



## **Minutes of Meeting: Implementation Group on Employee Ownership, 2.15pm, 15 May 2013, at the Department for Business, Innovation and Skills**

### **Attendees:**

Jo Swinson (Minister for Employment Relations and Consumer Affairs)  
Claire Hobson (Deputy Director, Wider Business Environment, BIS)  
Heidi Munn (BIS)  
Darren Walcott (BIS)  
Ben Russell (BIS)  
Tom Shirley (Cabinet Office)  
David Poole (ESOP Centre)  
Adrian Wakeling (Acas)  
Glen Dott (Co-operative Development Scotland)  
John Atherton (Co-operatives UK)  
Rhian Edwards (Wales Co-operative Centre)  
Iain Hasdell (Employee Ownership Association)  
Deb Oxley (Employee Ownership Association)  
Michael Mealing (Federation of Small Businesses)  
Graeme Nuttall (Field Fisher Waterhouse)  
Colin Strudwick (HMRC)  
Charlotte Cool (John Lewis Partnership)  
Gill Wilde (Skye Instruments)  
Janet Williamson (TUC)  
Campbell McDonald (Baxi Partnership)  
Patrick Burns (Prospects Services)  
Joseph Lampel (Cass Business School)

### **Apologies:**

Sarah Deas (Co-operative Development Scotland)  
Ed Mayo (Co-operatives UK)  
Kathleen O'Reilly (The Law Society)  
David MacLeod (Employee Engagement Taskforce)  
Derek Walker (Wales Co-operative Centre)

## **Action Points:**

### **Summary Note:**

1. Graeme Nuttall to circulate the position paper on the Institute that the industry-led working group has prepared.
2. Members to send BIS any evidence that they have which would support the Nuttall recommendation to exempt employee benefit trusts from the 125 year perpetuity period.
3. BIS to ensure that any future work on implementing the Budget 2013 announcements on employee ownership are not presented as part of work on access to finance.
4. Employee Ownership Association to discuss with BIS the underlying analysis that supports their estimate that the employee ownership sector is worth around £30billion to the UK economy, representing 3% of GDP in the UK.
5. Members to provide BIS as soon as possible with any relevant case studies that they are aware of which could be used to illustrate the draft guidance for employees.
6. Members to send BIS any further comments on the draft guidance for employees by close Friday 17 May and for BIS to send Acas with a revised version that takes on board these comments.[Note: a revised version has since been circulated with a deadline for any final amendments that are needed by 31 May]
7. Members to send BIS any further comments on the draft legal templates by Friday 31 May.
8. Members to send their ideas for break-out sessions at the Employee Ownership Day London Conference to BIS as soon as possible.
9. BIS to consider whether the forthcoming HMT consultation on implementing the Budget announcements on employee ownership could be used to measure awareness of employee ownership.
10. Co-operatives UK to share with the EOA and BIS the details of the companies that they have used who are prepared to produce advertising merchandise on-demand and in small quantities.
11. BIS to work with the EOA on finalising the Employee Ownership Day branding.

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

Claire Hobson welcomed group members to the fourth meeting of the Implementation Group on Employee Ownership. Claire informed members that Jo Swinson, Minister for Employee Relations and Consumer Affairs, would be joining the meeting half way through to chair the second half of the meeting.

Claire was pleased to report that all the action points from the last meeting of Tuesday 19 March had been completed. In follow-up she said she would welcome views on whether it

would be useful to have a workshop at Employee Ownership Day on non-tax regulatory burdens and she reassured members that work to raise awareness of employee ownership with banks and financial institutions is a key element of plans for the day.

She thanked all the members of the Implementation Group for working productively and positively with BIS.

## **Item 2: Mid-year review of progress**

Heidi Munn presented a positive half-year progress report on implementing the recommendations of the **Nuttall Review of Employee Ownership**. She explained that the year-long implementation phase had started with the publication of the Government's response to the Review at the end of October 2012. Heidi thanked members of the Implementation Group for their support in all the progress that has been made. She also outlined the areas where BIS expects further progress in the next six months.

**On promotion and awareness-raising of employee ownership**, Heidi pointed to the existence of the Implementation Group and a Communications Workstream, the Deputy Prime Minister's speech on 27 March 2013 and the launch of Employee Ownership Day on 4 July 2013, as evidence of the substantial progress made thus far.

**On raising awareness and ensuring continuing of knowledge of employee ownership within central Government**, Heidi informed the Implementation Group that Jo Swinson is due to write to Ministers in Whitehall and the devolved administrations regarding employee ownership and Employee Ownership Day.

On the development of an **Institute**, Heidi noted that work was ongoing. BIS had provided administrative support to an industry-led working group spearheaded by Graeme Nuttall. This working group has developed a collective idea of what form the Institute might take. However, the associated KPMG report on the financial feasibility of the Institute was still to be finalised. In terms of progressing with the development of an Institute beyond the KPMG report, Heidi stated that it would now be for Government to consider.

*Action: Graeme Nuttall to circulate the position paper on the Institute that the industry-led working group has prepared.*

On **share buy-back simplifications**, Heidi recalled that a consultation has been held and that the required changes to Company Law took effect on 30 April. This would make it easier for some companies with employee ownership to re-allocate shares when an employee leaves. Heidi thanked Darren Walcott for all his hard work on turning this recommendation into a reality.

On an exemption to the **perpetuity period** for employee benefit trusts, Heidi explained that BIS is currently considering the importance of making a legislative change and is looking for supporting evidence. A decision has not been made on this, and BIS would report back to the members at the next Implementation Group meeting on 17 July.

*Action: Members to send BIS any evidence that they have which would support the Nuttall recommendation to exempt employee benefit trusts from the 125 year perpetuity period.*

**On general guidance to improve the understanding and uptake of employee ownership,** Heidi stated that BIS is currently working with Cabinet Office to increase the information on employee ownership for those looking for guidance on starting a business on the gov.uk website. Both Iain Hasdell and John Atherton reported positively on the progress EOA and Co-operatives UK have made preparing their respective guidance documents for launch on Employee Ownership Day.

**On access to finance,** Patrick Burns noted the juxtaposition between the Budget 2013 announcement of funding for employee ownership and the apparent conclusion of the access to finance forum that, at present, there was not any demand for specific products for employee-owned businesses. Patrick felt this could weaken the case for the Treasury's support, and ignored the very real problems businesses face in securing the funding required in order to transition to employee ownership. Campbell McDonald seconded this concern. Heidi thanked Patrick and Campbell for their feedback, reassuring them that these concerns were very much still in mind.

Janet Williamson asked whether there would need to be a **watertight definition of employee ownership** for Treasury and tax purposes. If so, Janet asked when, and by whom, this definition was being finalised. Claire stated that the definition of employee ownership will vary depending on the context in which it was being used. Janet thanked Claire for her response, and asked who is leading the work to implement the Budget announcements. Heidi responded that HM Treasury were leading on this.

Colin Strudwick thought it was important to differentiate discussions on access to finance, and the Budget announcement of tax incentives for employee ownership.

*Action: BIS to ensure that any future work on implementing the Budget 2013 announcements on employee ownership are not presented as part of work on access to finance.*

Heidi explained that progress on the guide for employees, the legal templates and on Employee Ownership Day would be discussed in separate agenda items.

### **Item 3: Guidance for employees**

Claire first thanked Adrian Wakeling and Heidi for their work on producing this guidance for employees. She also thanked the Communications Workstream for their feedback which had been incorporated in the version of the guidance that had been circulated to the Implementation Group. Claire was also grateful to David Poole for sending his suggested amendments in advance of the meeting.

Heidi explained a number of changes to the circulated draft that she intended to make to take on board comments already made. This included removing the sentence "becoming employee-owned means joining a sector worth at least £30 billion annually" as BIS economists had expressed concerns about the origin of this figure. Iain Hasdell stated that the £30bn figure is derived from the Employee Ownership Association's analysis that had been conducted in 2010 and uplifted using the RPI. As such it excludes businesses that have become employee owned since mid-2010. Iain believed therefore that £30bn is likely to be a conservative estimate of the size of the sector. Iain offered to forward to BIS details of the EOA analysis.

*Action: Employee Ownership Association to discuss with BIS the underlying analysis that supports their estimate that the employee ownership sector is worth around £30billion to the UK economy, representing 3% of GDP in the UK.*

Heidi also explained that she was going to remove references in the guidance to “employee owned” and rephrase this to only use the term “employee ownership” except in cases where it was clear that the meaning is businesses where there is a controlling stake in the hands of employees. Heidi also explained that she intended to take on board David Poole’s suggestions to add in more detail about direct share ownership. Finally, Heidi explained that there was still a need for case studies to illustrate the guidance.

*Action: Members to provide BIS as soon as possible with any relevant case studies that they are aware of which could be used to illustrate the draft guidance for employees.*

Janet Williamson provided detailed comments on the draft guidance including the need to ensure that the guidance reflects that the benefits of employee ownership are only possible when it is underpinned by strong employee engagement. Janet also stressed the need for the offer of employee ownership to be made to all employees and for participation not to be prohibitively expensive to those on low pay.

Graeme Nuttall expressed his concern that the employee engagement agenda has not fully embraced employee ownership. His preference would be to separate out the mechanics of what an employee has to do to take forward employee ownership.

Michael Mealing noted that there is a range of different sized businesses who have employee ownership, and that this needed to be reflected in the guidance, differentiating between the needs and challenges faced by different sized businesses. Adrian Wakeling agreed, suggesting this could be resolved by ensuring that one of the case studies included in the guidance was from a SME.

Rhian Edwards asked where this guidance would be hosted. Adrian stated the intention to put the guidance onto the Acas website. Heidi suggested that it could also be featured on the “Inside Government” gov.uk website, alongside the Nuttall Review, the Government Response to the Nuttall Review, and the Minutes of the Implementation Group Meetings.

*Action: Members to send BIS any further comments on the draft guidance for employees by close Friday 17 May and for BIS to send Acas with a revised version that takes on board these comments.[Note: a revised version has since been circulated with a deadline for any final amendments that are needed by 31 May]*

There was a lengthy discussion over the right terminology to use to define employee ownership. It was agreed that it would be wrong to use a definition that would require businesses to place a controlling stake in the hands of employees – such businesses should rightly be described as employee-owned. It would not be appropriate to require any minimum level of ownership in terms of a percentage as what is appropriate depends on many factors. It was noted that if the definition implies the need for a financial stake this could exclude businesses that use an Employee Benefit Trust. It was also agreed that although it is important to note that an offer to participate should be made to all employees, care was needed to ensure that this didn’t imply that employee ownership could exist if only a small fraction of employees took up the offer.

The general view was to remove all references to a “financial stake” and refer simply to a “stake” and to stick with Nuttall wording as closely as possible.

#### **Item 4: Update on legal templates**

Heidi updated the Implementation Group on the progress made thus far on the legal templates, sometimes called “EO in a Box”. A draft version of the legal templates had been published on the gov.uk website on 1 May 2013, and Heidi said she would welcome any further comments by close Friday 30 May.

Janet Williamson felt that if the employee voice was to be truly heard via an Employee Council, then this Council had to be completely independent of the management of the company. Otherwise, the employee voice would be better heard through Trade Union representation.

*Action: Members to send BIS any further comments on the draft legal templates by Friday 31 May.*

#### **Item 5: Priorities for next 6 months**

Jo Swinson, Minister for Employee Relations and Consumer Affairs, thanked the members of the Implementation Group for all their hard work in helping the Government to deliver the Nuttall agenda. She noted that the Deputy Prime Minister’s speech of 27 March was well received, and looked forward to members’ ongoing support to deliver on this challenging agenda.

The Minister asked the Group for views on what should be the priorities for the next six months. Nothing was suggested apart from delivering a successful Employee Ownership Day.

The Minister stated that she was personally excited about Employee Ownership Day. She encouraged members to spread the word and save the date, as this would be a fantastic opportunity to raise awareness of the benefits of employee ownership. The Minister said she was looking forward to visiting a business with employee ownership in the morning, and attending the Employee Ownership Day London Conference, kindly being hosted by Linklaters.

#### **Item 6a: Plans for Employee Ownership Day**

The Minister handed over to Claire Hobson to provide an overview of the current plans for Employee Ownership Day that has been drawn up by BIS and the Employee Ownership Association. Claire stated that the purpose of the day is to raise awareness of employee ownership as an economically strong and balanced business model. It will also serve to showcase the wide range of successful employee ownership models, including the work of the Cabinet Office in promoting public service mutuals. BIS are currently co-ordinating numerous regional “open house” events at, and ministerial visits to, businesses from the employee ownership sector.

Claire thanked all the members of the Implementation Group who have offered support in arranging activities for the day: the Employee Ownership Association, the Co-operatives UK, Co-operative Development Scotland, Wales Co-operative Centre and the Federation of

Small Businesses. She encouraged members to get involved with the Day, providing any ideas for break-out sessions they thought would be useful at the London Conference, and to contact BIS for any further information.

*Action: Members to send their ideas for break-out sessions at the Employee Ownership Day London Conference to BIS as soon as possible.*

The Minister asked the group for their thoughts on how we should measure the success of Employee Ownership Day.

Michael Mealing stated that the Day itself is the start; we should measure its success by what happens afterwards. It was noted that to determine the success of the Day it would be necessary to collate information from various sources around the UK. Iain Hasdell said that a measure could be the year-on-year growth of the sector. Iain stated that last year the growth had been 10%, so the aim should be for greater growth this year. Gill Wilde said that for Skye Instruments a measure of success would be if anyone accepted their invitation to visit them.

Campbell McDonald asked if the forthcoming consultation on the Budget announcements on employee ownership could be used in any way to raise awareness and/or to measure what impact the announcement had had on awareness.

*Action: BIS to consider whether the forthcoming HMT consultation on implementing the Budget announcements on employee ownership could be used to measure awareness of employee ownership*

Other suggestions made were: monitoring the level of enquiries about how to make a transition to employee ownership; measuring visits to relevant websites; monitoring relevant activity in social media; broadcast coverage.

The Minister suggested that creative thinking would be needed to get coverage in regular TV/Radio programmes.

Graeme Nuttall welcomed the discussion as he was having to think about similar issues in relation to producing a one-year-on review of the Government's progress into implementing his recommendations.

## **Item 6b: Branding for Employee Ownership Day**

Deb Oxley gave a presentation on the branding for Employee Ownership Day. The branding had been developed pro-bono by Peter Anderson of [Peter Anderson Studio](#). The Implementation Group provided extremely positive feedback on the branding presentation, manifesting in a round of applause.

The Minister thanked Peter and the Employee Ownership Association on their work on developing a modern, distinctive and effective brand for Employee Ownership Day.

Heidi noted that further work would be needed to determine if it would be appropriate for BIS to use the "better business" strap line.

Graeme Nuttall suggested that the EOA might want to consider obtaining legal advice about how best to protect the use of the logo.

Gill Wilde asked about who was going to pay for the branding and merchandise relating to the Day. Iain Hasdell stated that the EOA was not able to fund a centralised production/distribution. Claire Hobson stated unequivocally that the Government is unable to commit any funds to any marketing activity. John Atherton said that Co-operatives UK had in the past used companies who are prepared to produce advertising merchandise on-demand and in small quantities and he offered to share with EOA and BIS their details. It was acknowledged that it may be more cost-effective to produce such merchandise in bulk.

*Action: Co-operatives UK to share with the EOA and BIS the details of the companies that they have used who are prepared to produce advertising merchandise on-demand and in small quantities*

*Action: BIS to work with the EOA on finalising the Employee Ownership Day branding*

## **Item 7: Review of actions and close**

Heidi Munn reviewed the actions that she understood to have been agreed at the meeting.

## **Any Other Business**

There was none.

## **Date of the next Meetings**

The date of the next meeting is on the afternoon of 17 July 2013.