

BIS | Department for Business
Innovation & Skills

**GOVERNMENT RESPONSE TO THE
NUTTALL REVIEW**

Next steps for employee
ownership

OCTOBER 2012

Contents

Contents	2
Foreword.....	3
Introduction	4
Structure of this report.....	5
Raising awareness of employee ownership.....	6
Introduction	6
Leading an awareness raising programme	6
Raising awareness through a 'Right to Request' employee ownership	7
Increasing the resources available to support employee ownership.....	11
Introduction	11
Developing an independent Institute to create new resources for employee ownership	11
A time-limited Employee Ownership Implementation Group.....	12
Further work on access to finance for employee ownership.....	13
Reducing the complexity of employee ownership	14
Introduction	14
Consultation upon de-regulating share buy backs	14
Producing 'off the shelf' templates to support owners when setting up an employee-owned company.....	15
Formal Government Response.....	16

Foreword

There has never been a more important time for us to create the right environment for a more diverse economy. A key facet of this diversity is to have more businesses whose employees own a stake in them and have a share in the decision-making. Such businesses have shown themselves to be flexible and resilient in tough times and are crucial in helping to ensure long-term growth in the economy. That's why I'm particularly pleased to be taking forward the important steps in implementing the recommendations from Graeme Nuttall's Review 'Sharing Success', which was commissioned by my predecessor, Norman Lamb, whose ambitions I am now pursuing to make this a decade of employee ownership.

Graeme, rightly, set us a challenging agenda, following in the wake of the work led by Francis Maude in the Cabinet Office to support the development of mutuals in the public service, and taking the opportunity of the spotlight the Deputy Prime Minister has shone on employee ownership. Graeme has raised all the important issues that he and others in this sector have been talking about for a long time. I want to make sure we provide him with an equally ambitious response by setting out our next steps, and making the most of the purchase that Government has in convening action and ensuring things happen.

But this will mean more than working with the employee ownership sector. If we are to be successful then we must raise the knowledge and understanding of employee ownership of all our key business stakeholders, improving access to the mainstream professional products and services that people need to start up and run an employee-owned business.

Understandably, many of our professional services, and business and financial advice are built around more traditional ownership models. However, that has sometimes been at the expense, literally, of those who want to adopt a different model and are only able to do so if they happen to come across the specialist advice and services currently on offer.

That's why we have already given priority to securing the commitment of organisations such as the Institute of Chartered Accountants in England and Wales and the Law Society, as well as working with the employee ownership sector to consider the idea of an independent Institute to improve access to resources. Raising awareness among the membership of these bodies and providing products and services that give company owners immediate help with establishing employee ownership in their businesses are key to the longer term legacy of this work.

I am determined that we will put the right foundations in place to secure that legacy and, along with my colleagues across Government, will use our convening power to deliver the commitments to the next steps needed to support a flourishing employee ownership sector.

Jo Swinson

Minister for Employment Relations and Consumer Affairs

Introduction

1. Following on from the work which the Minister for the Cabinet Office started, and which is ongoing, on the public sector mutualisation programme, the Deputy Prime Minister launched an additional focus on employee ownership in the private sector as part of his vision for unlocking growth in a speech he gave on responsible capitalism at the Mansion House in January. He highlighted a series of questions to be answered to understand the sector better, gave a commitment to appoint an independent reviewer to provide them, and announced that the Minister for Employment Relations, Consumer and Postal Affairs would take the lead across Government on private sector employee ownership.
2. Immediately following that speech, Graeme Nuttall was appointed as the Government's independent adviser and asked to review promoting employee ownership in the private sector, complimenting the work that the Cabinet Office has been doing in respect of mutuals in the public sector. In particular, Graeme was asked to look at promoting employee ownership as a business model to new private sector businesses that are starting up, review the potential transitions within private companies towards employee ownership, and examine the health of private employee owned companies generally. The result was 'Sharing Success: the Nuttall Review of Employee Ownership', where Graeme identified 28 recommendations under three key themes: raising awareness of employee ownership; increasing the resources available to support employee ownership; and reducing the complexity of employee ownership.
3. The report was launched on 4 July at the Summit for employee ownership, held at the Institute of Chartered Accountants for England and Wales, and hosted by the Deputy Prime Minister. Attended by over 200 people from the employee ownership sector, professional bodies, business organisations and representative bodies, financial institutions and academia, it offered the opportunity to launch Graeme's review and for the debate and commitment on next steps to begin.
4. The Summit provided a resounding welcome for the review and the integrity of Graeme's findings with commitment from Government and a wide range of stakeholders to take forward his recommendations. This next steps document is part of that commitment and sets out how the Government, and some of its stakeholders, will deliver Graeme's recommendations.
5. Not all of the recommendations are for Government – there are important actions for our stakeholders too. Graeme's report highlighted the need not only to raise the profile of employee ownership in the private sector, creating a much wider understanding of it as a business model, but also the need to coordinate activities better and embed messages on employee ownership with wider communications on mutuals and co-operatives policy.
6. So we plan to establish a time-limited Implementation Group, chaired by Jo Swinson, the Minister for Employment Relations and Consumer Affairs, which brings together other parts of Government, the wider business and professional services sector and

the employee ownership sector to be the key accountable body taking forward the work set out in this next steps document.

7. This is the start of an important journey, not the end of it. We believe there is much advantage in having a series of activities that offer the opportunity to communicate milestones in the delivery of the recommendations and which will include the Autumn Statement and a 'one-year on' report on progress made.

Structure of this report

8. This report sets out the Government's response to each of the 28 recommendations made in the Nuttall Review. Its focus is to look at existing companies that are already employee-owned or are thinking about taking that step, as well as those starting up for whom employee ownership might be a good business model to adopt. The Cabinet Office Public Sector Mutuals programme is a separate programme focussed on helping and supporting organisations to spin out of the public sector in a mutual form.
9. This response is divided into the three major themes established by the Nuttall Review: raising awareness of employee ownership, increasing the resources available to support employee ownership and reducing the complexity of employee ownership. These three themes will make up the key elements of the Government's approach to promoting employee ownership in the private sector, complimenting and drawing parallels with the activity around public sector mutualisation.
10. Additionally, this report sets out the detail of the Government's response to each of the 28 recommendations of the Nuttall Review. This is the basis of the Government Action Plan for promoting employee ownership. We will provide further detail around the time of the Autumn Statement.
11. This work sits alongside the Treasury's review examining the role of employee ownership in supporting economic growth and options to remove barriers, including tax barriers, to its wider take-up. The Treasury's review will be completed ahead of this year's Autumn Statement.

Raising awareness of employee ownership

This chapter sets out the Government's response to the Nuttall Review recommendations on raising awareness of employee ownership in the private sector, including:

- A Ministerial programme of awareness raising activity through regional visits, starting with a regional event with the John Lewis Partnership;
- A summary of responses from the Call for Evidence issued on the 'Right to Request' employee ownership; and
- Work underway to develop a voluntary toolkit on requesting and agreeing employee ownership in a company.

Introduction

12. The Nuttall Review clearly articulated that a lack of awareness of employee ownership in the private sector 'underpinned all other barriers to employee ownership'. It cited examples of how the concept was misunderstood or not known about at all, preventing it from being considered as a genuine option at key stages of the business lifecycle. The Government welcomes the Nuttall Review's analysis. Given the significant economic and social benefits of employee ownership, a key priority is to find ways to ensure employee ownership is more widely understood.
13. Nearly half of all recommendations in the Nuttall Review (A - M) relate to raising awareness of employee ownership. This section provides information on action taken to date, and key next steps for Government in responding to those recommendations.

Leading an awareness raising programme

14. At the Summit on Employee Ownership, roundtable discussions identified Government leadership as one of the most important measures to put employee ownership on the map and establishing it as a well understood and credible business model. There are a number of activities to be identified and agreed for this to be successful and we will design and develop a programme to be taken forward by the Minister-led Implementation Group.
15. In advance of that we are:

- Working with the Cabinet Office to maximise the impact of their post-Mutuals Taskforce plans to ensure we have coordinated messages and programmes of visits and activities;
- Working in partnership with the John Lewis Partnership to hold our first regional event, using that opportunity to raise awareness of employee ownership and, where possible, link up with the Public Sector Mutuals regional roadshows which are already up and running;
- Working with the Institute of Chartered Accountants for England and Wales (ICAEW), who hosted the Summit on Employee Ownership, and who have committed to using their technical and advisory resources to raise the profile among their membership;
- Working in partnership with the ESOP Centre on a pilot event to promote employee ownership, including share ownership; and
- Working with HM Revenue and Customs to consider the guidance currently available on tax issues relating to employee ownership.

Raising awareness through a ‘Right to Request’ employee ownership

Call for evidence on a ‘Right to Request’

16. The Government accepted recommendations L and M of the Nuttall Review to issue a call for evidence on the idea of a ‘Right to Request’ employee ownership. Broadly, the ‘Right to Request’ advocated by the Nuttall Review aims to achieve in the private sector what the ‘Right to Provide’ enables in the public sector. The ‘Right to Request’ is modelled on provisions in employment law and seeks to encourage employees to develop employee ownership proposals and make a ‘Request’ to their employers, who would then be required to consider the proposal. The objective as set out in the Nuttall Review is to encourage more discussion about employee ownership and to provide a ‘nudge’ to employees and employers to consider the concept more than they may have done previously.
17. The Department published a call for evidence on a ‘Right to Request’ employee ownership on 6 July, based upon the discussion of the topic in the Nuttall Review. Awareness raising and the ‘Right to Request’ was also a topic of discussion at roundtable sessions held during the launch summit of the Nuttall Review on 4 July. During the summer, department officials also met with interested stakeholders to discuss the issue in greater depth.
18. 12 organisations responded directly to the call for evidence, whilst a further 14 organisations and individuals were represented at the roundtable discussions. Respondents are drawn from employee owned companies, their representatives, legal advisers, and employee and business/employer representative groups.

19. All respondents were in favour of the principle of employee ownership as a potential business model, and many responded by strongly supporting the need identified by the Nuttall Review to raise awareness of the model and its benefits.
20. A key question posed in the call for evidence, and raised by the Nuttall Review, is whether Government should introduce a statutory 'Right to Request', or rather a voluntary arrangement with no sanction or legal force behind 'Requests' made by employees. More respondents were against the idea of introducing such a statutory 'Right to Request' than those who supported it. The most commonly cited reason was associated with the regulatory burden upon business and employers that would be risked by a statutory Right. Respondents pointed towards:
- the costs of familiarisation with new law;
 - the complexity likely to follow from providing legal definitions to underpin the various stages of a 'Right to Request', and the onerous procedures that may be necessary to comply with the law if that was the case;
 - the risk of impeding legitimate corporate transactions as 'Requests' are reviewed; and
 - the threat to employee relations in a company should a 'Request' be refused or during the process of developing a collective position amongst employees before a 'Request' is made.
21. Furthermore, no evidence was received showing that private sector employees were averse to making employee ownership proposals to their management (which might be mitigated by statutory support), although it was pointed out that this evidence is difficult to come by. One respondent with extensive experience of advising companies on employment law cited examples of employers giving little serious consideration of employee proposals, but not in the context of employee ownership.
22. Two respondents pointed out that because compelling the transfer of shares to employees had been ruled out by the Nuttall Review, there was no need for a statutory 'Right to Request': if a proposal made 'business sense' to an employer it would be taken up, regardless of whether legislation was in place.
23. A smaller number of respondents supported a statutory 'Right to Request', or questioned whether or not the 'Right to Request' would have 'teeth' – which would generally point towards supporting a statutory solution. Supporters of a statutory 'Right to Request' pointed towards the onus it would provide to employees and particularly employers to learn more about employee ownership, and to take requests seriously. These respondents supported a statutory 'Right to Request' as a key signal from the Government on promoting employee ownership which would 'nudge' employers and employees to take greater interest in the business model.
24. Around half of all respondents advocated the value of a voluntary approach based on greater information provision. As cited above, it was claimed that if an employee ownership proposal could 'stand up' and clearly demonstrate the benefits of employee ownership to the company, it would be 'business sense' for the company

to then accept and implement employee ownership. Under this argument, it then follows that more information and guidance should be available to support employees to develop robust and evidenced employee ownership proposals which could then be persuasive and taken forward. Several suggestions were received on the means and channels for that information and guidance, in particular via the Government or a proposed Institute for employee ownership.

25. Beside the question of a statutory or voluntary approach, several further points were received on the practical issues around design and implementation of a 'Right to Request'. There was general support for 'Requests' involving a broad section of the workforce, or at least involving consultation with other members of the workforce. The idea that a single employee could exercise a 'Right to Request' was thought to risk encouraging vexatious employees to make 'Requests' with little backing from the company and wider staff.
26. The suggestion that the 'Right to Request' should be limited to specific points in the business lifecycle was generally thought to be over-complex and to unnecessarily limit the concept. And the suggestion that small companies should be exempted from the 'Right to Request' was opposed by more respondents than supported, given the evidence set out by the Nuttall Review on the particular benefits employee ownership drives in small companies.
27. Some respondents raised the risk of employer and employee relations becoming confrontational as an unintended consequence of the 'Right to Request', or that company morale may suffer as a consequence of a rejected 'Request'. It was pointed out that both outcomes are generally contrary to the impact of employee engagement which is at the heart of employee ownership.
28. Finally, a small number of respondents questioned the language. A 'Right to Request' could risk confusion with the public sector mutualisation programme, where a 'Right to Provide' exists, and tends to invoke an impression of a burdensome duty upon business.

A voluntary guide for requesting employee ownership

29. The Government accepts the Nuttall Review's recommendation that more discussion and information exchange about the potential benefits of employee ownership should be encouraged within companies, and in particular between employees and their employers.
30. A positive message coming from the call for evidence is the importance of support and guidance to help employees and employers understand the benefits and potential suitability of employee ownership to their circumstances. We would expect enhanced knowledge to facilitate more discussion about employee ownership between employers and employees and eventually to lead to more transitions to employee ownership. While this was raised in the context of Graeme Nuttall's review we will of course look at how this might also benefit those spinning out their public services through the Cabinet Office's Public Sector Mutuals Programme.
31. With ACAS, we will develop a voluntary guide aimed at supporting employers and employees who wish to request and/or agree to employee ownership within a

company. It could, for example, provide a simple template for developing and presenting a proposal. The guide will draw on the expertise and perspectives of employer and employee representative groups, and existing employee-owned companies. It will also draw on the experience and success of the support documents available to facilitate the existing 'Right to Provide' public service mutuals.

32. The Nuttall Review and the call for evidence promoted the value of a 'nudge' measure to encourage more thought and information exchange about employee ownership. The aim of the guide will be to provide such a 'nudge'.
33. In taking forward the Nuttall Review's recommendations on a 'Right to Request', and taking note of the findings of the call for evidence, the Government will be mindful of three key principles. Any 'Right to Request' should:
 - be aimed at encouraging more discussion and sharing of information about the potential benefit of employee ownership within companies;
 - be implemented in such a way that minimises burdens to business and maximises the growth opportunities inherent in employee ownership; and
 - be designed to ensure dialogue between employers and employees is constructive.
34. The Government is particularly committed to minimising the burden of regulation on business and ensuring any new regulation accords with the principles of good regulation. The call for evidence responses highlighted significant concern about the regulatory burden of a 'Right to Request'. Any future regulation and statutory 'Right to Request' will need to be designed and implemented with that in mind and ensure that the benefits of regulation outweigh those burdens. To help achieve this objective, the Government will monitor the progress and uptake of the voluntary guide and will make a final evaluation of whether a statutory 'Right to Request' is justified three years after the guide has been in place.

Increasing the resources available to support employee ownership

This chapter sets out the Government's response to the Nuttall Review recommendations on increasing resources available to support employee ownership and employee owned companies, including:

- Collaboration with the employee-owned and wider mutuals sector to establish whether a proposal for a new Institute is a viable and self-sustaining business proposition, including the provision of a single point of contact for information and advice;
- Setting up a new, time-limited Implementation Group, chaired by the Minister for Employment Relations and Consumer Affairs, with representatives from across Government, all the key professional bodies and the employee ownership and wider mutuals sector; and
- Working with the John Lewis Partnership to examine the extent to which there is a lack of access to funding for private sector employee-owned companies.

Introduction

35. The Nuttall Review determined that there was a lack of awareness of employee ownership in the private sector and found that employee-owned companies experienced a lack of support and guidance tailored to their particular business model. The Review concluded that the level of resources available to employee ownership was an existing challenge, and one likely to grow should demand for employee ownership increase.
36. Recommendations N – S of the Nuttall Review are aimed at increasing the support and guidance available through the establishment of a sector-led Institute for employee ownership, measures to enhance the support from business advisers and intermediaries, and on increasing employee-owned companies' access to finance. This section provides information on action taken to date, and key next steps for Government in responding to those recommendations.

Developing an independent Institute to create new resources for employee ownership

37. The Nuttall Review recommended that key organisations from the employee ownership and cooperatives sector should develop and deliver an independent

Institute as one of the important legacy plans to improve the landscape and environment for employee ownership, and the wider mutuals sector. In doing so, Graeme tasked the Government to work in collaboration with the sector and its relevant organisations to produce viable plans to implement this ambitious proposal.

38. In advance of the publication of the Nuttall Review, the Employee Ownership Association (EOA) brought together a group of stakeholders from the sector, under their chairmanship, and with the support of BIS, to test the concept of the Institute. Since publication of the Nuttall recommendations, they have continued to meet and have developed an embryonic business plan with proposals to set up the Institute.
39. If a successful new venture is to be launched, it is important now to move from a series of discussions between stakeholders with substantial knowledge of the sector, to an independent assessment of the viability of the business proposition. This is particularly important if there is to be public sector investment to ensure the venture is set up and developed on a sound footing and becomes a viable business.
40. The Department has been collaborating with the EOA and their group who have identified the following next steps:
 - The delivery of an independent, commercial analysis of demand to determine the financial viability for the Institute, with the production of the business plan if appropriate, in collaboration with BIS and the Cabinet Office to be completed by the end of 2012;
 - The appointment of an independent commissioner to sit on the Implementation Group to ensure accountability is overseen by all stakeholders.

A time-limited Employee Ownership Implementation Group

41. BIS will set up and support an Employee Ownership Implementation Group under the Chairmanship of the Minister for Employment Relations and Consumer Affairs, with membership drawn from legal, accounting and tax professions, the employee ownership and wider mutuals sector and other Government Departments.
42. The main remit of the Implementation Group will be to identify the key tasks needed to implement the recommendations of the Nuttall Review, identify new activities that go beyond those recommendations where appropriate, oversee implementation and be accountable as a body for the development of the sector. This will support the stakeholders and Government in working together in a coordinated way to deliver the most effective results for the growth of the sector.
43. The immediate tasks for the Implementation Group to oversee and deliver will be:
 - The commercial assessment of demand for the Institute with recommendations for its financial viability as an independent organisation in the medium term;
 - The delivery of the component parts of the 'off the shelf' templates for employee ownership including model articles, employee trusts, and technical advice on tax;

- Advice and delivery of an awareness-raising programme to promote the concept and benefits of employee ownership;
 - Production of an updated action plan in November, following publication of this next steps document.
44. BIS will convene the Implementation Group, and support it through both secretariat functions and project management expertise, with the intention that it should meet first during November to ratify its terms of reference and initial work plan as set out here.

Further work on access to finance for employee ownership

45. The Treasury review of the role of employee ownership in supporting economic growth and options to remove barriers, including tax, to its wider take-up is underway and due to be completed ahead of this year's Autumn Statement.
46. The John Lewis Partnership has also made resources available to work in partnership with the Government to identify further evidence on access to finance and the role of the financial services sector in supporting employee ownership in the private sector, as well as using their convening power among the business community to create debate about the issues, such as the regional event in the south west mentioned above.

Reducing the complexity of employee ownership

This chapter sets out the Government's response to the Nuttall Review recommendations on reducing the complexity associated with establishing and running employee ownership, including:

- A consultation on de-regulation of company law to reduce the regulatory burden faced by employee owned companies; and
- Commitment from the ICAEW and the Company Law Committee of the Law Society to working with Government to produce the 'off the shelf' templates for employee ownership recommended in the Nuttall Review.

Introduction

47. The Nuttall Review advocated the point of view that employee ownership in the private sector did not need to be complex or burdensome to adopt. But the Review also reported that to many considering employee ownership for the first time there was a widespread perception that employee ownership was 'difficult' and burdensome – this disincentivises potential transitions to employee ownership. To address these perceptions, the Nuttall Review advocated radically simplified templates for setting up an employee owned company – simply, an 'off the shelf' version of employee ownership to demystify and explain the process better.
48. Besides these perceptions of regulatory burden, the Nuttall Review also cited a number of unnecessary burdens upon employee-owned companies and made recommendations on simplifying them.

Consultation upon de-regulating share buy backs

49. The Nuttall Review set out two basic models for administering employee ownership. Under the 'trust model', or 'indirect share ownership', an employee trust is established to hold shares in the company on behalf of the employees. Alternatively, under 'direct share ownership', employees hold shares in their company themselves.
50. Employee-owned companies using this form of share ownership often need a mechanism by which to buy back shares owned by employees who are leaving or who have left the company, in order to re-distribute them to new starters at the company who will enter the company's employee share plan. Otherwise, the company risks becoming over the years predominately owned by ex-employees.

51. Such buy back arrangements are discretionary and depend on the shareholder (the seller) mutually agreeing a price and/or arrangement with the company (the buyer). A buy back arrangement may be agreed between the company and a new-starter employee as a condition of the employee being awarded shares by the company. Or an ex-employee may be approached by the company with an offer to buy back the ex-employee's shares.
52. Once a buy back has been agreed, companies must comply with a number of Company Law provisions which regulate the process. The Nuttall Review concluded that these provisions were overly burdensome, and recommended that Government simplified them in order to remove barriers that disincentivises further uptake of direct employee ownership.
53. The Government accepts this recommendation and today is publishing a consultation document with proposals to de-regulate and simplify the relevant company law provisions cited by the Nuttall Review. The consultation will close by the end of the year and the Government will announce next steps in light of the consultation responses.

Producing 'off the shelf' templates to support owners when setting up an employee-owned company

54. Alongside the priority to raise awareness of employee ownership in the private sector, this is one of the most significant recommendations identified in the Nuttall Review and its importance was highlighted by the Deputy Prime Minister at the 4 July Summit. The production of these 'model' documents will make a practical difference to the ease with which owners can set up employee-owned companies, as well as reducing costs to them by making them more readily available through professional advisers.
55. In doing this, we will take advantage of the work already done by the Cabinet Office's Mutuels Support Programme and develop templates that are mutually beneficial to both existing private companies seeking to adopt employee ownership, and to public service mutuels that now operate in the private sector.
56. We intend to establish a task and finish group of professional bodies, reporting direct to the Implementation Group, to produce these model documents. In addition, we have secured the commitment of the ICAEW and the Law Society to providing us with their knowledge in specifying the detail of what's needed to buy in expertise, and then assist in the quality assurance process so that a high quality product is delivered.

Formal Government Response

Nuttall Review Recommendation	Govt. Response	Action	Lead
<p>A. The Government should continue to promote employee ownership, building upon the Deputy Prime Minister's vision set out at Mansion House and on the framework established by this review.</p>	Accepted	<ul style="list-style-type: none"> • A keynote summit on employee ownership was held on 4 July, hosted by the Deputy Prime Minister, and at which Graeme Nuttall launched his report. • BIS will identify regular speaking opportunities for Ministers. 	BIS
<p>B. Through the Minister for Employment Relations, the Department for Business, Innovation and Skills should design and lead an awareness raising programme aimed at promoting the concept and benefits of employee ownership and, in particular, of employee owned companies. The design and delivery of the programme should involve other Government departments and external stakeholders wherever possible, and be coordinated with wider Government messages on, for example, mutuals and co-operatives policy, plurality of ownership models and employee engagement.</p>	Accepted	<ul style="list-style-type: none"> • An awareness raising programme will be developed with the Employee Ownership Implementation Group. • BIS will coordinate with forthcoming actions in the Cabinet Office awareness raising programme, seeking synergies with the Government's public service mutualisation programme. 	BIS, drawing on CO and HMT expertise and employee ownership expertise.
<p>C. The Government should maintain the appointment of a Minister responsible for promoting employee ownership across Government.</p>	Accepted	<ul style="list-style-type: none"> • Completed: the Minister for Employment Relations and Consumer Protection has taken on the employee ownership portfolio for the private sector. • Completed: the Minister for the Cabinet Office remains in charge of overseeing the public sector mutualisation programme. 	BIS and CO

Nuttall Review Recommendation	Govt. Response	Action	Lead
<p>D. The Department for Business, Innovation and Skills, Cabinet Office, HM Treasury and HM Revenue & Customs should report on steps taken to ensure continuity of knowledge in central Government on employee ownership.</p>	Accepted	<ul style="list-style-type: none"> • BIS and CO will initiate an inter-ministerial letter to raise awareness of employee ownership within Whitehall. • Agree an action plan across Government with relevant departments through a joint BIS/ CO officials group which will discuss Nuttall Review implementation. • Details related to HMRC website and manuals will be considered as part of the HMT review and as part of other initiatives such as the development of 'off the shelf templates' (recommendation T). 	BIS and CO
<p>E. The Government should improve the data collected on the extent of employee ownership, for example, by adding new questions on employee ownership into Office for National Statistics surveys and the Workplace Employment Relations Study; and business surveys coordinated by the Department for Business, Innovation and Skills.</p>	Partially accepted	<ul style="list-style-type: none"> • [We will review the inclusion of questions in the next Small Business Survey, and will review other channels suitable and cost-effective and report back.] 	BIS
<p>F. The Department of Work and Pensions should disseminate information to New Enterprise Allowance partnerships, aimed at promoting employee ownership solutions to groups of claimants eligible for the New Enterprise Allowance.</p>	Accepted	<ul style="list-style-type: none"> • BIS and DWP officials are working together to implement: BIS officials will produce information that DWP will distribute to New Enterprise Allowance partnerships. 	BIS, DWP
<p>G. The Employee Engagement Taskforce should consider opportunities to build employee ownership into their work with practitioner panels and their forthcoming employee engagement website.</p>	Supported	<ul style="list-style-type: none"> • The Employee Engagement Taskforce is developing a website to complement its work in promoting engagement. 	EET

Nuttall Review Recommendation	Govt. Response	Action	Lead
H. The Department for Business, Innovation and Skills, with external stakeholders, should promote employee ownership as a business succession solution .	Accepted	<ul style="list-style-type: none"> The Government accepts this recommendation and will combine it with the work to develop a broad employee ownership awareness raising programme (see recommendation B). 	BIS, with external stakeholders
I. The Department for Business, Innovation and Skills should promote the Business Finance Partnership funds to support employee ownership and target employee owned companies.	Accepted	<ul style="list-style-type: none"> Completed. A number of applications for funds were received from employee-owned companies. 	BIS
J. Co-operatives UK, the Department for Business, Innovation and Skills and the Insolvency Service, should assess the scope for a pilot scheme, running from 2013, to test the potential for employee buy outs as a solution in relevant business rescue situations .	Accepted	<ul style="list-style-type: none"> The Government accepts the principle of this recommendation and will discuss with Co-Operatives UK the best means of implementation. 	Co-operatives UK, BIS and the Insolvency Service
K. The Department for Business, Innovation and Skills, working with ACAS, should encourage employer and employee groups (including trades unions) to develop a voluntary Code of Practice setting out best practice on requesting and agreeing employee ownership in a company. In parallel the Department for Business, Innovation and Skills should consider what further role Government has in providing statutory support, through Recommendations L and M.	Accepted	<ul style="list-style-type: none"> The Government will work with ACAS on production of a voluntary toolkit for requesting and agreeing employee ownership in a company. A steering group of employee and employer groups will form a sub-group of the Employee Ownership Implementation Group and will advise on the toolkit. 	BIS, ACAS
L. The Department for Business, Innovation and Skills should issue a call for evidence on the introduction of a statutory Right to Request consideration of an employee ownership proposal, covering the issues and challenges covered in Table 5.	Accepted	<ul style="list-style-type: none"> Completed: the Government issued a call for evidence on 6 July. Responses to the call for evidence are summarised in this document. The Government will consider the need for a statutory Right to Request following reviewing the success and uptake of the voluntary toolkit. 	BIS

Nuttall Review Recommendation	Govt. Response	Action	Lead
<p>M. The Department for Business, Innovation and Skills should issue a call for evidence on the best means to encourage owners and employers to make information available to employees, if a change of control of a company or sale of the business in which employees work is envisaged, in order to allow employees to consider an employee buy out.</p>	Accepted	<ul style="list-style-type: none"> Completed: the Government issued a call for evidence on 6 July. Responses to the call for evidence are summarised in this document. The Government will consider the need for a statutory Right to Request following reviewing the success and uptake of the voluntary toolkit. 	BIS
<p>N. Key organisations from the employee ownership and co-operatives sectors should develop and deliver an independent Institute.</p>	Accepted – and led by the employee ownership sector	<ul style="list-style-type: none"> BIS has been working with the Employee Ownership Association (EOA) and others in the employee ownership sector. The EOA and others have developed a nascent business plan. BIS, Cabinet Office and the sector will continue to work together on testing the feasibility of the Institute and developing a governance structure, as detailed in the main body of this response. 	Employee ownership sector
<p>O. The Department for Business, Innovation and Skills should collaborate with the employee owned and co-operative sectors to set up and publicise a single point of contact providing information and guidance on employee ownership to the private sector. This website and telephone service would be similar in scope to the Mutuals Information Service, which is available to public service providers.</p>	Partially accepted	<ul style="list-style-type: none"> This action will be taken forward as a part of the consideration of an Institute for employee ownership, set out under recommendation N. 	BIS/ Employee ownership sector
<p>P. The Department for Business, Innovation and Skills should collaborate with the employee owned and co-operative sectors and relevant professional bodies to support the development of the Institute and, in particular, the creation of information resources on employee ownership to be transferred to the Institute in due course.</p>	Accepted	<ul style="list-style-type: none"> This action will be taken forward as a part of the consideration of an Institute for employee ownership, set out under recommendation N. 	BIS/ Employee ownership sector

Nuttall Review Recommendation	Govt. Response	Action	Lead
<p>Q. The Department for Business, Innovation and Skills should convene a time-limited taskforce of legal, tax, accountancy and other professional bodies and representatives of employee owned companies to identify how employee ownership can be a more integral part of advice provided by intermediaries, including through supporting intermediaries with training resources on employee ownership.</p>	Accepted	<ul style="list-style-type: none"> • BIS will agree membership and a Terms of Reference for a task and finish group reporting to the Implementation Group, with the first meeting anticipated for November. A work plan will then be agreed. • This recommendation will be implemented alongside recommendation AB. 	BIS
<p>R. The Employee Ownership Association should consider what measures there are to communicate financing opportunities directly to employee owned companies, building on company case studies where appropriate.</p>	Supported		EOA
<p>S. The Government should consider to what degree there is a lack of funding for employee buy outs and employee owned companies, for example through the advice of the Small Business Economic Forum, and make recommendations.</p>	Accepted	<ul style="list-style-type: none"> • BIS will explore funding issues faced by employee owned businesses through forthcoming meetings of our Experts' Group on access to finance, and, in due course, relevant meetings of the Small Business Economic Forum. 	BIS
<p>T. The Department for Business, Innovation and Skills, working with HM Treasury and ACAS as necessary, should develop simple employee ownership toolkits including 'off-the-shelf' templates, to cover legal, tax and other regulatory considerations set out in Table 10.</p>	Accepted	<ul style="list-style-type: none"> • Specification, leadership and quality assurance are anticipated to be delivered through the Employee Ownership Implementation Group. • We are discussing involvement of ICAEW and the Law Society in the development of these templates. • Further progress will be reported in the Autumn Statement. 	BIS

Nuttall Review Recommendation	Govt. Response	Action	Lead
<p>U. The Ministry of Justice should exempt employee benefit trusts from the 125 year perpetuity period in the Perpetuities and Accumulations Act 2009, to enable perpetual ownership of shares in employee owned companies by employee benefit trusts. Existing employee benefit trusts should also be permitted to benefit from this exemption.</p>	Partially accepted	<ul style="list-style-type: none"> The Government is reviewing this recommendation and will report back alongside the HMT review of employee ownership at the Autumn Statement. Any changes made would be subject to public consultation. 	BIS/ MoJ
<p>V. The Department for Business, Innovation and Skills should consult upon improving the operation of internal share markets to support companies using direct share ownership, including holding private company shares in treasury and facilitating share buy backs.</p>	Accepted	<ul style="list-style-type: none"> Completed: BIS is publishing alongside this report a consultation upon the proposals in the Nuttall Review. The consultation will close by the end of the year and we will report on next steps in light of the responses to the consultation. 	BIS
<p>W. The Institute (see recommendation N) should provide evidence to Government on whether a new legal entity for either or both employee owned companies or collective ownership is needed, three years after the implementation of the template documents (see recommendation T).</p>	Supported		The forthcoming Institute
<p>X. The Government should, when devising regulation, ensure that employee owned companies do not suffer unintended burdens due to their structure; and the Department for Business, Innovation and Skills should take into account regulatory impacts on employee owned companies as part of its consultations on future changes to employment law.</p>	Accepted	<ul style="list-style-type: none"> All Government policy-making is subject to the Impact Assessment process, under which all new regulatory proposals are tested for their costs and benefits, and whether particular sectors are unduly impacted. Impact Assessments are published and scrutinised by the independent Regulatory Policy Committee. 	BIS

Nuttall Review Recommendation	Govt. Response	Action	Lead
<p>Y. As part of a 'one year on' report (see recommendation AA), and in light of the results of recommendation X, the Department for Business, Innovation and Skills should assess whether a further review of the impact of regulation upon employee owned companies is warranted, and keep an open invitation in the meantime to receive evidence on regulatory barriers faced by employee owned companies.</p>	Accepted	<ul style="list-style-type: none"> • BIS will incorporate this material into the 'one-year-on' report. • BIS runs an employee ownership mailbox and promotes this to companies and others who wish to make representations about burdens faced by employee owned companies and other issues. 	BIS
<p>Z. Through the Minister for Employment Relations, the Department for Business, Innovation and Skills should, within three months of this review, publish an Action Plan showing actions taken to implement its recommendations and others aimed at promoting employee ownership.</p>	Accepted	<ul style="list-style-type: none"> • Completed: this Government Response sets out the Government's Action Plan, and we will publish further details alongside the Autumn Statement in light of the Employee Ownership Implementation Group. 	BIS
<p>AA. The Minister responsible for employee ownership (see recommendation C) should produce a 'one-year on' report 12 months after the formal Government response to this review, reporting publicly on progress made on promoting employee ownership and the implementation of these recommendations.</p>	Accepted	<ul style="list-style-type: none"> • [It is anticipated that Graeme Nuttall will produce a one-year-on report assessing progress in implementing his recommendations.] 	BIS
<p>AB. The Minister for employee ownership should convene a small 'sounding board' of sector representatives to advise him or her periodically on the direction of implementation and on new opportunities to promote employee ownership.</p>	Accepted	<ul style="list-style-type: none"> • BIS will agree membership and a Terms of Reference for an Implementation Group, with the first meeting anticipated for November. A work plan will then be agreed. • This recommendation will be implemented alongside recommendation Q. 	BIS

© Crown copyright 2012

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. Visit www.nationalarchives.gov.uk/doc/open-government-licence, write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

This publication is also available on our website at www.bis.gov.uk

Any enquiries regarding this publication should be sent to:

Department for Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET
Tel: 020 7215 5000

If you require this publication in an alternative format, email enquiries@bis.gsi.gov.uk, or call 020 7215 5000.

URN 12/1161