



Ownership Associates UK

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Ownership Matters

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The Oxford Symposium on Employee Ownership

Read our contribution on the progress of Employee Ownership in Scotland.

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Expansion and Board Changes at Kilmac

Civil engineering and groundworks contractor **Kilmac** has opened a new office in Dunfermline to support the company's recent expansion as the business approaches its 20th anniversary. The firm is on course to report a record £40 million annual turnover for the financial year 2023/2024.

Eighteen months ago, the company, based at Delta House on Dundee's Technology Park, announced it was entering into an Employee Ownership Trust.

Founders Richard Kilcullen and Athole McDonald welcomed finance director Julie Scobie, construction director Liam Wilkie and bid director James Wilson to key roles in the expanding business.

The in-house promotions formed part of the succession planning blueprint for the company. Athole McDonald said: "Between them the three new board members have amassed nearly 50 years with

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Kilmac. They are steeped in the company ethos. We were delighted with the response from our clients to the announcement that we were going down the EOT route to ensure a smooth transition further down the line. They have been fully on-board and that will be reflected by the turnover in the annual accounts in the years ahead.

“In 2021 the opening of a satellite office in Livingston heralded a move beyond our traditional Tayside and Fife heartland.

“The new office on Dunfermline’s Pitreavie Business Park represents a significant investment for the future and comes in the wake of securing several new prestigious clients south of the Forth and across the Central Belt.

“The Dunfermline office will be the base for 20 members of staff from within our 170-strong operating team.”

Richard Kilcullen commented: “One of our key ongoing projects is the ground-breaking £100 million plus Dunfermline Learning Campus, which is the biggest Passivhaus project in Europe and seen as a standard bearer for the Scottish Government’s Net Zero Public Sector Building Standard.

“The company’s expansion reflects the ambitions for Kilmac in the medium to longer term. With the appointment of Julie, Liam and James to the board, along with the hugely experienced Senior Management Team that is in place, the company is in safe hands going forward.”

New Employee Director for i4 Product Design

Bronagh Gillespie has been elected by her colleagues to take a position on the company’s Board of Directors. Bronagh has been working as a Project Manager for 7 years and has a background in Product Design Engineering with projects ranging from complex medical devices to consumer electronics.

Based near the Pentland Hills just outside Edinburgh, **i4 Product Design** became employee-owned in 2018. The company has now opened an office in Shoreditch in London.



Bronagh Gillespie

“The company has experienced significant change in a few short years, moving to a multi-disciplinary consultancy with in-house Regulatory affairs expertise. This has allowed us to take on more complex, multi-disciplinary, long term projects, especially within the medical and bio-medical science industry. These are exciting projects to work on as they are life changing for the end user. As our experience and expertise in this area keeps growing, we must also focus on our continuous improvement of our processes and execution, to continue to deliver success for our customers and the best results possible for their end users. In the future I would like to see an increased focus on creating products that are less harmful to the planet and so reduced energy consumption, recyclability and serviceability are already in the minds of our engineers. i4PD’s in-house ‘Batteryless electronics’ project is a great example of this.” - Bronagh Gillespie

OAK News

Well, what a year it's been! So much happening in the employee ownership world. There seems to be just getting to the point where most advisers are now putting the EOT on the table when they have the succession planning discussion. There's wider recognition of employee ownership as not only a feasible model, but also a desirable one. Many employee-owned firms are achieving remarkable results, despite the challenges in the market place. And it's wonderful to hear so many employee-owned firms sharing their experiences so generously, either formally via the CDS webinars and events, or informally hosting interested business owners keen to find out what it's all about.

At the time of writing when there are still a few weeks to go before 2023 draws to a close, it does feel like there have been fewer EOT transactions in Scotland than last year. However, I would guess that the overall number of employee owners has increased significantly. This year saw the conversion of Highland Fuels (250 employees) and Tough Construction (500 employees) to the EOT model as well as many existing EOBs adding headcount as they grow and prosper. This has been one of my concerns about the Scottish Government's stated ambition to see 500 employee-owned firms by 2030. The volume shouldn't be the measure of success, it is about successful businesses that centre employees and contribute to healthy local economies. The strength of our employee ownership community is lighting the path for others, demonstrating in real terms that there is a better way of doing business. The third party investor, profit at any cost model doesn't deliver the benefits we see in employee-owned firms. The wealth created by employee-owned firms is reinvested in the business or distributed to those who create it: the employees.

It was encouraging to be invited to meet with Daniel Johnson MSP who seems genuinely interested in supporting the employee-owned sector. He has already visited several employee-owned firms, speaking to many employee owners, and appears convinced for the need to not only encourage more business owners to consider this



as a way forward, but also to smooth out some of the challenges that employee-owned firms face. As always, it was good to catch up Brian from Pacific Building, Eric from Pacific Building, Craig from Carlton Bingo and Simon from Jerba Campervans who are all such great ambassadors for employee ownership.

And what exciting news from Canada that finally their government is paving the way and introducing Employee Ownership Trust legislation. Jon Shell, who has been one of the leading advocates for Canadian employee ownership tells me that it is the success of employee ownership in Scotland that has been a key inspiration to continue making the case in Canada. It will be interesting following the progress.

Thanks to everyone for your support throughout the year. I have a number of transactions who will complete in December, and may be able to spill the beans in the January issue of Ownership Matters. January is looking very busy with completions! Your stories and news are always welcome so please do keep them coming.

Wishing you all a happy and healthy festive season and a successful and rewarding 2024.

- Carole
01786 611066

Giant step forward for employee ownership in Canada



Pictured: Jon Shell, Social Capital Partners Canada

The Canadian government has committed to a policy to encourage more employee ownership in the country's economy.

Details are still coming out. Briefly, the expectations that the forthcoming legislation will: Provide a clear trust model (similar to the UK's Employee Ownership Trust, EOT) that can be used for owners who want to transfer their ownership to employees.

Address some technical (but critical) issues in the tax code that have made these kinds of deals challenging in the past

To ensure employee ownership benefits are shared broadly, require that all workers of a company get access to benefits of ownership and uses a model where the owner is paid back through company profits over time, so employees don't have to pay cash out of pocket for their ownership.

Like the US and UK, provide an incentive for owners who sell a majority of their company to workers, so worker-ownership can be more competitive with offers from competitors or from private equity firms.

The introduction of the EOT turbocharged employee ownership in the UK in 2014, with majority worker-owned companies growing from about 150 to over 1,650 since that time. A **recent report** shows that the U.K.'s thriving employee ownership sector is paying employees more,

providing better benefits, is more productive, more profitable and growing faster than the rest of the economy.

While Canada's incentives are smaller than the UK's, the belief is that they will be enough to get the attention of the legal and accounting communities, which should in turn educate business owners about this option. In the UK, 5-10% of all business sales go to employees. If that were to happen in Canada, there would be 15-25,000 Canadian workers become owners every single year.

In the Fall Statement, Canadian Finance Minister Chrystia Freeland tabled the government's Fall Economic Statement Implementation Act, 2023, which includes the creation of a new, standalone Employee Ownership Trust (EOT).

Jon Shell of Social Capital Partners says " Since receiving feedback in August, the Department of Finance has tweaked the bill in positive ways that will result in a broader, more equitable distribution to employees.

One thing that today's legislation does not contain is the government's commitment from last week to include a tax incentive to level the playing field and increase uptake of EOTs. The government has told us that, like other consequential tax

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measures first announced in last week's **Fall Economic Statement**, it's typical for a consultation period to occur in advance of introduction.

Ideally, all these pieces would have been introduced together as a single package, but (as I've come to learn) the policy making process is often a messy thing.

We will push the government to consult on a draft of the EOT tax incentive over the winter so it can be introduced it as part of its upcoming Budget Bill and then passed shortly thereafter. We think it's highly unlikely that many owners will consider selling to an EOT before the tax incentive has been passed.

We've been told that the incentive will be retroactive to January 2024, regardless of when it technically crosses the finish line, but both the details of it and its passage will be important to owners and advisors.

In the meantime, it's definite progress to see today's legislation and look forward to it passing into law as soon as possible."



Tiara Letourneau

Tiara Letourneau of Rewrite Capital Advisers paid tribute to the support received from the global employee-owned community "Canada couldn't have done this without the amazing support of US and UK experts. It's something I LOVE about the EO community - the spirit of helping everyone!"

Two Board Appointments at International Doors and Windows

International Doors and Windows, a leading company in the Scottish door and window industry, is welcoming two new directors to their team. James Parker and Andy Robertson have recently joined the leadership team, bringing their unique skills and experiences to the table.

James Parker comes with a wealth of experience in the industry. Where he is expected to contribute to the company's growth and development. His track record includes a series of successful roles within the merchant industry coupled with joinery technical experience, his addition to the team is sure to bring fresh insights and strategies.

Andy Robertson has been with International Doors and Windows Ltd since day one and a key player already in the company's success having been the senior project manager for some time. His promotion to Director will add valuable experience



James Parker & Andy Robertson

to the board ensuring our trade customers' demands are not only met but exceeded.

These appointments come at a critical time for International Doors and Windows, as the demand for doorsets and windows continues to grow. Both James and Andy are expected to play key roles in driving the company's growth and maintaining and improving its reputation for quality, service, and innovation. The entire International Doors and Windows community welcomes them and looks forward to their contributions.



Employee ownership and co-operatives at Holyrood

Pictured: Holyrood EO Round Table

Labour's spokesperson on the Economy, Business and Fair Work at Holyrood, Daniel Johnson MSP invited a number of individuals involved in the employee ownership and co-operative sectors to a round table discussion at Holyrood recently.

Daniel was keen to find out what could be done to better support Scotland's existing worker-owned businesses, and how to encourage new ones. He has visited a number of employee-owned firms and has been impressed at the enthusiasm and commitment he found in each company. He wants to identify the barriers to wider adoption of alternative business models. He began the meeting saying that he was looking to inform the business agenda for 2026, where he sees inclusive business models playing a major part. He was keen to understand what is possible, and what the Scottish government can do to support the sector.

There was some discussion around the similarities and differences between co-operatives and employee-owned businesses. Daniel asked the group if he was right to bring the two together. There were mixed views on this. The structures are quite different, and most employee-owned firms would situate themselves very much with privately owned, entrepreneurial businesses. True co-operatives tended to be smaller with flatter structures. There are some outliers such as retailer Scotmid, which is Scotland's largest independent co-operative.

There was some discussion on secondary co-ops, where co-ops join together to support

each other. The Scottish Agricultural Organisation Society (SAOS) is a particularly successful example. SAOS was established in 1905 to strengthen the profitability and effectiveness of Scotland's farming and rural businesses through co-operation. The growth in employee ownership is relatively recent, and the same infrastructure does not yet exist for employee owned firms to band together in support, although there is a sense that this happens in an informal way with some EOB seeking out other employee-owned firms to work with.

When it comes to support, it was generally agreed that Co-operative Development Scotland assistance is very valuable at the transaction stage. However, there was little ongoing support and it was pointed out that the funding model for the government's own lender, the Scottish National Investment Bank, did not provide support to employee-owned firms. This is something that Daniel said he would investigate.

Daniel asked if there is merit in promoting employee ownership as a start up model. This generated some interesting debate. Most start ups are employee-owned in a way as the entrepreneurs are usually the only shareholders and employees and may offer equity to attract employees. However, it was generally felt that the EOT was for established businesses, and serves as a means to secure the future for businesses and their employees as succession planning.

Daniel said he found the meeting to be very useful, and he hoped to convene the group again to explore further some of the issues identified.

OXFORD INTERNATIONAL SYMPOSIUM

As part of the Oxford International Symposium on Employee Ownership, I was asked to give a summary of the development of employee ownership in Scotland.

My 3 minute speech is replicated below:

There is majority employee ownership in Scotland in all its forms, including employee trust owned companies and worker co-operatives. The most prevalent form- by far- is the employee ownership trust.

- We are proud that the world's first organised workers' co-operative was formed in Scotland. The Fenwick Weavers dates back to 1761 when a small group of self-employed weavers met in secret in the village of Fenwick to sign a pledge of loyalty to one another. The Fenwick Weavers blazed the trail and were followed by a number of other worker co-ops.
 - There have been other landmarks in employee participation in Scotland such as Robert Owen's social experiment of New Lanark in the 19th century where housing and education were provided for workers.
 - The UK's first dedicated fund to support employee ownership was based in Scotland. Initiated in 2001, Baxi Partnership supported several companies in transitioning to employee ownership, typically one or two transactions each year.
 - In 2000 there were 3 employee-owned firms in Scotland, by 2010 there had only been an additional 7. The real catalyst came with the introduction of the Employee Ownership Trust legislation. In 2014, there were just 16 Scottish employee-owned companies, excluding worker co-ops. There are currently around 175 employee-owned firms head-quartered in Scotland, mostly owned by employee ownership trusts, and this number is growing by 25-30 annually. We're a small country - 5.5m population- so proportionately that compares well with rest of UK.
 - There is significant Government support for employee ownership and we do have our champions from all parties in the Holyrood Parliament. Since 2006 Scotland has had a specialist government body – Co-operative Development Scotland (CDS) – dedicated to encourage and support employee ownership of all types. The efforts of CDS have done much to raise awareness and knowledge of employee ownership, particularly amongst professional advisers. We also have a Minister in the Holyrood government with employee ownership as a specific portfolio responsibility.
 - We could be doing a lot better. The Scottish government has an ambition to see 500 employee-owned firms in Scotland by 2030. There is a government consultation underway looking at how we can achieve this growth. And Scottish employee ownership is buoyant. We have some phenomenal success stories. Engineering firm, Woollard & Henry celebrates its 150 year anniversary this year, 21 of these years in employee ownership. Shore Group design medical devices which are used all over the world. STAR-Dundee is a world leader in space technology. Regulatory affairs firm, ESPL, advises pharma companies globally on drugs licensing. There are many more.
- It is such a privilege to be part of this global community of employee ownership, listening and learning from the experiences of others. I feel we are contributing to the creation of something very special – a fairer, more inclusive world economy. Scotland is proud to be playing its part.



Earning and Learning Recognised at Pacific Building

Pacific Building are delighted to announce that they have been awarded another Gold Award by The 5% Club.

The honour is the second gold standard that recognises the company’s significant contribution to the continued development of all their employees through “earn & learn” schemes such as apprenticeships, graduate schemes and sponsored students’ course placements.

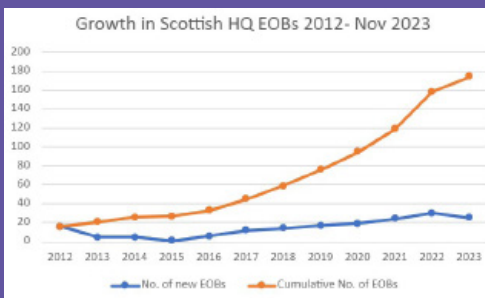
Pacific were just one of the 120 employers who met the Gold criteria in the Club’s 2023-24 Employer Audit Scheme.

The 5% Club is a dynamic movement of employers, all of whom are inspired to take positive action for increased, inclusive and accessible workplace training for all.



Pacific MD Gerard McMahon said: “We are delighted to have again been recognised for our commitment to training and development of young people.”

Employee Ownership in Scotland



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