployment of Office365 SharePoint functionality across the organisation to enhance Council's business continuity resilience (and to streamline document sharing and external meeting processes), IS Security improvements and some minor layout & flow improvements to the joint office space shared with the Dental Council of New Zealand.

**Table 4.**

Capital Expenditure	2019/20 \$'000s
BCIP	241
Computer Equipment	15
Furniture & Fittings	8
Leasehold Improvements	27
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>291</b>

## Reserves

In determining what is an appropriate fee or levy to charge in the proposed financial year Council not only reviews its budgeted expenditure in depth but also what reserves it maintains to manage 'unexpected' events.

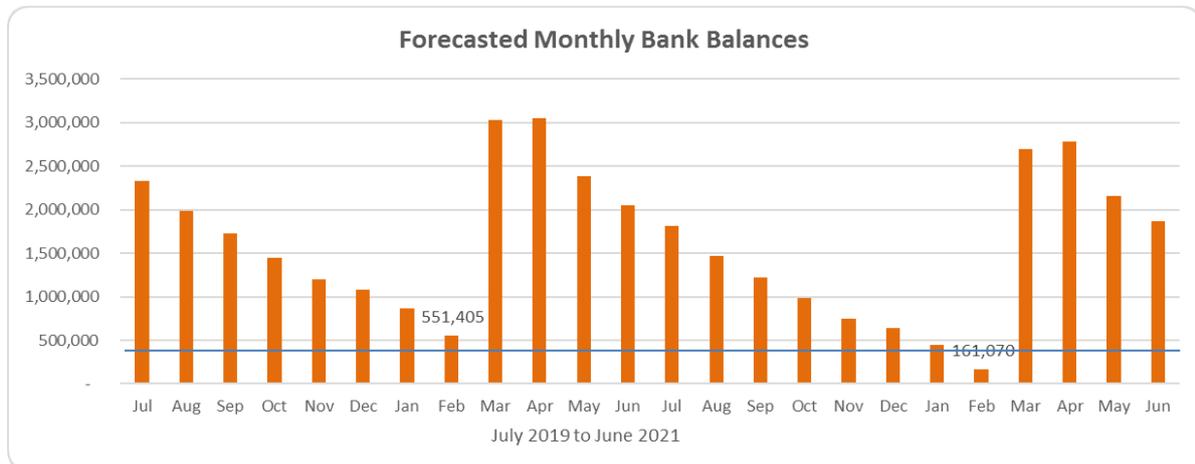
Council operates two specific reserves – a general reserve and a disciplinary reserve:

- The General Reserve fund is intended to maintain reserves for:
  - Business continuity enactment (i.e. expenditure required to cope with some catastrophic failure before receipt of insurance relief);
  - Delivering planned strategic initiatives (i.e. significant capital projects, such as the Business Capability Improvement Programme);
  - Unforeseen circumstances (e.g. a significant legislative or other governmental requirement);
- The Disciplinary Reserve fund is intended to maintain reserves for increased volume of cases for Professional Conduct Committee and Health Practitioner Disciplinary Tribunal work.

Unlike commercial entities Council does not have recourse to third party lending / overdraft facilities to smooth the peaks and troughs of its operational costs and must carefully manage the cash flows generated through the annual APC renewals process.

To help in minimising fee increases Council aims to maintain a minimum operating reserve level of one month's forecast average expenditure at its lowest cash position which is immediately prior to the annual APC renewal process. (Until two years ago this minimum reserve level was set considerably higher at 2.5 months' average monthly expenditure).

Combined with Council's working capital the reserves are reflected in its bank balance (or term deposits / investments). Council is forecasting that there will be a period, just before it receives the 2020/21 Annual Practising Fee revenue in March 2020, that its bank balance will be just above the reserve minimums, but, its bank balance is forecast to get as low as \$161,070 in February 2021 immediately preceding the cashflows generated through the April 2021 APC renewals process (i.e., below its reserves minimum). This is demonstrated in the following graph:



## Fees

Council is proposing to increase the Annual Practising Certificate Fee (APC) for the year commencing 1 April 2020 with a net effect of 0.88% (or \$7.00 including GST for a practising pharmacist). This is less than the 1.0% Consumer Price Index (CPI) as sourced from the Reserve Bank Monetary Policy Statement August 2019.

### Rationale for the proposed increase

Council considers this small increase reflects a level of adjustment that should be applied on a consistent basis going forward. The rationale for the proposed 2019/20 fee is:

- **End of year result for 2018/19** (to be confirmed and audited in early September 2019) is expected to be a deficit of around **\$82,000** (versus a budgeted deficit of just under **\$320,000**), meaning reserves are at a higher starting point for 2019/20 than originally expected.
- **Disciplinary costs and activity** are expected to be approximately equivalent to that budgeted for 2019/20 so no changes to the disciplinary levy have been deemed necessary.
- **Development workplan / project expenditure increases** in alignment with the strategic plan and relating to new workplans / projects generated out of work completed in 2018/19, i.e.; Pharmacists in Roles of Responsibility, Quality Improvement Standards and Risk associated with Pharmacist Practice.
- **Capital expenditure** does not require new or additional funding. The proposed capital expenditure of \$290,500 is available from within reserves and is also in alignment with the depreciation levels adopted by Council (i.e. renewal of business assets / technology is now aligned with assets coming to the end of their useful life).

**Proposed fees for the period 1 April 2020 – 31 March 2021 are as follows:**

<b>Pharmacist APC Practising</b>	<b>Current</b>	<b>Proposed</b>
APC fee	608.70	614.79
Disciplinary Levy	81.40	81.40
Total payable	\$690.10	\$696.19
<b>Total payable including GST</b>	<b>\$793.62</b>	<b>\$800.62</b>

<b>Pharmacist Prescriber APC Practising</b>	<b>Current</b>	<b>Proposed</b>
APC fee	686.97	693.84
Disciplinary Levy	81.40	81.40
Total payable	\$768.37	\$775.24
<b>Total payable including GST</b>	<b>\$883.62</b>	<b>\$891.53</b>

<b>Pharmacist Intern APC</b>	<b>Current</b>	<b>Proposed</b>
APC fee	338.56	341.95
Disciplinary Levy	81.40	81.40
Total payable	\$419.96	\$423.35
<b>Total payable including GST</b>	<b>\$482.95</b>	<b>\$486.85</b>

<b>Pharmacist APC (post 30 November fee)</b>	<b>Current</b>	<b>Proposed</b>
APC fee	202.90	204.69
Disciplinary Levy	27.13	27.13
Total payable	230.03	231.82
<b>Total payable including GST</b>	<b>264.53</b>	<b>266.59</b>

Subject to consultation, changes to the APC fee for all scopes of practice would take effect from 1 April 2020.

Note that Council is not currently proposing adjustments be made to its other published fees (GST inclusive) for 2019/20 (details of which are reproduced here for completeness).

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

<b>Register Information</b>	
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

### Fee for part time practitioners

Feedback from previous APC consultations included a question on the potential for Council to offer a reduced APC fee for part time practitioners. Council agreed to investigate this further and, in effect, provide its response as part of the 2019 APC consultation process.

Based on its research and analysis of this issue (summarised in *Appendix 2*), and while it empathises with the views of part time practitioners, Council's decision is that on balance it would not be sensible to offer a reduced APC fee as an option.

### Feedback and submissions

Council invites feedback on this consultation document from its stakeholders including practitioners, relevant associations and societies, the Ministry of Health, district health boards and other organisations with an interest. The consultation document will also be available on Council's website for feedback from any interested member or sector of the public.

Council will consider all submissions and feedback received prior to making a final decision on the proposed 2019/20 budget and proposed fees outlined in this document.

Submissions received will be published on Council's website and will remain available to the public. All personal contact details will be removed from submissions. Council reserves the right not to publish any submissions it considers derogatory or inflammatory.

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

Responses can be sent via our online form. **To make a submission, please click [here](#).** You can make a submission individually, on behalf of an organisation, or anonymously.

**Council invites feedback on the proposal by 5.00pm 20 September 2019.**

Ngā mihi  
Michael A Pead  
**Chief Executive**

Appendix 1 - Council's 2019/20 Workplan  
Appendix 2 – APC fee for part time practitioners

## Appendix 1

### Council's 2019/20 Workplan

Council has a 2019/20 workplan fully aligned to the refreshed Strategic Plan. New developmental work must be assessed against the plan and fulfil the achievement of Council's strategic objectives.

Council structures itself to deliver its' work programme based around four broad functional areas and is required to fulfil its functions as per section 118 of the HPCAA. The four broad areas are explained in the following diagram;

#### Assurance of Qualifications and Competence

We prescribe the qualifications for each scope of pharmacist practice. We accredit and monitor the educational institutions and degrees, courses of studies, or programmes that deliver these qualifications. We set the recertification requirements for pharmacists to provide assurance of ongoing competence.

#### Scope and Standards

We determine the scopes of practice for pharmacists, set competence standards and the Code of Ethics, outlining the level of skill, professionalism and ethical behaviour expected. We describe pharmacy practice standards, protocols and set programmes to ensure the ongoing competence of pharmacists.



#### Organisational Support

We continue to focus on operational improvements and efficiencies, as well as promoting education and training in the profession and public awareness of our responsibilities.

#### Registration, Complaints and Discipline

We authorise the registration of interns, pharmacists and pharmacist prescribers, consider applications for annual practising certificates and maintain the register of pharmacists.

We protect patients and the public and uphold public confidence in pharmacy. We do this by considering the cases of pharmacists who may not be meeting the required professional, clinical and ethical standards.

Under the four broad functional areas the intended 2019/20 work programme is expected to involve:

Functional Area	Status	Strategy
<b>Assurance of Qualifications and Competence</b>		
▪ Pharmacist Prescriber qualification review (Part A)	Ongoing	S2.2
▪ New agreement with Australian Pharmacy Council on SLA for accreditation services	Ongoing	S2.2
▪ Accreditation standards review	Ongoing	S2.2
▪ Assessments of intern pharmacists and their progress to pharmacist scope (through Objective Structured Clinical Examinations)	Ongoing	S2.2
▪ Recertification framework review	New	S2.2
▪ Re-accreditation processes for the EVOLVE intern training programme	New	S2.2
<b>Registration, Complaints and Discipline</b>		
▪ Annual Practising Certificate recertification and registration	Ongoing	S2.1
▪ Further streamlining of disciplinary and complaints management	Ongoing	S3.1
<b>Scope and Standards</b>		
▪ Role of pharmacist, analysis of research findings	Ongoing	S1.1
▪ Explore research & assign risk framework to pharmacy errors	New	S1.1
▪ Standards and expectations for pharmacists in roles of responsibility	New	S1.2
▪ Competence Standard review – Pharmacist Scope of Practice	Ongoing	S2.1
▪ Augmentation of competence standards (competence programme QMS, consultation standards)	Ongoing	S2.1
▪ Ministry of Health legislation work programmes (Council 'expert' working groups)	Ongoing	S2.1
▪ Pharmacist Prescriber qualification review (Part B)	Ongoing	S2.2
▪ Quality Improvement standards	New	S2.2
▪ Review Clinical Updates for Return to Practice	Ongoing	S3.2
<b>Organisational Support</b>		
▪ Effective stakeholder management	Ongoing	S4
▪ Financial and management reporting	Ongoing	S4
▪ Cashflow management	Ongoing	S4
▪ Business Capability Improvement Programme (BCIP) – Implementation phase of Compliance Case Management System (including Notify Online), Risk and Competence Data Design, deployment of Office365 SharePoint functionality, and IS Security improvements	Ongoing	S4

## Appendix 2

### APC fee for part-time practitioners

#### Background

Feedback from previous Pharmacy Council APC consultations raised a question from a small group of stakeholders, mainly practitioners, on the potential for Council to offer a reduced APC fee for part time practitioners.

As part of the August 2018 APC consultation process for 2019/20 fees Council agreed that this question would be investigated further to coincide with the 2019 APC consultation process for 2020/21 fees.

The 2019 Pharmacy Council Workforce Demographics (PCWD) survey reported 10% (381 / 3,734 respondents) of pharmacy practitioners worked less than 20 hours per week. (2018 survey: 478 / 3,710 or 13%)

#### Process

Key issues considered in the review process were:

#### Assumptions

- A part time practitioner would work less than twenty hours a week (or  $\leq 0.5$  FTE) over the course of a year.
- Reimbursement claims for part APC fees would be processed retrospectively based on verifiable third-party evidence of hours worked during the income tax year (April to March).

#### Comparison with other Responsible Authorities

For environmental context, information was gathered and assessed from the gazette notices, websites, and annual reports of the sixteen Responsible Authorities (RA's) operating under the Health Practitioners Competence Assurance Act 2003 (HPCAA) legislation to determine:

- APC fees charged;
- Overall practitioner numbers;
- Number of scopes of practice;
- Most recent reported annual income / expenditure;
- Most recent reserves balances; and,
- If there are 'industry norm' APC treatments for part time practitioners. (There are not, only two of the sixteen RA's offer APC fee part reimbursement schemes with a very limited application and stringent criteria to meet.)

#### Legal / Governance Requirements

The legislation and guidelines that Council must comply with:

- Council's functions and responsibilities under the HPCAA 2003
- The Public Finance Act 1989 and Amendment Act 2013

- Full cost recovery principles as per Office of the Auditor General (OAG) Guidelines on Charging Fees for Public Sector Goods and Services

### Cost Factors

- The overall costs to Council of assessing a practitioner's competence, conduct or health, regardless of their employment status.
- Whether the whole profession should reasonably be expected to subsidise an individual's choice as to whether they worked part time hours or not.
- If part time practitioners in significant numbers were eligible and requested reimbursement, or if Council consulted the profession and created a new APC fee for part time practitioners, then Council would have to respond by revising its budget and would expect APC fees for full time practitioners would rise to offset any shortfall or to be met by savings in other areas.
  - For example, based on the PCWD survey results for 2018 and 2019, a 50% reimbursement of the APC fee (excluding the Disciplinary Levy) for part time practitioners would equate to \$145,480 (478 practitioners in 2018) and \$117,117 (381 practitioners in 2019) to be recovered from the remaining practitioners adding between \$35 and \$45 plus GST to their base APC fee.
- The additional cost to Council (and by extension, to all practitioners) for the increased oversight and administration required to assess, verify and manage practitioner claims for reimbursement.
- Council's accounting policy (as with other RAs) considers APC fee income as non-exchange income (non-refundable) and therefore is recognised in full in the year the fee relates to. With limited recourse for refunds there is no material impact to income. However, if there was a material impact then the income recognition policy would likely have to change.

### Findings

After careful consideration Council's decision is that on balance it would not be sensible to offer a reduced APC fee for part time practitioners for the following reasons:

- The Office of the Auditor General (OAG) guidelines specifically require that practitioner fees and levies not be cross subsidised in any shape or form.
- The risks to public safety associated to part time as opposed to full time practitioners have not been fully quantified but there is anecdotal evidence amongst RA's that certain markers for an increase in behavioural risk can be noted in this cohort, and the core costs associated to regulation of all practitioners are the same.
- Council has no other material source of income other than APC fees. OAG restrictions on cross-subsidisation would force Council into managing the impact of a funding shortfall from within its current cost of operations and may affect its ability to regulate efficiently and effectively.
- Regardless of the OAG guidelines on the issue of cross-subsidisation, practitioners working more than twenty hours would need to be consulted and their agreement sought to effectively meet the shortfall in funding.