

Consultation on fees 2015-2017

A consultation document

22 September to 22 December 2014

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About the Pharmaceutical Society of Northern Ireland

The Pharmaceutical Society of Northern Ireland is the regulatory body for pharmacists in Northern Ireland.

Our primary purpose is to ensure that practising pharmacists are fit to practise, keep their skills and knowledge up to date and deliver high quality safe care to patients.

It is the organisation's responsibility to protect and maintain public safety in pharmacy by:

- Setting and promoting standards for pharmacists' admission to the Register and for remaining on the Register;
- Maintaining a publicly accessible Register of pharmacists, and pharmacy premises;
- Handling concerns about the fitness to practise of registrants, acting as a complaints portal and taking action to protect the public; and
- Ensuring high standards of education and training for pharmacists in Northern Ireland.

Why are we consulting?

Under Article 5 (1) e of the (Pharmacy (Northern Ireland) Order 1976) the Council is empowered to make regulations with respect to fees. These regulations are subject to approval of the department under Article 5 (2) of the same legislation.

To aid this obligation the Council is consulting all stakeholders on their proposals for the years commencing 1st June 2015, 2016 and 2017.

Once this consultation has been completed and a proposal is made and passed by the Council, the Department of Health Social Services and Public Safety (DHSSPS) will be asked to approve necessary Regulations for consideration by the Northern Ireland Assembly.

How to respond to this consultation

We welcome your response to this consultation and have listed some questions to assist you. In order to help us analyse responses, we would strongly encourage you to complete the response template provided.

Responses should be sent by post, fax or email to:

Consultation on Fees 2015-2017
Pharmaceutical Society of Northern Ireland
73 University Street
Belfast, BT7 1HL

Tel: 028 9026 7935
Fax: 028 9043 9919

Email: Mark Neale, consultation coordinator mark.neale@psni.org.uk

Accessibility of information

If you are having difficulties accessing the documentation or you need us to make adjustments in order to be able to respond to this consultation, please contact us and we will do our best to address the issue.

If you wish your response to remain confidential, the Pharmaceutical Society NI will generally respect this request. However, the information you provide may be subject to disclosure under the Freedom of Information Act 2000.

Consultation period

The consultation will run for 12 weeks from 22 September closing at 12noon on 22 December 2014.

When the consultation closes, we will analyse the responses we receive which will be taken into account by Council of the Pharmaceutical Society NI when making its final decision.

What is this consultation about?

This consultation is about the level of Annual Retention and other associated fees we intend to charge registrants for the years 2015, 2016 and 2017.

The Pharmaceutical Society NI's primary source of income is derived from the fees charged to registrants and pre-registration students, with further funding coming from the registration of pharmacy premises and a small additional revenue source coming from investments. Responsibility for setting of premises fee levels lies with the DHSSPS under the Medicines Act.

The current fee is £372 which has been in place since June 2009 when the last fees increase was introduced.

Since 2009 the operation and governance of the Pharmaceutical Society NI has significantly changed. This has mainly been driven by the introduction and implementation of new legislation (The Pharmacy (1976 Order) (Amendment) Order (Northern Ireland) 2012) in October 2012. With these changes has come increased power and responsibility at increased cost.

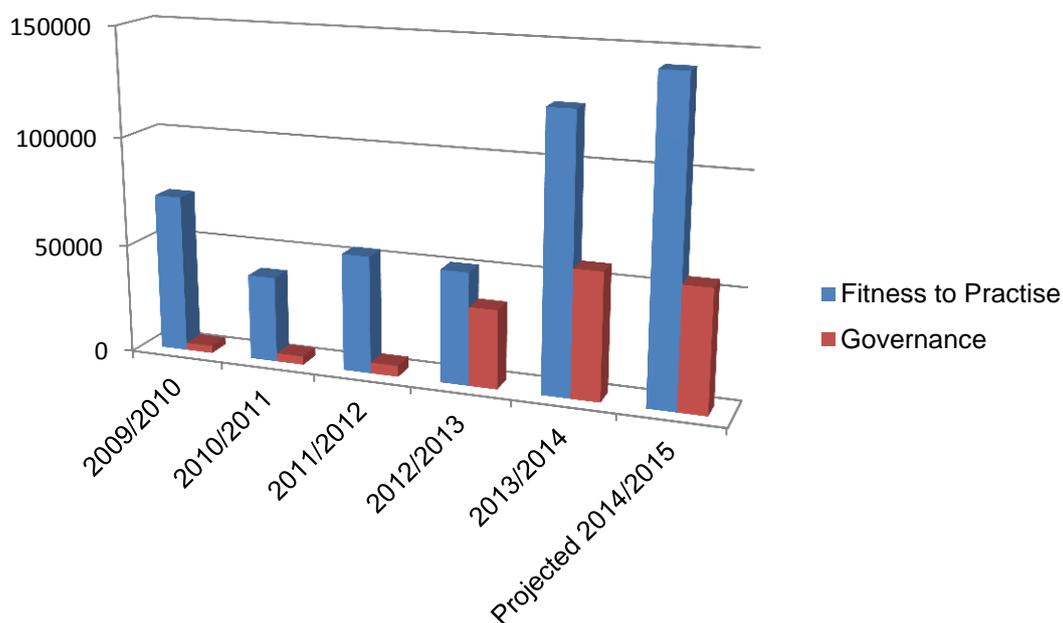
Like other regulators throughout the UK, over the last few years we have seen a significantly increasing caseload along with a rise in the individual costs associated with each case. In the year 2009/10 this organisation prosecuted 5 full cases before a Statutory Committee. In 2013/2014 this number has risen to 8 full Statutory Committee cases, 7 Interim Order hearings and 8 Scrutiny Committee (initial proceedings) cases.

Fitness to Practice Expenditure

	Number of Scrutiny Cases	Number of Statutory/ Interim Order hearings	Amount
2009/2010		5 (including 1 high court referral)	£72,297
2010/2011		4	£39,218
2011/2012		4	£53,594
2012/2013	4	8	£51,163
2013/2014	8	15	£124,877
2014/2015(projected)	11	12	£142,960

Changes introduced in governance arrangements, including structure and remuneration have seen a significant increase in costs. Expenditure relating to governance has increased from 3k in 2009/2010 to 57k in 2013/2014.

Figure 1: Fitness to Practise and Governance Cost increases from 2009/2010



Fitness to Practise Expenditure

	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	Projected 2014/2015
Totals	£72,297	£39,218	£53,594	£51,163	£124,877	£142,960

Governance

	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	Projected 2014/2015
Totals	£3,378	£3,861	£5,009	£35,791 ¹	£57,549	£55,431

¹ In October 2012 (2012/2013) the new Governance structure came into existence four months into our financial year. 2013/2014 was the first year that had a full year of Governance costs under the new legislative arrangements.

Background

In 2013/14 for the first time in recent years the Pharmaceutical Society NI recorded a deficit in the annual accounts of £62K compared to a surplus the previous year of £13K. Operationally the deficit before project expenditure² was £21K compared with a surplus of £86K the previous year.

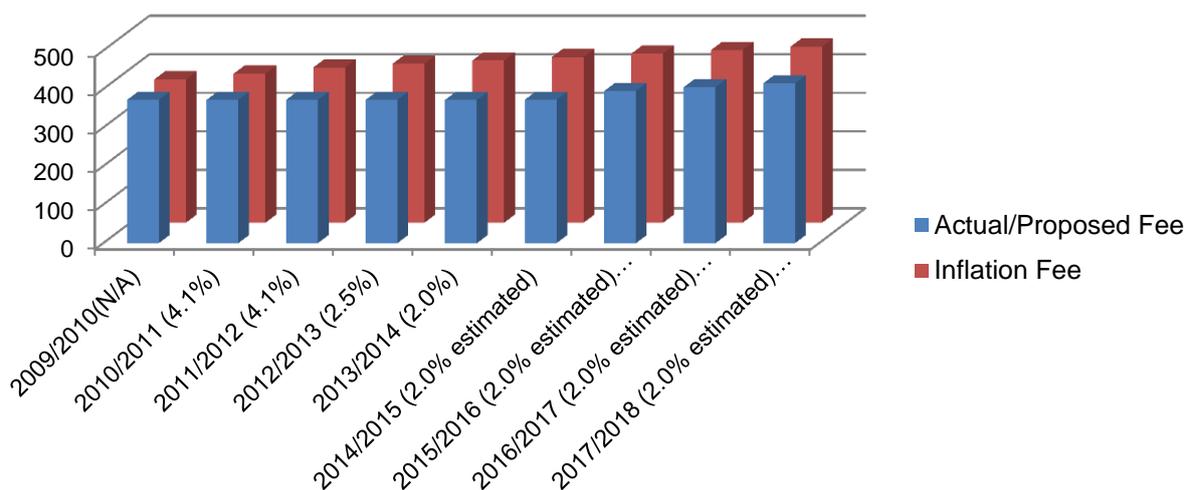
In the coming year we predict the organisation will continue to be in a deficit due largely to our fixed income base and increasing operational costs, particularly in relation to Fitness to Practise and Governance costs.

While the organisation retains a strong balance sheet, with sufficient reserves to cope in the short term, we must explore all opportunities to expand the income base while also maintaining sufficient reserves for contingencies.

With current reserves being around one year's operating costs; the Council are proposing that over the next three years these are reduced to around 6 months operating costs in a controlled fashion to ease the burden on registrants and to retain sensible reserves for contingencies in keeping with best practice.

It should be noted that fees have remained static since June 2009, during which time inflation and our regulatory costs have increased (see below).

Figure 2: Below shows how the retention fee has or would have increased over the period, had the fee increased by a percentage increase linked to inflation



² Note project expenditure is one off non-reoccurring expenditure

Increase linked to inflation

Year	Inflation (RPI)	Retention fee (if uplifted in line with inflation)	Actual/Proposed Fee
2009/2010	N/A	£372	£372
2010/2011	4.1	£387	£372
2011/2012	4.1	£403	£372
2012/2013	2.5	£413	£372
2013/2014	2.0	£421	£372
2014/2015	2.0	£430	£372
2015/2016(estimated)	2.0	£439	£395
2016/2017(estimated)	2.0	£448	£405
2017/2018(estimated)	2.0	£457	£415

From this table it is clear that had fees merely kept in line with inflation, disregarding the increased workload, the estimated fee by 2018 would be £457. The proposed fee 2018 is £415.

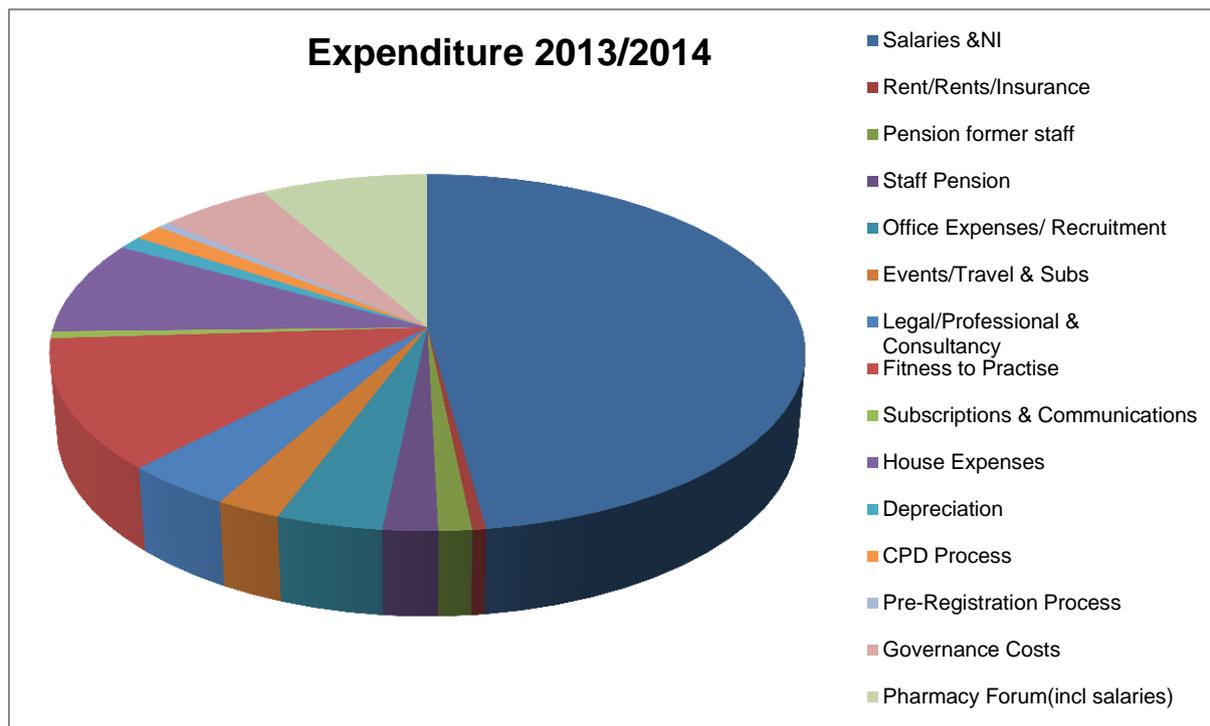
How has the organisation managed until now?

The organisation has been investing in technology and changing the way that it operated to minimise costs, the savings realised from this exercise have generated surpluses in the lead up to legislative change which have either been reinvested in improvements or in cash to support the transition.

Unfortunately our forecasts for the next three years, including the proposed fee increases suggest we will initially be operating a deficit and will be required to rely on our reserves.

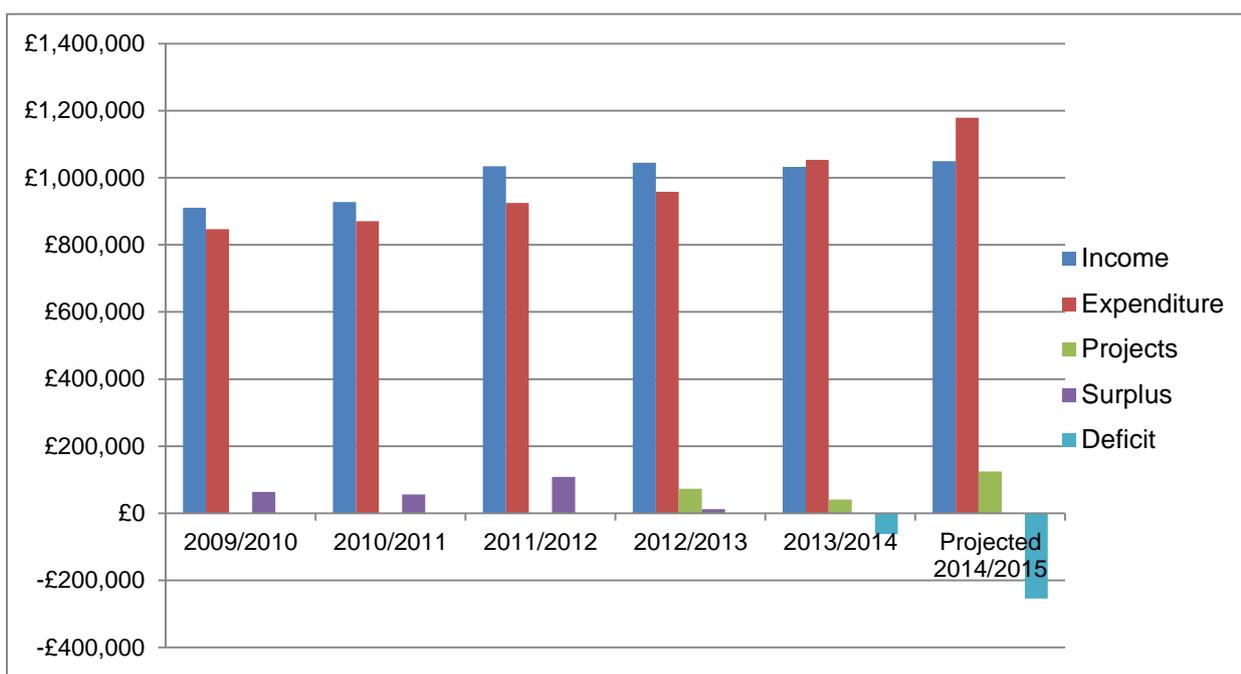
Whilst this is a position that we can sustain in the short-term and have made provision for, such a policy would not be viable long-term. Therefore the Council is proposing the following three year plan, beginning in 2015 to ensure that we have sufficient funds to carry out our legislative requirements whilst financially rebalancing our operation to make the most prudent use of our resources. Our annual operational costs in 2013-2014 were £1,053,422. In addition to this project costs were £41,186. Figure 3 shows where our funds are spent, by cost type.

Figure 3: Expenditure – cost by type 2013/2014



In 2013/2014, despite 2% inflation, costs have been maintained with the exception of Governance and Fitness to Practise costs which together amount to a £90k increase.

Figure 4: Our financial performance 2009/2010 to 2014/2015(projected)



Income v's Expenditure 2009/2010 to 2014/2015						
	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	Projected 2014/2015
Income	£910,541	£927,416	£1,033,866	£1,044,620	£1,032,546	£1,049,293
Expenditure	£846,918	£870,966	£925,285	£958,305	£1,053,422	£1,178,773
Operational surplus/deficit	£63,623	£56,450	£108,581	£86,315	(£20,876)	(129,480)
Project Expenditure				£73,646	£41,186	£124,625
Surplus/deficit of income over expenditure after projects	£63,623	£56,450	£108,581	£12,669	(62,062)	(254,105)

In the coming year the organisation will be implementing further changes that will see further reductions in costs. The most significant will be the introduction of a new IT management system that should see a reduction in IT associated costs of approx. £10,000 annually. We will also be looking at utilising other methods of cost reduction such as on-line retention.

Staff costs (including pensions) were £592k down 5K on the prior year. House, office and recruitment expenditure also fell from £92k to £90k, £44k to £39k and £7k to £5k respectively; this was due to continued efforts to reduce operational costs.

Allied to our drive to reduce costs and generate revenue, we are also seeking to collaborate with other Healthcare Regulators to share resources and facilities to the mutual benefit of each organisation.

However even with these successes overall the operational costs of regulation have increased particularly in two key areas.

With the introduction of the Legislation in 2012, both our costs relating to Fitness to Practise and Governance increased. These changes were essential to enable the organisation to meet its statutory obligation to protect the public.

Fitness to Practise

The overall number of complaints to the organisation has remained relatively steady but due to the wider range of sanctions available and the increasing complexity of the concerns raised, the number of cases being advanced has dramatically increased. Fitness to Practise regulation is still new and we have only had one year's full figures to base our assumptions on. In 2017/2018 we will do a further review of costs to see what impact any new unforeseen expenditure will have going forward.

Governance

The increase in governance costs is mainly due to the replacement of the former largely voluntary unremunerated Council to the introduction of a selected, remunerated Council. Additionally there has been a necessary increase in the associated committee oversight work required to fulfil our regulatory function. Going forward it is not anticipated Governance costs will change materially now that the revised Governance structures have been established and operated for two years.

Proposals

To meet ongoing obligations as a regulator the Council is proposing to fund the projected annual deficit by the prudent use of current reserves combined with a modest increase of registration fees over the next three years.

Below is the proposed fees structure for the years 2015-18. By increasing the fees and with the prudent use of reserves the Council aims that within three years the organisation will return to a breakeven position on operations.

The proposed fee structure is as follows:

	Current Year	Proposed fee	Proposed fee	Proposed fee
Fees	2014/2015	2015/2016	2016/2017	2017/2018
First Registration				
Application fee for registrants first registered in GB/EEA	£121	£128	£131	£134
Registration fee	£372	£395	£405	£415
Additional application fee for EEA applicants that do not meet the requirements for automatic recognition	£478	£507	£520	£533
Retention on the register				
Retention on the register	£372	£395	£405	£415
Restoration to the register				
Fee when removed by Council	£500	£500	£500	£500
Fee when withdrawn voluntarily	£121	£128	£131	£134
Pre- registration				
Application fee	£194	£206	£211	£216
Late applications	£100	£106	£109	£112
Examination fee	£164	£174	£178	£182
Examination late entry fee	£100	£106	£109	£112

Identified future potential costs

The Professional Standards Authority (PSA), formerly known as CHRE, is the oversight body for all healthcare regulators in the UK. Until recently the PSA has been funded centrally by Government as a non-departmental public body. Proposed legislative changes being prepared by central government will suggest making the PSA an independent body funded by a levy charged to each of the nine UK Healthcare Regulators.

The current thinking is that this levy will be based on a per capita basis of individuals registered with the various organisations, and currently it is thought this levy will be approximately £3 per registrant per year.

Should this levy be introduced in the future, it is proposed that the actual cost per registrant would be directly added to both the registration and the retention fees from the date of introduction.

It should be noted that should a levy be proposed it is anticipated that the PSA or central government will hold a formal consultation regarding any such proposals. The Pharmaceutical Society NI will inform registrants as part of the annual retention process of any changes required by the introduction of a levy.

Tax Relief

Registrant's fees have been approved by HMRC as an allowable deduction from income for tax purposes. Relief is given by deducting fees paid personally (i.e. they must not have already been reimbursed or paid by an employer) from taxable earnings and consequently basic rate taxpayers receive relief at 20%, higher rate taxpayers at 40% and additional rate taxpayers at 45%.

There are three different ways in which registrants can claim back tax relief on their registration fees:

- by providing details of the payment on their tax return;
- by writing to their tax office, including their NI number & details of payment;
- by obtaining form P358 from their local tax office.

Proposed Fee Increase	2015/2016	2016/2017	2017/2018	Total 3 Yr Increase
Before Tax Annual Impact				
	£23	£10	£10	£43
After Tax Annual Impact				
45% tax payer	£12.65	£5.50	£5.50	£23.65
40% tax payer	£13.80	£6.00	£6.00	£25.80
20% tax payer	£18.40	£8.00	£8.00	£34.40