

11 December 2023

Pharmacy Council of New Zealand
Level 7
22 The Terrace
Wellington 6143

Sent via email to: consultations@pharmacycouncil.org.nz

Dear Sir/Madam

Re: Feedback on proposed Disciplinary Levy and APC Fee increases for 2024/25

Thank you for the opportunity to provide feedback on the above consultation.

The Pharmacy Guild of New Zealand (Inc.) (the Guild) is a national membership organisation representing the majority of community pharmacy owners. We provide leadership on all issues affecting the sector and advocate for the business and professional interests of community pharmacy.

We would like to express our significant concerns about the justification provided for the proposed fee/levy increases, which is currently proposed to deliver in overall terms an annual income increase of 10.8% and an annual program expenditure increase of 11.3% for 2024/25 – as summarised in the table below.

Summary of Pharmacy Council's Budgets and Financial Results - 2022/23 to 2024/25						
	2022/23		2023/24		2024/25	
	Approved Budget	Actual Result*	Approved Budget	Forecast Result	Proposed Budget	Approved Budget**
Income	3,515	3,501	3,662	3,662	4,057	TBC
Expenditure	3,935	3,706	4,062	3,822	4,254	TBC
Surplus / (Deficit)	(420)	(205)	(400)	(160)	(197)	0
* Excludes Pharmacy Relief Fund income and expenditure of \$151k.						
** Council is continuing to review, to rebalance to achieve at least a break even position.						
Total Opening Reserves		388		183	23	23
Total Closing Reserves		183		23	(174)	23
Annual Budgeted Income Increase (on prior year result)			4.6%		10.8%	
Annual Forecast / Approved Income Increase (on prior year result)				4.6%		TBC
Annual Budgeted Expenditure Increase (on prior year result)			9.6%		11.3%	
Annual Forecast / Approved Expenditure Increase (on prior year result)				3.1%		TBC

We believe that the proposed income and expenditure budget for 2024/25, and related work program is not based on a fair and reasonable, nor realistic proposed budget to support the proposed cost-recovery charging basis for 2024/25.

Our high-level concerns are:

- We do not understand why the proposed budget is set to deliver a \$197k deficit, which would place reserves in an overall deficit of \$174k – which is not affordable, and nor does it align with the Council's principle of setting fees to enable full cost recovery.
- Further work remains to be done before a 2024/25 approved budget will be delivered, with the Council noting that it is seeking to deliver at least a break-even budget. Until this budget is seen, there can be no transparency on what is intended or not intended to be done, noting that the intent is to eliminate a material proposed deficit of \$197k. We cannot make any meaningful comment on an unsighted and uncompleted approved budget that is intended to be materially different. We consider that we should only be responding to a budget for 2024/25 that is intended to be approved by the Council – which is not the proposed budget.
- We consider any approved budget for 2024/25 should also be based on a realistic baseline. In this regard, we note that there is currently a forecast underspend of the 2023/24 approved budget by \$240k, hence we see it is unreasonable and inappropriate to use the 2023/24 approved budget as the "start-point" expenditure baseline for 2024/25 and then increasing expenditure to \$432k more (11.3% more) than the current forecast expenditure in 2023/24. We note too that the 2023/24 approved budget adopted an excessive annual expenditure increase of 9.6%, compared to the 3.1% actual annual expenditure increase that is forecast for 2023/24. We see that there is a need to introduce a more realistic expenditure budget for 2024/25, including a review of information technology, and the "review and development" expenditure lines which have seen respective proposed increases of 75.7% and 44.3% since 2022/23.
- We also believe that due regard should be made to prioritise any future Council work programme within the context of the "cost of living" pressures that are currently being faced by community pharmacy, noting that the Council's past reserve levels have been sufficient to fully cover their past historic costs. The current proposal for a 10.8% increase in annual fee income in 2024/25 when community pharmacy is receiving a 5% allowance for cost pressures does not recognise the very challenging economic times that currently exist for our sector.

We are also significantly concerned about the absence of transparency and due explanation of a costing attribution to the Disciplinary Fund, and hence are concerned around the proposed material disciplinary fee increase of 50% to \$150 (including GST). Please note the table below that highlights the material concern we have around the costing attribution to the Disciplinary Fund.

Disciplinary Fund's unexplained additional annual expense from Pharmacy Council's 2022/23 Annual Report				
	\$	Actual 2021/22	Actual 2022/23	
From Statement of Comprehensive Revenue and Expense				
Disciplinary Levies		32,185	379,339	
Disciplinary Recoveries		99,353	90,679	
Disciplinary Income		131,538	470,018	
Disciplinary Expense [Note 9, 2022/23 Annual Report]		259,785	428,729	
Calculated Annual Movement [Income less Expense]		(128,247)	41,289	
Reported Annual Movement [Note 23, 2022/23 Annual Report]		(231,513)	(75,785)	
Disciplinary Fund's unexplained additional annual expense		103,266	117,074	28.4% 21.4%
Total Disciplinary Expense [Reconciles to Table 2, Council Consultation]		363,051	545,803	

Besides this material unexplained costing attribution issue for establishing what is a fair disciplinary levy, we also believe that the costs associated with disciplinary action should only be borne by the person facing the disciplinary measures, rather than burdening all responsible practising pharmacists with this charge.

Please also note that our members have advised us that they remain unconvinced about the necessity for the significant increases to the proposed APC fee and disciplinary levy.

We acknowledge the Council's intention was to meet with professional associations during the consultation period to explain the proposals and reasons behind the proposed fee increases and disciplinary levies. Unfortunately, we have not been in a position to date to have such a discussion. We would like to have the opportunity to discuss our feedback before any changed fees/levies are applied in practice.

We urge the Pharmacy Council to reevaluate the basis for these proposed fee increases and provide a more detailed and justified breakdown of an appropriate budget and associated costs.

Thank you for your consideration of our response. If you have any questions about our feedback, please contact our Senior Advisory Pharmacists, Martin Lowis (martin@pgnz.org.nz, 04 802 8218) or Cathy Martin (cathy@pgnz.org.nz, 04 802 8214).

Yours sincerely,



Andrew Gaudin
Chief Executive