

COMMUNITY LAND TRUSTS

Report on a Feasibility Study



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Undertaken by:

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I. INTRODUCTION

- 1.1.1 Across the UK, many communities, public bodies and voluntary organisations are working to find solutions to complex problems of poor housing and disadvantaged neighbourhoods. While proper funding is central to addressing these issues, there is much evidence that money alone will not solve everything. Alongside a track record of success, the public and voluntary sectors both have a legacy of investing in homes and services without properly engaging communities. In turn, this has led to waste, mistrust and a failure to genuinely improve the quality of residents' lives. For this reason, the Government has given priority to community involvement and resident empowerment in the design and delivery of the regeneration programmes that it supports. We therefore need to develop approaches to regenerating communities that reflect this, and must seek to secure and use funding in ways that genuinely give power to communities.
- 1.1.2 Central to the concept of the Community Land Trust (CLT) is community ownership and control of assets. A CLT owns assets which are passed to it either by individuals or organisations, or are purchased with public money; it develops and manages these in the interests of the community. To ensure genuine community control, a CLT is a membership organisation, its owners being those whom it seeks to serve. But a CLT works in partnership with others, benefiting from the skills of interested and committed individuals and organisations to achieve its aims. By using and extracting value from the improvement and development of assets in the interests of the community, the CLT model also seeks to resolve the paradox of increasing land values: Regenerating an area is about making it more popular and, generally speaking, this increases land and property values. Too often, however, this leads to further social exclusion as people on low incomes are priced out of an area. A CLT recognises and works with the operation of the market, but seeks to capture value for the good of the community as well as for individual residents.
- 1.1.3 This report comprises the results of a feasibility study commissioned by a Steering Group of organisations working in the City of Birmingham:
- ART Homes**
A subsidiary of the Birmingham-based Aston Reinvestment Trust, providing a range of loans and other financial products to low income home owners to finance repairs and improvements.
- Birmingham City Council (BCC)**
The strategic housing authority, with a long track record of innovation in and support to private sector renewal.
- Birmingham Co-operative Housing Services (BCHS)**
An independent advisory service to tenants and residents.
- Confederation of Co-operative Housing (CCH)**
The representative body for the UK's Co-operative Housing Movement
- Focus Housing Association**
Mercian Housing Association
Major Registered Social Landlords (RSLs) working in Birmingham, both with a strong commitment to community regeneration.
- The Housing Corporation**
The regulator for RSLs, providing the funding for this study as part of its programme of support for tenant and resident led community initiatives
- 1.1.4 The Steering Group commissioned housing consultants, HACAS Chapman Hendy, and solicitors, Trowers & Hamblins, to develop the CLT model. Staff of BCHS, Focus Housing Association and Mercian Housing Association undertook the area fieldwork for this study.

2. EXECUTIVE SUMMARY

- 2.1.1 A Community Land Trust (CLT) is a not-for-profit, community controlled organisation that acquires and develops assets for the benefit of the community. The concept is founded in the belief that real community empowerment comes from giving people direct and collective control of land and property assets within their neighbourhoods.
- 2.1.2 A CLT's activities will depend both on the needs of its community and the skills and experience of local partners. A CLT can help residents, local authorities and other agencies in a number of ways:
- a) A CLT can provide a mechanism for regenerating areas of low demand. For example, it could be a delivery vehicle for authorities with pathfinder status under the Government's Housing Market Package, which aims to address the problems of neighbourhoods suffering from low and falling demand. The model can also be used as part of a strategy to prevent decline by increasing stakeholder ownership and by empowering community groups that are engaging in the regeneration process.
 - b) For low income home owners needing to fund repairs and improvements, it provides an alternative to conventional equity release products by routing these through a vehicle owned and controlled by them.
 - c) Working in partnership with local authorities or Registered Social Landlords (RSLs), a CLT can help redevelop mixed tenure estates by providing:
 - housing for homeowners who need to move because of redevelopment;
 - a vehicle for developing and managing non-housing community facilities.
 - d) A CLT can act as a single point of contact for a range of other housing and environmental services offered by the CLT and other partners, such as insurance and property maintenance.
 - e) It can acquire assets from local authorities or other public bodies, or from RSLs (particularly ones formed from stock transfer) on a concessionary basis, developing these and ploughing back the benefit into community projects.
- 2.1.3 More broadly, the CLT model provides a new option for local authorities to implement their Asset Management Plans and Capital Strategies. The Government requires authorities to prepare Asset Management Plans to show that they have comprehensively assessed their land and property holdings, and have a considered plan on their use and, if appropriate, disposal. The Capital Strategy shows how the authority plans to use all its capital resources (e.g. borrowings, sales receipts, other assets) to meet the aims laid down in its Community Plan. The CLT model, as a vehicle both for managing assets and empowering communities, provides a potentially valuable option for connecting strategic aims to action within communities.
- 2.1.4 Community ownership and control are the central features of the CLT model; it is not, however, necessary for the CLT to directly manage any or all social and community provision in a neighbourhood. It will work with partners including the local authority, RSLs, community and commercial lenders, voluntary agencies and local businesses.
- 2.1.5 CLTs will have a local focus. However, there may be merit in CLTs within a local authority area - whether urban or rural - working under the umbrella of a district/borough/city wide CLT using group structure models similar those found in the RSL sector. Draft illustrative rules for both a central and local CLT are provided in the Appendix. (These have not as yet been vetted or approved by the Financial Services Authority (FSA)).
- 2.1.6 This feasibility study, prepared with the support of Birmingham City Council, looks specifically at how a CLT model could help the Council continue its innovative approach to private sector renewal. In particular, it explores how, in partnership with ART Homes (a community lender), specialist agencies advising elderly home owners (such as the Home Improvement Trust), local RSLs and other agencies active in private sector renewal in Birmingham, the CLT model could help the city utilise the new funding powers introduced by the Government.

- 2.1.7 The study looks at the specific needs of three areas in Birmingham. The study identifies that each of the three areas could benefit from establishing a CLT to help low income home owners, both elderly people and families. The specific need of each area differ because of their demographic profiles. Ethnicity may also be an issue, particularly for areas with significant Muslim communities to whom conventional lending products may not be acceptable. Birmingham already has a range of established agencies dealing with private sector renewal. Research by ART Homes (“Stopping the Rot” 2000) identified that a community owned vehicle co-ordinating the work of existing agencies would be more credible and therefore attract more home owners. Discussions with community agencies and representatives suggest strong interest in the potential of a CLT; nonetheless, a good deal of work would be needed to build up solid interest in forming a CLT.
- 2.1.8 The following possible routes for using a CLT model to aid private sector renewal have been identified in Birmingham, but these models may well have relevance elsewhere:
- a) Where clearance areas include owner occupied properties, a CLT model could be used by displaced owners as a vehicle for developing new homes on an equity sharing basis, with the local authority providing land as a subsidy. This may give these home owners access to better quality housing than they would otherwise be able to afford.
 - b) Where clearance areas generate land for new uses, this could be developed by the CLT for community facilities and/or sold to generate further funds to invest in private sector renewal.
 - c) Where areas have a long term future, home owners may still be reluctant to invest in repair and improvement without evidence that others also intend to do so. The CLT provides a means of encouraging and demonstrating the benefits of collective action on repair and improvement.
 - d) A CLT provides a mechanism for providing further support and encouragement to repair and improvement to specific groups (e.g. elderly owners), complementing the work of specialist agencies assisting elderly people such as HouseProud in Birmingham.
 - e) Under the Government’s Housing Market Package, Birmingham City Council and Sandwell MBC have been awarded pathfinder status for the North West Birmingham/East Sandwell area. The programme aims to aid the revitalisation of areas of low and falling demand. The CLT could provide a community-led delivery vehicle for this investing in this area.
- 2.1.9 Every CLT will need a business plan, spelling out its aims and objectives, quantifying the resources it needs and stating what it intends to deliver. The plan needs to identify and test the key financial risks which may be significant. Public subsidy in some form will be needed. This may include the transfer of assets, one off grants, concessionary loans, loan guarantees and revenue support. The business plan will be used to establish credibility with the community and other partners, and to raise private finance. As such, funders’ normal loan covenant ratios (such as the level of loan relative to the value of the CLT’s assets) will have to be borne in mind when establishing the plan.
- 2.1.10 CLTs, depending on their activities, may fall under one or more regulatory regimes:
- a) relating to their corporate form – registration with the Financial Services Authority (FSA) (as the successor to the Registrar of Friendly Societies) or the Registrar of Companies;
 - b) if they have charitable status (which may be appropriate in certain circumstances) – scrutiny by the Charity Commission and/or the Inland Revenue;
 - c) if they become RSLs (which may be appropriate in some cases) – the Housing Corporation; however, registration would require changes in Corporation policy;
 - d) if they provide loan finance or advice on loans, or refer people to lenders, or provide insurance services – regulation under the financial services industry regimes, varying according to the nature of the activities.
- 2.1.11 It may be appropriate, or easier, for a CLT to work with an existing regulated partner on specific projects.
- 2.1.12 The CLT model aims to respond to the spirit of the Government’s regeneration agenda, namely:
- a) the creation of new ways of empowering communities;
 - b) means for developing new types of partnership;
 - c) further routes to private finance;
 - d) cross-tenure and cross-service approaches.

3. THE COMMUNITY LAND TRUST MODEL

3.1 The concept

3.1.1 The concept of a Community Land Trust (CLT) is of a community-owned body that holds and uses assets on behalf of the community it serves. Typically, voluntary organisations in the UK work for the benefit of their members (i.e. co-operatives) or for the benefit of the community (e.g. housing associations). The CLT model combines elements of both; assets are collectively owned, and the profits and capital value accumulated through their use are applied to meet the aims of the membership and the wider community in which members live. Like many co-operative bodies, the CLT mechanism does not exclude financial benefits accruing to individuals. However, a CLT aims to provide a means of collective financial power that would not, generally speaking, be available to its members as individuals. That financial power, in turn, is used to achieve a collective benefit. In most cases, this type of body will be of greatest relevance to people on lower incomes or with limited or no capital as they have the least power within the market economy.

3.1.2 The CLT is not simply a financially pragmatic device. To work, a CLT must make personal financial sense and provide tangible benefits to its potential clients otherwise they will invest neither their assets nor their energies in it. "Making sense" will, in part, be about financial issues – does the return from investing in the CLT seem reasonable given the other choices available? But it will also be about vision, trust and involvement. There are existing products and organisations that could meet some of the needs that a CLT would fulfil. The Steering Group held the view that the fact that a CLT is owned by its members - and that members can have a say in what the CLT does and how it is run - would provide a significant additional attraction. The CLT model will need to be attractive to residents and others involved within a community whether or not they see themselves playing an active role.

3.2 The model

3.2.1 This feasibility study has developed a detailed model for a CLT which is discussed later. In essence, the CLT model is based on the following elements:

- a) A CLT is a non-profit-distributing body owned by its members.
- b) Its membership is likely to be wide, including members of the communities it serves.
- c) The ownership of the freehold (or long leasehold) of property assets is transferred to the CLT, or the CLT takes a legal charge over the assets.
- d) The CLT will use this asset base to raise finance to invest in, or provide additional, assets.
- e) Those who have provided the assets to the CLT are likely to expect some form of return, for example:
 - individual home owners will enter into equity release arrangements with the CLT to pay for improvements and repairs in the property;
 - a public authority (for example, a local authority) may endow the CLT with land or community buildings which could be used to generate income (through, for example, development and sale, or leasing) for reinvestment in community facilities;
 - a stock transfer Registered Social Landlord (RSL) may transfer land (for example, arising from a demolition programme) to a CLT as an alternative to having a development profit sharing agreement with the sponsoring local authority, subject to the consent of the Secretary of State and the Housing Corporation.
- f) Depending on the range of agencies already working within its communities, the CLT may use partners to deliver much of its work, restricting itself principally to the role of asset owner and (through community control) custodian of the local "estate", the historic role of the freeholder.

3.2.2 In the following sections we discuss each of the above facets of the CLT model.

3.3 Overall constitutional structure

- 3.3.1 As we have described above, the CLT is a non-profit distributing body owned by its members. The central point about a CLT is community control. Therefore, in theory, it need not be a non-profit distributing body. However, the Steering Group has felt that the credibility of the CLT would be significantly enhanced if it adopted a non-profit distributing model. The two common forms of a CLT are the Industrial & Provident Society (IPS) and the Company Limited by Guarantee (CLG). Both forms are used by RSLs and both may have charitable status although the route for achieving this differs as discussed below.
- 3.3.2 IPSs have evolved out of mutual societies and can be for the benefit of the members or the community. They are registered (co-operative societies) with the Financial Services Authority (FSA) (which has taken over the regulatory role of the Registrar of Friendly Societies) and may not trade for profit. They are the form of corporate body traditionally used to establish housing associations and co-operative or mutual organisations. IPSs currently have two major advantages. If charitable, they are exempt from registration with and regulation by the Charity Commission (although they must secure Inland Revenue clearance). They are also often perceived by people as having an advantage in terms of presentation in that they are not companies which, in the minds of some people, are linked with profit making.
- 3.3.3 The main disadvantage of an IPS is that it is not flexible in relation to permitted constitutional structures. This is particularly relevant if setting up a board structure where different constituencies have guaranteed ownership stakes. Whilst it is possible to allow for the board of management to be constituted in a variety of ways, including direct election or nomination, at shareholding membership level there is an underlying principle of one member one vote, and the direct nomination of board members can therefore be problematic.
- 3.3.4 IPSs have an additional disadvantage if they are seeking capital investment as, subject to certain exceptions, no member of an IPS may have an interest in the shares of the IPS exceeding £20,000. In practice, at least for the RSL sector, this is of limited significance as IPS RSLs that need capital are generally able to borrow freely within the limits set by their own rules. These rules include the issue of loan capital which can be publicly listed.
- 3.3.5 A Company Limited by Guarantee (CLG) is registered with the Registrar of Companies in the same way as a profit making company. It is similar to a Company Limited by Share Capital except that its members do not hold shares in the company but undertake to pay a nominal figure (usually £1) in the event of the company becoming insolvent. The CLG model is now commonly used for creating new RSLs to take local authority stock transfers. This is because, typically, the membership and board structure of a stock transfer RSL needs to allow different constituencies to have guaranteed places (i.e. council, tenants and independents). As noted above, this kind of structure is more difficult within an IPS, hence the tendency to use CLGs. CLGs have the benefit of this constitutional flexibility without being linked with profit making. Whilst they cannot, by definition, issue shares, they are able to borrow and raise loan capital.
- 3.3.6 The steering group looked at other models such as the Company Limited by Shares and the Limited Liability Partnership. It decided that neither was relevant to the CLT concept.
- 3.3.7 The Steering Group took the view that both the IPS and CLG models were appropriate and therefore either could be used in forming a CLT. A decision in the end may be influenced by perceptions of how the community will view the organisation which may in turn be influenced by the extent to which people are familiar with a particular structure. Overall, the IPS structure appears a more attractive model for a CLT for the following reasons:
- It is founded on the one person, one vote principle and will be familiar to people who have been involved in co-operative bodies.
 - The FSA scrutinises in detail the proposed objectives of an IPS, whereas the Registrar of Companies looks only for basic legal compliance; this could provide an extra level of comfort to residents and other partners.
 - Because of this, the community empowerment objectives, once enshrined, would be difficult to dilute or remove as that would need both the support of shareholders and the approval of the FSA.
 - The difficulties of incorporating class/constituency based shareholding membership in an IPS is unlikely to be a problem with a CLT; the board of an IPS can still have different categories of board member.
 - If charitable status is appropriate (discussed in 3.6 below), this is achieved by registration as an IPS with charitable objectives, whereas, with a CLG, separate registration with the Charity Commission is required.

3.4 Draft illustrative CLT Rules

3.4.1 For the reasons discussed in the last section, the draft illustrative constitutions developed for this study are based on the IPS structure. In section 3.7, we identify that a group structure approach, with an authority-wide (“central”) CLT and community-based (“local”) CLT may be appropriate in both urban and rural areas. Draft illustrative “Rules” (the term used to describe the constitution of an IPS) for the central and local CLTs are included in the Appendix. The key elements are summarised in this section. The Rules contain footnotes explaining both the intention of specific clauses and how they may be tailored to local circumstances.

Objectives and powers

3.4.2 The CLTs will need objectives (what they aim to achieve) and powers (what they are allowed to do in order to achieve the objectives). The draft illustrative Rules give the CLTs (central and local) wide powers to acquire, develop and manage assets for the benefit of the community. However, unlike, say, typical RSL Rules, the objectives clauses commit the CLT to undertaking its work through community empowerment. Later clauses require the CLTs to report back to their members on how they are achieving their objectives, thus demonstrating whether the CLT has met both its business and wider community aims. The objectives clause for the central CLT gives it obligations – not just objectives – in terms of promoting its work through locally accountable CLTs rather than acting as a wholly centralised body.

3.4.3 The objectives clause also requires some definition of the “community” for which the CLT exists. In most cases this will be geographical but the draft illustrative Rules are broad enough to accommodate other kinds of community (e.g. age or ethnic group) that may cover a dispersed area.

Shareholders

3.4.4 Every CLT will need shareholders who are the owners of the body, and, as such, have some input into the election of board members, have rights to receive information (such as accounts) and must approve any changes to the Rules. The shareholding structure differs between the central and local CLTs. The Rules are meant to be in a form adaptable to local circumstances. However, the structure anticipates that the shareholding membership of the central CLT will be small and simply comprise the members of the board. The shareholding membership of the local CLT is, however, assumed to be largely individual (e.g. local residents and people who work or study in the area). These different membership structures mirror the board/committee structure and also aim to provide community control at the local level.

3.4.5 As the model proposed is a group structure, the Rules state that local CLTs are subsidiaries of the central CLT.

Board and committee

3.4.6 The directors of the central CLT are, for the purposes of the draft illustrative Rules, referred to as the “board” and for the local CLTs the “committee”.

3.4.7 The board of the central CLT is assumed in the Rules to be constituency based (i.e. there will be guaranteed places for local CLT nominees, for the sponsoring organisations – including the local authority - and for independent board members). Again, the draft illustrative Rules are drawn broadly to enable each potential CLT to develop in the way they choose and on the basis of a negotiated agreement between the sponsoring parties.

3.4.8 The committee of the local CLT is elected by the shareholders. The draft illustrative Rules allow the local CLT, at a General Meeting, to decide that there should be different “classes” (i.e. categories) of member and to give each category a defined number of places on the committee. This might be useful where a local CLT is undertaking a range of quite different activities in the community and wants to ensure that residents involved in each are represented on the committee.

3.4.9 Both the board and committees may appoint co-optees (which can include senior staff) who have some limitations on their voting rights.

3.4.10 The Rules also define the responsibilities of officers (e.g. the chair, secretary, chief executive). This does not mean that every CLT needs a chief executive (or, indeed, any staff) but simply clarifies that the roles of officers must be transparent.

Probity

3.4.11 The Rules have all the normal requirements of independent sector constitutions covering conflicts of interest, proper financial record keeping, independent audit and availability of information. In addition, the board/committee is required to report to the Annual General Meeting on its values and objectives, and also to put before the AGM for its consideration the CLTs strategic policies.

3.5 Housing Corporation registration

- 3.5.1 Given that a CLT will be some form of not-for-profit organisation, this begs the question whether a CLT could usefully be registered with the Housing Corporation (i.e. become an RSL). The permitted objects of an RSL are set out in Section 2 of the Housing Act 1996. Although a wider range of objectives is permitted, the objectives must include the provision, construction, improvement or management of:
- a) houses to be kept available for letting;
 - b) houses for occupation by members of the body, where the rules of the body restrict membership to persons entitled or prospectively entitled (as tenants or otherwise) to occupy a house provided or managed by the body; or
 - c) hostels.
- 3.5.2 The Housing Corporation's criteria for registration also require that the principal objective of a prospective RSL should be to provide social rented housing. This is, in fact, a more restrictive definition than Section 2. However, in its circular "Regulating a Diverse Sector" published in May 2000, the Corporation significantly widened its definition of "social housing" to include a range of tenures and non-housing activities. It has also registered some bodies that own no social rented housing (e.g. secondary housing co-operatives and non-asset owning group parents). In practice, therefore, the ability of the Corporation to register CLTs as RSLs may largely be a policy issue. The Corporation, being primarily concerned with housing, may well not view CLTs as a single type; where they are working with RSLs largely on housing regeneration, RSL status may be seen as appropriate. Where (for example) a CLT is mainly providing non-housing community facilities, the Corporation may be less inclined to register even if there would be tangible social benefits. The Corporation also places great emphasis on risk management and its view both on the potential registration of CLTs, and the role of RSLs in promoting or working with them, will be shaped by this.
- 3.5.3 As we have described above, a CLT is likely to work with partners which will include RSLs. There is unlikely to be any part of the country where a CLT would be formed that did not have active RSLs who could undertake all those activities that require RSL status (e.g. development with Social Housing Grant). So, registration with the Housing Corporation may or may not be an option depending both on Corporation policy, the specific role of the CLT and the existence of suitable locally operating partners.
- 3.5.4 If registration were an option, RSL status brings with it a regulatory burden so there would need to be corresponding advantages to the CLT. One potential advantage of RSL status relates to the ability to raise private loan finance. Lenders to the social housing sector traditionally draw considerable comfort from the regulator's role. Unregistered bodies are generally unlikely to be able to attract funding at the same favourable rates as RSLs. Loans which are secured on tenanted property belonging to an RSL attract a favourable capital adequacy rating from banks and building societies. This means they have to put aside less cash to back their borrowing which in turn reduces their costs, the benefit of which is passed on, at least in part, to their RSL borrowers. This is not to say that a CLT that is not registered would be unable to borrow at economic rates. Further, as discussed below, borrowing may in any event be through an intermediary body such as a community lender.
- ### 3.6 Charitable status
- 3.6.1 The issue of whether the CLT should or should not be a charitable body will have an impact on the choice of constitutional structure. Charitable status increases the opportunity of the organisation to fundraise but in turn it restricts its activities to those directed towards the proper beneficiaries of charity. These include "people in necessitous circumstances" (usually taken as being people on below average incomes for the area), children, the elderly or disabled people. The body must provide help to these groups on "terms appropriate to their means". Charitable status also puts enhanced fiduciary duties upon board members and cannot be reversed. It normally also means that the organisation does not pay corporation tax or capital gains tax although the Inland Revenue will look at its activities in their own right.
- 3.6.2 Notwithstanding the potential advantages of charitable status, as the CLT will principally be an organisation working for the benefit of its members, we have concluded that it is unlikely that charitable status will be appropriate or obtainable. It also might be restrictive in terms of the breadth of activities that can be undertaken within the community. Some also argue that charitable status is inherently paternalistic, cutting across the principles of genuine community empowerment. As with Housing Corporation registration, this issue may best be considered on a case-by-case basis. A CLT predominantly helping home owners, unless they were all elderly or poor, would be unlikely to be deemed to be undertaking charitable activities. However, one which developed play facilities might.

3.7 Membership

- 3.7.1 The CLT model has been developed extensively within the USA. In the USA model, the CLT would typically have two groups of voting members (i.e. the shareholders or equivalent). One would be people who live in the homes owned by the CLT or use CLT land in other ways. The other would be people within the community interested in or committed to the CLT's activities. The essential concept of a CLT is as a democratically controlled, community based organisation. This would point to a similar type of arrangement which, of course, mirrors some of the structures used in RSLs, particularly those formed by local authorities for the purposes of stock transfer. The role of the membership of the CLT, as with other such organisations, would include the right to elect some or all of the board/committee and the right to establish the objectives and general direction of the CLT. Members are also entitled to receive certain information (most notably the annual accounts and annual report of directors) and have to agree any constitutional change.
- 3.7.2 A more active role for members would be possible. In many existing housing co-operatives, the membership play a more prominent part in policy making than is typical for an RSL, with the General Meeting being used as a forum for discussing and deciding policy, a role more typically undertaken by the Board of Management of an RSL. As an example, the Confederation of Co-operative Housing (CCH) publishes a code of conduct for housing co-operatives which includes a definition of the minimum role of the General Meeting. These are to:
- define the co-op's values and objectives;
 - establish policies to achieve those objectives;
 - approve the co-op's annual budget and accounts prior to publication;
 - establish a framework of delegation and systems of control;
 - agree policies on all matters that might create significant financial or other risk to the co-op, or which raise material issues of principle;
 - satisfy itself that the organisation's affairs are conducted lawfully and in accordance with generally accepted standards of performance and propriety.
- 3.7.3 CLTs may wish to explore new and different ways of engaging the interest and involvement of the community, so traditional RSL models may not always be appropriate. Wider involvement will need to be balanced against business needs to ensure that decision making is not unnecessarily slowed and the duty of the board to manage the CLT's financial affairs properly is not diluted or compromised.

3.8 Group or unitary structures

- 3.8.1 The detailed structure of the CLT model will be influenced by a number of factors including geography, community perception and funding requirements. It is also essential, as with any organisation, that the constitution lends itself to effective and efficient management. This issue is a complex one and there are tensions pulling in different directions. In a city like Birmingham, for example, if a CLT is directed towards private sector renewal, this is an issue which is City-wide. As a CLT would be offering new products and services, it may be unpredictable as to the extent of take-up in any one area. It will also be important to ensure that a City-wide CLT is not seen as remote from local communities. Given that renewal problems may focus on small areas or even streets, community control may not appear a credible prospect with a large organisation that is perceived to be remote. The CLT only adds value to the renewal process if it can achieve credibility far greater than that of existing organisations.
- 3.8.2 All this suggests that some form of group structure may be appropriate where, as in Birmingham, the CLT model has an application throughout a large area. Where however problems are confined to a particular area, a 'unitary' CLT may be the best way forward. As this feasibility has focused on Birmingham, and the CLT is likely to have particular interest in large areas (whether cities or rural areas with dispersed communities), we develop further below the idea of the CLT as a group structure. We distinguish between the local CLTs and the central (i.e. 'parent') CLT.
- 3.8.3 We would envisage that the committee of each local CLT would comprise voluntary committee members as is usually the case in housing organisations and the wider voluntary sector. The appropriate size of the committee is a matter for consideration at local level but RSL experience would suggest that a committee of between eight and fifteen would be effective. Some form of constituency based membership of the committee may be appropriate. For example, the CLT committee membership could be divided between the CLT's residents and the CLT's wider community. Partners (such as the relevant local authority, RSLs and community lenders) could also have the right to appoint members to the committee.
- 3.8.4 Following the RSL model, some spaces for independent committee members, allowing additional skills and interests to be brought in, could also be allowed for. The composition of the committee will be a direct reflection of the responsibilities. This may appropriately change over time. For example, if the central CLT, at least in the first instance, holds the assets of the organisation (see below) and is focused on managing the business and in particular the financial affairs of the group, it may be appropriate for independent membership and membership by partner organisations to be at central CLT board level. This would enable the local CLTs to be wholly or very largely comprised of local residents, possibly supplemented by co-option of non-residents with relevant expertise. If, as the remit of the local CLT grew, it became appropriate to consider transferring assets to the local CLT, the constitutional structure could be changed to allow a broader based committee to bring in any additional expertise required to run the business. The significance of this will depend on how broadly the membership criteria are based. If membership is open to those with an "association" with an area – for example, living, working, employing people or studying within an area – this may give a wide pool of expertise from which to draw.
- 3.8.5 As with RSLs, the local CLT's committee membership should be for a fixed period subject to re-election by members on a rotating basis (to keep some continuity).
- 3.8.6 In the group structure model, the central CLT would be the business hub of the organisation. In terms of constitutional structure, the steering group identified two basic models:
- In the first, the central CLT would be a corporate member of each of the local CLTs. To qualify as a group structure, the central CLT must within the constitution of the local CLTs have the ultimate power to remove committee members of the local CLT. In practice, as with RSL group structures, the central CLT may enter into a "Procedure Agreement" defining the circumstances in which it would intend to exercise these rights. (e.g. in the event of significant financial mis-management).
 - In the second model, the position is reversed. The central CLT, rather than being a parent would be jointly owned by each of the local CLTs, each of which would be a corporate member of the central CLT. In this model, however, there would be no group VAT relief (see 3.8.9 below) and the structure is more like a joint venture rather than a group structure.

- 3.8.7 The second approach is probably less attractive to partners and funders, as it creates the potential for conflicts of interest and lack of direction for the central CLT. For this reason, the Steering Group regards the first option as preferable.
- 3.8.8 Whichever of the above models is adopted, we would suggest that the membership of the central CLT should be restricted. In the first option, the members of the central CLT could simply be the members of its board (which is the approach incorporated in the draft Rules in the Appendix), although another approach would be to grant membership to local organisations. Under the second, the membership would comprise the local CLTs.
- 3.8.9 In a typical RSL group structure, the issue of VAT relief is a significant one. If group registration for VAT can be achieved, this means that transactions between group members are not subject to VAT, thus saving (at the time of writing – June 2002) 172% on the cost of services. This is an important issue in RSL groups because (for example) parent bodies typically provide services (e.g. finance, information technology) to subsidiaries and subsidiaries may provide services to one another (e.g. if one subsidiary has a repairs and maintenance direct labour organisation it may serve all members of the group). Intra-group VAT relief is therefore a money saver. The same issue applies to a CLT based on a group structure. However, the nature of a CLT as developed in this feasibility study may mean that the intra-group services issue is far less significant than in an RSL group. If most of the groundwork is being done by partner organisations, the CLT would not benefit from group VAT registration anyway as the financial transactions would principally be with external organisations. There could be some issue in terms of services provided by the central CLT to the local CLTs but again this is likely to be less significant than in the RSL setting. Also, there will be a trade-off between this cost and the potentially improved perception of the CLT model if local CLTs are seen to be owners of the central CLT.
- 3.8.10 We would propose that the board of the central CLT be made up of appointees or representatives of the local CLTs as well as partners (such as the local authority, RSLs and the community lender). There will also need to be spaces for independent board members. A CLT, if it is successful, will be running a complex business. If we assume that it is not an RSL, it will not have as much external regulation and scrutiny as it were. This means that the onus on the board to be capable and suitably skilled is even greater than with an RSL. Having at least a third of the board comprising independent board members selected against a set of criteria may be the appropriate way forward.
- 3.8.11 One possible board structure, taking a board of twelve, would be to have four members from each of three constituencies, the local CLT representatives, sponsors/partners and independents. Depending on the number of local CLTs, this kind of board membership will inevitably mean that not every local CLT would have a representative on the board. There would have to be a mechanism for the local CLTs to choose their nominees who, of course, need not actually be from the committee membership of the local CLTs. It would be important, however, for the board members put forward by the local CLTs to see themselves as having a wide ambit rather than representing a particular local CLT's interests.

3.9 Ownership of assets

3.9.1 The asset base would be created by individuals and organisations seeing the benefits of transferring their assets to the CLT. Other assets may be purchased with public funds. The CLT would then use the benefit of those assets to raise finance for the benefit of individuals or communities as a whole. The feasibility study identified the following as being the principal sources of assets for a CLT.

Home owners

3.9.2 As part of a strategy for supporting private sector renewal (particularly for owners on low income), home owners would be offered opportunities to release the equity in their property to fund repairs and improvements via the CLT. This could be through the granting of an equity release loan, with the CLT taking a legal charge on the property. Alternatively, an equity sharing model could be used, with the CLT taking a shared ownership stake in the property in order to release cash for use in the repair and improvement of the owner's property. The equity realised by the CLT when owners eventually sell could, in the long term, be used to build up a maintenance fund which could be invested by the CLT (or its community lender) to provide for future maintenance of the property. This would use existing equity release products currently being offered, for example, by ART Homes, Birmingham's community lender, whose work is discussed in section 4.

3.9.3 Thus, like Birmingham, some areas will already have agencies (commercial or not-for-profit) providing equity release products. The attraction for owners of using a CLT model will be where they can see a tangible benefit in comparison to the alternatives, for example, lower cost, higher return or less perceived risk. This may exist where a particular group (e.g. elderly people) would prefer to work with an organisation dedicated to their own needs, possibly sponsored by a relevant charitable or other support organisation. A CLT may also be more attractive where owners would, in principle, be willing to invest but are reluctant to do so without knowing that sufficient of their neighbours will as well. If they had greater assurance that collective action, creating a far greater impact on property values than individual or unco-ordinated action, further investment may be encouraged. By forming a CLT, neighbours could co-ordinate the repair and improvement plans for their area, and potentially gain benefits from borrowing as a group.

3.9.4 Some local authorities have clearance programmes which cover privately owned housing, including (but not exclusively) properties purchased under the Right to Buy. The compensation packages available to owners may not always be sufficient to give them as much choice as they could reasonably expect. A CLT, to which the local authority (for example) contributes land a nil cost, and in which owners also invest their compensation, could provide a further model of a CLT. The CLT could develop new homes on the endowed land, which are sold to the displaced owners on an equity sharing basis. Owners would be able to buy additional equity stakes in the future, and the increase in the value of the CLT's equity stake thus realised would be retained by the CLT (rather than paid to a traditional freeholder). As with the repair and improvement/equity release products, the financial mechanism itself is not new; the CLT provides a different vehicle for delivering and capturing the financial benefits, one that retains the benefit for the community.

Local authority asset management plans and capital strategies

3.9.5 Local authorities are now required to look at the use of all their resources in a strategic way. They have to demonstrate to Government how their specific plans for the use of land, property and capital funding (e.g. borrowings and receipts) will achieve the aims of their Community Plan. This process is now a central part of bidding under the Government's Single Capital Pot system. Of particular relevance to the CLT model are the Asset Management Plan (which covers the use, disposal etc of land and property) and the Capital Strategy (which considers all the capital resources of the authority). The CLT model provides a way of delivering aspects of both the Asset Management Plan and Capital Strategy. Where a local authority identifies that it would be more effective to develop assets through or in conjunction with a partner, the CLT provides a route which gives the authority a continuing locus. Unlike other joint venture or partnership vehicles, the CLT model also facilitates community involvement, and allows communities to see and influence what happens the benefit realised from asset development and sale. Local authority Community Plans often state that the authority wants to engage more closely with its citizens and to offer new ways of encouraging involvement. For those authorities with major issues of social exclusion, the need to think creatively about how communities can be motivated to become involved is even more critical. The CLT model offers a possible approach, with the group structure option providing a means of having both an authority-wide and local perspective.

Stock transfer RSLs

- 3.9.6 Some local authorities still have a land bank; others create sites either through demolition or land assembly programmes. Others have disused or under-used sites within their estates such as garage courts. If a local authority wishes to use one of its sites to provide social housing, RSLs are likely to be the best partner. If, however, an authority wishes to see mixed developments including housing for sale or commercial uses, there is often no obvious single vehicle for providing this. A CLT could be a source of achieving community control over such developments by acting as (in effect) a socially motivated, though nonetheless focussed and competent, development company. Some form of up-front public subsidy will almost certainly be needed and this can be structured in a variety of ways to suit the needs of the community and the resources available to the local authority and other partners. For example, the freehold of land for mixed development could be transferred to the CLT at nil cost or below market value, with any profits generated through commercial development or through purchase by RSLs being ploughed into providing community facilities or contributing to renewal programmes. Alternatively or additionally, one off grants, revenue support, concessionary loans or loan guarantees may be a source of subsidy. Local authorities' existing legal powers permit all these options and each option potentially provides a way of leveraging in private finance.
- 3.9.7 Some of the sources of land identified above will pass to RSLs where a stock transfer takes place. Some urban stock transfers involve demolition programmes and many stock transfer RSLs have the similar kind of under-used land described above. In some transfers, the RSL enters into a profit sharing agreement with the local authority to ensure that if the value of any transferred land is realised, the authority gains some of the financial benefit. It is often not particularly helpful, because of the local government capital finance rules, for a local authority to receive cash from a profit sharing deal although this may become more beneficial under the new arrangements for local government finance announced in the Local Government White Paper published in December 2001. Nonetheless, profit sharing (or "development clawback") agreements are relatively complex and, to work, need detailed monitoring in the years following the transfer. An alternative to this could be to have an arrangement that certain defined surplus land is transferred freehold to the CLT (in which both the local authority and RSL could participate through membership and/or board membership) with the CLT taking the lead in developing. Again, this is likely to be most appropriate where non-social housing uses are required. A CLT need not simply develop the sites transferred to it. If a site is inappropriate to community uses, it may be better simply to dispose of it, maximising the proceeds, and then plough these back into either capital projects or interest-earning investments, the latter being used to provide revenue for community projects. Disposal of RSL land or property generally requires consent from the Housing Corporation. In the case of disposals of assets arising from a stock transfer, the Secretary of State's consent is needed.

3.10 Raising private finance

- 3.10.1 The CLT, as a non-public body, can use the advantage of its status to raise private finance in a way not open to local authorities. Even under the new local government finance regime, local authority borrowing is likely to be constrained by revenue funding and therefore the role of non-public bodies in raising private finance remains relevant. Again a CLT's role is particularly relevant where the need is for facilities other than social housing as RSLs will continue for the foreseeable future to be the best and most economic source of providing social housing.
- 3.10.2 A CLT could raise private finance through conventional loans secured on its assets. It could also seek to raise loan stock from (say) businesses or individuals in the community with spare capital willing to accept a lower than commercial return.
- 3.10.3 In relation to conventional loan finance, the terms and covenants would depend on the lender's view of risk. Without RSL status, a CLT would not be likely to benefit from the lower funding costs obtainable by RSLs. There may be potential for a CLT to benefit indirectly from the borrowing power of RSLs but there are few clear precedents. An RSL can on-lend loan finance to other bodies but must do so at a rate commensurate with the risk. However, it can only on-lend where this is in furtherance of its own objectives. The RSL will also need to offer security for any on-lending, and so the quality of the CLT's assets will be significant. The Housing Corporation will also be concerned that there is no "leakage" of public subsidy to support funding to a non-registered body. The Corporation and funders are likely also expect to see that any RSL on-lending to a CLT can exercise effective control. This could be through incorporating the CLT within the RSL's group structure although this may dilute community control. Alternatively, control could be exercised by (for example) the RSL group holding the freehold of the relevant asset and leasing it to the CLT. Effective control would be exercised through the terms of the lease. Alternatively, other types of contract could be used to allow the RSL the protection needed to satisfy regulatory and funding requirements.
- 3.10.4 Loan stock was a historic way of providing capital finance to housing associations in their early days before subsidies were readily available. This usually involves individuals, but possibly (say) local businesses or larger firms, providing loan finance in the form of stock which yields a return each year but one which is lower than the cost of conventional finance.
- 3.10.5 RSLs secure most of their private finance through conventional lending from banks and building societies for set periods. Larger RSLs, however, have been turning to bond issues whereby they seek finance directly from the capital markets. The bond market for RSLs is now well established and is based, inevitably, on the reputation of the sector as a social landlord and Housing Corporation regulation. Any intention by RSLs to use bond funding for much wider purposes, particularly those not supported by the security of a rent income stream, or directly regulated by the Housing Corporation, may not be well received. The repayment structures can be relatively complex. For example, some bond issues involve the RSL providing a relatively low annual return to the investors but a large bullet repayment at the end of the period. Others involve no repayment during the course of the loan ("zero coupon") but the repayment of a sum at the end. Because bond holders are relying on the borrower to accumulate sufficient funds to repay them, without the intermediary of a bank or a building society, bond issues can only be floated by the largest and highly regarded RSLs. It is not conceivable that a CLT could raise a bond issue in its own right unless there were very special circumstances (e.g. a large endowment of assets and an extremely strong board).
- 3.10.6 The RSL sector has also successfully established other forms of bulk procurement of private finance, most notably the creation of "borrowing clubs" such as The Housing Finance Corporation, Funding for Homes and Housing Securities Limited. These allow RSLs to raise collectively large amounts of finance at more favourable rates than they would achieve if procuring smaller amounts individually. This, too, could be a way forward for CLTs although, by definition, a borrowing club, to be viable, would need the involvement of a considerable number of CLTs. This is therefore unlikely to be feasible in the early stages of the development of the CLT model. The potential advantage of a borrowing club is securing better rates through volume procurement of funding; it is not a means of "sheltering" a weak borrower amongst strong ones.

3.10.7 The feasibility of all these approaches will depend on:

- the value of the assets (and therefore the funding security) that the CLT owns;
- the ability of partners such as large RSLs to involve the CLT in their funding strategy;
- the risk management strategies that CLTs and their partners can put in place,
- the extent to which the funding market is convinced that lending for multi-faceted projects in this way represents a commercial proposition.

3.10.8 As with the RSL funding market, which has developed continuously since 1988, this is likely to be an evolving process with the boundaries of the market being extended by experience and track record.

3.11 Use of partners

3.11.1 As we discussed earlier, the idea of a CLT is to add value to the existing methods of developing and delivering services to communities by:

- a) building confidence amongst home owners within a neighbourhood that collective action will yield financial and social benefits;
- b) focussing on the particular needs of certain groups of home owners, such as elderly people;
- c) providing a vehicle for home owners displaced by clearance proposals to have more housing choices;
- d) facilitating land assembly and development.

3.11.2 Little purpose will be served, however, if a CLT duplicates the work of existing agencies. In a place such as Birmingham, private sector renewal activity (as discussed further below) is served by a range of experienced partners. The CLT is therefore potentially a community-led umbrella organisation to co-ordinate the work of these organisations and provide a single face to members of the community seeking services. The idea of a CLT as an umbrella or co-ordinating body therefore avoids duplication. However it potentially sets up a complex series of relationships (see chart on page 17).

3.11.3 The main players in the partnership are as follows:

Community Land Trust – this has membership open to the local community it seeks assets from a variety of sources and through this raises funding for the repair, improvement and development of owner occupied housing, and the provision of community facilities. It also is a source of providing management services and maintenance services to home owners, using its partner agents. In relation to funding, as it is the owner of the asset, it provides security to the lenders.

Individual Owners – particularly in the Birmingham context, where the CLT would be there to provide private sector renewal, the support of individual owners will be fundamental to the success of the CLT. The CLT will be looking to the owners to pledge their assets to the CLT in exchange for funding both long and short term for improvements, running repairs and maintenance.

Other Customers – the CLT and its partners may provide other kinds of services.

Most particularly in the private sector renewal context this may be care and repair services to elderly home owners or maintenance services. Thus, there may be customers who are not interested in, or do not need, equity sharing or equity release products but nonetheless are looking for a reliable service or the benefits of bulk buying (e.g. for insurance).

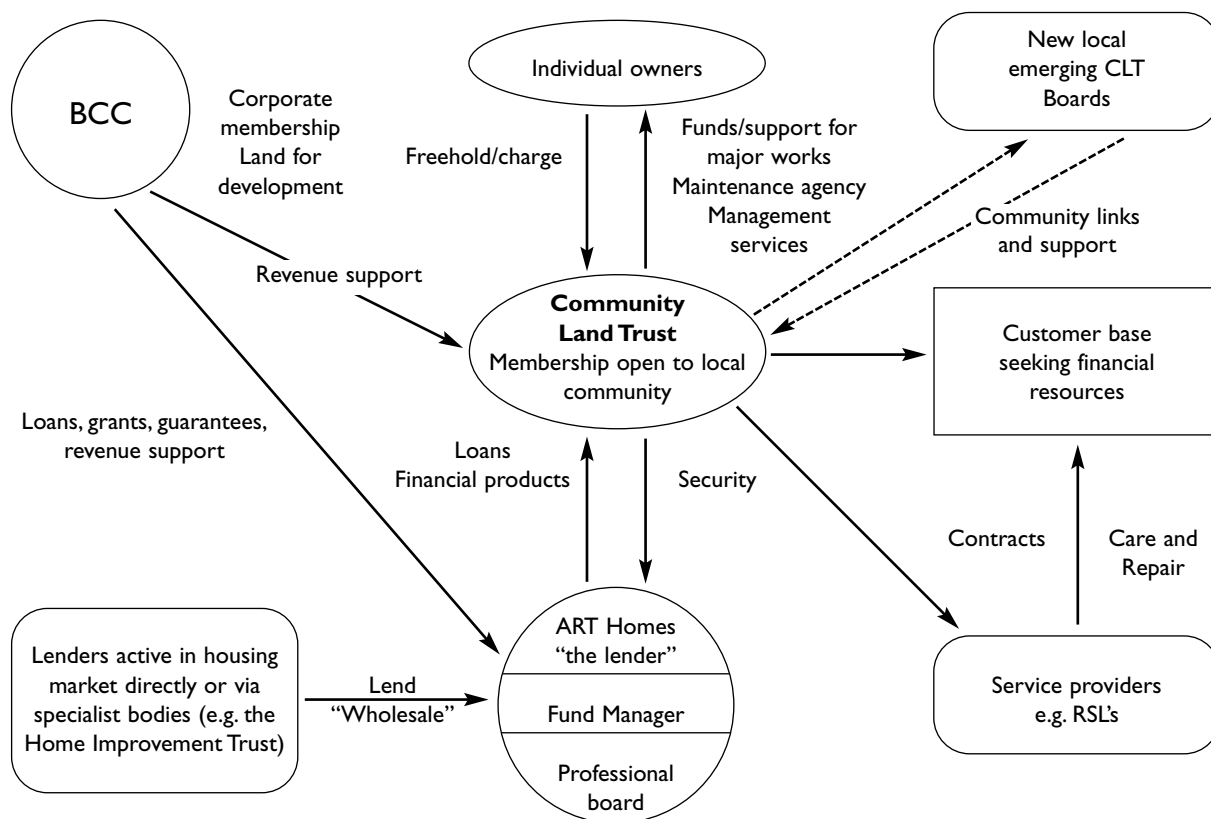
Community Lender – the model for Birmingham (discussed in section 4) assumes that the CLT will not itself be a lender. In other areas, the CLT could be a lender although this will bring with it a range of regulatory requirements under the Financial Services and Markets Act and/or the Consumer Credit Act which may dilute community control. In the chart on page 17, we have assumed, therefore, as in the Birmingham context, there will be a community lender who will act as lender and fund manager. This also has the advantage of the community lender being able to have a solely or largely professional board concentrating on the management of funds. In the end, the credibility of the CLT and its work would be seriously undermined by a failure of financial management.

Commercial Lenders – the community lender may have finance of their own (e.g. ART Homes has received a grant from Birmingham City Council to develop a revolving loan fund). However, they are likely mainly to rely on bulk lending from normal commercial sources (e.g. banks and building societies). Thus commercial lenders remain an important partner in this process, although their contractual arrangement will be with the community lender rather than directly with the CLT. Some agencies that specialise in assisting lower income and/or elderly owner occupiers also have links with lenders. These include the Home Improvement Trust, a not-for-profit body based in Nottingham and working throughout the UK, including Birmingham. These specialist agencies are therefore also key partners.

Local Authority – the work of the CLT is highly unlikely to be a purely commercial operation otherwise the private sector would be providing it already. Consequently, we can anticipate that the CLT will look to the local authority for support and involvement. As in the Birmingham case, this may be through the provision of loans, grants, loan guarantees and revenue support towards running costs. Some of this may be directly to the CLT and some to the community lender. To make a major impact, the CLT is likely to look to the local authority for the endowment of other assets such as spare land, under-used community centres etc.

Emerging CLTs – CLTs are likely to start on a small scale. If they prove themselves successful, interest may be generated in other areas. Ideally, as the CLT movement develops, it will be looking to provide support and the sharing of best practice to other CLTs and to the individuals involved in running them, particularly the voluntary board members. If the CLT model works, being able to show this to local communities when they are being consulted about forming a CLT in their area will be a valuable way of giving communities a real picture of the benefits and implications of a CLT, and through this, hopefully establishing credibility.

**Community Land Trust - A model for Birmingham:
Potential Roles and Relationships**



3.12 Financial services regulation

3.12.1 Some of a CLT's possible activities may need to be regulated under legislation covering the financial services industry. These activities are principally:

- a) the making of loans or granting of credit;
- b) the introduction of borrowers to other lenders;
- c) the arranging of insurance packages or block policies for residents.

Granting of Credit

3.12.2 The activity of lending is not in itself regulated although most loans to individuals for amounts not exceeding £25,000 are regulated agreements under the Consumer Credit Act 1974. Many mortgage loans are specifically exempted from the Consumer Credit Act and most mortgage lending in any event falls outside that act because the amount involved exceeds £25,000.

3.12.3 The Consumer Credit Act regulates not simply loans but any agreement between an individual and a creditor by which the creditor provides the other person with credit. Arrangements such as hire purchase or conditional sale fall within this definition. The Act also separately regulates Consumer Hire Agreements. None of the activities of a CLT considered in this study involve the granting of credit or the making of hire agreements by the CLTs. However, care would need to be taken when considering other initiatives that the CLTs do not become parties to arrangements which would be regulated agreements for the purposes of the Consumer Credit Act. Should CLTs wish to do this at some stage in the future they would need to be licensed under the Consumer Credit Act to carry on a consumer credit and/or a consumer hire business.

3.12.4 At present mortgage lending is not in itself a regulated activity but under the Financial Services & Markets Act 2000 (the FSMA 2000) the FSA is to begin regulating mortgage business from a date to be fixed which is likely to be during 2004. The making of mortgage loans to individuals which are secured by a first charge over a property which is at least 40% occupied by the borrower or his immediate family will be a regulated activity. The administration of mortgages which meet these conditions will also be a regulated activity. If the CLTs do not make mortgage loans they will not be required to be regulated by the FSA as mortgage lenders. However, if any loans are made by a community lender which meet these conditions, the CLT would need to ensure that the lenders themselves carry out all administration if the CLT is to avoid the need to be regulated.

Introduction of Borrowers to lenders

3.12.5 Even if a CLT does not itself make loans to individuals but, instead, introduces borrowers to a lender (whether a community or conventional lender), it may need to be regulated.

3.12.6 The Consumer Credit Act regulates not only the provision of credit or entry into consumer hire agreements but also any business which relate to the provision of credit under such agreements. As an example, in Birmingham ART Homes (see section 4) is regulated by the Consumer Credit Act and its loans which do not exceed £25,000 are regulated consumer credit agreements. If a Birmingham CLT's business includes making introductions of potential borrowers to ART Homes where the resulting agreements are regulated, the CLT will itself need to be licensed as a credit broker.

3.12.7 It has recently been announced that the FSA is to regulate the giving of mortgage advice as well as mortgage lending. At the time of writing, it is not yet known when this regulation will come into effect or the exact scope of the activities that will be regulated. However, if a CLT is referring borrowers to any lender where the resulting mortgage loans are regulated by the FSA, it is possible that the CLT will need to be regulated by the FSA for the giving of mortgage advice. This issue will need to be reviewed as details are published by the FSA of the scope of the proposed regulation.

Insurance

3.12.8 One service the CLTs may be able to provide is the negotiation with one or more insurers of a block insurance policy for their members. Members may, through this, be able to obtain insurance at premiums which are cheaper than would generally be available. This could constitute insurance brokerage.

3.12.9 Formerly, all insurance brokers were regulated under the provisions of the Insurance Brokers (Registration) Act 1977 and the Insurance Brokers' Registration Council. This body was however abolished following the repeal of the 1977 Act by the FSMA 2000. In the meantime (1998), the Treasury had undertaken a review of the conduct of the general insurance business and concluded that, provided the industry established an appropriate regulatory organisation, the conduct of general insurance business would fall outside the scope of the FSA. Consequently, a new body, the General Insurance Standards Council (GISC) was established.

3.12.10 GISC is an independent, non-statutory organisation that was officially launched on 3 July 2000 to regulate the sales, advice and service standards of its members. GISC members may be insurers or intermediaries or others involved in general insurance such as claims handlers. GISC's main objective is to establish, monitor and enforce standards in all areas of general insurance activities. Membership of GISC is not mandatory but the Government has announced that insurance regulation may become statutory, also under the FSA.

4. THE BIRMINGHAM CONTEXT

4.1 Introduction

- 4.1.1 As the above description suggests, the CLT model could have a wide range of applications, simply because it could hold a wide range of assets. This feasibility study aims to provide a model that would be adaptable to many different settings. However, it has been developed with the specific needs of the City of Birmingham in mind and, in particular, the need to provide further means of promoting repairs and improvements by home owners.
- 4.1.2 Birmingham City Council (BCC) has a long track record as an innovator in private sector renewal. BCC pioneered “enveloping” schemes in the 1970s, providing funding and other support to ensure that the exteriors of whole streets were refurbished, regardless of tenure, in order to ensure whole streets and areas could be “lifted”. BCC has also traditionally used a large proportion of its capital resources to fund private sector renewal. It has also supported the development of new financial products to help low income home owners to fund repairs and improvements. In particular, it funds ART Homes, a not-for-profit lender.
- 4.1.3 In undertaking this feasibility study, it became clear that it is very timely to be developing a new kind of vehicle whose purposes include delivering investment in the private sector. This is, first, because major changes are imminent in the national system of funding for private sector renewal. Second, whilst BCC’s housing stock transfer proposal is not proceeding, there remains a substantial need for both public and private sector renewal in the city, and a continuing Council-led housing clearance programme. Third, BCC has supported a number of successful bodies funding or delivering private sector renewal, of most relevance being ART Homes (see below), which means that there is both expertise and the potential for partnerships if there are gaps to fill.
- 4.1.4 Towards the end of this study (in May 2002), the Government announced a £25 million “Housing Market Package”, aimed at addressing the needs of areas of low and falling demand. An area comprising North West Birmingham and East Sandwell has been selected as one of the nine pathfinder areas. The Government is looking to the pathfinder authorities to develop creative approaches to revitalising neighbourhoods and so the CLT model may have a part to play. Revitalising these areas is clearly about investing money; but successful regeneration is primarily about building confidence, and therefore the CLT has the potential both to act as an investment body and build community confidence through encouraging active resident involvement.
- 4.1.5 It may be useful to summarise briefly the background to the private sector renewal funding system. The Local Government & Housing Act 1989 changed the basis of grants for private sector renewal away from an area renewal basis to one based on an individual means tested basis. In many ways, BCC regarded this as a retrograde step but has sought to develop innovative ways of maintaining a neighbourhood based approach.
- 4.1.6 In particular, BCC decided to look for private finance solutions and in the mid 1990s they started to investigate equity release schemes. This new approach involved providing support to two organisations:
- a) The Home Improvement Trust (HIT), a not-for-profit agency based in Nottingham, which advises elderly home owners on financing works and acts as an agent for the Dudley Building Society;
 - b) Aston Reinvestment Trust (ART). ART had been originally set up to provide investment support to small businesses, and issued nil dividend shares to companies and individuals.
- 4.1.7 BCC has subsequently supported ART Homes, a subsidiary of ART, to create a revolving loan fund. Whereas the HIT is an agency for an existing lender, minimising transaction costs, ART Homes is a lender itself, and its work is discussed further in section 4.2 below.
- 4.1.8 Currently BCC also provides subsidy to Birmingham Home Improvement Partnership (BHIP) for its HouseProud Service to elderly home-owners, and it supports the running costs of ART and HIT.

- 4.1.9 BCC has regarded the Government's private sector grant regime as too prescriptive. However the new "Regulatory Reform Order" proposed in the Government's Private Sector Housing Renewal Consultation Paper, published in March 2001, would introduce new and more flexible powers for local authorities. The new powers would enable authorities to assist people across all tenures, including landlords, owner-occupiers and tenants. Help could be made available both to individuals, including groups of individuals, e.g. group repair schemes, and to bodies, such as landlord companies. Previous rigid requirements regarding means testing will be removed.
- 4.1.10 The assistance could be given in the following ways:
- a) grants;
 - b) loans;
 - c) loan guarantees or indemnity;
 - d) by providing materials or labour (and advice or other services as already permitted under the Local Government & Housing Act 1989);
 - e) by incurring expenditure in other ways (such as paying a contractor to do the work or paying arrangement, legal or valuation fees for loans from ART Homes or commercial lenders);
 - f) any combination of the above.
- 4.1.11 Lending by local authorities that have not traditionally lent is unlikely to be encouraged by the Government and, in any event, authorities will need to assess whether acting as a lender represents Best Value. BCC therefore sees the new powers (which, as at June 2002, are expected to come into force shortly) as an opportunity to put into place a programme whereby they will be able to administer a range of grants and loans to support urban renewal. This new environment potentially provided an expanded role for community/neighbourhood based organisations.
- 4.1.12 The Government envisages that the assistance could be provided through other agencies, such as RSLs, charities or home improvement agencies. Equity release schemes are specifically envisaged as part of the new provisions, and as providing effective use of resources through leveraging in private finance. Government guidance, in draft at the time of writing (June 2002), refers to the potential role of community based special purpose financial vehicles.
- 4.1.13 It also appears that the new powers would both enable BCC to provide loans directly to consumers at less than commercial rates (to be confirmed) and also to provide funds to other organisations, like the SPVs already mentioned, to on-lend.
- 4.2 **ART Homes**
- 4.2.1 ART Homes is a subsidiary of Aston Reinvestment Trust (ART). Currently, ART Homes, which is a company limited by guarantee, acts as a lender to individual homeowners, generally working through a home improvement agency. It is able to do this because of the £250,000 grant provided to ART Homes by BCC. With this fund, ART Homes considers that it has the capacity to lever in between and £1m and £2m of private finance. It charges 6% per annum and places a second charge on the property. Art Homes does this currently with a range of products; including
- a) a capital and interest repayment loan
 - b) an interest only loan.
 - c) a Muslim compliant loan
 - d) an unsecured loan.
- 4.2.2 ART Homes has recently developed a Property Appreciation Loan (PAL) in anticipation of the more flexible BCC supported private sector urban renewal regime from May 2002. This is an equity sharing loan of up to £25,000 to finance building works by home owners. ART Homes would take an equity share in the property and place a charge on the property. There would be no interest or capital repayment and the loan would be recovered on sale or earlier if the owner wishes. The owner may redeem at any time at which point the property is valued independently and ART Homes is repaid the proportion of the then value represented by its charge, or the original value if that is higher. The borrower has to guarantee to repay ART Homes the original equity released, so providing there is some rise in values, the owner benefits from the increase. ART Homes are currently developing a 25 year financial model to demonstrate the financial viability of this service, which would require BCC support.
- 4.2.3 In relation to the creation of a CLT, ART Homes would see its role as:
- a) Lender to all CLTs in each area of the city;
 - b) Developing loan products for CLTs tailored to the needs of different of communities;
 - c) Providing professional fund management expertise;
 - d) Providing accountability and governance via professional board members as well as its employees;
 - e) Accounting separately for loan accounts in each local CLT area;
 - f) Issuing guidelines to the CLT(s) in relation to the business it conducts.

5. DEVELOPING A COMMUNITY LAND TRUST MODEL IN BIRMINGHAM

5.1 Adding value and non-duplication

- 5.1.1 As noted, Birmingham already has a range of bodies successfully providing services and products that contribute towards neighbourhood renewal: ART Homes, the city's RSLs, BHIP, HIT. There is no point – and potential problems through cost and duplication – in sponsoring a new model unless it adds value.
- 5.1.2 Based on discussions with the Steering Group, and supported by ART Homes' research ("Stopping the Rot" 2000) on the attitudes of potential borrowers, a community owned body could have greater credibility, and therefore make a greater impact, than even the well-regarded existing bodies. Further, if a greater neighbourhood focus for the work of existing agencies is regarded as valuable, a CLT could plan and co-ordinate the delivery of services that would continue to be provided principally by other agencies.
- 5.1.3 In the following sections we summarise the potential advantages and disadvantages of a CLT.

5.2 Potential advantages of the CLT model

- 5.2.1 The concept of a CLT could add value to the existing organisations if it does have greater credibility and trust within the community because of being community-owned.
- 5.2.2 It could act as a trusted partner and single point of contact for the activities of other established financing bodies like HIT (who also provide independent financial advice to its customers), ART, ART Homes, and delivery agencies such as Anchor Care and Repair, BHIP.
- 5.2.3 ART Homes, as an established and regulated body supported by BCC, would continue to act as a lender. This would avoid the need for the CLT to come under the financial regulatory system for lending purposes (although, as discussed in 3.1.1, if the CLT provides certain insurance services, credit brokerage or mortgage advice it may fall under other parts of this system).

- 5.2.4 BCC could fund a CLT to deliver a range of services within a neighbourhood, and subsidy (with BCC's agreement) could be used more flexibly than by a single-purpose body.
- 5.2.5 The CLT could benefit from the increased value generated by the ART Homes Property Appreciation Loan. As the revolving equity loan fund increases in value, the increased value could be used to underpin the activities of the CLT. This will be a long term activity as it will take some time for the increase in property values to generate a surplus that can be used for other CLT priorities.

5.3 Potential disadvantages of the CLT model

- 5.3.1 There could be potential overlapping with existing agencies.
- 5.3.2 The issue of whether the best focus of the CLT is better centralised or localised is critical to success; if "local", how local? To succeed as a vehicle for neighbourhood renewal, would there need to be a CLT for every neighbourhood, a potentially costly approach?
- 5.3.3 How will the CLT build trust, particularly with elderly home owners and ethnic minority groups who may be concerned about incurring debt?
- 5.3.4 Creating any new body, even a leanly staffed one, generates additional administrative costs.

5.4 The pilot areas

- 5.4.1 The purpose of this feasibility study is to develop the concept of a CLT in a practical form. The steering group felt strongly that it would be important to look at some specific areas within the City of Birmingham in order to:
- try and identify more specifically the circumstances in which a CLT could provide benefits for a community;
 - to undertake some market research;
 - to provide some guidance to the business planning, structural and other issues likely to emerge in developing the CLT model on the ground.

- 5.4.2 At an early stage, the Steering Group decided to focus the feasibility study on three areas. This was in order both to develop a model founded on the needs of actual communities and also to provide a basis for market research on how interested people and organisations within communities might be.
- 5.4.3 Three areas of Birmingham were chosen:
- Sparkbrook and Sparkhill
 - Aston
 - Selly Oak, Kings Heath and Billesley
- 5.4.4 The full area fieldwork reports are to be published on www.cch-uk.org.
- 5.5 **Fieldwork summaries**
- 5.5.1 The fieldworker prepared a profile of each area covering issues such as:
- Tenure balance
 - Transport and communications
 - Demography and household composition
 - Ethnic composition
 - Property market
- 5.5.2 They also made contact with a range of community organisations in order to assess the likely interest in a CLT and the means by which credibility could be created for the initiative.
- 5.5.3 The field work summaries are given below. It should be noted that much of the information about the study areas was based on the 1991 census as updated by the City Council. There have been significant changes in the make up of local populations over the last ten years and in the tenure breakdown. The 2001 census will provide much more reliable population/tenure data; as will the forthcoming Private Sector stock condition survey.
- 5.5.4 The reported level of live enquiries for grant aid to Birmingham City Council are as at October 2001.

SPARKBROOK & SPARKHILL

The Sparkbrook and Sparkhill study area is due South of the centre of Birmingham. It included parts of several wards (mainly Sparkbrook, Sparkhill, Fox Hollies and Small Heath and very small areas of Acocks Green and Hall Green). The study area has several sub areas with distinctive characteristics.

The area has around 10,200 properties with over 38,000 residents. The majority of these, around 70%, are in owner occupation. The area has a substantial number (almost 1,500) of Right to Buy properties, many of which were purchased in the last ten years. The Council retains around 1,800 properties and housing associations own almost 1,000 properties. The great majority of houses in the area are pre 1919 terraced houses.

About half of the population in the area is of Asian descent, 17% are of Irish decent, 5% African Caribbean and 23% White British. In the Sparkbrook and Sparkhill areas around 70-80% of the population are of Asian origin.

There is a perceived high level of disrepair in the study area particularly in terms of damp, inadequate heating, windows and roofs. Birmingham City Council has 588 live enquiries for grant aid for homes in disrepair in the area covered by the B11 postcode. Only a small proportion (6%) of these could successfully obtain grant aid which would leave around 550 people requiring alternative means of funding their repairs.

Nevertheless most of the study are is an extremely popular area for Asian families as there are schools, shops, centres of worship and other services which cater for the Asian community. Properties are high in demand and the market is buoyant.

The idea of a CLT was viewed favourably on the whole; provided people were given advice and support over prioritising work, getting a fair price and dealing with contractors. One issue that was of concern was that Asian families tend to pass their home onto their sons and so this may cause problems if equity has to be repaid at the point of death.

A number of organisations felt they may have a part to play within the CLT but would need further information before making a commitment. Most organisations were happy to help with promotion of the CLT, publicity and spreading the word. It was felt important that a one to one approach is used particularly with elderly people to get the message across.

Overall it was felt that a CLT could be successful but that it would be a slow process gaining credibility and trust.

SELLY OAK, KINGS HEATH AND BILLESLEY

This study area is in South Birmingham; it ranged from Billesley to Selly Oak. It included small parts of five wards (Billesley, Moseley, Selly Oak, Bourneville & Brandwood). Several neighbourhoods or sub-areas are contained within it, each with its own composition, needs and networks of community and voluntary organisations.

The area contains over 20,000 properties with over 54,000 residents. 75% of the housing is owner occupied with over 1,800 of these being Right to Buy properties. The Council owns 3200 properties in the area and housing associations own 700 properties.

There is a stable housing market with high demand in most parts of the area. There are a number of elderly and low income households with housing in disrepair. Anecdotal evidence suggests that there will be some demand for funding for repairs, improvement works and adaptations.

The Council has 265 live enquiries for grant aid for houses in disrepair in the area covered by Kings Heath and Selly Oak postcodes. As in Sparkbrook and Sparkhill only a small proportion of these could successfully obtain grant aid and the remainder would therefore need to seek alternative funding. It was however difficult to measure the level of demand for an equity based scheme.

There was a general view amongst most of the organisations interviewed that the Community Land Trust was “a good idea” and could be of benefit to the community. Several organisations were willing to participate directly in a CLT and most were willing to assist with publicity and promotion via their usual methods of communication.

The overall conclusion was that the CLT could gain support over time, and is probably feasible.

ASTON

The study area covers the Aston ward, North West of Birmingham City Centre. Aston has around 10,000 properties. Almost half of these are Council houses in the southern part of the area but in the northern part of the area which consists of older terraced type houses most of the housing is in owner occupation. Housing associations own about 1,000 properties in the area.

45% of the residents are White British living predominately in the Council housing, 31% are of Asian descent (mainly Pakistani or Bangladeshi) and around 15% are of African/Caribbean descent.

There is significant demand for the large terraced type houses in the north of the area and house prices are rising significantly. However much of the property is in disrepair requiring significant investment.

The overall view of a Community Land Trust was a positive one and most organisations spoken to were willing to co-operate in one way or another. It was felt that the CLT would stand more chance of succeeding if it was ‘sponsored’ by a number of local trusted organisations.

5.6 Common themes and issues

- 5.6.1 All of the studies raised a number of themes/issues that will have to be addressed if local CLTs are to be established in the study areas. They include:
- a) A local CLT should develop out of a local stakeholder steering group; this should consist predominantly of established and trusted community and voluntary organisations together with respected community leaders/ representatives. It will be important to build alliances with 'gatekeeper' organisations such as local places of worship and to link up with organisations that have a similar remit; for example, the Moseley Community Development Trust.
 - b) The CLT must take a holistic approach based on a whole package of assistance including help with prioritising repairs, selecting contractors and managing the improvements process as well as equity based loans via the CLT.
 - c) There will be a need for a one to one case work with experienced and well informed outreach workers who are trusted within the community
 - d) There is a need to looking at inheritance/borrowing issues particularly within the Asian community
 - e) Commonly held concerns will have to be addressed by
 - Adopting the right, sensitive approach for each target group
 - Clarity of communication throughout
 - Co-ordination with other related schemes
 - Offering appropriate safeguards/guarantees

5.7 Potential role of CLT in Birmingham

- 5.7.1 To summarise, therefore, initially, the market for the CLT would probably be:
- a) In areas like Moseley, dispersed elderly home owners, offering a loan-based equity release scheme, possibly sponsored by a national charity for elderly people.
 - b) In areas like Sparkbrook, where there are greater concentrations of home owners including families, undertaking neighbourhood-based renewal.
 - c) As BCC's housing stock transfer is not proceeding, the Council may need a vehicle for assisting home owners in clearance areas and in utilising sites cleared by demolition of Council housing.
 - d) The development or disposal of sites may also generate opportunities for a CLT to develop community facilities and/or further funding for private sector renewal.
 - e) Now that the North West Birmingham/East Sandwell area has pathfinder status under the Government's Housing Market Package, the CLT model provides a potential delivery vehicle.
- 5.7.2 Currently BCC's ability to offer grants is restricted by means testing, (most enquiries to ART Homes are as a result of current ineligibility for grant), but this will not be the case following the new regulatory order (although BCC will need to set its own policy and procedures). CLT could therefore also provide grant funding channelled to it from BCC.
- 5.7.3 CLT could also offer a range of management services and advice to homeowners e.g. on accredited builders, home insurance, security and access to finance. (The House Proud product is currently available city wide).
- 5.7.4 BCC envisages a prime role of the CLT as a cultural one, in shifting the emphasis in BCC supported urban renewal from a grant based regime to an equity based regime, with a trusted lender at the heart of it.

5.7.5 The CLT would play a pro-active role in local property markets within the city. This raises the question as to whether there would be one city-wide CLT and/or local subsidiaries or local offices or presences e.g. a local panel interacting with the community. BCC's initial preference is for organic growth at a local level, rather than setting up a city wide central organisation. A CLT could be set up where there is demand within a local community. The shape and nature of the CLT would be responsive to its local setting. For example, in Saltley, it could support the provision of Islamic loans to the Muslim community, a product being developed by ART Homes.

5.8 Potential roles for RSLs in relation to the CLT

5.8.1 RSLs would act as local service delivery agents, thereby avoiding duplication by the CLT of existing services. For example, in the Birmingham context Anchor Housing Trust already provides a Care and Repair Service and Focus HA operates a Home Options Agency providing other local services to homeowners. For example, in the Coventry SRB area it is looking to access private finance through ART Homes. A decision would need to be made on who would broker the relationship between the CLT and RSLs already active in the relevant area. This could fall to the Council or to the Housing Corporation, or both.

5.8.2 RSLs could also play a role in urban renewal by buying up empty properties and offering affordable shared ownership schemes to local communities. Both Focus HA and Mercian have expressed interest in developing schemes.

5.9 Potential role for BCC in relation to the CLT

5.9.1 BCC's role would be to provide resources within its overall urban renewal strategy. Currently it provides grants, carries out private sector clearance, provides Disabled Facilities Grants (DFG), and supports one-off specific programmes.

5.9.2 The level of resources available to BCC for private sector renewal, allocated from within the Single Capital Pot in 2002-03 is £22m, which could fall to £10m in each of the following two years. This sum is to cover all aspects of private sector improvement and repair, including Disabled Facilities Grants and works to unfit houses. Any further funding (including to CLTs) would need to be separately bid for within BCC's budgetary system.

5.9.3 The new regulatory regime will enable BCC to fund directly or through agencies schemes which could include:

- a) Greater flexibility in relation to eligibility of customers to receive financial assistance;
- b) Ability to assist low income households in areas where they have been moved out of their homes, by using the compensation monies and relocation grant to lever in the borrowing to enable them to purchase a new home;
- c) A mix of loans and grant funding;
- d) Shared appreciation products. Some commercial lenders offer schemes whereby a home owner releases equity in their home but makes no repayment until they eventually sell. Whilst this has obvious attractions for people with low incomes but relatively high equity, these can be costly. This is because, in effect, the loan made by the lender is for the equity released plus the rolled up interest. Lenders tend to operate a low loan to value ratio. ART Homes is looking to develop a product with a loan to value ratio of 1:1 which would be far more liberal than anything currently offered on the market.

6. ESTABLISHING A COMMUNITY LAND TRUST

6.1 Introduction

- 6.1.1 In this section we consider how a community, a sponsoring local authority or other agencies could develop a CLT in their area.

6.2 Development plan

- 6.2.1 We recommend that, as the first step, a Development Plan for the prospective CLT be prepared. Like a commercial organisation, a CLT needs to be sure that it has a market in order to function. It needs to gain the confidence of individuals (most particularly home owners in the context we have described) but it is also likely to look to major contributions of resources from local authorities and other partners. It will also need to encourage partners who may already be active in an area (e.g. RSLs) to co-ordinate their work through a new and untried body. It is therefore important to understand the nature of the market and the level of demand.
- 6.2.2 Whilst the concept of a CLT is in its early days, it is likely, as we have found, to be difficult to gain reliable market information. Potential users of the service inevitably have many questions which cannot easily be answered. As CLTs develop, it will be possible to use the experience that they gain to inform market research. It is important to remember, however, that many of the component parts of the work (e.g. community lending to equity release schemes) do exist and therefore the CLT is in many ways a new approach to managing these. It will be possible for potential sponsors of the organisation and members of the community to see the work (in, for example, Birmingham or Nottingham) undertaken by community lenders, and care and repair organisations.
- 6.2.3 The feasibility study should seek to identify:
- The tasks that the CLT could undertake.
 - The area of operation.
 - Specific targets over a medium term timescale (e.g. 5 years).
 - Quantification of the contribution needed from partners.
 - Skills required to do the job.

6.3 Structure

- 6.3.1 Depending on the nature of the job and the geographical remit, a unitary CLT may be appropriate or a group structure. It will be necessary to consider this in the light of the issues discussed in Section 3.8. A group structure approach does appear appropriate in large city areas but similar issues may arise where there are scattered communities needing the investment via a CLT in dispersed rural areas. Structures should follow objectives, not the other way round.
- 6.3.2 We have also discussed the issue of ownership and board/committee membership of the CLT(s). These issues all need to be considered. As we can see, there are choices that can be made in terms of constitutional structure, membership and board/committee composition. Some of these will be influenced by business issues (e.g. to gain the involvement of people whose skills or other contribution required) and others will be about a judgement of perception by the community of different types of approaches.

6.4 Assets

- 6.4.1 As we have noted, there are different potential sources of assets and it is important to take stock of what these might be. The assessment of these will involve a number of actions:
- Assessing the level of private sector disrepair and therefore the likely level of interest in equity release.
 - Local authority owned housing demolition programmes.
 - Owner occupied properties in clearance areas.
 - Stock transfer proposals.
 - Availability of other community assets (e.g. under-used community centres or land).

6.4.2 Land values will be an important issue because one significant role of a CLT is, through improvement and development, to raise land values (which is a reflection of the popularity and quality of an area) in order to generate funds which can be recirculated towards community needs. Thus, a feasibility study needs to incorporate an assessment of land values in the area and a judgement on the likely ability of collective action to improve an area and thereby raise land and property values. This in turn will give an indication of income that can be generated by the CLT and also allow a risk assessment to be made in the event of those targets not being reached.

6.5 Public Finance

6.5.1 A CLT may be a suitable agency to bid for other funding such as from the Single Regeneration Budget (SRB), New Deal for Communities (NDC), the Neighbourhood Renewal Fund or funding from the Regional Development Agency (RDA). A CLT could put itself forward as the accountable body for delivering in SRB or NDC areas.

6.5.2 Some CLTs may lie in areas eligible for European Union funding, for example, under Objectives 1 or 2. Grant funding may not be the only source. A CLT may be able to put together a business plan which shows the ability to repay funding and therefore this could be structured in terms of interest free or low interest loans.

6.6 The Business Plan

6.6.1 Any CLT will need to have a business plan. This will comprise both text covering areas such as:

- Overall mission
- Specific aims
- Targets for each year of the plan
- Resources needed
- Organisation, management and accountability

6.6.2 The time horizon for a business plan depends on circumstances but is likely to be in the 5-10 year range. This will be influenced by the type of development that the organisation undertakes and the likely length of funding commitment required from public and private sources.

6.6.3 The other significant element of the business plan will be a financial forecast. The financial forecast will be needed in order to show the viability of the CLT (i.e. its income will cover its expenditure). CLTs, by definition, will not be commercial organisations and will therefore also need some form of direct or indirect public subsidy. Direct public subsidy may be in the form of:

- Grants
- Credit facilities
- Low or no interest loans

6.6.4 Indirect subsidy is most likely to be the transfer of assets at no cost or below market value. The CLT would then seek to develop these and realise the enhanced value to plough back into other projects.

6.6.5 A CLT Business Plan would, based on the above assumptions, include the following:

Income from:

- a) Loans raised directly or via the community lender
- b) Revenue grant from the local authority to support set up costs and ongoing revenue costs of community organisation
- c) Other grant funding e.g. EU in areas with Objective 1 or 2 status

- d) Repayments from owners when they sell.
- e) Capital support from the local authority in relation to acquisition of empty properties and sites.

Expenditure related to:

- a) Interest payments
- b) Management fees (e.g. to the community lender or other agents)
- c) Contract payments to RSLs
- d) Payments to owners for equity stakes
- e) Community development
- f) Staffing and accommodation, other running cost
- g) Legal and financial advisors
- h) Other renewal activities.

6.7 Risks and financial sensitivities

6.7.1 If, as in the Birmingham setting, a CLT is used to fund private sector renewal through some form of equity release scheme, cash flow is likely to be the big issue for the CLT. If we assume that the kind of product that would be attractive to home owners would be the equity release in which the owner does not repay the equity released until they eventually sell their property, the CLT could be holding its assets in property rather than cash for many years. If a CLT undertakes major development (e.g. it is passed a community centre with development potential and develops and disposes of some elements of the site and reinvests the surpluses in a new centre) again cash flow is likely to be a key issue.

6.7.2 The key issues that are likely to have to be identified in the business plan, relate to the need for private finance and the ability of the CLT to meet lenders' loan covenant requirements in particular to have sufficient asset cover (i.e. the value of the assets exceeds the level of loans at any one time by a given percentage). As this is an untested market, it is hard to predict firmly the appropriate level of asset cover these would be higher than normally expected of an RSL borrower, so will be above 130%

6.7.3 Taxation issues will need to be considered. It may be that corporation tax (both on the new surpluses and disposals) will not be payable because tax planning allows these costs to be avoided. However, specific tax advice will need to be taken in each case.

6.7.4 The financial projections within any business plan must not be static. They may show the assumed position but the business plan also has to show sensitivity tests i.e. assessments of what happens if any of the assumptions change, particularly in an adverse direction. A CLT undertaking the above two activities would face certain areas of risk. As noted, cash flow is a key issue. If the business plan assumes that the average owner occupier will sell their property within five years of entering the scheme, but in reality the average turns out to be seven years, the CLT will suffer in terms of its cash flow although not necessarily in terms of the underlying value of its assets. Major developments will be even more risky. Using experienced development agents and fixed price contracts will help to mitigate these risks. However, development period delays at the very least delay receiving the cash from sales and certain circumstances, even under a fixed price contract, may generate additional costs for the CLT. At the very least, site maintenance and security is likely to increase. Thus, a CLT business plan will need to look at the key variables and identify which are the greatest risks. They will need to agree with their sponsoring authority and other partners how these risks could be managed through (for example) procurement methods, use of agents, availability of additional loan finance if a buffer is needed or joint venture arrangements whereby the CLT shares the risks and rewards with another partner.

7. SUMMARY

- 7.1.1 Those considering forming a CLT need to have a vision of how community control of local assets could bring improvements to the quality of life of their neighbourhood. A CLT needs to be a mechanism by which the community has an incentive to create and use financial value. The CLT should not duplicate roles already carried out by others. It also needs to offer people greater control over their lives than traditional organisations.
- 7.1.2 For a local authority, a CLT provides one option for delivering its Asset Management Plan and Capital Strategy. It is, in effect, a different kind of partnership vehicle. It gives the authority a continuing and shared role in the development and management of assets. As a community controlled body, a CLT can engage with and involve residents by giving them the chance to influence major decisions that affect their area. The group structure model allows both an authority-wide and local focus to be maintained. For those authorities funded under the Housing Market Package, a CLT could provide a delivery vehicle to bring in investment and build community confidence.
- 7.1.3 An important function of a CLT may be to act as an honest broker, bringing together the parties already active in the area. Banks may be viewed with great suspicion by many of the CLT's potential customers, so one or more CLTs acting together with a community lender, and using locally known RSLs to deliver home improvement works, could gain their support.
- 7.1.4 The CLT model also has particular relevance where area or neighbourhood based renewal is important, as it could be a vehicle to encourage communities to act together in the knowledge that contributions by individual owners are part of a concerted effort to improve an area.
- 7.1.5 The nature of the CLT(s) therefore would potentially vary between different local areas, but would commonly be:
- a) To take equity stakes in properties
 - b) To take security for loans
 - c) To provide floating charges on its assets to the community lender of commercial lenders.
 - d) To enter into contracts with providers e.g. RSLs for carrying out works.
 - e) To develop more housing choices for home owners in clearance areas
 - f) To generate funding for private sector renewal.
 - g) To develop and manage community facilities.
 - h) To develop business support programmes with an ethical approach
 - i) To deliver community control
 - j) To remove barriers to community participation
 - k) To liaise with other existing or emerging CLTs
 - l) To seek and accept financial support from the local authority and other public sources.
 - m) To work in partnership with the local authority in relation to local regeneration, for example by acquiring sites and empty properties from the private sector.
 - n) Where stock transfer is taking place, to work in partnership with the the transfer RSLs in the delivery of investment and regeneration.
- 7.1.6 The role of the CLT(s) could be further enhanced if the local authority endowed them with other assets. These could include land or community buildings where the development, refurbishment or sale of these would contribute to neighbourhood renewal.

Appendix I.

DRAFT ILLUSTRATIVE RULES FOR A CENTRAL COMMUNITY LAND TRUST

RULES of:

..... CENTRAL COMMUNITY
LAND TRUST

Registered under the Industrial & Provident Societies Act 1965

Register No.

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PART A.

NAME AND OBJECTS

Name

A1 The name of the society shall be [Birmingham Central Community Land Trust] Limited (“the association”).

[Objects

A2 The association is formed for the benefit of the community in the [].¹ Its purpose shall be to act as a holding company and support organisation for local Community Land Trusts in the City of Birmingham, and it shall pursue its objects listed below in order to further the needs of local Community Land Trusts within its boundaries. Whilst the association has a wide range of powers, its actions and functions are solely those that support the wider aims of establishing and maintaining local Community Land Trusts.

Subject to the above, its objects shall be:

- A2.1 the promotion and encouragement of community involvement in regeneration and development, in particular by encouraging and giving advice on the forming of community land trusts for the benefit of particular sections of the community, or geographical areas, within the City of Birmingham.
- A2.2 acting as a holding company for, providing services for, and giving advice on the running of, such organisations and other voluntary organisations concerned with regeneration and development.
- A2.3 the regeneration or development of the community, [within the meaning of section 126 of the Housing Grants, Construction and Regeneration Act 1996²];
- A2.4 the protection, restoration and enhancement of the environment of the community through the purchase, lease and management of land in the community;
- A2.5 providing land, amenities or services, or providing, constructing, repairing or improving buildings, for the community as a whole or for members of the community, either exclusively or together with other persons; and
- A2.6 providing services of any description for owners or occupiers of houses in arranging or carrying out works of maintenance, repair or improvement, or encouraging or facilitating the carrying out of such works.

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.

¹ Each CLT will need to have in its Rules the community it is being established to benefit. This may be by reference to a geographical area, or could be very precise eg. by reference to local government boundaries or specific physical boundaries. The CLT may want to avoid restricting the boundaries of its area of operation too precisely in which case reference may be to a particular location “and surrounding/neighbouring areas.” It is likely that the CLT’s community will be determined by reference to its subsidiary local CLT’s, given its parental function.

² Section 126 of the Housing Grants, Construction and Regeneration Act 1996 defines activities which contribute to the regeneration or development of an area as including: (a) securing that land and buildings are brought into effective use; (b) contributing to, or encouraging, economic development; (c) creating an attractive and safe environment; (d) preventing crime or reducing the fear of crime; (e) providing or improving housing or social and recreational facilities, for the purpose of encouraging people to live or work in the area or of benefiting people who live there; (f) providing employment for local people; (g) providing or improving training, educational facilities or health services for local people; (h) assisting local people to make use of opportunities for education, training or employment; (i) benefiting local people who have special needs because of disability because of their sex or the racial group to which they belong. This definition does not necessarily exclude other activities. This is a wide definition which may go beyond the true objects of the CLT but insofar as possible it is helpful to have widely drafted objects as this reduces the chance of having any activities of the CLT being restricted or challenged on the ground that they are ultra vires.

PART B.

POWERS OF ASSOCIATION, BOARD, AND SHAREHOLDERS

Powers

- B1 Without limiting its general powers, but in the promotion of its objects, the association shall have power to do the following, except as expressly prohibited in these Rules:
- B1.1 take or grant any interest in land, including any mortgage, charge, floating charge, or other security whatsoever, or carry out works to buildings;
 - B1.2 to promote or carry out research;
 - B1.3 to provide advice;
 - B1.4 to publish or distribute information;
 - B1.5 to support, administer, set up or co-operate with other bodies;
 - B1.6 to acquire, hire, let or dispose of property of any kind;
 - B1.7 to employ paid or unpaid agents, staff or advisers;
 - B1.8 subject to rules F13, F14, and F15 borrow money or issue loan stock for the purposes of the association on such terms as the association thinks fit³;
 - B1.9 subject to rule F16 invest the funds of the association;
 - B1.10 to give guarantees; and
 - B1.11 to do anything else within the law which promotes or helps to promote the objects.
- B2 The association shall not have power to receive money on deposit.

Powers of the board

- B3 The business of the association shall be directed by the board.
- B4 Apart from those powers which must be exercised in general meeting:
- B4.1 by statute; or
 - B4.2 under these rules
- all the powers of the association may be exercised by the board for and in the name of the association.
- B5 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.

³ If the Central CLT intends to enter into hedging arrangements in relation to interest rate exposures it will need to adopt a specific power to enable it to do so. As the CLT will not an RSL and not, therefore, covered by the Housing Corporation's guidance on treasury management, a specific power may be required by lenders even where hedging options are included within the terms of a loan agreement.

Limited powers of shareholders in general meeting

B6 The association in general meeting can only exercise the powers of the association expressly reserved to it by these rules or by statute.

General

B7 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.

B8 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 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

- C4.1 A shareholder of the association is a person or body whose name and address is entered in the register of share holders.
- C5 The following cannot be shareholders:
- C5.1 a minor;
 - C5.2 a person who has been expelled as a shareholder, unless authorised by special resolution at a general meeting;
 - C5.3 an employee of the association;
 - C5.4 persons who are not board members.
- C6 No shareholder shall hold more than one share and each share shall carry only one vote.
- C7 A share cannot be held jointly.

Admission of shareholders

- C8 Only members of the board of association (other than co-optees) shall be admitted as shareholders of the association.
- C9 Each person specified in Rule C8 shall become a shareholder on:
- C9.1 delivery to the secretary of a signed acceptance to undertake the obligations of both;
 - (a) a board member of the association; and
 - (b) a shareholder; and
 - C9.2 payment of the sum of one pound.
- C10 The name of the applicant 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

- C11 A shareholder shall cease to be a shareholder if:
- C11.1 they die; or
 - C11.2 they cease to be a board member; or

- C11.3 they withdraw from the association by giving one month's notice to the secretary; or
- C11.4 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

Annual general meeting

- C12 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.
- C13 The functions of the annual general meeting shall be:
 - C13.1 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
 - C13.2 to consider the strategic policies of the association;
 - C13.3 to appoint the auditor;
 - C13.4 to elect independent board members;
 - C13.5 to transact any other general business of the association included in the notice convening the meeting.

Special general meetings

- C14 All general meetings other than annual general meetings shall be special general meetings and shall be convened either:
 - C14.1 upon an order of the board; or
 - C14.2 upon a written requisition signed by one-tenth of the shareholders stating the business for which the meeting is to be convened;
 - C14.3 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.
- C15 A special general meeting shall not transact any business that is not mentioned in the notice convening the meeting.

Calling a general meeting

- C16 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 and to each of the association's subsidiaries at its registered office. 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.
- C17 Any accidental failure to get any notice to any shareholder or any subsidiary, 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

- C18 Before any general meeting can start its business there must be a quorum present. A quorum is two shareholders to include at least one LCLT member or one independent member [together with the Council's representative]. As part of the quorum at least two shareholders must be present in person [of which at least one shall be an LCLT nominee board member, in his/her capacity as a member].⁴
- C19 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.
- C20 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.
- C21 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.
- C22 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.
- C23 Each of the association's subsidiaries shall be entitled to appoint a representative to attend any general meeting. A subsidiary's representative shall be entitled to speak in relation to any matter to be considered at the meeting but shall not be entitled to vote.

Proxies

- C24 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 need not be a shareholder of the association.

Voting

- C25 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.
- C26 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.
- C27 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.
- C28 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.
- C29 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.
- C30 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.

⁴ The use of square bracketing in this Rule is to reflect the optional wording available. The desires of each representative grouping to ensure that they form part of the quorum will determine whether such wording can be deleted.

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 define and ensure compliance with the values and objectives of the association and with the strategic policies determined by the annual general meeting and ensure these are set out in each annual report;
 - D1.2 establish policies and plans to achieve the association's objectives and to implement its strategic policies;
 - D1.3 approve each year's accounts prior to publication and approve each year's budget;
 - 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 appoint (and if necessary remove) the chief executive (if any);
 - D1.8 satisfy itself that the association's affairs are conducted in accordance with generally accepted standards of performance and propriety;
 - D1.9 take appropriate advice;

and none of these functions D1.1 to D1.9 inclusive shall be capable of delegation.

Composition of the board⁵

- D2 D2.1 The board shall consist of [twelve] board members, or of such greater number not exceeding fifteen (including co-optees) as may be determined by the association in general meeting.
- D2.2 [Three] board members shall be sponsor board members appointed by agreement between the sponsors. Appointments and removals shall be made in writing signed by an authorised signatory of the sponsors previously notified to the board.
- D2.3 [Four] board members shall be independent board members elected by the shareholders from time to time.

⁵ It is important to ensure that some of the board members are elected by the LCLTs (thereby preserving the transparency of the group) though this may cause a potential problem if it is seen that the central CLT has the ability to effectively overrule (by the composition of its board and the LCLT influence thereon being limited to only one-third) the LCLTs and how they operate. Although a board of 4/4/4 would still ensure that any two groups together are prevented from forming a 75% majority, a majority of the board would not be LCLT representatives. While 4/4/4 may be more likely than 8/2/2 to ensure greater skills and competencies on the board, as the CLT is not intended to be an RSL it will not be required to satisfy Housing Corporation skills standards in this regard. However, if the Central CLT is to be raising loan finance in its own right, then lenders would draw comfort from a balanced board membership.

- D2.4 [Four] board members shall be LCLT nominee board members, appointed by the association's subsidiaries [in accordance with a procedure agreed between those subsidiaries]. Appointments and removals shall be made in writing signed by an authorised signatory of the subsidiaries previously notified to the board.⁶
- D2.5 The Council shall have the power from time to time to appoint one board member and to remove such board member from office. Appointments and removals shall be made in writing signed by an authorised officer of the Council.
- D2.6 If the requirements of Rules D2.2 to 2.5 are at any point not fulfilled then the remaining board members may continue to act and exercise all powers of the board provided that board shall use its reasonable endeavours to appoint or, as appropriate, to provide the appointment of additional board members as soon as possible.
- 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 D4.1 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.
- D4.2 [The board may co-opt the association's chief executive and other directors]⁷
- 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".
- D6 Not more than [five]⁸ co-optees can be appointed to the board or to any committee at any one time.

6 A procedure needs to be established for the appointment of LCLT board nominees. If there is to be complete closed membership of the parent (ie only board members as shareholders) then the electoral procedure for the LCLT nominees on the board would not be an issue to be laid out in the parent constitution, but rather by means of a separate agreement between the LCLTs or by means of a mutually agreed policy. Such an agreement or policy should cover the possibility of there being either more or fewer LCLTs in existence than there are LCLT nominee places on the parent CLT board. Alternatively, a modified form of closed membership could be used, whereby each LCLT would nominate one member of the parent, and the selected LCLT members would then elect their board members. This though would potentially have implications at shareholder level as there could then be a significant shift in balance in favour of the LCLTs at general meetings, which may not be the desired position.

7 Optional wording.

8 This figure can be varied dependent on the desire of the board and/or its size.

- 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 are not a shareholder; or
 - D7.4 they have absented themselves from four consecutive meetings of the board without special leave of absence;

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

- [D8 Any board member who reaches the age of seventy shall retire at the next annual general meeting and may only be re-elected or appointed for a period of one year at a time.]⁹
- D9 A board member may be removed from the board by a special resolution at a general meeting.
- D10 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.

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 members¹⁰. The notice shall state the extent to which those requirements are met by those board members continuing in office, and those retiring and intending to re-offer themselves for election.
- D11.1 At every annual general meeting not less than [one quarter]¹¹ of the elected board members shall retire from office.
 - D11.2 Independent board members forming the retiring quarter shall be those who have been longest in office since they were last elected or re-elected to the board. If the choice is between people who became elected board members on the same day those to retire shall be chosen by lot if not agreed.
 - D11.3 Anybody appointed to fill a casual vacancy under rule D10 during the year and who retires for that reason shall not count towards the one quarter to retire.
 - D11.4 Any retiring board member having completed six or more years' continuous service on the board shall not be eligible for re-election until the next following annual general meeting. They shall be subject to the provisions of rule D15.2.
- D12 D12.1 If at an annual general meeting, the candidates for election as board members do not exceed the number of vacancies on the board the chair shall declare those candidates to have been duly elected.
- D12.2 If the number of candidates exceeds the number of vacancies the meeting shall elect the board members by ballot in such a manner as the chair directs.
- D13 In an election at a general meeting every shareholder present in person or by proxy [other than the retiring board member] shall have one vote for every vacancy but shall not give more than one vote to any one candidate.
- D14 In casting their votes in an election, shareholders shall endeavour to ensure that the board possesses the quality, skills and experience which the association has from time to time determined that it requires.

⁹ Optional wording

¹⁰ Although it is not intended that the LCLT will be an RSL, and will therefore not be required to comply with Housing Corporation skills requirements, it seems sensible, given that there are otherwise minimal checks on the candidates for board membership, to include some requirement for skills in a purely managerial and business context.

¹¹ It is more usual to require a third of board members to retire each year. However, assuming a board of 12 with 4 independent members, it seems more practical to require one of them to retire each year.

Candidates for the board

- D15 D15.1 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 by the same date.
- D15.2 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.

Quorum for the board

- D16 D16.1 [Four]¹² board members shall form a quorum [of which at least one shall be an LCLT nominee board member and one shall be either a sponsor board member or an independent board member].¹³ The board may determine a higher number.
- D16.2 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 [so long as those remaining board members include at least one LCLT nominee board member, who shall be present at all board meetings during this period]. 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.

Board members' interests

- D17 No board member, co-optee or member of a committee shall have any financial interest:
- D17.1 personally; or
- D17.2 as a member of a firm; or
- D17.3 as a director or other officer of a business trading for profit; or
- D17.4 in any other way whatsoever
- in any contract or other transaction with the association, unless it is expressly permitted by a decision of the board. The board shall establish a written policy relating to board members' interests.
- D18 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.
- D19 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 the board in its written policy they shall not remain present while the matter is discussed 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.
- D20 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:
- D20.1 a director or officer; or
- D20.2 as a member of a firm; or
- D20.3 as an official or elected member of any statutory body; or
- D20.4 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
- D20.5 as the occupier of any property owned or managed by the association; or
- D20.6 any other significant or material interest.

¹² A variable figure.

¹³ The same comments apply as at footnote 4.

- D21 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.
- D22 The association may pay properly authorised expenses to board members, co-optees and members of committees when actually incurred on the association's business.
- D23 A board member, co-optee or member of a committee shall not have an interest for the purpose of rules D17 to D19 as a board member, director, or officer of any other body whose accounts are or ought to be consolidated with the association's accounts.
- [D24 Board members, co-optees or members of committees who are tenants of the association shall not have an interest for the purpose of rule D19 in any decision affecting all or a substantial group of tenants.]⁷
- [D25 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 D18.]

Meetings of the board

- D26 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.
- D27 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

- D28 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.
- D29 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.
- D30 All acts and proceedings of any committee shall be reported to the board.
- D31 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.

Miscellaneous provisions

- D32 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.
- D33 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.
- D34 Meetings of the board can take place in any manner which permits those attending to hear and comment on the proceedings.
- D35 A board member acting in good faith shall not be liable to the association for any loss.

¹⁴ If the Central CLT is going to own title to property rather than local CLTs there could be circumstances where board members particularly LCLT representatives may become tenants of the Central CLT.

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. [In the case of any equality of votes, the Chair shall have a casting vote].¹⁵
- 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 by the board. The chief executive shall be appointed on a written contract of employment, which shall include a clear statement of the duties of the chief executive

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.

¹⁵ Optional wording.

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 [£100 million (one hundred million pounds)]¹⁶ 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.

Investment

- F16 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.

¹⁶ The conventional sum. Can be increased or decreased as needed.

PART G.

MISCELLANEOUS AND STATUTORY, REGISTERED OFFICE AND NAME

- G1 The association's registered office is:
- 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.

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.

Amendment of rules

- G10 G10.1 The rules of the association may be rescinded or amended.
- G10.2 Rules A2;A3;A4; B1; B2; C2; D2; D16; D26; G10 and G12 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.
- G10.3 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

- G11 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.
- G12 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 body with objects similar to that of the association.

Interpretation of terms

- G13 In these rules, including this rule, unless the subject matter or context are inconsistent:-
- G13.1 words importing the singular or plural shall include the plural and singular respectively;
- G13.2 words importing gender shall include the male and female genders;
- G13.3 any reference to an Act shall include any amendment or re-enactment from time to time;
- G13.4 any reference to the Chief Registrar, Registrar, Central Office, Assistant Registrar or the Registry of Friendly Societies includes reference to the statutory successor carrying on the relevant functions of any of them;
- G13.5 "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;
- G13.6 "the association" shall mean the association of which these are the registered rules;
- G13.7 "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 D.5;
- G13.8 "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;
- G13.9 "persons claiming through a shareholder" shall include their personal representatives and also their nominees where a nomination has been made;
- G13.10 "property" shall include all real and personal estate (including loan stock certificates, books and papers);
- G13.11 "register of shareholders" means the register kept in accordance with rule G6.1;
- G13.12 "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;

- G13.13 "shareholder" shall mean one of the persons referred to in rule C4 and means "member" as defined by the Act.
- G13.14 "LCLT nominee board member" shall mean a board member appointed in accordance with Rule D2.4;
- G13.15 "sponsor board member" shall mean a board member appointed pursuant to Rule D2.2 by a consortium of sponsor bodies recognised from time to time for such a purpose by the board;
- G13.16 "independent board member" shall mean a person who is neither a Council board member, a sponsor board member or an LCLT nominee board member, and who is recognised from time to time as independent for this purpose by the board, and appointed in accordance with Rule D2.3;
- G13.17 "the Council" shall mean [local authority] or any successor body;
- G13.18 "the Act" shall mean the Industrial and Provident Societies Acts 1965 to 1975;
- G13.19 "these rules" shall mean the registered rules of the association for the time being;
- G13.20 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;
- G13.21 "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

INDUSTRIAL AND PROVIDENT SOCIETIES ACT 1965

Acknowledgement of Registration of Society

Register No. R

..... Limited

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

Dated

(Seal of Central Office)

Copy kept

Central Office

1. Shareholder

2. Shareholder

3. Shareholder

..... Secretary

Appendix 2.

DRAFT ILLUSTRATIVE RULES FOR A LOCAL COMMUNITY LAND TRUST

RULES of:

..... LOCAL COMMUNITY
LAND TRUST

Registered under the Industrial & Provident Societies Act 1965

Register No.

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PART A.

NAME AND OBJECTS

Name

- A1 A1.1 The name of the society shall be Limited ("the association").
- A1.2 The association shall be a subsidiary of the Parent defined in Rule G15.25.

Objects

- A2 The association is formed for the benefit of the community in []¹. Its objects shall be:
- A2.1 the regeneration or development of the community, within the meaning of section 126 of the Housing Grants, Construction and Regeneration Act 1996² ;
- A2.2 the protection, restoration and enhancement of the environment of the community through the purchase, lease and management of land in the community;
- A2.3 providing services of any description for owners or occupiers of houses in arranging or carrying out works of maintenance, repair or improvement, or encouraging or facilitating the carrying out of such works;
- A2.4 providing land, amenities or services, or providing, constructing, repairing or improving buildings, for the community as a whole or for members of the community, either exclusively or together with other persons;
- A2.5 encouraging and giving advice on the forming of community land trusts for the benefit of sections of the community or for the benefit of neighbouring communities and providing services for, and giving advice on the running of, such organisations and other voluntary organisations concerned with regeneration and development.
- A2.6 to carry out all of the above objectives in such a way as to promote active involvement and engagement by members of the community in the activities of the association, to enable members of the community to have as much control as is possible over the activities of the association and to promote active citizenship and empowerment through its activities in regeneration and development of the community.

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.

¹ Each local CLT will need to have in its Rules the community it is being established to benefit. It is anticipated that in the majority of cases this will be by reference to a geographical area. This could be very precise e.g. by reference to local government boundaries or specific physical boundaries. Some CLTs may want to avoid restricting the boundaries of their area of operation too precisely in which case reference may be to a particular location "and surrounding/neighbouring areas".

² Section 126 of the Housing Grants, Construction and Regeneration Act 1996 defines activities which contribute to the regeneration or development of an area as including: (a) securing that land and buildings are brought into effective use; (b) contributing to, or encouraging, economic development; (c) creating an attractive and safe environment; (d) preventing crime or reducing the fear of crime; (e) providing or improving housing or social and recreational facilities, for the purpose of encouraging people to live or work in the area or of benefiting people who live there; (f) providing employment for local people; (g) providing or improving training, educational facilities or health services for local people; (h) assisting local people to make use of opportunities for education, training or employment; (i) benefiting local people who have special needs because of disability because of their sex or the racial group to which they belong. This definition does not necessarily exclude other activities. This is a wide definition which may go beyond the true objects of the CLT but insofar as possible it is helpful to have widely drafted objects as this reduces the chance of having any activities of the CLT being restricted or challenged on the ground that they are ultra vires.

PART B.

POWERS OF ASSOCIATION, COMMITTEE, AND SHAREHOLDERS

Powers

- B1 Without limiting its general powers, but in the promotion of its objects, the association shall have power to do the following, except as expressly prohibited in these Rules or by any agreement between the association and the Parent:
- B1.1 take or grant any interest in land, including any mortgage, charge, floating charge, or other security whatsoever, or carry out works to buildings;
 - B1.2 to promote or carry out research;
 - B1.3 to provide advice;
 - B1.4 to publish or distribute information;
 - B1.5 to support, administer, set-up or co-operate with other bodies;
 - B1.6 to acquire, hire, let or dispose of property of any kind;
 - B1.7 to employ paid or unpaid agents, staff or advisers;
 - B1.8 subject to rules F13, F14, and F15 borrow money or issue loan stock for the purposes of the association on such terms as the association thinks fit;
 - B1.9 subject to rule F16 invest the funds of the association;
 - B1.10 to give guarantees; and
 - B1.11 to do anything else within the law which promotes or helps to promote the objects.
- B2 The association shall not have power to receive money on deposit.

Powers of the Committee

- B3 The business of the association shall be directed by the Committee in accordance with the strategic policies established by the association in general meeting.
- B4 Apart from those powers which must be exercised in general meeting:
- B4.1 by statute; or
 - B4.2 under these rules
- all the powers of the association may be exercised by the Committee for and in the name of the association.
- B5 The Committee shall have power to delegate, in writing, the exercise of any of its powers to sub-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 Committee.

Limited powers of shareholders in general meeting

- B6 The association in general meeting can only exercise the powers of the association expressly reserved to it by these rules or by statute.

General

- B7 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.
- B8 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 Committee'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 C5.1 A shareholder of the association is a person or body whose name and address is entered in the register of shareholders and who is the Parent or is connected with the area of benefit and whose application accords with the association's published membership policy determined by the association in general meeting.³
- [C5.2 The association may decide in general meeting to put its shareholders into one or more classes (such as "residents" and "non-residents")⁴ Any such class shall be defined by reference to a group interested in a particular way in the objects of the association and in the benefit to the community.
- C5.3 If there is more than one class of share a shareholder shall belong to a class and cannot belong to more than one class. Each share shall carry only one vote no matter which class it is in.]
- 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.
- 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 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.

³ The Parent CLT will be a corporate member of each LCLT, holding one share only

⁴ This might be a means of ensuring, for example, that in relation to policy decisions directly affecting CLT residents a majority of those residents voting on the issue would be required.

Admission of shareholders

- C11 The Committee shall set review and publish its policy for admitting new shareholders subject to the approval of the association in general meeting. Any person connected with the area of benefit who satisfies the association's membership policy may apply for membership following the procedure in Rule C12.⁵
- C12 An applicant for shareholder membership shall apply in writing to the association's registered office
- C12.1 setting out their express desire to be a member together with details of the criteria set out in the association's membership policy which they satisfy in order to be a shareholder; and
- C12.2 pay the sum of one pound (which shall be returned to them if the application is not approved).
- C13 Every application shall be considered by the Committee who shall accept the application if it is valid and accords with the association's membership policy. If the application is accepted the name of the applicant 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 in the case of a body corporate it ceases to be a body corporate; or
- C14.5 in the case of the nominee of an unincorporated body, they transfer their share to another nominee of that body; or
- C14.6 they cease to satisfy any of the criteria for membership set out in the association's membership policy.
- C15 A shareholder may only be expelled by a special resolution at a special general meeting called by the Committee.
- C15.1 The Committee 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 Committee 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.

⁵ It is anticipated the membership policy will require shareholders to have a genuine connection with the area of benefit by reason of living, working or carrying on business there or some other substantial connection. This is analogous to the "common bond" requirement for credit unions

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 Committee's report on the affairs of the association
 - the Committee's statement of the values and objectives of the association
 - a statement of the current obligations of Committee members to the Committee and the association
 - the association's membership policy;
 - C17.2 to consider the strategic policies of the association;
 - C17.3 to appoint the auditor;
 - C17.4 to elect Committee members;
 - C17.5 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 Committee; or
 - C18.2 upon a written requisition signed by one-tenth of the shareholders 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 or [25] people whichever is the fewer. 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 Committee 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 Committee 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 need not 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.
- [C34 If there is more than one class of share any shareholder present at a meeting in person or by proxy may demand a class vote.
- C35 On a class vote the votes in each class of shareholder shall be counted separately, and the resolution shall only be passed if:
- C35.1 on an ordinary resolution there is a simple majority in each class;
- C35.2 on a special resolution or other resolution requiring a specific majority if the aggregate of all votes cast satisfies the majority required and there is a simple majority in each class.⁶]

⁶ Rule C34 should only be included in Rules C5.2 and C5.3 have been included.

PART D.

THE COMMITTEE

Functions

- D1 The association shall have a Committee (in these rules referred to as "the Committee") which shall direct the affairs of the association in accordance with its objects and rules. Amongst its functions shall be to:
- D1.1 define and ensure compliance with the values and objectives of the association and with the strategic policies determined by the annual general meeting and ensure these are set out in each annual report;
 - D1.2 establish policies and plans to achieve the association's objectives and to implement its strategic policies;
 - D1.3 approve each year's accounts prior to publication and approve each year's budget;
 - 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 appoint (and if necessary remove) the chief executive (if any);
 - D1.8 satisfy itself that the association's affairs are conducted in accordance with generally accepted standards of performance and propriety;
 - D1.9 take appropriate advice;

and none of these functions D1.1 to D1.9 inclusive shall be capable of delegation.

Composition of the Committee

- D2 Subject to Rule D17:
- D2.1 The Committee shall consist of [eight] Committee members, or of such greater number not exceeding fifteen (including co-optees) as may be determined by the association in general meeting. A majority of Committee members shall always be capable of appointment or election by the shareholders.
 - [D2.2 Except for co-optees only shareholders can be Committee members].
 - [D2.3 The association in general meeting may determine if there is more than one class of shareholders that up to [three] members of the Committee shall be elected by the shareholders belonging to a particular class.⁷]
 - D2.4 If the requirements of D2.1 [and D2.3] are at any point not fulfilled then the Committee shall use its reasonable endeavours to appoint additional Committee members as appropriate provided that in the event that at any time the requirements are not fulfilled the remaining Committee members may continue to act and exercise all powers of the Committee.
 - D2.7 This Rule D2 does not prejudice the power of the Parent under Rule D11 to remove a majority of the Committee members of the association.

⁷ This gives the association the flexibility to decide that a number of Committee members shall be elected by a class of the shareholders e.g. it might be decided that the shareholders who are CLT residents should have the right to elect their own representatives to the Committee. If this is desired Rules C5.2, C5.3 and C34 should also be included.

- D3 D3.1 The Committee shall in its annual report set out the obligations of every Committee member to the Committee and to the association. The Committee shall review and may amend the obligations of Committee members from time to time.
- D3.2 No Committee member may act as such until they have signed and delivered to the Committee a statement, confirming that they will meet their obligations to the Committee and to the association. The Committee may vary the form of statement from time to time.
- D3.3 Any Committee member who has not signed such statement without good cause within one month of election or appointment to the Committee shall immediately cease to be a Committee member.
- D4 The Committee may appoint co-optees to serve on the Committee on such terms as the Committee resolves and may remove such co-optees. A co-optee may act in all respects as a Committee 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 Not more than five co-optees can be appointed to the Committee or to any committee at any one time.
- D7 No one can become or remain a Committee 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 are not a shareholder unless they are co-optee; or
- D7.4 they have absented themselves from four consecutive meetings of the Committee without special leave of absence;
- and any Committee member who at any time ceases to qualify under this rule shall immediately cease to be a Committee member.
- [D8 Any Committee member who reaches the age of seventy shall retire at the next annual general meeting and may only be re-elected or appointed for a period of one year at a time.]
- D9 A Committee member may be removed from the Committee by a special resolution at a general meeting.
- D10 Whenever the number of Committee members and co-optees is less than permitted by these rules, the Committee may appoint a further Committee member in addition to the Committee's power to co-opt. Any Committee member so appointed shall retire at the next annual general meeting.
- D11 By notice in writing to the Secretary, the Parent may at any time remove Committee members of the association subject to and in accordance with Rule D2.⁸

⁸ The reason for giving the Parent an absolute right to remove Committee members is to ensure that it has sufficient control over the LCLTs to enable the group as a whole to qualify as a group for the purposes of Value Added Tax. It is possible in a separate agreement to set out the circumstances in which the Parent would intend that this right would be exercised e.g. where the LCLT was in breach of contractual obligations to the Parent.

Election to the Committee

- D12 In every notice for an annual general meeting the Committee may set out its requirements for the skills, qualities and experience which it needs from its members.⁹ The notice shall state the extent to which those requirements are met by those Committee members continuing in office, and those retiring and intending to re-offer themselves for election.
- D12.1 At every annual general meeting not less than one third of the elected Committee members shall retire from office.
- D12.2 Elected Committee members forming the retiring third shall be those who have been longest in office since they were last elected or re-elected to the Committee. If the choice is between people who became elected Committee members on the same day those to retire shall be chosen by lot if not agreed.
- D12.3 Anybody appointed to fill a casual vacancy under rule D9 during the year and who retires for that reason shall not count towards the one third to retire.
- [D12.4 Any retiring Committee member having completed six or more years' continuous service on the Committee shall not be eligible for re-election until the next following annual general meeting. They shall be subject to the provisions of rule D16.2.]
- D13 D13.1 If at an annual general meeting, the candidates for election as Committee members do not exceed the number of vacancies on the Committee the chair shall declare those candidates to have been duly elected.
- D13.2 If the number of candidates exceeds the number of vacancies the meeting shall elect the Committee members by ballot in such a manner as the chair directs.
- D14 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.
- [D15 In casting their votes in an election, shareholders shall endeavour to ensure that the Committee possesses the quality, skills and experience which the association has from time to time determined that it requires.]

Candidates for the Committee

- D16 D16.1 Any elected Committee 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 by the same date.
- D16.2 In addition a candidate who is seeking election or re-election as an elected Committee 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.

Quorum for the Committee

- D17 D17.1 [Four] Committee members shall form a quorum. The Committee may determine a higher number.
- D17.2 If the number of Committee members falls below the number necessary for a quorum, the remaining Committee members may continue to act as the Committee for a maximum period of six months. At the end of that time the only power that the Committee may exercise shall be to call a general meeting of the association to bring the number of Committee members up to that required by these rules.

⁹ Although it is not intended that the LCLT will be an RSL, and will therefore not be required to comply with Housing Corporation skills requirements, it seems sensible, given that there are otherwise minimal checks on the candidates for Committee membership, to include some requirement for skills in a purely managerial and business context.

Committee members' interests

- D18 No Committee member, co-optee or member of a sub-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 a decision of the Committee. The Committee shall establish a written policy relating to Committee members' interests.
- D19 The association shall not pay or grant any benefit to anyone who is a Committee member or a co-optee or a member of a committee, unless it is expressly permitted by these rules.
- D20 Any Committee member, co-optee or member of a sub-committee, having an interest in any arrangement between the association and someone else must disclose their interest, before the matter is discussed by the Committee or any sub-committee. Unless it is expressly permitted by the Committee in its written policy they shall not remain present while the matter is discussed unless requested to do so by the Committee or sub-committee, and they shall not have any vote on the matter in question. Any decision of the Committee or of a sub-committee shall not be invalid because of the subsequent discovery of an interest which should have been declared.
- D21 Every Committee member, co-optee and member of a sub-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 Committee or members of a sub-committee at a meeting convened specially for the purpose, a Committee member, co-optee or member of a sub-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 Committee members, co-optees and members of sub-committees when actually incurred on the association's business.
- D24 A Committee member, co-optee or member of a sub-committee shall not have an interest for the purpose of rules D18 to D20 as a Committee member, director, or officer of any other body whose accounts are or ought to be consolidated with the association's accounts.
- D25 Committee members, co-optees or members of sub-committees who are CLT-residents of the association shall not have an interest for the purpose of rule D20 in any decision affecting all or a substantial group of CLT-residents.

Meetings of the Committee

- D27 The Committee shall meet at least three times every calendar year. At least seven days written notice of the date and place of every Committee meeting shall be given by the secretary to all Committee members and co-optees.
- D28 Meetings of the Committee may be called by the secretary, or by the chair, or by two Committee members who give written notice to the secretary specifying the business to be carried out. The secretary shall send a written notice to all Committee members and co-optees to the Committee 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 Committee members, whichever is the case, shall call such a meeting.

Management and delegation

- D29 The Committee may delegate any of its powers under written terms of reference to sub-committees or to employees (subject to rule D1). Those powers shall be exercised in accordance with any written instructions given by the Committee.
- D30 The membership of any sub-committee shall be determined by the Committee. Every sub-committee shall include one Committee member or co-optee to the Committee. The Committee will appoint the chair of any sub-committee and shall specify the quorum.
- D31 All acts and proceedings of any sub-committee shall be reported to the Committee.
- D32 No sub-committee can incur expenditure on behalf of the association unless at least one Committee member or co-optee of the Committee on the sub-committee has voted in favour of the resolution and the Committee has previously approved a budget for the relevant expenditure.

Miscellaneous provisions

- D33 All decisions taken at a Committee or any sub-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.
- D34 A resolution in writing sent to all Committee members and signed by three quarters of the Committee members or all the members of a sub-committee shall be as valid and effective as if it had been passed at a properly called and constituted meeting of the Committee or sub-committee.
- D35 Meetings of the Committee can take place in any manner which permits those attending to hear and comment on the proceedings.
- D36 A Committee 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 Committee meetings, and shall be elected by the Committee.
- E2 The chair on election shall hold office until the commencement of the first Committee meeting after the next annual general meeting of the association (or until the chair resigns as chair). The first item of business for any Committee 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 Committee member. [In the case of any equality of votes, the chair shall have a casting vote.]
- E3 The chair of the association may be removed at a Committee meeting called for the purpose provided the resolution is passed by at least two thirds of the members of the Committee at the meeting.

The Chief Executive

- E6 The association may have a chief executive appointed by the Committee. The chief executive shall be appointed on a written contract of employment, which shall include a clear statement of the duties of the chief executive

The secretary

- E7 The association shall have a secretary who shall be appointed by the Committee and who may be an employee. The secretary shall in particular:
 - E7.1 summon and attend all meetings of the association and the Committee and keep the minutes of those meetings; and
 - E7.2 keep the registers and other books determined by the Committee; and
 - E7.3 make any returns on behalf of the association to the Registry of Friendly Societies; 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 Committee 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 Committee may make the appointment if no meeting is held within three months. The Committee 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 Committee shall produce the revenue account and balance sheet audited by the auditor, and the auditor's report at each annual general meeting. The Committee 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 £100 million (one 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 Committee, is reasonable having regard to the terms of the loan. The Committee may delegate the determination of the said interest rate within specified limits to an officer, Committee member or a committeesub-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.

Investment

- F16 The funds of the association may be invested by the Committee 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:

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.

Minutes, seal, registers and books

G4 The minutes of all general meetings, and all Committee and committeesub-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 Committee's authority. It must be affixed by one Committee member signing and the secretary countersigning or in such other way as the Committee 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 Committee 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 The rules of the association may be rescinded or amended.
- G12.2 Rules A2;A3;A4; B1; B2; C2; C3; D2; 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 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 body with objects similar to that of the association.

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 any reference to the Chief Registrar, Registrar, Central Office, Assistant Registrar or the Registry of Friendly Societies includes reference to the statutory successor carrying on the relevant functions of any of them;
- G15.5 "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;
- G15.6 "the association" shall mean the association of which these are the registered rules;
- G15.7 "Committee" shall mean the Committee appointed in accordance with Part D and "Committee member" or "member of the Committee" shall mean a member of the Committee for the time being but shall not include a person co-opted to the Committee under rule D4;
- G15.8 "officer" shall include the chair and secretary of the association and any Committee member for the time being and such other persons as the Committee may appoint under rule E8;
- G15.9 "persons claiming through a shareholder" shall include their personal representatives and also their nominees where a nomination has been made;

- G15.10 "property" shall include all real and personal estate (including loan stock certificates, books and papers);
- G15.11 "register of shareholders" means the register kept in accordance with rule G6.1;
- G15.12 "secretary" means the officer appointed by the Committee to be the secretary of the association or other person authorised by the Committee to act as the secretary's deputy;
- G15.13 "shareholder" shall mean one of the persons referred to in rule C5 and means "member" as defined by the Act.
- G15.21 "the Act" shall mean the Industrial and Provident Societies Acts 1965 to 1975;
- G15.22 "these rules" shall mean the registered rules of the association for the time being;
- G15.23 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;
- G15.24 "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;
- G15.25 "Parent" shall mean [] Central Community Land Trust;
- G15.29 "CLT-resident" shall mean a resident who lives in a property owned by the association;

INDUSTRIAL AND PROVIDENT SOCIETIES ACT 1965

Acknowledgement of Registration of Society

Register No. R

..... Limited

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

Dated

(Seal of Central Office)

Copy kept

Central Office

1. Shareholder

2. Shareholder

3. Shareholder

..... Secretary



Confederation of Co-operative Housing



ART Homes

Housing Investment for Homeowners



Birmingham City Council

Housing Department



HOUSING CORPORATION



BCMS
BIRMINGHAM
Co-operative Housing Services



mercian



focus housing