

CMS

Co-operative & Mutual Solutions Limited



FORMATION OF THE WARDS CORNER COMMUNITY BENEFIT SOCIETY

FINAL REPORT



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CO-OPERATIVE AND MUTUAL SOLUTIONS

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Executive Summary

The Wards Corner Community Benefit Society (CBS) will restore and bring back into full use the locally-listed Wards building in Seven Sisters, Tottenham.

A Community Benefit Society is an incorporated body with limited liability under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Financial Conduct Authority (FCA). A society for the benefit of the community (CBS) exists for the benefit of a defined community. It is different to a Co-operative Society, which exists for the benefit of its members.

In 2021, the West Green Road/Seven Sisters Development Trust made a successful application for support to develop the Wards Corner CBS, provided via Tier 1 of the Mayor of London/CoopsUK *Boosting Community Business* programme. Through this programme, the Trust received eight days support from Cooperative and Mutual Solutions (CMS), an approved CoopsUK support provider. This support included meetings, training sessions and workshops to explore key governance issues with the Trust and the CBS' key beneficiary communities: market traders, local residents, local businesses and market/town centre users. Presentations were also made to Haringey Council and Transport for London officials.

Workshops with beneficiary communities involved presentations, indicative polls and opportunities for questions and comments. Participants were asked their views on key governance issues: the community benefit objects of the CBS; its members and Board; and the future relationship between the Development Trust and the CBS. Market traders were also asked about how they would like to be represented within the CBS, and for their initial views on future management options for the new market within the restored Wards building. An on-line survey replicating the indicative polls during the workshop was circulated to enable those who had not attended the workshops or who needed time to consider issues raised in the workshops to give their views. The presentation and survey were translated into Spanish to support participation of Latin American market traders and users. Over 100 people participated in the workshops and survey in total. Emerging findings and recommendations were also presented to an online meeting of around 80 interested residents, traders and supporters in November, and were further refined through discussions with the Trust and the 'founding members' of the CBS.

This report summarises the outcome of this process, making the following recommendations:

1. That the Co-ops UK Model Rules are used as a base for the Rules of the new Wards Corner CBS.
2. That the Rules include an asset lock.
3. That the CBS has a particular purpose to restore and operate the Wards building but is also afforded some 'wriggle-room' in its objects to pursue other projects for the benefit of the community.
4. That the CBS aims to benefit the community of Tottenham and London's Latin American community.
5. That there are two classes of members for the CBS: those within the defined community of benefit and those outside it. A lower minimum investment threshold should be introduced for people within the defined community of benefit, and a

minimum threshold set for the percentage of members from the defined community of benefit.

6. That the Board is made up of around 10 members and that the CBS can form Sub-Committees including non-Board members as well as Board members.
7. That market traders are represented on the CBS both by directly electing two representatives to the Board and via a specific Traders Sub-Committee of the Board. Once the CBS is registered, further work will be done with traders to explore and finalise how their representatives will be appointed to the Board and the Traders Sub-Committee.
8. That the Trust directly appoints a representative to the Board of the CBS
9. That the CBS should have a power to donate some of its profits to the West Green Road/Seven Sisters Development Trust, and that the Trust is named as recipient of the CBS' assets in the event of a winding-up once the Trust has secured charitable status (and therefore the necessary asset lock).

To register the Wards Corner CBS, its Rules and the names and addresses of its founding members will be submitted to the FCA for approval, with the support of CMS. The founder members of the CBS will be drawn from the defined community of benefit of the CBS, and will determine the final Rules of the CBS to be registered.

Once the CBS is successfully registered, the founder members will be responsible for its initial development. They will directly appoint an Interim Board until the first Board is elected at the first AGM of the Society within 18 months of registration. The founding members and the initial Board will meet regularly in order to develop the new organisation, working closely with its key beneficiary communities. Initially, the Trust will continue to play a strong role in advancing the Community Plan and supporting the development of the CBS, so as to retain the confidence of key stakeholders, in particular TfL and Haringey Council. Over time, however, the CBS will take greater ownership over the project, with the aim of becoming more independent around the time of its first AGM.

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1 INTRODUCTION

The Wards Corner CBS will restore and bring back into full use the locally-listed Wards building in Seven Sisters, Tottenham. This three-storey steel-framed Edwardian building and remodelled residential brick terraces housed the Wards department store from 1901 until 1972. Since 1985, part of the ground floor has housed the Seven Sisters Indoor Market, initially serving African and Caribbean communities. As time passed, the Market increasingly served London's growing Latin American community, giving it its popular name of the *Latin Village*. It was listed as an Asset of Community Value by Haringey Council in 2014 and recognised as a cultural centre for London's Latin American communities by the United Nations in 2017. Although the wider building has been neglected and largely left vacant, the Market itself flourished until it was closed by the building owner, Transport for London, in March 2020 due to health and safety issues.

In 2014 and in 2019, the West Green Road/Seven Sisters Development Trust (the Trust) together with Wards Corner Community Coalition and Save Latin Village secured planning permission for an alternative Community Plan. Rooted in over 15 years campaigning and community engagement, the Community Plan is widely supported by market traders, local businesses, residents and community groups. It will restore heritage buildings and revive the high street and town centre following years of neglect and disinvestment linked to Grainger's previous failed development plan. It will provide 1,700sqm retail/café space (including a new market), 400sqm small business office space and 200 sqm community space, including a childcare centre. It will provide an inclusive environment, including a new lift and accessible toilets. It will provide jobs, training and apprenticeships for local people. Income from renting space in the restored building will generate a surplus for reinvestment in other local community and enterprise initiatives in Tottenham.

Since securing planning permission, the Trust has commissioned feasibility and viability studies and has advanced discussions with Transport for London to secure a long-term lease. As the Trust has a wider remit to support community- and business-led development in the West Green Road/Seven Sisters town centre, it always intended to set up a separate body to deliver the Community Plan. In 2021, the Trust therefore began the process of setting up the Wards Corner Community Benefit Society (CBS), a new democratic community-owned body to restore and manage the Wards building for the benefit of the community. Setting up a CBS will enable a Community Share Offer of an estimated £0.5-1m to part-finance the development.

In 2021, the Trust made a successful application to Tier 1 of the Mayor of London/CoopsUK *Boosting Community Business* programme for support to develop the new Wards Corner CBS. Through this programme, the Trust received eight days support from Cooperative and Mutual Solutions (CMS), an approved CoopsUK support provider.

Through several initial meetings, the Trust and CMS agreed the following work plan:

- One initial training session on CBSs for the Trust and core team.

- Four online workshops with market traders (and workers), local residents, local businesses (and workers), and market/town centre users to discuss and seek views on key governance questions for the CBS, supplemented with an online survey.
- Two online presentations to Haringey Council and Transport for London officials. Whilst neither organisation was able to provide input about their potential role or involvement, these presentations were useful in informing key stakeholders about the CBS.
- Presentation of emerging recommendations from the workshops to a larger community meeting.
- Preparation of a final report setting out recommendations on the CBS to the Trust and 'founding members' of the CBS.
- Support to register the CBS with the Financial Conduct Authority, in particular preparation of the governing 'Rules' document.
- Advice on the further development of the CBS once registered.

Workshops were facilitated by Dave Hollings from CMS with support from trustees and workers contracted by the Trust. The workshops involved presentations, indicative polls and opportunities for questions and comments. The workshops took place on Zoom at the following times:

- Market traders and workers: Wednesday 29th September, 6:30-8pm
- Local residents: Wednesday 6th October, 6:30-8pm
- Local businesses and workers: Wednesday 13th October, 6:30-8pm
- Market and town centre users: Wednesday 20th October, 6:30-8pm

Workshops were promoted by the Trust via email, social media, local networks and flyering of the relevant group. Workshops were open to all, regardless of whether they were involved in any specific trader, business, resident or other groups. Workshops were recorded for the benefit of anyone unable to attend, and people were able to submit their views and feedback via email. An on-line survey replicating the indicative polls during the workshops was circulated to enable those who had not attended or who needed more time to consider issues raised to give their views. The presentation given during the workshops and the survey were translated into Spanish to support participation of Latin American market traders and users.

A meeting with Haringey Council took place on Zoom on 22 October and a presentation was made to Transport for London on Teams on 4 November. Neither Haringey Council nor Transport for London expressed any desire to have a seat on the board of the CBS.

A large in person community event was planned for 24 November to present the emerging findings from the workshops to the community, and to seek input into new design work on the Community Plan. Unfortunately, a cluster of Covid 19 cases among the organisers meant that holding this event in person was neither practical nor advisable. The event was moved online at short notice, with 76 people in attendance. The emerging proposals for the CBS were presented and then briefly discussed in small breakout groups. No concerns or issues were raised.

Participants at workshops and events were invited and encouraged to volunteer their time and skills to support the development of the CBS. As people came forward, the Trust set up email lists and convened regular meetings to coordinate the growing group. Volunteers were invited to put themselves forward to be founding members of the CBS.

After the workshops and events, CMS prepared a draft report summarising the findings from this process and making recommendations for the governing Rules of the CBS. The draft report was finalised following meetings with the Trust and the founding members. Its recommendations are highlighted in **bold** throughout and summarised in both the Executive Summary and Conclusion.

2 WHAT IS A COMMUNITY BENEFIT SOCIETY?

A Community Benefit Society is an incorporated body with limited liability under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Financial Conduct Authority (FCA). A society for the benefit of the community (CBS) exists for the benefit of a defined community, not for the benefit of its members as in a Co-operative Society.

CBSs are limited by shares, but these are different from company shares - they do not gain in face value, can be bought back by the CBS and one member, one vote always applies, no matter what a member's shareholding. Such shares can be offered to the public through a community share issue without all the complex and expensive regulation that applies to public offers of tradeable company shares.

CBSs are most commonly used when a community wants to buy or take over an asset, when a community needs to raise some of the capital it needs from a community share issue, and/or when there is a desire for wider community ownership through membership. A CBS is therefore a well-suited model for restoring and managing the Wards buildings for the benefit of the community, delivering on the ambitions of the Community Plan.

Incorporating a CBS creates a separate legal person from the members. This enables the CBS do things like own property and employ staff in its own name. It also means that the members and directors have limited liability if things go wrong. Members' liability is absolutely limited to the value of their shares.

More information about CBSs is at Appendix 1.

2.1 Rules

The 'Rules' are the governing document for a Society, like the Articles for a Company or the Deed for a Trust.

The FCA has a legal duty to check the Rules of a proposed Society to see if these reflect the principles laid down the Acts. Because the FCA has a positive brief to check the Rules of any new society to see if they comply with Society legislation, registration of a non-model set of Rules can be a drawn-out process. Most CBSs therefore tend to register with a model set of Rules with very few amendments. There are two main sets of Model Rules available, prepared by Coops UK and the Plunkett Foundation.

The [Co-operatives UK Model Rules](#) have a number of options (pre-agreed with the FCA) within them, which limits the number of amendments to the Model Rules and so limits the registration fee. Conversely, the Plunkett Foundation Model does not have as many pre-agreed options with the FCA, making registration more expensive due to the need for a higher number of amendments.

Recommendation 1: CMS therefore recommends using the Co-ops UK Model Rules as a base for the Rules of the new Wards Corner CBS.

2.2 Community Share Issues

Community Share Issues offer withdrawable shares in Societies to the community served by the business. Anyone who supports the objects of the Society can buy shares. Shares are withdrawable and can't be sold to other people, only receive limited interest and there is one vote per member. Community shares are patient capital, with members holding their shares for years. The Wards Corner community share issue is expected to be for up to £1 million, out of an estimated total construction cost of £13m.

More information about Community Shares is at Appendix 2.

2.3 Members of the Society

Members are the owners of the Society and directly elect the Directors. Members can be any individual or organisation owning shares in the Society. There must be at least one AGM every year but there can be more members' meetings. The Wards Corner CBS is expected to have membership in the thousands.

2.4 The Directors

The Society has a Board of Directors, drawn from its membership. The Board is elected by the members of the CBS. Directors must act in the best interests of the Society as a whole. At each AGM normally one third of the Directors must stand down although they can stand again for re-election.

2.5 Asset lock

An asset lock is a Rule that prevents the distribution of residual assets to members. The purpose of an asset lock is to ensure that the public benefit or community benefit of any retained surplus or residual value of the Society cannot be distributed for the private benefit of members. Asset locks are a common feature of Societies issuing community shares because they remove the possibility for members to make speculative capital gains resulting from the dissolution, disposal or conversion of the society into a company.

The [Community Benefit Societies \(Restriction on Use of Assets\) Regulations 2006](#) introduced the option for community benefit societies to adopt a statutory asset lock with similar strength to those available to Community Interest Companies.

This restriction on the use of assets means that any residual assets, after all members' share capital has been refunded according to the rules of the society, must be transferred to one or more of the following: another prescribed community benefit society, a community interest company, a charity, a charitable community benefit society or a registered social landlord (subject to conditions).

The restriction can be important in reassuring both community and other stakeholders (such as local authorities) that the Society is set up for community benefit. Legally removing any possibility of members distributing the Society's assets among themselves provides

unambiguous evidence that the assets of the Society will always be used for community benefit.

Recommendation 2: CMS therefore recommends an asset lock is included in the CBS Rules to provide reassurance that the Society will be operating for community benefit.

3 KEY GOVERNANCE ISSUES FOR THE WARDS CORNER CBS

The workshops and survey were designed to seek views from market traders, local residents, local businesses and market/town centre users on the key governance issues at the heart of the Wards Corner CBS, informing the new organisation's 'Rules':

- How tightly the CBS should focus on the Wards building;
- how to define the community that the CBS would benefit;
- whether to introduce measures to ensure strong representation within the CBS from the community of benefit;
- whether any of the Directors of the Society should be directly appointed by specific groups (e.g. by the market traders; by the Trust), while ensuring the large majority are directly elected by the members of the CBS; and
- the future relationship between the Trust and the CBS.

Market traders were also asked about how they wanted to be represented in the CBS, and for their initial views on possible management options for the new market in the restored Wards building.

Participants were also asked how they wanted to be involved in and contribute to the CBS. It was explained that the philosophy underpinning the CBS was that its members would contribute their experiences, skills and time. Participants were asked which means of engaging and involving them they would prefer and could give as many answers as they wished. They were also encouraged to help promote workshops locally, and to contribute to developing the CBS and advancing the Community Plan. Over 20 people came forward initially to offer their time, skills and experience to this task. The pool of volunteers grew significantly over the next several months, meeting regularly and setting up sub-groups to work on key areas. 13 individuals came forward to serve as the founding members of the CBS, including both long-term and new volunteers, and a range of market traders, local residents and local businesses.

A total of 101 people participated in the workshops and survey. However, responses to indicative polls and questions were rather lower for the more technical or more abstract questions. A small number of questions in the first workshop were amended in the subsequent workshops considering feedback from participants.

3.1 How tightly to focus the CBS objects on the Wards building

There was a strong preference emerging from the workshops and survey for the CBS objects to be narrowly focused on the Wards building, rather than being more broadly focused on the area more generally (Table 1). A narrow remit could cause the CBS problems, however, for example if the bidding process for the lease of the Wards building is delayed and/or if the CBS is not eventually successful in securing the lease from TfL. Since the workshops, the Trust was notified that its funding application to develop the CBS's Community Share Offer was unsuccessful, in part due to the ongoing uncertainty over the site. In this context, having a

broader purpose that extended beyond the Wards building could be helpful to the CBS, enabling it to progress its development even while the future of the site remains uncertain. In the event that the CBS did not secure the Wards building, the efforts of the community to develop the CBS would not be put to waste but rather could be re-oriented towards delivering the goals of the Community Plan through other projects.

Recommendation 3: CMS therefore recommends that the CBS has a particular purpose to restore and operate the Wards building, but is also afforded some ‘wriggle-room’ in its objects to pursue other projects for the benefit of the community. This is achieved via the middle option.

Table 1: The focus of the CBS

<u>Possible options for the purpose of the Wards Corner CBS</u>	<u>No. of responses (% of total to question)</u>
To restore and operate the Wards Building (including the Seven Sisters Market) for the benefit of the community of Tottenham (or another area)	39 (56%)
To benefit the community of Tottenham (or another area), in particular by the restoration and operation of the Wards Building	17 (25%)
To benefit the community of Tottenham (or another area) by preserving and sustainably managing buildings in the community	13 (19%)
Total responses to this question	69

3.2 The community benefit of the CBS

In many CBSs, the community of benefit will be local residents within a defined geographical area. In the case of Wards Corner, the community benefit of the CBS requires more detailed consideration. The Community Plan aims to benefit not just local residents but also market traders, local businesses and people who shop in the local area, including Latin Americans who live and work elsewhere but come to Seven Sisters Indoor Market to access culturally specific cafes, shops and services.

Initially, we approached this issue by asking survey and workshop participants two key linked questions: 1) what the area of benefit should be, and 2) who should be included within the defined area (Tables 2 and 3). Amongst the various local areas identified as possible options, participants expressed a clear preference for the area of benefit to be ‘Tottenham’. They also expressed strong support for including people who live in Tottenham and moderate support for including people who work in the area and people who use or shop in the area.

These choices have operational and administrative implications for the Wards Corner CBS. If, as is proposed in the next section, measures are introduced to ensure a majority of members come from the community of benefit, the CBS will need a means of verifying this for any potential member. Whether someone lives or works in Tottenham can be checked

easily by the address of where they live or work. Whether someone uses or shops in Tottenham will be harder to demonstrate and is therefore likely to cause some administrative difficulties. However, excluding this group from the community of benefit would risk marginalising within the CBS Latin American market users who live and work outside Tottenham but travel into the area to use and shop at Seven Sisters Indoor Market. A new approach is therefore needed to ensure the Wards Corner CBS delivers benefit to London's Latin American community into the future, while balancing administrative complexity.

Recommendation 4: CMS recommends that the CBS should have two community benefit objects: the community of Tottenham (people who live or work in the area) and London's Latin American community (Latin Americans living in London).

Table 2: The geographical area

<u>How do you define the geographical area of the community?</u>	<i>No. responses (% of total to question)</i>
South Tottenham	18 (23%)
Tottenham	39 (49%)
N15 postcode	10 (13%)
N15 and N17 postcodes	12 (15%)
Total responses to this question	79

Table 3: Who would be included within the area

<u>Who would be included in the community?</u>	<i>No. responses (% of total to question)</i>
People who live in the area	52 (48%)
People who work in the area	29 (27%)
People who use the area	27 (25%)
Total responses to this question	108

3.3 The Members

Typically, a CBS doesn't place restrictions on who can buy shares in order to secure investment other than that they support what the Society is doing. However, mechanisms can be introduced to ensure people from within the community of benefit are strongly represented.

Having two classes of members (people from within the community of benefit and people outside the community of benefit) could enable different minimum thresholds for investment to be set for the two classes of members. For example, people within the community of benefit could be able to purchase a share for a lower minimum investment than people from outside the community of benefit. Having two classes of members would also enable a

minimum threshold to be set for members from within the community of benefit; for example, there could be a requirement for a minimum of 50% of members to be from within the community of benefit.

However, such mechanisms introduce administrative costs, make communication more complicated, and can have implications for investment potential. These issues therefore need to be taken into consideration and balanced against the goal of ensuring strong representation from within the community of benefit.

In this case, there was very strong support in the workshops and survey for a lower minimum threshold for shareholding for people within the defined community of benefit (Table 4)). Many added additionally that they felt the threshold for those within the defined communities should be lower than £25 to ensure accessibility. There was some support for having a minimum threshold of 50% of members from within the defined community of benefit (Table 5).

Although introducing these thresholds could reduce the total investment potential of the Community Share issue and impose additional administrative and communication costs on the CBS, such costs seem justified in this case. As the Wards building is located in a relatively low-income area, a lower investment threshold for members within the community of benefit will help to ensure as many as possible local supporters are able to become members. Relatedly, as this is a project with a positive reputation beyond the immediate locality, it is not unlikely that there will be considerable interest in the Community Share issue from supporters outside the local area and even internationally, particularly in Latin America. It therefore seems reasonable in this case to introduce a minimum threshold for community benefits to ensure they retain a strong role in the CBS into the future. While such measures may impact upon the total investment potential of the community share issue, they are consistent with the longer-term goals and values of the Community Plan. A lower community share issue (estimated £0.5-1m) will mean a greater amount of funding or investment will need to be obtained from other sources. This impact is, however, marginal in relation to the total cost of the project is an estimated £13m.

Recommendation 5: CMS recommends that there are two classes of members for the CBS: those within the defined community of benefit and those outside it. A lower minimum investment threshold should be introduced for people within the defined community of benefit, and a minimum threshold set for the percentage of members from the defined community of benefit.

Table 4: Lower threshold shares for community members

<u>Should there be a lower minimum threshold for local investors?</u>	<i>No. responses (% of total to question)</i>
Yes	51 (57%)
No	5 (6%)
Unsure/No response	34 (37%)
Total responses to this question	90

Table 5: Minimum threshold of members from the community

<u>Should there be a minimum threshold on the percentage of members from the beneficiary communities?</u>	No. responses (% of total to question)
Yes	34 (38%)
No	10 (11%)
Unsure/no response	46 (51%)
Total responses to this question	90

3.4 The Board

There was strong support from the workshops and survey for the CBS to be a democratically run organisation with most or all the board directly elected by the members of the CBS. This is also a requirement of the FCA. There was a strong preference for the Board to have Sub-Committees – including non-Board members as well as Board members -to widen participation in decision making (Table 6).

People were asked whether *in general* any group or organisation should have the right to elect Directors directly to the Board. 35% of those responding to this question were in favour of this option, with 25% opposed and 41% unsure or did not respond (Table 7). Specific questions also explored how market traders should be represented within the CBS, and the relationship between the Trust and the CBS; these questions are discussed below.

Workshop and survey participants did not identify any other organisation which they felt should have a reserved seat on the Board. Neither Haringey Council nor Transport for London expressed a wish to have a seat on the Board.

Recommendation 6: CMS recommends that the Board of the CBS is made up of around 10 members, three of which would be appointed by specific groups or organisations (see below). A Board of approximately this size would enable the CBS to draw on relevant skills and experience and ensure strong links with beneficiary communities. In addition, CMS recommends that the CBS is able to form Sub-Committees including non-Board members as well as Board members.

Table 6: Sub-committees and working groups

<u>Should there be Sub-Committees or Working Groups of the Board that provide a mechanism for specific groups to inform decision-making?</u>	No. responses (% of total to question)
Yes	49 (49%)
No	17 (17%)
Unsure/no response	35 (35%)
Total responses to this question	101

Table 7: Appointed directors

<u>Should any group or organisation have the right to elect Directors directly?</u>	<u>No. responses (% of total to question)</u>
Yes	35 (35%)
No	25 (25%)
Unsure/no response	41 (41%)
Total responses to this question	101

Market traders

Market traders (only) were also asked how they would like to be represented within the CBS: by directly electing representative(s) to the Board, and/or via a Traders Sub-Committee of the Board. In the market trader workshop, participants were strongly in favour of traders having a seat on the Board over the option of traders being represented via a Sub-Committee of the Board (Table 8). There was much stronger support for trader organisations to directly appoint their Board representative(s), rather than just those market traders who were members of the CBS. Responses to the online survey were more mixed, however, with a roughly equal number of traders wanting representation on the Board and representation via a Sub-Committee.

These differences may reflect differences of opinion between the two organisations representing market traders at present: the Seven Sisters Market Tenants Association (SSMTA) – which represents the majority but not all licensed market traders – and the Market Traders and Workers Union of Seven Sisters (MTWUSS) – which represents a number of other market traders and workers. Only members of the SSMTA participated in the workshop, while survey respondents included members of both organisations. It therefore seems that MTWUSS members would prefer representation via a Sub-Committee of the Board, while SSMTA members would prefer representation via the Board.

Recommendation 7: Considering these mixed responses, CMS recommends that market traders are represented on the CBS both by directly electing two representatives to the Board and via a specific Traders Sub-Committee of the Board. Once the CBS is registered, further work should be done to explore in detail with traders how they will elect their representatives to the Board and the Traders Sub-Committee.

Table 8: Preferred option for formal representation of traders in the CBS

Traders to be represented on the board – although they would need to be elected by trader members of the CBS	7 (37%)
Trader groups to have right to elect a Board member directly	11 (58%)
Traders to be represented through a Sub-Committee of the Board	0 (0%)
Total	18

The Trust

Answering a larger question about the relationship between the Trust and the CBS (Table 9 below), 26 of the 40 respondents (65%) expressed the view that the Trust should either have a seat on the board or have a seat on the board plus other constitutional rights.

Having a direct representative on the Board of the CBS is consistent with the role of the Trust in facilitating the registration of the CBS and supporting its early development and will help to ensure a positive relationship between the Trust and the CBS into the future.

Recommendation 8: CMS recommends that the Trust directly appoints a representative to the Board of the CBS.

3.5 The wider relationship between the CBS and the Trust

People were also presented with a range of options for the wider relationship between the CBS and the Trust, which will be registered as a charity (Table 9). This was something which many people had not previously thought about and therefore were not sure how to answer. Response rates were therefore relatively low for this question with just 40 people responding in total.

Views on this issue were mixed, ranging from the 15% of respondents who said they wanted no relationship with the Trust to the 10% of respondents who said they wanted the Trust to be an ‘anchor institution’ embedded within the CBS with a wide range of constitutional rights and influence.

Recommendation 9: Given the spread of views, CMS recommends a ‘middle ground’ position in which the Trust directly appoints a representative to the Board (as discussed above), is able to receive a portion of the surplus generated by the CBS for reinvestment in other similar initiatives in the local area, and the right to receive assets in the event of a winding-up of the CBS, once it has secured charitable status. This relationship seems appropriate in light of the role the Trust has played in advancing the Community Plan and facilitating the process of setting up the CBS, as well as the community’s hope that the Community Plan kickstarts other similar community- and business-led initiatives at Wards Corner and in the wider local area. Once the Trust has secured charitable status (and with it the necessary asset lock), the Rules of the CBS should be amended to specify the Trust (or any body that succeeds to its function) as the recipient of asset locked funds.

Table 9 – What should be the relationship between the CBS and the Trust

No relationship	6 (15%)
Just a member	8 (20%)
Seat on the Board	9 (22.5%)
Other constitutional rights	13 (42.5%)
Anchor institution	4 (10%)
Total	40

3.6 Involvement in the CBS

The workshops and survey also explored how people would like to be involved in the CBS more widely. Members of the CBS and the wider community will have experience, skills and time they may be able to offer to the CBS, beyond voting on key issues once a year at an AGM. For the CBS to benefit from this wider experience and knowledge, it will be important to develop ways to involve and engage people flexibly and regularly. These involvement and engagement mechanisms will not be stipulated in the governing Rules but will be developed in detail by the CBS once registered. However, we took the opportunity to garner initial views and preferences through the workshops and survey.

Not surprisingly, traditional ways of involving and engaging with people (word of mouth conversations, newsletters, and physical meetings) were popular choices (Table 10). However, so were collective activities – an example given in the workshops was an organised litter pick around the site. Such involvement and engagement is not formal and is not about decision making but more a sense of belonging and contributing to a community

Electronic involvement and engagement were as popular as physical engagement and involvement (Table 11). The most popular means (both physical and electronic) was through e-mail. Zoom meetings were slightly more popular than physical meetings, although as the consultations were held by Zoom that may not be too surprising. It is worth noting also that the slight preference for Zoom meetings could have been reflective of concerns around Covid, which may change over time. Social media was also popular.

The CBS will undertake more detailed engagement with the community to shape mechanisms for involvement. We suggest a particular effort is made to engage with young people, as from observation it seemed that few young people participated in the workshops.

Table 10 Preferred means of physical involvement (multiple choice)

Word of mouth	32 (32%)
Newsletters	42 (42%)
Physical meetings	36 (36%)
Focus groups/consultations	31 (31%)
Collective activities	35 (35%)
Total responses to this question	101

Table 11 Preferred means of electronic involvement (multiple choice)

E-mail	69 (69%)
E-magazines	26 (26%)
WhatsApp	35 (35%)
Zoom meetings	39 (39%)
Facebook	32 (32%)
Twitter	32 (32%)
Instagram	30 (30%)
Total responses to this question	101

4 CONCLUSION

In light of the recommendations made in this report and summarised in the Executive Summary, CMS proposes the CBS is registered with the following amendments to the CoopsUK Model Rules:

- a. The objects should be: To benefit the diverse communities, in particular but not limited to Latin American, Black and other minoritised groups, who live and work in Tottenham or who use its economic, social and cultural facilities by the restoration and operation of the Wards building (Recommendations 3 and 4).
- b. There should be two classes of members: 1) people who live or work in Tottenham and Latin Americans who live in London; and 2) everyone else. This will enable the CBS to set a minimum threshold and a lower minimum shareholding for the first class of members at a later stage (Recommendation 5).
- c. There should be a board of directors of around 10 comprised as follows (Recommendation 6):
 - i. 9 directors elected by the members (retiring by thirds)
 - ii. 2 directors appointed by the Seven Sisters Indoor Market traders by such means as shall be decided by the Society from time to time (Recommendation 7)
 - iii. 1 director appointed by the West Green Road/Seven Sisters Development Trust (Recommendation 8).
- d. The board should have the power to appoint sub-committees comprising both board members and non-board members, including specifically a Market Traders sub-committee (Recommendation 6 and 7).
- e. The CBS should have a power to donate some of its surplus to the West Green Road/Seven Sisters Development Trust. The Rules would not compel the CBS to make such donations (this would not be permitted by the FCA). However, the CBS and the Trust could make a separate agreement outside of the Rules of the CBS if both parties wished to do so in future, for example via a Deed of Covenant or a Memorandum of Understanding (Recommendation 9).

These amendments are set out in more precise detail at Appendix 3.

4.1 **Next steps**

To register a CBS, its Rules and the names and addresses of at least three founding members are submitted to the FCA for approval. CMS will assist in this process as part of the Tier 1 *Boosting Community Business* programme.

The founder members of the CBS are drawn from the defined community of benefit of the CBS. They include market traders, local residents and local businesses, as well as Latin Americans living elsewhere in London that use and value the market. The Trust is represented

amongst the founding members, but its representatives represent a minority of the founding members. The founder members will determine the final Rules of the CBS to be registered.

Once the CBS is successfully registered, the founding members will be responsible for its initial development. They will directly appoint the Interim Board of the CBS – which can include founding members and others - until the Board is elected at the first AGM of the Society within its first 18 months. At the first AGM, all directors must step down but are eligible for re-election. The usual experience is that many of the Interim Board members are re-elected at the first AGM. After this, the Directors retire by thirds at each AGM.

The founding members and the Interim Board will meet regularly in order to develop the new organisation, working closely with its key beneficiary communities. This will include practicalities such as setting up a bank account, appointing an accountant and solicitor and developing policies and procedures. It will also include signing up and involving 'registered supporters' in the initial development of the CBS, prior to developing and launching a Community Share Offer enabling the community to become members of the CBS, collectively owning and democratically managing the Wards building.

Over time, the CBS will gradually take greater ownership over the Community Plan from the Trust. This will include developing the design; business plan and financial model; securing funding and investment for the project; and securing a long-term lease from building owner, TfL. Initially, the Trust will continue to play a strong role in order to advance the project and retain the confidence of key stakeholders, in particular TfL and Haringey Council. It is expected that the CBS will have become more independent around the time of its first AGM.

Appendix One: CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES

A CCBS is an incorporated body with limited liability under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Financial Conduct Authority (FCA).

CCBS's can be either a *bona fide* co-operatives or societies for the benefit of the community (bencoms). Co-operatives are meant to exist for the mutual benefit of their members, whereas bencoms exist for the benefit of a defined community. However, the distinction can be a fine one – should a village shop be a co-operative owned for the mutual benefit of the villagers or a bencom operating for the village community but with many villagers as members? Co-operatives can provide member benefits as they exist for the mutual benefit of their members, whereas bencoms cannot.

CCBS's are limited by shares, but these are different from company shares - they do not gain in face value and can be bought back by the CCBS. One member, one vote always applies, no matter what a member's shareholding - a current legal maximum of £100 000 for withdrawable shares, but no maximum for transferable shares. CCBS shares provide equity which the society can use both for raising investment and securing additional loan finance. The number of CCBS's have grown in recent years as the vehicle for the expanding community shares movement to crowdfund capital for developing asset based community benefit projects. Having said that, many Societies choose to register with a nominal £1 shareholding per member.

A minimum of three members is required to form a CCBS. CCBS rules are usually shorter and easier to follow than a company's. CCBS's are more expensive to register, but subsequent paperwork required by the FCA is less than for a company. The FCA is also more likely to take into account Directors acting 'in good faith' if paperwork is not in order. Societies do not have to send out a copy of their accounts to all members, although they must be displayed prominently at all places of business of the Society. CCBS legislation was brought in specifically for the needs of co-operatives and social benefit organisations. Not only will the FCA check the original rules to see if they reflect the principles laid down the Acts, but it has a brief to protect the original intentions of the founders and may rule out certain rule changes as contrary to their intentions; Companies House has no such brief.

Because the FCA has a positive brief to check the rules of any new society to see if they comply with the legislation, registration of a non-model set of rules can be a long drawn out process. Most CCBS's therefore tend to register with a model set of rules with very few amendments. The FCA charges a higher fee for registration based on the number of amendments made to the Model Rules, on the grounds that they have to check each amendment. Their current fee structure is:

- £40 - using model rules with no changes
- £120 - using model rules with 1-6 changes
- £250 - using model rules with 7-10 changes
- £950 - using model rules with 11 or more changes

£950 - not using model rules

Because CCBS's are less common, legislation for them tends to lag behind that for companies. Changes to the benefit of companies have not always been reflected in CCBS legislation. The Industrial and Provident Societies Act 2002 gives the government power to amend Society legislation by Statutory Instrument which should make such lags less common in future. The Co-operatives and Community Benefit Societies Act 2003 introduced an 'asset lock' for community benefit societies, which means that assets could never be distributed to members in a similar way as for charities and Community Interest Companies.

Withdrawable shares are not defined as 'securities' under the Financial Services and Markets Act 2000. They are therefore exempt from the usual regulations applied to public share issues by companies and can be issued to the public without an Authorised Investment Advisor's Report, which saves both costs and time. However, there are legal duties in community share issues and professional advice should be sought before carrying out a community share issue. Both co-operatives and bencoms can undertake community share issues.

The reason for the existence of CCBS's is for the purpose of incorporating co-operatives and societies for the benefit of the community. The legislation is therefore designed to include and reflect the principles of co-operation and community benefit.

Useful Resources

The Financial Conduct Authority Mutual Registration Service

http://www.fca.gov.uk/doing/small_firms/msr/societies

The Financial Conduct Authority Mutuals Search Facility

<https://mutuals.fca.gov.uk/Search.aspx>

The Community Shares Project

<http://www.communityshares.org.uk/>

Appendix Two: COMMUNITY SHARES

Community Benefit Societies are limited by shares. The standard definition of a share is:

‘the interest of a shareholder in the company measured by a sum of money, for the purpose of liability in the first place, and of interest in the second, but also consisting of a series of mutual covenants entered into by all the shareholders...’

Borland’s Trustee v Steel 1901

Shares in a Society confer:

- b) Membership of the society (with all its rights and duties)
- c) An amount of liability limited to the number of shares held
- d) The right to one vote

It is also usual that the holding of one or more shares gives the shareholder the right to participate in the profits of a Society.

As shares are personal property they can be held jointly or in trust.

Shares are usually paid for in cash. However it is possible for a society to accept a non-cash consideration for shares (i.e. payment in kind). Such a consideration must not be for past services and must have a real value. For a society, as for a private company, the courts will generally not enquire into the value of the consideration. However non-cash considerations should be handled with extreme caution by Societies. Society shares are redeemable by the society (i.e. they can be cashed in by members). Unless the non-cash consideration can be used to generate cash, the society can find itself with a liability to pay cash to members which it has not got.

Shares in a Society also provide the society itself with capital in the form of equity. This can be used as security by banks and other sources of finance when providing loan finance.

Many Companies are also limited by shares. However Society shares are different from Company shares, in part to reflect community and co-operative principles.

DIFFERENCES BETWEEN COMPANY AND SOCIETY SHARES

Company	Society
One share, one vote normally.	One member, one vote.
No legal maximum.	Maximum of £100 000 per member for withdrawable shares. No limit for transferable shares.
Restrictions on the reduction of share capital.	No restrictions on the reduction of share capital.
No restrictions on level of dividend (except in a CIC where there is a dividend cap of 50% of profits).	Restrictions on level of dividend/interest.
Shares not easily redeemable by the company. Leaving is hard.	Shares easily redeemable by the society in accordance with the rules.
Shares normally grow in value with company growth (but not in a CIC where the shares are par value).	Shares do not grow in value (par value).
Statutory right to proxy votes.	No statutory right to proxy votes.
Difficult to reconcile with co-operative principles.	Designed to meet co-operative principles.
Changes in share ownership must be registered at Companies House.	Changes in share ownership do not need registering at the Financial Conduct Authority.
Offers of shares to the public are fully covered by the Financial Services and Markets Act. An offer must be approved by an Authorised Investment Advisor at a cost in excess of £10k. The company would be a plc.	Offers of shares to the public have exemptions under the Financial Services and Markets Act. Whilst there are some best practice guidelines and legal issues, there is no need for approval by an Authorised Investment Advisor.

Appendix Three: AMENDMENTS TO THE CO-OPERATIVES UK MODEL RULES

Rule 4

The objects of the Society shall be to carry on any business for the benefit of the community of Tottenham and London's Latin American community, in particular by the restoration and operation of the Wards building.

Rule 13

- (i) The first Members of the Society will be the Founder Members. The Board may at its discretion admit to membership any individual, corporate body or nominee of an unincorporated body, firm or partnership who supports the objects of the Society and who has paid or agreed to pay any subscription or other sum due in respect of membership for the time being in force.
- (ii) There shall be two types of members of the Society:
 - (a) Type A members being members who are located or who live or work in Tottenham or Latin Americans who live in London.
 - (b) Type B members being all other members.
- (iii) the Secretary shall make any final decision about the constituency which a Member belongs to

Option 2 Allowing for Community Shares

Rule 62 and 104 Creating an Asset Lock

Rule 65

The composition of the Board shall be as follows:

- a) Up to 10 Directors elected by and from the Society's Members;
- b) Up to 1 Director as representative appointed/nominated by the West Green Road / Seven Sisters Development Trust Ltd Company number 06645798 (or any body that succeeds to its function);
- c) Up to 2 Directors as representative appointed/nominated by the Seven Sisters Indoor Market traders by such means as maybe decided by the Society from time to time

Rule 70 – retirement by thirds

Rule 103

- b) To making payment for social or community purposes within the community served by the Society in particular to the West Green Road/Seven Sisters Development Trust Ltd