



## The Federation - *Who Owns It?*

There is a vast amount of activity around GP Federations at the moment, their formation, plans, and structures. A federation is a collaborative entity that will represent the interests of a group of GPs and their practices.

Companies, whether for profit or social enterprise ones, have a membership. Members may be the owning constituent of the company (in a company 'limited by guarantee'), or members may own shares in the company (in a company 'limited by shares').

Some federations have chosen to incorporate as a company limited by shares, because it is a flexible structure of ownership allowing people to own different proportions in the company according to the number of shares, and to have different rights depending on the 'class' of their shares.

The number of shares a person owns may equate to what they are contributing to the company, the voting power they have and the dividends they receive as a reward for their investment.

Deciding in what proportions the shares in the company can be owned is one of the hotly debated topics in forming a federation.

As some will be contributing more than others, for example introducing capital or providing more services, they may want a larger say in what the company does, and receive greater rewards. This can be achieved if the company has shares, but then how many shares is each practice going to have? In addition, a practice is not a legal entity and so cannot own shares in its own right (unless it is incorporated).

Thinking through the implications of the membership and shareholding structure is important for now and in the future, when partnerships have changed, practices merged, and new ones formed. It may well be that different company structures suit different purposes for which the federation has been formed. We will help you to think through these scenarios and find the solution which best meets your requirements.

For further information please contact:



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