

REGULATION OF REGISTERED SOCIAL LANDLORDS (WALES) ACT 2018

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Board membership and voting rights

Schedule 1

94. [Schedule 1](#) is introduced by section 16.
95. The Schedule introduces a new Chapter 1A into Part 1 of the 1996 Act. Chapter 1A contains sections 7A to 7J.
96. This Chapter limits a local authority's influence over the board of an RSL, for example, having reserved places on the board and the power of veto over certain matters, and removes their voting rights as member.
97. Section 7A defines the key terms for the purposes of Chapter 1A.
98. Under section 7B, no appointment may be made to a board of an RSL which would result in local authority appointees amounting to more than 24% of the board members of the RSL. Any appointment made to the board which would, but for section 7B, give rise to more than 24% of the board members being local authority appointees has no effect.
99. In addition, provision is made so that to the extent that any provision in the constitution or rules of an RSL conflicts with this requirement, that provision has no effect. See also section 7I in respect of provisions in agreements which are to have no effect.
100. Section 7C sets out the procedure for RSLs and local authorities to follow to reduce the number of local authority appointees on an RSL board to ensure that no more than 24% of the members of the board of the RSL are local authority appointees (the 24% limit). If an RSL needs to remove a member from its board to comply with the 24% limit it has four months to do so from the date section 7C comes into force. However, subsection (3) of section 7C provides that the RSL cannot remove a member until two months after section 7C comes into force. The purpose of this restriction is to give the local authority which appointed the members the opportunity to nominate which of its appointees are to be removed under section 7C (see next paragraph).
101. A local authority can nominate which of the local authority appointees are to be removed in order to comply with the 24% limit, but must do so within two months of section 7C coming into force. If a local authority nominates appointees to be removed, those appointees must be removed by the RSL, and the RSL may carry out the removal without having to wait for two months from the date section 7C comes into force. If a local authority does not nominate anyone for removal before the end of the two months, an RSL will have a further two months to remove such appointees to comply with the 24% limit. In the absence of a local authority nomination, the appointees to be removed

*These notes refer to the Regulation of Registered Social Landlords
(Wales) Act 2018 (c.4) which received Royal Assent on 13 June 2018*

should be selected by a majority vote of the non-local authority board members (see section 7D).

102. Under section 7E, if an RSL's constitution or rules state that there must be at least one or more local authority appointees present in order for a meeting to be quorate, that provision is of no effect. See also section 7I in respect of provisions in agreements which are to have no effect.
103. Under section 7F, if there is provision in an RSL's constitution or rules which requires more than 75% of the votes cast to pass a resolution, that provision will have effect as if it requires only 75% of the votes cast to pass the resolution. See also section 7I in respect of provisions in agreements which are to have no effect.
104. Under section 7G, if there is provision in an RSL's constitution or rules which requires the consent of the local authority or the local authority appointee before the RSL's rules or constitution can be changed, or provision which gives a local authority or local authority appointee the power of veto, that provision is of no effect. See also section 7I in respect of provisions in agreements which are to have no effect.
105. Under section 7H, if there is a provision in the rules or constitution of an RSL which gives a local authority the right to vote on resolutions of the RSL in the local authority's capacity as member of the RSL, that provision is of no effect. This removes the voting rights of local authorities as members of an RSL. See also section 7I in respect of provisions in agreements which are to have no effect.
106. Under section 7I, a provision in an agreement between an RSL and another person which would, if it were included in an RSL's rules or constitution, be treated as having no effect because of this Chapter, will have no effect. This will capture, for example, any contractual agreements entered into between a local authority and an RSL as a result of stock transfer.
107. The Welsh Ministers may, by order, provide that any or all of the provisions of Chapter 1A do not apply to RSLs which are wholly-controlled local authority subsidiaries.