EXPLANATORY MEMORANDUM TO

THE MEDICINES (PHARMACIES)(APPLICATIONS FOR REGISTRATION AND FEES) AMENDMENT REGULATIONS 2006

2006 No. 3264

1. This explanatory memorandum has been prepared by the Department of Health and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Description

2.1 The Regulations increase the fees payable to the Royal Pharmaceutical Society of Great Britain (RPSGB) and the Pharmaceutical Society for Northern Ireland (PSNI) for the registration of pharmacy premises from 1 January 2007.

3. Matters of special interest to the Joint Committee on Statutory Instruments

Great Britain

3.1 The premises fees fund the majority of the cost of the RPSGB's Inspectorate, the maintenance of the premises register and related disciplinary activity. The fees charged are monitored and reviewed annually to reflect as far as possible the activities which they fund.

3.2 Most of the RPSGB's premises fees are derived from an annual retention fee payable by existing pharmacies. These fund the main operating costs of the RPSGB Inspectorate relating to staff wages and associated costs, which rise ahead of the GDP Deflator of 2.44%. An increase in the retention fee is being allowed, which reflects the growth in average earnings in the year to July 2006 of 3.9% so the RPSGB can maintain its inspection activity. This increases the retention fee by £6 from £150 to £156 (4%).

3.3 The levels of the initial registration fee and the restoration fee were examined in detail 2 years ago and were set at a level, which reflected the cost of two days of an inspector's time. An increase in line with salary inflation will increase these fees by £18 from £474 to £492 (3.8%). The registration and restoration fees are not levied frequently. The initial registration fee is payable only on the establishment of a new pharmacy. There is no separate fee payable for the amendment of the premises register where an existing pharmacy changes ownership during the year.

3.4 Most pharmacies derive significant income from the NHS. £1,911m has been allocated in 2006/07 for NHS community pharmacy services in England, an average of £190k per pharmacy. In monetary terms, an increase of £6 for retention fees and £18 for initial registration fees per pharmacy is not considered significant. Collectively, the

revised premises fees are seen as providing the RPSGB with a reasonable income to fulfil its quality assurance functions, while limiting the rise payable by pharmacies.

Northern Ireland

3.5 The increases in Northern Ireland are modest but reflect increases in salaries and national insurance costs for the Pharmaceutical Society of Northern Ireland. The appointment of an additional inspector by Department of Health, Social Security and Public Health (Northern Ireland) has increased costs but has enabled the target for inspections to be set at a 21 month cycle. For Northern Ireland the retention fee rises from £130 to £135 (4%), the initial registration fee from £93 to £97 (4%) and the restoration fee (penalty) from £270 to £281 (4%).

3.6 Arrangements are different in Northern Ireland. The Department of Health Social Security and Public Safety, Northern Ireland (DHSSPSNI) has both an inspectorate and enforcement role across all of the pharmaceutical legislation: Medicines Act 1968, Misuse of Drugs Act 1971, Pharmacy (NI) Order 1976 and Poisons (NI) Order 1976. Although the Department retains its responsibility for inspection, the independence of which is valued, the registration function has been devolved by the Department to the Pharmaceutical Society of Northern Ireland. The DHSSPSNI effectively has two whole time equivalent officers responsible for inspections and the apportionment of fees reflects this resource. Given the geography of Northern Ireland the proportion of travel and subsistence is very small.

3.7 Under the Pharmacy (NI) Order 1976 the premises fees paid to the Registrar of the Pharmaceutical Society of Northern Ireland are remitted by him to the DHSSPSNI. Following deduction of the Department's inspection costs a portion of the fees, of not less than half, as may be determined by the Department, are paid to the PSNI to cover its administrative expenses.

4. Legislative Background

4.1 These regulations increase the fees payable for the registration of pharmacy premises from 1st January 2007, by amending the Medicines (Pharmacies) (Applications for Registration and Fees) Regulations 1973. The fees charged are for initial registration, an annual fee for retention on the register and a penalty fee for late payment of the retention fee and restoration to the register. The registration system is administered by registrars appointed, in relation to Great Britain, by the Royal Pharmaceutical Society of Great Britain and, in relation to Northern Ireland, by the Pharmaceutical Society of Northern Ireland (in accordance with sections 69(3) and 75 of the Medicines Act 1968). The Royal Pharmaceutical Society of Great Britain also has statutory responsibilities under the Medicines Act 1968 and the Poisons Act 1972 to inspect pharmacy premises. In Northern Ireland the statutory rights for inspection are retained by the Department of Health Social Security and Public Safety (Northern Ireland).

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1 Under the Medicines Act 1968, registration of pharmacy premises is a matter, in Great Britain, for the Royal Pharmaceutical Society of Great Britain, and in Northern Ireland for the Pharmaceutical Society of Northern Ireland, but it is for Ministers to make regulations setting fees payable to the RPSGB and PSNI. The fees are reviewed annually and uprated following consultation with the relevant organisations.

7.2 The Department of Health is obliged by section 129(6) of the Medicines Act 1968 to consult interested organisations. Such organisations include those representing owners of all types of pharmacy, large and small. The organisations consulted made strong objections to the proposed increase in the retention fee, which the majority of pharmacies pay. The RPSGB published the proposed new fees in the Pharmaceutical Journal (12 August), which is received by all pharmacists, including those owning independent pharmacies. No comments were received as a result of the publication. In the light of the comments received from the pharmacy organisations, a lower level of fees increase has been agreed by Department of Health, which takes into account the increases in staff costs. Analysis of comments received from the interested organisations is in the Regulatory Impact Assessment.

8. Impact

8.1 A Regulatory Impact Assessment is attached to this memorandum.

9. Contact

Mrs D Kenworthy at the Department of Health Tel: 020 7972 2820 or e-mail: Diana.Kenworthy@dh.gsi.gov.uk can answer any queries regarding the instrument.

Full and Final Regulatory Impact Assessment

1. Title of proposal

The Medicines (Pharmacies) (Applications for Registration and Fees) Amendment Regulations 2006.

2. Purpose and intended effect

(i) Objective

To ensure that fees payable to the Royal Pharmaceutical Society of Great Britain (RPSGB) by pharmacy owners, for the registration of pharmacy premises in Great Britain, from 1 January 2007 meet the costs incurred by the RPSGB for maintaining this activity.

The RPSGB is both the regulatory and professional body for pharmacists. Under the Medicines Act 1968, registration of pharmacy premises is also a matter, in Great Britain, for the Royal Pharmaceutical Society of Great Britain. The Medicines Act 1968 says that it is for Ministers to make regulations setting fees payable to the RPSGB after consultation required by S129(6) of the Act.

Medicines may only be supplied to the public from registered pharmacies, except for medicines on the General Sale List. The premises fees fund the majority of the cost of the Society's inspectorate, the maintenance of the premises register and related disciplinary activities. The fees charged are monitored and reviewed annually to reflect, as far as possible, the cost of the activities, which they fund.

(ii) Background

There are three types of fee, one of which applies to each individual pharmacy registered by the RPSGB, on an annual basis. These are the fee for:

- initial registration, which is payable when a new pharmacy is first established and placed on the register;
- retention, which is an annual fee to maintain a pharmacy on the register; or
- restoration to the register, as a penalty for late payment of the retention fee and to cover the associated administration.

For almost 70 years, the RPSGB has employed inspectors to ensure that professional standards of practice are maintained. The Society has responsibility for enforcing provisions of the Medicines Act 1968, concerning the sale and supply of medicines, on behalf of the Secretary of State for Health, and for enforcing provisions of the Poisons Act 1972, on behalf of the Home Secretary.

There are 18 pharmacy inspectors in Great Britain, each with responsibility for about 700 pharmacies. The inspectors visit the pharmacies regularly, to ensure that legal requirements and professional standards of practice are observed. All

the pharmacy inspectors are themselves pharmacists, with substantial practical experience.

There are 12,423 registered pharmacies in Great Britain employing over 20,000 pharmacists. The Society's aim is for an inspector to visit each pharmacy routinely every 18-24 months. In 2005 the inspectors made 4,292 visits to pharmacies under the Medicines Act 1968 and the Poisons Act 1972. Most visits (75%) are routine and notified. Routine visits are made to ensure the maintenance of legal and ethical standards and to provide information and advice. The Inspectors liaise with other agencies, including Primary Care Trusts.

Other visits are made for investigation of complaints, alleged offences, contravention of the Code of Ethics and at the pharmacist's request. The inspectors investigate reports of illegal supplies of medicines, whether by pharmacists or others, and complaints of unprofessional practice. This includes breaches of labelling regulations and dispensing errors. They work closely with other enforcement bodies and health authorities/ primary care organisations.

(iii)Rationale for government intervention

The RPSGB is unable to change the level of the registration fees without Ministerial approval to amend regulations.

(iv)Social impacts

Increasing the fee for the registration of pharmacy premises will not impact on the public's health as it will have no effect on the wider determinants of health. It will not impact on lifestyle behaviours, nor will it act to change demand for health or social care services. The potential risk to health associated with the RPSGB not being adequately resourced is covered in Section 4(i) below.

3. Consultation

The Department of Health is obliged by S129(6) of the Medicines Act 1968 to consult interested organisations on the RPSGB's proposed changes to premises fees. Those consulted were the National Pharmacy Association (NPA), the Pharmaceutical Services Negotiating Committee (PSNC), the Company Chemists Association (CCA), the Association of Independent Multiple Pharmacies (AiMP) and the Co-operative Pharmacy Technical Panel. The NPA is the national body representing all community pharmacy owners, including those of small businesses. The PSNC represents all pharmacies providing NHS pharmaceutical services. The CCA represents UK multiple community pharmacies, such as Boots, Lloydspharmacy, Asda among others. The AIMp represents private companies which own between 5 and 200 pharmacies and the Co-operative Pharmacy Technical Panel looks after the interests of Co-op pharmacies. The Department of Health also consulted the Scottish Executive Health Department, which in turn sought views from the Standing Committee of the Pharmaceutical General Council (Scotland), the equivalent of the PSNC, and Welsh Assembly Government.

The RPSGB also published details of their proposed premises fee increases in the 12 August edition of the Pharmaceutical Journal, which is received by all pharmacists registered in Great Britain. All registered pharmacy premises are owned by a pharmacist or have a superintendent pharmacist. No comments were received by the RPSGB or the Pharmaceutical Journal as a result of the publication.

The results of the consultation with the pharmacy organisations were:

Organisation Consulted	Comment
Company Chemists' Association National Pharmaceutical Association (NPA) Pharmaceutical Services Negotiating Committee (PSNC) Association of Independent Multiple Pharmacies (AIMp)	The four organisations provided a combined response opposing the RPSGB's proposed pharmacy premises fee increases. They did not wish to challenge the Society's policy of reducing subsidisation of regulatory activity from publications income. Whilst not disagreeing with the facts provided relating to cost pressures faced by the inspectorate, their view was that the reasons cited and supporting evidence provided by the RPSGB were insufficient justification for the level of the proposed rise. They did not accept the relevance of the increasing corporate ownership of pharmacies in determining premises fees, as compared to pharmacist fees. Apportionment to premises fees, in their view, should reflect workload relating directly to the pharmacy, as distinct from the conduct of the pharmacist. Fee levels should be limited to what is essential for the regulatory functions to be undertaken in the most efficient manner possible. They argued for an end to routine pharmacy inspections by the RPSGB given the increase in monitoring and inspection by other agencies. They were supportive of an examination of other options for the charging structure for premises registration. In recognising the need to proceed under the present arrangements for 2007, they suggested a rise reflecting the GDP deflator would take into account increases in costs.
Co-Operative Pharmacy Technical Panel	The Co-operative Pharmacy Technical Panel chose not to respond.

Organisation Consulted	Comment
Standing Committee of the Pharmaceutical General Council (Scotland) - equivalent of the PSNC	While supportive of the strategy to reduce the contribution made by the income from publications to supporting fees and the attempts to redress the balance between fees for members and premises, they expressed reservations about the business case made by the Society. They felt this did not support an increase of 9%. They also wished to see greater transparency around the use of funds by the RPSGB. The SPGC thought it would be appropriate for the fees to rise in line with inflation.

4. Options

Four options have been identified for reaching a decision on the pharmacy premises fees for 2007:

Option 1: Do nothing and leave the fees unchanged.

Option 2: Accept the RPSGB's proposed increased fees (a rise of 9.1 to 9.3%).

Option 3: Set the fees taking into account the increase in the GDP Deflator (2.44% for 2006/07).

Option 4: Set the retention fee taking account of salary inflation (3.9% for the year to July 2006).

The impact of these options, increasing the fees to the nearest whole pound, is summarised in the table below:

		Option 1	Option 2	Option 3	Option 4
Retention Fee	**2006**	£150	£150	£150	£150
	2007	£150	£164	£154	£156
	Amount (%) increase	£0 (0%)	£14 (9.3%)	£4 (2.7%)	£6 (4.0%)
Initial Registration Fee	**2006**	£474	£474	£474	£474
	2007	£474	£517	£486	£492
	Amount (%)	£0	£43	£12	£18

	increase	(0%)	(9.1%)	(2.5%)	(3.8%)
Restoration Fee (Penalty)	**2006**	£474	£474	£474	£474
	2007	£474	£517	£486	£492
	Amount (%) increase	£0 (0%)	£43 (9.1%)	£12 (2.5%)	£18 (3.8%)
Estimated additional cost to pharmacy sector		Nil	£173,900	£49,700	£74,500

The estimated additional cost to the pharmacy sector is on the basis of the retention fee, which is the main pharmacy premises fee from which the RPSGB gains income. The current overall payment by the sector of retention fees is some £1.9m.

(i) Risks

In arriving at their proposed increase in fees for 2006 the RPSGB has had two main objectives:

a) The Society's financial strategy to fund professional and regulatory activity from its fees.

The RPSGB has three main streams of income. The registration fee for pharmacists wishing to remain on the UK register each year, the retention fee for every registered pharmacy premise and the substantial contribution it receives from the surplus generated by its publications division. The surplus from commercial publication activity has subsidised the costs of the Society's regulatory and professional activities for many years.

In recent years, the Society in line with other regulators has increased its cost base in response to increasing demands for greater professionalism, accountability and transparency from all of its stakeholder groups. However, the increased costs were not fully reflected in the retention and registration fees as the contribution from publications had also been growing. As a result, the Society had become overly reliant on the contribution from publications with a corresponding deterioration in its level of reserves and its financial sustainability.

In 2005 the Council for the RPSGB adopted a financial strategy based on reducing the publications contribution as a subsidy for the Society's regulatory and professional activities. Over a period of time, the Society is seeking to ensure that the cost of its regulatory activities are funded through the fees it charges.

The RPSGB has proposed that a thorough review of the structure and level of fees is necessary. The Department acknowledges the merits of such a review taking place. Consultation with a range of stakeholders will be essential and change to

primary legislation is likely to be required to give this effect. The RPSGB will be taking this forward.

b) Correcting the imbalance in funding the costs of the Society's regulatory activity between its members and the premises fees.

Over the last five years, there has been a distinct difference in the rate at which members fees and premises fees have risen. Both are subject to scrutiny and approval by outside bodies - the Privy Council in the case of the members fees and the appropriate minister in the Department of Health in the case of the premises fee. Between 2000 and 2006 the members fee has risen by 93% from £138 to £267, while the premises retention fee has risen by 69% from £89 to £150.

As a matter of custom and practice, the only costs allocated against income from premises fees had been purely the cost of the Inspectorate. However, the inspectors themselves are only one element of the regulatory process relating to the discharge of the Society's responsibilities under the Medicines Act 1968 and the Poisons Act 1972. Following initial investigation, if there is any substance to a complaint made to the RPSGB it enters the Society's complaints procedure. This involves further examination of the details by the Investigations Department, a review by the Infringements Committee and, if further action is deemed necessary, a referral to the Statutory Committee for formal judgement.

The increasing complexity of regulation with the overriding need to be transparent in proceedings has added to the burden on the inspectors and reduced the amount of time available for normal inspection visits. The subsequent investigation and preparation for possible prosecution requires the same degree of meticulousness to ensure cases can withstand legal challenge, adding to the cost of the Society's regulatory responsibilities.

Even if there were agreement to the level of increase proposed by the RPSGB, the Society calculates that there would remain under recovery of these costs. This will need to be covered either by the fees paid by the RPSGB's members, from income generated by the RPSGB's commercial publishing activities, from efficiency savings, or from a combination of these.

If the RPSGB is not adequately resourced for the work it is required to undertake, essential activity on inspection and responding to complaints would need to be reduced, over time giving rise to greater risk to human health.

An argument has been made by the four pharmacy bodies consulted that the routine inspection visits by the RPSGB inspectors are no longer necessary as pharmacies are now visited by other agencies in the course of their duties, such as NHS Primary Care Organisations, the Healthcare Commission, police in connection with controlled drugs and Trading Standards. The counter argument is

that these organisations are not concerned with all aspects of pharmacy practice and do not visit all pharmacies.

The RPSGB reports that it is already moving away from routine inspections with visits to pharmacies made every 12-18 months, to a programme of risk based inspections. This means that the majority of pharmacies will be visited every 2.5 to 3 years with more frequent visits being made to those pharmacies, which are identified as poorly compliant.

5. Costs and benefits

(i) Sectors and groups affected

The premises registration fees affect the pharmacy sector, of which the vast majority are community pharmacies, although there are a small number of registered pharmacies in hospitals and also registered pharmacies belonging to pharmacy manufacturers. The majority of the pharmacies, which are registered, would be classed as small businesses. An estimated 30% of pharmacies (around 2,800) have ethnic minority owners. All pharmacy owners have to register with the RPSGB, not just those providing NHS pharmaceutical services, although they form the vast majority. There are approximately 12,000 pharmacies in Great Britain providing NHS pharmaceutical services, of which over half are in chains of more than five pharmacies (known as "multiples"). Premises fees are a legitimate tax-deductible business expense for all pharmacies.

Race equality impact was considered and initial assessment indicated that a full race equality study was not required. The pharmacy premises fee is levied on each registered pharmacy premise and is the same for each premise, which is registered. It is paid only once in each year. There are no additional charges payable to the RPSGB for individual inspections, nor for the advice and assistance provided by the RPSGB pharmacy inspectors. An increase in the level of fees charged for the registration of pharmacy premises will not affect any of the three parts of the race equality duty ie to eliminate unlawful racial discrimination; to promote equal opportunities or to promote good relations between people from different racial groups.

(ii) Benefits

Option 1: The benefit would fall to registered pharmacies, who would pay the same retention fees as currently.

Option 2: The benefit is to the RPSGB, with the fees set at the level they propose. Even so, this will leave the Society with a shortfall of 20% on the overall costs they have allocated against the income from premises fees. That is why the Society indicates that in their view the retention fee should increase to a figure in excess of £200 per annum in current prices.

Option3: The benefit would primarily fall to registered pharmacies, who will be paying higher fees than in previous years, but at a lower rate than proposed by the RPSGB and also at a lower rate than is proposed in Option 4.

Option 4 The benefit would primarily fall to registered pharmacies, who will be paying higher fees than in previous years, but at a lower rate than proposed by the RPSGB..

(iii) Costs

Option 1: There would be no increase in premises fees for pharmacy owners. The RPSGB would face a shortfall of 8% on the 2007 fee income they have proposed to cover inspection activity and of 27% on the overall costs they have allocated against the income from premises fees. To cover such a large short-fall, it is expected that there would have to be a reduction in the Society's inspection activity and thus quality assurance of pharmacy premises.

Option 2: The cost of the full rise proposed by the RPSGB would be born by business. For the majority of pharmacy owners, it will represent an increase of £14 per premise.

Option 3: With an increase in the premises retention fee from £150 to £154, pharmacy owners will bear an increase of £4 per annum for each of the premises they own, ie an increase of cost on the sector of £49,700. The RPSGB would have a shortfall on the income they proposed from premises fees for 2007 of 6%. The increased retention fee would provide a 2.7% increase to cover inflation. However, as the majority of the RPSGB's costs relate to staff costs, the RPSGB would need to cover a larger shortfall than under option 4.

Option 4: With the premises retention fee increased from £150 to £156, pharmacy owners will bear an increase of £6 per annum for each of the premises they own, ie an increase of costs for the sector of £74,500. The RPSGB would have a shortfall on their proposed income from premises fees for 2007 of 5%. The higher fee would provide a 4.0% rise for staff inflation and other costs, in line with wage inflation.

(iv) Rural Proofing

No issues affecting access to services in rural communities have been identified and this has not been an issue raised by the pharmacy organisations or pharmacists.

(v) Social

If the RPSGB is not adequately resourced for the work that it undertakes, there could be a risk to human health in the longer term. Option 2 meets the RPSGB's cost demands. Option 1 provides significant less income than the Society is seeking, which would need to be addressed by reducing the Inspectorate's quality assurance activity, thus over-time potentially increasing the risk to public health.

Option 3 leaves the RPSGB with a shortfall of 6% on their proposed income from premises fees for 2007 to be addressed from other income or efficiency savings. Option 4 covers the RPSGB for wage inflation, in keeping with salaries being the major component of the cost base for the Society's Inspectorate. The Society would need to make efficiency savings or look to other income streams to address the 5% shortfall in its proposed 2007 premises fee income.

(vii) Environment
There are no environmental costs or benefits associated with the fee structure of the RPSGB for the registration of pharmacy premises.

6. Small Firms Impact Test

Small businesses are important to the supply of pharmaceutical services in Great Britain. The largest three firms in the market, currently, hold 32% of the market. The increase in the premises fee will affect all pharmacy premises. It is notable that there are large individual pharmacies, as well as small pharmacies, operating within the large chains. The fee for registration of a premise is a flat annual fee and impacts on all pharmacies.

The absolute level of the fee is small in relation to the running costs of a pharmacy business – for example, £1,911m has been allocated in 2006/07 for NHS community pharmacy services in England, an average of £190k per pharmacy. The interests of small independent pharmacies is represented by the NPA. In responding to the RPSGB's proposed fee levels for 2007, they have voiced the same reservations on the amount of the increase as the organisations representing the chains of pharmacies.

7. Competition assessment

The proposal will impact chiefly on retail pharmacies. These make up the majority of pharmacies, which are registered with the RPSGB, although a small number of hospital pharmacies and pharmacies belonging to pharmacy manufacturers are also registered. The competition filter was applied and did not indicate a detailed competition assessment was required.

The policy that a fee will be paid for the initial registration of a pharmacy premise and an annual fee for retention on the register, thereafter, has been long established. These Regulations set the level of the fees. The recommended increase in the annual retention fee from £150 to £156 will have a marginally greater impact on smaller pharmacies, which may be part of a chain or a single unit, as it will represent a slightly larger proportion of their costs than for larger pharmacies. However, in cash terms the increase in the retention fee is not great.

An increase in the initial registration fee from £474 to £492 (in line with Option 4), when compared to the costs of establishing a new pharmacy, is unlikely to be a

barrier to entry. As such, it is not expected that it will impact on the ability of new pharmacies to enter the market nor are the combined fee increases expected to change the structure of the market. Initial registration fees are only paid on the start-up of a new pharmacy. Where an already registered pharmacy changes hands or there are changes to the registration details, and there are about 1,000 changes to the register each year, there is no additional fee payable to the RPSGB for the amendment to the registration. As such, we do not expect the proposal to have a significant effect on competition.

8. Enforcement, sanctions and monitoring

Those pharmacies that do not pay the increased fee would be removed from the register of pharmacy premises. This sanction would be exercised by the RPSGB. Medicines may only be supplied to the public from registered pharmacies, except for medicines on the General Sale List. No additional monitoring is required.

9. Implementation and delivery plan

These proposals will be implemented through the Medicines (Pharmacies) (Applications for Registration and Fees) Amendment Regulations 2006. The RPSGB then invoices all registered premises in January to collect the retention fee. Fees for initial registration are collected when new premises enter the register.

10. Post-implementation review

The level of the fees for pharmacy premises registration is reviewed each year by the RPSGB as part of its business planning. The level of the fee proposed for the following year is then subject to agreement by Ministers.

11. Summary and recommendation

Summary costs and benefits table

Option	Total benefit per annum: economic, environmental, social	Total cost per annum: - economic, environmental, social - policy and administrative
1. Do nothing	Pharmacy owners benefit from no increase in premises fees.	No increased cost to pharmacy owners. RPSGB face 8% reduction in proposed premises fee income, which would need to be addressed by reducing the Inspectorate's quality assurance activity, thus over-time potentially increasing the risk to public health.
2. Accept RPSGB's proposed increased	The benefit is to the RPSGB, with the fees set at the level they propose.	The cost of the full rise proposed by the RPSGB would be born by business, estimated at an extra £174k per annum. For the majority of pharmacy owners, it

fees		will represent an increase of £14 per premise.
3. Raise fee in line with GDP Deflator	The benefit would primarily fall to registered pharmacies, which will be paying higher fees than in previous years, but at a lower rate than proposed by the RPSGB and £2 per pharmacy less than option 4.	Pharmacy owners will bear an increase of £4 per annum for each of the premises they own, estimated at an extra £50k per annum for the sector as a whole. The RPSGB would have a shortfall on the income they proposed from premises fees for 2007 of 6%. The retention fee income would provide a 2.7% increase for inflation. However, as the majority of the costs relate to staff costs, the RPSGB would need to cover a larger shortfall than under option 4.
4. Raise fee in line with wage inflation	The benefit would primarily fall to registered pharmacies, which will be paying higher fees than in previous years, but at a lower rate than proposed by the RPSGB.	Pharmacy owners will bear an increase of £6 per annum for each of the premises they own, estimated at an extra £75k per annum for the sector as a whole. The RPSGB would still have a shortfall on the income they proposed from premises fees for 2007 of 5%. This would have to be covered through income from other sources and efficiency savings, thus maintaining the Inspectorate's quality assurance function. The higher fee would provide a 4.0% increase for staff inflation and other costs, in line with wage inflation.

On balance, increases in premises fees based on option 4 are recommended, taking the retention, registration and restoration fees to £156, £492 and £492 respectively. The Welsh Assembly Government and Scottish Executive Health Department support this approach. This provides a reasonable increase for the RPSGB and a platform from which the already agreed review of the fee structure can be taken forward. The fees for Northern Ireland have also been set to rise in line with wage inflation.

12. Declaration and publication

I have read the regulatory impact assessment and I am satisfied that the benefits justify the costs

Signed …Andy Burnham……

Date 2nd December 2006

Andy Burnham, Minister of State, Department of Health

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