



Minutes of meeting: Implementation Group on Employee Ownership, 2pm 27 November 2012 at BIS

Attendees:

Jo Swinson (Minister for Employment Relations and Consumer Affairs)
Claire Hobson (Deputy Director, Wider Business Environment, BIS)
Heidi Munn (BIS)
Darren Walcott (BIS)
John Taylor (ACAS)
Campbell McDonald (Baxi Patnership)
Tom Shirley (Cabinet Office)
Ajay Bhalla (Cass Business School)
Joseph Lampel (Cass Business School)
Sinead Lawrence (CBI)
John Goodman (Co-operatives UK)
Iain Hasdell (Employee Ownership Association)
Malcolm Hurlston (ESOP Centre)
Michael Mealing (Federation of Small Businesses)
Graeme Nuttall (Field Fisher Waterhouse)
Andy Davies (Gripple)
John McLoughlin (HMRC)
Victoria Edmonds (HM Treasury)
Sarah Buckley (ICAEW)
Matt Cavanagh (John Lewis Partnership)
Patrick Burns (Prospects Services)
John MacLeod (Santander)
Mark Aston (Santander)
Lucy Fergusson (Company Law Committee, The Law Society)

Apologies:

Jane Bateman (Head of Big Society Strategy Team, BIS)
David MacLeod (Employee Engagement Taskforce)
Alex Mitchell (Institute of Directors)
Peter Hunt (Mutuo)
Janet Williamson (TUC)

Action Points:

1. BIS to circulate a final proposed membership and to amend the proposed terms of reference to appropriately describe the Group's accountability, to address how conflicts of interest should be resolved and to make a clear link to the public service mutuals work being undertaken by the Cabinet Office
2. BIS to take forward exemption of employment benefit trusts from perpetuity rules with MoJ, HMRC, Graeme Nuttall and ICAEW
3. BIS to work with HM Treasury and others to draw together what evidence around the benefits of employee ownership has already been gathered
4. Group members to examine what further evidence can be offered surrounding the experiences of employee-owned businesses and their employees
5. BIS to produce a draft communications plan for employee ownership by next meeting/ end Jan
6. BIS to work with ACAS to take forward a guide for employees/employers on how to request/agree employee ownership and to provide guidance on employee engagement, drawing on existing materials where possible.
7. BIS to progress the work to develop model trust deeds and articles of association working with Group members as appropriate.
8. Group members to consider whether they can provide (or facilitate the provision by other employee-owned businesses of) real-life examples of trust deeds and articles of association together with experiential case studies
9. BIS to consider calls to change the name of the new proposed Employee Owner Status
10. BIS to circulate a draft minute of the meeting that highlights key commitments

Summary Note:

Item 1: Introduction and Progress Report

Jo Swinson welcomed attendees to this first meeting of the Employee Ownership Implementation Group (the Group). She explained that the main focus was to oversee implementation of the Recommendations in the Nuttall Review but that she'd also welcome other ideas/suggestions for taking forward employee ownership. Heidi Munn explained that the attendees from HMRC and HM Treasury were acting as observers at this first meeting pending their role in this agenda being defined through the Autumn Statement.

Darren Walcott gave an update on the responses that have been received to the consultation regarding employee ownership and share buy backs. Darren indicated that on the whole, the majority of responses have been generally favourable. He highlighted one of the main concerns to be the potential corporate governance implications. He outlined the next steps in the process which include considering the responses, addressing the issues and then publishing a government response within 3 months.

Item 2: Terms of Reference and Membership

Comments on the terms of reference and membership of the Group had been requested before the meeting.

Some suggestions had been made for additional Group members but this had to be balanced with ensuring manageable numbers. Jo Swinson noted that there would be plenty of opportunities for others to be involved in the work as particular products were being developed. A final membership list would be circulated in due course.

The Group agreed that organisations should only send one person to future meetings.

Comments made on the proposed terms of reference included: conflicts of interest that may arise; the location of subsequent meetings; and whether the Group could be truly accountable to the sector. Tom Shirley added that it would be helpful if the terms of reference could include wording to ensure the work dovetails with that being done on public service mutuals.

In addition, Jo Swinson noted that many offers to host meetings outside of London had been received. These were welcomed and would be considered together with future dates of meetings in due course.

Action 1: BIS to circulate a final proposed membership and to amend the proposed terms of reference to appropriately describe the Group's accountability, to address how conflicts of interest should be resolved and to make a clear link to the public service mutuals work being undertaken by the Cabinet Office.

Item 3: Exempting employee benefit trusts from perpetuity rules

Heidi Munn gave an update on the recommendation to enable perpetual ownership of shares in employee owned companies by employee benefit trusts. Talks with HMRC and MoJ have been taking place. Although not opposed in principle to the aim of this recommendation, HMRC have concerns about using the definition in section 86 of the Inheritance Tax Act. It is unusual to cross-reference tax legislation in this manner and there is a lot of current controversy about this particular definition. In addition, the definition in section 86 goes beyond employee ownership trusts.

Graeme Nuttall explained that it would not be appropriate to have a detailed discussion at this meeting but that he felt this was an important change to make, not least to provide a clear signal from the government of the importance of employee ownership. He noted that the issue may impact relatively few employee-owned companies but that for them the only option currently was to have the trust registered in the Channel Islands.

Jo Swinson asked if anyone else wanted to contribute to this work going forward. Sarah Buckley noted that ICAEW might want to be involved.

Action 2: BIS to take forward exemption of employment benefit trusts from perpetuity rules with MoJ, HMRC, Graeme Nuttall and ICAEW

Item 4: Awareness of Employee Ownership

Jo Swinson noted the importance of raising the awareness of employee ownership and of working together as a group to take this forward. She asked if the Nuttall Review had in itself raised awareness. The general view was that it had played its part but more needed to be done.

It was suggested that ensuring the issue gets a high Ministerial profile is essential and that opportunities should be sought to provide Ministerial quotes. Possible opportunities could be the quarterly statistics that HMRC publish on employee share schemes or initiatives related to employee engagement. Others suggested that what is needed are some products, around the launch of which some press activity can be generated.

Malcolm Hurlston noted the intention of ESOP to launch a direct-mail initiative next year. Direct mailing had proved successful in the US. Another comment made was the need to ensure sufficient information online about employee ownership.

The importance of using intermediaries (both organisations and trusted individuals) to reach individual businesses was highlighted but, again, it was felt that for this to go forward something concrete needs to be produced. It was noted that the Nuttall Review had recommended the development of specific products.

The concept of an Employee Ownership Month/Week was suggested by Iain Hasdell of the Employee Ownership Association, as a model that works well to maximise publicity. Another suggestion was the use of “big name” figureheads, e.g. well-known entrepreneurs, who could give personal stories.

It was suggested that previous attempts have focussed on top-down, managerial based advances and what is needed is a bottom-up approach; for individual employees and businesses to understand about employee ownership and want it. In order to achieve this, a good evidence base of why employee ownership is beneficial is needed with a range of case studies that individual employees and businesses can relate to and see the benefits from. The importance of both quantitative and qualitative evidence was stressed.

It was agreed that communications needed to be focused on the key business life-cycle points where employee ownership had particular relevance. It was also suggested that a focus could be given to particular categories of businesses. For example those that are family-owned or those that are primarily knowledge-based.

Jo Swinson summarised that what seems to be needed is some clear messaging, good case studies and a communications plan so that all members of the Group can start pulling together. She noted that the plan should include consideration of the key audiences and the suggestion of an Employee Ownership Month/Week.

Action 3: BIS to work with HM Treasury and others to draw together what evidence around the benefits of employee ownership has already been gathered

Action 4: Group members to examine what further evidence can be offered surrounding the experiences of employee-owned businesses and their employees

Action 5: BIS to produce a draft communications plan for employee ownership

Item 5: Development of an Employee Ownership Institute

Graeme Nuttall explained his reasoning for the Institute and was pleased it was supported in the government response. He felt the Institute was essential to provide the necessary organisation and focal point to drive employee ownership forward. He wanted to pass on his thanks to BIS for providing some initial support funding and Iain Hasdell for progressing the development of the Institute and in particular for encouraging KPMG to provide some pro-bono work.

Graeme then proceeded to outline the current status of the Institute. He outlined that meetings are already taking place (ahead, even, of formal administration arrangements being in place) and that the aim is to have some form of deliverable by the end of 2012; however this will not necessarily be a full business plan as had initially been anticipated.

Graeme noted that there would be a meeting shortly between key interested organisations to discuss. He explained that he would welcome any input from other members of the Group in helping develop the Institute going forward.

Some questions were raised about the likely size and scope of the Institute but Graeme replied that it was too early to provide any tangible ideas. Iain Hasdell added that he sees the Institute as key to ensuring intermediaries are more aware of the employee ownership business model. It was noted that the Institute should also have as its focus those who teach the intermediaries.

Item 6: Development of Off-the-shelf Products

Heidi Munn updated the Group on progress that has been made in developing the off-the-shelf products that have been identified in the Nuttall Review. She outlined that she saw the potential to combine the guidance to employees/employers on how to request/agree employee ownership and the 6th toolkit on employee engagement into one publication. She then suggested that the remaining 5 toolkits could be grouped into 1) legal work to produce model trust deeds and articles of association; and 2) other work in relation to the movement of shares and cash into and out of an employee benefit trust. She welcomed the Group's input on these two suggestions and on how to take the work forward.

In terms of the guidance for employees: it was noted that this had to address the possible confusion with the Employment Ownership Status that had been proposed by the Chancellor. In addition it would be important to ensure the same messages are given to employees as to employers. Tom Shirley noted that the mutuals sector might provide useful examples for such guidance. A question about the possibility of co-branding was also raised.

In relation to the model legal templates: the importance of respecting the diversity of employee-ownership models was stressed. However, it was also noted that there was a need to identify best practice. It was suggested that as well as a model template, there might be appetite for examples of legal documentation of existing employee-owned businesses together with case studies explaining how they had made the transition. It was noted that there was a clear role for HMRC as any model templates were taken forward in order to be able to provide clear advice on tax matters.

Graeme Nuttall noted the importance of using the processes to develop these off-the-shelf products to themselves raise awareness.

Action 6: BIS to work with ACAS to take forward a guide for employees/employers on how to request/agree employee ownership and to provide guidance on employee engagement, drawing on existing materials where possible, particularly those produced as part of the public service mutualisation programme.

Action 7: BIS to progress the work to develop model trust deeds and articles of association working with Group members as appropriate.

Action 8: Group members to consider whether they can provide (or facilitate the provision by employee-owned businesses of) real-life examples of trust deeds and articles of association together with experiential case studies.

Item 6: AOB

Employee Owner Status

The Group raised concerns over the confusion caused as a result of the Chancellor's announcement of the new Employee Owner Status. In particular the role BIS was playing in implementing this policy as part of the Growth and Infrastructure Bill alongside work to implement the very different agenda of the Nuttall Review.

It was suggested that the main difficulty was the name that had been chosen for this new employment status. There was considerable support within the Group that in order to avoid the confusion, the title of Employee Owner Status should be changed. Iain Hasdell outlined that the Employee Ownership Association have already provided a briefing to the relevant MPs about the need for a name-change and had written in similar terms to Jo Swinson.

Action 9: BIS to consider calls to change the name of the new proposed Employee Owner Status

Linkages to other policies

Malcolm Hurlston noted the potential impact employee-ownership can have as a pension replacement.

Reporting Outcomes of Meeting

It was explained that a draft minute would be circulated to members of the Group for their agreement. The intention was for these to be made public. It was suggested that it might be more accessible to highlight key commitments that are made at each meeting.

Action 10: BIS to circulate a draft minute of the meeting that highlights key commitments.

Date of the next Meeting

The intention is for the next meeting to take place in January 2013.