



## Federation & GP Practices

# GP Federations: A Reality Check

*Factsheet No. 4*



**If not you, who? If not now, when?**

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# GP Federations: A Reality Check

This is the fourth in a series of factsheets for GPs and Practice Managers looking GP Federations. Written by Andrew Lockhart -Mirams, from Lockharts Solicitors. Andrew shares his thoughts and top tips, having worked on over 50 federations.

The Family Doctor Association commissioned these factsheets in response to requests from members. Full of tips for the unwary based on the collective experiences of other GP practices who have gone down the federation route.



## Federation?

1. If not you, who?
2. If not now, when?

## Introduction

So far, I have worked on over 50 or so federations and I have observed the workings of many others. I am constantly reminded of the two questions above and the realisation that if local groups do not federate, there are other large groups waiting in the wings to jump in.

Remember that once the contract has been placed by the CCG or a Local Authority, the work is lost to the local group for three or possibly even five years. Some groups start off small but increasingly I am seeing their aims expressed in terms of providing services locally "and to a wider area if the opportunity arises".

## Federation Top Tips

There are some key points which I believe everyone must follow. Working from answers on a questionnaire can be helpful when it comes to detailed document preparation:

- There needs to be a **competent steering group** who are properly supported by the members. This should involve putative members agreeing to underwrite the costs, which the steering group will incur obtaining early Legal and Accountancy advice.
- Putative members have to understand the benefits of **operating through a share company** and the protection it offers shareholders in terms of limited liability.
- Groups intending to federate **have to keep the pressure up**, linking back directly to the two key questions above.
- An **early meeting between all interested parties** and key advisers is essential. At the outset, this can involve experienced lawyers; Accountancy advice can follow later.
- Obtaining proper project advice is also very valuable but this must be from a **consultant specialised in GP practice** and not merely a "business consultant".

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## Federation Top Tips

- **Decisions have to be made at an early stage about funding.** CCG's may be able to assist with providing money for educational advice, but cannot fund individual projects.
- In most cases, **funding will be by subscription for shares coupled with loans** to the company. There is no set rule but 50p per patient seems to be the figure that many groups have settled on.
- Even if staff are not to be employed at the outset, the provider structure must ensure that it **can hold employing authority status** so as to be compliant with the NHS Pension Scheme for all staff.
- **Clear decisions** need to be taken about whether the provider entity aims to secure contracts for essential services type work from CCGs or Local Authorities or whether a company is to be established for work on a much grander scale e.g. operating an urgent care centre or an extended access provision. It may be difficult to put both types of operation together but identifying the aim is important, as it will have a substantial bearing on the share structure of the company.
- The **majority of entities have been formed to reclaim the old "essential services"** type work, which could be commissioned from a whole range of providers. In most cases, this is work which can be done by the local practices and be subcontracted to provide services. A company working in this way is unlikely to make a profit as such, as a large part of the contract price will be paid through to the providing practices. Only in the second case will the company be likely to make money. Advice needs to be obtained about the ways in which dividends can be distributed to members.
- When a provider entity has been set up, **provisions need to be made for "late joiners"**. It is also suggested that all participating practices should stay in the company for a period of three years to allow it to become established.
- In almost every case, shares in the company are held for the benefit of the members of participating practices and I suggest that **a simple Declaration of Trust is completed**. This does not involve the revision of partnership arrangements.
- Often concerns arise about **potential conflicts of interest** between the provider company and individual practices, or between the provider company and other organisations in the area providing comparable services. These issues have to be addressed but participants should not be overawed with worry. **A simple test is would an ordinary person sitting on the top deck of a bus perceive there to be a conflict?**



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## In Summary

Apart from preparing the documentation, your advisers should be able to guide you through the establishment of the company, first meetings of directors and the resolutions that need to be passed to comply with company law.

Finally, the greatest risk is to start with a lot of enthusiasm but then finding inertia creeping in.

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## Further resources

Family Doctor Association GP Federation Factsheet Series

### The Basics of Federation Factsheet No. 1



### More Formal Federation Arrangements Factsheet No. 2



### Practice Mergers Factsheet No. 3



Order the three Federation Factsheets written for busy GPs & PMs. Free to members.

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## Federation Agreements:

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Andrew has a national reputation for his work in the development of PMS and APMS agreements.

He has produced agreements for federations of practices and shareholder agreements for provider companies wishing to provide to NHS bodies.

