

# Co-operatives and elections

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**RESOURCE**

## CO-OPERATIVES AND ELECTIONS

Good practice to ensure democratic elections  
for your co-operative

**CO-OPERATIVES UK**

### Introduction

This guidance is to help co-operatives deliver good practice when it comes to elections for board positions.

There is no legislation specifically governing elections to the board in a co-operative. But there is established good practice, which is summarised in this resource.

### About this guidance

This guidance covers elements of good practice in relation to democratic elections to the board of a co-operative.

In this note 'board' means the board of directors of a co-operative or another equivalent committee of management.

This guidance may also be relevant to other forms of organisation with boards. There are other approaches to achieving democratic control by the members which are covered in more detail later on.

The guidance begins by reviewing the legal framework in which board elections take place, and then considers different stages in the election process.

## Background

One of the principles of co-operation agreed by the ICA is "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." (our emphasis)

This accountability to the membership can take a number of forms; in a smaller workers co-operative, the members may take all decisions collectively, or they may simply be constrained by their membership size and/or the need to reflect a function (such as finance director).

Where a co-operative has a larger membership – if it is a consumer co-operative, a community organisation, or a larger housing or worker co-operative – then this democratic control by the membership frequently takes the form of an elected board, where candidates put themselves forward to the members for appointment and there is a democratic process.

## Contents

- [Board elections and the law](#)
- [Stage 1: Encouraging member participation](#)
- [Stage 2: introducing the elections process to members](#)
- [Stage 3: Clear role descriptions for board membership](#)
- [Stage 4: Eligibility to stand for election](#)
- [Stage 5: Canvassing and elections](#)
- [Stage 6: Managing the voting process](#)
- [Stage 7: Dealing with the outcome](#)
- [Alternatives to board elections](#)

## Authors

This guidance was produced by Anthony Collins Solicitors LLP for the [Co-operative Governance Expert Reference Panel](#). It is intended as general guidance only, and co-operatives intending to rely on it should consider taking specific advice before taking any action.

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## Board elections and the law

### A lack of legislation

There is no legislation that specifically governs elections to the board in a co-operative.

The Co-operative and Community Benefit Societies Act 2014 (“the Act”) requires that the rules of a registered society must contain:

*“The method of holding meetings, the scale and right of voting, and the method of making, altering or rescinding rules”* and also:

*“The appointment and removal of a committee (by whatever name) and of managers or other officers and their respective powers and remuneration.”*

The Act does not, however, specify any detailed requirements in relation to any of the above.

The Financial Conduct Authority (FCA), in its capacity as the registrar of mutual societies, has produced guidance on the registration function which includes how it decides what constitutes a “bona fide co-operative” for the purposes of the Act.

The guidance notes, at section 4.10, that a co-operative must be “democratically controlled”. The FCA states that it expects to be able to “verify and validate” that democratic control exists through the rules and governance arrangements of a co-operative society, along with statements about how it will operate. It goes on to acknowledge that there are various types of co-operative, and notes that the “guidance is not exhaustive”.

### Flexibility for elections

Legally, therefore, there is a great deal of flexibility around how co-operatives that are societies carry out any election process – though there are some important principles and constraints which are noted in the guidance below.

Where a co-operative is registered as a company (including a community interest company) then there will be no external regulatory scrutiny of any election processes.

### A co-operative's constitution

The starting point for understanding what any co-operative must do in relation to elections will be its constitution (in a registered society, the rules, and in a company, the articles of association).

The constitution will normally specify the basic process which the co-operative must follow, though the level of detail varies significantly. The constitution must always be followed, otherwise the co-operative will be acting outside of its powers.

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## Stage 1: Encouraging member participation

A strong election process starts from the basis of an active membership.

### Good member engagement

Co-operatives should engage with their members beyond simply the formalities of an election process; it is a common misconception that member engagement starts and ends with elections to the board.

In smaller co-operatives, members may engage with the co-operative on a constant basis, according to the type of organisation, as tenants, workers, or customers.

Larger co-operatives with a significant membership base, in particular, should have a clear strategy for engaging with members, which goes beyond simply encouraging members to consider becoming part of the board and offers a range of ways of getting involved.

Engagement should cover a range of options, both physical and virtual. For example, many co-operatives:

- Have an accessible, engaging website
- Offer invitations to both physical and virtual members' meetings and other opportunities for involvement

### A 'vibrant democracy'

The Co-operative Corporate Governance Code ("the Code") makes it clear that the board of a co-operative are expected to "promote a vibrant democracy and communicate with members in ways that encourage active, democratic member participation". This includes:

- Communicating with members in a variety of ways on a broad range of issues
- Ensuring members can participate outside of formal processes

The Code also notes that the board should keep member engagement under review, so that it remains effective.

The Worker Co-op Code ("the Worker Code") notes that worker co-operatives should "agree and delegate authority to individual members to act on behalf of the cooperative when and where it's necessary" and "ensure there are democratic processes, or democratic accountability, in all governance and management functions."

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## Stage 2: introducing the elections process to members

### The election cycle

Prior to commencing any election cycle, every co-operative should take steps to bring the forthcoming cycle to the attention of members. This is not only for those who might wish to stand, but so that all members can begin to think about voting and being involved in the process.

Good practice would suggest starting the communications process at least three months before, and at least one month before nominations open, to ensure that members have time to review any material provided.

### Good practice for co-operatives

How this is done will vary from co-operative to co-operative.

#### Community co-ops

A community-based organisation might:

1. Write to all members in the neighbourhood
2. Make announcements at regular groups or classes in community buildings
3. Post notices in common or public areas
4. Hold workshops or events for members who are interested in standing, including at various times of the day
5. Email or send other electronic / social media communications to members, especially those who are less likely to access 'in person' communications.

#### Retail societies

A large retail society might begin the same process by:

1. Emailing all members for whom it has information
2. Putting information on its website
3. Putting notices up in stores or other outlets
4. Inviting members to "meet the board" or workshop events, again at a variety of times and locations
5. Using social media

#### Worker co-operative

A larger worker co-operative might:

1. Ensure that at staff or colleague meetings, in each part of the business, the election process is mentioned
2. Place information about the process on a staff intranet or website, and on physical notice boards around the business
3. Contact all colleagues and invite them to consider standing for election
4. Encourage current board members to make themselves available to colleagues thinking of standing

## What should be communicated?

Co-operatives should make it clear members can stand for election to the board, and that this is a key part of member ownership.

Information should be given on:

- What being on the board involves
- The nature of the role (see stage 3)
- The legal responsibilities of board membership
- The practicalities of the process.

Any criteria or particular skills that are required for the co-operative board should be made clear at this stage. Any skills-based 'filter' that will take place should be detailed, and an explanation of the nominations process and any documentation requirements. This may be particularly important where there are external regulatory criteria, such as those for credit unions.

## Accessible communications

In any co-operative, consideration should be given to material that suits different learning styles and abilities, and support that might be required to members to enable them to participate.

The authors of this resource have worked with two member-based organisations which exist to serve people with a learning disability (who form a significant constituency of the membership in both cases). In these cases the organisation has gone out of its way to prepare documentation which explains the process in a clear (and largely pictorial) way.

The Code requires that: "The election and appointment process should be formal and transparent and ensure that the democratic rights of members can be exercised and should be based on merit and objective criteria."

It goes on to state that "Appropriate information should be provided to members, using a variety of methods, to enable them to make an informed decision whether to stand for election, including the responsibilities of a director, time commitment and any (mandatory) skills and experience required."

## Diversity of the board

Larger co-operatives may set up a search committee or similar body to determine the succession plan or aspirations for the board. This can also include reviewing board composition, and identifying under-represented groups at board level.

Where there is a lack of diversity on the board, co-operatives should consider how they approach members and the method – or methods – of communication that will best reach the broadest range of members.

## Accepting nominations

At this nomination stage, as a minimum, potential candidates should be asked to provide details of their name and address, and a short statement as to why they wish to stand for election.

Good practice suggests that proof of identification be recorded by the co-operative for each potential candidate.

Candidates should also be asked to confirm that they are not excluded from standing under the co-operative's rules – see stage 4.

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## Stage 3: Clear role descriptions for board membership

It is important that all potential candidates have a clear sense of what is involved in board membership, to ensure that expectations are realistic.

A template role description for a co-operative board member is included in the [Directors' Toolkit](#) – previously prepared by the Expert Reference Panel. This also covers expectations around conduct (and any adopted code) where members will also need to be clear about what is expected.

### **As a minimum, any role description should set out:**

- The role of the board, including how the board relate to any staff employed, with clear reference to the legal obligations of board members
- The time commitment required, including frequency of board meetings, the mix of virtual and in-person meetings, and any expectation around away days or similar.
- The legal duties that board members have, including their fundamental duty to act in good faith (their “fiduciary” duty) in the best interests of the co-operative
- If there are specific expectations or qualifications for board members. Credit union board members, for example, have a particular set of obligations around fitness and probity, because credit unions as organisations are regulated by the Prudential Regulation Authority.
- Expectations around declarations and conflicts of interest
- Expectations on confidentiality, and attending training
- Term of office, and any review to which this is subject
- Details of any remuneration
- Details of board insurance
- Obligations on ceasing to be a board member

Some community benefit societies are also charitable, and if so the role description should make it clear that the board are also the 'trustees' of the charity, and have certain additional legal responsibilities as a result.

Finally, the [Worker Co-op Code](#) notes how important it is that "everyone understands that 'management is a function, not a status'".



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## Stage 4: Eligibility to stand for election

### Ineligible candidates

Every co-operative should have in its rules a clear statement of the circumstances in which an individual will not be able to serve as a director.

Some of these circumstances are prescribed by law; a person may not legally be a director of a co-operative if:

- They are an undischarged bankrupt
- They have been disqualified from acting as a company director

Many sets of rules will also prevent someone who has been disqualified from acting as a charity trustee from becoming a co-operative director. Where a community benefit society is charitable, this will be an automatic bar.

### Other criteria for eligibility

Often, the rules will set out other circumstances or criteria which would prevent someone from serving on the board. These can include:

- A minimum period of membership: There is no recommended set period in the Code, but this can vary from a few months up to a typical maximum of two years.
- A trading or participation condition with the co-operative: Especially for retail societies. For other co-operatives, having a trading relationship will be a pre-requisite of membership (housing co-operatives, for example).
- Not having been previously dismissed from employment with the co-operative for reasons other than redundancy (the authors have encountered former employees with a grudge seeking to stand for election to the board).
- Not being involved in a business which actively competes with the co-operative.
- Not being physically or mentally incapable of acting – which should be certified by an independent medical practitioner.
- Not having previously served as a board member beyond a specified period – the Code now specifically provides for three terms of three years as a maximum.
- Previous expulsion or removal under the rules.

### Transparent rules

The criteria will vary from co-operative to co-operative, but should be fair, open and transparent, and not penalise any group inadvertently. All candidates should be made aware of the rules, and asked to sign to confirm that they do meet all conditions.

If it subsequently comes to light that they do not, then candidates can be removed at any stage of the process. This is generally a decision for the Secretary of the co-operative (ideally this should also be specified in the constitution).

### Securing the appropriate skills

Some co-operatives may have a need for particular skills or knowledge on the board. There is an acknowledged tension between the fundamental commitment to democratic ownership, which runs through all co-operatives, and the need to secure appropriate skills at board level. The larger the co-operative, and the more complex its business, the more acute this need can be.

The Code expects a co-operative board to “regularly review its composition, succession plans and size to ensure it reflects the nature, diversity and scale of the co-operative, the complexity of the risks faced by it and the need to ensure appropriate member representation”.

If there is to be a 'skills filter' or a shortlisting process, before candidates are allowed to go forward to a ballot, then this should be clear and transparent from the start. Ideally, there should be a scoring mechanism used which can also be shared with candidates and with members.

## **Co-opted positions**

Some boards will have the option of a limited number of co-opted places, in addition to elected board members (though these should be in the minority). This will depend on the constitution.

Co-options can be a useful mechanism for dealing with skills 'gaps' on a co-operative board, though the appointment process should be clear and transparent, and open to member scrutiny.

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## Stage 5: Canvassing and elections

### Clear communications

The Code states that, as elections approach, “Sufficient information should be given to members to enable them to make an informed decision on their vote, including details of the candidates’ skills, knowledge and experience that lays out why their contribution will be important to the long-term success of the co-operative.”

At the ballot stage, it will be important to review the information provided to members for consistency.

If candidate information is to be provided, there should be a word limit and guidance given to candidates on what information members will expect. Given the importance of the board to a co-operative, members should be given every encouragement to vote.

### Election canvassing – code of conduct

The Governance Panel has prepared a Canvassing Code of Conduct. Each co-operative will have its own views on whether or not canvassing is appropriate.

In smaller housing organisations, concerns have been expressed about canvassing putting pressure on residents to vote in a particular way.

In larger consumer co-operatives, canvassing is not uncommon.

If canvassing is to be allowed, then the guidance makes it clear that having a canvassing code of conduct (which candidates are asked to sign) is helpful. In particular, there should be clear expectations of any written material produced, which should be limited in scope and not contain any inaccuracies or critical statements about other candidates.

The Code expects co-operatives to ensure that “elections, including canvassing activity, are fair and transparent and free from fraud and undue influence”.

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## Stage 6: Managing the voting process

### To ballot or not

In general, if a co-operative has the same number of candidates as there are spaces on the board (following any shortlisting process) then a ballot will not be necessary.

Some co-operatives have rules which require a confirmatory vote at a members' meeting even if there are only as many candidates as spaces, and the constitution should be followed carefully.

### Free and fair elections

Co-operatives of whatever scale should do all they can to ensure a free and fair election, including the use of numbered ballot papers and / or secure electronic voting.

Voting can also take place at in person meetings, depending on the nature of the co-operative; where necessary, members should be asked for identification as they come into the meeting to ensure that voting is not susceptible to outside influence.

For larger organisations, co-operatives should consider the use of outside agencies to implement ballots to give additional reassurance and expertise.

Members should be given a reasonable period in which to cast their votes; two weeks is typical in our experience and allows for most types of absence.

The board should agree the voting mechanism (first past the post or any variation, such as preference votes which can be transferred to other candidates) in advance, and this should again be clearly communicated to candidates and to members.

### Reviewing best practice

Co-operatives should consider the voting patterns at previous elections and review best practice in relation to "harder to reach" groups of members.

Where the current board is not diverse in nature, co-operatives should make particular efforts to ensure that members from all groups within the co-operative are actively encouraged to participate.

It is always preferable that elections are contested, and co-operatives should work hard to ensure that this is the case, alongside encouraging members to vote.

It is a requirement of the Code that any uncontested elections are documented in the annual report, along with the efforts made by the board to enhance participation. The Code also expects co-operatives to monitor turnout.

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## Stage 7: Dealing with the outcome

### Counting process

Following the conclusion of the voting process, the Secretary or any employed outside agency should oversee the counting process.

If it is feasible for candidates to observe the count (if ballot papers are being counted, for instance), this should be allowed, but not so that they are able to intervene in the process.

Good practice is to announce the results as soon as reasonably practicable, to avoid any unnecessary stress for those involved.

If there is a tie for any position, then the constitution may specify what should take place; if it does not, then lots can be drawn to decide the successful candidate.

Candidates should be informed before the results are made public.

It is rare (though not unknown) for candidates to seek to challenge the outcome of a co-operative election. Because of this possibility, careful records should be kept of how the process has been run at each stage, in order that the co-operative can demonstrate that it has followed good practice throughout.

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## Alternatives to board elections

### Other forms of 'election'

#### Smaller co-operatives

Some co-operatives, particularly worker or smaller housing co-operatives, operate a collective structure, which does not require formal elections to a separate board in the way this guidance describes.

Other co-operatives have adopted sociocratic models – and there is separate guidance for this model.

#### Larger co-operatives

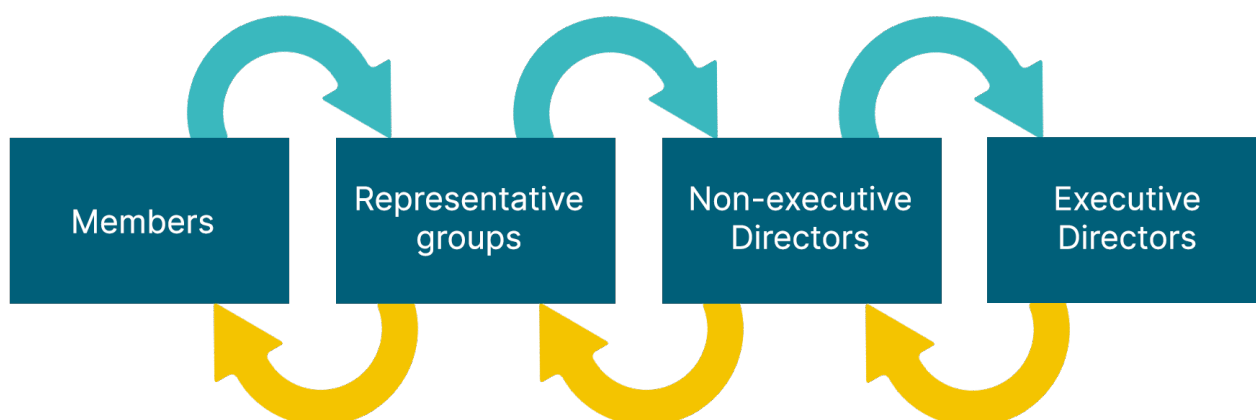
Some other larger co-operatives have recognised that in legal terms, there is a tension between the legal responsibilities of board membership (duties which are owed to the co-operative itself), and accountability to the membership.

This topic is outside the scope of this guidance, but here we should just note that being a co-operative board member is not a 'representative' role in the same way as an MP or a councillor is a representative of their constituents. Even if a board member has been elected by a particular group of the members (a particular neighbourhood in a community co-operative, for example) their formal legal obligations are not to represent or advocate for that group, but to use their skills and abilities to benefit the whole of the membership, in the long term.

### 'Two tier' structures

There can also be tensions, as we have noted previously, between the commitment to democracy and ensuring the board has the right skills available.

Some co-operatives have developed structures that recognise these tensions and separate out the roles involved to different bodies. A typical 'two tier' structure might function as follows, in terms of accountability:



In this structure, the members elect the Representative Group, which is explicitly accountable back to them, and has the responsibility to represent their interests.

That Representative Group then appoints (and can remove) the non-Executive part of the board, usually against an agreed set of skills requirements.

The non-Executive directors appoint the key Executive directors, and the board runs the business.

The board reports back on a regular basis to the Representative Group, which in turn reports to members.

## Employee councils

A similar approach has seen the development of employee councils, in the context of larger worker co-operatives, or employee-owned businesses that adopt a co-operative structure.

In such a co-operative, the elections cycle would be for elections to the Representative Group. It will be particularly important that everyone involved is very clear on the role of that Group; it is not “another board”, nor just a talking shop.

It should be involved in approving the strategy for the co-operative, in representing the members, and in supporting the board where required. The constitution of the co-operative should make the respective roles of the Representative Group and the board very clear, so that there is no misunderstanding.

This type of structure, though not common, has been adopted by a number of co-operatives and builds on learning from other sectors (including the NHS). It needs careful thought and professional advice, but it is increasingly recognised as a viable governance alternative to traditional direct elections to the board.

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## About this guidance

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## Did you know?

- Co-operatives UK has been helping co-ops with their governance needs for more than two decades. [Discover more about our expert advice services.](#)
- See also the [Co-operative Corporate Governance Code](#), a tool to help chart what good practice can look like. It focuses on best practice around democracy and quality of leadership that emerges through good governance.

<https://www.uk.coop/resources/co-operatives-and-elections>

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