

May 2022

LPC Finance Guide

LPCs are funded by the contractors they represent and are accountable to those contractors for the work that they do on their behalf and for the effective use of LPC funds. LPCs collectively receive annually circa £11m of income to represent 11,500 community pharmacies. Contractors expect high standards of financial governance in their LPC.

This guide has been prepared working in partnership with experts, incorporating feedback from contractors and LPC Treasurers to bring together relevant financial advice for LPCs and standardised templates. All LPCs are encouraged to use the templates to give consistency to contractors and help PSNC provide better management data to LPC treasurers.

Objectives

- To explain the framework within which LPCs exist and operate
- To set out LPC reporting requirements and obligations
- To identify particular financial issues facing LPCs
- To outline a suitable internal control structure for an LPC
- To introduce a standardised form of budgeting and financial reporting.
- To suggest where LPCs might seek guidance on all or any of the above.
- **This pack sets out a minimum standard for LPCs. Some LPCs already meet or exceed this standard and they are encouraged to continue operating to those higher standards.**

Note: words in italics are defined in the glossary at [Appendix 1](#).

Status of an LPC

A Local Pharmaceutical Committee (LPC) is an unincorporated “not for profit” entity formed in accordance with the Section 167 of the NHS Act 2006, but as an unincorporated entity has no legal identity. Since an LPC has no legal standing that means that when an LPC enters into any transactions or agreements it is the members themselves who are taking on the responsibilities attaching to these transactions or agreements. All LPC members need to be aware of this and it is for that reason that an LPC’s executive members need to be fully transparent in their actions with regard to the LPC. In order to achieve such transparency all LPCs need to adopt a financial control environment which protects members from becoming personally liable for any of the LPC’s actions and also have in place a comprehensive budgeting and financial reporting regime so that members can feel fully informed of the financial position and performance of their LPC. This pack has been produced to help LPCs achieve those controls and required levels of transparency.

LPC constitution document

An LPC must have a constitution and the adoption of the model constitution is strongly recommended, available in **Appendix 2**. Considerable care and thought has been given to this model constitution to make it suitable for the majority of LPCs so as to minimise the need for any tailoring of its provisions.

The Concept of *Mutual Trading*

When an entity receives income from its members in the form of subscriptions or sells services to its members then these transactions are exempt from tax under the exemption for “*mutual trading*”. The underlying principle being that “you cannot make a profit out of dealing with yourself”. Some LPCs may only have mutual trading income (contractor levy income) and therefore will not fall into the tax net. However, there is no general tax exemption for unincorporated bodies and the tax treatment is very similar to incorporated companies.

Therefore, the following types of income would be subject to corporation tax:

- Bank interest
- Rents received
- Sales to 3rd parties
- Sponsorship income

If an LPC is receiving any of the above sources of income, then it needs to register with HMRC for corporation tax as soon as possible. However it is possible on submission of the LPC’s accounts to HMRC to obtain a dispensation from paying corporation tax and making annual returns and filing accounts with them if the annual corporation tax can be demonstrated to be less than £100. The dispensation is usually for a 5 year period but the LPC has to review its income annually and if the potential corporation tax exceeds £100 then it needs to inform HMRC and start filing returns and accounts.

Project Funding

Some LPCs receive funding either directly from the local NHS or through another regional LPC in respect of supporting specific initiatives for improving or developing the roles of pharmacies in the provision of health care. These funds are usually subject to a Memorandum of Understanding (MOU) which specifies the use to which funds can be applied and specifies the deliverables that are expected from their application. Such funds are not “income” of the LPC and are neither mutual nor non-mutual sources of revenue. The MOU effectively establishes a “trust relationship” between the funder and the LPC where the LPC is given the authority to administer the funds in line with the instructions of the funder as set out in the MOU or similar document. The funds therefore never belong to the LPC and it is highly recommended that they are ring fenced in a separate bank account preferably denoted as a trust account. This would protect them from any financial insolvency of the LPC.

The LPC should keep full records of all income and outgoings that pass through this trust account as it will need to account for the use of the funds to the funder.

When funding has been agreed the LPC should not raise an invoice for this as it is not LPC income but should submit a “funding request” or “claim”. By raising an invoice, the LPC potentially exposes itself to corporation tax and possibly VAT as an invoice indicates that a supply has been made (which it clearly has not).

In some cases, the LPC may have agreed with the funder to charge an administration fee or a fee for other services it may have provided out of the funding. In such a case the LPC should submit an invoice to the “trust fund” and then transfer an equivalent sum from the trust account to its own bank account. The LPC’s income from this source would not be mutual trading income but would be non-mutual trading income which would be subject to corporation tax and possibly VAT.

Project funding should not be brought into the calculation of whether the VAT registration threshold has been reached. However, any fees charged by the LPC against the project fund should be brought into the calculation of vatable income

Finance and audit subcommittee

Each LPC should appoint a subcommittee of at least 3 of its members which should be drawn from each of the different representative groups which should meet at least quarterly to oversee the following:

- Appointment of external qualified Accountant (and Auditor if applicable).
- Presentation and proposal of the annual budget for approval by the whole committee.
- Oversee the Implementation of financial controls and review these at least annually
- Oversee the preparation of an annual budget and its approval
- Oversee the preparation and presentation of management accounts
- Oversee the preparation and presentation of the annual financial statements
- Liaise with the external accountant and consider any recommendations they might make.
- Approve the accounts for presentation to the members for their final approval at the annual general meeting.
- Organise the annual general meeting.

The subcommittee should produce written terms of reference which must include the above responsibilities but should not be solely limited to these.

Internal controls

Whilst the size of an LPC will determine the complexity and scale of controls that can be implemented, the list below is for guidance as to what is seen as good practice.

- Segregation of duties. No individual should have total control over executing a transaction, recording it and authorising payment for it. Ideally these are 3 separate functions but in very small LPCs it may be permissible to combine 2 of these but never all 3.
- Payment authorisation whether by cheque or online banking should require 2 people to execute for transactions in excess of £<for the LPC to determine> .
- Orders for goods and services in excess of £<for the LPC to determine> should be approved in advance by at least 1 other member from the finance sub-committee.
- All pay increases, bonuses or any benefits and expense claims need to be approved a 2nd person who is a member of the finance sub-committee.
- It is recommended good practice that all LPCs document their financial systems and controls and that these are formally approved by the LPC. This is important so that in the event of staff changes there is a document which can be followed by successors.
- It is also recommended good practice to maintain a financial risk register: this will also assist the accountant when he carries out his annual review/audit.

- A further recommendation for good governance is the maintenance of a “Declaration of Interests” register a template of which is included in the PSNC’s LPC Governance Guide, available in the LPC members area of the PSNC website.

Budgeting

- LPCs should prepare an annual budget before the start of each financial year and this should be prepared based on the template in this pack in **Appendix 3**. If an LPC has a particular income or cost line not allowed for in the template and the amount is significant then it should be added to the template.
- Ideally budgets should be prepared on a “zero cost base” at least once every 3 years and in the intervening 2 years a cost + or – basis is acceptable. Guidance on how to draw up a zero cost base budget is included in this pack in **Appendix 4**.
- The budget should never be the sole work of one person, but input should be sought where appropriate from staff and members in their particular area of expertise.
- The budget once set and approved should not be changed as this makes consistency of management reporting impossible.
- For those LPCs following the model constitution it states in 16.4. “The Committee shall send to the NHSCB a copy of its agreed budget not later than one month prior to the beginning of the financial year for which the budget applies, and for which a request has been made to the NHSCB for the payment of the Committee’s expenses under paragraph 3.1.6.” [Prior to 1 April 2013, NHS England was known as the NHS Commissioning Board]. In practice this will be via an established contact within the NHS England & Improvement regional teams.
- For good practice and transparency the budget should also be available to contractors on the open area of the LPC website.

Record keeping

An LPC must at all times keep full and proper accounting records in order to comply with its obligations under the NHS Act 2006. The records must include all receipts and invoices for income and expenditure, bank statements and bank reconciliations as well as payroll and expense claims. These can either be kept in paper or electronic form but must be organised in such a way that they be accessed without undue difficulty or delay. The keeping of records is best carried out by a suitably experienced or qualified bookkeeper or treasurer. All records should be kept for a minimum of 6 years with one notable exception that certificates of employer’s liability insurance need to be kept indefinitely.

Use of accounting software packages

LPCs are encouraged to use an established accounting package such as “SAGE”, “ZERO” or “Freeagent” as this makes it easier (and hence more cost-effective) for an accountant to download the necessary data in order to produce annual fully compliant financial statements. LPCs should discuss the choice of software with their retained accountant as they may have a preferred interface/package. When using accounting software, the templates will form the basis of the reporting lines or chart of accounts for the LPC. Template monthly management accounts are available in **appendix 5**.

Reporting and Filing requirements of an LPC

As an unincorporated body an LPC does not need to file accounts at Companies House but it may need to file accounts with HMRC together with a corporation tax return for its *non-mutual trading* activities (if it has any). This is dealt with

in more detail below. However, an LPC still needs to produce accounts for its contractors approval and to satisfy the requirements of Section 167 (12), (13) and (14) of the NHS Act 2006. If it has adopted the model constitution within this pack then the requirement to produce annual accounts is stated within that document.

Form of annual accounts

Although an LPC does not need to comply with the reporting requirements as set out in the Companies Act it still needs to produce accounts which comply with *UK Generally Accepted Accounting Practice (UK GAAP)*. All the LPCs will fall under the definition of smaller entities and therefore should adopt the financial reporting standards as set out in FRS102 1A which can be accessed at: <https://www.icaew.com/technical/financial-reporting/uk-gaap/frs-102-the-financial-reporting-standard>

The most relevant point about *UK GAAP* is that the financial statements should always be produced on “accruals basis” in other words financial statements should never be prepared on a “receipts and payments” basis and adjustments must always be made for debtors and creditors and items such as *depreciation*. This is essential in order to achieve comparability from year to year and also between LPCs.

Where relevant consolidated accounts should be prepared with appendices for regional and federated accounts.

The template of annual accounts in this pack in **Appendix 6** should be given to your retained accountant to adopt unless the LPC has a qualified accountant as a committee member with the skills to produce accounts in this format.

Annual reporting date

LPC's should prepare their budgets and annual financial statements for twelve periods ending 31 March in order to aid comparability with other LPCs.

Common problems encountered with LPC accounts

Over the years many problems have arisen with regard to LPCs' annual accounts and those have a knock-on effect on LPC regime at local and national level. A list of the most common and serious problems is given in this pack at **Appendix 7**.

Accountants/Auditors

As a direct consequence of the above all LPCs need to engage the services of a qualified accountant (unless they have this skill in-house) in order to prepare annual financial statements which are fully compliant and possibly also prepare a corporation tax return. Preferably the accounts should be audited for the larger LPCs but there is no requirement under the model LPC constitution to do so and for smaller LPCs using a qualified accountant for the preparation and/or the examination of internally prepared accounts enabling them to provide the LPC with an Assurance Report at **Appendix 8**, should suffice. It is important that the accountant engaged is made aware that if the LPC's accounts presented to him for review do not comply with UKGAAP then his brief is to redraft them so that they do comply.

The auditor or accountant must issue an audit or assurance report on the accounts which should be attached to the accounts circulated to LPC members.

Approval of the Annual Accounts at the AGM

When the accountant has issued a report, and the accounts have been approved by the Finance and Audit sub-committee, and the full committee then they must be circulated to all contractors prior to the AGM with voting forms for those unable to attend. A template voting paper can be found in the LPC members area of the PSNC website - for CCA member companies, a single voting paper must be sent to the contact for each company with contracts in the LPC area (the list of CCA member companies and the contact is also on the site). Each company will return the form block voting for all the contracts held in the LPC area. At the AGM postal votes plus those contractors attending the meeting to vote will determine if the accounts are accepted. See the model LPC Constitution section 18 for the details. PSNC also provides guidance on holding remote AGMs using Zoom or similar platforms – see the LPC members' area of the PSNC website.

Other Important Issues for LPCs to Consider

VAT

Whilst there is a VAT exemption for the levy income paid to LPCs by community pharmacy contractors that exemption does not extend to other areas of income. Each LPC needs to regularly review its non-levy income to ensure that any income which is potentially subject to VAT does not exceed the registration threshold currently £85,000. It is important to realise that an LPC can register for VAT on a voluntary basis even if its income subject to VAT is less than the £85,000 threshold. The advantage of voluntary registration is that the LPC will be able to recover some of its VAT on expenditure items. This can be a complicated area and advice should be sought from the LPC's retained qualified accountant.

An LPC which is in receipt of any income below needs to take advice on whether it needs to register for VAT:

- Sponsorship income
- Sales of any publications or information to 3rd parties
- Sales of staff services
- Selling advice or support services
- Selling licences or rights

Where an LPC is not registered for VAT all income and expenses should be budgeted and reported inclusive of VAT when using the templates.

If an LPC is VAT registered for VAT then in most cases it will be “partially exempt” and entitled to recover only a proportion of its input VAT. In that case it should budget and report income and expenses excluding VAT and estimate the amount of irrecoverable VAT in its budgets as a separate aggregate figure. Its financial reporting should follow the same principle.

Payroll

LPCs will usually have a small payroll and for any payroll of fewer than 15 staff HMRC have a free payroll online filing system called “Basic PAYE Tools” which can be downloaded from their website at: <https://www.gov.uk/basic-payee-tools>.

The software deals with the HMRC filings for Real Time Information (RTI) (which is now compulsory for all payrolls) and produces payslips and all the end of tax year filings such as P60s. Although the software is fairly simple to use it

should only be used by an in-house member of staff who has a basic understanding of payroll processes and PAYE and NI or who has under-gone training in this respect. In the absence of a suitable in-house person then consideration should be given to outsourcing the payroll either to the retained accountant or a suitable bureau. It should be noted that all payments paid directly to committee members such as Honoraria (as opposed to their employing companies) should go through the payroll the only exception being the re-imbusement of actual travel expenses to attend a committee meeting upon production of supporting evidence.

Auto Enrolment Pensions

Every employer has a legal duty to set up an Auto Enrolment Pension Scheme for their employees. It is serious offence not to have such a scheme in place and to auto enrol employees when they qualify. Advice on this should be sought from the LPC's retained accountant or a payroll bureau.

Data Protection Act

Most organisations in the UK whether incorporated or not need to be registered with the Information Commissioners Office (ICO) if they keep or process any personal data. There are very few exemptions and it is an offence to keep such data without being registered. The annual fee is £40. Details of how to register can be found here: <https://ico.org.uk/for-organisations/data-protection-fee/>

Insurance

It is a legal requirement for all employers to have employer's liability insurance covering their employees. PSNC provides employers liability insurance at no extra cost to LPCs through NPA insurance. To arrange this cover LPCs must contact NPA Insurance direct, once in place PSNC will pay the premium. The policy details can be found in the LPC members' area of the PSNC website. Some LPCs may wish to consider making their own arrangements for public liability insurance which covers the committee for any accidents which a member of the public may have if visiting the committee's office.

In addition to employer's liability insurance PSNC also provides professional indemnity insurance for all LPCs. No action is required by LPCs for this cover as it is applied to all LPCs without charge: the premiums are again paid for LPCs by PSNC. The policy details are in the LPC members' area of the PSNC website.

Templates

Editable template of the following documents are available in the LPC finance section of the LPC members' area of the PSNC website <https://psnc.org.uk/lpcs/lpc-members-area/lpc-finances/>

1. **LPC budget template (editable MS Excel)**
2. **LPC monthly management accounts template (editable MS Excel)**
3. **LPC annual accounts - template for accountants to use (editable MS Word)**
4. **Accountants assurance report - template for accountants to use (editable MS Word)**

Need further advice?

If you have queries on this guide or you require more information please contact:

James Wood, Director of Contractor & LPC Support, PSNC, 14 Hosier Lane, London EC1A 9LQ
E-mail james.wood@psnc.org.uk Direct Line 0203 1220 835 Mobile 07796 957988

PSNC partnered with Chartered Accounts and Registered Auditors Sawin & Edwards LLP to produce this guide for LPCs. LPCs needing accountancy services or professional advice on wider financial management and governance can contact: Witold Sawin : wsawin@sawin-edwards.co.uk Telephone 020 7404 9700 <https://www.sawin-edwards.co.uk>

This guide has been developed in collaboration with feedback from contractors and working with a group of Treasurers from the LPC network to review during development. Thanks for their contributions.

Glossary of terms

Mutual and non-mutual trading

Mutual trading by an entity refers to transactions with the entity's members such as the collection of subscriptions. Non-mutual trading involves make sales to any third parties who are not members of the entity such as selling a publication or receiving sponsorship income from a pharmaceutical company.

Generally Accepted Accounting Practice in the UK, or UK GAAP

This is the body of accounting rules and accounting framework establishing how company (incorporated or unincorporated) accounts must be prepared in the United Kingdom.

Depreciation

Depreciation is an accounting method of allocating the cost of a tangible or physical asset over its useful life or life expectancy. Depreciation represents how much of an asset's value has been used up in an accounting period.

[Note: LPC's may have purchased items such as computers, software, office furniture or carried out office improvements. Such expenditure should not be written off as a cost in the year of purchase, but their cost should be spread over a number of years by applying a suitable rate of depreciation.]

Model LPC Constitution (effective since 2014)**CONSTITUTION of the < XXX >****LOCAL PHARMACEUTICAL COMMITTEE****1. Definitions**

In this Constitution –

“The Act” means the National Health Service Act 2006, as amended.

“Chief Officer” means the person employed or engaged by the Committee as its Chief Officer, Secretary, or Chief Executive Officer.

“The Committee” and “LPC” mean the Local Pharmaceutical Committee recognised by the NHS Commissioning Board (NHSCB) under the provisions of the Act as representative of the persons providing pharmaceutical services and persons providing local pharmaceutical services from premises in the area for which the Committee is formed.

“Health and Wellbeing Board” (“HWB”), means the Local Authority’s Health and Wellbeing Board or any successor organisation with a similar function for the area or part of the area of the LPC.

“NHS Commissioning Board” (“NHSCB”) means the body established under the NHS Act 2006 as amended also known as “NHS England”, or any successor organisation, by which the Committee is to be recognised under the provisions of section 167 of the Act.

“NHS Matters” includes NHS Pharmaceutical Services commissioned by the NHSCB and NHS services commissioned under arrangements made with Local Authorities or Clinical Commissioning Groups.

“Persons providing pharmaceutical services” means persons whose names are included in a pharmaceutical list who provide pharmaceutical services in the area of the LPC, excluding suppliers of appliances only.

“Persons providing local pharmaceutical services” means persons who are providing local pharmaceutical services (LPS) under an LPS scheme or under a pilot scheme made with the NHSCB in the area for which the Committee is formed, and where the person has notified the NHSCB that he wishes to be represented by the Committee (and has not notified it that he wishes to cease to be so represented).

“Pharmacy contractor” means a person providing pharmaceutical services or a person providing local pharmaceutical services from registered pharmacy premises in the area for which the Committee is formed.

“Representative” means a person who has agreed with a pharmacy contractor to stand as a member of an LPC on behalf of the pharmacy contractor.

“The Secretary of State” means the Secretary of State for Health.

2. Name of Committee

The Committee shall be known as the “..... Local Pharmaceutical Committee”.

3. Duties

3.1. Governance and Finance

3.1.1. The Committee shall conduct its affairs in accordance with accepted principles of good governance, in particular preparing and publishing an annual budget, and complying with the principles set out in ‘Guidance on LPC Governance’ published by PSNC.

3.1.2. The Committee shall ensure that the appropriate structures and resources are in place to discharge its duties efficiently and effectively and the Committee may set up subcommittees of the Committee for this purpose. The structures and resources may be part of pooled arrangements with one or more other Committees.

3.1.3. In considering whether the structures and resources mentioned in paragraph 3.1.2 are appropriate, the Committee shall consider whether this may be achieved by collaboration with other Committees as mentioned in 3.4.3.

3.1.4. The Committee shall maintain appropriate management and administrative structures to ensure the Committee’s business is carried out efficiently and effectively. The management and administrative structures may be part of pooled arrangements with one or more other Committees.

3.1.5. The Committee shall respond to any request for an inquiry by a contractor who believes that the Committee or an officer of the Committee has acted unconstitutionally, by holding a meeting of the Committee to deal with the matter and to report to all contractors represented by the Committee.

3.1.6. The Committee shall request the NHSCB to allot to the Committee such sums as are required to defray the Committee’s administrative expenses and for any sums so allotted to be taken from the monies available for the remuneration of pharmacy contractors.

3.2. Representation of pharmacy contractors

3.2.1. The Committee shall receive, and where appropriate respond to, consultations by the NHSCB and HWB on behalf of the pharmacy contractors in the area for which the Committee is formed.

3.2.2. If there is no member of the Committee working in or on behalf of a pharmacy contractor in the area of any of the HWBs listed in paragraph 4, the Committee shall ensure that there are adequate arrangements to ensure the representation of pharmacy contractors in those HWB areas is not compromised.

3.2.3. The Committee shall, where appropriate, respond to other national or local consultations which are relevant to the pharmacy contractors in the area for which the Committee is formed.

3.2.4. The Committee shall appoint or nominate representatives to any committee, subcommittee, working group or other body on which representation of pharmacy contractors is required.

3.2.5. The Committee shall make representations to the NHSCB and HWB on matters of importance to pharmacy contractors.

3.2.6. The Committee shall make representations to the Regional Representative of the Pharmaceutical Services Negotiating Committee (PSNC) on matters of importance to pharmacy contractors.

3.3. Support for pharmacy contractors

3.3.1. The Committee shall ensure transparency and equality of information and opportunity for all pharmacy contractors in matters relating to the local commissioning of NHS services.

3.3.2. The Committee shall use its best endeavours to advise any pharmacy contractor who needs help or assistance on NHS matters. The LPC is not however, able to provide legal advice as this must be given by a qualified solicitor or by counsel. In cases where legal advice may be needed on matters relating generally to the LPC's contractors, rather than relating to an individual contractor, the LPC may at its discretion, assist with funding such legal advice.

3.3.3. The Committee shall provide appropriate levels of guidance and support to pharmacy contractors or groups of pharmacy contractors in the formulation of bids for funds held at any level and advise on submissions for LPS and local commissioning.

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.

3.3.6. The Committee shall consider any complaint made by any pharmacy contractor against another pharmacy contractor involving any question of the efficiency of the Pharmaceutical Services as empowered by Regulations.

3.4. Relationships with other bodies, in the interests of pharmacy contractors

3.4.1. The Committee shall aim to establish effective liaison with commissioners and other bodies concerned with the National Health Service in the area for which it is formed.

3.4.2. The Committee shall respond to requests to investigate complaints made by such bodies alleging breaches of governance by members or officers of the Committee.

3.4.3. The Committee shall have a duty to consider collaborating with other Committees, where this may benefit pharmacy contractors.

3.4.4. The Committee shall collaborate as appropriate with PSNC on all matters relating to the provision of pharmaceutical services and local pharmaceutical services.

3.4.5. The Committee shall aim to collaborate with other pharmaceutical bodies and other non-pharmaceutical bodies to the benefit of pharmacy contractors.

3.5. Fit and Proper Person

3.5.1. A Member or Officer of the LPC is expected to be a fit and proper person, and shall at all times act in a way that preserves and protects the reputation of the Committee.

3.5.2. A Member or Officer may be elected or appointed to the Committee on his or her own account, or may be acting on behalf of a pharmacy contractor.

3.5.3. To ensure that the obligation in 3.5.1. is satisfied, the Committee may suspend or remove from membership any Member or Officer who personally or, where he is acting on behalf of a pharmacy contractor, that contractor-

3.5.3.1. is suspended from a pharmaceutical list in the area of the LPC;

3.5.3.2. has been removed from the pharmaceutical list for a fitness to practise matter in the area of the LPC;

3.5.3.3. has been suspended from a professional register by a professional regulatory body;

3.5.3.4. has been removed from a professional register by a professional body;

3.5.3.5. has been convicted of a criminal offence for which a penalty of imprisonment may be imposed

3.5.4. Before deciding whether to suspend or remove the Member or Officer from the Committee, the Committee shall ask the Member or Officer for an explanation, and may consider any written or verbal response, provided these have been provided within the reasonable timescales specified by the Committee.

3.5.5. Any period of suspension shall be kept under review, and shall be lifted if the Committee is satisfied that the reputation of the Committee will not be harmed.

3.5.6. A Member or Officer may be removed from the Committee under paragraph 3.5. only if he, or the pharmacy contractor on whose behalf he acts, has been removed from - a pharmaceutical list (in relation to a fitness to practise matter), a professional register, or has been sentenced to a term of imprisonment.

3.5.7. A person removed from the Committee under paragraph 3.5. shall be ineligible for election or appointment to the Committee for a period of twelve months.

4. Recognition of the Committee

4.1. The Committee is recognised by the NHS Commissioning Board under the provisions of section 167 of the Act as representative of the pharmacy contractors in the area(s) of the following Health and Wellbeing Boards:-

[LIST HWBs]

4.2. The Committee is recognised by NHS England in relation to pharmaceutical services (which are commissioned by NHS England). As the services that can be provided by pharmacy extends to those that may be commissioned by other commissioners including CCGs and Local Authorities, the Committee will seek to gain recognition as the representative body for pharmacy contractors by building strong relationships with these other organisations.

5. Membership

5.1. The Committee shall determine the number of members of the Committee. 5.2. The members shall be pharmacy contractors or representatives of pharmacy contractors and shall be elected or appointed in accordance with the following paragraphs.

5.3. The Company Chemists' Association (CCA) shall be entitled to appoint members to the Committee in proportion to the number of CCA member company pharmacy contractor premises in the area for which the Committee is formed. The CCA and member companies of the CCA shall not be eligible to participate in the election of other members.

5.4. The Association of Independent Multiple Pharmacies (AIMp) shall be entitled to appoint members to the Committee in proportion to the number of AIMp member company pharmacy contractor premises in the area for which the Committee is formed. The AIMp and member companies of the AIMp shall not be eligible to participate in the election of other members.

5.5. A pharmacy contractor other than a member company of the CCA or AIMp owning several pharmacies in the area for which the Committee is formed shall be entitled to appoint members to the Committee in proportion to the number of its pharmacy contractor premises in the area for which the Committee is formed. If such a pharmacy contractor does appoint members, it shall not be eligible to participate in the election of other members.

5.6 In this paragraph, where appointments are made in proportion to the number of contractor premises, the entitlement to appoint the first member will arise only if the total number of contractor premises of the appointing body equals or exceeds the number that results from dividing the total number of contractor premises in the area of the LPC by the number of members of the Committee determined under paragraph 5.1.

5.7. Pharmacy contractors other than multiples that appoint members under 5.5 above, CCA contractors and AIMp contractors, shall be entitled to elect members to the Committee in accordance with paragraph 7 below.

5.8 For members subsequent to the first, the number of members appointed shall be in proportion to the number of contractor premises owned within the appointing body, applying rounding rules as determined by the LPC.

5.9. If there is no elected or appointed member of the Committee working in or representing a pharmacy contractor with premises in each of the areas of the HWBs listed in paragraph 4, the Committee should, when appointing members under the provisions of paragraph 15.2, ensure where possible that there is at least one member in each HWB area.

5.10. The regional representative of the Pharmaceutical Services Negotiating Committee in whose region the Committee is located shall be entitled to attend and speak at any meeting of the Committee, but may not vote unless he is a member of the Committee. The regional representative of the Pharmaceutical Services Negotiating Committee in whose region the Committee is located shall also be entitled to attend and speak at any meeting of pharmacy contractors called by the Committee, but may not vote unless he is a pharmacy contractor in the area for which the Committee is formed.

5.11. The Committee may invite observers to attend meetings of the Committee.

5.12 Observers may be allowed to speak at meetings of the Committee, but shall not have a right to vote.

6. Appointment to the Committee

6.1. The CCA shall notify the Committee of the identity of the members it wishes to be appointed to represent the CCA as soon as practicable, and in any event with three months of any vacancy arising

6.2. The AIMp shall notify the Committee of the identity of the members it wishes to be appointed to represent the AIMp as soon as practicable, and in any event with three months of any vacancy arising.

6.3. Pharmacy contractors entitled to appoint members under paragraph 5.5 shall, prior to any election, notify the Returning Officer whether it wishes to appoint members and if so, the number of members it wishes to appoint to the Committee, up to the entitlement calculated in accordance with paragraph 5.5 above, and shall notify the Committee of the identity of the members to be appointed as soon as practicable, and in any event not later than three months after the date of the vacancy arising.

7. Election to the Committee

7.1. An election shall take place every four years to elect the balance of the members, having regard to the number of members appointed in paragraphs 6.1, 6.2 and 6.3 above.

7.2. The administration necessary to confirm the number of members that are to be appointed may be carried out at any time after 31 October in the year preceding the election, so that the process for identifying the candidates who will participate in the election (if any) can begin as soon as practicable after the 1st day of January in the year when an election is to be held.

7.3. Electors

7.3.1. Every pharmacy contractor (other than members of the CCA or those whose pharmacy business interests includes AIMp pharmacies or pharmacies owned by those that have exercised their rights to appoint members under paragraph 6.3 above) shall be an elector and shall be entitled to participate in the election.

7.3.2. Each elector shall be entitled to receive, and vote on, one voting paper for each of his pharmacy contractor premises in the area for which the Committee is formed.

7.4. Returning Officer

7.4.1. The Returning Officer shall be a person other than an elector appointed for the purpose by the Committee and in the event of his absence, or inability to act, he shall appoint some person, other than an elector to take his place.

7.4.2. The Committee shall provide such support to the Returning Officer as is necessary to ensure the timely conclusion of the election. The Committee shall indemnify the Returning Officer for any reasonable costs howsoever arising, incurred by the Returning Officer acting in good faith in pursuance of his duties set out in this Constitution.

7.4.3. The Returning Officer shall determine the total number of pharmacy contractor premises in the area for which it is formed; the number of pharmacy contractor premises owned by CCA member companies in the area for which the Committee is formed; AIMp member companies in the area for which the Committee is formed, and identify any other pharmacy contractor owning a sufficient number of pharmacy contractor premises in the area for which the Committee is formed to be eligible to appoint members under paragraph 5.5, together with the number of its premises. The numbers shall be those existing on 31 October in the year preceding the election.

7.4.4. The Returning Officer shall notify the CCA of the number of places which it is entitled to appoint.

7.4.5 The CCA may, within 28 days from the date of despatch of the notice, inform the Returning Officer if it wishes to appoint fewer than the number of members to which it is entitled.

7.4.6. The Returning Officer shall notify the AIMp of the number of places which it is entitled to appoint.

7.4.7 The AIMp may, within 28 days from the date of despatch of the notice, inform the Returning Officer if it wishes to appoint fewer than the number of members to which it is entitled.

7.4.8. The Returning Officer shall notify any pharmacy contractor eligible to appoint members under paragraph 5.5 of the number of places which the pharmacy contractor is entitled to appoint.

7.4.9. The pharmacy contractor so notified may, within 28 days from the date of despatch of the notice, inform the Returning Officer of the number of persons it wishes to appoint. If the pharmacy contractor does not inform the Returning Officer that it is exercising its entitlement to appoint members to the Committee, the pharmacy contractor shall be eligible to participate in the election.

7.4.10. The Returning Officer shall then calculate the number of places to be filled by election.

7.4.11. In the event that the number of appointed members equals or exceeds the total size of the Committee, there shall be one additional place to be filled by election.

7.5. Nominations

7.5.1. The Returning Officer shall notify each elector of the number of members to be elected and invite nominations. The notice shall specify the last day and hour for the receipt of nominations and shall be sent so as to be delivered to the elector not less than fourteen days before the day specified thereon.

7.5.2. Candidates for election shall be nominated in a form acceptable to the Returning Officer to include details of the candidate's community pharmacy experience and skills. Candidates for election may not be members of the Association of Independent Multiple pharmacies, or have a

beneficial ownership in any pharmacy multiple that has exercised its right to appoint members to the Committee under paragraph 6.3.

7.5.3. Nomination forms shall be supported by two different electors (who shall not be the candidate, or electors in which the candidate has a business interest).

7.5.4. The nomination shall be valid only if it is received by the Returning Officer before the date and time specified in the notice. The Returning Officer will acknowledge receipt of each nomination.

7.5.5. Where the number of valid nomination forms received does not exceed the number of vacancies, the Returning Officer shall declare those candidates elected, otherwise a postal ballot shall be held.

7.5.6. If any vacancies remain unfilled because an insufficient number of candidates have been nominated, the persons elected to the Committee may fill the vacancies by appointing additional members.

7.6. Ballot

7.6.1. The Returning Officer shall despatch to each elector a voting paper setting out the date and time for receipt of votes, which shall be not less than 14 days from the date of despatch of the voting paper.

7.6.2. The voting paper shall list the name of each candidate and specify the number of votes to be cast on the voting paper, which shall be equal to the number of vacancies.

7.6.3. The voting papers shall be accompanied by the information included in the shaded boxes of the nomination forms.

7.6.4. The elector may cast up to the number of votes specified, but may not cast more than one vote for any candidate on each voting paper.

7.6.5. The voting paper shall be valid only if it is returned to the Returning Officer so that it is received not later than the date and time specified on the voting paper.

7.6.6. The Returning Officer shall examine the voting papers, and after rejecting any that are invalid shall count the votes recorded on the remaining papers, and shall prepare a list of candidates in order of number of valid votes received.

7.6.7. The Returning Officer shall declare to be elected those persons who are highest on the list such that the vacancies are filled.

7.6.8. The LPC may decide that its policy is that if the votes received by any two or more candidates are equal, one additional place shall be assigned if that is sufficient to determine the outcome of the election. If the LPC does adopt this policy it shall ensure that this is communicated to electors on the ballot forms. Otherwise the ballot shall be decided by the drawing of lots for the tied candidates.

7.6.9. The Returning Officer shall give notice in writing of the result of the election to each of the persons elected and to all the candidates.

7.6.10. Where any document is, under this Constitution, required to be sent to an elector, it shall be deemed to have been duly sent if it has been delivered or posted direct to the address which is stated in the electors' list to be the address or the place of residence of the elector.

7.6.11. If the Returning Officer is satisfied that arrangements can be made for secure electronic ballot, the ballot may be conducted electronically.

7.7. No election shall be invalid by reason of any misdescription or noncompliance with the provisions of this Constitution, or by reason of any miscounted or of the non-delivery, loss or miscarriage in the course of post of any document required or authorised by this Constitution to be dispatched by post if the election was conducted substantially in accordance with the provisions of the Constitution.

7.8. Any question as to the validity of any nomination form or voting paper or otherwise in connection with an election shall be determined by the Returning Officer.

8. Meetings of the Committee

8.1. If requested beforehand by the LPC, the Returning Officer shall give not less than seven days' notice to the Members of the Committee of the time and place of the first meeting.

8.2. The Chief Officer shall give not less than seven days' notice to the Members of the Committee of the time and place of any meetings of the Committee.

8.3. A Member who is unable to attend a meeting of the Committee may appoint another Member of the Committee as his proxy to vote on his behalf at any such meeting provided that the proxy is declared at the commencement of the meeting.

8.4. Between meetings, urgent matters that require the decision of the Committee may be dealt with by electronic communications (including electronic voting) provided that the Chief Officer and Chairman is satisfied that arrangements can be made for discussions and voting where necessary can be carried out securely.

8.5. The Chief Officer shall, if requested so to do by the Committee summon a general meeting of the contractors, and shall give not less than seven clear days notice to each pharmacy contractor, stating the time and place of the meeting and the objects for which it has been summoned.

9. Appointment of Officers

9.1. The Committee shall appoint a Chairman who need not be a member of the Committee.

9.2. The Committee shall appoint a Vice – Chairman who need not be a member of the Committee.

9.3. The Committee shall appoint a Treasurer who need not be a member of the Committee.

9.4. The Committee shall appoint a Chief Officer, who need not be a member of the Committee.

9.5. The Chief Officer shall notify all such appointments to the NHSCB and to the Pharmaceutical Services Negotiating Committee.

9.6. In the event of the death, resignation or removal from office of the Chairman, Vice-Chairman, Treasurer or Chief Officer so appointed, the Committee shall appoint a person to act in his place.

9.7. The officers shall be paid such remuneration and expenses if any as the Committee deems appropriate.

9.8. The Officers other than those who are employed by or engaged under a contract for services to the Committee shall be appointed at the first meeting of the Committee and annually thereafter, and shall be eligible for re-appointment.

10. Duties of Officers

10.1. The duties of the Chairman are to chair meetings of the LPC and where appropriate to lead delegations in meetings with the NHSCB, HWB and other organisations as appropriate.

10.2. The duties of the Vice – Chairman are to deputise for the Chairman in case of absence or at the request of the Chairman.

10.3. The duties of the Treasurer are to be accountable for the proper management of all aspects of LPC finances and the payment of the PSNC levy.

10.4. The duties of the Chief Officer are determined by the LPC.

11. Management of the Committee

11.1. The Committee shall ensure the proper management of the business of the Committee, in order to carry out effectively its duties as set out in Paragraph 3, and in compliance with the principles of good governance.

11.2. The Committee may ask the Pharmaceutical Services Negotiating Committee to mediate if problems cannot be resolved satisfactorily.

12. Quorum

12.1. The number of members of the Committee who shall form a quorum of the Committee shall be a simple majority of the total membership.

12.2. For the purpose of this paragraph, the total membership of the Committee shall not include the members whose appointment under paragraph 6 has not yet been made.

12.3. If neither the Chair nor the Vice Chair of the Committee are present at the time that a meeting of the LPC is scheduled to commence, the members present may appoint an appropriate person to act as Chair for the duration of that meeting, or until the Chair or Vice Chair attends.

13. Term of Office

Subject to paragraphs 14 and 16, members of the Committee shall hold office from 1 April in the year of the election or appointment for a period of 4 years

14. Disqualification or Retirement of Members

14.1. Where a member of the Committee was at the time of his election a pharmacy contractor and he ceases to be a pharmacy contractor in the area for which the Committee is formed, he shall vacate his seat, although he will be eligible for appointment by the Committee.

14.2. Where a member of the Committee was at the time of his election or appointment acting on behalf of a pharmacy contractor and either the pharmacy contractor whom he represents ceases to be a pharmacy contractor in the area for which the Committee is formed, or the pharmacy contractor on whose behalf he is acting notifies the Committee that the member no longer acts on behalf of that pharmacy contractor, he shall vacate his seat, although he will be eligible for appointment by the Committee.

14.3. Where a member of the Committee was at the time of his appointment a representative of the CCA and the CCA notifies the Committee that the member no longer represents the CCA, he shall vacate his seat.

14.4. Where a member of the Committee was at the time of his appointment a representative of the AIM and the AIMp notifies the Committee that the member no longer represents the AIMp, he shall vacate his seat.

14.5. Where an elected or appointed member of the Committee has been absent from three consecutive ordinary meetings of the Committee to which he has been summoned, the Committee shall invite an explanation and declare his seat has been vacated unless satisfied that his absence was due to reasonable cause. A member disqualified for non attendance shall not be eligible to be appointed or elected to the Committee for the remainder of the Term of Office of the Committee.

14.6. Notwithstanding paragraph 14.5 above, where an elected or appointed member of the Committee has been absent from more than 50% of the ordinary meetings of the Committee to which he has been summoned in any 12 month period, the Committee shall invite an explanation and declare his seat has been vacated unless satisfied that his absence was due to reasonable cause. A member disqualified for non attendance shall not be eligible to be appointed or elected to the Committee for the remainder of the Term of Office of the Committee.

14.7. A member of the Committee may, at any time, by notice to the Chief Officer to the Committee, resign his office.

15. Method of Filling Vacancies

15.1. Where by reason of the removal, resignation, death or disqualification of an elected or appointed member of the Committee, or a nominating body failing to nominate within three months of the first meeting of the Committee a member to occupy a reserved place, a vacancy in the membership of the Committee occurs, the Committee may, within a reasonable period after its occurrence, appoint a person to fill the vacancy.

15.2. Between elections, the Committee may appoint members to maintain the appropriate number of members, and if doing so, shall where possible ensure the composition of the Committee reflects the mix of pharmacy contractors in the area for which the Committee is formed.

15.3. If the person to be appointed is to be representative of the CCA, the Chief Officer shall inform the CCA and seek recommendations of the person to be appointed, and the Committee shall appoint such person recommended.

15.4. If the person to be appointed is to be representative of the AIMp, the Chief Officer shall inform the AIMp and seek recommendations of the person to be appointed, and the Committee shall appoint such person recommended.

15.5. If the person to be appointed is to be representative of a pharmacy contractor eligible to appoint members to the Committee under paragraph 5.5 the Chief Officer shall inform the pharmacy contractor and seek recommendations of the person to be appointed, and the Committee shall appoint such person recommended.

15.6. If the person to be appointed is to be representative of pharmacy contractors who are eligible to vote in an election, the Chief Officer shall notify such pharmacy contractors of the vacancy, and invite expressions of interest. Expressions of interest will be considered if they are received by the Chief Officer within 7 days of despatch of the notice. The Committee shall appoint the person who, in its opinion, is the most suitable, without holding an election.

15.7. The person so appointed shall hold office for the remainder of the period for which the member in whose place he is appointed would have been entitled to hold office.

15.8. Pending any such appointment, the proceedings of the Committee shall not be invalid by reason of such vacancy.

16. Information to be sent to the NHSCB & the Pharmaceutical Services Negotiating Committee

16.1. The Chief Officer shall, as soon as practical, inform the NHSCB and the Pharmaceutical Services Negotiating Committee of the names and addresses of the persons appointed to the Committee and of changes arising from vacancies in the membership of the Committee.

16.2. The Committee shall on request, send to the NHSCB a copy of the Committee's agendas and minutes of any meetings or parts of meetings that were 'open' (non-confidential), unless they are readily available on the Committee's website.

16.3. The Committee shall send to the NHSCB a copy of the Annual report prepared under paragraph 18.1 once it has been presented to the pharmacy contractors.

16.4. The Committee shall send to the NHSCB a copy of its agreed budget not later than one month prior to the beginning of the financial year for which the budget applies, and for which a request has been made to the NHSCB for the payment of the Committee's expenses under paragraph 3.1.6.

17. Suspension / removal of members for breach of governance

17.1. Any member or officer of the Committee, or pharmacy contractor in the area for which the Committee is formed, may make a complaint to the Committee about an alleged breach of governance by any member or officer of the Committee.

17.2. The Chairman, or if the complaint concerns the Chairman, the Vice-Chairman shall make arrangements for any such allegation or an allegation made under paragraph 3.4.2 to be investigated, if appropriate by a member, officer or governance panel of another Local Pharmaceutical Committee, and a report of the investigation and its findings shall be prepared.

17.3. The member or officer shall be invited to provide an explanation or to comment to the investigator before the report is prepared.

17.4. On receipt of the report, the Committee shall decide whether the allegations appear to be substantiated and to decide whether the principles of good governance have been breached.

17.5. If the Committee decides that there has been such a breach, the Committee may decide:

17.5.1. To take no further action;

17.5.2. To issue a warning to the officer or member;

17.5.3. To suspend the member from the Committee for a specified period; or

17.5.4. To remove the officer or member from the Committee. In this case, the member shall not be eligible for election or appointment to the Committee for the current Term of the Committee.

17.6. In the event of a tied vote, the Chairman (or the Vice-Chairman if the case involves the Chairman) shall have a second, or casting vote.

18. Annual Report and Annual General Meeting

18.1. The Committee shall prepare each year a report of its proceedings together with a statement of accounts which have been examined by an independent professionally qualified accountant who holds a practicing certificate and this report and statement of accounts shall be circulated to all pharmacy contractors and the Pharmaceutical Services Negotiating Committee within six months of the completion of the period to which the report relates.

18.2. Within six months of the end of the Committee's financial year an annual general meeting will be convened with at least 30 days notice given to contractors. The Notice shall be accompanied by the statement of accounts or shall include the web address on which the statement of accounts can be accessed. A postal voting form to permit pharmacy contractors to cast a postal vote whether to approve the accounts will be provided in hard copy or be made available by email or on a website, should they be unable to attend the annual general meeting.

18.3. A postal vote shall be valid only if sent by the pharmacy contractor so as to be received by the Chief Officer not later than 48 hours before the date and time the annual general meeting is scheduled to begin.

18.4. A pharmacy contractor who has sent a postal vote may attend and vote at the annual general meeting, but must notify the Chief Officer of his presence at the meeting before he casts his vote, and his postal vote will then be invalid.

18.5. At the annual general meeting the annual report will be presented and any other business as necessary conducted.

18.6. The Committee shall seek the approval of the accounts at the annual general meeting by ballot of pharmacy contractors. The accounts shall be approved if the total votes cast in favour of approval, in person and by valid postal vote exceed those votes cast opposing acceptance of the accounts, in person and by valid postal vote.

18.7. A pharmacy contractor voting by post or at any general meeting shall be entitled to cast one vote for each of his pharmacy contractor premises in the area for which the Committee is formed.

18.8 In paragraph 18(1) 'circulated' includes circulating of hard copies, or by email or by publishing on a web site and bringing to the attention of the intended recipient the web address at which the recipient is able to access the Report.

19. Amendment of Constitution

19.1. This constitution may be amended only in accordance with the procedure in this section.

19.2. The Chief Officer shall, if requested so to do by not less than two-thirds of the members of the Committee or one-third of the pharmacy contractors summon a special general meeting of the contractors, and shall give not less than seven clear days notice to each pharmacy contractor, stating the time and place of the meeting and the proposed amendments of the Constitution for which it has been summoned.

19.3. The meeting summons will also include a voting form to allow the contractor to register a vote on the amendment by returning the form to the LPC Chief Officer at any time before the vote is taken at the meeting.

19.4. In this paragraph a pharmacy contractor is to be interpreted as one contractor for each of the pharmacy contractor premises he owns in the area for which the Committee is formed.

19.5. Any amendment to the constitution must be carried by a two-thirds majority of the total votes cast.

19.6. The Chief Officer shall at the same time as issuing the summons under Paragraph 19.2, notify the Chief Executive Officer of the Pharmaceutical Services Negotiating Committee of any proposed amendment to the constitution, and shall include a copy of the summons.

20. Finance

20.1. The income and property of the LPC shall be applied solely towards the promotion of the functions set out in paragraph 3, and any surplus in any one year shall be carried forward into subsequent years.

20.2. The expenses of the Committee and, through the Committee, of the Pharmaceutical Services Negotiating Committee shall be met by contributions from pharmacy contractors in the area for which the Committee is formed.

20.3. The Committee shall have authority to agree payment of remuneration and expenses to officers of the Committee, and expenses and attendance allowances to members of the Committee engaged on Committee business.

20.4 The Committee shall publish details of payments made under paragraph 20.3, together with any payments made for pooled resources under paragraph 3.1.4. or in loans used for the establishment or

assistance of bodies corporate established under paragraph 3.3.4 with the Accounts presented with the Annual Report.

20.5. The Committee shall have authority to agree payment of remuneration and expenses to employees of the Committee.

20.6. The LPC shall have the authority to acquire any freehold or leasehold property for the purpose of carrying out any of its functions set out in paragraph 3.

Annual Budget Template

XXX Local Pharmaceutical Committee
Budget for 2020-21

LPC

	Apr Budget	May Budget	Jun Budget	Jul Budget	2020 Aug Budget	Sep Budget	Oct Budget	Nov Budget	Dec Budget	Jan Budget	2021 Feb Budget	Mar Budget	Total Budget	Prior Year Actual
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Income														
NHSBA Contractor	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	150,000	x
Use of PharmOutcomes Licenses	500	500	500	500	500	500	500	500	500	500	500	500	6,000	x
Other Income	500	500	500	500	500	500	500	500	500	500	500	500	6,000	x
Meeting Sponsorship	100	100	100	100	100	100	100	100	100	100	100	100	1,200	x
Interest received	50	50	50	50	50	50	50	50	50	50	50	50	600	x
Dividend/ Investment income	20	20	20	20	20	20	20	20	20	20	20	20	240	x
Capital gains						1,000						1,000	2,000	x
Total Income	13,670	13,670	13,670	13,670	13,670	14,670	13,670	13,670	13,670	13,670	13,670	14,670	166,040	x
Expenditure														
Staff Employment costs														
Gross Wages	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000	x
Employers NI	200	200	200	200	200	200	200	200	200	200	200	200	2,400	x
Auto Enrolment pensions	150	150	150	150	150	150	150	150	150	150	150	150	1,800	x
Admin assistance	100	100	100	100	100	100	100	100	100	100	100	100	1,200	x
Locum cover	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000	x
Honorarium				250			250			250			750	x
Human Resource services	180	180	180	180	180	180	180	180	180	180	180	180	2,160	x
Training Costs			400			400			400			400	1,600	x
Total for staff employment costs	6,130	6,130	6,530	6,380	6,130	6,530	6,380	6,130	6,530	6,380	6,130	6,530	75,910	x
Establishment Costs														
Rent	200	200	200	200	200	200	200	200	200	200	200	200	2,400	x
Cleaning	50	50	50	50	50	50	50	50	50	50	50	50	600	x
Office and Equipment repairs	20	20	20	20	20	20	20	20	20	20	20	20	240	x
Office contents and equipment insurance	15	15	15	15	15	15	15	15	15	15	15	15	180	x
IT support costs	20	20	20	20	20	20	20	20	20	20	20	20	240	x
Software licenses incl Microsoft and w	20	20	20	20	20	20	20	20	20	20	20	20	240	x
Depreciation of fixtures, fittings and IT	20	20	20	20	20	20	20	20	20	20	20	20	240	x
Total for Establishment costs	345	345	345	345	345	345	345	345	345	345	345	345	4,140	x
Meeting Costs														
PSNC Meeting costs	100	100	100	100	100	100	100	100	100	100	100	100	1,200	x
Refreshments and catering for meeting	30	30	30	30	30	30	30	30	30	30	30	30	360	x
Room Hire for Meetings	100	100	100	100	100	100	100	100	100	100	100	100	1,200	x
Travel and subsistence	375	375	375	375	375	375	375	375	375	375	375	375	4,500	x
Total for meeting costs	605	605	605	605	605	605	605	605	605	605	605	605	7,260	x
Insurance, PPS, Telephone etc.														
Employers and Public liability insurance	25	25	25	25	25	25	25	25	25	25	25	25	300	x
Office stationery	200	200	200	200	200	200	200	200	200	200	200	200	2,400	x
Postage and Carriage	20	20	20	20	20	20	20	20	20	20	20	20	240	x
Mobile charges	50	50	50	50	50	50	50	50	50	50	50	50	600	x
Sundry Expenses	50	50	50	50	50	50	50	50	50	50	50	50	600	x
Total for insurance, PPS, tel etc.	345	345	345	345	345	345	345	345	345	345	345	345	4,140	x
Levies and License fees														
PharmOutcomes Licenses	850	850	850	850	850	850	850	850	850	850	850	850	10,200	x
PSNC Levy	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	44,400	x
Accountancy Fees	250	250	250	250	250	250	250	250	250	250	250	250	3,000	x
Audit fees				5,000									5,000	x
Professional Fees	30	30	30	30	30	30	30	30	30	30	30	30	360	x
Total levies and license fees	4,830	4,830	4,830	9,830	4,830	4,830	4,830	4,830	4,830	4,830	4,830	4,830	62,960	x
Communications														
Events - other costs	100	100	100	100	100	100	100	100	100	100	100	100	1,200	x
Events- Venue hire and catering	40	40	40	40	40	40	40	40	40	40	40	40	480	x
PR Consultants	30	30	30	30	30	30	30	30	30	30	30	30	360	x
Website costs	10	10	10	10	10	10	10	10	10	10	10	10	120	x
Social Media	10	10	10	10	10	10	10	10	10	10	10	10	120	x
Total communications costs	190	190	190	190	190	190	190	190	190	190	190	190	2,280	x
Finance														
Loan interest	5	5	5	5	5	5	5	5	5	5	5	5	60	x
Bank charges			12			12							48	x
Total finance charges	5	5	17	5	5	17	5	5	17	5	5	17	108	x
Irrecoverable VAT														
	100	100	100	100	100	100	100	100	100	100	100	100	1,200	x
Total costs	12,550	12,550	12,962	17,800	12,550	12,962	12,800	12,550	12,962	12,800	12,550	12,962	157,998	x
Surplus(Deficit) before tax	1,120	1,120	708	- 4,130	1,120	1,708	870	1,120	708	870	1,120	1,708	8,042	x
Corporation Tax	100	100	100	100	100	100	100	100	100	100	100	100	1,200	x
Surplus(Deficit) after tax	1,020	1,020	608	- 4,230	1,020	1,608	770	1,020	608	770	1,020	1,608	6,842	x

Zero Based Budgeting Guidance

A healthy exercise for an organisation is to prepare a zero based budget (ZBB) every few years. PSNC has gone through this exercise twice in recent years and it has resulted in a move of office to London, staff reorganisation and knowledge that every pound of contractors' money is being spent to the best effect.

What is a zero-based budget?

There may be a tendency to set a budget by applying a blanket change or no change to the levy income. Essentially this is a cost based budget which is a quick and easy way to set a budget. Zero-based budgeting can lower costs by avoiding blanket increases or decreases prior to a period's budget.

It is, however, a time-consuming process that takes much longer than traditional, cost-based budgeting.

How is it done?

The ZBB method of budgeting is where all expenses must be justified. Zero-based budgeting starts from a "zero base" and every function within an organization is analysed for its needs and costs. Budgets are then built around what is needed for the upcoming period, regardless of whether the budget is higher or lower than the previous one.

In other words every single line of expenditure – LPC meeting costs, staff and salaries, insurance, office supplies, website, PR, office equipment, for example – are scrutinised. Is there a better way of doing things, is that spend a priority, is that cost reasonable – are some of the questions to ask.

A zero-base budget requires LPCs to justify all of their budgeted expenditures, rather than the more common approach of only requiring justification for incremental changes to the budget or the actual results from the preceding year. Thus the LPC is theoretically assumed to have an expenditure base line of zero.

The basic process flow under zero-base budgeting is:

1. Identify the LPC objectives
2. Create and evaluate alternative methods for accomplishing each objective
3. Evaluate alternative funding levels, depending on planned performance levels
4. Set priorities

Advantages of Zero-Base Budgeting

There are a number of advantages to zero-base budgeting, which include:

Alternatives analysis: Zero-base budgeting requires that LPCs to identify alternative ways to perform each activity (such as keeping it in-house or outsourcing it), as well as the effects of different levels of spending. By forcing the development of these alternatives, the process makes members consider other ways to run the committee.

Budget inflation: Since LPCs must tie expenditures to activities, it becomes less likely that they can artificially inflate their budget – the change is too easy to spot.

Communication: The zero-base budget should spark a significant debate among the LPC members about the LPC priorities and how they can be achieved.

Elimination of non-key activities: A zero-base budget review forces LPCs to decide which activities are most critical to the work of the committee. By doing so, they can target non-key activities for elimination or outsourcing.

Identification of shared resources: The review may reveal that the same activities are being conducted by neighbouring LPCs that a joint approach might be more cost effective.

Required review: Using zero-base budgeting on a regular basis makes it more likely that all aspects of an LPC will be examined periodically.

Resource allocation: If the process is conducted with the overall LPC role and priorities in mind, an LPC should end up with strong targeting of funds in those areas where they are most needed.

In short, many of the advantages of zero-base budgeting focus on a strong, introspective look at the operation of the LPC and exactly how the LPC is allocating its resources in order to achieve its objectives.

Disadvantages of Zero-Base Budgeting

The main downside of zero-base budgeting is the high level of effort required to investigate and document activities; this is a difficult task even once a year, which causes some entities to only use the procedure once every few years, or when there are significant changes within the LPC structure.

Other drawbacks are:

Gamesmanship: Some personnel may attempt to skew their budget reports to concentrate expenditures under the most vital activities, thereby ensuring that their financial allocation will not be reduced.

Intangible justifications: It can be difficult to determine or justify expenditure levels for areas of a business that do not produce “concrete,” tangible results. For example, what is the correct amount for promotion of community pharmacy, and how much should be invested in service development activities? The following page provides an example of a zero based budgeting exercise to help get you started.

ZBB example Identify

ZBB work areas for the LPC so for instance:

IT

- Maintenance contracts
- Equipment procurement
- Website administration
- Telephones – office; mobile

Externally procured - general

- Accountancy
- Public relations
- Equipment and office supplies

Support

- Staff resource
- Contractor events
- Advice + support
- Social media
- Website
- Publications
- Proactive communications
- CCPF developments

Services

- Service monitoring
- Advice on local services
- Development of service specifications
- Promoting pharmacy and services

Legal + regulatory

- Advice to contractors – market entry, contract requirements, other NHS
- Advice to contractors – contract requirements and other NHS

Committee business + travel

- Other external meetings
- Other

Add items to this list and take away non relevant items. Then challenge each line – what is being done? Is it part of the core role? If not why is it being done? Do we need to be doing it? If yes – is there a better way to do it

Management Accounts Template

XXX Local Pharmaceutical Committee

Management Accounts for June 2020 (Month 3)

XYZ LPC	Actual 3 months to 30-Jun-20	Budget 3 months to 30-Jun-20	Actual 12 months 31-Mar-20	Variance Actual/ Budget	Notes re Variances
Income					
NHSBA Contractor	35,750	37,500	150,000	-1,750	1 contractor has dropped out
Use of PharmOutcomes Licenses	1,500	1,500	5,500	0	
Other Income	1,800	1,500	1,200	100	
Meeting Sponsorship	0	300	1,000	-300	No meetings held due to COVID
Interest received	145	150	600	-5	
Dividend/ Investment income	75	60	200	15	
Capital gains	0	0	0	0	
Total Income	39,070	41,010	158,500	-1,940	
Expenditure					
Staff Employment costs					
Gross Wages	10000	9000	35,000	1,000	Bonus paid to Secretary for extra workload due to COVID
Employers NI	700	600	2500	100	
Auto Enrolment pensions	475	450	1850	25	
Admin assistance	2000	300	2500	1,700	Extra admin time required due to COVID procedures
Locum cover	7250	7500	27,810	-250	
Honorarium	0	0	0	0	
Human Resource services	650	540	3740	110	
Training Costs	500	400	2200	100	
Total for staff employment costs	21575	18790	75600	2785	
Establishment Costs					
Rent	600	600	2400	0	
Cleaning	200	150	800	50	
Office and Equipment repairs	1000	60	750	940	Photocopier and printer repairs
Office contents and equipment insurance	46	45	160	1	
IT support costs	350	60	700	290	Additional support for staff working remotely
Software licenses	60	60	55	0	
Depreciation of fixtures, fittings and IT	60	60	85	0	
Total for establishment costs	2316	1035	4950	1281	
Meeting Costs					
PSNC Meeting costs	0	300	1250	-300	No meetings held due to Covid
Refreshments and catering for meetings	0	90	220	-90	No meetings held due to Covid
Room Hire for Meetings	0	300	630	-300	No meetings held due to Covid
Travel and subsistence	450	1125	3900	-675	No meetings held due to Covid
Total for meeting costs	450	1815	6000	-1365	
Insurance, PPS, Telephone etc.					
Employers and Public liability insurance	75	75	300	0	
Office stationary	650	600	2800	50	
Postage and Carriage	250	60	50	190	Mailshot to contractors
Mobile charges	145	150	120	-5	
Sundry Expenses	125	150	230	-25	
Total for insurance, PPS, tel costs	1245	1035	3500	210	
Levies and License fees					
PharmOutcomes Licenses	2480	2550	11,000	-70	
PSNC Levy	11200	1100	44,000	100	
Accountancy Fees	800	750	5000	50	
Audit fees	0	0	2000	0	
Professional Fees	350	90	0	260	Legal costs regarding an HR issue
Total levies and license fee costs	14830	14490	62000	340	
Communications					
Events - other costs	0	300	1700	-300	No events due to Covid
Events- Venue hire and catering	0	120	400	-120	No events due to Covid
PR Consultants	300	90	540	210	costs re mailshot
Website costs	32	30	100	2	
Social Media	40	30	110	10	
Total communications costs	372	570	2850	-198	
Finance					
Loan interest	14	15	138	-1	
Bank charges	11	12	150	-1	
Total finance charges	25	27	288	-2	
Irrecoverable VAT					
	280	300	1056	-20	
Total costs	41,093	38,062	156,244	3,031	
Surplus/(Deficit) before tax	-2,023	2,948	2,256	-4,971	
Corporation Tax	0	300	150	-300	no non mutual trading in 3 months
Surplus/(Deficit) after tax	-2,023	2,648	2,106	-4,671	

LPC Annual Accounts Template

An editable template this documents is only available in the LPC finance section of the LPC members' area of the PSNC website <https://psnc.org.uk/lpcs/lpc-members-area/lpc-finances/> and can be used as a **template for LPC Treasurers working with their agreed accountants to use.**

Common Problems With LPC Accounts

- No accounting bases or policies stated in the accounts.
- There is no standardisation to how the accounts are presented – this makes some of them difficult to follow and causes confusion. All LPC accounts should follow UKGAAP.
- No comparative figures vs the last financial year presented in the accounts.
- Careless presentation – basic arithmetic has identified errors in what has been presented.
- No balance sheet presented: only income and expenditure.
- Accounts not prepared on accruals basis.
- No depreciation of fixed assets or assets written off as expenditure.
- Opening balance sheet reserves not agreeing with previous year.
- Accounts being published with known discrepancies that have not been resolved at the point of publishing
- Lack of clarity and explanation – where expenditure / income varies significantly to last year. Accounts should have explanatory notes
- No statement from the accountants included – how can we be reassured that the account information presented has been examined by a professionally qualified accountant?
- No statement of who approved the accounts and when.
- Notice of AGM being provided but no accounts or voting papers being issued.

Accountants Assurance Report Template

INDEPENDENT CHARTERED [CERTIFIED] ACCOUNTANTS' REVIEW REPORT TO THE COMMITTEE MEMBERS OF <name> LPC

We have reviewed the committee's financial statements for the year ended [date]², which comprise the [specify the titles of the primary statements]² and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Committee Members' Responsibility for the Financial Statements

As explained more fully in the Responsibilities Statement [set out on page X]², the committee members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Accountants' Responsibility

Our responsibility is to express a conclusion on the financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised) *Engagements to review historical financial statements* and ICAEW Technical Release TECH 09/13AAF (Revised) *Assurance review engagements on historical financial statements*. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared, in all material respects, in accordance with United Kingdom Generally Accepted Accounting Practice. ISRE 2400 (Revised) also requires us to comply with the ICAEW Code of Ethics.¹

Scope of the Assurance Review

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. We have performed additional procedures to those required under a compilation engagement. These primarily consist of making enquiries of management and others within the entity, as appropriate, applying analytical procedures and evaluating the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (UK). Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements have not been prepared:

- so as to give a true and fair view of the state of the committee's affairs as at [date]², and of its profit [loss]² for the year then ended;
- in accordance with United Kingdom Generally Accepted Accounting Practice; and

Use of our report

This report is made solely to the Committee's members, as a body, in accordance with the terms of our engagement letter dated [date]². Our review has been undertaken so that we may state to the committee's members those

matters we have agreed to state to them in a reviewer's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Committee and the Committee's members as a body for our work, for this report or the conclusions we have formed.

[Firm name]

Chartered [Certified] Accountants

[Address]

[Date]