**Members’ Council (Directors) Report**

**Annual General Meeting, 2021**

This year has seen financial stability return to Alfalfa House after a tumultuous start, when members rallied to face the very real possibility, announced at the 2020 AGM, that the Co-op may soon need to stop trading and close our Enmore Road shop, to avoid a potential insolvency.

The headwinds we were facing were mostly external macro-economic issues, precipitated by COVID-19, and included:

* reduced consumer confidence in high-street retail, and
* the surge in online shopping.

We were also facing the impact of an estimated $20k hit for historical unpaid Leave Loading expenses, which had recently been identified.

The then Members' Council view was that, unless there was *‘significant and urgent, active member support to improve Alfalfa House's declining fortunes, there will be no option but to close our shopfront doors in the near future’.* That is, a structured winding-down of the retail operations in Enmore Road would commence, in the event that an alternate operating model could not be achieved by the end of January 2021.

Very encouragingly, many members responded to our call for help, and contributed however they could to keep Alfalfa House alive. Operating costs were reduced, new year membership fees levied, and generous donations made.

With increased purpose, collective effort and will, January to May saw a sufficient turnaround for Alfalfa House to remain trading. Also, by February, our leave loading liability was resolved at the lower than expected cost of $12,000.

The other wonderful thing that happened in response to our shout out for help was the influx of new members putting their hands up for the many tasks the Co-op needs to thrive. The MC has benefited immensely from this new energy and input, recruiting an almost brand new board of Directors to face the future – my heartfelt thanks to all fellow board members for their hard work, commitment and contributions during the year.

We are also extremely grateful to our dedicated staff team whose hard work and enthusiasm continues to benefit us all – also to our hardy band of volunteers, who contribute their time and skills both inside and outside the shop – together you are the ‘glue’ keeping our organisation afloat. Without your support we would not have survived!

Unfortunately, the second half of the year has been severely disrupted by Sydney’s long COVID lockdown. Now that restrictions have eased, we are keen to reinvigorate our efforts to keep Alfalfa House thriving, and face the challenges ahead.

For further details on how we performed during Financial Year 2020/21, please refer to our Treasurer’s Report which follows. Please also read our Summary of the ‘Year in Detail’.

Finally, for those members who are up for a challenge, there are many ways you can contribute voluntarily to Alfalfa House, including helping the Members’ Council. We encourage you to join us if you have skills, experience, energy and time to offer.

Bruce Diekman

Co-Chair, Members’ Council

**Member Nominations for MC Vacancies**

We are seeking to fill four (4) vacant Director positions at this AGM. Specifically, we need someone with financial expertise to replace outgoing Treasurer, Andrew who can provide a handover on what’s involved in this vital role. Tasks include liaising with external accountant and bookkeeper to ensure tax lodgements are made, approval of payments, management of monthly Co-op finances, preparation of end of year financial reports, and monthly financial reporting to the Board, and members.

Those contemplating being part of the MC team MUST submit their nominations to the Members’ Council alfalfamc@googlegroups.com prior to the AGM.

Contributions to the work of the Members’ Council are always welcome. If you’re not sure what to expect, or want to stick your toe in the water first, please contact us, attend our monthly MC meetings to find out more, and enquire about the many ways to get involved. A busy and rewarding experience can be guaranteed!

To check out the record of the MC year that was, just go to the [2021 MC Minutes](https://alfalfahouse.atlassian.net/wiki/spaces/MCMeetings/pages/1083998209/2021%2BMinutes) on Confluence where details of all the year’s meetings are held.

**The MC year in review**

The MC hit the year running, we had to! We started by organising two well-attended online Member Consultations in early January, specifically to address Alfalfa House’s immediate future. All up, seven meetings were held in January, followed by five in February. From March, they were held once a month.

In early February, we received the shock news that our landlord had decided to give us thirty days notice to vacate our premises, after we had sought some rent relief in January. We immediately met with our estate agent, and within slightly over a month had successfully negotiated a 2-year lease, with a 2-year option.

‘Working group’ meetings also began in earnest in January, to examine future ‘stay or go’ options (the AH v2.0 team), and improve communications. The AH v2.0 team, once our future became more secure, ended up refreshing our Vision and Purpose Statements, and also started work on our Business Plans.

Alfalfa House’s official *Vision* became: ***Sustainable and healthy food for a sustainable and healthy planet***.

And our *Purpose*: ***To empower the community to make informed decisions that have a positive impact on the environment, local producers, and its members through its shop and activities.***

Also in January, a new marketing team (the 'content gang') set about contacting as many members as possible to gauge member feedback, then developed a Members Survey sent out in March, garnering a high response rate. They also ensured regular social media posts on Instagram and Facebook, and instigated longer, more ‘newsy’ and informative monthly newsletters, which have been theme-based – for example, coinciding with Plastic Free July and most recently, National Recycling Week.

On March 4, a well-attended gathering was held at Petersham Bowlo, where we learnt from the inspiration and wisdom of George Catsi, who helped preserve this local Inner West icon from developers.

In March, we raised our community profile, and some much needed funds, in a lively Plant and Bake Sale. Another was planned for the day the June lockdown started, but had to be postponed.

An ambitious program started in June with workshops on Vegan Baking, The Art of Chai, Seitan (a vegan ‘meat’ made from wheat gluten) and Bread Making. The Vegan Baking workshop was successfully held just before the June lockdown intervened, the others having to be postponed to the future. But expect to see them back in 2022.

We also applied for grants:

* to refurbish the shop (NSW government Community Building Partnerships);
* for $6,000 in matching donations (Ethical Jobs); and
* a community arts project (Inner West Council).

We weren’t successful with the NSW government grant and are still awaiting the outcome of the other two.

We also developed more relationships with NSW farmers for organic, *farmer direct* produce, re-introduced veggie boxes with delivery and pick-up options, and started a personal shopper service. These were particularly popular during the recent lockdown.

Alfalfa House successfully applied for NSW government COVID support packages, obtaining a $7,500 one-off Small Business Grant, and recurring JobSaver grants, which have helped us get through the post-June lockdown.

**Things to do in ‘22**

Next year will bring new challenges in the form of more direct competition in Enmore Road, in the shape of a new Vegan Supermarket, and another Woolworths Metro. There will be several different, but concurrent ways to approach this, including keeping and retaining our members, improving the Alfalfa House shopping experience, and the greater community spread of our key messages and points of difference.

**Continue to focus on financial stability**

This remains essential to the Co-op’s wellbeing and survival.

**Maintain & expand our membership base**

This is perhaps the best way to ensure greater patronage.

**Shop makeover to make it more attractive and functional**

This is proposed to happen in stages, with dedicated member involvement, and will mesh as much as possible with pro bono architectural plans already on hand. It’s also planned to occur with no shop downtime, and will help us better face the further competition that we know is coming.

**Improve our volunteer system**

We need to introduce a simpler and fairer system that will work better for all member volunteers, whether working in the shop or outside, by graduating to an online-based recording system, and one that better matches our Point of Sale (POS) system where volunteer credits are recorded.

**Introduction of new 2022 Annual Subscription Fees**

In October, the Members’ Council approved a new set of Annual Fees for 2022, which include a $10 increase for the standard fee, the introduction of a concession rate, and half-yearly rates. The new fees, which will be announced at the AGM and can be paid from December 2021, are:

* $30 – Standard Annual Membership (half yearly, $15)
* $20 – Concession Membership (half yearly, $10)

**We have limited the fee increase to 50%** of our current levels:

* Fees include GST, and half yearly rates will still apply.
* All members will receive the same benefits regardless of which rates they pay.
* The Concession rate requires the sighting of a Pensioner Concession Card, Health Care Card, or Student Card.
* Annual fees need to be up-to-date for members to qualify for the standard 10% member discount.
* A one-month period of grace to pay annual fees will operate until the end of January 2022, for renewing members.

**Background**

* There was strong member support (77%) for increased fees in the 2021 survey.
* The MC felt that an increase above 50% would be problematic for some, and was conservative in its approach. We didn’t want to introduce too high a fee rise.
* There will be the option for members who wish to pay more to add a donation to their fee payment.
* We have retained the old rate as the ‘concession’ rate.
* Half-yearly rates can apply at the start of the year as well.
* The current limit in our Rules for annual fees is $50 per annum.
* Our calculations show that an increase in our supporter base with a membership drive, will benefit the Co-op as much as a higher fee increase.

**Treasurer’s Report**

**Overview**

The past financial year proved to be a tumultuous one for Alfalfa House. In the early parts of the financial year (July, August 2020), the Co-op was contending with unprecedented surges in demand due to consumer sentiment (i.e. bulk shopping). As the year progressed, it was apparent the Co-op was suffering financially and making consistent losses despite strong revenue numbers. At the previous AGM, the MC sounded the alarm to members – if we didn’t turn around the financial position of the Co-op, we would have no choice but to close the shop and wind down operations.

With an almost new MC installed in early 2021, there was a renewed urgency about turning around the Co-op. There were a number of different opportunities to improve the Co-op from a financial perspective, including:

1. SLOBS (Slow-moving or obsolete stock) – a heavily discounted sale period in January allowed us to sell down SLOBS and convert them into cash.
2. Purchases budgets – we implemented some simple budgeting tools to ensure greater financial accountability from Co-op staff. These included limiting purchases to ensure we did not overstock during the turnaround period.
3. Staffing structure – with the departure of BOTH the shop manager, Allie, and the 2IC, Janet, there was an opportunity to restructure the staff positions for greater efficiency. Staffing costs have been historically high in the Co-op, and this natural attrition gave us the opportunity to rethink the structure without the need for redundancies.
4. Product margin reviews – we undertook detailed analysis of the product lines to understand where improvements could be made. We made some adjustments around unprofitable lines, removed double-ups in bread and coffee, and implemented some simple guidelines for staff marking up new products.
5. Lease – whilst we were blindsided by our landlord’s abrupt notice of 30 days to vacate the property, it provided an opportunity to negotiate a new lease and secure the financial future of the Co-op. To put it simply, we were not in a position to move the Co-op early in 2021. If we could not secure a new lease, we would have had to shut down the Co-op. The new 2-year lease (with an option to renew for a further 2 years), gives us some security to re-position the Co-op over that period. The option to move premises will be there at the end of the initial lease period. The intention is that the Co-op will be in the financial position to reasonably assess a move at that point in time.

**FY21 Shop Trading Results**

Profitability for the first 6 months of the financial year was very up and down. There was minimal stability in how the Co-op approached spending, staffing and managed customer demands. The chart below demonstrates the difference between the shop trading in H1 FY21 (July-December) and H2 FY21 (January-June), i.e. pre-turnaround vs post-turnaround.

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| --- | --- | --- | --- |
| **Financial Performance Metrics** | **H1 FY2021 (July - December)** | **H2 FY2021 (January - June)** | **Variance: Improvement / (Deterioration)** |
| **Average Monthly Revenue** | $88,971.65 | $70,470.46 | -21% |
| **Average Monthly Gross Profit** | $29,947.46 | $23,503.37 | -22% |
| **Average Monthly Gross Margin (%)** | 33.66% | 33.35% | -1% |
| **Average Monthly Operating Expenses** | $37,194.40 | $24,987.35 | -33% |
| **Average Monthly Net Profit Before Tax** | -$3,021.35 | $3,885.09 | 229% |

As you will note from the above, we have experienced a significant decline in sales when you compare H1 to H2 for FY21. However, due to the tireless work of the MC and the Shop Manager, we have improved the profitability of the Co-op dramatically. The profit achieved throughout H2 negated the losses of H1 and gave us a small profit of $5,183 (please refer to full Financial Report).

**Financial Position of the Co-op**

The overall financial position of the Co-op has improved throughout FY21, despite the $23,000 loss suffered in the first half of the year.

The table below sets out the balance sheet for the Co-op at 31 December 2020 vs 30 June 2021. As you can see, our net asset position has improved by $23,310.53 over that six-month period.



N.B. Our full 2020/21 Financial Report signed-off by our Accountant and Directors is also available to members, and attached to the AGM Agenda.