

17<sup>th</sup> October 2016

Dear Pharmacy Contractor,

### **Formation of a Provider Company for Pharmacy Contractors – Phase 3**

All Pharmacy contractors across Southampton, Hampshire, the Isle of Wight and Portsmouth were contacted by the LPC in June 2015 to seek approval for the Committee to invest some of its resources in the work necessary to prepare for the formation of a Provider Company. No objections were received by the LPC to that proposal and the Committee has subsequently worked on developing a model of Provider Company that it feels would be beneficial to all of the pharmacy contractors that the LPC supports and represents.

As was explained in previous correspondence, all LPCs are restricted from holding and administering contracts for the provision of services and are unable to properly fulfil the role that commissioners would seek of us. However, a Provider Company working on behalf of pharmacy contractors would be able to enter into a contract with a commissioner and be able to subcontract to pharmacies (or indeed to other providers) as appropriate. This has a number of advantages for commissioners as they would have just one contract to manage and it would ensure that all pharmacy contractors, irrespective of size, would be able to compete and tender for services alongside other qualified providers.

The three LPCs in the South Central Region (Hampshire & IOW, Thames Valley, and Dorset) have been working together on the development of a Provider Company and each of the LPCs have independently considered the options that could be pursued, including a Company Limited by Guarantee, Limited Liability Partnership, Charitable Organisation etc. We have carefully examined the positive and negative attributes of each model and have concluded that it would be in the best interests of our contractors if we adopted a model which combines both a Company Limited by Shares and an Association, through which the members (contractors) can exert influence. The shares in the Provider Company would be held on Trust for the members.

This 'hybrid' model was unanimously accepted as the best model to recommend by the members of your Committee as its structure enables contractors of all sizes (large corporates to single independents) to join the Association and to work together for the benefit of the collective of community pharmacy providers across the LPC geography, while at the same time still enabling contractors to compete separately should they wish to do so. This 'hybrid' structure ensures that the Provider Company, acting on behalf of the members of the Association, can be truly commercial in operation and seek to compete with other (non-pharmacy) service providers – the number of which continue to grow and operate in the space that community pharmacy could also be operating.

The LPC recognises that this is an important issue and our proposal requires detailed explanation to contractors. We have therefore called an **Extraordinary General Meeting (EGM) on 17<sup>th</sup> November 2016 at the Holiday Inn Winchester, SO21 1HZ** when contractors will be able to meet with the Chief Officer and members of the Committee. Also present will be the legal advisor that we have been working with who will be happy to take any questions. There will be a short presentation by the Chief Officer at the meeting but most of the time will be devoted to your questions.

To help explain more about the proposed structure in advance of the EGM, we have attached a Frequently Asked Questions (FAQ) sheet. This FAQ document will hopefully address the majority of your questions. It also includes a diagrammatic representation of the proposed structure to illustrate how the Association, Trust and Provider Company relate to each other. We hope you will find this illustration helpful.

There is also a section on funding within the FAQ document. You will see that there are two classes of membership of the Association proposed ('Class A' and 'Class B') and that 'Class A' members would be shareholders. Both class of membership require the payment of a membership fee by the contractor plus an annual fee per premises.

The Hampshire & IOW LPC proposes to loan funds from its reserves (under a formal legal arrangement) to the Provider Company in order to help it become established and effective in tendering for service business. The Committee is proposing to provide a loan facility of no more than £25,000 per year over a two-year period (£50,000 in total). The other partner LPCs in this initiative are also proposing to make a loan facility available to the Provider Company according to their own circumstances.

In Hampshire & IOW we are proposing that this loan money will be used to cover the Joining fee that contractors would otherwise be required to pay if they were to join. This means that Hampshire & IOW contractors would **NOT** be required to pay a Joining Fee but they will have to pay the £75 Annual Membership Fee based upon how many pharmacies they operate.

At the EGM we intend to take a vote on the Committees proposal and if the recommendation is adopted, to collect expressions of interest of membership.

**Contractors wishing to attend the EGM must notify the LPC Office in advance by email or telephone.**

**Email: [jo.addison@hampshirelpc.org.uk](mailto:jo.addison@hampshirelpc.org.uk) or Telephone: 01252 413778 stating the name and address of the pharmacy they are representing, that they are authorised to vote on behalf of the person or body corporate that is contracted to provide the NHS pharmaceutical services at that pharmacy and how many persons will be attending with them (and their names).**

**Those contractors not able to be present will also be able to vote in advance (by post or fax) using the proforma attached to this letter. The fully completed voting paper must be returned to Jo Addison at the LPC Office no later than midday on 16<sup>th</sup> November 2016.**

A two-thirds majority of voting contractors will be required to secure approval for the provider company (and the associated structures) to be formed. If the vote in favour is secured, this will conclude the third phase in the process recommended by PSNC in the establishment of a local provider organisation. Phase 4 would then see the LPC proceed to register the company with Companies House and establish the necessary governance and operational structures of all parts of the proposed model.

Should you wish to discuss any aspect of this proposal in advance of the EGM then please do make contact with us at either the LPC Office or through one of the committee members that represent you.

Kind regards,

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Bennett', with a long horizontal stroke extending to the right.

**Paul Bennett**

Chief Officer, Hampshire & IOW LPC

- Enc.    1. Frequently Asked Questions (Formation of NuCo Limited)
2. Voting Paper for those unable to attend the EGM