Business Plan and Budget 2011/12

Purpose
To approve the business plan and budget for 2011/12.

Action required
The Council is asked to approve the business plan and budget for 2011/12.

1.0 Introduction

1.1. At its meeting in December 2010 Council discussed an outline approach to strategic planning for the next three to five years. The comments made by Council were helpful in informing and developing the approach to the strategic planning process. Council made clear its wish to see more specific planning objectives proposed for the budget year 2011/12.

This paper seeks to address that requirement and does so in the context of the budget for 2011/12. It is of course logical and desirable that the budget reflects and seeks to implement the strategic objectives of the Council and allocates resources accordingly. The budget 2011/12 therefore reflects this ambition and becomes the first year building block of the Strategic plan.

Naturally the Council’s values and its public accountability require the business plan and budget to be discussed and agreed in public.

1.2. The attached business plan and budget sets out the proposed objectives and their financial implications for 2011/12.
2.0 **Equality and diversity implications**

2.1. There are not considered to be any equality and diversity implications arising from the provision of this paper as such. However it is understood that as our strategic objectives are developed the equality and diversity implications of each will need to be closely considered.

3.0 **Communications implications**

Delivering effective regulation is of interest to both patients and registrants. It is a fundamental assumption of our planning and budgeting that we must engage and communicate fully with all our stakeholders. The achievement of all agreed objectives will require internal and external engagement and communications of varying kinds. We have consciously not proposed stand-alone “communications objectives”, in order to ensure that our communications and engagement work continues to be strategic, that is, serving the organisation’s objectives.

There will be a full consultation exercise undertaken in relation to any changes to our fees proposed during 2011/12 which may arise as a result of decisions made by Council in relation to the budget year 2011/12.

4.0 **Resource implications**

4.1. The resource implications for 2011/12 and the level of fees proposed for the immediate following period are fully laid out in the attached paper. Consultation on future fee levels is an item elsewhere on today’s Council agenda. One of our overriding objectives is of course to ensure we continue to discharge our regulatory objectives and to ensure that the Council continues to be financially sustainable to enable us to do so, in both 2011/12 and the years ahead.

Omitted from the budget is any targeted development of a reserves objective. The Council has yet to establish a reserves policy but is planning to do so before the end of 2011. A greater understanding of the financial implications of dealing with the legacy caseload will afford us the opportunity to develop and plan for the building of reserves to provide financial resilience for the Council in the future. The building of reserves will enable the Council to smooth the impact of variations in its expenditure over a number of years and thus mitigate the risk of sudden sharp fee increases from year to year.

Our current forecast for the period to the end of March 2011 indicates a significant surplus is likely to be generated. This is higher than previously expected as it has taken longer and proven more difficult to recruit the right quality and number of staff to fill budgeted posts. The surplus generated will give some comfort in that it will provide a buffer that might enable us to begin to
build reserves and provide funds to invest in development of new more efficient and effective systems without adding to the likelihood of future fee increases.

Any permanent surpluses generated will provide the starting point for a modest GPhC reserve. Given the variables which we have to take account of for budgeting purposes it would not be prudent or responsible to use the surplus (which appears to be largely a function of timing of commitments) as a basis for avoiding a fee adjustment if otherwise indicated.

5.0 **Risk implications**

5.1. Failure to budget appropriately for the immediate year ahead could compromise the GPhC’s ability to deal with the immediate pressures on its resources in dealing with the legacy caseload and moving forward on achieving its longer term strategic objectives and thus its ability to regulate effectively for the benefit of patients, the public and registrants.

5.2. Following the operational launch of the GPhC, the lessons being learned from the first quarter of our operations, the initial work of the Internal Audit team, and the first formal and informal discussions of the Audit and Risk Committee, the risk register is currently being comprehensively overhauled and updated.

**Action required**

**The Council is asked to approve the budget and business plan for 2011/12.**

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DRAFT

General Pharmaceutical Council

Business plan and budget 2011-2012
Setting the scene: the GPhC Council’s Vision and Values

The Council has established an initial Vision and Strategy which although subject to future development informs and gives direction to our strategy and business plans for the first two years covering the initial transition period and the subsequent budget year. That vision is:-

To secure the confidence of patients, the public and pharmacy professionals by being a healthcare regulator that demonstrates effectiveness and efficiency and supports innovation in delivering its functions. We will ensure that our values are at the heart of everything we do and as a regulator we will endeavour to:

a) be focussed on improvement
e) demonstrate respect for others
b) be responsive to change  
f) ensure that regulation is proportionate
c) develop policies that are inclusive
d) be independent and fair

For the first two years of the strategy three themes have been identified:

a) Delivering effective regulation (this includes dealing with the FTP legacy, our own new caseload and pharmacy technician registration, as well as ongoing operational activity such as registration renewals)
b) Establishing ourselves (this includes work designed to improve how the organisation functions)
c) Developing our future programme (this includes our work to develop new standards for pharmacy premises and education)

Business plan objectives

The business plan for 2011/12 pursues these three themes, translated into the objectives set out in this plan. The specific actions planned for 2011-2012 and their budgetary consequences are explained in this plan.

Specifically we have identified five areas of action for 2011-12, which are:-

1. Developing our organisation
2. Dealing with the fitness to practise legacy
3. Registration
4. Development of Standards
5. Review interim policies
1. Developing our organisation

a) The directorate structure that has been established internally has given us a resilient and flexible platform for building on, that will be adjusted as we move forward and seek to improve our efficiency and effectiveness.

Action plans to pursue this objective

i) We will conduct a review of our current departmental staffing and structures including relevant reporting lines, to make sure that the shape and size of our organisation enhances our capacity to achieve the Council’s objectives in the most cost-effective and efficient way.

ii) We will look at current ways of working to ensure we are effective in the use of our resources. In particular we will review our approach to managing working time for individuals and teams as well as organisational performance.

iii) We will put in place and deliver a management development programme, to ensure that GPhC managers have the right skills and expertise to manage and improve individual, team, directorate and corporate performance.

Budget implications of such action plans

With the exception of additional temporary resource to help clear the inherited backlog of technician applications and the expected surge of applications prior to the ending of grandparenting arrangements on June 30th 2011, we believe that any reorganisation of staffing arrangements can be accommodated within the existing headcount. With the expected addition of further pharmacy technician registrants to our register, and the full-year implications of recent growth in registrant numbers, we believe this will represent a significant efficiency gain. In order to realise this ambition we will need to make progress with systems improvement work, progressively reducing the amount of paper-based processing, for example.

b) We will seek to ensure that our approach to pharmacy regulation is joined up and makes coherent sense across all our areas of responsibility. We will therefore bring the development of standards alongside our broader policy development and communication activities.

Action plans to pursue this objective

i) We will finalise and implement new pharmacist education and training standards, which complement and support the capacity of the profession to provide safe and effective pharmacy care and services to the standards of conduct and performance set by the Council.

ii) Our legislation requires us to set new standards for owners and superintendents of registered pharmacies. We have established a project to deliver the new standards and the operational policy which will underpin the standards, including, amongst other things, inspection of registered pharmacy premises, the proportionate use of new enforcement powers and duties, and effective collaboration with other regulators and public authorities, in order to ensure we eliminate regulatory gaps or duplication.
Budget implications of such action plans

The costs associated with effective engagement with all key interest groups including pharmacy professions and owners are reflected in the established and budgeted activities of the Policy and Communications Directorate. There will be no operational impact on our inspection activities in the 2011/12 budget year.

c) Excellent customer service and improved efficiency and cost effectiveness will be at the centre of our interface with the public, registrants and other stakeholders. This will involve changes to ways of working and the use of relevant technology.

Action plans to pursue this objective

i) The recent renewal exercise identified the need for both the resources we allocated to answer queries from registrants and the training and technological support available to staff to be increased to ensure we provide an acceptable level of customer service. We have therefore both recruited additional temporary staff and we will continue the work we have started to develop and staff a small contact centre facility. The staff in this team will be supported by contact centre technology added to our existing telephone exchange. This will provide data on our service performance, enabling us to manage business as usual activity more efficiently and to plan better for peak periods. The staff working in the contact centre will be dedicated to the front line handling of queries with a triage system for referral of more complex questions to more specialist staff.

ii) We will conduct a post-implementation review of all aspects of the 2010-2011 registration renewals exercise, including seeking feedback from registrants, and will apply the lessons learned from that review to the planning and implementation of future renewal exercises.

iii) One of our early priorities is to ensure good research and evidence underpins all our work on engagement and policy development. This research, including academic research and market research, will help inform new proposals for the ways in which we engage with registrants, the public and other stakeholders. It will also underpin the development of new approaches to regulation including how we operate in a proportionate manner, informed by an understanding of risk.

Budget implications of such action plans

Provision has been made in the budget for an additional 4 members of staff plus a manager experienced in developing a contact centre-type facility. These staff will be recruited on temporary or fixed term contracts until such time as we can review all of our processes and the technology on which we depend such that we are satisfied with our customer service levels.

In addition we have made provision for the cost of market research to track registrants and stakeholder perception of our customer service as we move forward.

d) Management information systems will need to be developed to both support the day to day operations of the organisation and to provide performance management information which will help the Council to monitor our achievements against our established objectives.

Action plans to pursue this objective

i) An IT strategy review will be commissioned in the first quarter of 2011. This will lead to the identification of systems and suppliers to comprehensively adapt or replace existing
systems which support our core regulatory activities. It is envisaged these replacement core systems will be operational in early 2012. The budget for this activity is expected to be paid for out of the DH working capital grant.

Pursuing cost efficiency

While pursuing the Council’s strategic objectives we will also be looking to improve our cost efficiency. While we invest money in reducing the inherited backlog of fitness to practise cases and technician’s applications, there is little opportunity for absolute reductions in budgets. However we believe that investments in systems and new ways of working detailed elsewhere in this paper will afford opportunities for relative cost reductions in the future. In furtherance of this objective we will.

i) look for and eliminate any areas of overlap with other regulators
ii) explore opportunities for cost reduction through outsourcing
ii) establish dialogue with other regulators to identify areas in which opportunities for closer working could lead to cost savings.

2. Dealing with the fitness to practice legacy

a) To demonstrate that we are an effective regulator, we must address the legacy case load we have inherited.

Action plans to pursue this objective

(i) We will continue to review cases in line with the Council’s “just disposal” policy to enable the Registrar, on the Council’s behalf, to consider how best to dispose of legacy cases.

(ii) We will develop reliable data to enable us to report accurately on the progress of legacy cases, including making revisions where appropriate to the existing case management system.

(iii) We will review the management of our hearings and committee members’ availability to ensure more efficient passage of cases through the process.

(iv) We will re-tender our contracts for legal services for advocacy and pilot other models to ensure we achieve value for money.

(v) We will begin a review of our Fitness to Practise workflow to identify better ways of working, including improved use of IT systems, and we will plan the implementation of identified improvements. As part of this work we will determine whether we need to re-engineer or to replace the existing case management system.

vi) early in the 2011-2012 business year we will establish targets for the disposal of legacy cases and cases received since 27 September 2010.

vi) We will establish targets for cases arising since the GPhC assumed its regulatory responsibility to be disposed of in a timely manner consistent with our responsibilities under the Pharmacy Order.

Budget implications of such action plans

The consultancy costs and development costs related to the development of an IT strategy and the replacement of existing systems will paid for by utilising the working capital grants
provided by the DH. We have not therefore recognised either the relevant income or expenditure in these budgets.

Dealing with the legacy caseload and assuring that we are capable of dealing with GPhC cases will require significant improvement in the speed with which cases are investigated and progressed through the fitness to practice process. This will require investment in staff and committee member training and the introduction of standard case management directions wherever possible.

The number of hearings will increase and although we will seek to reduce the average number of days required for each case through effective case management and scheduling. This may require a greater use of additional venues other than those within 129 Lambeth Road.

Allowance has been made in the budgets for such but the full impact will not be capable of being accurately estimated for some time.

3. Registration

a) The maintenance of an accurate and up to date register is core to our regulatory responsibilities.

*Action plans to pursue this objective*

i) The recent renewal exercise and in particular the impact of a surge of applications for registration from technicians exposed both the limited staff resources available and the unwieldy processes required to register new applications. We have therefore reviewed our staff structures and recruited some temporary additional members of staff. This will enable experienced and skilled members of staff to concentrate on the more complex applications to join the register.

(ii) To facilitate the efficient processing of applications to join the register we will seek to identify, within our IT strategy work, the best time to introduce more on line functionality. By allowing registrants to update their address details which will free up staff resources thus allowing us to provide a better level of customer service.

(iii) The introduction of the rolling register is one of a number of drivers for change, which will require us to look closely at the procurement of a more efficient and modern database to hold the register.

*Budget implications of such action plans*

Provision has been made in the budget for additional staff in registration including the establishment of a contact centre to improve the service to registrants and other areas to ensure the service level for applicants is maintained. Before making commitments against that expenditure we are exploring alternatives which may be more cost effective. Any systems related consultancy and development cost will be allocated against the DH working capital grant.

4. Development of Standards

We will ensure that education and training standards for pharmacists and pharmacy technicians continue to be fit for purpose, upholding consistent standards on a Great Britain-wide basis. We will take the same approach in relation to standards for registered pharmacy premises.
Action plans to pursue this objective

(i) The education standards plus new accreditation procedures approved for consultation by Council will, subject to consultation, be implemented in time for the new university year in September 2011.

(ii) We will continue to uphold standards through inspection and monitoring as a result of the powers granted under the Pharmacy Order. In parallel, we will during 2011 engage and consult widely on our project to develop a wholly new approach to setting standards for pharmacy business at registered pharmacies.

(iii) We will engage constructively with the policy-making process in England, Scotland and Wales, to ensure that the independent national regulatory perspective informs the continuing development of appropriate standards and education and training arrangements in pharmacy.

Budget implications of such action plans

A provision in the budget has been made for us to have a presence in Scotland and Wales by having a part time post within both countries which includes other on-costs such as travelling and conference attendance etc.

5. Review interim policies

The interim policies pragmatically adopted by the Council will need to be reviewed during 2011-12. Where identified as appropriate, new policies may need to be developed.

A schedule has been agreed for the review of RPSGB regulatory policies which were adopted by the GPhC so as to facilitate the transition. This will see all such policies reviewed by September 2012.

All other interim policies and assumptions will also need to be reviewed e.g. the starting point for fees for pharmacy technicians and premises. These will have an impact on budgets and thus resources throughout the planning cycle.

Action plans to pursue this objective

(i) Former RPSGB policies adopted by the GPhC to be reviewed according to the schedule agreed by the Council in December 2010, concluding in September 2012.

(ii) Other assumptions or information carried over from the RPSGB which may have influenced Council decisions to be reviewed when the relevant decisions are reviewed eg. fee levels to be reviewed in February and June each year.

Budget implications of such action plans

It is anticipated that the planned review of policies can be completed within anticipated resources. If circumstances changed, the timing for the review of various policies would be reassessed in the light of competing priorities. The budgetary implications of any new policies would be assessed as part of the review process.

Other ongoing activity

In addition to the specific objectives set out above we will continue to look for efficiency savings in our operations without impinging on our delivery of our regulatory responsibilities
to the standard to which we aspire. In the short term as we attempt to address the legacy caseload we are unlikely to be able to demonstrate any significant savings but expect through our planning to lay the basis for a more cost efficient operation in the future. Our planning and business improvement section will take the lead in this area.

Our current arrangements with the Royal Pharmaceutical Society for the occupancy of space in their building and the provision of support services in HR, Finance and IT are arrangements we do not expect to last throughout 2012. We will therefore be planning during 2011/12 to identify and plan for the move to new premises in 2012. We will also, dependent upon the outcome of our IT strategy review which will start in early 2011 be planning for new ways of working with systems and support services which will provide the resilience and efficiency we aspire to.

The timing and implementation of such plans will require careful development and planning. We will use the well developed and proven interdisciplinary project and programme management methodology which served us well through the transition.

**Budget 2011/2012**

The budget for 2011/2012 shows a surplus of £598,463 to the period ending 31 March 2012. There is a little higher than anticipated for two reasons: the number of pharmacists retiring from the register in 2011 has been slightly lower than anticipated and the early rush for technicians applying for registration in 2010 has increased fee income in 2011/12.

Income for the period is expected to be £17,559,403 and expenditure is expected to be £17,025,020, interest receivable is expected to be £89,000 and corporation tax payable on the interest is expected to be £24,920.
Income

The table and chart above show how many registrants and premises we are budgeting to register in 2011 and 2012 and how the total income of is made up.

Pharmacist income includes application fees of £215,000 that we expect from those students who pass their Pre-Registration exam in June and September.

Technician income includes application fees of £150,000 that we expect from those applications that are to be made before the June 2011 deadline.

Other income of £200,290 is predominately made up of income received in relation to Accreditation events to recover the costs of accrediting Schools of Pharmacy. Also within other income is the income we receive in relation to prison inspections and sampling.
### Expenditure

#### Cost Type Breakdown

- **Total Expenditure**: £14,099,532
- **Employee Costs**: 0.15%
- **Property Costs**: 53.15%
- **Office Costs**: 16.31%
- **Professional Costs**: 14.44%
- **Event Costs**: 1.76%
- **Marketing Costs**: 4.73%
- **Financial Costs**: 1.50%
- **Research Costs**: 0.97%
- **IT Costs**: 0.88%
- **Other Costs**: 1.61%
- **RPSGB Costs**: 4.31%
- **Corporation Tax**: 0.21%

### Directorate Expenditure Breakdown

- **Fitness to Practise**: 23.78%
- **Inspectors**: 15.72%
- **Education & Quality Assurance**: 13.98%
- **Policy & Communications**: 11.61%
- **Hearings**: 10.46%
- **Resources & Corporate Development**: 7.74%
- **Council & Governance**: 6.14%
- **Registration**: 4.19%
- **Chief Executive**: 4.12%
- **IT Costs**: 3.38%
- **Marketing Costs**: 2.48%
- **Financial Costs**: 2.33%
- **Research Costs**: 1.39%
- **Other Costs**: 1.13%
- **Occupancy and outsourced services**: 0.74%
- **Corporation Tax**: 0.74%

### Total Expenditure

- **Fitness to Practise**: £3,463,633
- **Inspectors**: £2,289,499
- **Education & Quality Assurance**: £2,035,183
- **Policy & Communications**: £1,690,584
- **Hearings**: £1,523,422
- **Resources & Corporate Development**: £1,126,996
- **Council & Governance**: £894,127
- **Registration**: £610,545
- **Chief Executive**: £610,545

### Cost Type

- **Employee Costs**: £9,061,839
- **Property Costs**: £149,427
- **Office Costs**: £300,494
- **Professional Costs**: £2,780,295
- **Event Costs**: £165,000
- **Marketing Costs**: £734,023
- **Financial Costs**: £255,453
- **Research Costs**: £34,992
- **IT Costs**: £273,992
- **Other Costs**: £807,260
- **Occupancy and outsourced services**: £2,462,246
- **Corporation Tax**: £24,920
The Regulatory Services Directorate is comprised of the Fitness to Practise, Hearings, Education and Quality Assurance, Investigation and Inspection and Registration teams.

The Fitness to Practise team contains the budget for legal fees related to the fitness to practice committees. As part of our task to reduce the legacy case load we have budgeted for a higher number of hearings to be held, however the financial impact of this has been mitigated by assuming that 60% of all cases taken to the fitness to practise committee will be presented by our internal advocates as opposed to external legal firms. This represents significant savings on professional fees than would otherwise have been the case.

Again as part of our task to tackle the legacy caseload we have made a further provision for additional external support and to enable posts within Fitness to Practise to be backfilled. This will enable skilled and experienced staff to concentrate their efforts on clearing the legacy.

The budget for hearings is made up of budget for the Fitness to Practise Committee, Investigations Committee, Registration Appeals Committee, Appointments Committee and the costs for organising the committees. As referred to above the budget assumes a significant increase in hearing days (337 are budgeted for 2011/2012).

Pending any changes necessary following implementation of new standards, inspection work will largely continue as now, although greater focus will be given to monitoring activity. The post of head of the team is currently unfilled, but we expect to resolve that outstanding issue during 2011. We are currently looking at our company car policy to see if we can change this in order for us to save costs in the future when cars come up for renewal.

The Education and Quality Assurance team is comprised of 3 main areas being Accreditation, Pre-Registration and CPD. 63% of the costs of Accreditation are covered by income received from the various MPharm events and Schools of Pharmacy. CPD includes the costs of calling for 10,000 CPD records from registrants each year as well as the cost of the database. Pre-Registration includes the costs of the exam and the various materials sent to students throughout the year including the tutor and trainee manual.

The Registration team costs reflect the annual cost of maintaining the register and in particular the annual renewal exercise. These include headcount costs, printing and mailing and the maintenance and transaction charges for various financial systems such as Worldpay etc. As the charges incurred when a registrant pays by credit card are substantial (in excess of £200k per annum) a proposal has been made that such transactions should carry a surcharge in future years.

Policy and Communications is a new directorate, it is comprised of 4 main areas being the Advisory team, Communications, Policy and Devolution. Communications includes costs for a newsletter for all registrants, the annual review, media monitoring and hosting and updating the website. Policy covers the costs of research and focus groups as well as legal advice sought on Policy. Devolution covers the costs of having representatives in Scotland and Wales promoting and seeking views for and on behalf of the General Pharmaceutical Council.

The Resources and Corporate Development directorate is comprised of HR, Finance and Business Development.

The Business Development division is currently focused on 4 main projects being the Fitness to Practise legacy project, IT Systems strategy, the Registration system replacement including the Rolling Register and the proposed office move. Additional project expenditure that may be incurred in relation to these projects, which will be funded from the DH grants working capital grant has not been separately or additionally budgeted. As and when the costs of such projects,
the size or timing of which cannot currently be accurately estimated, will be recognised as incurred and charged against the working capital grant. There is therefore not anticipated to be any impact on the Council's Net Income and Expenditure.

The costs of Council, Audit & Risk and the Remuneration committees plus the Governance division are shown as Council & Governance in the financial statements.

The Chief Executive directorate contains the costs for the CEO as well as their supporting staff. Also within this directorate is a contingency budget of £300K for any unforeseen costs that may arise.

Budget Schedules
See attached