

Information Note: proposed Rule Changes

The purpose of this note is to provide background information to Association members prior to the Special General Meeting (SGM) on 21st September at which they will be asked to approve changes to the Rules.

Our current Rules were adopted in 2014 based on a 'model' set of Rules published by the Scottish Federation of Housing Associations (SFHA), with the approval of the Scottish Housing Regulator (SHR). From time to time, the SFHA updates its Model in accordance with changes in legal and regulatory requirements and with regard to the views of SFHA members on what might be updated. In 2020, SFHA published an updated set of Rules, with mostly minor changes, but some significant ones too. Anyone interested can read the SFHA Model Rules and guidance here <https://bit.ly/3BPiUA8>

Although adoption of the Model Rules is encouraged, we are not required to exactly follow it except in matters that relate to legal and regulatory requirements. The Management Committee has considered the latest Model at length and proposes that the change to Rules, as summarised below, is approved by members at the SGM. A copy of the proposed Rules is enclosed with this information note and our existing Rules are available to view on our website (<https://bit.ly/3n8pGg2>) - a paper copy can also be requested from our office.

The Management Committee has carefully considered the new Model Rules and is proposing these changes to the Association's Rules as a result. In addition it is proposing that the term 'Management Committee' be replaced by '**Board**' throughout our revised Rules. Many housing associations now use this term and following a recommendation arising from the latest Annual Committee review, the Management Committee has decided that this term would better represent and describe the role of the governing body of the Association and potentially make membership more attractive to potential new Members.

Summary of significant changes to current SHA Rules:

- **New Rule 37.8** grants the Board discretionary power to impose a leave of absence on any Board Member that is being investigated for a potential breach of the Code of Conduct, until consideration of the potential breach is complete.
- **New Rule 39.6** gives discretionary power to the Board to block a nomination for election to the Board, in rare circumstances, where election would be contrary to the Association's Rules or policies, or where a conflict of interest may exist which may adversely affect the work of the Association, or where there is evidence of circumstances showing that election to Board would not be in the best interests of the Association. The change at Rule 39.6 is also linked to changes at Rules 39.7 and 43.1.11.
- **Rules 39 and 40:** The existing arrangement whereby all Association tenants and sharing owners are entitled to vote in Board elections (even if they have opted not to become members) is proposed to be replaced by only share-holding members of the Association being entitled to vote.

It is also then proposed to bring to an end the power of members attending the AGM to ratify (or otherwise) the results of the Board election. Currently, a nominee with the most

votes cannot become a Board Member if at least three quarters of members present at the AGM vote against this. Instead, it is proposed, that those elected to Board would be those who gain the most votes. The new Rule 39.6 would help to mitigate any risks arising from the removal of this provision.

- **Rule 43.1.12** is proposed to be adopted, restricting a person from joining the Board if they are a member of the immediate household of a Board Member or of a governing body member of any other organisation in the Group.

Summary of minor changes to SHA Rules and from Model Rules:

The Model Rules also include a wide number of minor changes to wording, the following are the most significant:

- **Rule 4** in relation to profits is extended to formally note that any profit accrued shall only be applied for furthering the Association's objects and/or in accordance with the Rules, and new Rule **4.2** notes that nothing shall be paid or transferred by way of profit to Members.
- New **Rule 15** aligns with 4.2 formally noting that Members are not entitled to any property of the Association in their capacity as Members and that a share is not withdrawable or transferrable except in the circumstances set out in Rules 16 and 17.
- **Rule 17.2 and onwards** refers to the Co-operative and Community Benefit Societies Act 2014 instead of Industrial and Provident Societies Act 1965, in line with recent relevant legislation.
- Amended **Rules 20 and 24.1** would make clear that in future meetings can take place without everybody being in the same place and thereby allow, for example, meetings to be held virtually, through video-conference where necessary.
- **Rule 27** contains some new provisions in relation to proxies/representatives, retaining existing variances in the SHA Rules related to the election of Board Members. A final sentence is added to **27.1**, noting that the Chairperson shall not be entitled to act as a representative of any other Member.

Approval of changes:

Changing the Association's Rules requires a vote of at least 75% of the members attending a Special General Meeting. The SGM has been arranged for the same day as the AGM in the hope to ensure as a high a turnout as possible at both meetings. The Management Committee has spent some time reviewing and discussing the proposed changes and is clear that the Association should adopt the changes to our Rules as detailed in this briefing. The Committee therefore seeks your support for the proposed Rule changes.

Shettleston Housing Association
September 2021