



FAQs – FORMATION OF PSNE LIMITED

1 Why are the LPCs forming a company?

The NHS landscape has changed as have procurement regulations. Commissioning responsibility transferred from NHS England to Clinical Commissioning Groups (CCGs) in 2013 but contracting arrangements have not been formalised. Enhanced Services have now become 'Community Services' and services are no longer an 'enhancement' to the core pharmacy contract. CCGs only have one contracting form available: the NHS Standard Contract. CCGs are required to have contracts in place for all commissioned services.

The NHS Standard Contract has significant requirements. Commissioners know that the majority of pharmacies are not compliant with the requirements of the NHS Standard Contract. They wish to retain community pharmacy coverage on a level similar to existing provision i.e. local / accessible services so a prime provider model enables them to contract with a single organisation who will hold the contractual responsibilities. The NHS therefore manages a single contract with a single provider who manages the service including the collection of data.

Devolution is progressing across the North East and Local Authorities are also looking to collaborate and cut contracting costs so they are also interested in regional prime provider models.

A LPC is an unincorporated association without trustees so is not a legal entity in its own right. A LPC cannot enter into contracts and any member of a LPC purporting to enter into a contract on its behalf would be taking on a personal liability for the contract.

In order to overcome the issue of a LPC not being able to enter into contracts in its own right and address the preference of commissioners to contract with a single entity, PSNC has recommended that LPCs establish provider companies for the benefit of their pharmacy contractors.

Commissioners could of course contract with any organisation that could sub-contract to pharmacies. However, LPCs believe that it would be better if community pharmacies had influence and control over the prime provider to ensure that sub-contracts are fair and management fees sufficient only to cover its management costs. Tees LPC are currently battling with Virgin Healthcare who are reducing EHC payments to pharmacy contractors. PSNE Limited will operate on "not for profit" principles for the benefit of subscribed pharmacy contractors (the Membership).

2 Are there any other organisations setting up provider companies?

Yes. There are GP federations and Local Optical Companies being setup across the country. PSNC have recommended that all LPCs establish provider companies to support the interests of pharmacy contractors and many LPCs have already done so. For example, <http://lipcohealthcare.co.uk/> has been trading successfully for three years and seven LPCs across Greater Manchester are jointly establishing a provider company.

3 Why are the LPCs working together?

The local CCGs all work together via the Northern Commissioning Forum and all use NECS for commissioning support. There is therefore increasing commonality across services. It is anticipated that tenders for prime providers will therefore cut across CCG and LPC boundaries. As an example, a recent tender for pharmacy services involved Northumberland CCG, North Tyneside CCG, Newcastle and Gateshead CCG and South Tyneside CCG seeking a single prime provider.

With devolution there is the potential for public health services to be amalgamated.

By working together the LPCs are forming a provider organisation of sufficient scale to be able to tender for regional services.

4 Are the LPCs able to form a company?

Yes. The constitution of the LPCs allow them to establish a company to support the interests of pharmacy contractors. The relevant clauses in the North of Tyne LPC constitution are:



3.3.4. *The Committee may establish or assist in the establishment of a body corporate formed for the sole purpose of supporting the interests of pharmacy contractors, provided that the memorandum and articles of the body corporate are agreed at a general meeting of the Committee by a two thirds majority of the total votes cast (including postal votes).*

3.3.5. *The Committee's assistance of such a body corporate as mentioned in 3.3.4 above shall be withdrawn if requested by a majority of the pharmacy contractors voting (including by postal vote) at a general meeting.*

The other LPCs have similar wording in their constitutions. The PSNE Articles of Association will be distributed before the EGM.

5 How will PSNE Limited be structured?

PSNE Limited will operate as a membership association with a nominal subscription fee for each pharmacy premises. Subscribed community pharmacies will be able to shape and influence the business. However, PSNE Limited is not a company limited by guarantee and so its members are not undertaking to provide any guarantee towards the company's liabilities.

PSNE Limited is a company limited by shares with three shares issued. An LPC cannot legally own a share. For this reason: one share is held in trust on behalf of North of Tyne LPC for the benefit of subscribed members in their locality, one share is held in trust on behalf of Gateshead and South Tyneside LPC for the benefit of subscribed members in their locality and one share is held in trust on behalf of County Durham and Darlington LPC for the benefit of subscribed members in their locality. In matters requiring a vote, each share is weighted to reflect the number of subscribed members in each locality. The use of a nominee shareholder to hold the shares in trust was recommended by PSNC who use this model to control shares in companies which they operate.

The reason we have structured the company in this way is to separate the benefits of membership from the liabilities of being a member of a company limited by guarantee or by being a shareholder. It gives subscribed members an influence over the company via the LPCs who are recognised, under section 167 of the NHS Act 2006, as the statutory bodies representing the community pharmacy contractors in their local areas.

6 Who controls the company?

As noted above, each of the LPCs involved controls one share for the benefit of the subscribed member pharmacies in their local areas.

PSNE Limited will act at all times in the best interests of the Membership.

At all times PSNE Limited will act with openness and transparency and will not bring the LPCs or its Membership into disrepute.

PSNE Limited will provide the LPCs with such management accounts and explanations of its activities as they may reasonably require together with copies of all minutes of Board meetings.

The Directors of PSNE Limited will only conduct such activities in the best interests of its Membership and which the LPCs cannot or choose not to perform themselves and the Directors will ensure that its costs of operation are kept to the absolute minimum to trade both legally and appropriately in the best interests of its Membership.

Where any loan is made to PSNE by the LPCs to provide initial working capital the Directors of PSNE Limited will use their best endeavours to ensure that the loan is repaid as soon as possible.

7 What is the purpose of the company?

The Company is formed to act as a membership organisation for community pharmacies.

The Company will act as a provider of pharmacy services to Commissioners. The company may provide or offer to provide such services alone, collectively with its Membership and/or collectively with other organisations. The Company may propose to potential Commissioners services which may be commissioned, or respond, to invitations to tender to provide services.

The Company will act as a buying group to negotiate discounted services for its membership.

The Company may choose to provide other such services that it deems to be in the best interests of its Membership and which the LPCs cannot or choose not to perform themselves.



8 Why is there a membership fee?

PSNE Limited like any new company needs to raise start-up capital and working capital. The funds are required to pay legal fees, salary costs, tendering costs, etc. Without this capital the company would be unable to trade. The way that the LPCs have chosen to set up PSNE Limited minimises the costs involved so fees will be largely used to fund operating costs. The fee will be a modest amount and significantly less than most GPs have paid to setup their federations.

9 How much will it cost?

There will be a nominal subscription fee payable for each pharmacy premises. If the formation of the company is ratified, each pharmacy contractor represented by the LPCs will be given the option to join as members. Pharmacy contractors are not obliged to become members and a support to ratify the formation of PSNE Limited in no way implies that you will become a member. Even if you choose not to become a member we hope you will see the benefit of the LPCs operating a provider company for those who do wish to subscribe and that you will therefore support this proposal.

10 What are the benefits of membership?

Subscribed members will have the ability to shape and influence the business. They will have access to a wide range of discounted services which will be negotiated using our influence as a buying group. These will include utilities, merchant services, office supplies, vaccines, etc. They will also have preferential access to deliver those pharmacy services requiring only selected contractors and a reduced top-slice of management costs where these are not separately identified by the commissioners. Members will receive fair and appropriate rewards via service delivery fees.

11 Is membership restricted to pharmacy contractors covered by the three LPCs?

One share is held in trust on behalf of North of Tyne LPC for the benefit of subscribed members in their locality, one share is held in trust on behalf of Gateshead and South Tyneside LPC for the benefit of subscribed members in their locality and one share is held in trust on behalf of County Durham and Darlington LPC for the benefit of subscribed members in their locality. The shareholders could choose to allocate a share to another LPC for the benefit of subscribed members in their locality. However, this may lead to difficulties in apportioning setup costs, assets and working capital. As an alternative, if operating as a prime provider beyond the localities covered by the three LPCs, PSNE could operate in joint venture with another provider company or they could choose to allow pharmacy contractors in another locality to become subscribed members without their LPC becoming a beneficial shareholder. One of the three LPCs would then be selected to represent those members.

12 Who will benefit from the company profits?

PSNE Limited will operate with minimal costs and will be run to break even. The majority of contract receipts for pharmacy services will be passed on to the pharmacy contractors sub-contracted to provide such services. It will budget for an annual surplus sufficient only to ensure it has adequate working capital to operate and meet forecast expenses. Any surpluses in excess of such requirements will be utilised for the benefit of the Membership. This may for example include free / subsidised training or additional MUR fees.

13 How do we get further information?

Further details will be distributed by 24th June 2016 and more information will be provided at the Extraordinary General Meeting together with the opportunity to ask questions.

Information will also be posted online at www.gandstlpc.net/providercompany.

Queries can be addressed to Stephen Blackman, Chief Executive Officer, North of Tyne LPC at stephen.blackman@northoftynelpc.com.

14 How do we register to attend the meeting?

Please register online at www.gandstlpc.net/providercompany.



15 How do we vote?

If you are unable to attend and vote at the Extraordinary General Meeting we would still like you to vote on the proposals

An email / postal voting form is attached which you can complete and either:

post to: S Blackman, North of Tyne LPC, Spaceworks, Benton Park Road, Newcastle, NE7 7LX, or
email to: lpc@northoftynelpc.com

Alternatively you can complete the online version at www.gandstlpc.net/providercompany.

Completed voting forms must be received by noon on 29th June 2016.

If you are voting for multiple pharmacies, please record all F codes in the appropriate box and please use the comments box to record the number of pharmacies in each LPC so we can correctly apportion the votes.