

Highland Wholefoods Workers Co-operative Limited

Draft Social Accounts

January – December 2008

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Finally I would like to thank my colleagues at the co-op who co-operated in providing the information and data on which these social accounts are based.

Stephen Kelly
December 2008

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Appendices (contained in a Volume apart):

- Social Accounting Plan, January 2008.
 - Stakeholder consultation plan, January 2008.
 - Copy of co-operative questions to members and employees and analysis.
 - Copy of questionnaire to members and employees and analysis.
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1 Introduction

In September 2007 Highland Wholefoods (HW) were invited by Co-operative Development Scotland (CDS) to join a social accounting programme to be facilitated by CBS Network Services (CBSN) on behalf the Social Audit Network (SAN) in Scotland. Five other organisations were part of the programme (Loch Fyne Oysters, Scotwest Credit Union, Highland Homecarers, West Whitlawburn Housing Co-operative and the Wise Group). The programme took the form of six training workshops, when the Social Accounting and Audit process was explained using a mixture of presentations, case-studies and practical exercises, backed up by mentoring and support visits by the CBSN facilitators to each organisation. The programme also included funds to pay for the audit of draft social accounts using the SAN social audit panel process.

HW nominated Stephen Kelly (SK) and Alasdair Hutchison (AH) as their social accounting team to attend the workshops and to be responsible for planning and implementing the social accounting process for the co-operative and in due course drafting the social accounts. Initial "slippage" in implementing the social accounting plan was exacerbated by a combination of business and personal pressures resulting in AH having to withdraw from the social accounting team and SK having to re-arrange his workload on account of taking a part-time post with the Co-operative Group and so dropping to part-time employment in HW. This has had a significant impact on the scope covered by these draft social accounts which have been drafted by John Pearce of CBSN working in association with SK.

The original plan had been to produce social accounts for the half-year period 1 December 2007 to 31 May 2008. This was later modified to the five month period 1 March to 31 August 2008. In fact the information in these draft social accounts has been drawn from financial information for the accounting period 1 December 2006 to 28 February 2008 and from other data available for the period January – December 2008.

A further consequence of the problems outlined above has been that the draft social accounts for HW will not be submitted to a social audit panel for verification. Instead they represent a base-line from which HW will be able to build its social accounting in the future.

2 History and Background

HW was established in 1998 as a workers' co-operative with support from the Glasgow-based co-op Green City Wholefoods who passed over to HW its customer base in the Highlands which it was then struggling to supply. Funding for the new co-operative was raised by the five co-op founder members contributing £1000 each and loans from Industrial Common-Ownership Finance Ltd (ICOF – now Community & Co-operative Finance) £15k; Mercury Provident (now Triodos Bank) £6k and Highland Opportunity £5k). The founder members also qualified for the then Enterprise Allowance scheme run by the Government.

HW is a co-operative company limited by shares using a model established by the then Scottish Co-operatives Development Committee (SCDC, now CDS). After working in the co-operative for one year employees may apply for membership. New members are expected to build up a stake of £1000 in ordinary non-voting shares over a two year period. The co-operative model provided for a profit-sharing trust which allocated profits as non-voting shares to members according to hours worked and with payouts being made to members on a five year rolling payback cycle. This operated until 2000 but has since then been discontinued. Nine former members who no longer work for the co-operative still retain share capital in the co-operative. However control of the co-operative rests with the working members on a one person one vote basis.

The co-operative now (December 2008) has nine full members and six employees. Two founder members (Stephen Kelly and Kevin McCubbin) still work for the co-operative.

HW is based in a warehouse in Inverness, premises which it used to own but sold in 2000 and now leases back. In 1997 HW acquired a retail shop which was about to close in Portree on the island of Skye, then based in a portacabin located on a site still owned by HW. In 2007 the shop, known as Jacksons, moved into premises in the Portree High Street. Three employees run Jacksons with support from Inverness. While HW is primarily a wholesale business they do make retail sales from their dedicated showroom at the Inverness warehouse site as well as in the Portree shop. A full list of HW lines may be viewed at www.highlandwholefoods.co.uk (and click on Products).

The gross turnover for the 15 month period to February 2008 exceeded £1.6m and the co-op serves Scotland north of a line from Aberdeen through Kinlochleven to just north of Oban. The HW financial year will now run from March 1 to February 28 each year, having been changed from a previous accounting year ending on 30 November.

3 Mission, values, objectives and activities

For the purposes of the social accounting HW drafted a **Mission** statement for the co-operative and this was agreed in February 2008.

Highland Wholefoods Workers' Co-operative aims to operate as an ethical, socially responsible and environmentally aware business, supplying vegetarian, special diet, organic, fair traded, local foods and drinks, environmentally aware household, bodycare and social justice products to our customers in the Highlands, Islands, Moray & Grampian areas of Scotland.

At the same time the co-operative agreed the **Shared Values** which underpin the way they run their business.

- Providing a friendly and accessible service to our customers, and other stakeholders
- Adhering to co-operative principles, giving equal value to each employee's contribution both in terms of work and opinion.

Following strategic planning work undertaken with CDS staff in the autumn of 2007 the co-operative was able to confirm and agree in February 2008 five **Objectives** and related **Activities** which we believe allow us to realise our Mission.

- 1 To operate a viable wholesale and retail service in line with our mission & values, by**
 - Establishing our "difference" in the market place
 - Offering wholesale services from our premises in Inverness and retail facilities in Inverness and Portree.
 - Offering appropriate discount structures for our range of customers.

- 2 To be committed to providing fulfilling employment in the co-operative, by**
 - Strengthening the membership to be more cohesive and effective.
 - Providing training for staff development
 - Providing attractive terms and conditions of employment
 - Being a flexible and understanding employer
 - Being a diverse workforce
 - Providing discounts for staff

- 3 To contribute to local communities in the Highlands & Islands, by**
 - Promoting healthy eating with schools, and with other groups (eg by hosting school, college and other group visits, supplying tuck shops etc.)
 - Enabling access to healthier food & drink in remote Highland communities
 - Helping to educate people in healthy eating, wholefoods, organics, special diet foods, fair trade, environmentally aware household, and social justice products
 - Making contributions to local "good" causes
 - Providing a notice board for local adverts

- 4 To contribute to the economy of the Highlands & Islands, by**
 - Creating local jobs in Inverness and Portree
 - Buying from local suppliers, where appropriate

- Helping local suppliers with new product ideas.
- Helping to support the formation of buying groups in low-income communities and geographically remote communities

5 Minimising our Environmental/Carbon footprint, by

- Out-sourcing the bulk of our delivered sales to avoid duplication of vehicle miles covered
- Re-using cardboard packaging for our delivered sales
- Recycling clingwrap, waste cardboard, paper and glass
- Providing a plastic container refill service, where possible
- Minimising our use of electricity
- Reducing our home to work fossil fuel energy use

4 Stakeholders

For the social accounting HW developed a **Stakeholder map** between December 2007 and February 2008 and identified the stakeholders whom it intended to consult as part of its first social cycle.

Key Stakeholders – intended to be consulted in first SA cycle	Other Stakeholders
Worker members of HW and employees	Families Past members
Customers <i>By Trading relationship: Wholesale, Retail</i> <i>By Type: Retail outlets (various kinds of shops), Catering establishments (Restaurants, Hotels, Bed & Breakfasts), Consumer Buying groups, Schools, Local government, Individuals</i> <i>By Location: Retail outlets in Inverness, Portree</i>	Non-customers, potential customers, past customers
Suppliers <i>From within Highland Wholefoods distribution area.</i> <i>From outwith Highland Wholefoods distribution area.</i> <i>Co-operatives, Sole Traders, Partnerships, Ltd Co.s, PLCs</i>	Other Suppliers <i>Landlord, Local Government, Bank, Accountants, Solicitors</i> <i>Utilities</i>
	Finance <i>Profit Sharing trust</i> <i>ICOF</i>
	Competitors <i>Wholesale delivered: Suma, Hider, Tree of Life, Goodness, Munro</i> <i>Wholesale cash & Carry: Booker</i> <i>Retail – Physical: Tesco & other Multiples, Health shops, Phoenix, Farm shops, Delicatessens</i> <i>Retail – Online: Abel & Cole, Tesco, Goodness Foods, etc</i>
	Local Community <i>Business neighbours, Colleges, schools</i>
	Wider social Economy <i>Other Co-operatives, The Scottish Co-operative, CMS, Hisez, WEA, Inverness fair trade City, ICU, Farmer's markets</i>

5 Scope and methodology of the social accounts

HW intended to report on all Objectives using data sources already available within the co-operative. These included stock control records, financial records, telesales information, the complaints log and letters received from customers. It was also intended to use staff memories and diaries for some reporting. These sources have been used in the compilation of these draft social accounts. The detailed social accounting plan drawn up in January 2008 is attached as an appendix.

HW intended to consult three groups of “key” stakeholders:

- Worker members and employees
- Customers
- Essential suppliers

The stakeholder consultation plan as drawn up in January 2008 is attached as an appendix.

In the event, for the reasons outlined in the Introduction only the working members and employees were effectively consulted. This happened in two phases: first, a series of questions developed by Co-operatives UK were circulated to members and employees in November 2008 and eight completed responses were received (53%) (see analysis included as an appendix) and second, a further questionnaire was circulated to all members and employees in December 2008 and nine completed forms were returned (60%) (see questionnaire and analysis in the appendices). It was not possible to distinguish which respondents are members and which employees, nor which were Portree based workers.

In reporting the views of members and employees in these social accounts the term *co-op workers* is used to cover both working members and employees who are not members. Six respondents wrote comments in the space provided in the questionnaire and quotations have been used in reporting views. However it should be remembered that these quotations come from only six of the 15 workers.

6 The Report on performance: analysis of the Social Accounts

Mission

Highland Wholefoods Workers' Co-operative aims to operate as an ethical, socially responsible and environmentally aware business, supplying vegetarian, special diet, organic, fair traded, local foods and drinks, environmentally aware household, bodycare and social justice products to our customers in the Highlands, Islands, Moray & Grampian areas of Scotland.

Workers were asked how well they feel HW has performed in respect of its Mission over the past year. Six scored 6 or 7 on a scale 1 to 10 with one scoring 8, one 9 and one person scoring 3.

One worker thought the Mission “*should be changed a bit*” as the area described “*is now incorrect*”

Values

Workers were asked how they thought the co-op was living up to its Values:

- Providing a friendly and accessible service to our customers, and other stakeholders

totally disagree	1	2	3	4	5	completely agree	DK
			11	111111	1		

One worker thought “*More focus required on customer service*” and suggested “*Segmentation of the customer database*” is required with “*specialist support for each segment*” . The same person also suggested that the co-op workforce should include people with “*empathy*” for “*some of the niche markets*”.

Another suggested that “*Our service could be improved if there was a greater degree of communication between departments*” and noted that “*Stock levels need to be maintained in order that we can provide the best possible service to our customers*”

- Adhering to co-operative principles, giving equal value to each employee’s contribution both in terms of work and opinion.

totally disagree	1	2	3	4	5	completely agree	DK
		111	11	111			1

One worker commented that “*Our whole decision-making process is fraught with difficulties*” adding, “*Making time to properly make decisions and have the time to properly execute agreed targets/decisions is a big part of our difficulties.*”

Another worker gave the following analysis: “*Of four business areas common to any business- Marketing; Finance; HR and Operations - only Operations is done proficiently. Finance is delivered at a cost in terms of total hours/division of labour..... Marketing is very poor..... HR is almost non-existent. Business trundles along on Operations only week to week.*”

A third worker observed that *“Sometimes Mission, Values etc can get forgotten in the general day to day getting the job done but in general hold up quite well.”*

In answering the broader co-operative questions workers generally gave HW a positive score of 7 or 8 (on a scale 1 to 10) on “practising fair and honest commercial co-operation between co-ops”; on “actively sharing information and good practice with fellow co-operatives”; on prioritising co-operative-to-co-operative trading” and “agreeing with and achieving ethical business standards”.

Plans for the Future

- Review the wording of the Mission statement
- Explore the idea of “segmenting” the customer base and understanding special needs of segments (niches)
- Address issues around the co-op’s decision-making and communication processes
- Consider how best to improve performance on Marketing and HR (but see also report on Objective Two below)

Objective One: To operate a viable wholesale and retail service in line with our mission & values, by

- Establishing our “difference” in the market place
- Offering wholesale services from our premises in Inverness and retail facilities in Inverness and Portree.
- Offering appropriate discount structures for our range of customers.

HW supplies over 4000 lines of natural, organic and local wholefoods. These are described as “natural, non-processed foods without additives including breads, dried fruit, nuts, seeds, herbs, spices, beans, pulses, grains, flakes, flours, pastes, spreads, mueslis, gluten and wheat free products”. Monthly turnover during the period to 28 February 2008 was £108,500 compared with £99,500 for the period to 30 November 2006.

HW supplies some 100 wholesale customers, 20 who cash ‘n’ carry from the Inverness showroom and 80 to whom orders are delivered. The Inverness showroom, which also serves retail customers, is open from 10 to 5 Monday through Friday and from 10 to 4 on Saturdays. Jacksons in Portree is open from 9 to 5 Monday through Saturday and averages a daily customer “footfall” of 55 people making average daily sales of £400.



All wholesale customers receive 20.21% discount from RRP plus an additional 5% when they purchase a half case or more of any one item. Community bulk-buying groups and school tuck shops are treated as wholesale customers. Delivery for orders over £150 is free; for orders under £150 there is a flat-rate charge of £7.50.

There is also a sliding discount arrangement for retail customers starting at 10% for purchases over £10 and rising to 20% for purchases over £250.

In scoring overall performance on this Objective on a 1 to 5 scale three workers scored 3, another three scored 4 with one 5 and two DK/NA. Workers were also asked to score the activities of this Objective:

	1	2	3	4	5	DK/ NA
Establishing our "difference" in the market place		11	11	111 1		1
Offering wholesale services from our premises in Inverness and retail facilities in Inverness and Portree.		1	11	111 1	1	1
Offering appropriate discount structures for our range of customers.		11	1111	11		1

One worker re-emphasised the importance of HW recognising its "*five markets each with different requirements*" including the need to review discount structures.

Another worker commented that "*We have a loyal and long-standing customer base and serving our customers is a joy*".

Plans for the Future

- Explore segmenting the customer base into "niche markets" and develop records such that volume of sales for each segment can be identified
- Consider whether the current discount arrangements should be reviewed
- Reword the second activity as: Offering cash & carry and delivered wholesale services from our premises in Inverness and retail facilities in Inverness and Portree.

Objective Two: To be committed to providing fulfilling employment in the co-operative, by

- Strengthening the membership to be more cohesive and effective.
- Providing training for staff development
- Providing attractive terms and conditions of employment
- Being a flexible and understanding employer
- Being a diverse workforce
- Providing discounts for staff

HW holds a weekly co-op meeting which, since the last six months, members and employees attend (previously only members were included). The weekly meeting is essentially an information sharing session around the key operational functions of the business – Goods In/ Stock Shelving/ Stock Replenishment & Rotation, Manufacturing, Stock Control, Collations, Dispatch, Showroom Inverness, Jacksons Portree, Delivered Sales, Credit Control and Buying.

Finance, HR, Marketing as well as Operations are discussed at the monthly meeting of co-operative members at which decisions affecting the co-operative will be taken.

The co-op does not have a staff development or training policy. All members and employees do however have a standard contract of employment developed as part of a mentoring scheme for the co-op provided by the Royal Bank of Scotland. Co-op employees are paid a standard rate of £6.71 per hour while co-op members receive 89p per hour additional. Members also are entitled to an extra week's paid holiday each year.

All working members and employees are entitled to a 15% discount on any purchases they make from HW.

In scoring overall performance on this Objective on a 1 to 5 scale three workers scored 3, four scored 4 with one 5 and one DK/NA. Workers were also asked to score the activities of this Objective:

	1	2	3	4	5	DK/ NA
Strengthening the membership to be more cohesive and effective.		11	11111			11
Providing training for staff development	111	1	111	11		
Providing attractive terms and conditions of employment	1		11111 1	11		
Being a flexible and understanding employer			111	111111		
Being a diverse workforce	1	1	111	1111		
Providing discounts for staff				111111	111	

When asked if they were “happy” with their job four responded “yes” with five saying they are only “partly happy”. Four again find their job interesting while four say it is partly so and one says it is not.

When asked about a number of factors which might influence happiness or motivation at work the four found to be most satisfactory were: *Job Security, Safety from discrimination, bullying and harassment; Ability to grow and be challenged at work* and *Involvement in decision-making and control over own work*. The three factors where most dis-satisfaction was expressed were: *Pay; the Profit-sharing Scheme; and Comfortable workspace and appropriate facilities*. It is hard to discern a pattern as regards priority factors: two give top priority to *Comfortable workspace and appropriate facilities* and another two give top priority to *Involvement in decision-making and control over own work*. Two give second priority to *Terms and conditions of employment* and another two give it to *Praise, recognition and appreciation of work done*.

Some of the lowest scoring responses (3 and 4 out of 10) to the broader co-operative questions concerned: skills training for current and future needs; regular reviews of the co-op’s government and business management processes; training for members and prospective members in membership and co-operative skills; actively managing operations, personnel, marketing and other business functions; offering professional development and training for officers, specialists and elected representatives; having systems in place to allow members to invest money; and investing in equipment and premises sufficient to allow agreed working conditions and efficient operations.

One worker drew particular attention to problems of the working environment: *“Physical constraints of the building can cause frustration in doing job efficiently; so sometimes getting job done can be difficult.”* And another refers to *“the physical side of warehouse work is proving more difficult”*.

Other comments refer to a lack of training: *“Staff training is very poor”*; *“There has been no effective HR function for several years. This means no training and development”* and to *“HiHo’s inability to allow me more time away from the warehouse - ie in another department”*.

Yet other comments referred to the need for *“a clearer structure in terms of working towards a clearly understood plan”*; the profit-sharing scheme *“not being understood by the majority of worker members”*; issues of membership having *“plagued HiHo since the early days”*; and *“problems arising and festering”*.

On a more positive note however one worker reflected that: *“The environment and mix of individuals at HiHo provides a challenging and stimulating workplace”*.

Plans for the Future

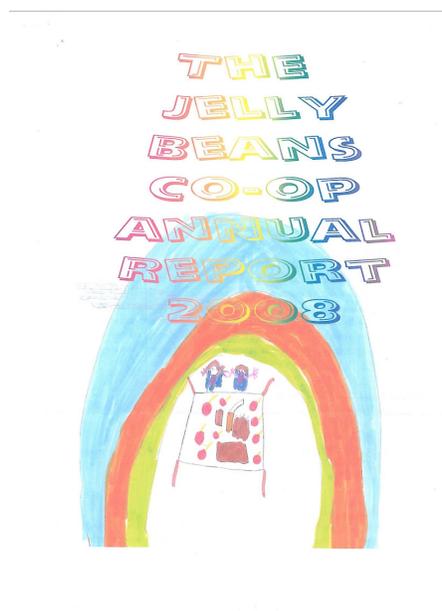
- Aim to get more workers to respond to consultation for future social accounts in order to ensure a more balanced view is obtained
- Develop a training, development and HR policy and ensuring that there is a clear implementation plan
- Review working conditions in the Inverness warehouse
- Review the profit-sharing scheme

Objective Three: To contribute to local communities in the Highlands & Islands, by

- Promoting healthy eating with schools, and with other groups (eg by hosting school, college and other group visits, supplying tuck shops etc.)
- Enabling access to healthier food & drink in remote Highland communities
- Helping to educate people in healthy eating, wholefoods, organics, special diet foods, fair trade, environmentally aware household, and social justice products
- Making contributions to local “good” causes
- Providing a notice board for local adverts

During 2008 HW has attended five events, including the launch of CETS (Co-operative Education Trust for Scotland) in Perth; “End of Slave Trade Dawn of Fairtrade” event at The Highland Council headquarters in March; Belladrum Tartan Heart Festival Verb Garden Fairtrade Snack-bar in August; Cawdor Castle Organic Food festival held in September and the Inverness Fair Trade City Bazaar in November. Four visits to schools have been made (Inverness High School “REAL” project; Cradlehall Primary; Crown Primary School Healthy Eating Spring Fayre and Drakies Nutrition Action Group), and five school groups have visited the HW warehouse and showroom.

During 2008 HW has supplied seven school tuck shops in Kinlochbervie, Merkinch (Inverness), Plockton, Torridon, Inverness Royal High, Luthermuir Primary and Fortrose Academy. The following extract of the Torridon Primary’s Jelly Beans Co-operative gives a good idea of HW’s work with school tuck shops.



What does the Jelly Beans Co-op do?

Come to the Co-op. It sells good things. A lot of people are members. Sometimes we go to Strupag to do the co-op. We have hot chocolate to sell. It sells chocolate.

Lilly P2.

Who does what in the Jelly Beans Co-op?

One or two people can count the money.

William and Lily are doing the posters.

Eden and Olivia are setting up the table it takes some time.

Natasha is the manager she checks if everyone is doing there jobs right.

Natasha sells the stuff.

Laura checked we had enough food and then she ordered from Highland Wholefoods.

Olivia P3

This year the following people will do these jobs:

Manager	Ruaridh
Treasurer	Olivia, Eden
Table setter	Eden
Advertising	William, Lily, Ruaridh
Ordering	William
Selling	Natasha
Membership	Lily, Reuben

What will the Jelly Beans Co-op do in the future?

The Jelly Beans Co-op sells loads of Fairtrade goods and they are delicious. It is open all week at the school and goes down to the hall at Torridon. It goes down to Torridon Hall on a Friday at 12.30pm. It goes back down to the school at 1.30pm. There will be two people behind the stall. Some of the goods cost 70p and £1.25, it is really nice. We are really nice to our customers and we make them welcome to our stall. Sometimes we take some member papers down and see if some people want to be members of the Jelly Beans Co-op. Teachers, doctors and old people are welcome to join our Co-op because we are more than happy. We sell quite a lot of Fairtrade goods when we go down to the hall. All the people that work at the Jelly Beans Co-op don't fight or squabble over each other, they are nice and kind to each other. The plans for the future.....

HW supplies eight community based buying groups:

- ✓ Uist Wholefoods Co-operative
- ✓ Foggie Foods Co-op (Portsoy)
- ✓ South Skye Food Co-op
- ✓ Garden of Eden Food Co-op (Turiff)
- ✓ Islands Food Co-op (Orkney)
- ✓ North Skye Food Co-op
- ✓ Lairg Food Co-op
- ✓ Woodhead Community Food Co-op (Moray)

The panel below briefly describes the Uist Wholefoods Co-op – information taken from their website: (www.uistwholefoods.com)

The Uist Wholefoods Co-operative enables inhabitants of the Uists - from Berneray to Eriskay - to buy organic, vegetarian and fair trade products that are difficult to source elsewhere on the islands. Members can order from the Highland Wholefoods Co-operative catalogue, which offers a huge range of products. Orders are collated and sent off once a month, usually arriving a week or two later for collection. A limited range of products is available from the Saturday Markets on the first Saturday of the month.

The Uist Wholefoods Co-operative was formed by people throughout the Uists who wanted to get particular items but were unable to buy them locally, or order them as individuals. Becoming a co-op meant that we were able to start ordering from a wholefood wholesaler, Highland Wholefoods.

Initially, orders were every two months, and came over when a friend had space in his van coming from Inverness. Things have moved on since then, with a dedicated a monthly order, a website, the Saturday market stall and monthly newspaper articles.

Each month HW considers requests from local organisations or projects which have sought cash or in kind assistance. During 2008 the following organisations have been supported in cash or in kind:

£25 donation to Plockton High School (Joltrust Charity school visit to South Africa).

£25 donation towards Isle of Muck new community Hall.

£22.04 donation to Healthy Eating Day at Inverness Royal Academy.

£30.32 for Highland Wholefoods organic fairtrade cotton carrier bags going to Burma/Thailand.

Highland Hospice - Vegetarian Haggis for fund-raising Burns Supper.

Soil Association - Organic wine for National Burns Supper staged in Inverness.

Some healthy eating snacks for Farr Community Woodland project.

£25 donation to two colleagues from Essential Trading Co-operative Bristol: cycling Lands End to John'O Groats to raise money for land-mine clearance in Vietnam.

Other donations included to: Stonebridge, Skyscene, Johnathon Muir, landmine clearance, Jbank Nicola, David Dean and Nairn Academy fair-trade.

At the Inverness showroom HW provides a notice-board for local adverts and this facility is well used by individuals, organisations and businesses.

In scoring overall performance on this Objective on a 1 to 5 scale one worker scored 2, another scored 3, four scored 4 with one 5 and two DK/NA. Workers were also asked to score the activities of this Objective:

	1	2	3	4	5	DK/ NA
Promoting healthy eating with schools, and with other groups (eg by hosting school, college and other group visits, supplying tuck shops etc)	1	1	11	11	1	11
Enabling access to healthier food & drink in remote Highland communities			111	1111	11	
Helping to Educate people in healthy eating, wholefoods, organics, special diet foods, fair trade, environmentally aware household, and social justice products.	11	11	11	1	1	1
Making contributions to local "good" causes	11	11	1	11		11
Providing a notice board for local adverts	1	1	111	111	1	

For three of these activities the responses showed a wide range of views, while for two there was fairly consistent agreement that HW performs quite well.

One worker observed: *"More time is needed for activities mentioned above but everyone is so busy doing the day to day work needed for the company to keep running smoothly. Time would have to be found to fit these activities in"* while another thought that greater *"buy-in"* from members is required *"as to why this is important to whole ethos of (the) business"*. The same person also suggested that HW should *"stick to a small project each year where the job can be done properly"*.

Another worker developed the idea of pro-actively educating people about the *"stock of plenty of "specialist" products"* explaining that *"some of our staff have decent knowledge in these subjects, but we don't actively go out and try and educate people. Customers come to us and ask"*.

Another commented *"Advertise - needs improving"*.

Plans for the Future

- Better publicise our work in this area both internally and externally
- Consider focussing on one or two specific community projects
- Consider also how we can improve our information/education service in respect of the specialist lines we stock

Objective Four: To contribute to the economy of the Highlands & Islands, by

- Creating local jobs in Inverness and Portree
- Buying from local suppliers, where appropriate
- Helping local suppliers with new product ideas.
- Helping to support the formation of buying groups in low-income communities, and geographically remote communities

HW provides 6 full-time jobs and 9 part-time, three of the latter being in Portree.

It is co-op policy to buy from local producers where possible and during 2008 HW has used 14 local suppliers. Together these represent 20% of all suppliers by number and 5% by value of goods purchased.

It is also co-op policy to offer guidance and business advice to local producers who come to them with products or product ideas. Guidance might concern: making a product additive free, colouring, packaging, product description etc.

Harry Gow Bakery decided recently to try producing a range of organic bakery products. The baker visited Highland Wholefoods and spent some time familiarising himself with all the requirements of Organic registration and Organic certification via the Soil Association. Highland Wholefoods were then able to order small quantities of organic ingredients for product testing & development and then supply some of the ingredients once the bakery went into full production.

See report on Objective Three for details about support of community buying groups.

In scoring overall performance on this Objective on a 1 to 5 scale three workers scored 3, one scored 4 with five DK/NA. Workers were also asked to score the activities of this Objective:

	1	2	3	4	5	DK/NA
Creating local jobs in Inverness and Portree			111 1	1111 1		
Buying from local suppliers, where appropriate	1	111	11	111		
Helping local suppliers with new product ideas.	11	111	111			1
Helping to support the formation of buying groups in low-income communities and geographically remote communities	1	11	1	111		11

Again, views are spread on some activities, especially the last, suggesting perhaps that not all workers are aware of what HW does in this regard (nor in respect of activity 3). There is also a fairly general sense that HW could do more to use and support local suppliers and this was the focus of the two written comments: *“We have been slow to take on local suppliers from the tiny base that we have always had. Several other local companies are far more active at doing this”*. *“Using local suppliers - set up procedure slow - research new local suppliers”*

Plans for the Future

- Review our practice in respect of using and supporting local suppliers and set targets for growing that aspect of the business
- Ensure that HW work in these areas is better known both within the co-op and outside

Objective Five: Minimising our Environmental/Carbon footprint, by

- Out-sourcing the bulk of our delivered sales to avoid duplication of vehicle miles covered
- Re-using cardboard packaging for our delivered sales
- Recycling clingwrap, waste cardboard, paper and glass
- Providing a plastic container refill service, where possible
- Minimising our use of electricity
- Reducing our home to work fossil fuel energy use

Since 2000 HW has sub-contracted the delivery of orders to a local transport firm (previously the co-op ran two vehicles of its own). In addition HW rents a vehicle on one day each week (Tuesday) to make some local deliveries itself and also to deliver waste for recycling.

Cardboard packaging in which goods are delivered to HW is re-used for packaging orders for delivery by HW. Any remaining card plus all clingwrap is taken on Tuesdays to a contractor in Invergordon for recycling. All paper waste is shredded and re-used for packaging. Any glass is collected and taken regularly to the local Council bottle bank.

For Ecover liquid cleaning products HW repackages 25 litre containers into 5 litres and takes back empty containers from customers for re-filling.

HW has had external consultants audit its electricity usage and been advised that energy usage is relatively minimal and that the cost of making improvements to the building (eg insulation, double-glazing etc) would not produce significant savings. It is custom and practice that workers dress warmly when working in the warehouse in cold weather.

HW encourages members and staff to be conscious of how they travel both on business and to and from work, advocating use of rail and bus and car-sharing where practicable.

In scoring overall performance on this Objective on a 1 to 5 scale one person scored 2 and another 3, one scored 5 and there were 6 DK/NA. Nonetheless, when workers were also asked to score the activities of this Objective most had a view:

	1	2	3	4	5	DK/ NA
Out-sourcing the bulk of our delivered sales to avoid duplication of vehicle miles covered	1	1	11	11	1	11
Re-using cardboard packaging for our delivered sales	1	1	1	11	111	1
Recycling clingwrap, waste cardboard, paper and glass	1	1		11	111 1	1
Providing a plastic container refill service, where possible	1		111	111 1		
Minimising our use of electricity	1	11	111 1	1		1

Reducing our home to work fossil fuel energy use	1	1111 1	11			1
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Responses again show a wide range on the first activity but general agreement that HW could do better in respect of the last two. Responses to the broader co-operative questions also revealed a poor score (4/10) on HW actively controlling the environment and social impact of the business.

Plans for the Future

- To continue with and monitor existing practices and explore how to improve in respect of the last two activities

Priorities

Workers were asked to prioritise the five Objectives. Eight out of nine did so and there was clear agreement that Objectives One and Two are considered to be the most important. Objectives Three to Five followed broadly in that order, with Three clearly considered more of a priority than Four and Five.

7 Local economic impacts

HW is aware that its business probably has a considerable economic impact in many different ways: supplying retail businesses and buying groups in remote locations; maintaining a shop in Portree which otherwise may have closed down; creating employment; purchasing locally by preference and where possible; supporting tourism.

- These are important impacts about which HW intends in future social accounting cycles to gather data and to explore in some depth so that a balanced assessment may be provided.

8 Compliance

HW files appropriate returns with Companies House and holds an Annual General Meeting (most recently on 17 December 2008) to, inter alia, receive the financial statements prepared by the co-op's accountants under the small company provisions (Part V11 of the Companies Act 1985).

The Inverness warehouse is inspected monthly by an environmental health specialist. There is an annual "deep clean" and a weekly cleaning schedule. Temperature control checks are carried out on a daily basis.

HW regularly renews its alcohol licence for Inverness but has dropped its alcohol licence for the Portree shop because of the recent rise in costs associated with that.

9 Main issues and achievements, conclusions and recommendations

Around ten years ago the vogue was “Investors In People” as a framework tool for business improvement and support was made available by government agency economic development departments to roll-out the process to as many businesses as possible in order to improve the overall basics of good business practice throughout the nation.

Unfortunately the Investors in People process was geared towards hierarchical command & control structures only and although some larger worker co-operatives in the UK had the required human resources to adapt the process to meet their needs, this was not the case for Highland Wholefoods.

The IIP process was therefore discontinued at that time without completion.

Without doubt however there is a real need for some kind of process to be used as a tool by democratically owned and controlled businesses such as Highland Wholefoods that operate flat management structures in the “not for investor profit” or “for more than profit” market. The “science” of flat-management is underdeveloped and poorly understood by many business and small businesses such as Highland Wholefoods that aspire to provide socially and commercially worthwhile services to their communities without using regular capitalist models do not have the financial resources to tackle such a large issue.

The main issues identified from putting a “toe in the water” of the social accounting process include:-

- Major expose of very serious communication difficulties within Highland Wholefoods co-op in terms of the communal understanding of the mission and values by the workers and members.
- A very serious lack of information and training for employees and members

The other issues identified in these social accounts above on which we intend to take action are:

Mission and Values:

- Review the wording of the Mission statement
- Explore the idea of “segmenting” the customer base and understanding special needs of segments (niches)
- Address issues around the co-op’s decision-making and communication processes
- Consider how best to improve performance on Marketing and HR

Objective One:

- Explore segmenting the customer base into “niche markets” and develop records such that volume of sales for each segment can be identified
- Consider whether the current discount arrangements should be reviewed
- Reword the second activity as: Offering cash & carry and delivered wholesale services from our premises in Inverness and retail facilities in Inverness and Portree.

Objective Two:

- Aim to get more workers to respond to consultation for future social accounts in order to ensure a more balanced view is obtained

- Develop a training, development and HR policy and ensuring that there is a clear implementation plan
- Review working conditions in the Inverness warehouse
- Review the profit-sharing scheme

Objective Three:

- Better publicise our work in this area both internally and externally
- Consider focussing on one or two specific community projects
- Consider also how we can improve our information/education service in respect of the specialist lines we stock

Objective Four:

- Review our practice in respect of using and supporting local suppliers and set targets for growing that aspect of the business
- Ensure that HW work in these areas is better known both within the co-op and outside

Objective Five:

- To continue with and monitor existing practices and explore how to improve in respect of the last two activities

Local economic impact:

- To gather data in future to explore and be able to report on the economic impact we have on the local communities we serve.

10 Strengths and weaknesses of the Social Accounting Process

Without doubt, the strengths of the social accounting process far outweigh the weaknesses.

As has been previously stated, the human resource implication of the social accounting process was the largest impediment to the successful completion of this set of draft social accounts.

Small worker co-operatives by their nature are often undercapitalised businesses which means that a focus on day-to-day commercial survival tends to take priority over medium & long-term strategic projects. Without the security of medium-term capitalisation it is often hard to justify processes other than those that lead to short-term sales.

The main strength of the process in this example has been to cause some introspection within HW and to highlight the positive social impact that Highland Wholefoods has on the local economy that it serves. As can be seen from analysis of the worker/member replies to the questionnaires, many of the worker/members are unaware of some of the benefits that accrue to the local community as a result of the presence of HW within that community.

In addition, buy-in from worker/members of HW to the process may be enhanced by the delivery of the process and production of this first set of draft accounts that can be used as a template going forward.

If the “secret” of the positive benefits that HW brings to its local community were better known by the members of that community then there exists every likelihood that this in itself would lead to increased sales and customer loyalty leading to greater job security for the worker/members of HW.

11 Plans for future Social Accounting

It is hoped that a social accounting framework can be embedded into the annual business cycle at Highland Wholefoods from 1st March 2009.

A proposed timetable of key milestones has been drafted and relevant internal functions have been advised of the benefit of keeping relevant records on a day-to-day basis that can be referred to when the next set of social accounts are to be drawn-up.

This first set of social accounts will be used as a template.

12 Dialogue and disclosure

A copy of this report will be made available to every worker and member of Highland Wholefoods and a summary version may be circulated more widely to friendly interested parties and some of the key stakeholders previously identified in this report.

Going forward it would be the intention to publish a summary of future HW Social Accounts on the HW web-site in addition to supplying copies to all the key stakeholders who completed survey forms.