

Draft 2020 fees rules and consultation analysis

Meeting paper for Council on 23 July 2020

Public

Purpose

To present Council with a report on the feedback from the consultation on our draft 2020 fees rules.

Recommendations

The Council is asked to:

- Note the analysis of the 2020 fees rules consultation (Appendix 1)
- Note the equality impact assessment (Appendix 2)
- Approve the changes to fees summarised in section 5
- Make *The General Pharmaceutical Council (Registration and Renewal Fees) (Amendment) Rules 2020* and agree that the GPhC's corporate seal be affixed to these rules
- Note the next stage of the long-term fees strategy

1. Introduction

- 1.1 Between January and April 2020, we consulted on our draft 2020 fees rules, specifically, on changes to our registration and renewal fees for pharmacy premises. As part of this consultation we also sought initial views on the areas that we intend to look at as part of our long-term fees strategy.
- 1.2 We received a total of 1716 written responses to our consultation. 1524 of these respondents identified themselves as individuals and 192 responded on behalf of an organisation. A full analysis of responses is included in appendix 1.
- 1.3 The rules which the Council is now asked to make, in relation to premises fees, were originally proposed to come into force in October 2020. However, due to the pressures experienced by the pharmacy sector during the pandemic we propose to delay implementation until April 2021, subject to Council's approval.
- 1.4 It is necessary to consult on and make the fees rules well in advance as our governing legislation requires us to send out renewal notices at least three months before registration is due to expire. Although the revised fee will not come into force until April 2021 (subject to

Council approval) we are providing this information now to provide both clarity and adequate notice for owners to plan at this time of uncertainty.

2. Background

- 2.1 Our powers to charge fees and change the level of fees for registrants and registered pharmacies come from our governing legislation, the Pharmacy Order 2010. We set out fees in line with our fees policy which is underpinned by The General Pharmaceutical Council (Registration and Renewal Fees) (Amendment) Rules. We review our fees on an annual basis. If we want to change our fees, the law says we must consult with the people and organisations that pay them.
- 2.2 Based on 2018/19 figures, the cost of regulating each pharmacy premise is now £365 a year. The fees paid by pharmacy owners have not kept pace with the costs of regulating pharmacies. We are therefore proposing to increase the registration and renewal fees for premises by £103, from £262 to £365. The increase is based on the difference between the present fee for premises and the cost of regulating pharmacy premises according to our cost allocation model.
- 2.3 There are no immediate plans to increase fees for pharmacy professionals. However, over the next two years, as part of our long-term fees strategy, we will be exploring changes to our fees for all our registrant groups. Although we did not put forward any formal proposals in this consultation, we did ask for views on what areas we should look at as part of our fees strategy. The feedback that we received will inform the development of our proposals in the future.

3. Summary of responses to consultation

- 3.1 The consultation analysis report (Appendix 1) provides a full breakdown of qualitative and quantitative responses.
- 3.2 In summary:
 - 67% of respondents disagreed that the increase in fees for pharmacy premises should be the difference between the amount they now pay in fees (£262), and the amount they cost to regulate (£365)
 - 56% of respondents agreed with the areas that we intend to look at as part of our long-term fees strategy
- 3.3 In agreeing with the proposals, many respondents felt that the proposed increase was appropriate and necessary to cover the costs of regulating premises. Similarly, some respondents also thought that the increase was manageable for pharmacy owners, based on the cost-allocation model. Despite this, there were many concerns around the timing of the fees increase within the context of the Covid-19 pandemic.
- 3.4 In disagreeing with our proposals, a large proportion of respondents drew attention to the financial burden that an increase in premises fee would have on pharmacy owners. Of these, many respondents felt that owners of smaller pharmacies would be worse-off compared to larger pharmacies.
- 3.5 There were also concerns about the possibility of a knock-on effect as owners attempt to make up the shortfall in other areas. Some respondents speculated that owners may look to reduce services or staffing levels to help recover costs, much to the detriment of the public

and profession alike. Many respondents called on the GPhC to reduce its own costs and expenditure in order to make up the difference, whilst others thought that the increase proposed was too steep to manage in a short space of time.

- 3.6 The majority of respondents agreed with the areas that we propose to look at as part of our long-term fees strategy. Many respondents suggested that fees for premises should be based on factors such as the size or turnover of a premise, as well as charging more for additional regulatory activities such as reinspection. Many respondents also put forward a number of other suggestions for differential fees such as reduced registrant fees for those that are working part-time, or those not working; for example, those on parental leave.
- 3.7 For those that disagreed, some respondents found the prospect of differential fees to be confusing and unnecessary, whilst others thought that the current flat fee model was more appropriate.

4. Analysis of responses

- 4.1 Respondents largely disagreed with our proposals on the basis that it would cause financial hardship for owners. There were concerns that this could have a knock-on effect on pharmacy staff and the amount and quality of pharmacy services on offer.
- 4.2 Whilst we acknowledge these concerns and understand that the wider pharmacy sector is showing some signs of financial fragility, our business impact assessment conducted prior to this consultation showed that the proposed increase in premises fees is very small in terms of present financial performance.
- 4.3 Moreover, our decision in previous years to freeze fees took into account the financial challenges faced by the pharmacy sector. The GPhC faces similar financial challenges; to continue effectively in our role of protecting the public we need to make sure that the fees we charge cover the cost of effective regulation. We believe that it is fair and appropriate that pharmacy owners pay fees which cover the cost of regulating pharmacies. The proposals outlined in this paper allow us to rebase our fees and ensure that we have a solid platform for considering differential fees on pharmacy premises in our future plan. The proposed increase in fees for pharmacy premises reflects the cost of regulating premises based on 2018/19 costs.
- 4.4 We will continue to challenge our costs and improve efficiency and effectiveness. Our five-year strategic plan and Vision 2030 sets out the measures that we intend to take to ensure that we are in a financially stable and sustainable position, funded appropriately by those we regulate.
- 4.5 As part of our long-term financial strategy we are looking at ways to reduce our costs, become more efficient, use our reserves more effectively, and make sure that those being regulated are paying an appropriate amount in fees, as well as exploring other possible sources of income.

5. Summary of changes to fees rules

- 5.1 Having considered the consultation responses, we would propose the following fee structure, to come into force on 1 April 2021:
 - increasing the registered pharmacy entry and renewal fee by £103 from £262 to £365

6. Key considerations

6.1 In making decisions on the 2020/21 premises fees, the Council may wish to consider:

- the impact of the Covid-19 pandemic on the pharmacy sector
- the cost projection for the budget for 2020/21 and 2021/22
- the GPhC's five-year strategic plan, developed alongside the ten-year vision for safe and effective pharmacy care at the heart of healthier communities
- the development and implementation of the GPhC's financial strategy aimed at establishing a sustainable financial position that triangulates fees, reserves and spending to sufficiently resource the costs of regulation through to 2030
- the Council's responsibility to ensure that adequate resources are allocated to enable the GPhC to deliver on its statutory duties and its corporate plan
- the principle that we wish to ensure a fair and proportionate allocation of fees to registrant groups, taking into account the burden of costs of regulation
- our ongoing desire to avoid significant fluctuations in fee levels in future years

7. Next stages

7.1 The next stage of the long-term fees strategy will involve a consultation looking at the feasibility of:

- differential fees for individuals
- a multi-year fee cycle
- the accreditation and re-accreditation of all training courses

7.2 We are proposing to prioritise the three areas highlighted above for the next stage of the fee strategy having taking into account the responses we have received and upon review of our original plans. We want to keep the conversation going on these areas.

7.3 In terms of accreditation we think it is important to make sure the costs of accreditation is bourn fairly. However, because of the current situation we are reviewing what accreditation will look like going forward and as part of that review we will consider the implication on charging arrangements.

7.4 In terms of differential fees, we are planning to look at this for individuals initially. We have done some initial thinking on this as an organisation. We understand the relative merits of the case for doing so but also need to consider the implications. This would include the additional costs of managing and administrating the differentials and the costs of funding the differential charge which would have to be funded via other registrant groups.

7.5 In addition to this, there is not a direct link between the amount of the time that you work and the cost of regulation. Our current thinking is this wouldn't be the right thing to introduce and we will be looking to consult on that basis.

8. Equality and diversity implications

- 8.1 Our equality impact analysis work has been informed by our qualitative and quantitative analysis of responses to the consultation and the available evidence relating to groups by reference to protected characteristics.
- 8.2 The equality impact analysis in Appendix 2, is to help Council in their decision making regarding our proposals. Throughout the development of this work, a detailed analysis of the equality and diversity implications of the proposed changes continues to be updated as any new aspects are identified.
- 8.3 We will take on board the feedback that we received to this consultation from an equality, diversity and inclusion perspective when developing our long-term fees strategy.

9. Communications

- 9.1 The consultation analysis and the final version of the 2020 fees rules will be published on the GPhC's website and highlighted to the pharmacy media. The fees will be set out clearly in relevant communications with pharmacy owners, including on application and renewal forms.

10. Resource implications

- 10.1 As an independent regulator, the GPhC must set fees to cover the costs of its activities. It should also be able to cover the fluctuations in expenditure and maintain a reasonable level of reserves. The setting of fees is integral to the management of GPhC's resources.
- 10.2 The resource implications for 2020/21 were fully laid out in the budget paper that Council considered in February.

11. Risk implications

- 11.1 The most significant risk for patients and the public is if the GPhC does not have sufficient resources to carry out its regulatory functions appropriately. Financial deficits in four out of the last five years have reduced our reserves level as originally intended. Although we could afford this approach in the short term (because our reserves were large enough), this is no longer the case. Our most recent financial review has shown that we cannot continue to cover registration and renewal fees.
- 11.2 Pharmacy professionals and pharmacy owners benefit from effective regulation since it reassures patients and the public that they can have confidence in the pharmacy services they receive.
- 11.3 There are risks if we are unable to achieve our strategic aims successfully. Failure to set fees in an appropriate way, or failure to communicate any recommended changes in an open and transparent manner, could create reputational risks for the organisation. Failure to consult adequately on the fees rules would mean that the GPhC would not be complying with its statutory duties.
- 11.4 We recognise the responsibility that the GPhC has to maintain the confidence of all our stakeholders, including registrants and pharmacy owners.

12. Monitoring and review

- 12.1 Subject to Council's decision and approval, we plan for the fees rules to come into force on 1 April 2021. The income generated as a result of the new rules will be reported in the Council performance monitoring report.
- 12.2 We will use the findings from this consultation to inform the planning of the next stages of our long-term fees' strategy.
- 12.3 We will continue to review our approach to costs and fees through our comprehensive review and long-term fees strategy, which will be used to consider any future fee levels.
- 12.4 We will continue to monitor and improve our efficiency and effectiveness through the Finance and Planning committee, which reports into Council.

13. Recommendations

The Council is asked to:

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23 July 2020

The General Pharmaceutical Council (Registration and Renewal Fees) (Amendment) Rules 2020

The General Pharmaceutical Council has made these Rules in exercise of the powers conferred by articles 36(1) of the Pharmacy Order 2010⁽¹⁾.

In accordance with those provisions, the General Pharmaceutical Council has consulted such persons and organisations as it considered appropriate, including the persons and organisations listed in article 36(6)(a) to (d) of that Order.

1. Citation and commencement

1)—(1) These Rules may be cited as the General Pharmaceutical Council (Registration and Renewal Fees) (Amendment) Rules 2020.

These Rules come into force on 1st April 2021.

2. Amendment of the General Pharmaceutical Council (Registration and Renewal Fees) Rules 2015

2) The Schedule to these Rules amends the General Pharmaceutical Council (Registration and Renewal Fees) Rules 2015⁽²⁾—

- (a) to increase the amount of the fee payable on the grant of an application for the entry of premises in Part 3 of the Register; and
- (b) to increase the amount of the fee payable on the renewal of any such entry.

Given under the official seal of the General Pharmaceutical Council [*insert date*].



Nigel Clarke
Chair
Duncan Rudkin
Chief Executive and Registrar

⁽¹⁾ S.I. 2010/231.

⁽²⁾ The General Pharmaceutical Council (Registration and Renewal Fees) Rules 2015 were amended by the General Pharmaceutical Council (Registration and Renewal Fees) (Amendment) Rules 2019.

SCHEDULE

Amendments to the General Pharmaceutical Council (Registration and Renewal Fees) Rules 2015

3. Amendment of rule 26

1. In rule 26 (entry in Part 3 of the Register following the grant of an application), for “£262” substitute “£365”.

4. Amendment of rule 29

2. In rule 29(1) (renewal of an entry in Part 3 of the Register), for “£262” substitute “£365”.