

Direct line: 0207 066 1920
Email: ian.adderley@fca.org.uk

12 Endeavour Square
London
E20 1JN

Sent by email.

Tel: +44 (0)20 7066 1000
Fax: +44 (0)20 7066 1099
www.fca.org.uk

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Dear Secretary

Follow-up to questionnaire on democratic member control and economic participation

1. Thank you for returning our questionnaire on democratic member control and member economic participation. We welcome that you voluntarily provided the data we asked for in the questionnaire. We are reassured that societies were able to provide this data and understand from some that this sort of data is rightly reviewed regularly. This has been useful to us in understanding the recent practical operation of democratic member control and member economic participation. We committed to come back to you with aggregated analysis.
2. This letter sets out indications derived from the aggregated data, along with some commentary from us. In setting out any commentary, we acknowledge that this data and the narrative responses do not represent the totality of activity within any society. We are mindful too of the limitations of the data in some circumstances – for instance, we know not all members who trade with a society present a membership card enabling transactions to be recorded. It should also be noted that the period covered (2020-2022) captured the unusual circumstances arising from Covid-19 and associated restrictions that will no doubt have had an impact. We therefore draw no firm conclusions, but instead set out what the data may indicate to us.

Democratic member control

3. We asked in question 1 about the level of participation in your largest all-member elections at the most senior level within your society. We break down aggregated indications from that data thematically below.
4. For context, you are familiar with the International Co-operative Alliance (ICA) Statement of Co-operative Identity, Values and Principles, quoted on page 28 of our *Finalised Guidance under the Co-operative and Community Benefit Societies Act 2014*, and we quote here Principle 2 – ‘Democratic member control’:

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives

are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

Ballot constituency size

5. We asked you to set out to how many members a ballot paper had been sent. We have compared this to the number of members detailed in your annual return (AR30) submission for each year. We recognise the long-standing and accepted practice codified within society rules whereby members may be required to meet certain eligibility criteria to receive a ballot paper. Looking at this practically we see that the percentage of members sent ballot papers in all-member elections ranges from 1% to 62%. There are 3 societies who, on average, ballot more than 50% or more of their members.
6. It is not apparent from the data whether these figures suggest there are large numbers of members at risk of removal from membership, whether there are many members the society is in contact with but who are not meeting any trading requirements, or something else. It is generally a positive indicator to us where a society is maintaining its register of members pursuant to s30 of the Co-operative and Community Benefit Societies Act 2014.

Turnout

7. We recognise that the size of a voting constituency may have an impact on percentage turnout and acknowledge that voting turnout varies between membership organisations in other sectors, as well as in elections for public office. The turnouts detailed to us range from 0.2% to 32%. Turnout exceeded 5% in 7 all-member ballots taking place during the period covered by the data. Those 7 ballots were in elections across 3 societies.
8. We understand that many societies are already taking steps to seek to increase turnout in elections through a variety of methods, and will no doubt continue with this work.

Contested elections

9. Across 31 elections, 16% were fully contested – by which we mean there was more than one candidate for each position up for election. At least 25% of these elections were entirely uncontested – by which we mean there was either no election for one candidate per place, or an election was held to confirm appointment of the same number of candidates as places. Otherwise, we see varying degrees of contest in multi-seat elections with there being more candidates than the total number of places available.
10. Some responses detailed plans that are in place to provide suitable training and encouragement to develop the pipeline of available candidates. We would generally see regularly contested elections as a positive indicator of democratic member control, though we recognise that this is not the only measure by which member democratic control can be viewed.

Motions to meetings

11. Across all general meetings reported on, 2 societies had meetings featuring motions tabled from outside of a society's own board. In 86% of general meetings, there were no motions from outside of a society's own board. It is a positive indicator where enough members can bring forward relevant motions to a general meeting where there is a desire to do so. We see it as a positive indicator where members are aware of and able to exercise their rights in this regard.

Economic Participation

12. The second half of the questionnaire asked questions focused on Member Economic Participation.
13. Principle 3 from the ICA Statement sets out:

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

Percentage of trade (by amount spend) from individual members

14. We confined this data request to your food business to facilitate aggregated analysis – acknowledging though that this will present an incomplete picture particularly in societies with multiple lines of business. In 4 instances, the percentage of trade (by amount spent) from members was 50% or more of total spend. These 4 instances are split across 2 societies. The mean average is 28%, with a median average of 19%. The range across the years in question runs from 8% to 91%.
15. We recognise that factors such as membership card presentation rate (where relevant) impact these figures, and that member trade will likely be higher than indicated in the data. We would generally regard increasing percentages of trade from members as a positive indicator of member economic participation in a society.

Percentage of members participating economically through trade

16. In 4 societies, more than 50% of members can consistently be evidenced as trading with the society. This number increases to 6 societies where 30% or more of the membership are trading with the society. The percentage of members trading with a society ranges from 3.5% to 78.3%. The mean average is 47%, with a median of 55%.
17. Reflecting the figures above, we note in some instances a disconnect between the percentage of members being sent a ballot paper, and the percentage of members indicated as trading with the

society. We recognise that factors such as the volume of member trade, and the timing of members' joining or exiting of society membership will have some impact. However, in several instances the variance is upwards of 20%.

Dividends and use of profits

18. Of those societies paying dividends, the range of dividend payment as a percentage of profit runs from 0.3% to more than 100%. The mean average percentage of profits applied to dividends is 17%, with a median of 14% (when looking only at times where any dividend was paid). There are 3 societies who do not pay, or have not paid in the last three years, any dividends. We recognise that some societies may provide economic benefit to members (out with benefit provided to non-members) in other ways.
19. In 8 societies, the decision on allocation of profits was put to a vote of the membership (following a recommendation by the board). There are 3 societies where the decision was taken by the society's board alone.
20. There are 3 societies who have paid funds into indivisible reserves in the last 3 years. And every society has, within the last three years, retained some funds at least once. The mean average amount of profit retained is 34%, with a median of 74%.
21. Percentages distributed to other causes vary – ranging from 0 to 51%, with a mean average of 12% and a median of 3.5%.
22. We see it as a positive indicator where members are allocating the funds as set out in Principle 3 quoted above.

Next steps

23. We trust that this data will be of interest to you and will be shared with your board. We make no requirement of you in terms of action to take. We welcome any discussions on steps to build on and strengthen democratic member control and member economic participation within societies.
24. If you would like to discuss this letter, its contents, or your plans in these areas, please contact Ian Adderley at: ian.adderley@fca.org.uk.
25. Thank you for taking the time to respond to our questionnaire.

Yours faithfully

Andy Freeman
Head of Department