

## MINUTES

**NOTE:** This SGM was advertised and held as a virtual meeting via Zoom (with assistance offered for members who needed help setting up Zoom).

### **1. Introductions and Apologies**

**Present:** 12 Leathermarket CBS members, CBS directors, CBS staff, and solicitor David Alcock. Quorum was met with over 10% of registered members in attendance.

No apologies were received. 27 proxy forms were received.

Paul Munday, the Co-Chair of CBS, began the meeting at 6:00pm and explained the purpose of the meeting: the CBS Board is proposing an updated constitution, the document that governs CBS operations. The rules have undergone a full revision since CBS was established in 2014 and this is overdue, given that there are now updated templates for community based housing providers.

David Alcock from Anthony Collins, the CBS solicitor, will present and explain these proposed changes.

Paul talked through the procedure for the virtual meeting, explaining how vote counting would be undertaken by raising hands.

### **2. Revised Constitution**

David Alcock explained that the rules haven't been fully revised since CBS was registered in February 2014, and therefore a full revision of the constitution is due. This is particularly the case given that the law governing registered societies has been consolidated under the Co-operative and Community Benefit Societies Act 2014. Additionally, new template documents have become standard for community-based housing providers. A significant portion of the proposed revised constitution follows a standard format. Many of the governance principles for CBS from the current rules have been incorporated into this new document.

David presented the key proposed changes and the reasons for them, as detailed in the table below.

<b>Rule</b>	<b>Proposed change</b>	<b>Reasoning</b>
A2	Clarification of objects	The CBS is focussed on the development of affordable housing. The objects need to make clear that this is the key aim of the society's work, and that any other involvement in regeneration more generally is secondary to it.
C	Removal of references to share capital	The CBS does not currently plan to raise funds by seeking share capital from members. This has meant we can simplify the rules by removing many of the references to shares. If necessary, these can be re-inserted in the future.
C7 and C10	Who can be a member	Currently, the rules permit individuals or organisations to become members. In practice only the JMB and residents living in the JMB area are admitted as members; the constitution should reflect this. Therefore, only the JMB or local Residents will be permitted to become members under the new rules.
C12	Rejection of member applications	The Board should have an obligation to act reasonably and give reasons if it refuses any application for membership.
C14	New process for expulsion of members	Good practice in relation to expulsions from community-based organisations is that there should be a clear process, with a small group making the decision rather than the full Board or the wider membership (to protect the confidentiality of all those involved). The new rule introduces this, with a right of appeal to the full Board.
C22 – C30	Rules on General Meetings	<p>These rules have been amended to reflect the fact that members can appoint a proxy to represent them. They have also made it clear that the Society can hold electronic or hybrid meetings (to avoid any legal doubt).</p> <p>For clarity, the quorum and voting rights at general meetings remain unchanged.</p>
C36	Ballots at general meetings	A ballot can be called for by a minimum of ten members. This avoids a very small number of members being able to delay or disrupt meetings by calling for a ballot.
D2	Composition of the Board	<p>A slight adjustment to Board numbers is proposed though not to Board size. The categories of Board Members have been simplified, so that there will be:</p> <ul style="list-style-type: none"> <li>• a minimum of 7 Resident Board Members;</li> </ul>

Rule	Proposed change	Reasoning
		<ul style="list-style-type: none"> <li>• up to 4 Co-opted Board members; and</li> <li>• the JMB appointed Board Member (who must be a senior JMB officer or a director of the JMB).</li> </ul>
D5	New process for elections for Resident Board Members	<p>There is a new simpler procedure for Resident Board Members, as follows:</p> <ul style="list-style-type: none"> <li>• if the Board feel that a current Resident Board Member(s) is doing a good job, they can propose the re-appointment of that Board Member to the AGM;</li> <li>• if the AGM reject that re-appointment, then the Board must open up the process for nominations;</li> <li>• there is a process for considering and shortlisting nominations, as now;</li> <li>• if there are more approved nominations than spaces on the board, then there is a vote by secret ballot. If there are the same number of candidates and vacancies, then those candidates are deemed elected.</li> </ul>
D6	Co-opted Board Members	<p>Co-opted Board Members are to appointed by the Board for their skills or experience. Currently Co-opted Board Members have no maximum term of office but in the revised rules (as with Resident Board Members) they can serve for up to 9 years. This can be extended if the Board take the view that this is in the best interests of the Society.</p>
D8.6	Barring for previous misconduct	<p>If a Board Member has been found to have carried out conduct which is damaging to the Society, the Society should be able to bar them from standing for election for a defined period.</p>
D10	New process for expulsion of Board Members	<p>Good practice in relation to expulsions from the Board, as with members, is that there should a be a clear process, with a small group making the decision rather than the full Board or the wider membership (to protect the confidentiality of all those involved). The new rule introduces this, with a right of appeal to the full Board.</p>
G15	Definition of "Resident"	<p>The definition of "Resident" for the purposes of deciding who can be a member has been clarified, so that it includes anyone living on any of the Five Estates who also:</p> <ul style="list-style-type: none"> <li>• is accepted for housing in a home built by the Society;</li> </ul>

Rule	Proposed change	Reasoning
		<ul style="list-style-type: none"> <li>• occupies a Society property, including tenants or lessees;</li> <li>• lives in a home managed by the JMB; or</li> <li>• lives in a Council owned property.</li> </ul>

Paul Munday thanked David for the clear presentation and opened the meeting to members for questions and comments.

Q: Nick Pandey raised questions about rule C.12, stating that he found it discriminatory for the CBS Board to have the power to decide that someone cannot be a member. He requested its removal.

A: David Alcock explained that rule C.12 is already present in the existing constitution. The proposed change aims to enhance the rule. The revision obligates the Board to act reasonably and provide reasons if it declines any application for membership, a stipulation that isn't currently in the constitution.

Q: Paul Munday inquired whether this is a standard clause in the new template. Secondly, given that it's a clause in the existing constitution, he observed that it now seems less burdensome for people to become members and more challenging for the board to act without reasonable discretion.

A: David Alcock confirmed it is a standard clause in the new template and agreed that the proposed change now makes it less burdensome for people to become members and more challenging for the board to act without reasonable discretion.

Q: Richard Lee requested that the existing rule be presented. To him, it appears that the rule change is replacing an entitlement to be a member with granting the decision-making power to the Board.

A: David Alcock presented rule C16 from the current rules, which reads:

" Applicants shall be notified of acceptance of their application for membership within one month. Where the applicant is responding to an invitation to purchase shares following the issue of a prospectus by the Board as part of a share offer pursuant to Rule C40-C61. The board has the power in its absolute discretion to accept or reject the application. If the application is approved, the name of the applicant and the other necessary particulars shall be entered in the register of members. One share in the Society shall be issued to the applicant and is non-withdrawable."

David highlighted the paragraph that states, "The board has the power, in its absolute discretion, to accept or reject the application."

Q: Richard Lee mentioned that he was referring to the wording above about members purchasing a share.

A: David responded by stating that all members have a share. However, the CBS is not using share capital to raise funds. Members have a £1 share in the Society, which is how membership operates. Although the CBS only has nominal share capital, all members are technically admitted as shareholders.

Q: Richard expressed that he believes it would be a fair process if, after the Board has provided its reasons for rejecting an application, there are due process associated with it, such as a right of appeal or independent arbitration.

A: David advised that rule G3 addresses this concern, stating that any dispute regarding a matter covered by the rules shall be referred by either party to a suitably qualified independent mediator for resolution.

Q: Richard commented that this is a positive point and inquired if it could be made clearer when someone reads rule C12. He also suggested that the same clarity be applied to any other changes, as the summary of key changes seems to imply that the appeal is to the full Board without mentioning the option for an independent mediator.

A: David explained that the way the rules are structured, in relation to a specific appeal or in cases involving expulsion as a member or Director, the appeal goes to the board. The dispute rule essentially covers any disagreement that arises under the rules. This kind of provision is common in Co-op Societies and is not limited to the specific issues being discussed. It is a general rule which outlines how disputes are managed, as opposed to going through the courts.

David would not expect this rule to be applied specifically under each provision where a dispute might arise, as that would necessitate its inclusion under almost every rule. The overarching statement in G3 clearly describes how to handle disputes that emerge under these rules.

Q: Renars Raudins inquired whether membership expires and if one must continue to be a JMB resident to remain a CBS member.

A: David Alcock explained that membership is not time-limited. There are various circumstances under which a member might cease to be a member: if they pass away, withdraw from the Society, fail to participate in or provide written apologies in advance for three consecutive annual general meetings of the Society and the board subsequently resolves that they should no longer be a member, or if they no longer meet the criteria under rule C12. Rule C12 states that individuals who are JMB residents are eligible to become members. If you cease to be a resident, then you would no longer be a CBS member.

Q: Richard Lee provided further comments on the proposed rule changes:

1. The current constitution emphasizes the importance of democracy and mentions "high-quality homes, democratically controlled by local people." This has been omitted in the updated constitution. While the existing rules emphasize providing housing, especially social and affordable housing, the new wording weakens this emphasis by changing "particularly" to

"including". Richard finds this change detrimental and believes it suggests a potential shift from focusing on affordable housing. He proposes reinstating the phrase "particularly social housing."

2. The objects previously highlighted the importance of renewable energy forms. This has been removed in the updated constitution. Given the global climate crisis, Richard questions the removal of this emphasis on renewable technology.
3. Richard has expressed concerns about the right of appeal in various sections. He opposes rules that shift decision-making power away from the general meeting. While his concerns have been acknowledged, Richard wants to formally register his objection.
4. A change under C22 pertains to proxy votes. Richard believes there is a missed opportunity to enhance transparency in the proxy voting process. He suggests publicly acknowledging those members who have submitted proxy votes to ensure clarity about the voting process.
5. Rule C36, which dictates the number of members required to initiate a ballot, has been modified. The change from three members to ten concerns Richard as he believes it restricts members' rights by necessitating a larger group to call for a ballot.
6. Regarding rules D3, D5, and D6, which cover board member elections and terms, Richard opposes the revisions. He believes they grant more power to the board, potentially reducing transparency and member influence in the nomination and election processes. The current rule mandates a one-year hiatus for board members after serving three terms (nine years). Richard thinks nine years is extensive, and continuing to perpetuate the same group might not be beneficial. The removal of this hiatus and the increased board discretion over member contributions could, in Richard's opinion, diminish member rights and judgment over board members continuity.
7. Richard wishes there had been more informal discussions or opportunities for members to suggest and discuss rule changes during the consultation process. He feels the current approach might disenfranchise members by not offering them a say in amendments.
8. Lastly, Richard inquired if a local authority representative was present at the meeting. He also wanted to know if the responsible officer from the local authority, overseeing the partnership agreement with the CBS, has been involved in discussions about the rule changes and requested feedback on this matter.

A: David addressed the questions in the order presented:

1. David clarified that in the current constitution, specifically the original rules as registered with the FCA when the Society was first set up, he does not see the use of the word "democratic" in the objects. The objects were presented to all to confirm this.
2. Concerning renewable energy, David pointed out that the revised objects encompass other community resources and activities that benefit the area. The capability for the society to involve renewable energy remains, though the phrasing has been adjusted.
3. While Richard's views have been noted regarding right of appeal, David clarified that this issue has already been addressed and does not warrant further discussion.

4. Regarding Rule C22 on proxy voting, the rule merely states the provision for a person to exercise proxy voting. David noted that it is rare for rules to require reading out all member names giving proxies. There might be privacy concerns surrounding this, which he believes are best avoided.
5. On Rule C36, which involves reducing the number of members who can call for a ballot from 3 to 10, the change can be interpreted in different ways. David emphasised that the intention is not to undermine collective rights but to strengthen the process. The idea is not about diminishing democratic control but about ensuring that a tiny fraction of the membership does not hold disproportionate influence.
6. Pertaining to board members and the process under D2, D5, and D6, David explained the procedure of shortlisting candidates for member votes. If there are more candidates than available positions, the current rules apply. The society recently underwent a process involving these rules without introducing changes. On the topic of maximum term for board members, David displayed the relevant section on his screen for clarity. After serving nine continuous years on the board, resident directors must wait for at least one full term of three years before seeking re-election. All appointments are subject to member approval.
7. Regarding consultations on the changes, David concluded by stressing the extensive consultation process undertaken when considering such rule changes. This process involved consultations with a working group of the board, and culminated in the general meeting for final authority.
8. David noted that he was not in a position to comment on the involvement of the local authority and referred the matter to the Chair.

Paul Munday thanked David and addressed the matter concerning the council. He explained, the council would not see it as their prerogative to be directly involved in the constitution of the CBS. While they have an interest and an option of Board observation, the CBS primarily provides services to them. All the relevant documents, including the notice of the SGM, summary document, and draft revised constitution, have been sent to the council. Thus, the manner in which this discussion has been held aligns with their expected position.

Q Richard Lee posed two follow-up questions:

1. Who is the council's observer on the CBS Board?
2. Richard attended the CBS AGM in 2019 and recall that some changes to the constitution were approved. When he mentioned 'democratic control', he was referencing the constitution distributed at that meeting. He asked for check if there have been any changes since the 2014 version that David Alcock referred to?

A David clarified that, although he wasn't present at the AGM in 2019, the official stance is that the rules of the registered society do not take effect until they are registered with the FCA. According to FCA records the rule David referred to were correct.

Paul identified the Council representative as Paul Davies.

Paul then concluded the discussion and prompted all members to cast their vote by

a show of hands.

**Out of the attendees, 10 members voted in favour of the proposed changes, and 2 members voted against. Beverley Nomafo verified that all 27 proxy votes received were in support of the proposed changes, bringing the total to 37 votes in favour.**

Paul confirmed that the motion to adopt the revised constitution was passed.

## **7. Recognition and Thanks**

Paul thanked David for his clear presentation and responses. He also expressed gratitude to all attendees for their participation in the SGM.

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