

Carlisle City Council

Report to:-	Chairman and Members of the Housing Consultative Group			
Date of Meeting:-	4 March 2002		Agenda Item No:-	
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Accompanying Comments and Statements		Required	Included	
Tenant Consultation:		Yes	Yes	
Environmental Impact Statement:		No	-	
Corporate Management Team Comments:		Yes	Yes	
City Treasurers Comments:		Yes	Yes	
City Solicitor & Secretary Comments:		Yes	Yes	
Head of Personnel Services Comments:		No	-	
Title:-	Carlisle Housing Association - Proposed RULES OF THE ORGANISATION			
Report of:-	Director of Housing & City Treasurer			
Report reference:-	H020/02			

Summary:-

The report presents the final draft version of CHA's proposed rules, explains how it was arrived at, and looks at possible implications for the Council.

Recommendation:-

The portfolio-holder for Health & Well-Being is advised to recommend the Executive to note the proposed CHA rules, subject to any resolution made in respect of sections 2.5.4. and 2.6.4.

Contact Officer: Tony Bramley

Ext: 7300

T Bramley D Thomas

Director of Housing City Treasurer

15 February 2002

To the Chairman and Members of the H020/02

Housing Consultative Group

**CARLISLE HOUSING ASSOCIATION –
PROPOSED RULES OF THE ORGANISATION**

1. Background

1. Extensive discussions on the proposed rules of Carlisle Housing Association (CHA) between the City Council, Riverside Group, tenant representatives and the various expert advisors date back to June 2001.
2. The attached document represents the proposed rules of CHA, as approved so far by their Shadow Board, and is based on the 'model rules' of the National Housing Federation (NHF) which are now regarded as representing best practice within the sector.
3. The Council has previously discussed and agreed items around the composition of the board of CHA (H086/01) and this report completes the constitutional issues that remain to be reported on.
4. Earlier drafts of these rules have been the subject of extensive discussion between Riverside Group and the City Council and the attached version reflects the outcome of these.
5. Based as they are on model rules developed by the RSL sector's trade body the NHF, and negotiated by them with the Registrar of Friendly Societies, any variations would need specific agreement by the Registrar. Where choices do exist and have been exercised which could have an effect on nature of the Council's future relationship with CHA, these are explored further in section 2 below.

2. Options

1. In the sections that follow we look at key areas where the decision of CHA to follow a particular constitutional route has a potential implication for the Council.

2. Nature of the Organisation

1. Context: There are in effect two main alternative organisational vehicles which all RSLs utilise:

- o Industrial and provident Society.
- o Company Limited by Guarantee.

There are a number of small but nevertheless potentially significant differences between the two approaches and these are set out in more detail in

Appendix 1.

1. CHA Proposal: Industrial and Provident Society status.
2. Implications for Council: The significance of the choice is much more a matter for the RSL rather than the Council and has a marginal impact for the latter.
3. Recommendation: Note the proposed nature of CHA.

1. Charitable Status

1. Context: RSLs have two main options here, to seek (exempt) charity status or not. Appendix 2 to this report shows a summary comparison of the implications of the main differences in status.

Charitable status brings significant tax advantages to the RSL but also places limitations on what activities it can engage in and who it can assist.

For an explanation of the latter attention is drawn to CHA's proposed Objects at clause A2 on page 1 of the attached rules.

2. CHA Proposal: Charitable status.
3. Implications for the Council: The most significant of these is the future ability of the RSL to assist the City Council in the discharge of its statutory housing obligations which it will retain post-transfer.

Given the categories of persons that can be assisted by the RSL (see clause A2.1 of the attached model rules) the City Council must be alert to the possibility that an (albeit small) minority of potential nominees from the Council to the RSL may fall outside these objects.

In mitigation of this concern, such charitable rules are widely and successfully used by RSLs elsewhere and it is hard to conceive in the real-world of a situation where the balance of assistance is not predominantly to the classes of person set out in the objects.

A secondary issue will be the fact that charitable status limits the RSL's ability to get into 'mixed' or market renting which would if pursued in the future require a potentially more convoluted arrangement with the creation of a non-charitable subsidiary.

4. Recommendation: Note the proposed nature of CHA and the possible consequences for the Council.

2. "Cross-Collateralisation"

1. Context: Clause B2.5 will enable the RSL to provide financial support to, or receive financial assistance from, other charitable RSLs in the Riverside Group.

The exercise of this power is at the discretion of the local board only and may be of benefit to the RSL at some future date in, as yet unforeseen, changed financial circumstances in the future.

2. CHA Proposal: To enable future 'cross-collateralisation' between charitable group members.
3. Implications for the Council: Since the clause inserts a 'contingency' for use in the face of future events it has no direct bearing on the transfer process itself since the latter is not dependent upon it.

Neither the funding of the purchase of the stock, the subsequent stock investment by the RSL, or the funding for any future provision of new housing by the RSL is contingent on this.

4. Recommendation: Note the proposed arrangements.

3. Shareholders of the Association

1. Context: It is for the RSL to determine the precise make-up of the shareholding membership. The proposed arrangement is set out in Clause C.11 on page 3 of the attached model rules.

Shareholding status is an important consideration since only shareholders can vote on matters at general meetings or convene such meetings.

2. CHA Proposal: As set out in Clause C.11 – and in particular two shareholding representatives per recognised tenants'/residents' association.

3. Implications for the Council: The key consideration in respect of tenant share-holding status – Clause C.11.4 – is that this limits shareholding to representatives from recognised tenants' or residents' associations only.

Two issues flow from this:

Status of Representatives

As currently framed there is no qualification requirement on the nature

of the representatives as it is at the discretion of the recognised groups who is to be nominated by them for membership.

It is therefore possible that the nominees could be tenants, leaseholders, or freeholders.

It is arguable that since the RSL exists primarily to serve the interests of tenants/leaseholders it is inappropriate that the situation could arise where the RSL membership drawn from the representatives of the residents'/ tenants' groups might not contain tenants or leaseholders - and in particular the former.

In discussion with Riverside Group, council officers have therefore proposed that a qualification is inserted that requires at least one of the representatives from each recognised group to be a tenant of the RSL.

'Open ' Membership

It is possible – albeit at a potentially very significant administrative and financial burden to the RSL – to instead have membership open to all tenants. This is a policy/cost decision for the RSL but the Council may wish to take a view on this in the context of its commitment to tenant participation and empowerment.

On this latter point it should however be noted that the Tenants' Advisory Group have already debated these RSL rules but took no position either way on this matter.

4. Recommendation: The Council should communicate its view on these two issues to CHA.

4. Co-optees to the Board

1. Context: Clause D6 on page 7 of the model rules allows for the co-option of up to five persons onto the board.

At the same time the quorum for board meetings is set at four persons (Clause D.17.1 on page 9), one of whom must be tenant member, one a Council member and one an independent member.

It is therefore possible for a quorate board meeting to have a majority of Co-optees present (4 or 5 Co-optees with 3 or 4 full board members).

2. CHA Proposal: As specified in Clause D.6 – up to five co-optees.
3. Implications for the Council: While the powers of Co-optees are more limited than full board members (as explained in Clause D.4 on page 7), it is very arguable that they are nevertheless still able to vote on

significant matters, for example the RSL's business plan and policies.

The Council may wish to consider whether in the circumstances it is content with a situation where Co-optees could conceivably carry important board decisions.

4. Recommendation: The Council needs to consider whether it wishes to seek a variation to this proposal, perhaps suggesting instead that the number of Co-optees be reduced to a maximum of two or three persons. This would mean that quorate board meetings would always at minimum have a balance between co-opted and full board members.

1. Definitions

1. Section G.15 of the rules contains the list of definitions of the terms used. As currently phrased the definition of "*Leaseholder*" (G.15.29) also appears within the definition of "*Tenant*" (G.15.15) and vice-versa, which makes ineffective the distinction between the two classes of occupants within the rules. In the final version of the rules this is to be corrected to re-introduce a proper distinction.

2. Consultation

1. To date: The attached rules have been evolved over a number of months and involved extensive discussions with the Tenants' Advisory Group (TAG), PEP (North), and the Shadow Board of CHA.
2. Proposed: Once finalised the rules will be submitted to the Registrar of Friendly Societies and Housing Corporation for approval.

3. Staffing/Resource Comments

1. Not applicable.

4. City Treasurer's Comments

1. The report incorporates the City Treasurer's comments.

5. Legal Comments

1. The model rules have been re-drafted by Riverside's legal advisors Trowers & Hamlin and subject to comment by the City Council's legal advisors Wright Hassall.

6. Corporate Comments

1. The RSL Constitution has been reviewed at the Council's Corporate LSVT Officer Steering Group comprising the Town Clerk & Chief Executive, City Solicitor & Secretary, City Treasurer and Director of Housing plus supporting officers and advisors.

7. Risk Management Assessment

1. Risk could conceivably arise in three distinct ways:

1. Defective Document

If the rules were subsequently found to be legally defective in some way this could either jeopardise the transfer process itself or the future conduct of the RSL, depending on precisely when the matter arose.

Management

The starting point for the rules is the National Housing Federation model which is extensively tried and tested elsewhere. Any revisions have been drafted/scrutinised by both Trowers & Hamlins and Wright Hassall who are two of the most experienced teams of LSVT legal advisors available.

Additionally the rules are subject to the scrutiny of both the Registrar of Friendly Societies and Housing Corporation.

2. Unforeseen Future Adverse Impact on the Council

Despite best endeavours, it could be that the City Council unwittingly endorses arrangements that cause unforeseen future adverse consequences for it, for example in relation to the discharge of its statutory housing responsibilities.

Management

While this possibility cannot be entirely eliminated, the comments under "management" in 9.1.1 above - coupled with the many hours of scrutiny and discussion involving both the legal advisors, housing advisors, independent tenant advisors and officers from Riverside Group and the City Council - should result in minimisation of unforeseen risk.

3. Impairment of Council's Statutory Capabilities

Selection of charitable status by any RSL carries with it the possibility of increasing the limitations on its ability to assist the Council to discharge its statutory obligations, for example, in the nomination and rehousing of homeless persons.

Management

One aspect of this risk – the duty on RSLs not to have their discretion fettered – is an unavoidable consequence of LSVT. As a risk it cannot therefore be eliminated only anticipated for and minimised through an agreed protocol on nominations and allocations between the Council and all local RSLs.

8. Equality Issues

1. The rules comply with all relevant current legislation on equality and discrimination. The real equalities issues actually arise at the policy-making rather than constitutional level of the RSL.

9. Environmental Implications

1. Not applicable.

10. Crime and Disorder implications

1. Not applicable.

11. Recommendations

1. The portfolio-holder for Health & Well-Being is advised to recommend to the Executive to note the proposed CHA constitution, subject to any resolution made in respect of sections 2.5.4 and 2.6.4.

12. Reasons for the Recommendation

1. The use of NHF model rules effectively means that CHA will be operating on arrangements which are regarded as best practice within the RSL sector, varied to a limited degree – where permissible – by local negotiation which has shaped the version now attached for consideration.

Tony Bramley Doug Thomas

Director of Housing City Treasurer

APPENDIX 1

Comparison between Industrial and Provident Societies

and Companies Limited by Guarantee

Since October 1997 RSLs have been capable of being registered as companies as well as Industrial and Provident Societies and Charities. The majority of Large Scale Voluntary Transfers ("LSVTs") since then have been to companies. The pros and cons of both are set out in the table below:

	Companies Limited by Guarantee
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Industrial and Provident Society	
Capable of being registered as RSL	Since October 1997 capable of being registered as RSL
Governed by the Industrial and Provident Society Act 1965 and regulated by the Registry of Friendly Societies.	Governed by the Companies Act and regulated from Companies House.
Can take up to six weeks to register – longer if model NHF Rules are not utilised.	Can be registered immediately.
Resolutions passed by the Housing Association only operative when registered at the Registry of Friendly Societies.	Resolutions take effect immediately.
Less understandable in current market place.	Company regime more adaptable for twenty first century and understood by wider markets.
Doubt whether floating charges legal – would have funders implications.	Floating charges capable of being registered.
Fixed charges do not have to be registered.	Fixed charges have to be registered.
Can be converted into companies.	Cannot be converted into Industrial and Provident Societies.
Easy to register charitable Housing Associations provided model rules used (exempt charity).	Charitable companies need to be registered with the Charity Commissioners which can take some time.

APPENDIX 2

Comparison between Charitable and Non-Charitable Status

It is important for the Council to consider the differences between a charitable and non charitable body, this is particularly pertinent when considering the issue of nomination rights and the restrictions on nomination rights deeds with a charitable RSL. A comparison between charitable and non-charitable RSL's and is set out below:

NON CHARITABLE	CHARITABLE
Section 54 Grant was only available until April 1997 to refund Corporation Tax on profits (now withdrawn).	Currently exempt from Corporation Tax on profits.
Stamp Duty payable on land purchases, other than LSVT transfers.	Stamp Duty not payable on land purchases.
Discretionary NNDR Relief as not-for-profit entity.	Mandatory 80% NNDR relief on office premises. Other Fiscal advantages as charitable entity.
Greater freedom in non-charitable constitution for the body to operate in an entrepreneurial manner, i.e. ability to engage in cost market rental schemes or building for sale.	Less freedom in charitable constitution for the body to operate freely as the client group must be people "in necessitous circumstances according to their needs".
No restriction on sales under the right-to-buy, voluntary purchase scheme or right to acquire.	Whilst de minimus shared ownership is permitted and preserved right-to-buy remains – there are restrictions on building for sale schemes and market renting will need to be justified as incidental to or within charitable objects.

[Continued]

NON CHARITABLE	CHARITABLE

Charitable subsidiary could be created with a view to covenanting "profits" to save tax although funders may have concerns at this proposal.	There are restrictions on the provision of services to persons other than tenants or those in "necessitous circumstances" which may affect the ability to carry out housing management for others. However, a non-charitable subsidiary could be created to overcome this potential drawback and carry out the "trading" or non-charitable activities.
Ability to transfer cash and assets to any other housing entities within group structure.	Restrictions on transfer of cash or assets to other than charitable entities within group structure. Creation of charitable entity is irreversible.
No objection to tenant Board membership up to one third.	No objection to tenant Board membership up to one third.
Significant obligations upon Board members in exercising their powers and responsibilities similar to the obligations of a company director.	Enhanced obligations upon Board members similar to the obligations of a charitable trustee.

RULES OF: CARLISLE HOUSING ASSOCIATION LIMITED

REGISTER NUMBER

Registered under the Industrial and Provident Societies Act, 1965

TROWERS & HAMLINS

Sceptre Court

40 Tower Hill

London EC3N 4DX

B A S E D O N M O D E L R U L E S 1 9 9 8

N a t i o n a l H o u s i n g F e d e r a t i o n

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PART A NAME AND OBJECTS

Name

A1 A1.1 The name of the society shall be Carlisle Housing Association Limited ("the association").

A1.2 The association shall be a subsidiary of the Parent Association as defined in Rule G15.20.

Objects

A2 The association is formed for the benefit of the community. Its objects shall be to carry on for the benefit of the community:

A2.1 the business of providing housing, accommodation, and assistance to help house people and associated facilities and amenities for poor people or for the relief of aged, disabled, handicapped (whether physically or mentally) or chronically sick people.

A2.2 any other charitable object that can be carried out by an Industrial and Provident Society registered as a social landlord with the Corporation.

Non-profit

A3 The association shall not trade for profit.

A4 Nothing shall be paid or transferred by way of profit to shareholders of the association.

PART B POWERS OF ASSOCIATION, BOARD, AND SHAREHOLDERS

Powers

B1 The association shall have power to do anything that a natural or corporate person can lawfully do which is necessary or expedient to achieve its objects, except as expressly prohibited in these rules.

B2 Without limiting its general powers the association shall have power to:

B2.1 take or grant any interest in land including any mortgage, charge, floating charge or other security whatsoever, or carry out works to buildings;

B2.2 help any charity or non-profit making body in relation to

housing;

B2.3 subject to rules F13, F14, and F15 borrow money or issue loan stock for the purposes of the association on such terms and on such security including floating charges as the association thinks fit;

B2.4 subject to rule F17 invest the funds of the association;

B2.5 enter into any guarantees or contract of indemnity or suretyship, and to provide security, including, without limitation, the guarantee and provision of security for the performance of the obligations of, or the payment of any money (including without limitation, principal, premiums, interest, commissions, charges, discount and any related costs or expenses) by any Registered Social Landlord registered under the Housing Act 1996 which is for the time being a subsidiary or associate of the Parent Association (as such terms are defined by Section 60 and 61 of the Housing Act 1996) where such subsidiary or associate has charitable status, and in connection with, or pursuant to, the terms of any borrowing or incurring of indebtedness by all or any of the association or any such charitable subsidiary or associate, with or without the association receiving any consideration or advantage (whether direct or indirect) and whether by personal covenant or mortgage, charge or lien over all or part of the association's undertaking, property or assets (present and future) or by other means. For the purposes of this sub-paragraph, "guarantee" includes any obligation, however described, to pay, satisfy, provide funds for the payment or satisfaction of (including, without limitation, by advance of money, purchase of or subscription for securities and purchase of assets or services), indemnify against the consequences of default in the payment of, or otherwise be responsible for, any indebtedness of any other such person. For the purpose of this sub-paragraph "charitable" shall mean having charitable objects, and also (in the case of a company registered pursuant to the Companies Act 1985) registration with the Charity Commission..

B3 The association shall not have power to receive money on deposit.

Powers of the board

B4 The business of the association shall be directed by the board.

B5 Apart from those powers which must be exercised in general meeting:

B5.1 by statute; or

B5.2 under these rules

all the powers of the association may be exercised by the board for and in the name of the association.

B6 The board shall have power to delegate, in writing, the exercise of any of its powers to committees and to employees of the association (subject to rule D1) on such terms as it determines. Such delegation may include any of the powers and discretions of the board.

Limited powers of shareholders in general meeting

B7 The association in general meeting can only exercise the powers of the association expressly reserved to it by these rules or by statute.

General

B8 The certificate of an officer of the association that a power has been properly exercised shall be conclusive as between the association and any third party acting in good faith.

B9 A person acting in good faith who does not have actual notice of any regulations shall not be obliged to see or enquire if the board's powers are restricted by such regulations.

PART C SHAREHOLDERS AND GENERAL MEETINGS

Obligations of shareholders

C1 All shareholders agree to be bound by the obligations on them as set out in these rules. When acting as shareholders they shall act at all times in the interests of the association and, for the benefit of the community, as guardians of the objects of the association.

Nature of shares

C2 The association's share capital shall be raised by the issue of shares. Each share has the nominal value of one pound which shall carry no right to interest, dividend or bonus.

C3 Only shares held by the nominee of an unincorporated body (alone or jointly with other nominees) can be transferred and only to a new nominee (alone or jointly with other nominees).

C4 When a shareholder ceases to be a shareholder or is expelled from the association, his or her share shall be cancelled. The amount paid up shall become the property of the association.

Nature of shareholders

C5 A shareholder of the association is a person or body whose name and address is entered in the register of shareholders.

C6 The following cannot be shareholders:

C6.1 a minor;

C6.2 a person who has been expelled as a shareholder, unless authorised by special resolution at a general meeting;

C6.3 an employee of the association.

C7 A shareholder can be the nominee of an unincorporated body. In such cases the register shall contain the name and address of the shareholder, and shall designate the shareholder as the nominee of a named unincorporated body. The address of the unincorporated body shall also be entered in the register if it differs from the address of the shareholder nominee.

C8 A corporate body can be a shareholder. It can appoint an individual to exercise its rights at general meetings. Any such appointment shall be in writing, and given to the secretary. The Parent Association shall be a shareholder.

C9 No shareholder shall hold more than one share and each share shall carry only one vote.

C10 A share cannot be held jointly unless by nominees of an unincorporated body.

Admission of shareholders

C11 Only:

C11.1 members of the board of the association (other than co-optees);

C11.2 the Parent Association;

C11.3 the Council Member; and

C11.4 up to 2 members (of which at least one shall be a Tenant who is not a Leaseholder) of each tenant

or resident representative body recognised as such by the Parent Association from time to time

shall be admitted as shareholders of the association.

C12 Except in the case of the Parent Association each person specified in Rule C11 shall become a shareholder on:-

C12.1 Delivery to the secretary of a signed acceptance to undertake the obligations of both;

- a. a board member of the association (for those specified in Rule C11.1 only);
- b. a shareholder; and

C12.2 Payment of the sum of one pound.

C13 The name and the other necessary particulars shall be entered in the register of shareholders. One share in the association and a copy of its rules shall be issued to the applicant.

Ending of shareholding

C14 A shareholder shall cease to be a shareholder if:

C14.1 they die; or

C14.2 they are expelled under rule C15; or

C14.3 they withdraw from the association by giving one month's notice to the secretary; or

C14.4 they do not participate in, nor deliver written apologies in advance to, a general meeting of the association in the period starting with one annual general meeting up to and including the next annual general meeting; or

C14.5 in the case of a body corporate it ceases to be a body corporate;

C14.6 in the case of the nominee of an unincorporated body (including a tenant or resident representative body), they transfer their share to another nominee of that body;

C14.7 in the case of a Board Member admitted as a shareholder pursuant to Rule C11.1, they cease to be a member of the board; or

C14.8 in the case of a shareholder admitted under rule C11.4, the tenant or resident representative body of which the shareholder is a member ceases to be recognised as such by the Parent Association.

C15 A shareholder (except for the Parent Association who may not be expelled) may only be expelled by a special resolution at a special general meeting called by the board.

C15.1 The board must give the shareholder at least one month's notice in writing of the general meeting. The notice to the shareholders must set out the particulars of the complaint of conduct detrimental to the association, and must request the shareholder to attend the meeting to answer the complaint.

C15.2 At the general meeting called for this purpose the shareholders shall consider the evidence presented by the board and by the shareholder (if any). The meeting may take place even if the shareholder does not attend.

C15.3 If the resolution to expel the shareholder is passed in accordance with this rule, the shareholder shall immediately cease to be a shareholder.

Annual general meeting

C16 The association shall hold a general meeting called the annual general meeting within six calendar months after the close of each of its financial years.

C17 The functions of the annual general meeting shall be:

C17.1 to receive the annual report which shall contain:

- the revenue accounts and balance sheets for the last accounting period
- the auditor's report on those accounts and balance sheets
- the board's report on the affairs of the association
- the board's statement of the values and objectives of the association
- a statement of the current obligations of board members to the board and the association

- a statement of the skills, qualities and experience required by the board amongst its members
- the policy for admitting new shareholders

C17.2 to appoint the auditor;

C17.3 to elect board members;

C17.4 to transact any other general business of the association included in the notice convening the meeting.

Special general meetings

C18 All general meetings other than annual general meetings shall be special general meetings and shall be convened either:

C18.1 upon an order of the board; or

C18.2 upon a written requisition signed by one-tenth of the shareholders (to a maximum of twenty-five but not less than three) or the Parent Association stating the business for which the meeting is to be convened;

C18.3 if within twenty-eight days after delivery of a requisition to the secretary a meeting is not convened, the members who have signed the requisition may convene a meeting.

C19 A special general meeting shall not transact any business that is not mentioned in the notice convening the meeting.

Calling a general meeting

C20 All general meetings shall be convened by at least fourteen clear days' written notice posted or delivered to every member at the address given in the share register. The notice shall state whether the meeting is an annual or special general meeting, the time, date and place of the meeting, and the business for which it is convened.

C21 Any accidental failure to get any notice to any shareholder, shall not invalidate the proceedings at that general meeting. A notice or communication sent by post to a shareholder at their address shown in the register of shareholders shall be deemed to have arrived two days after being posted.

Proceedings at general meetings

C22 Before any general meeting can start its business there must be a quorum present. A quorum is one-tenth of all shareholders and the Parent Association with a minimum number of six and a maximum number of 25. As part of the quorum at least two shareholders must be present in person.

C23 A meeting held as a result of a shareholder's requisition will be dissolved if too few shareholders are present half an hour after the meeting should begin.

C24 All other general meetings with too few shareholders will be adjourned to the same day, at the same time and place in the following week. If too few shareholders are present within half an hour of the time the adjourned meeting should have started, those shareholders present shall carry out the business of the meeting.

C25 The chair of any general meeting can adjourn the meeting if the majority of the shareholders present in person or by proxy agree. An adjourned meeting can only deal with matters adjourned from the original meeting. An adjourned meeting is a continuation of the original meeting. The date of all resolutions passed is the date they were passed (as opposed to the date of the original meeting). There is no need to give notice of an adjournment or to give notice of the business to be transacted.

C26 At all general meetings of the association the chair of the board shall preside. If there is no such chair or if the chair is not present or is unwilling to act, the deputy chair (if any) shall chair the meeting, failing which the shareholders present shall elect a shareholder to chair the meeting. The person elected shall be a member of the board if one is present and willing to act.

Proxies

C27 A proxy can be appointed by delivering a written appointment to the registered office at least two days before the date of the meeting at which the proxy is authorised to vote. It must be signed by the shareholder or a duly authorised attorney. Any proxy form delivered late shall be invalid. Any question as to the validity of a proxy shall be determined by the chair of the meeting whose decision shall be final. A proxy must be a shareholder of the association.

Voting

C28 Subject to the provisions of these rules or of any statute, a resolution put to the vote at a general meeting shall, except where a ballot is demanded or directed, be decided upon a show of hands.

C29 On a show of hands every shareholder present in person and on a

ballot every shareholder present in person or by proxy shall have one vote. In the case of an equality of votes the chair of the meeting shall have a second or casting vote.

C30 Unless a ballot is demanded (either before or immediately after the vote), a declaration by the chair that a resolution on a show of hands has been carried or lost, unanimously or by a particular majority, is conclusive. An entry made to that effect in the book containing the minutes of the proceedings of the association, shall be conclusive evidence of that fact.

C31 Any question as to the acceptability of any vote whether tendered personally or by proxy, shall be determined by the chair of the meeting, whose decision shall be final.

C32 A ballot on a resolution may be demanded by any three shareholders at a meeting (in person or by proxy) or directed by the chair (and such demand or direction may be withdrawn). A ballot may be demanded or directed after a vote on the show of hands, and in that case the resolution shall be decided by the ballot.

C33 A ballot shall be taken at the meeting at such time and in such manner as the chair shall direct. The result of such a ballot shall be deemed to be the resolution of the association in general meeting.

PART D THE BOARD

Functions

D1 The association shall have a board (in these rules referred to as "the board") which shall direct the affairs of the association in accordance with its objects and rules. Amongst its functions shall be to:

D1.1 ensure compliance with the values and objectives of the Parent Association and ensure these are set out in each annual report;

D1.2 establish policies and plans to achieve those objectives;

D1.3 submit each year's budget, business plan and accounts for approval by the Parent Association prior to publication;

D1.4 establish and oversee a framework of delegation and systems of control;

D1.5 agree policies and make decisions on all matters that

create significant financial risk to the association or which affect material issues of principle;

D1.6 monitor the association's performance in relation to these plans, budget, controls and decisions;

D1.7 satisfy itself that the association's affairs are conducted in accordance with generally accepted standards of performance and propriety;

D1.8 take appropriate advice;

and none of these functions D1.1 to D1.8 inclusive shall be capable of delegation.

Composition of the board

D2 D2.1 The board shall consist of twelve board members, or of such greater number not exceeding fifteen (excluding co-optees) as may be determined by the association in general meeting.

D2.2 Not more than one-third of the board members shall be Tenants of which not more than one board member shall be a Leaseholder.

D2.3 Not more than one-third of the board members shall be Independent Board Members.

D2.4 Not more than one-third of the board members may be Local Authority Persons.

D2.5 If the requirements D2.2 to D2.4 are at any point not fulfilled then the Board shall use its reasonable endeavours to appoint additional Board members as appropriate provided that in the event that at any time the requirements are not fulfilled the remaining board members may continue to act and exercise all powers of the Board.

D2.6 This Rule D2 does not prejudice the power of the Parent Association under Rule D15 to appoint and/or remove a majority of the board members of the association.

D3 D3.1 The board shall in its annual report set out the obligations of every board member to the board and to the association. The board shall review and may amend the obligations of board members from time to time.

D3.2 No board member may act as such until they have signed and delivered to the board a statement, confirming that they will meet their obligations to the board and to the association. The board may vary the form of statement from time to time.

D3.3 Any board member who has not signed such statement without good cause within one month of election or appointment to the board shall immediately cease to be a board member.

D4 Subject to the prior written approval of the Parent Association, the board may appoint co-optees to serve on the board on such terms as the board resolves and may remove such co-optees. A co-optee may act in all respects as a board member, but they cannot take part in the deliberations nor vote on the election of officers of the association nor any matter directly affecting shareholders.

D5 For the purposes of these rules and of the Act a co-optee is not included in the expression "board member" or "member of the board". For the purposes of the Housing Act 1996 a co-optee is an officer.

D6 Not more than three co-optees can be appointed to the board or to any committee at any one time. A co-optee may be an employee of the Parent or one of its subsidiaries, or the association. A Local Authority Person cannot be co-opted.

D7 No one can become or remain a board member at any time if:

D7.1 they are bankrupt or subject to an agreement with their creditors; or

D7.2 they have been convicted of an indictable offence within the last five years; or

D7.3 they have absented themselves from four consecutive meetings of the board without special leave of absence; or

D7.4 in the case of a board member who is a Tenant they are or become a Local Authority Person; or

D7.5 in the case of a Council Board Member they are or become a Tenant; or

D7.6 in the case of an Independent Board Member they are or become a Tenant or a Local Authority Person; or

D7.7 they are not a shareholder (except a co-optee); or

D7.8 in the case of a board member who is a Tenant they are in the opinion of a majority of board members in serious breach of their obligations as a tenant.

and any board member who at any time ceases to qualify under this rule shall immediately cease to be a board member.

D8 A board member may be removed from the board by a special resolution at a general meeting.

D9 Whenever the number of board members and co-optees is less than permitted by these rules, the board may appoint a further board member in addition to the board's power to co-opt. Any board member so appointed shall retire at the next annual general meeting.

Nomination of Council Board Members

D10 Subject to Rule D2 Carlisle City Council shall have the power from time to time and at any time to appoint four persons as Council Board Members and to remove from office any such board member. Appointments or removals shall be made in writing to the secretary.

Election to the board

D11 In every notice for an annual general meeting the board shall set out its requirements for the skills, qualities and experience which it needs from its members. The notice shall state the extent to which those requirements are met by those Elected Board Members continuing in office, and those retiring and intending to re-offer themselves for election.

D12 D12.1 At the second annual general meeting of the association, all the Elected Board Members shall retire from office.

D12.2 At every subsequent annual general meeting not less than one third of the Elected Board Members shall retire from office.

D12.3 Board members forming the retiring third shall be those who have been longest in office since they last became board members. If the choice is between people who became board members on the same day those to retire shall be chosen by lot if not agreed.

D12.4 Anybody appointed to fill a casual vacancy under rule D9 during the year and who retires for that reason, appointees of Parent Association under Rule D15 and Council Board Members shall not count towards the one third to retire.

D13 If at an annual general meeting, the candidates for election as Elected Board Members do not exceed the number of vacancies on the board the chairman shall declare those candidates to have been duly elected. If the number of candidates exceed the number of vacancies the meeting shall elect the Elected Board Members by ballot in such a manner as the chairman directs.

D14 D14.1 In an election at a general meeting every shareholder present in person or by proxy shall have one vote for every vacancy but shall not give more than one vote to any one candidate.

D14.2 In casting their votes in an election, shareholders shall endeavour to ensure that the board possesses the quality, skills and experience which the Parent Association in consultation with the association has from time to time determined that it requires.

D15 D15.1 By notice in writing to the secretary, the Parent Association may at any time appoint and/or remove a majority of the board members of the association subject to and in accordance with rule D2.

D15.2 In appointing board members, the Parent Association shall endeavour to ensure that the board possesses the quality, skills and experience which the Parent Association in consultation with the association has from time to time determined that it requires.

Candidates for the board

D16 D16.1 Any person (other than a retiring board member) may apply for election as an Elected Board Member by the annual general meeting. Any such candidate shall submit a written statement to the association in such form as the Parent Association from time to time determine. It shall set out the candidate's full name, address and occupation and the reasons for their suitability to be a board member and shall be submitted to the secretary prior to the 1st August in each year. Any Elected Board Member who is retiring and is seeking re-election at the annual general meeting shall notify the secretary of his/her intention to seek re-election at the annual general meeting.

D16.2 In addition a candidate who is seeking election or re-election as an Elected Board Member, must be proposed and seconded by two shareholders. A candidate who is already a

shareholder may not propose or second his or her own candidature.

D16.3 The secretary will refer any such application to the Parent Association (or a duly appointed committee thereof) for approval. If in its absolute discretion the Parent Association (or a duly appointed committee thereof) approves the application the board of the association shall report to the annual general meeting with a recommendation as to the applicant's suitability for election.

Quorum for the board

D17 D17.1 Four board members shall form a quorum of which at least one shall be a Tenant Board Member, one shall be a Council Board Member and one shall be an Independent Board Member. The board may determine a higher number. If a majority of the Board Members are appointed by the Parent Association then as a part of the quorum at least two appointees of the Parent Association shall be present in person.

D17.2 If the number of board members falls below the number necessary for a quorum, the remaining board members may continue to act as the board for a maximum period of six months. At the end of that time the only power that the board may exercise shall be to call a general meeting of the association to bring the number of board members up to that required by these rules.

D17.3 In the event of the Parent Association being wound up or in the event of the Parent Association having failed within six months to appoint sufficient additional board members necessary for a quorum following a written request from the Secretary to do so then the provisions of Rule G11.1 shall not apply in so far as they relate to the consent of the Parent Association being required to amend the Rules of the Association.

Board members' interests

D18 No board member, co-optee or member of a committee shall have any financial interest:

D18.1 personally; or

D18.2 as a member of a firm; or

D18.3 as a director or other officer of a business trading for

profit; or

D18.4 in any other way whatsoever

in any contract or other transaction with the association, unless it is expressly permitted by these rules.

D19 The association shall not pay or grant any benefit to anyone who is a board member or a co-optee or a member of a committee, unless it is expressly permitted by these rules.

D20 Any board member, co-optee or member of a committee, having an interest in any arrangement between the association and someone else shall disclose their interest, before the matter is discussed by the board or any committee. Unless it is expressly permitted by these rules they shall not remain present unless requested to do so by the board or committee, and they shall not have any vote on the matter in question. Any decision of the board or of a committee shall not be invalid because of the subsequent discovery of an interest which should have been declared.

D21 Every board member, co-optee and member of a committee shall ensure that the secretary at all times has a list of all other bodies in which they have an interest as:

D21.1 a director or officer; or

D21.2 as a member of a firm; or

D21.3 as an official or elected member of any statutory body;
or

D21.4 as the owner or controller of more than 2% of a company the shares in which are publicly quoted or more than 10% of any other company; or

D21.5 as the occupier of any property owned or managed by the association; or

D21.6 any other significant or material interest.

D22 If requested by a majority of the board or members of a committee at a meeting convened specially for the purpose, a board member, co-optee or member of a committee failing to disclose an interest as required by these rules shall vacate their office either permanently or for a period of time.

D23 The association may pay properly authorised expenses to board members, co-optees and members of committees when actually incurred

on the association's business.

D24 A board member, co-optee or member of a committee shall not have an interest for the purpose of rules D18 to D20 as a board member, director, or officer of any other body whose accounts are or ought to be consolidated with the association's accounts.

D25 Board members, co-optees or members of committees who are tenants of the association shall not have an interest for the purpose of rule D20 in any decision affecting all or a substantial group of tenants.

D26 The grant of a tenancy by the association at the direction of another body to a board member, co-optee or member of a committee is not the grant of a benefit for the purpose of rule D19.

Meetings of the board

D27 The board shall meet at least three times every calendar year. At least seven days written notice of the date and place of every board meeting shall be given by the secretary to all board members and co-optees.

D28 Meetings of the board may be called by the secretary, or by the chair, or by two board members who give written notice to the secretary specifying the business to be carried out. The secretary shall send a written notice to all board members and co-optees to the board as soon as possible after receipt of such a request. The secretary shall call a meeting on at least seven but not more than fourteen days' notice to discuss the specified business. If the secretary fails to call such a meeting then the chair or two board members, whichever is the case, shall call such a meeting.

Management and delegation

D29 The board may delegate any of its powers under written terms of reference to committees or to employees (subject to rule D1). Those powers shall be exercised in accordance with any written instructions given by the Board.

D30 The membership of any committee shall be determined by the board. Every committee shall include one board member or co-optee to the board. The board will appoint the chair of any committee and shall specify the quorum.

D31 All acts and proceedings of any committee shall be reported to the board.

D32 No committee can incur expenditure on behalf of the association unless at least one board member or co-optee of the board on the

committee has voted in favour of the resolution and the board has previously approved a budget for the relevant expenditure.

D33 For the purposes of the Housing Act 1996 any member of a committee shall be an officer.

D34 The Board may by power of attorney on terms it deems appropriate appoint individual officers or employees of the association to be agents of the association to execute deeds on its behalf.

Miscellaneous provisions

D35 All decisions taken at a board or any committee meeting in good faith shall be valid even if it is discovered subsequently that there was a defect in the calling of the meeting, or the appointment of the members at a meeting.

D36 A resolution in writing sent to all board members and signed by three quarters of the board members or all the members of a committee shall be as valid and effective as if it had been passed at a properly called and constituted meeting of the board or committee.

D37 Meetings of the board can take place in any manner which permits those attending to hear and comment on the proceedings.

D38 A board member acting in good faith shall not be liable to the association for any loss.

PART E CHAIR, CHIEF EXECUTIVE, SECRETARY AND OTHER OFFICERS

The chair

E1 The association shall have a chair, who shall also chair board meetings, and shall be elected by the Board.

E2 The chair on election shall hold office until the commencement of the first board meeting after the next annual general meeting of the association (or until the chair resigns as chair). The first item of business for any board meeting when there is no chair or the chair is not present shall be to elect the chair. The chair shall at all times be a shareholder and a board member.

E3 The chair of the association may be removed at a board meeting called for the purpose provided the resolution is passed by at least two thirds of the members of the board at the meeting.

The chair's responsibilities

E4 The chair shall seek to ensure that:

E4.1 the board's business and the association's general meetings are conducted efficiently;

E4.2 all board members are given the opportunity to express their views;

E4.3 a constructive working relationship is established with, and support provided for the chief executive (if any);

E4.4 the board delegates sufficient authority to its committees, the chair, the chief executive (if any), and others to enable the business of the association to be carried on effectively between board meetings;

E4.5 the board receives professional advice when it is needed;

E4.6 the association is represented as required; and

E4.7 the association's affairs are conducted in accordance with generally accepted codes of performance and propriety.

E5 The chair shall seek to ensure that there is a written statement of the chair's responsibilities which shall be agreed with the board, and reviewed from time to time.

The chief executive

E6 The association may have a chief executive appointed on a written contract of employment, which shall include a clear statement of the duties of the chief executive:

E6.1 In the event that the written contract of employment states that the chief executive is employed by the association only, then the appointment of the chief executive shall be by the board, subject to the prior written approval of the Parent Association;

E6.2 In the event that the written contract of employment states that the chief executive is employed jointly by the association and the Parent Association, then the appointment of the chief executive shall be by the boards of both the association and the Parent Association.

The secretary

E7 The association shall have a secretary who shall be appointed by the board and who may be an employee. The secretary shall in particular:

E7.1 summon and attend all meetings of the association and the board and keep the minutes of those meetings; and

E7.2 keep the registers and other books determined by the board; and

E7.3 make any returns on behalf of the association to the Registry of Friendly Societies and the Corporation; and

E7.4 have charge of the seal of the association; and

E7.5 be responsible for ensuring the compliance of the association with these rules.

Other officers

E8 The board may designate as officers such other executives, internal auditor and staff of the association on such terms (including pay) as it from time to time decides.

Miscellaneous

E9 Every officer or employee shall be indemnified by the association for any amount reasonably incurred in the discharge of their duty.

E10 Except for the consequences of their own dishonesty or gross negligence no officer or employee shall be liable for any losses suffered by the association.

PART F FINANCIAL CONTROL AND AUDIT

Auditor

F1 The association shall appoint an auditor to act in each financial year. They must be qualified as provided by Section 7 of the Friendly and Industrial & Provident Societies Act 1968 as amended by the Companies Act 1989.

F2 The following cannot act as auditor:

F2.1 an officer or employee of the association;

F2.2 a person employed by or employer of, or the partner of, an

officer or employee of the association.

F3 An auditor must be appointed by resolution at a general meeting.

F4 The association's first auditor shall be appointed at a general meeting within three months of its registration. The board may make the appointment if no meeting is held within three months. The board may appoint an auditor to fill a casual vacancy.

F5 Where an auditor is appointed to audit the accounts for the preceding year, they shall be re-appointed to audit the current year's as well unless:

F5.1 a general meeting has appointed someone else to act or has resolved that the auditor cannot act; or

F5.2 the auditor does not want to act and has told the association so in writing; or

F5.3 the person is not qualified or falls within rule F2 (above); or

F5.4 the auditor has become incapable of acting; or

F5.5 notice to appoint another auditor has been given.

F6 F6.1 Not less than twenty eight days' notice shall be given for a resolution to appoint another person as auditor, or to forbid a retiring auditor being re-appointed.

F6.2 The association shall send a copy of the resolution to the retiring auditor and also give notice to its shareholders at the same time and in the same manner, if possible.

F6.3 If not, the association shall give notice by advertising in a local newspaper at least 14 days before the proposed meeting. The retiring auditor can make representations to the association which must be notified to its Shareholders under Section 6 of the Friendly and Industrial and Provident Societies Act 1968.

Auditor's duties

F7 The findings of the auditor shall be reported to the association, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968.

F8 The board shall produce the revenue account and balance sheet audited by the auditor, and the auditor's report at each annual general meeting. The board shall also produce its report on the affairs of the association

which shall be signed by the person chairing the meeting which adopts the report.

Accounting requirements

F9 The end of the accounting year must be a date allowed by the Registrar.

F10 The association shall keep proper books of account detailing its transactions, its assets and its liabilities, in accordance with Sections 1 and 2 of the Friendly and Industrial and Provident Societies Act 1968.

F11 The association shall establish and maintain satisfactory systems of control of its books of account, its cash and all its receipts and payments.

Annual returns and balance sheets

F12 Every year, within the time specified by legislation, the secretary shall send the association's annual return to the Registrar of Friendly Societies. The return shall be up-to-date to the time specified in the Act, or such other date allowed by the Registrar. The annual return shall be accompanied by the auditor's reports for the period of the return and the accounts and balance sheets to which it refers.

Borrowing

F13 The total borrowings of the association at any time shall not exceed £500 million (five hundred million pounds) or such a larger sum as the association determines from time to time in general meeting.

F14 The rate of interest payable at the time terms of borrowing are agreed on any money borrowed shall not exceed the rate of interest which, in the opinion of the board, is reasonable having regard to the terms of the loan. The board may delegate the determination of the said interest rate within specified limits to an officer, board member or a committee.

F15 F15.1 In respect of any proposed borrowing, for the purposes of rule F13, the amount remaining undischarged of any deferred interest or index-linked monies previously borrowed by the association or on any deep discounted security shall be deemed to be the amount required to repay such borrowing in full if such pre-existing borrowing became repayable in full at the time of the proposed borrowing; and

F15.2 For the purposes of rule F13 in respect of any proposed borrowing intended to be on index-linked or on any deep discounted security the amount of borrowing shall be deemed to be the proceeds of such proposed borrowing receivable by

the association at the time of the proposed borrowing.

Rate Caps

F16 F16.1 The RSL shall have the power to enter into and to perform a swap transaction, or series of swap transactions, where the governing body (or a duly authorised sub-committee established under the rules) considers entry by the RSL into such transaction(s) to be in the best interests of the RSL provided that at the time of entry into any such transaction(s) the sum of the Calculation Amount of any swap transaction previously entered into and remaining in effect and the Calculation Amount of the proposed swap transaction(s) shall not exceed the lower of:

- £500 million (five hundred million pounds); or
- the aggregate amount of RSLs Variable Rate Borrowings then drawn down plus the amount of any existing contractually committed loan facilities not yet drawn down in respect of amounts which the RSL intends at the Effective Date when drawn will become Variable Rate Borrowings,

having regard at the Effective Date to the RSL's obligations to repay Variable Rate Borrowings and the amount of Variable Rate Borrowings which will be outstanding at any time on or prior to the proposed Termination Date.

F16.2 Prior to exercising its power under Rule F16.1 the Association shall obtain and consider proper advice on the question whether the swap transaction is satisfactory having regard to:-

- the RSL's anticipated payment obligations under its existing Borrowings pursuant to Rule F13;
- the payment obligations under the proposed swap transaction;
- the terms and conditions of the swap transaction; and
- the RSL's actual and projected annual income and expenditure position.

F16.3 For the purposes of Rule F16.2 proper advice is the advice of a person who is reasonably believed by the governing body to be qualified by their ability in and practical experience of financial matters and the appropriate derivative transaction and is properly authorised under the provisions of the Financial Services Act 1986, such advice may be given by a person notwithstanding that they give it in the course of their

employment as an Officer.

F16.4 A person entering into a swap transaction with the RSL who has received a written certificate signed by the Secretary confirming the RSL's compliance with Rule F16.1 and F16.2 shall not be concerned to enquire further whether or not the RSL has complied with the provisions of Rule F16.1 and F16.2 and such swap transaction shall be valid at the date that it is entered into and throughout its Term in favour of such person (or any assignee or successor in title) whether or not the provisions of Rule F16.1 and F16.2 have been complied with.

For the purposes of this Rule F16:

"Calculation Amount", "Effective Date", "Term" and "Termination Date" have the respective meanings given in the 1991 ISDA Definitions as amended from time to time;

"Variable Rate Borrowing" means any borrowing by the RSL pursuant to Rule F13 in respect of which the rate of interest has not been fixed for a term in excess of twelve months and the term "fixed" shall exclude any borrowing where the rate of interest is indexed in accordance with a retail prices index or other published index;

"Swap Transaction" means any transaction which is a rate swap transaction, a forward rate transaction, interest rate option purchased or collar transaction as referred to in the definition of "Swap Transaction" appearing in the 1991 ISDA Definitions as amended from time to time save that:-

(i) it shall exclude

- any transaction where any calculation amount is expressed in a currency other than pounds sterling and
- any transaction dealing in commodities and

(ii) rate swap transaction shall be deemed to include:-

- a retail prices (or other published index) interest rate transaction; and
- forward rate transactions shall include an option to buy forward rate transaction (but not sell)

Investment

F17 The funds of the association may be invested by the board as it determines as if it were absolutely entitled to the assets of the association.

PART G MISCELLANEOUS AND STATUTORY, REGISTERED OFFICE AND NAME

G1 The association's registered office is 46 Wavertree Road, Liverpool L7 1PH.

G2 The association's registered name must:

G2.1 be placed prominently outside every office or place of business; and

G2.2 be engraved on its seal; and

G2.3 be stated on its business letters, notices, adverts, official publications, cheques and invoices.

Disputes

G3 G3.1 Any dispute on a matter covered by the rules shall be dealt with in the County Court if the dispute is between:

- the association and an officer; or
- the association and a shareholder; or
- the association and a person claiming to be a shareholder; or
- the association and a person who was a shareholder in the last six

months.

G3.2 Alternatively, if the association has been a member of the National Housing Federation for at least two years, such dispute can be resolved by an arbitrator appointed by the National Housing Federation if both parties to the dispute agree. If they do not agree the dispute shall be dealt with in the County Court.

G3.3 The arbitrator's decision is binding. No appeal is allowable. No court of law can alter it, but it can be enforced by a County Court.

G3.4 The arbitrator's decision on the costs of the arbitration is binding.

Minutes, seal, registers and books

G4 The minutes of all general meetings, and all board and committee meetings shall be recorded, agreed by the relevant subsequent meeting and signed by whoever chairs the meeting and kept safe.

G5 The secretary shall keep the seal. It shall not be used except under the board's authority. It must be affixed by one board member signing and the secretary countersigning or in such other way as the board resolves.

G6 The association must keep at its registered office:

G6.1 the register of shareholders showing:

- the names and addresses of all the shareholders; and
- a statement of all the shares held by each board member and the amount paid for them; and
- a statement of other property in the association held by the shareholder; and
- the date that each shareholder was entered in the register of shareholders.

G6.2 a duplicate register of shareholders showing the names and addresses of shareholders and the date they became shareholders.

G6.3 a register of the names and addresses of the officers, their offices and the dates on which they assumed those offices as well as a duplicate.

G6.4 a register of holders of any loan.

G6.5 a register of mortgages and charges on land.

G6.6 a copy of the rules of the association.

G7 The association must display a copy of its latest balance sheet and auditors report at its registered office

G8 The association shall give to all shareholders on request copies of its last annual return with the auditor's report on the accounts contained in the return, free of charge.

G9 The secretary shall give a copy of the rules of the association to any

person on demand who pays such reasonable sum as permitted by law.

Statutory applications to the Registrar

G10 Ten shareholders can apply to the Registrar of Friendly Societies to appoint an accountant to inspect the books of the association, provided all ten have been shareholders of the association for a twelve month period immediately before their application.

G11 The shareholders may apply to the Registrar of Friendly Societies in order to get the affairs of the association inspected or to call a special general meeting. One hundred shareholders, or one-tenth of the shareholders, whichever is the lesser, must make the application.

Amendment of rules

G12 G12.1 With the prior written consent of the Parent Association, the rules of the association may be rescinded or amended, but not so as to stop the association being a charity.

G12.2 Rules A2; A3; A4; B1; B2; B3; C2; C3; D17; D27; G12 and G14 can only be amended or rescinded by three fourths of the votes cast at a general meeting. Any other rule can be rescinded or amended by two thirds of the votes cast at a general meeting.

G12.3 Amended rules shall be registered with the Registrar as soon as possible after the amendment has been made. A copy of the amended rules shall be issued to all shareholders immediately after registration. An amended rule is not valid until it is registered.

Dissolution

G13 The association may be dissolved by a three fourths majority of shareholders who sign an instrument of dissolution in the form prescribed by Treasury Regulations; or by winding-up under the Act.

G14 G14.1 Any property that remains, after the association is wound-up or dissolved and all debts and liabilities dealt with, the shareholders may resolve to give or transfer to another charitable body with objects similar to that of the association.

G14.2 If no such institution exists, the property shall be transferred or given to the Housing Associations Charitable Trust.

G14.3 If the association is registered as a social landlord with

the Corporation any transfer or gift is governed by paragraph 15 of Schedule 1 of the Housing Act 1996.

Interpretation of terms

G15 In these rules, including this rule, unless the subject matter or context are inconsistent:-

G15.1 words importing the singular or plural shall include the plural and singular respectively;

G15.2 words importing gender shall include the male and female genders;

G15.3 any reference to an Act shall include any amendment or re-enactment from time to time

G15.4 "amendment of rules" shall include the making of a new rule and the rescission of a rule, and "amended" in relation to rules shall be construed accordingly;

G15.5 "the association" shall mean the association of which these are the registered rules;

G15.6 "board" shall mean the board appointed in accordance with Part D and "board member" or "member of the board" shall mean a member of the board for the time being but shall not include a person co-opted to the board under rule D5;

G15.7 "Corporation" means the Housing Corporation;

G15.8 "Housing Association" has the meaning given by Section 1 of the Housing Associations Act 1985;

G15.9 "officer" shall include the chair and secretary of the association and any board member for the time being and such other persons as the board may appoint under rule E8;

G15.10 "persons claiming through a shareholder" shall include their personal representatives and also their nominees where a nomination has been made;

G15.11 "property" shall include all real and personal estate (including loan stock certificates, books and papers);

G15.12 "register of shareholders" means the register kept in accordance with rule G6.1;

G15.13 "secretary" means the officer appointed by the board to be the secretary of the association or other person authorised by the board to act as the secretary's deputy;

G15.14 "shareholder" shall mean one of the persons referred to in rule C5 and means "member" as defined by the Act.

G15.15 "Tenant" means a person who alone or jointly with others hold a tenancy, lease or licence to occupy premises owned by the association or a subsidiary for residential use;

G15.16 "the Act" shall mean the Industrial and Provident Societies Acts 1965 to 1975;

G15.17 "these rules" shall mean the registered rules of the association for the time being;

G15.18 references to any provision in any Act shall include reference to such provision as from time to time amended, varied, replaced, extended or re-enacted and to any orders or regulations made under such provision;

G15.19 "special resolution" means a resolution at a general meeting passed by a two thirds majority of all shareholders who vote in person or by proxy;

G15.20 "Parent Association" shall mean the Riverside Group of Companies Limited;

G15.21 "Relevant Council" means Carlisle City Council together with any local authority (as defined in Section 67(3) of the Local Government and Housing Act 1989) which previously owned or managed housing stock equal to or more than 20% of the association's total housing stock;

G15.22 "Local Authority Person" means any person:

(i) who is or has been a member of a Relevant Council in the preceding four years; or

(ii) who is an officer of a Relevant Council (which for these purposes shall not include employees with non-managerial posts apart from housing employees); or

(iii) who is or has been both an employee and either a director, manager, secretary or other similar officer of a company which is under the control of a

Relevant Council in the preceding four years

G15.23 "Council Board Member" means a board member appointed pursuant to rule D10;

G15.24 "Independent Board Member" means a board member who is neither a Local Authority Person or a Tenant;

G15.25 "Tenant Board Member" means a board member who is a Tenant pursuant to Rule D2.2;

G15.26 "Registrar of Friendly Societies" includes any statutory successor to the functions of the Registrar of Friendly Societies;

G15.27 "Elected Board Member" means a board member who is not a Council Board Member;

G15.28 "Carlisle Council" means Carlisle City Council;

G15.29 "Leaseholder" means a Tenant who holds a lease with an initial term of at least 50 years to occupy premises owned by the association or a subsidiary for residential use;

G15.30 "Council member" means Carlisle Council as a corporate member of the association, holding one share.

INDUSTRIAL AND PROVIDENT SOCIETIES ACT 1965

**A c k n o w l e d g e m e n t o f R e g i s t r a t i o n o f S o
c i e t y**

Register No. R

Limited

is this day registered under the Industrial and Provident Societies Act 1965.

Dated (**Seal of Central Office**)

Copy kept

Registrar of Friendly Societies

Central Office

1.Shareholder
2.Shareholder
3.Shareholder
-Secretary