

16 August 2020

Dear members of CC,

This note sets out the position in regard to:

- Financial governance, in particular regarding access to the PayPal account
- The recent call for a Special General Meeting

It outlines some of the steps officers are taking to address members' concerns, following the legal advice obtained. The legal opinion, already circulated to SHA members, is attached for ease of reference.

Financial matters.

The Treasurer has identified a lack of financial control over a long period of time. We share many of these concerns. The adoption of Financial Instructions by Central Council set out how many problems could be corrected. The Treasurer has refused to implement them and has blocked the SHA bank account. Legal advice has been taken and a letter has been sent advising the Treasurer of the consequences of these actions.

We will propose to Central Council that an examination is undertaken of the financial systems and records by someone suitably qualified and independent. This should look at practices over the last 3 years, so the financial position of the SHA can be properly understood. We would want a report back to Central Council, making clear recommendations.

We welcome suggestions as to how the Financial Instructions should be strengthened and improved over time.

Cooperative bank account the bank mandate is currently wrong and in breach of the Constitution with the wrong people having permissions whilst the correct people do not. We are trying to rectify this. A proper investigation into those matters must be linked to a change of bank mandate so control rests with the elected officers.

Pay Pal

Since 2014 the SHA has used PayPal to collect subscriptions. Reconciliation is not easy, and PayPal offers data in an inconvenient manner, mixing personal information with payment details.

The new Treasurer, Ms Leonard, has raised and also widely circulated, concerns that she has "*not been given access to and control of the PayPal account*". As has been explained to Ms Leonard if "full access" is given, it would lead to Ms Leonard having access to the personal data and financial information of approximately 1000 members of the SHA. The SHA does not have the explicit consent of members to provide this level of detail to anyone other than the SHA's nominated "data controller" the Administrator, Ken Smith. Indeed, the SHA would be acting unlawfully if it provided Ms Leonard with non-financial, personal data relating to SHA members.

As has been the practice for many years, **the Treasurer has been provided with a complete set of transactions to explain all money that has passed into and out from the PayPal account.** Money received into the PayPal account is transferred to the CoOperative accounts by the SHA Administrator, Mr Ken Smith, who is contracted to provide administration services.

Special General Meeting (SGM)

The calling for an SGM was linked to the threat of an injunction to prevent the recent Central Council meeting from taking place and calling for an SGM instead. The threat was countered with legal advice shared with members. No injunction occurred.

The matter was on the Agenda for the Central Council meeting on 1 August but was not reached and so will now be considered at the next meeting – the issue not being one that it would be appropriate for Officers alone to deal with.

Legal advice regarding Special General Meetings:

Our legal advice stipulates that the right procedure is for members who wish to raise an issue which has been considered by the Central Council to draft a motion in relation to that particular issue, and then to seek to have that issue considered at a Special Meeting of the Association. If the members of the SHA pass the resolution, the practical effect is that this resolution has effect in substitution for any relevant decision taken by the Central Council.

The power to call a Special Meeting of the Association cannot be used, in effect, to overturn election decisions taken by the membership as a whole. The right way to challenge such elections is to wait until the end of the term of an officer then to contest the election in the usual way.

Decisions about when a Special Meeting of the Association should be held and the practical arrangements for the holding of such a meeting are matters to be determined by Central Council. The issue of how to make practical arrangements for an SGM during the Covid restrictions respecting the SHA constitution without disenfranchising any members will be on the Agenda for the next Central Council meeting, to be held soon.

There are a number of difficulties with the proposed resolution.

The resolution is attached for ease of reference. It does not deal with the core issue that the elections of some Branch delegates to the Central Council failed to follow the rules set out in the constitution. Arguably this aspect has already been overtaken by events, with the holding of the Central Council meeting and its consideration of the matter.

The motion says: *“Our national Treasurer has been reporting serious financial irregularities.”* What it fails to say is that these relate to matters that largely happened before the election of the present officers. There is also a list of recommendations from the SHA Auditors that have not been implemented, for example the lack of a formal accounting system. We feel the wording does not provide the full context and therefore a fair representation of the situation.

The resolution also says: *“Full financial controls to be placed in the hands of our National Treasurer as required by our constitution”*. What the Constitution actually says is that *“the Honorary Treasurer shall be the custodian of all the money due to the Association”*. This is completely different; showing the resolution is factually incorrect. The claim about the role of the Treasurer is also totally at variance with how the SHA has always operated.

Further as a matter of good governance no single person should have complete control over the money belonging to an organisation. We would be failing in our duty to set up proper governance arrangements if, for example, financial control was passed to a single individual, which the resolution calls for.

The practical details for setting the date and place of the SGM

These are matters to be decided by either the officers or by the Central Council pursuant to their general obligation to manage the affairs of the Association. The arrangements cannot be part of the resolution because, by definition, no decision has been made to approve the resolution at the time that it is submitted. It is up to Central Council to work out any arrangements.

Once any issues over the wording of a call for an SGM are resolved by Central Council then the date, place and time of the meeting has to be set. All members must then be given at least 2 weeks' notice of the terms of the proposed resolution and the date, place and time fixed for the meeting. If any part of the resolution seeks to change the Constitution – as this one did by redefining the role of the Treasurer – then 3 weeks' notice is required, and a two thirds majority vote is required.

Any SGM must be as inclusive and constructive as possible. We are extremely concerned about the proposal to use Zoom to facilitate a meeting which could potentially involve many members. The use of Zoom would appear to disenfranchise anyone who does not have online access with strong broadband. The officers do not underestimate the challenges faced by Central Council in arranging a meeting at which, at least, only some members will be able to attend in person (even if others attend online) during the present pandemic.

The discretion to decide the right way to hold such a meeting lies with the Central Council. Physical meetings cannot be held but there may be other ways to arrange for an SGM, adapting to the Covid restrictions, and this will be discussed by Central Council. One suggested approach has already been put forward. Central Council will need to be creative to find the best arrangement and would welcome your suggestions.

We hope this clarifies the position. We will be placing all documents, explanations and communications on the SHA website in the next few days.

The Agenda and papers for the next Central Council meeting will be sent out in accordance with the agreed Standing Orders, as soon as arrangements can properly be made.

Yours,

Brian Fisher (Chair), Jean Hardiman-Smith (Secretary)