



## **Minutes of meeting: Implementation Group on Employee Ownership, 1.45pm 29 January 2013 at BIS**

### **Attendees:**

Claire Hobson (Deputy Director, Wider Business Environment, BIS)  
Jane Bateman (Head of Alternative Business Models Team, BIS)  
Heidi Munn (BIS)  
Susan Clews (ACAS)  
Campbell McDonald (Baxi Partnership)  
Rannia Leontaridi (Cabinet Office)  
Joseph Lampel (Cass Business School)  
Sarah Deas (Co-operative Development Scotland)  
Ed Mayo (Co-operatives UK)  
David MacLeod (Employee Engagement Taskforce)  
Deb Tate (Employee Ownership Association)  
David Poole (ESOP Centre)  
Graeme Nuttall (Field Fisher Waterhouse)  
Andy Davies (Gripple)  
Colin Strudwick (HMRC)  
Graham Dale (ICAEW)  
Matt Cavanagh (John Lewis Partnership)  
Patrick Burns (Prospects Services)  
Mark Aston (Santander)  
Gill Wilde (Skye Instruments)  
Lucy Fergusson (Company Law Committee, The Law Society)

### **Apologies:**

Jo Swinson (Minister for Employment Relations and Consumer Affairs)  
Sinead Lawrence (CBI)  
Michael Mealing (Federation of Small Businesses)  
Janet Williamson (TUC)  
Derek Walker (Wales Co-operative Centre)

## Action Points:

1. BIS to continue work on data collection
2. BIS to ensure the specification for a legal firm to produce model articles of association for employee-owned companies give appropriate reference to the international standards for co-operatives and directs the firm to produce a short document with references to other model articles
3. Skye Instruments to share their articles of association as an example for the legal firm that will be developing the set of model articles
4. CASS Business School to provide a summary of the evidence they had previously gathered highlighting specific barriers to finance experienced by employee owned businesses
5. Iain Hasdell to chair the newly-formed communications workstream which will be extended to include not just the Employee Ownership Association, BIS and Co-operatives UK but also Co-operative Development Scotland and the Cabinet Office as appropriate. BIS to liaise with the EOA to set up the process (e.g. meeting) to strengthen the communications plan.
6. Group members to provide details of planned events/milestones to add to the communications grid being developed by the communications workstream.
7. Case-studies to be collected from both employees and owners of employee-owned businesses. (Action assigned to communications workstream.)
8. The business rescue workstream to ensure that efforts to raise awareness of employee ownership as a potential business rescue solution do not detract from wider messages about employee ownership being applicable at various points in the business lifecycle.
9. Group members to provide comments by close 1 February on the proposed invitation list to the 11 March workshop on using employee ownership as a possible business rescue solution.

## Summary Note:

### Item 1: Introduction and Actions from last meeting

Claire Hobson welcomed members to the second meeting of the implementation group and sent the apologies of Jo Swinson who had been called to the House on urgent parliamentary business.

Heidi Munn then proceeded to provide a progress report on actions resulting out of the first meeting. She confirmed the completion of points 1, 5, 9 and 10 and that work was continuing on points 2, 6 and 7. In relation to points 3 and 4, on data collection, the group agreed that the report titled ['Fit for Work? Health and Wellbeing of Employees in Employee Owned Business'](#) recently published by the Employee Ownership Association, provides the required information.

Attention was also drawn to the new [employee ownership webpage](#) on the restructured gov.uk website and the recent [interview by Graeme Nuttall](#) to the Australian Employee Ownership Association which is available on YouTube.

## **Item 2: Progress Report**

Heidi Munn then provided an updated progress report on the recommendations of the Review using the figure given in the Annex to this minute.

On **data collection** Heidi requested help to summarise existing published data on employee ownership with a view to creating a key facts document that Group members could use. Joseph Lampel informed the group that the CASS Business School is planning a workshop in June on research regarding employee ownership. Heidi reassured the Group that work to fill the gaps in available data on employee-owned businesses had not been forgotten.

*Action 1: BIS to continue work on data collection.*

On **legal templates** Heidi outlined that an invitation to provide a model employee benefit trust deed on a pro-bono basis had been circulated by BIS and encouraged members to pass this on to anyone they felt would be interested. The closing date for expressions of interest was 5 February. The Group were informed that BIS intended to tender for the work to create model articles of association using the government procurement framework. In regards to the tender document it was decided by the Group that a short, simple version of the articles, which cross-references standard articles that can be found at Companies House would be preferred. It was also agreed that the articles should be designed to have as much flexibility as is possible. Gill Wilde explained that Skye Instruments would be happy to share their articles of association, if they would be of use. Claire Hobson encouraged other members to consider sharing theirs as well.

*Action 2: BIS to ensure the specification for a legal firm to produce model articles of association for employee-owned companies give appropriate reference to the international standards for co-operatives and directs the firm to produce a short document with references to other model articles*

*Action 3: Skye Instruments to share their articles of association as an example for the legal firm that will be developing the set of model articles*

On **simplification** Heidi informed the Group that BIS had received Government-wide agreement for simplifications in relation to Share Buy-Backs and this was now subject to parliamentary processes.

Heidi explained that **guidance, awareness raising** and **rescue pilots** would be discussed later in the meeting.

Jane Bateman provided an update to the Group on the **Access to Finance Forum** (formerly the Banking Forum) which first met on 18 January. She outlined that the members of the Group expressed a desire to open up membership to other financiers and not just focus on banking. The most fundamental points drawn from the meeting were that barriers that are specific to employee ownership and not just related to the general economic climate, or sector the business operates in, need to be identified.

Jane explained that BIS officials involved in developing the business bank were to be invited to join the forum. The Group welcomed the involvement of financing associations in the forum.

Joseph Lampel said that he will provide a summary of data and interviews conducted to provide both quantitative and anecdotal evidence.

*Action 4: CASS Business School to provide a summary of the evidence they had previously gathered highlighting specific barriers to finance experienced by employee owned businesses*

Graeme Nuttall noted the Government's support of employee ownership as expressed in the Autumn Statement that was published shortly after the first meeting of the Group.

### **Item 3: Communications Plan**

Claire Hobson informed the Group that Jo Swinson was keen to have the thoughts of the Group on the draft communications plan that had been circulated. Heidi Munn noted that the document was only an initial sketch and needed significant input from Group members.

By way of introduction, Heidi explained that a small workstream had been created including BIS, the Employee Ownership Association and Co-operatives UK to take forward the communications work. Deb Tate indicated that Iain Hasdell (CEO of the Employee Ownership Association) had offered to chair the communications workstream going forward. This offer was endorsed by the Group.

Action 5: Iain Hasdell to chair the newly-formed communications workstream which will be extended to include not just the Employee Ownership Association, BIS and Co-operatives UK but also Co-operative Development Scotland and the Cabinet Office as appropriate. BIS to liaise with the EOA to set up the process (e.g. meeting) to strengthen the communications plan.

Heidi explained that future plans to produce guidance on employee ownership had to fit with existing plans. Following discussions with the Employee Ownership Association and Co-operatives UK it seemed possible to make a suite of guidance going forward which would have one piece targeted at business owners (or prospective business owners), one piece aimed at employees and another aimed at intermediaries. Sarah Deas highlighted that it is important to align this with work being done in Scotland and elsewhere.

Heidi then explained the proposal to develop a communication grid which will draw together planned events and milestones that can provide an opportunity to raise awareness of employee ownership.

*Action 6: Group members to provide details of planned events/milestones to add to the communications grid being developed by the communications workstream.*

Finally, Heidi welcomed input on the proposal to develop core scripts, to hold an 'employee ownership day' and the development of 'Employee Ownership Business Champions'.

Rannia Leontaridi explained that as part of the public service mutualisation agenda a number of lessons had been learnt on communications. She expressed the need to segment the audience and deliver specific, prioritised and targeted messages. Campbell McDonald also suggested the need to target specific groups and that wide-scale press and publicity is unlikely to have the desired long term effect. Gill Wilde noted the importance of communications that would be accessible, and of interest, to individual businesses located throughout the country, in particular in rural locations.

The idea of an employee ownership day received some support, with the Employee Ownership Association favouring a week or a month over a day. It was suggested that to maximise impact it should coincide with Co-operatives Fortnight which includes 4 July – the one year anniversary of the Nuttall Review being published.

The importance of case studies was raised by a number of Group members as a beneficial communication tool. The benefit of hearing real-life stories from others in a similar situation was noted and this pointed to case-studies from both business owners and employees.

*Action 7: Case-studies to be collected from both employees and owners of employee-owned businesses. (Action assigned to communications workstream.)*

#### **Item 4: Common description of employee ownership**

Claire Hobson explained that the need for a common definition, or description, of what businesses are employee -owned has been mentioned in a number of aspects of the work. Heidi Munn reminded the Group that the Nuttall Review refers to all employees having a significant and meaningful stake. She asked the Group for views on whether it is acceptable to use a simplified or expanded definition in some circumstances.

Graeme Nuttall reminded the Group that he had used this definition in order to distinguish the work of his review from businesses that used share plans simply as a vehicle for providing tax-advantaged benefits to some employees, often senior employees. The Nuttall Review had also made it clear that such ownership is voluntary. Graeme explained that it was his understanding that this definition would be used for the purposes of Government policy and this Implementation Group. Graeme confirmed that different definitions may be needed for different audiences and the Nuttall Review had used a wider definition for some recommendations.

Rannia Leontaridi confirmed that the Cabinet Office experience suggested that a permissiveness surrounding the use of definitions is the way forward. David Poole suggested that a shorter and broader definition can help in some circumstances. Campbell McDonald noted that one of the key benefits of the sector was the inherent flexibility of approach. Ed Mayo confirmed that wording around “open to all” is appropriate. Joseph Lampel indicated that CASS Business School are working on an index of employee ownership.

The Group agreed that for the guidance work with ACAS aimed at employees it would be appropriate to consider the use of a definition that referred simply to employees having a significant and meaningful stake in the business without stating that this had to be held by, or offered to, all employees. Furthermore it may be useful to refer to all types of employee share ownership and not just employee ownership.

## **Item 5: Institute of employee ownership**

Graeme Nuttall provided a brief update on the work being done on the viability of an Employee Ownership Institute. He informed the Group that the working group met in December and is waiting on an updated viability report from KPMG who continue to provide pro-bono advice. Once the core working group has considered this updated report there would be the opportunity to involve others in the next steps. Sarah Deas expressed an interest in Co-operative Development Scotland being included in this next phase of consultation.

In response to a question Graeme explained that that the Institute may focus on individual membership.

Jane Bateman noted that this area of work was of particular interest to the Deputy Prime Minister who was keen to see significant progress.

## **Item 6: Rescue pilots workstream**

Heidi Munn explained that this workstream was being jointly led by BIS, Co-operatives UK and the Insolvency Service. She explained that the proposed way forward was to gather relevant experts together on 11 March in order to brainstorm a number of different issues. These would include: (i) determining the best-placed intermediaries to work with; (ii) a list of the key characteristics of businesses where employee buy-outs might be most applicable; (iii) information targeted at intermediaries on how to take forward such an employee buy-out; and (iv) how to capture the learning from actual buy-outs that take place. In addition, it was hoped that pro bono support packages could be offered to help take forward some pilots in 2013.

Some members of the Group suggested that there was a risk that promulgating messages about using employee ownership in situations where a business is failing might detract from the fact that employee ownership is relevant at many different points in a business life-cycle. This was, essentially, a reputational risk for employee ownership more widely. It was also stressed that employee-buy-outs should not be put forward as a solution in all cases - the commercial viability of the underlying business must be paramount. However, Joseph Lampel stated that it could be a useful tool if the problems of the ailing business are operational and not strategic. Ed Mayo explained that these concerns were very much already in mind and that was why the approach proposed is tentative and pilot-based.

*Action 8: The business rescue workstream to ensure that efforts to raise awareness of employee ownership as a potential business rescue solution do not detract from wider messages about employee ownership being applicable at various points in the business lifecycle.*

Patrick Burns noted that he had previously been involved in a similar initiative and the greatest difficulty is identifying at an early-enough stage which businesses are likely to be candidates. He said that he believed the Unions were critical to getting such timely information into the hands of employees. It would also be important to learn lessons from examples of the past as well as looking to the pilots.

In concluding, Heidi asked Group members to provide input by the end of the week on the proposed list on invitees to the event on 11 March.

*Action 9: Group members to provide comments by close 1 February on the proposed invitation list to the 11 March workshop on using employee ownership as a possible business rescue solution.*

## **Item 6: AOB**

The Group agreed that a week is a long enough period in which to provide comments on draft minutes of meetings.

It was announced that Jane Bateman would be leaving Government at the end of March and that Claire Hobson would lead for BIS on employee ownership.

David MacLeod offered in broad terms to share resources about employee engagement to the Group whenever that would be helpful.

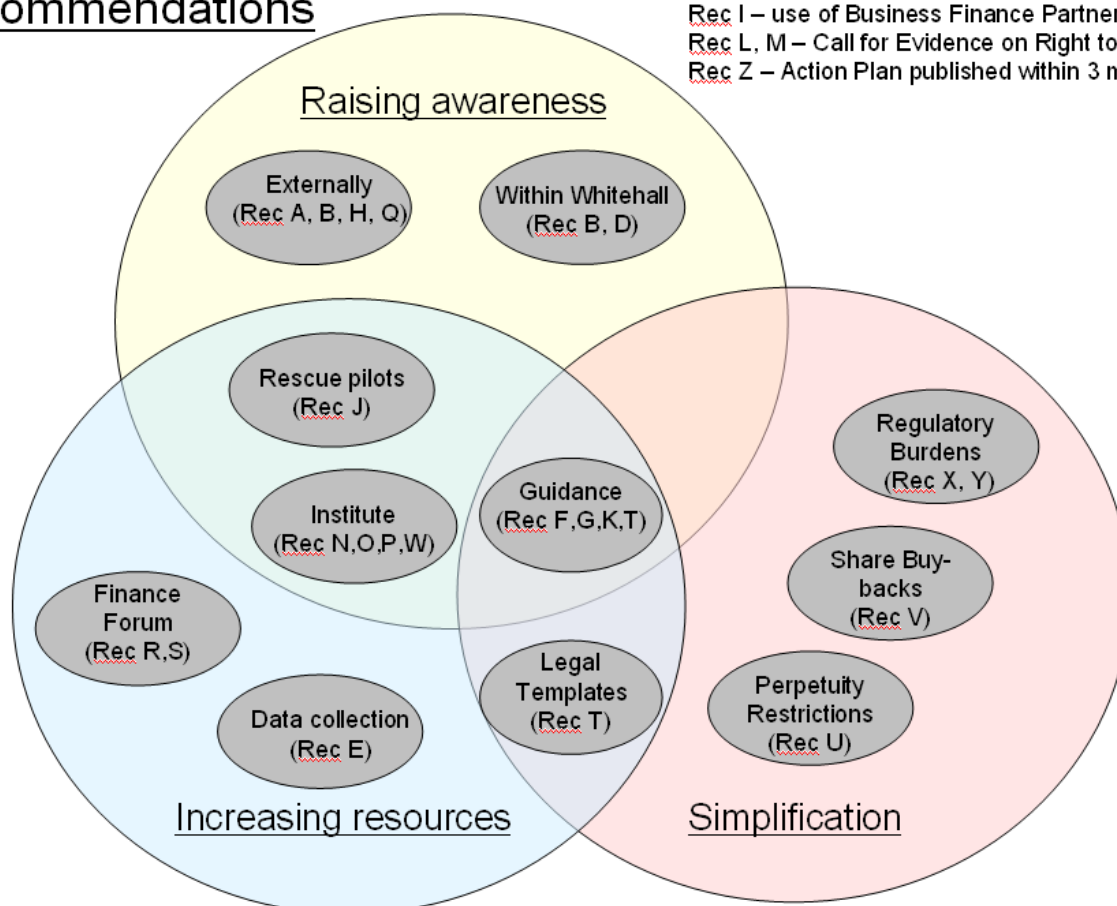
## **Date of the next Meeting**

The next meeting is scheduled to take place on 19 March 2013 in Sheffield.

## Annex A

IGEO-290113-02

### The Nuttall Review Recommendations



Associated with "one-year-on" report:

Rec Y & AA

Already completed:

Rec C, Q & AB – Minister appointed and chairing IG

Rec I – use of Business Finance Partnership

Rec L, M – Call for Evidence on Right to Request issued

Rec Z – Action Plan published within 3 months