

# The **Midcounties Co-operative**

## **Annual General Meeting – 7 May 2016**

### **Responses to written questions**

General note – a number of questions received concerned issues particular to those submitting the questions. These have not been included in this document. All such questions have been answered directly with the members concerned.

	<b>Question</b>	<b>Response</b>
1	<p>The International Co-operative Alliance's Statement on co-operative identity, values and principles states that “Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.”</p> <p>As a Midcounties member closely engaged with a number of co-operatives and social enterprises active in the food sector, I would like to ask how this principle is implemented in Midcounties’ stores, as I see no evidence of co-operation with other food co-ops in the products available in stores or in the way in which information on sourcing of products is presented.</p>	<p>The Society is a member of a national co-operative buying group that sources the vast majority of the products sold in our food stores. While this is behind the scenes, it very much represents co-operation among co-operatives, which is, as the question notes, a key co-operative principle.</p> <p>The buying group, known as Federal Retail Trading Services Limited, is owned and operated by all the major co-operative food retailing societies with the smaller societies also enjoying representation in its structures. As it is run by co-operatives for co-operatives, it ensures we produce and sell food in a responsible way, from making sure workers in our supply chain are treated and paid fairly, to supporting British farmers and local producers within the communities we trade, and the promotion of clear labelling.</p> <p>In addition, the Society itself works with more than 100 local suppliers offering over 1,000 of their products in our stores. Many of these suppliers share our co-operative values and all comply with our ethical sourcing policy.</p>

<p><b>2</b></p>	<p>Why is the copy of the Society's accounts only available on the day of the AGM and what is the explanation for this action.</p>	<p>A 'glossy' set of the accounts (i.e. the formal printed set produced by a professional print firm) is only available on the day of the AGM given the tight deadlines between (i) the Society's year end, (ii) the preparation and approval of the accounts by the Board, (iii) the actual physical printing of the accounts by a print firm, and (iv) the AGM itself.</p> <p>However, at the time the notice for the AGM was issued, a copy of the accounts was put onto the Society's website for review by members, with a note that a paper copy could be requested if wished.</p>
<p><b>3</b></p>	<p>Could there be an option for Co-operative members to donate their dividend to the workers of the society?</p>	<p>The sentiment behind the question is appreciated.</p> <p>As matters stand, our colleagues benefit from a specific distribution approved by members at the AGM. So it is felt that members can show their support for our colleagues by voting in favour of this particular distribution.</p>

<p>4</p>	<p>As we are an organisation that faces tough competition from the likes of businesses like Tesco, ASDA et al, could we eliminate our charitable programs and contributions?</p> <p>The apparent necessity of charity is the result of exploitation from businesses like Tesco where there wouldn't be any need of said charity if the proceeds of business were fairly distributed.</p> <p>With that in mind the co-operative would better serve its members by using said charitable donations for cutting prices to generate revenue or if not that, you could provide better pay for the lowest paid members of staff instead.</p> <p>Many people I know spitefully avoid spending money at the cooperative knowing that other retail chains are paying their bottom staff better.</p>	<p>One of the seven key co-operative principles that form the bedrock of all co-operative societies is Concern for Community – “co-operatives work for the sustainable development of their communities through policies approved by their members”.</p> <p>As such, we believe it is appropriate to provide both in kind and monetary support to local organisations in the communities which sustain our businesses – an approach members have long supported and formally endorsed at successive member meetings by approving distributions for community purposes.</p> <p>The money we donate to charity is not taken from Society funds, but is raised through the fund raising activities of our colleagues and the generous support of our members and customers.</p> <p>Our pay policy is to pay at the market median rate for colleagues. For customer service assistants in our food stores, we are now in the second year of a two year pay agreement which is giving them an 8.5% rise over the two years.</p>
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<p><b>5</b></p>	<p>What are the future plans to reduce income inequality with the cooperative? I.e the pay ratio of the highest vs the lowest</p>	<p>The Board of directors, through the Remuneration Committee, monitors the ratio between the highest and lowest paid colleagues in the Society closely. This is reported in the Remuneration Report each the year (found in the Society's annual report). The ratio for the Society is around 32 times (post tax), compared to around 52 times (post tax) for our competitors, so significantly lower. The Board accepts this is still significant, but is also mindful of prevailing market rates of pay. In this respect, the overall pay of the Chief Executive – the highest paid colleague in the Society is, again, significantly lower than the market rate for similar commercial organisations. While our lowest paid colleagues are paid at the median market rate.</p>
<p><b>6</b></p>	<p>Why do you not sell Hovis bread, the current range offered is very poor? I have to shop at other retailers to obtain and judged on the amount of bread left on the shelves other customers do the same.</p>	<p>Nearly three years ago, after an extensive commercial negotiation managed at a national level by the Co-operative Group on behalf of all Co-operative Societies, we moved our supply of bread from British Bakeries who supply Hovis to Allied Bakeries and Warburtons. We also launched a new own label range including a fantastic farmhouse loaf for 75p. These changes significantly improved the sales of bread in our stores but, as noted, the Hovis brand was a casualty. Member and customer feedback to the change was positive with the general view that the Warburtons products tasted better and offered a more compelling customer offer.</p>

7	<p>Is it economically viable to keep stores such as Eastington, Gloucester open until 11pm? Does it not put staff at a greater risk of robbery? The cost of staffing these stores cannot be recouped by sales between 8pm and 11pm.</p>	<p>We have 93 stores (less than half our store estate) which trade past 10pm. The majority of these close at 11pm. Stores were selected based on the opportunity to trade till then. In most cases customers have said how pleased they are to have a shop in their location open till 11pm. In sites where the level of sales has not warranted remaining open we have reduced the hours back to 10pm.</p> <p>We take account of local conditions which might require a different approach. For example, a number of our stores are located close to pubs so we close at 10.30pm rather than 11pm to avoid difficulties at closing time.</p> <p>It is notable that most multiple convenience operators operate standard opening hours of 6am to 11pm every day.</p> <p>We have had 21 significant incidents of robbery or aggravated burglary across our food estate this year. Only two of these have occurred after 10pm. The majority occur during the daytime or early evening.</p> <p>We will continue to review all of our security policies to ensure the safety of our colleagues and customers and this will include trading hours.</p>
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<p><b>8</b></p>	<p>As a vegetarian, I am sometimes disappointed when shopping at the Co-op because there are few vegetarian options, especially when it comes to prepared Indian/Chinese items, etc. Always chicken curry, never chickpea or tofu!</p> <p>I think it has got better in recent years, but there could be more choice for us non-meat eaters.</p>	<p>We have developed our vegetarian meal solution offer over recent years but recognise this is an area that requires further development. Our buying team are working towards this. We will make sure they receive your feedback.</p>
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My local Co-op foodstore in Cainscross, Stroud, has changed recently - NOT for the better! It has been a good store for my 30+ years of using it. It lost some floor area when the pharmacy, and more recently post office were brought inside the premises. But now some 20-25% of its remaining floor area has been given over to a shoe shop. There seems virtually no demand for this, as shoes are sold in the nearby factory shop; I hardly ever see anyone even browsing its shelves, leave alone making purchases. The main consequence however is that the space available for food and household products has been significantly reduced: aisles are now quite cramped and too narrow for people with trolleys to pass one another, increasing risks of accidents; the reduced shelf space has meant a decrease in range of items available, thereby reducing choices. I know of several people now saying they can no longer rely on being able to get everything they need for their weekly food shopping at our local Co-op, and those who are able to are resorting to the very large Sainsbury's and Tesco stores. This seems a slippery, negative trend that could result in the Co-op store closing completely, which would be a great loss to the local community, many of whom are committed to the Co-op ethos, and who do not have cars to go further afield.

Why has this been done? Please can this foolish and unnecessary change be reversed, and restore our store to its former efficiency and pleasantness? I trust you will be able to reassure me about this. Thank you.

The majority of our larger stores including our Cainscross store have seen sales declines over recent years due to the unsustainable building of superstores by the four major grocery chains (this has also resulted in sales declines for themselves as illustrated by their poor performance over the last few years). At the same time, the range of products available through our national supply chain has reduced given a tighter focus on the convenience market.

The result for us is that a number of our larger stores have too much space.

We have sought to introduce various initiatives to safeguard our largest stores. These have included the introduction of concessions in store – for example, Brantano, The Works, Dorothy Perkins and Bon Marche. While these changes do cause disruption, they also offer new income streams to secure the future of these stores. Brantano in our Cainscross store being a case in point.

We continue to review their performance and also ensure that we do not adversely impact the product range. But we will always listen to feedback from our members and customers and will make adjustments if we have got the balance wrong.

Last year saw the creation of our flagship store at Chipping Norton which has created a blueprint for further changes to some of our larger stores. As part of this significant transformation we removed many of the non-food ranges and increased the food range. We will use these learnings in the development of our larger store ranges going forwards.

<p><b>10</b></p>	<p>How much rent is the Society paying for the former Motorworld garage in Iffley Road, Oxford? When does the Society expect to surrender its lease? Will we receive a payment for surrendering the lease?</p>	<p>We have not been able to sublet the building, but have reached a good commercial agreement to pass the building onto a developer. The transaction should complete by the end of this year. Understandably, we cannot disclose the detailed financial arrangements given commercial confidentiality.</p>
<p><b>11</b></p>	<p>I would like to know why as a member owned co-operative we are still using an 0845 number to contact healthcare. The number given on the website is 0845 815 0149. From June 2015 it has been quite expensive to call 0845 numbers and there is no mention of the costs associated with dialling this number given on the healthcare web page. Rather than telling customers of the charges likely to be incurred perhaps changing it to an 0345 number or a geographic number would be better for members as the cost of these calls would be included in the telephone packages many people have.</p>	<p>We are aware of the issue and can advise that we are currently installing Paytel to allow us to use an 0800 number instead. As part of this process we are also updating our customer service line to an 0800 number too.</p> <p>These will be live by the end of May and we will be updating our website accordingly.</p>

<p>12</p>	<p>Why are you selling only 11 pharmacies, and on what basis was the choice made?</p> <p>The rest of the co-operative movement sold all its pharmacies. Why did you remain independent and not sell at the same time?</p> <p>As an employee of one of the pharmacies up for sale I am not happy at the way things have been conducted and the lack of support in the pharmacy I work for. So much for the co-operative "values", I just hope the new owners treat us with more respect.</p>	<p>We undertook a review of our Healthcare business as part of a detailed strategic review of the Society's trading businesses undertaken last year and also, given the Department of Health's announcement last December of a significant reduction in funding for community pharmacies.</p> <p>We needed to ensure our business could deliver on our co-operative commitments as well as being commercially viable.</p> <p>We reviewed all our branches with this in mind. As a result, we identified 11 branches which did not support our long term strategy.</p> <p>We have visited all of the 11 branches to inform colleagues of the decision, although in some instances we were not able to speak directly with certain colleagues at the time given, for example, annual leave.</p> <p>We do understand this is an uncertain time for affected colleagues and have allocated an Area Manager specifically to oversee the 11 branches as they approach sale to ensure dedicated focus and support is given to colleagues going through this transitional period.</p> <p>Co-operative Group sold its pharmacies because it had to raise money to reduce its debts. We were not in the same difficult financial position then, so had no need or wish to sell our business at the time, and remain committed to the business going forward.</p>
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<p><b>13</b></p>	<p>Why is it if The Co-op Energy make monumental mistakes in billing, I as a customer have to still pay for these errors?</p>	<p>We bill our customers on a quarterly basis and where we are able we bill to the meter reads provided to ensure the bill is as accurate as possible. Sometimes we have to bill to an estimated read if we have not received a formal meter read from the customer.</p> <p>We have a customer service team who can deal with customer queries if a customer believes there to be an issue with a bill and we can be contacted by phone, email or letter if a customer wishes to speak to us. Please note that some of our online tariffs do require the contact to be electronic.</p>
<p><b>14</b></p>	<p>My one, question is why when we are due to a change in our tariffs, we placed on another one, but NOT THE LOWEST ONE.</p> <p>If the Co-op is supposed to be run, by the members for the members. I ask, that why, when there are lower tariffs, are members not just placed on them AUTOMATICALLY?</p>	<p>When a customer's fixed tariff comes to an end we send a number of communications to advise they can switch their tariff to one of our range of tariffs. We are required by regulation to send one communication. But we also send at least two more to encourage customers to choose the best option.</p> <p>For customers who do not respond, regulations require that we move them onto our variable tariff which has no conditions or other restrictions. This will not be our cheapest tariff.</p> <p>We also show our cheapest alternative tariff on our bills so a customer can decide whether they wish to switch tariff.</p>

<p><b>15</b></p>	<p>Co-operative Energy – customer service issues</p> <p>A number of questions concerning customer service issues at Co-operative Energy have been received. The response provided is to cover these.</p>	<p>In the spring of 2015, Co-operative Energy introduced a new billing system. A number of difficulties arose once the system went live. These affected a large number of our customers, and our standards of service fell significantly as a result, leading to a large increase in customer complaints.</p> <p>We took action as soon as we could, though it did take time to unravel the full extent of the problems.</p> <p>The principal issues concerned the ‘customer facing’ parts of the system – around billing, call answering, usability of the website, etc.. So while the core part of the system was sound, this did mean that too many of our customers were, at times, significantly inconvenienced.</p> <p>The Board has undertaken a detailed review of the implementation of the system, and we have had an open dialogue with Ofgem on the issues arising. Ofgem has been monitoring the steps we have taken to return to more normal levels of service.</p> <p>We have now fixed the majority of the technical issues. We have recruited more customer service colleagues and implemented an improved colleague training scheme. As a result, our customers are receiving a significantly improved service and our complaint levels have reduced.</p> <p>There remain further improvements to be made and we are continuing to work hard to realise these, so we can achieve the high level of service that our members and customers deserve.</p>
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I would like to ask about Co-operative Energy and its commitment to tackling climate change. I joined Co-operative Energy right at the start. I was impressed by the commitment to sell electricity with a carbon content less than half that of the national average. I was therefore shocked to discover in December 2015 that this commitment had been dropped on your website. Instead the new commitment was to be at least as good as the big six in terms of renewable content (<https://www.cooperativeenergy.coop/why-us/good-with-energy/>). This table shows you weren't meeting that target (<http://electricityinfo.org/fuel-mix-of-uk-domestic-electricity-suppliers/>). In fact you were near the bottom of the table when it came to CO2 emissions due to the high coal content of your energy mix. Your website has now (?April 2016) been updated again to state you are no longer buying electricity produced using coal. That is an improvement, but from a very poor position that I would not have expected to find you in. As a company that claims to be open, honest and to care about the environment I find the above leaves you wanting on every point. I want the Co-op to succeed in this market and to provide something different. You aren't managing to do that at the moment. If you are going to set principles please can you stick to them? The alternative is that people will simply stop listening to you.

These are fair and reasonable comments. Irrespective of the difficulties the business faced last year in implementing billing systems, sustainability and communities have been at the core of Co-operative Energy's values which is why, for example, we are so heavily involved in promoting Community Energy groups – putting the value of renewable energy into our communities.

But it is the case that throughout last year we did not focus on delivering renewable or low carbon energy given the customer service issues we had to tackle following the introduction of the new billing system.

However, we listened to our members at the beginning of this year and made a pledge to do two things. The first was to stop contracting coal generation from February 2016, and the second was to increase our renewable content to 25% in our financial year 2016, 50% in our financial year 2017, with a target to achieve up to 75% beyond 2018. We will also continue to support local community energy projects through purchasing energy from them, giving them a route to market, and in investing in some of our more innovative community projects.

Regarding the fuel mix disclosure, you will not see a dramatic difference in the figure which will be published in October 2016 because our new and long-standing pledge came into force just before the fuel mix disclosure period ended for this year. However you will see a dramatic improvement in our disclosure in October 2017.