

**NATIONAL FOOD & DRINK POLICY**

*‘Walking the Talk - Getting  
Government Right’*

**THE PROCUREMENT OF FOOD BY  
PUBLIC SECTOR ORGANISATIONS**

**Robin Gourlay**  
**April 2009**

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# Context

## The National Food Policy

In Autumn 2007, the Scottish Parliament agreed with the Scottish Government that a national food policy was needed for Scotland.

Subsequently, a discussion document "Choosing the Right Ingredients" was launched in January 2008. This allowed anyone who wished to respond to have their say on what is important to Scots and Scotland in terms of food produced and food consumed.

As a result the plan to produce a food and drink policy was announced in June 2008 with the intention to "promote Scotland's sustainable economic growth by ensuring that the Scottish Government's focus in relation to food and drink, and in particular its work with Scotland's food and drink industries address quality, health and wellbeing and environmental sustainability and recognises the need for access to affordable food for all."

To ensure consistency and coherence on such a broad spectrum of cross-cutting objectives a high level Food and Drink Leadership Forum was set up led by the Cabinet Secretary for Rural Affairs and the Environment, Richard Lochhead MSP. Five workstreams were also established to provide information to the Leadership Forum.

<http://www.scotland.gov.uk/Topics/Business-Industry/Food-Industry/national-strategy>

## Workstream 4, 'Walking the Talk'

There is an emerging consensus that a national policy would help ensure a more joined-up approach to food in Scotland, covering every part of the food chain from farm gate to plate. The Public Sector guided by a Food Strategy can play an important role in leading change.

'Walking the Talk', is aimed at cultivating an agile and proactive public sector which understands food and drink and which supports sustainable economic growth. This report considers how food producers, suppliers and purchasers can contribute to the delivery of sustainable development and how small and medium sized enterprises can compete successfully for public sector food contracts. This is particularly important in food procurement terms given the predominance of SMEs in the food industry in Scotland. The workstream involved producers and producer organisations, processors, foodservice distributors, the hospitality sector, public sector procurement specialists and caterers to inform future guidance to Scotland's public sector on becoming an exemplar for sustainable growth.

## Terms of Reference

This workstream is about '*helping public sector food procurement in Scotland become an exemplar for 'sustainable economic growth in terms of quality, health and wellbeing, affordability and sustainability'*'.

The following objectives were allocated to the group;

1. That Public Sector Organisations should in the future make greater use of 'Sustainable Food Procurement - Guidance for Public Purchasers' that is issued.
2. To promote increased understanding in the public sector of Scottish Government policies and their impact on food procurement including in the delivery of catering services.
3. That there is an increased awareness in the private sector of public procurement processes.

## **The Scope of Work**

In a forward looking and wide ranging way the review process sought both to challenge and to elicit thoughts, experience and future proposals from, food producers, farmers and farming organisations, the fishing industry, academics, catering and procurement staff in the NHS, the Scottish Prison Service, local authorities, Scotland Excel, private sector catering companies and the major purchaser and distributor of food servicing Scotland.

**A Public Sector Procurement Steering Group** was established and met on three occasions between November and March with around 15 invited delegates at each meeting (see Appendix 7 for a list of workstream members). Unfortunately, CoSLA were unable to attend WS4 meetings but asked to receive minutes and any other output. Through the Chair of workstream 4 of the Association of Public Service Excellence (APSE) were represented.

**Three regional workshops** were held in Dumfries, Perth and Inverness where seventy five people representing the key stakeholders attended (see Appendix 8 for a list of organisations represented). Discussions at these meetings focussed on ten key questions specific to the for the public sector five key questions relevant to producers (Appendix 1). Following the first meeting some individual public procurement officers and producers later supplemented their contribution at the meetings in writing.

**In-depth face to face meetings** were undertaken with key organisations as follows:

- Public sector public procurement representatives: Scottish Prison Service and NHS
- Principal procurement organisation for Local Authorities: Scotland Excel,
- Major private sector catering companies: Sodexo and Aramark
- Major purchaser and distributor of food to the public sector: 3663 and Brakes.

As a result of these meetings the participants forwarded responses to key questions which are reproduced Appendix 5

### **Information gathering at formal events:**

- A UN sponsored meeting on a Bio-regional response to public sector food procurement organised by CIFAL,
- A meeting of the Highlands and Island Food and Drink Forum
- A Soil Association Food for Life event
- The annual seminar of the Sustainable Scotland Network
- The Association of Public Service Excellence, Conference 'Healthy Communities'.

### **General discussions were undertaken and advice sought from a number of sources including:**

- The Scottish Agricultural Organisation Society (SAOS) whose main purpose is to strengthen the profitability, competitiveness and sustainability of Scotland's food and drink, and related industries
- Jim Fairlie, a food producer

- Various Government departments, notably the Scottish Government's Procurement Directorate as well as the Scottish Government's Environment, Health and Education Directorates

**Research** was also commissioned and/or undertaken by the Scottish Government's Rural and Environment Research and Analysis Directorate (RERAD) and the following reports produced <http://www.scotland.gov.uk/Topics/Research/by-topic/Agri-Fisheries-Rural>

- Public Sector Food Procurement in Scotland An overview of the evidence
- Public Sector expenditure on food and drink in Scotland

Information produced through Alimenterra a European Sustainable Food Network was also used along with a wide range of other research produced on the subject of sustainable food and public sector food procurement.

Note: This report and its recommendations is therefore a synthesis by the author as Chair of workstream 4, Public Sector Food Procurement, from the information gathered and from the approaches described above rather than the definitive view from workstream 4.

## A Perspective

*'From farm to fork the conventional food chain constitutes one of the greatest challenges to sustainable development today. This awesome logistical phenomenon prides itself on having liberated food production from nature and her seasons and its proudest boast is that it produces cheap food at ever lower prices. On a narrow economic reckoning this may be true but on a wider more sustainable measure the conventional food chain contains hidden costs that show up elsewhere - in burgeoning health bills, in environmental damage and in economic costs to producers and rural economies' Morgan and Morley, 2002.*

There are three key messages that resonate from the literature and the many discussions which took place during fact finding on the subject of public sector food procurement for this workstream.

- **Food is different**  
Because there is the 'economic value' and there are 'food values' that are (equally) relevant;
- **The public sector *is* open for business**  
Food sourced in Scotland is currently 34% of expenditure; by local authorities;
- **Winning hearts and minds is key to success**  
Clear policy, clear guidance, and strong leadership by Government in the area of public sector food procurement would be welcomed.

It is recognised that Scotland has a less than satisfactory cultural view of food. Obesity levels in Scotland are among the highest in the world and diet related disease brings with it major public health issues and financial burdens. In Scotland there is mounting public concern about how food is actually produced, the intrinsic nutritional quality food, and food safety. The public sector through its social and welfare catering activity has to be at the heart of the appeal to address these issues through a new paradigm of sustainable food procurement.

Sustainable Food Strategies are now a critical area of public policy and food should be afforded a prominence by national and local government where food is regarded as

strategically important in its own right, rather than a less significant component of a major policy area such as education, health or economic development.

The era of cheap food and plentiful choice is coming to an end. Big changes are looming for the global food supply chain through the future consequences of oil production having peaked, with the inevitable impact on future energy costs, and the effects of climate change. Demand for food is rising. By 2050 it is estimated that global food production will have to double to meet population growth and more immediately as the western diet pervades India and China increasing global competition for food. Swathes of productive agricultural land are being lost for the production of bio-fuels. In recent years droughts in grain producing countries have increased the pressure on staple supplies. The challenge is for the National Food and Drink Policy, to develop in this policy area what makes sense in others too by linking economy, society, and the environment with the delivery of Sustainable Development.

A Food Strategy involving the public sector as a proponent of change will place Scotland at the forefront of developments by being one of the first nations to bring coherence to a range of food relevant policy issues integrated with the economy, agriculture, fisheries, health, social justice, education, and the environment by providing;

- Stimulus for the local and regional economy of Scotland
- Improving efficiency and security in the food supply chain
- Reducing Scotland's ecological footprint
- Promoting social justice, health and environmental improvement through the provision of good quality sustainably produced food, and by
- Engendering cognitive and cultural change with an increased awareness of the value of food to the health of the individual, the environment and sustainable communities.

A sustainable food strategy for Scotland also fits in with the priority areas given by the European Commission which are based on the Lisbon, Leipzig and Gothenburg agendas which address threats to human health, climate change, the management of natural resources, sustainable transport, economic and social renewal and growth of jobs.

The following are priorities for Scotland and the whole of the UK:

- **Sustainable consumption and production:** achieving more with less. This includes reducing the inefficient use of resources, looking at the impact of products and materials across their whole lifecycle and encouraging people to think about the social and environmental consequences of their purchasing choices.
- **Climate change and energy:** securing a profound change in the way we generate and use energy, and reducing greenhouse gas emissions.
- **Natural resource protection and environmental enhancement:** protecting our natural resources, building a better understanding of environmental limits, and improving the quality of the environment.
- **Sustainable communities:** creating communities that embody the principles of sustainable development locally.

The 'well-being powers' of local authorities can be seen as the cascading of sustainable development to a local level. Including social issues in procurement can be a way of achieving sustainable development objectives as described above.

Examples of relevant policies in Scotland include: the Schools (Health Promotion and Nutrition) (Scotland) Act 2007, Healthy Eating Active Living an action plan to improve diet, increase physical activity and tackle obesity, Equally Well, Concordat and Single

Outcome Agreements (SOA) with Local Authorities, the Climate Change Bill, the Government's economic strategy. Also notable policy guidance on "Integrating sustainable development into public procurement of food and catering services" (2004) and "National Catering and Nutrition Specification for Hospital Food in Scotland (2008).

A Food Strategy which brings these policies and supplementary guidance together can produce significant benefit to the economy of Scotland and the health and well-being of people.

## **What is Sustainable Food?**

The definition of sustainable food is complex. Sustainability in food purchase does not necessarily always imply local suppliers, but is more likely to imply local food in the case of provision of fresh, seasonal and unprocessed food.

Sustainable food procurement is generally considered to be good for business, economic regeneration, social cohesion, and the environment.

The United Nations World Commission on Environment and Development defines sustainability as "ensuring that we meet our needs without compromising the ability of future generations to meet their own needs." From a purchasing perspective, this means considering not only the cost and quality of products, but also social and environmental factors associated with each purchase. As a practical matter, it requires seeking both 'value for money' and to uphold 'values' inherent in food while assuring security, continuity of supply and food service requirements.

In 2005 the Sustainable Development Commission defined sustainable food and drink in the following terms;

- Safe, healthy and nutritious food for consumers in shops, restaurants, schools, and Hospitals;
- Providing a viable livelihood for farmers, processors and retailers, whose employees enjoy a safe and hygienic working environment, whether in the UK or overseas;
- Respecting biophysical and environmental limits in its production and processing, while reducing energy consumption and improving the wider environment; it also respects the highest standards of animal health and welfare, compatible with the production of affordable food for all sectors of society;
- Supporting rural economies and the diversity of rural culture, in particular through an emphasis on local products that keep food miles to a minimum;
- Meeting the needs of less well-off people.

Sustainable development has become the most powerful ideological tool to catalyse attention on the social and ecological conditions necessary to support human life at a certain level of wellbeing through future generations (Earth Council, 1994).

Ethical traceability advocates a shift in thinking from '*value for money*' to '*values for money*' by considering of food in relation to human health, animal welfare, methods of production and environmental impacts, terms of trade (fair price, etc), quality (nutrition, taste, composition), origin and place, trust, voice (participation), transparency, and working conditions. *Coff Korthals, Barling (2007) Source: Ethical Traceability*

## **Developing a Sustainable Purchasing Policy in the Public Sector**

*'Sustainable Procurement is a process whereby organisations meet their needs for goods and services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment.*

A successful sustainable food purchasing policy will be fully integrated with the overall goals and objectives of the institution. It will clearly state coherence with corporate social and environmental goals, identify a procurement strategy, and commit resources to its strategy. It will also set targets and timelines, and establish means for evaluating progress and making course corrections.

By sustainable food we mean food that, through its production, processing, distribution, sale and consumption provides a wide range of associated benefits, such as good quality food, food which promotes good health and education, protects the environment, avoids unnecessary use of natural resources, and contributes towards economic development. In other words food that supports sustainable development.

### **Local Food**

For the purposes of this report local food refers primarily to fresh food from Scotland as a whole rather than sub-regional food from within Scotland. This is because food production is concentrated on a few regions in Scotland. However it should also be recognised that food and drinks produced and processed in Scotland and elsewhere are sold locally and benefit the Scottish economy.

Public bodies cannot discriminate in favour of domestic producers. Public procurement law regulates the purchasing by public sector bodies of contracts for goods, works or services. It is designed to open up the EU's public procurement market to competition to prevent "buy national" policies and to promote the free movement of goods and services. It does not allow public bodies to give greater weight to locally produced food and drink or to suppliers based in any particular location, at any time during the procurement process.

While sustainability in food purchases does not necessarily always equate directly to "local" suppliers in many instances it does particularly in the case of provision of fresh seasonal unprocessed food. It is however possible to specify such qualities as fresh, seasonal, organic and certified produce if it is set out in a non-discriminatory way. It might be possible, for example, to set a timescale from harvest to delivery, provided that the timescale is reasonable and not likely to discriminate against non-local suppliers.

### **Micro Small and Medium Enterprises (SMEs)**

Since the average European enterprise employs no more than six people, most can be considered as SMEs. The EC definition of a small or medium sized enterprise is contained in European Commission Recommendation 2003/361/EC. The definition requires that the enterprise will;

- have less than 250 employees and
- have either an annual turnover not exceeding €50 million
- and /or an annual balance sheet total not exceeding €43 million.

SMEs are particularly important in the food industry where the majority of food businesses are SME's.

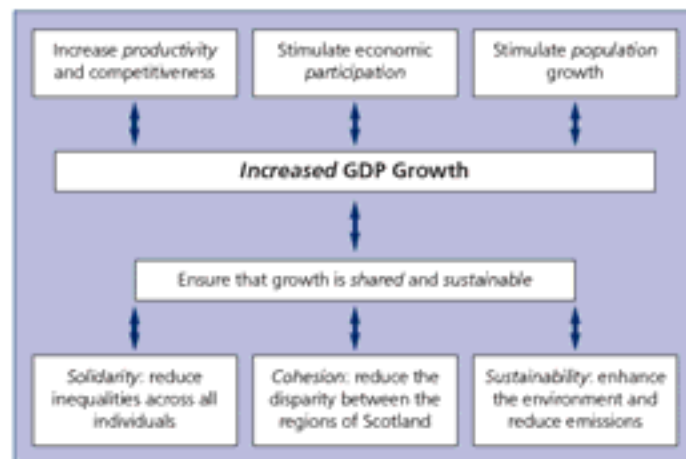
## A Food Strategy Involving the Public Sector

Public services should be high quality, continually improving, efficient and responsive to local people's needs. The Public Sector through food provided in its hospitals, prisons, and the education sector has a uniquely multi faceted role in promoting sustainable development through; health, social justice, economic growth, reducing harmful environmental impacts and education.

The Scottish Government has a single Purpose – "To focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth". The Government Economic Strategy sets out a clear and achievable way forward that will deliver the Purpose and secure Scottish success over the long term. Higher sustainable economic growth is the key which can unlock Scotland's full potential and create benefits for all our people.

A challenging set of high level Purpose targets, that include specific benchmarks, are designed to track progress in boosting Scotland's economic performance and ensure that the benefits of higher growth are sustainable and shared by all of Scotland. These are supported by the National Outcomes Strategic Objectives of Wealthier and Fairer, Smarter, Safer and Stronger, Healthier and Greener.

### High level Purpose Targets.



The contribution which Public Sector Food procurement can make is relevant to all 15 stated National Outcomes which support the Purpose Targets particularly employment opportunities; young people as effective contributors and responsible citizens; that children should have the best start in life; that we all should live; longer and have healthier lives; tackling inequalities and improved life chances for those at risk; strong resilient communities; the environmental impact of consumption and production; and high quality public services.

In terms of **Economic Growth and Productivity** the Scottish Government's aim to raise the GDP growth rate to the UK level by 2011 will require an increased contribution from a food industry. A Public Sector Food Strategy can help promote the economic value of **Sustainable** local food production in Scotland and can produce a range of social and environmental benefits. The purpose target entitled **Solidarity** aims to increase overall income and the proportion of income earned by the three lowest income deciles as a group. **Participation** to maintain Scotland's position on labour market as the top performing country in the UK can be assisted by an increase in the diversity of food businesses to offer a wider choice to suppliers and consumers, making local food more accessible and affordable, facilitating a greater retention of income within communities through increased use of locally produced food within the public sector.

The prospect that **Cohesion** within Scotland can narrow the gap in participation between Scotland's best and worst performing regions by 2017. In this, food increasingly has a defining role in reflecting local culture. At the same time there is a crisis in the financial viability of farming, the age profile of farmers and in the seafood industry and disappearing skills. There is a growing understanding among governments, business, environmentalists, the agricultural community, health professionals and academics that the current model of food production and the effect on the health of the population and climate change, is unsustainable.

A healthy **Population** is essential and the target is to match average European population growth over the period from 2007 to 2017 supported by increased healthy life expectancy in Scotland. The poor nutritional value of food currently consumed by a proportion of the Scottish population is partly responsible for the rise in obesity, cardiovascular disease, and diabetes. The current total annual cost to the NHS of overweight and obesity has been estimated at £1 billion and the total impact on employment as £10 billion. Predictions are that if left untreated by 2050 60% of males and 50% of females in the UK population could be obese with cost to the NHS rising to £6.5 billion with the wider cost to society being at £45.5 billion (Foresight report 2007).

The **Sustainability** target is to reduce emissions over the period to 2011 and then incrementally by 80 percent by 2050. Food production, harvest, transportation, preparation, consumption and waste, account for 30 % of green house gas emissions which cause global warming and this underlines why there is a need for a Food Strategy within which 'Green Issues' are addressed. The use of food produced in an efficient sustainable way which is sensitive to the energy required in its production leads logically towards greater use of seasonal, unprocessed or lightly processed and possibly organic food. At a time when it is predicted that the problem of food shortages and the rising economic cost of food rivals that of climate change, local food production can become significant in ensuring food security within Scotland while also enhancing opportunities for education, training and employment.

Note: Other than fisheries, within the 45 National Indicators there is no explicit reference of the importance of food or drink, and its significance for 'sustainable economic growth in terms of quality, health and wellbeing, affordability and sustainability'. It is recommended that this be reviewed in order to support the implementation of the National Food and Drink Policy.

## **The Regulatory Framework**

### **Directive 2004/18/EC of the European Parliament and The Council 2004**

*The coordination of procedures for the award of public works contracts, public supply contracts and public service contracts.*

The adoption of the EU sustainable development strategy at the Gothenburg European Council in 2001 marked a turning point. The aim was to promote economic growth and social cohesion while paying due regard to environmental protection. It implies that environmental objectives will need to be weighed against their economic and social impacts so that 'win-win' solutions should as far as possible be devised for the economy, employment and environment. In 2002, the Council and European Parliament adopted the set out the EU environmental roadmap for the next 10 years and identifying four priority areas where action is urgently needed: climate change, nature and biodiversity, resource management, and environment and health. The public procurement directives adopted in 2004 specifically mention in their recitals and provisions the possibilities for adopting environmental considerations in technical specifications selection and award criteria, and contract performance clauses. Contracting authorities are legally allowed to include social and environmental criteria in the evaluation and award of contracts as long as the criteria are linked to the subject matter of the contract as stated in Recital 1 and Article 26 of the Directive.

Directive 2004/18/EC of the European Parliament and of the Council which was adopted into Scottish legislation in the Public Contracts and Utilities Contracts (Scotland) Amendment Regulations, 2007.

### **Green Public Procurement**

Means that contracting authorities take into account environmental elements when procuring goods, services and works at all stages of the process and within the entire life-cycle of procured goods.

### **Sustainable Public Procurement**

Means that contracting authorities take into account all economic, social and environmental objectives of sustainable development when procuring goods, services and works, at all stages of the process.

## **An Overview of Scottish Government Guidance on Integrating Sustainable Development into Procurement of Food and Catering Services'**

The local authority representatives who took part in the survey were asked if they were aware of this guidance. Around half of the respondents said they were aware of it and half responded they were unaware. Some of the respondents aware of the guidance stated that it influences their food and drink procurement however only for certain types of contracts and not all.

Scottish Government policy is that public sector buyers should take account of relevant sustainable development objectives when awarding contracts for food and catering services. Adoption is critical if public sector procurement in Scotland is indeed to become an 'exemplar of sustainable economic growth' in the food sector. The benefits are holistic and cross cutting. Food is a key driver of sustainable growth and security for Scotland. Public sector organisations should be required to lead by example in the implementation the Food Strategy. Otherwise lowest price will most often override the delivery of sustainable development through the procurement process.

In taking forward the concept of sustainable food procurement the then Scottish Executive published guidance on "Integrating sustainable development into procurement of food and catering services" (2004).

The document stated:

*"While it is not possible to discriminate in favour of local suppliers, public sector buyers can support local sourcing by considering and removing obstacles to tendering by local suppliers, especially as this may help to achieve value for money. Given the opportunity to tender, local suppliers may have a competitive edge over competitors from further afield as a result of lower overheads, e.g. reduced transport costs."*

The guidance contains an action sheet with recommendations to integrate sustainable development considerations into food procurement:

- By specifying that food has been produced in accordance with assurance schemes (or equivalent standards)
- Specifying organic food
- Encouraging small local producers/suppliers to collaborate on organising collective responses to demand
- Making sure that potential suppliers know how to identify and compete for public sector contracts
- Specifying fresh produce, seasonal produce that can be grown in the UK or EU and fewer exotic fruit and vegetables that local growers are unable to produce, where such requirements meet users' needs
- Where purchasing is decentralised (e.g. health trusts and education authorities and schools) structuring contracts in relatively small sizes
- Tendering more frequently for smaller quantities and establishing more flexible specifications (e.g. for more limited ranges of produce per contract) where this takes account of EU aggregation rules and is consistent with value for money and public expenditure requirements.

Unfortunately its adoption was not widespread, perhaps because it was issued ahead of its time and this is discussed later in this report where it is recommended that this guidance is reviewed and as it will become a key part of the National Food Strategy consideration should be given to this becoming statutory guidance.

# Setting the Scene

## An Academic's Perspective

Dr. Roberta Sonnino, Cardiff University

In 2005, the National Audit Office identified a long series of barriers to sustainable procurement in the UK: *cost* (i.e., value for money is perceived to be inconsistent with paying a premium to achieve sustainability objectives); *knowledge* (or lack of awareness of the need for procuring sustainably and lack of information about the most sustainable options); a *risk-averse culture* that hinders the adoption of innovative approaches; legal issues (uncertainty as to what can and cannot be done under the existing rules on public procurement); *lack of leadership*, or ownership and accountability, at all governance levels; *inertia* (lack of personal or organizational incentives to drive change).

To understand whether and how these barriers can be overcome, at Cardiff University we have researched and analyzed examples of best practice in the field of sustainable procurement, both within the UK and abroad. One of the things that became immediately evident to us is that all these barriers to sustainable (especially local) food procurement exist only in countries (like the UK and the US) where cost-based contracting tends to be extolled over all other values. For example, on careful reading of the EU rules, public contracting bodies are able to practice local sourcing in all but name. Although it is indeed illegal to specify local products that can only be supplied by local producers (a stance that falls foul of the EU principle of non-discrimination), it is possible to specify for produce such qualities as fresh, organic and certified, which allows public bodies to secure local food in practice, even though this is not identified as such. A commissioner from DG Internal Market in Brussels explained:

*If it is set out in a non-discriminatory way, it is legitimate to say 'we want foodstuff that is no older than'. If that means in practice that it will have to be locally grown, so be it! It remains a legitimate criterion. But it is not a legitimate criterion if you say that it has to be produced within 10 kilometres from the school.*

Specifying such qualities as fresh and seasonal is second nature to Italian procurement managers. This reflects the territoriality of a food culture that, it is important to stress, it is not a passively inherited feature. It is indeed actively created and re-created by national, regional and local authorities, among others. Finance Law 488, issued by the Italian government in 1999, states:

*To guarantee the promotion of organic agricultural production of quality food products, public institutions that operate school and hospital canteens will provide in the daily diet the use of organic, typical and traditional products as well as those from designated areas, taking into account the guidelines and other recommendations from the National Institute of Nutrition.*

The combination of food culture and political support helps to explain how and why the Italians interpret EU regulations in a way that underlines, rather than undermines, the territorial values of food. But unfortunately Italy is the exception here, rather than the rule. In other countries, and particularly in the UK, it has been difficult to think creatively about more sustainable forms of accounting (like life-cycle costing, for example) where values other than low-cost can be factored into the public procurement equation. In our book, we tell the stories of cities and counties that have revolted against this narrow metric of "efficiency". Two lessons can be distilled here:

1. Although it is still too early to thoroughly assess the impacts of food re-localization strategies, there are very encouraging signals. People in Scotland are

probably familiar with the reform implemented in East Ayrshire, a county that has designed one of the most sustainable school food systems we have come across. In New York, local sourcing is a formidable challenge. In addition to the size of its school population, which reaches 860,000 children, there are regulatory barriers similar to those perceived in the UK and even practical difficulties: the short growing season in the area; the insufficient supply capacity of individual farmers; a limited packing and distribution capacity in the region. The City started introducing local products into its schools in 2003, when the SchoolFood Office wrote a specification for fresh apples that identified a variety only grown in the State. During the first year, 5.5 million pounds of local apples were purchased by the schools, providing an economic benefit to the State's agricultural economy of almost \$ 1.5 million. In 2005, the School Food Office entered into a partnership with School Food Plus, a \$ 3 million collaborative initiative (funded by the Kellogg Foundation) which aims to advance the local procurement agenda. One of the members of School Food Plus took on the role of public interest broker to act as a facilitator between local producers and the 4 distributors contracted by the City. It was a successful initiative: in 2006, New York schools sourced 130,000 pounds of local fruit, for a total value of almost \$ 50,000.

2. School food reform is not just about food. It is about new ways of thinking and feeling about food. It is about understanding that school food is a powerful means through which production and consumption can be recalibrated in a more sustainable fashion, so that public policies foster, rather than frustrate, environmental health and human well being. In developed and developing countries, in global cities and in small rural sites, the school food revolution has its own heroes: public authorities and NGOs working together to reduce the human, environmental and financial costs of poor diet; producers who are fighting against the negative forces of globalization through the creation of alternative, quality-based food markets; dinner ladies who have learnt to see themselves as public health and resource managers; caterers who have gained the competence and confidence to design creative and innovative bidding documents; consumers who strive to build their capacity to eat healthily; legislators who have acknowledged that food, being vital to human health and well being, should no longer be treated as though it were just another tradeable product. None of these heroes could alone transform the world we live in; but all together they are helping to bring sustainable development a little closer.

Co-author (2008): *The School Food Revolution: Public Food and the Challenge of Sustainable Development*. London: Earthscan (with Kevin Morgan)

## Challenges for the Public and Private Sectors

Public disquiet about how food is produced, diet related health problems including the obesity time bomb, and the effects of Climate Change raises the need for a stronger public ethic of care to fashion new generations of knowledgeable food consumers.

Public Sector catering is provided to some of the most vulnerable people in Scotland; in the NHS, by local authorities for schools, at civic venues and in social services, in colleges and universities, and prisons. There are a range of Non Departmental Public Bodies (NDPBs) who also deliver catering to their own staff and customers.

The role of the Public Sector is clearly articulated in the Scottish Government Economic Strategy and within this the '*Greener Scotland Agenda*' will become a feature of the Scottish Climate Change Bill. It calls for changes to the way we do things and makes key recommendations that are directly relevant for the process of public sector food procurement.

- To ensure that public procurement is used to maximum effect
- That the public sector must reduce its global environmental impact
- That sustainable development should be mainstreamed into the processes of government
- That learning for sustainable development is a core function of the formal education system, and
- That progress should be measured against a broad set of indicators

For public sector food procurement in Scotland to become an 'exemplar for sustainable economic growth' it has to be recognised as a significant corporate objective of the NHS, Local Authorities, the Prison Service and other public sector catering and cascaded down through its procurement and catering functions to give impetus to;

1. The Role of Public Food Services to practice Sustainable Development by taking into account Health, Education and Training opportunities, Economic Development and Climate Change throughout the procurement process for food and catering.
2. The Role of the Public Sector to develop more Sustainable Food and Drink Supply Chains intended to increase the capacity of SME's to engage with Public Sector Markets.

On a practical level the challenges for the public and private sector organisations working for schools, prisons, hospitals, and in other settings, can be summarised in the following;

- The ability of the public sector to implement a sustainable public food strategy through its procurement practices by taking advantage of opportunity with the EU Procurement legislation.
- The effort that can be made to engage productively and work with SMEs and Social Enterprises to develop competitive prices in return for access to stable public sector contracts.
- The ability and skill level of catering staff to deliver affordable food to its customers that meets sustainability objectives.
- The experience and capacity of producers to meet public food needs and ensure resilience and reliability of supply for large catering contracts will be challenging and for which there is not currently an effective template in place.

- Developing communication strategies to promote cultural change and arrive at a better food culture in Scotland by providing good information on health and diet, food quality, and the characteristics and provenance of food offered to customers.

## Barriers and Opportunities in Public Sector Food Procurement

There have been a number of studies exploring barriers to public sector food procurement, including the NAO study noted by Roberta Sonnino above. The table below summarise constraints for procurers and producers in entering the market in Scotland specifically.

### Constraints in Public Sector Food Procurement

Procurers (in buying Scottish produce)	Producers (in supplying the public sector)
Scottish products are often beyond public sector budgets	Prices offered by the public sector are extremely low and restrict suppliers profit margins: other sectors are more appealing
Admin burden of contracting with smaller suppliers	Complexity of the supply chains (who buys what and when?)
Foodservice industry can offer better prices through economies of scale	Complex distribution requirements (location, timing and frequency of deliveries)
Foodservice industry simplifies the procurement process and offers a superior distribution service	(for smaller businesses) there is confusion regarding access to tenders
LAs within a consortium are constrained by the need to buy "off the contract"	The burden of the tendering process itself
Insufficient quantities of Scottish produce to meet demand	
In some cases variable quality of Scottish produce vs. imported supplies	
Confusion regarding what is "allowed" under EU rules	
EU legislation tends to favour larger companies although it is not intended to do so	

Source: DTZ (2005)

More recent research in the UK has confirmed that although there are some success stories, many local producers are still deterred from supplying to public sector customers because of the perception that they are principally concerned about price. (Brown and Geldard 2008)

## **Challenges identified by Buyers and Producers.**

In the many discussions undertaken during the course of this workstream there was a willingness to adopt the approach of sustainable food procurement but a number of barriers were perceived from both procurers and suppliers.

## **Challenges Identified in the Procurement Process.**

There is consistency between the challenges articulated at the face to face and regional meetings held through this workstream, the academic perspective presented by Dr Sonnino, and the above research by DTZ (2005, 2009). A synopsis of the challenges identified by the participants of the regional events are given below: (appendices 1,6)

- Food as a priority is significantly below the water line.
- Low catering budgets.
- Low profile of catering when budgets are allocated.
- An initial investment needed to support suppliers and users.
- Invest cost savings that would accrue from improved health and other budgets toward better food.
- The inexperience of SMEs to consistently meet supply requirements
- Poor Bids from SME's
- SMEs don't understand and apply HACCP
- SMEs are more hassle and more paperwork
- Complexities in procurement are something that Scotland Excel, NHS, Scottish Prison Service and other government contracting organisations should consider in order to become more accessible for SMEs
- Low awareness and lack of understanding of implications at a political and corporate level
- Collaboration in supply chains is important.
- Skill shortages need to be addressed.
- Starting to see the benefit of Hungry for Success and this health improvement initiative could be built upon across the public sector.
- Lack of commitment of farmers they will chase the best price.
- Separate tender lots into single products to encourage SMEs.
- Consider length of contracts.
- Food Guidance should be mandated or statutory otherwise it may well not be adopted by the public sector. Develop a KPI/SPI and include this within the Single Outcome Agreement.
- Clear policy, clear guidance, strong leadership.

## **Challenges Identified by Suppliers.**

- Better recognition of 'sustainability' criteria in contracts.
- LA's and NHS seem to work in isolation; can they have common specs and learn from each other?
- Simplification of tender documentation to encourage SMEs.
- Lack of infrastructure and support within LAs for an alternative approach
- New products and the cost of trials is outwith the financial capability of the SMEs. and presents a large financial risk.
- Possibility of separate product/food cost and distribution costs in tenders.
- Distribution can be problematic for SMEs in large contracts.
- National Procurement organisations not always helpful, provides a barrier to SME's.

- Indemnities too high and product and public liability cost can be significant for SMEs in a tender causing a disproportionate cost depending on the size of the tender.
- Tendering process is a barrier ie the small supplier may not feel confident to do a presentation on their bid compared to staff from big companies where such presentations are almost routine, not “user” friendly.
- Differences in contract management processes across National Procurement organisations and individual Local Authorities.
- Lack of flexibility around seasonal fresh fruit and vegetables.

## Opportunities and Incentives

The Scottish Executive commissioned research from 2005 (DTZ 2005) found that there are generally more constraints in getting Scottish produce to the public sector marketplace than there are incentives to do so, incentives do exist.

### Incentives for Public Sector Food Procurement

Demand-side	Supply-side
Procurers (in buying Scottish produce)	Producers (in supplying the public sector)
Achieving local procurement goals	Steady year-round business
More sustainable local food chains	Reliable payment
	The wide geographical spread of delivery points means that picking up additional business can be cost effective.
	Healthy eating agenda creating a demand for new products
	Some products suited to a shorter supply chain e.g. fruit & veg, milk, bread, eggs

Source: DTZ (2005)

The public sector is only one customer for the foodservice industry and one which offers the lowest margins - the hospitality and retail sectors are more profitable. However the appeal of the public sector business takes a number of forms:

- It presents steady demand which can counter-balance seasonal demand from the hospitality industry,
- Demand is channelled through several contracts which reduces the impact on the supplier if a contract is lost and awarded to another firm,
- Contracts for the more remote/ rural parts of the country can open up further business opportunities in these areas, i.e. it can make a delivery run more viable if hospitality/ retail deliveries can be secured in the area on the backbone of the schools/ hospital supplies (DTZ, 2005)

The main opportunity is the fact that public sector procurement is under pressure to open up opportunities for small and medium-sized businesses. As a result, the public sector food market should give small local producers more opportunities.

## **Accelerating the SME Economic Engine: Through Transparent, Simple and Strategic Procurement**

Improving SME participation in public procurement is best achieved by making the market work effectively to allow SMEs to compete effectively for contracts. This requires that opportunities should be transparent, the process as simple as possible, and that a strategic approach to procurement encourages innovation and gives SMEs a fair deal. This is particularly important in food procurement terms given the predominance of SMEs in the food industry.

In 2008, an advisory committee was formed by HM Treasury to inform the Pre-Budget Report on action to reduce the barriers small and medium sized firms face when competing for public sector contracts and to advise on the practicality of setting a goal for SMEs to win 30 per cent of all public sector business in the next five years. This report is relevant in the context of food procurement by public sector organisations in Scotland and it is recommended that the 12 key recommendations are homologated into the recommendations from this workstream on public sector food procurement.

### *Simplicity*

Qualification criteria that are not specific to a sector should be standardised and incorporated in all pre-qualification questionnaires so that businesses do not need to repeatedly submit the same core information in different formats.

Procurers should give businesses the opportunity to provide details of all previous relevant experience when bidding for contracts, not just public sector experience. This should be taken into account when selecting successful tenderers.

Procurers should ensure that, where they rely on a particular accreditation scheme or standard as part of the process of prequalification or contract award, that they take a flexible approach. Businesses should be given the opportunity to provide evidence that they can meet the contract requirements by reference to other similar equivalent accreditations or standards they may already hold especially where these have been recognised or required by other public sector procurers.

### *Strategic Procurement*

Departments should use their Procurement Plans to set out how procurement aligns with their overall commercial strategy, encourages innovation and gives advanced notice of long-term procurement plans.

Government should encourage wider use of outcome-based specifications across the public sector, as a means of driving innovation.

Government should expect and enable prime contractors to make their subcontracting opportunities accessible through the single, online portal.

Through contract management, Government should ensure that SMEs and other firms acting as sub-contractors obtain contract conditions, including promptness of payment terms that are no worse than those applicable to the prime contractor.

### *Transparency*

By 2010, contract opportunities above £20,000 across the whole public sector should be advertised electronically with standard indicative contract value ranges, and accessible through a single, free, easy to search online portal.

Government should issue all tender documentation electronically by 2010 and this should be kept as brief as possible. Businesses should be permitted to tender electronically for all public sector contracts by 2010; no "paper only" tenders should be required after this date, with an ambition for all tenders to be electronic by 2012.

Details of contract awardees should be published online in a standard format Within 48 days of contract signature, accessible via the single portal by 2010.

Tendering opportunities thought especially suitable for SMEs or consortia of SMEs should be flagged by the procurer during the advertising process. Government should provide strategic and detailed guidance for procuring authorities on assessing suitable contracts for flagging, based on risk, value and market maturity.

#### *Measurement.*

The Committee recommends that all government departments should report annually on the value of their contract spend with SMEs, creating a reliable single source of quantitative data which can be used to inform future policy decisions and evaluate the recommendations in this report.

### **Public Contracts Scotland Portal**

In practice the Public Contracts Scotland Portal now gives electronic free access to contract opportunities in Scotland and addresses a number of the key recommendations indicated above.

This is an important development but it is also recommended that information and access to tendering opportunities is made as widely available and accessible as possible and that Procurement Organisations should actively work to develop SMEs, to widen the supplier base and develop the contractual relationship.

### **Potential Benefits of Sustainable Food Procurement in the Public Sector**

Sustainably produced food from Scotland generally costs more and while this can be addressed by appropriately accounting for the 'whole life cost' of food and the benefits attached to sustainable procurement, this creates a tension between current primary objective for the public sector for securing the best or lowest price.

This requires a shift in thinking from '*value for money*' to '*values for money*' by considering food in relation to human health, animal welfare, methods of production and environmental impacts, terms of trade (fair price, etc), quality (nutrition, taste, composition), origin and place, trust, voice (participation), transparency, and working conditions. *Coff Korthals, Barling (2007) Source: Ethical Traceability*

#### **Types of benefit**

The case for sustainable food procurement in the public sector are summarised below ADAS (2006), MacLeod M and Scott J (2007), Morgan and Morley (2002), Morgan and Sonnino (2008). The benefits remain uncertain and further research using Life Cycle Analysis is required to improve the evidence base on environmental benefits.

## Examples of Type of Benefit from Sustainable Food Procurement

Type of Benefit	Example	Source	Comments
Environmental	Reduction in food miles as a result of shorter supply chains	MacLeod and Scott (2007), ADAS (2006)	Food miles as a concept increasingly being challenged (Edwards Jones et al, 2008)
	Reduction in green house gas emissions	Yorkshire Forward (2005)	Few robust estimates. Lifecycle analysis required but very few examples
	Reduction in packaging/waste	ADAS (2006) Footprint consulting (2008)	Waste reduction contribute to sustainable consumption
Economic	Local economic benefits from buying food locally	Thatcher and Sharp (2008) Footprint consulting (2008)	Evidence on economic benefits using LM3 multiplier model but model overestimate benefits as it assumes local economies are 'closed'
	Local jobs	Footprint consulting (2008)	Difficult to attribute directly to food procurement.
	Supporting Small and Medium sized Enterprises	ADAS (2006) HMT (2008)	Highlights the role of procurement in accelerating the SME economic engine
Social	Health outcomes (reduced future health conditions)	Footprint consulting (2008)	Uncertainty over how much can be attributed to local food initiative
	Higher nutrition value	Powys Public Procurement Project (2003)	Higher nutritional values of local food uncertain (Edwards Jones et al (2008)
	Higher quality ingredients	ADAS (2006)	Although overall cost of ingredients rose
	Food security	MacLeod M and Scott J (2007), Morgan and Morley (2002)	

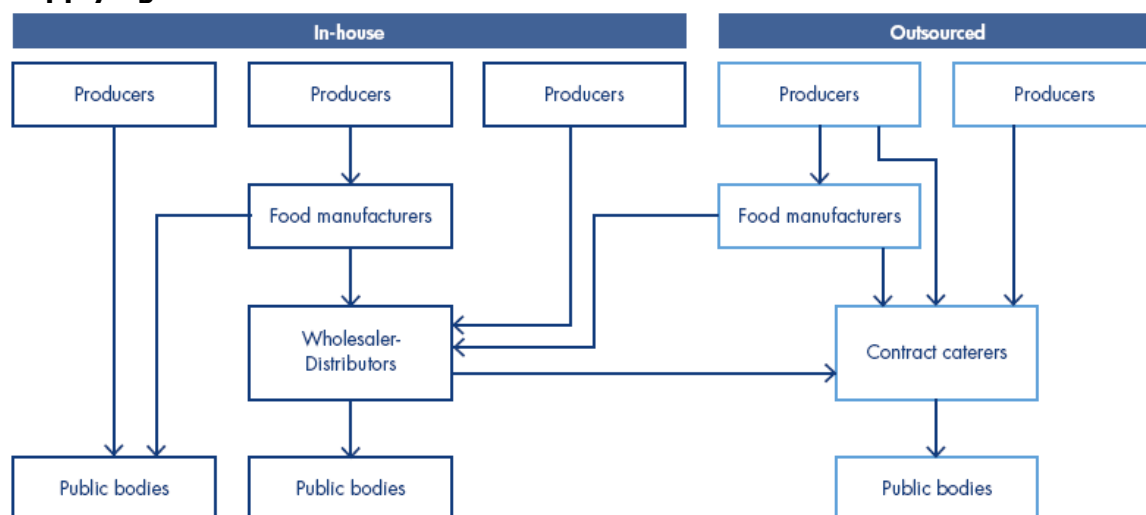
# The Current Landscape

## The Procurement of Food and Drinks in the Public Sector

The links between producers, caterers and consumers are far more complex than is generally understood. For the public sector this has to be a competitive process. SME producers characteristically are independent but many lack organisation to build the capacity necessary to be able to supply large scale catering contracts with complex distribution requirements is a barrier to increased involvement of SMEs in public sector contracts.

The three main areas of public sector expenditure are education and social services, NHS and the Scottish Prison Service. The supply chains for each of the food groups are different. The purchase of bakery, fruit and vegetables tends to be more decentralised than with other foods. Other food groups tend to be supplied to the public sector through wholesalers or distributors. This is for a number of reasons, namely that complex distribution networks make direct delivery uneconomical, the volume of supply required is more achievable by a larger supplier, and the perception that there is a preference among procurers to deal with a single supplier. (DTZ, 2005)

### Supplying Food to Public Bodies



Source: National Audit Office

### The Ability of the Public Food Procurement to Lead the Market

Public Sector organisations can adjust their current procurement practices to encourage SME food producers to engage with their needs as a major purchaser of food produced in Scotland, at least to a greater extent than is currently the case. However changing business practice and winning hearts and minds on both sides of the equation is challenging and will take time. Moreover public sector catering operates within extremely tight budgetary constraints and its purchasing power is only 4% of the total non residential (bars and restaurants) catering market by value and only 1% of the food catering & retail market. It is important therefore to recognise that this does not represent a 'tipping point', so while significant, it has a limited capacity to drive change. Currently 34% of food procured by local authorities is Scottish produce, which represents approximately a third of the total catering and canteens market of £129 million.

## Public Procurement of Food

To provide background information for this workstream the Scottish Government commissioned DTZ to investigate public sector expenditure on food and drink in Scotland. The information detailed in this section was extracted from their report.

The total food and drink expenditure in the public sector was £129.3 million in 2007/2008. This includes all public bodies (including police, fire stations). The three largest parts of the public sector are education (including social work), health and prisons and these are studied in more detail. It has not been possible to conduct in-depth analysis of the other parts of the public sector given their disparate nature. In total, £99.2 million<sup>1</sup> was the estimated spend on food and drink in the education and social work, health and prison sectors.

The landscape of Public Sector Food Procurement is described through a collection of Position Statements which representative organisations were invited to submit in response to key questions at appendix 5.

The principle procurement route for each public sector body is summarised below with very different mechanisms used. Only the Health sector reported that contracts are typically based 50% on price and 50% on quality.

	<b>Principle Procurement Route</b>	<b>Secondary Procurement Route</b>
<b>Education and Social Work</b>	25% of food and drink expenditure is administered through Scotland Excel	Council contacts
<b>Health</b>	National Services Scotland awards contracts for approx 85-90% of all hospital food purchased	Approx 10-15% is for local contracts managed by individual NHS Boards locally
<b>Prisons</b>	Managed centrally by Scottish Prison Service	Not applicable

The following table clearly shows that Education has the largest public sector food spend at 60% with prisons the lowest. The Health sector however spends the most per average meal with again prisons being the lowest.

<b>Sector</b>	<b>2007/08 spend</b>	<b>% Total Public Sector Spend on Food</b>	<b>Average Cost Per Meal</b>
<b>Education</b>	£59,300,000 <sup>2</sup>	60 %	£0.88 <sup>3</sup>
<b>Social Work</b>	£14,900,000 <sup>2</sup>	15%	Not available
<b>Health</b>	£21,000,000 <sup>4</sup>	21%	£1.27 <sup>5</sup>
<b>Prisons</b>	£4,000,000	4%	£0.69 <sup>6</sup>

<sup>1</sup> Based on Scottish Procurement Information Hub data. See the DTZ report for detail of methodology used

<sup>2</sup> Figures based on data from 22 out of 32 local authorities. The figures for the remaining local authorities were estimated from population figures and average spend per person from the 22 local authorities

<sup>3</sup> Based on 22 local authorities.

<sup>4</sup> Patient catering only, excludes staff catering. Based on trading accounts and financial information from NHS Boards

<sup>5</sup> Assumes that in-patients receive two meals per day and day patients one

It is also of interest to compare the type of food purchased by each public sector body (see below). For Education and social work the spend tends to be highest in the frozen and provisions/pre-packed/ambient/category with these two groups combined making up more than half of all local authority spend. These categories also incorporate a low share of Scottish produce.

For the Health sector, general provisions account for the largest share of costs at 28%. For prisons, pre-packed foods represent the largest spend.

Type of Provision <sup>7</sup>	Share of Total Cost		
	Education and social work	Health <sup>8</sup>	Prison
Frozen	30.5%	22 <sup>9</sup> %	19% <sup>10</sup>
Provisions/pre-packed ambient	22.3%	28%	36.3%
Fruit and vegetables	12.3%	7%	Not stated
Drinks	8.8%	Not stated	Not stated
Meat, poultry and fish	8%	14% <sup>11</sup>	20.8% <sup>12</sup>
Milk and dairy & chilled	8.5%	20%	13.6%
Confectionery	4.6%	Not stated	Not stated
Bread and bakery	4.1%	5%	10%
Catering and sundries	1.0%	Not stated	Not stated
Prepared sandwiches	Not stated	4%	Not stated

### Expenditure on Scottish produce

The following table shows the estimated shares of Scottish produce in local authorities. These estimates are derived from a survey of local authorities (DTZ, 2009). Scottish produce is particularly predominant for bread, bakery supplies, meat, poultry and fish milk and dairy. The frozen food and pre-packed categories, which represent more than half of total expenditure, have low shares of Scottish produce. As noted above, these contracts are smaller in value.

<sup>6</sup> Based on two main meals per day

<sup>7</sup> Food type provisions vary and there are overlays between different types.

<sup>8</sup> Covers patient and non-patient catering in the NHS Boards

<sup>9</sup> This fig includes 7% ready made

<sup>10</sup> Frozen meat listed separately

<sup>11</sup> Fresh meat and poultry only stated

<sup>12</sup> Fresh and frozen poultry doesn't list fish

## Estimated Shares of Scottish Produce – Local Authorities

Type of provision	Estimated share (where stated)	Average share
Milk and Dairy	Mostly 100%	97%
Bread and Bakery	High, 85-100%	92%
Meat, Poultry and Fish	High, 75-100%	88%
Fruit and Vegetables	Ranges from 10-100%	57%
Drinks/Soft drinks	Ranges from 5-100%	45%
Frozen	Low, 5-45%	14%
Provisions/Pre-packed/Ambient	Low, 0-25%	9%
<b>TOTAL</b>	-	<b>34%</b>

Source: DTZ (2009)

### Monitoring use of Scottish produce

The DTZ study notes that information on the share of Scottish produce is currently limited. The larger the contract, the more difficult it is for both suppliers and buyers to identify the share. The contracts which are administered on a local level by local authorities or NHS Boards tend to be of a smaller scale, and are commonly sourced from a Scottish or local supplier. Due to these disparities it is advisable to monitor Scottish share by food type as these tend to correspond with size of contract and type of supplier. It is less problematic to identify and record the Scottish share for locally administered contracts.

### The Procurement Arrangements for Public Sector Food

EU public procurement legislation applies to public authorities such as government departments, local authorities, NHS Trusts and the Scottish Prison Service. Both the NHS and SPS centrally procure food supplies. For most local authorities procurement is managed as part of a consortium through Scotland Excel in a bid to secure better prices through the greater volume of food required. If contracts are procured locally this tends to be limited to bakery, fruit and vegetables.

There are a number of approaches and levels of procurement across the public sector.

**Procurement Scotland** has been established within the Scottish Government Procurement Directorate, which will be responsible for procuring all cross-public sector National Contracts. A list of commodities and services has been identified as being suitable for procuring National Contracts and this list is known as Cat A.

**Scotland Excel** is responsible at the sectoral level, for procuring collaborative contracts on behalf of most of the 32 Local Authorities. The majority of the 32 Scottish Councils have signed-up to Scotland Excel which formally commenced operations on 1st April 2008. Scotland Excel is currently actively pursuing the national agenda and has established a list of commodities and services that would be suitable for procuring as National Local Authority Contracts and this list is known as Category B contracts.

There are also '**Centres of Expertise**' for the other public sectors who will be responsible for their own sector wide defined Cat B commodities and services. This

includes the NHS, Central Government (CGCoPE which includes SPS) Police, Fire & Further Education Centres of Expertise:

**At the Local Level**, Corporate Procurement Teams contract for services, where the requirement is not classified as a national commodity/service. In relation to food, only fruit and vegetables and bakery is within this 'C' Category (ie those contracts that are to be procured by individual organisations)

The table below shows the categorisation of procurement contracts. Food and drink procurement contracts are categorised as B, C and C1.

Category	Definition and organisations
<b>Category A</b>	<b>National Procurement</b> – Procurement Scotland
<b>Category B</b>	<b>Sector Specific</b> – Scotland Excel – NHS National Procurement – –CGCoPE Govt (incl. SPS)
<b>Category C1</b>	<b>Regional</b> – Tayside Consortium etc.
<b>Category C</b>	<b>Local</b>

Source: DTZ (2009)

**Public Contracts Scotland Portal**, on this free portal potential suppliers can find details of contracts with Scottish Local Authorities, NHS Scotland, the Scottish Government, Agencies and NDPBs, Higher and Further Education and Emergency Services by browsing the available contracts and can also register to receive free email alerts.

**Other Advertising Portals**, EU Tenders are advertised in the Official Journal of the European Union [www.ted.europa.eu/](http://www.ted.europa.eu/) .Smaller contracts are advertised in [www.supply2.gov.uk](http://www.supply2.gov.uk) . Category C tenders (other than where the Approved List of Contractors is used) are usually advertised an organisations procurement section on their own website.

### **The Demand for Public Sector Food**

The number of meals in schools, hospitals and prisons gives an indication of the size of the market for public sector.

#### **Schools**

There are nearly 700,000 pupils in local authority schools in Scotland. The number of primary school pupils in Scotland was 375,485 in 2007 with 308,974 secondary pupils and 6,387 special school pupils.

There are 2,720 local authority schools in Scotland (primary, secondary and special).

Local Authorities also provide catering through Social Services activity, at home, in residential settings, public venues, and for high quality civic catering where it is possible to showcase Scottish Produce.

## Hospitals

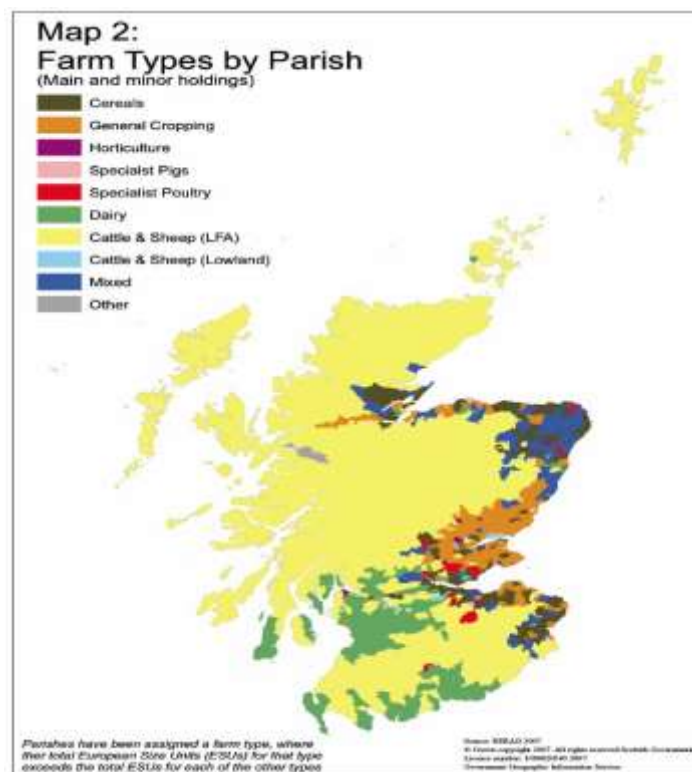
The Scottish health sector consists of fourteen territorial and two hospital boards. National Services Scotland (NSS) is responsible for the national procurement of hospital food in Scotland and is an umbrella body covering all the NHS Boards. It awards contracts for about 85-90% of all hospital food purchased, which includes staff provisions. The remaining share is made up by local contracts for sourcing particular products, such as fresh fish, specific local products and prepared food for therapeutic diets. These local contracts are managed by the individual NHS Boards locally

## Scottish Prison Service

A central procurement organisation arranges food purchased by the Scottish Prison Service. A category plan is completed before the procurement exercise commences and this document considers all supply aspects and then recommends the procurement strategy to be followed. The annual spend on food and drink for the prison sector is £4 million. There are on average around 8,000 inmates in Scottish prisons.

## The Capacity to Supply Primary Produce

On the supply side, the capacity of local authorities in Scotland to supply their local authority area with fresh food varies. The map below shows farm types in Scotland and provides an indication of the capacity for primary producers to supply the agricultural output. It shows the main areas of production are the North East (cereals and livestock) and South West (dairy). This gives an indication of the producing area in Scotland.



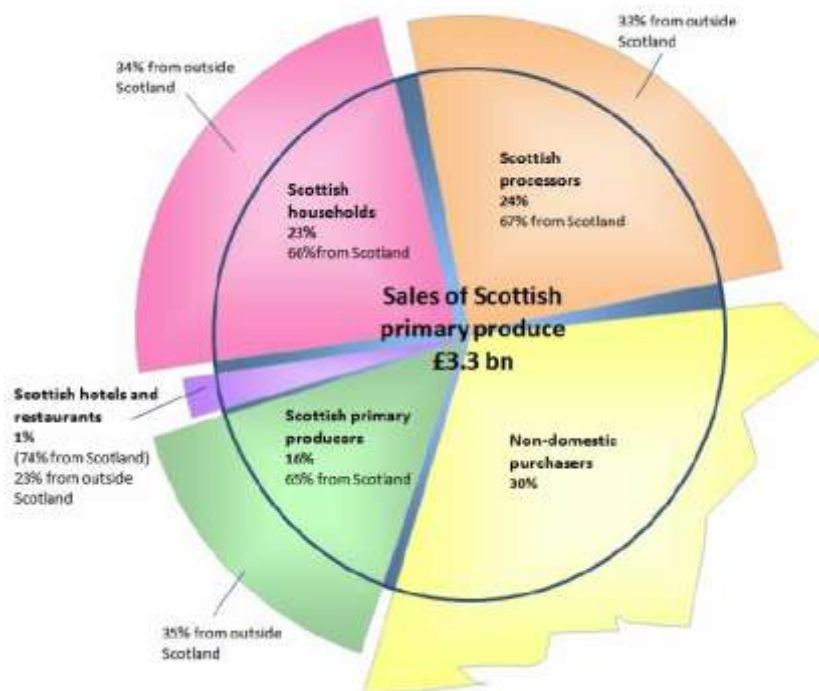
The amount of Scottish produce used by local authorities will also depend on the areas capacity to supply local food. The above shows that for some local authority areas it will be difficult to source local food as primary production is highly concentrated on a regional basis. The regional concentration of supply may also affect the lower proportion of Scottish produce used in some local authorities.

This report acknowledges that there is a need to transcend polarised thinking that attaches benevolent attributes to the local scale and eschews attributes of the global scale. A mixed economy for public sector food procurement is necessary while the UK and Scotland is not self-sufficient in the production of food. A measure of the challenge

facing development of the National Food and Drink strategy and a key consideration is that there is not presently the capacity within Scotland to feed ourselves and at the same time we must acknowledge that much of the indigenous produce that we are capable of producing well in this country, is at this time imported. The reform of public procurement to facilitate greener and sustainable development policies does not preclude the procurement of food produced more economically, sustainably and efficiently from around the world for use by the public sector in Scotland. In fact in any realistic assessment which calibrates supply and demand and has consideration of customer expectations for fresh fruit and vegetables for instance, this is essential.

### Destination of Scottish Primary Produce Sales

DTZ was commissioned by the Scottish Government's Rural and Environment Research and Analysis Directorate (RERAD) to conduct research into the levels of processing of primary produce in Scotland. The areas outside the main circle show the proportion of primary produce purchases that each buyer group bought from sources outside Scotland. This shows that around a third of the primary produce is imported.



DTZ, 2008

The broad picture is of total primary produce sales of £3.3 billion, of which 24% is sold to the Scottish processing sector, 23% sold directly to Scottish households and 16% to other primary producers. A further 30% of sales go to non-domestic purchasers suggesting that UK supermarkets and processors have bought an increasing share of Scottish primary produce. Total exports rose to 30% compared to 26% in 2003. Four fifths of these exports were to the rest of the UK. Between 23 and 35% of produce is imported from outside Scotland.

## Examples of Current Good Practice

**From an international perspective** the Government in the Netherlands has set a target for 100% of central government public procurement (including, but not limited to, food) to be from sustainable sources by 2010. In Italy, the City of Rome have established an exemplary school system that delivers freshly prepared, nutritious and organic school meals to the city's children. The central government in Brazil passed legislation in 2000 which requires that a minimum of 70% of its school meals funding is spent on fresh fruit and vegetables from local sources. In Nordic countries, the Swan Ecolabel standards, applied to public procurement and covering food issues, has been identified as a "world leader" in procurement policy.

**Across Scotland** too there are now a good number of established and successful, examples of local sourcing initiatives. They include Tayside contracts in Perth and Kinross, Angus, Fife, North Ayrshire, East Ayrshire, Argyll and Bute Highland, Aberdeenshire, Shetland and a recent successful project in the Western Isles. Major foodservice companies report that by far their largest growth area for the public sector is in fresh food. Elsewhere, in the NHS there are outstanding examples of fresh, local, sustainable food initiatives notably at the Royal Cornwall Hospital and the Royal Brompton Hospital. While it is disappointing that mainly pre prepared food is used in the Scottish prison service there is evidence of the prison community benefiting from 'in house' gardens that supply the prison kitchen and Universities are showing interest in the Soils Association's Food for Life scheme.

The following example is a tried and tested development that has been operating for almost 5 years. It has been thoroughly researched on numerous occasions and, for the reason that there is readily accessible information which has been both professionally and academically validated, it is provided here as an example which could be replicable or at least adapted in different settings across the public sector.

**East Ayrshire Council** provides school meals to pupils based on, unprocessed, local and organic ingredients. Established in a pilot school in 2004, by the school year 2008 the initiative covered 40 of the authority's primary schools and 1 secondary school. East Ayrshire Council's school food service subsequently decided to adopt the Food for Life framework devised by the Soil Association. This requires that;

- 75% of food consumed each week should be made from unprocessed ingredients
- 50% must be locally sourced, and
- 30% organic.

Fully applying EU procurement regulations, on 2 separate tendering exercises in 2005 and 2008, 9 lots were tendered and local SME suppliers were successful in their tenders for beef, lamb, pork, fresh fish, milk, eggs, fresh fruit and vegetables, bakery and grocery. Tenders were evaluated on the basis of 50% price and 50% quality thereby allowing the evaluation to account appropriately for quality considerations and the delivery of sustainable development. Menus were altered to comply with the national nutrient standards for school meals. The menus reflect the availability of seasonal produce and the decision was taken to use almost entirely fresh food rather than rely on pre cooked food which simplified compliance with the national standard. Currently the extended pilot transacts in the region of £250,000 with SMEs.

### *Evaluation of the Pilot*

An evaluation by ADAS for the Scottish Government, found that East Ayrshire Council could keep within EU procurement procedures and still buy local, increase fresh and organic produce, purchase significantly improved quality of ingredients and achieve this at a modest cost increase in cost which was around the average food cost of all Councils in Scotland per meal. The evaluation recognised that there were a range of wider

benefits, such as reduced environmental damage through reduced 'food miles' and waste packaging, social benefits for children and parents, health benefits and wider economic benefits for the local economy.

The authors also suggested that:

*'The social benefits that food initiatives can bring are cross-cutting. These benefits are not always taken into account when decisions around school meal supply are made, as they do not have an obvious associated monetary value. Further evidence of the monetary value of the economic, social and environmental impacts of local procurement will be crucial in encouraging local authorities to adopt new practices.'*

# The Way Forward and Conclusions

## Due Diligence and an Ethic of Care

The public sector is in a unique and privileged position to serve the needs of vulnerable people and in a position to demonstrate leadership and influence. In this public sector catering is actively making the purchasing decisions on behalf of hospital patients, school children and many other vulnerable groups in their corporate care. This is a different proposition to one where an individual consumer can choose to pay more in order to buy quality sustainable food and this is why in the subject of food procurement, decisions responsibly taken by institutions have to be exemplary, progressive and account for social justice.

Decisions on food procurement by public sector organisations therefore have to be seen in the context;

- That food is different because it is fundamental to every person's health and well being;
- That this is a fundamental requirement of due diligence that Public Bodies should consider in the purchase of food supplies; and
- That sustainable food procurement is good for business, economic regeneration, the well being of communities and the environment;
- That Food Safety is paramount.

It is vital that public sector food budgets in future are adequate to meet the cost of sustainable food and this is regarded in the context of a fundamental duty of care to be exercised by government institutions for the well being of Scotland, and a diligent approach to the delivery of sustainable development. The additional cost of sustainable food should appropriately be offset by the social, economic and environmental benefits attached to it. Even if there is a holistic 'whole life cost' approach taken it is clear that there would have to be an actual base line increase in public sector food budgets.

The funding currently available in public sector budgets leaves little room for creative procurement. This either requires additional funding from Government to meet the higher cost of sustainably produced food or a reprioritisation within internal budgets. It is recommended that there should be a bi-annual review of public sector food budgets in order to sustain the necessary impetus for sustainable development. Where possible budgets which link food and the delivery of sustainable development objectives, particularly in relation to health improvement and education, should be ring fenced.

Better understanding of the provenance of food and how food and drinks have been produced can lead to better procurement practices in the public sector, by taking account of these aspects when specifying food in contracts and evaluating tenders. This can build public confidence and approval for the quality of food provided in schools, hospitals and prisons.

In menu development across the public sector seasonally food grown in Scotland should be preferred to recognise the financial and environmental impact and cost of importing food and to increase opportunities for Scottish food producers by specifying more fresh and seasonal produce that can be grown in the Scotland. The preservation and freezing of Scottish produce can be useful. The amount of vegetarian food offered on menus should be increased for the same reasons. Only fish from sustainable sources should be used following sources of advice available from the Marine Conservation Society (MCS) and the Marine Stewardship Council (MSC).

## Scottish Climate Change Targets and Food

Globalisation of the food industry, concentration of the food supply base into fewer, larger suppliers, and changes to delivery patterns have all caused significant changes in the Scotland's food production and supply chain increasing food transportation. Reducing the environmental impact of transport in such circumstances is a significant challenge as the Scottish Government strives to meet its 2050 target of an 80% reduction in emissions. It is estimated that around 30% of the GHG emissions that cause global warming are attributable to food production, processing, transportation, and consumption and waste. Calculating the amount of carbon used in the production of foodstuffs can be exceedingly complicated, depending on methods of growing, fertilization, processing and production, and in some cases far travelled food can still create lower emissions than foodstuffs grown under less environmentally sound methods in the Scotland.

It is clear, however, that the distance travelled, and the mode of transportation, is significant in the issue of trying to reduce the emissions associated with food. A recent study by AEAT<sup>13</sup>, commissioned by SEPA<sup>14</sup> carried out a food miles study based on East Ayrshire Council's schools Food for Life Project where local suppliers are used for produce and take account of local seasonal availability of produce. The study identified that the original four weekly procurement cycle for fruit and vegetables supply involved mainly purchases from overseas with a total of 218,000 road and sea miles, and an emissions value of 2,700kgs of CO<sub>2</sub>. The new sources were mostly local, though some fruit still came from overseas, with a total of 119,000 miles and an emissions value of 1,595kgs CO<sub>2</sub>. There was a saving of approximately 1.1 Tonnes CO<sub>2</sub> emissions and 276kgs of Carbon in the one month. Similar levels of saving were achieved in almost all food groups selected. Having made some assumptions, it is possible to make a good assessment of actual and potential savings made.

### *Costs/Environmental Benefits*

- A reduction of 3.97 Tonnes of CO<sub>2</sub> emissions in one school, in one month, with a forecasted annual saving of 37.7 Tonnes
- Carbon saving of 1.08 Tonnes in one school, in one month, with a forecasted annual saving of 10.28 Tonnes.
- A cost increase of per two-course meal provided in the school, equating to an annual increase in expenditure of approximately 20%.

The work of Edwards Jones et al (2008) argues that food miles are a poor indicator of environmental benefits. Using local suppliers will only reduce one element of transport costs associated with food production. A report by Yorkshire Forward, the regional development agency for the region, aimed to provide a clear picture of the current food requirements of the public sector in the region, assess the region's ability to meet this demand and to identify an efficient, environmentally beneficial distribution network to connect the producer and customer. The methodology included the use of 12 case studies and modelled distribution systems. It concluded that there was potential for substantial carbon savings (up to 85%) through changes to existing distribution systems.

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<sup>13</sup> AEA Technology

<sup>14</sup> Scottish Environment Protection Agency

### *Carbon Trading*

The carbon reduction commitment is the UK's first mandatory carbon trading scheme and will cover both public and private sector organisations, including local authorities. Carbon trading allows the Government to regulate the amount of emissions produced overall by setting the overall cap for the scheme but gives organisations the flexibility of determining how and where the emissions reductions will be achieved. Emissions trading gives organisations the flexibility to meet emission reduction targets according to their own strategy; for example by reducing emissions on site or by buying allowances from other companies who have excess allowances. A value of £12 per tonne of CO<sub>2</sub> is often quoted as a benchmark price which could apply in a carbon trading scheme. The above example which indicates an annual saving of 37.7 tonnes of CO<sub>2</sub> at one location shows how the sustainable procurement of food might, in the future, have the potential to be converted to a monetary value in a contract evaluation. This might currently be regarded as discriminatory under EU procurement rules (since the emissions are influenced by the distance travelled) and therefore some change/clarification to the rules will be required. Notwithstanding it remains clear that carbon reduction strategies, are and will continue to be, a major imperative for all Governments in the EU.

While carbon saving is only one aspect of the forthcoming Scottish Climate Change Bill the Bill does require Ministers to set annual GHG emissions reduction targets. Annual targets will be set in batches, the first for 13 years then for five years thereafter: 2010-22, 2023-27, and 2028-32 and so on until 2048-50.

Scottish Ministers are committed to working in partnership with the public sector in reducing the target greenhouse gas emissions which affect climate change. Part 4 of the Bill includes a general enabling power to allow Ministers to apply duties 'of a climate change nature' to public bodies in the future through secondary legislation and it is likely that the Parliament will seek to amend the Bill to put a specific climate change duty on public bodies in the Bill itself. Food procurement and how food is used in the public sector (reducing waste, for example) is likely to provide a contribution to GHG reductions. The level of reductions that could be obtained through food procurement will depend on many factors - such as the way food is grown, processed and the way it is distributed. These factors, however, should be considered when the Government develops its food and drink policy to ensure that public sector spend is able to support the attainment of climate change goals. Public Sector Organisations will therefore be interested in any and all steps that can be taken to reduce GHG emissions and it would be appropriate for food to be considered significant in this context as a major contributor to global warming.

The strong recommendation is therefore made from Workstream 4 that food is recognised in any future review future Scottish Climate Change legislation, supplementary guidance and in the Scottish Climate Change Declaration as an aspect of public sector activity where by purchasing food sustainably this can contribute to achieving the reduction targets which will be set.

## **Accounting for the Value of Food in Awarding Contracts.**

To overcome the obstacle of a low-cost catering culture, Public Sector organisations need reform into wider strategies for sustainability and community wellbeing. Within the EU regulations, the public sector can develop more creative tendering procedures that take into account sustainable development objectives to a greater extent than is the current norm.

It can be judged that sustainably produced food from SMEs within Scotland does generally cost more than centrally procured contracts where the food is procured on the lowest price. Typically the provenance and method of production and distribution does not feature significantly in the tender evaluation which eliminates the opportunity consider meaningfully the inherent value and whole life cost benefit of sustainable local food. While food producers in Scotland must strive to be more efficient by adding value and taking cost out of the supply chain, to become very competitive on price, the procurement process should also be used to demonstrate that food produced in Scotland delivers a multiple dividend for consumers, the economy and the environment.

Food procurement can be part of a sustainable procurement process that takes into account more than the direct cost of food and examines how food procurement can support government Purpose Targets and National Outcomes of Wealthier and Fairer, Smarter, Safer And Stronger, Healthier and Greener rehearsed earlier in this report where for example Greener pays attention to the ecological footprint of food choices, fairer in that it supports economic development, and healthier where the provenance of sustainably produced fresh food is valued.

The whole life cost and 'value' of food for health, the economy, the environment therefore and the well being of communities has to be recognised as a significant corporate objective of the NHS, Local Authorities, the Prison Service and other government sponsored catering activity and cascaded down through the procurement and catering functions.

Creative procurement is easier to implement when there is a politically supportive milieu and where procurement officers have the competence and confidence to internalise health and environmental costs because they contribute to the key sustainable development objectives that have been identified corporately.

Therefore a new metric or view has to be factored into to the procurement processes that are currently used. The mechanism can be through a calculation of 'Most Economically Advantageous Tender', 'Whole Life Cycle Costs', or by another methodology but it should be a holistic evaluation. A robust methodology may not be available presently but this does signal a way forward in preferring the sustainable procurement of food.

## **Social Return on Investment (SROI)**

As an illustration SROI is another such methodology which is used here to describe the type of holistic approach that is necessary.

The estimation of social return rests on an understanding of how different stakeholders are affected by an activity. The Social Return on Investment (SROI) model provides an evaluation method for understanding, measuring and reporting on change, and the value that is created by an organisation or activity. It examines the social, economic and environmental impacts arising from the organisation's work, and attributes a value based upon common accounting and investment appraisal methods, in order to estimate its financial value.

SROI uses a range of techniques to ensure that financial values calculated are appropriately allocated to the project being evaluated. These include 'deadweight', what would have happened anyway, without the project; 'drop off', outcomes that are not sustained; 'attribution', sharing the returns with other agencies involved; and 'displacement', negative effects on other stakeholders.

A recent study produced by Footprint Consulting for East Ayrshire demonstrated that for 2007/2008, the SROI Index for their school's Food for Life initiative the main feature of which is the procurement of sustainably produced 'local food' was 1:6.19, which is to say that for every £1 East Ayrshire Council has invested in the initiative, it has returned £6.19 in social, economic and environmental value to its stakeholders. This represents a return per pupil of £99.19 for an investment per pupil of £13.79 per annum.

There is always uncertainty in such studies. However, changing some of the assumptions indicates that the value of the return is unlikely to be below £3 for every £1 invested.

The results for the selected outcome indicators are shown at appendix 2.

In conclusion within sustainable procurement there are real opportunities to support local food production from SMEs. While this may at times result in additional cost there are also many potential advantages of such an approach including: (i) connecting producers and consumers more directly; (ii) sustain local economies and communities (with community food initiatives being one such way of achieving this) and (iii) in some instances depending on food production systems used, the particular food and the distances to be travelled GHG reductions can be achieved.

## **Improved Opportunities for the Food Industry and Health Promotion**

The Review of the Scottish Diet Action Plan (SDAP) 1996 – 2005 indicated the importance of re-establishing the grounds for engagement with the food industry in Scotland so that public health and sustainability are key drivers for food production and supply.

It stated that Scotland's food and drink strategy needs to give higher priority to public health nutrition. The antecedent food and drink strategy (in place since 1999) places the highest priority on conventional business goals such as profitability, innovation and the pursuit of markets. Understandable though this is in market terms, it consigns health to the margins of supply chain dynamics. Guidance on food and health has been updated since the SDAP review. Healthy Eating, Active Living: (HEAL) is an action plan to improve diet, increase physical activity and tackle obesity (2008-2011). Food policy is an important example of the way in which diverse stakeholders, sectors and disciplines can play a part in shaping our contemporary environment either to promote or to tackle unhealthy weight. The development of a National Food and Drink Policy provides us with an opportunity to reshape and influence the environment in which food is produced, processed and eventually finds its way on to our plates and an early opportunity to demonstrate how in Scotland we can work across traditional boundaries to effect change. In this work to produce a new and dynamic National Food Policy for Scotland, real "value for money" needs to be buttressed by a broader understanding of sustainability that reflects a range of socio-cultural values, rather than a one-dimensional economic value.

Another example is 'Hungry for Success – A Whole School Approach for School Meals in Scotland' which made funding available to improve the quality of school meals. Its success led to the Schools (Health Promotion and Nutrition) (Scotland) Act, 2007 which has dramatically improved school meals and proved an effective catalyst for change benefiting food producers and consumers. Through this the Scottish Government provided Local Authorities over £120m between 2003 and 2008 to improve school meals; for ingredients, quality of meals, training, marketing, improving canteens and kitchens. This funding was added to the block grant that is now provided to Local Authorities but unfortunately with the removal of ring fencing making this funding which

is designed to elicit better quality food, education and diet, more exposed to compromise through corporate pressure on budgets.

In the NHS the National Catering and Nutrition Specification for Hospital Food in Scotland were introduced in 2008 and this support NHS Boards to implement the NHS Quality Improvement Scotland Clinical Standards for Food, Fluid and Nutritional Care in Hospitals. It is recommended that as was the case in schools through the Schools (Health Promotion and Nutrition) (Scotland) Act 2007 that after time for its implementation has been allowed that this also should be adopted as a statutory function. Similar work sensitive to the needs of prisons should also be considered, with the emphasis in both sectors being premised on sustainable food. The Healthy Living Award for is also welcome and could be stepped up to give assurance to the public that areas of public interest such as how food has been produced, animal welfare, provenance and sustainability have been considered.

It is recommended that specific ring fenced funding for health improvement and the delivery of sustainable development should be allocated to the NHS, and Scottish Prison Service to fund improved quality of food linked to diet and health and that in schools the GAE allocation for the Schools (Health Promotion and Nutrition) (Scotland) Act 2007 is ring fenced. Funding should be ring fenced to protect food budgets and ensure the transition necessary to support the National Food and Drink Strategy which resolves to make food procurement in Scotland an exemplar for sustainable economic growth in terms of quality, health and wellbeing, affordability and sustainability can confidently take place.

Amending legislation to allow Local Authorities to introduce free meals to pupils in primary school years 1-3 from 2010 further enhances the service provided in schools and amongst the attendant benefits for health, and pupil well being, this also presents an increased market opportunity for food producers. It is suggested that there is a future review the success of the policy for free school meals in primary years 1-3 and that this review considers extending this to all primary years in support of future health improvement objectives and providing increased opportunity for food producers to benefit from a secure and expanded public sector market for their produce.

## **Culture Change through Education and Training**

### *Social Learning*

Sustainable Food Strategies are a critical area of public policy but Scotland has a poor cultural association and awareness of the impact of food on health and the environment. This can be improved significantly by elevating its importance within the school curriculum. In addition the Schools (Health Promotion and Nutrition) (Scotland) Act 2007 calls for a Whole School approach and stresses the importance of sustainable development in relation to the purchase of food.

In the case of schools creating greater food literacy among students is perhaps the single most beneficial step that could be taken to produce educated consumers of tomorrow who are will become responsible and ethically motivated food citizens. It is recommended that *Food* as a discrete subject area should be developed within the framework of 'A Curriculum for Excellence' and offered by the SQA at Standard Grade and Higher Grade.

### *Catering Skills and Training*

Sustainable procurement can nurture new food systems that re-connect catering staff, producers and consumers around the enjoyment of working with and consuming good quality food but this also requires good craft and menu planning skills which have been diminished over many years with performance being achieved through a predominance of ready prepared and processed foods that are irrelevant in terms of seasonality but

more straightforward to manage within a budgetary target. Providing these skills is a key element in developing the interest and confidence for caterers to engage with fresh produce, seasonality, and cost management.

#### *A Shift in Procurement Strategy*

Similarly, procurement staff must be inducted into a full understanding of why the transition to sustainable development is relevant and has to be addressed at this point in time. Their role is pivotal in embedding sustainable procurement practices across the public sector to ensure that good practice becomes the norm, rather than the exception.

#### *A Better Understanding of the Requirements of Food Producers*

In the food sector the ambition of SME's to participate in public sector tenders is not always matched to the necessary skills and experience and this will also test the resolve of independent producers to scale up their strategies for food production, processing and distribution. Public expenditure rightly requires the highest standards of probity and accountability for the public pound. In order to gain the understanding and the essential skills to secure contracts which are tendered by the public sector. Producer and business support organisations should be motivated to make this type of training and business support widely available.

#### *Publications*

It is recommended that as soon as possible a series of 'Good Practice Guides and Toolkits' are produced to provide food producers, buyers and catering staff with a clear and practical guidance framework to assist in the procurement of sustainable of food in the public sector.

#### *The Media and Communications*

The Government's Communications Directorate should be engaged to develop a media campaign to raise awareness and promote understanding of the benefits of quality food provided through public sector catering services aimed at increasing interest and confidence, producers, catering staff, and procurement officers to encourage an increase the uptake of sustainable fresh food and tenders from small and local producers. Clear policy, guidance and strong leadership by Government will be welcomed by all.

## **Supplier Development**

The demand for good quality, sustainably produced local food is increasing. There are good initiatives working across Scotland including Argyll and Bute, Highland, Aberdeenshire, Tayside Contracts, North and East Ayrshire and elsewhere. Large private sector contract caterers such as Aramark and Sodexo have stated that they will source more local foods as part of their 'offering' in public sector catering contracts. Forms of electronic procurement will open up increasing opportunities for SMEs prepared to take the opportunity and both the NHS and local authorities are active in developing this, and, the largest growth area reported by Foodservice companies is for fresh food.

Yet it is apparent that food producers interested in supplying to the public sector, particularly smaller businesses, have felt disadvantaged on a number of levels, such as complex tendering procedures, and the need to supply a range of supporting information as part of their tender and during the life of the contract, for which they lack the time and skills. Affordable product assurance schemes which are necessary for public sector contracts are now being addressed through initiatives such as (Safe and Local Supplier Approved) (SALSA) British Retail Consortium (BRC) Global Standard and Quality Meet Scotland (QMS). The cost of liability insurances as a proportion of their tender and a judgement that in a low cost catering culture their produce would be unaffordable have also discouraged SMEs from considering public sector contracts.

A key barrier at this time is that most SMEs lack capacity on an appropriate scale to support much growth in the processing and distribution of their produce. As the submission from the NFUS indicated, farmers and many small processors are unable to meet the distribution requirements that can accompany public procurement contracts and identifying that there should be a way to enable the public procurement process to separate the contracts for the supply and distribution of the goods. Seafood Scotland is the Inter-brand Organisation for the Scottish Seafood sector. Their purpose is to promote collaborative working within an industry and give it a collective voice that promotes the common interest and its aim is to promote market efficiency and responsibility through co-operation and planning.

Research carried out into the perceived barriers for producers identified the following factors in relation to a public sector contract.

Some of these barriers are real and for progress to take place have to be considered and addressed. As part of the output of this workstream the need was identified to develop an evidenced based pilot together with a subsequent evaluation that would serve as a model that would address the above issues and inform and demonstrate the way forward for food producers in Scotland to tender for public sector contracts. Accordingly the Scottish Agricultural Organisation Society (SAOS) have been commissioned to carry out this important work.

The Pilot scheme is designed to create a model which can in the future assist, a single producer, or groups of producers, anywhere in Scotland, to submit a tender for public sector contracts. This pilot will take place in two forms;

1. Where producers use their combined capacity to supply to a distributor/wholesaler.
2. Where a group of producers combine as an entity capable of submitting a viable tender that meets the pre qualification and the official tender requirements, tendering as a 'consortium' or 'hub'.

SAOS will provide the particular group of producers with a range of business support and training which will enable them to submit a confident and viable tender for a public sector contract. This support will include; legal, financial, and business development strategies, issues with organisation of distribution, address capacity issues, and provide training in contractual matters and tender preparation.

SAOS will subsequently evaluate and publish the results and outcomes of the pilot identifying the barriers and challenges which arose and how they were overcome. The evaluation will explain how the tender was won, or if not successful, obtain feedback from the public body why it failed in order that lessons can be learned and with the FDID and others conclude how this can be addressed.

From the business support provided, a range of materials will be developed. The advice and materials will be presented in a user friendly format which it is intended could be pulled 'off the shelf' by others to use and adapt to their circumstances.

The public sector organisation offering the tender will not be involved in any way in the development or execution of the pilot and the group of producers will be afforded only the same access to advice as any other tenderer involved in the contract. After the event however SAOS will meet with the organisation for a comprehensive debrief.

It is anticipated that this exercise will generate a range of valuable resources which will be of subsequent benefit to procurement staff and producers of food across Scotland.

## Public Health and Safety

A key factor when considering contracting for food supplies with SMES is to ensure that the food safety systems and resources are able to consistently maintain the highest standards. There is greater assurance in large producer companies and large foodservice distributors where these processes are embedded within the organisation. A Public Sector organisation must ensure it is protected and comprehensively safeguards its customers against food safety risks. While food suppliers must comply with legislation, public sector organisations providing food and meals also have an obligation to complete effective due diligence to ensure the quality and compliance of their suppliers.

Through the statutory functions of Trading Standards and Environmental Health, all types of businesses in the food industry including Public Services are independently audited. Suppliers must be able to demonstrate an adequate Hazard Analysis and Critical Control Point system (HACCP) which addresses the supply, preparation, packaging, storage and distribution of food. However the award of a tender should also require the supplier to be accredited to an appropriate Quality Scheme such as the Safe and Local Supplier Approval scheme (SALSA) or the British Retail Consortium (BRC) Global Standard, or another scheme providing equivalent safeguards. The Contract Management responsibilities of a named officer working in this area must be clearly defined and understood, preferably through a documented scheme of delegation. Tender documents must explain the expectations and policies of the organisation, and all requirements for ongoing performance and management information.

The Pennington Report on the Outbreak of *E.coli* O157 in South Wales was published at March 2009 and is likely to have significant implications that will require all public sector organisations, food producers and suppliers to review and improve where necessary their processes and compliance mechanisms.

The following recommendations quoted directly from the Pennington Report are pertinent particularly when considering contracting for food supplies with SMES that do not have the back resources of large producers and foodservice distributors. The importance of this cannot be understated.

**Recommendation 2;** Food businesses must get to grips with food safety management based very clearly on the seven key HACCP principles, ensuring it is a core part of the way they run their business.

**Recommendation 3;** Additional resources should be made available to ensure that all food businesses understand and use the HACCP approach and have in place an effective, documented, food safety management system which is embedded in working culture and practice.

**Recommendation 16;** Businesses contracting for the supply of high-risk foods, such as raw and cooked meats, to public sector organisations must be subject to independent food hygiene audits.

**Recommendation 22;** Good practice advice and guidance issued by public bodies should be subject to follow-up and/or more detailed evaluation.

It is recommended that producer organisations and business support organisations encourage the universal adoption of effective food safety assurance schemes by SMEs and provide the necessary support and training to achieve this.

## **The Opportunity that is Social Enterprise**

Social enterprises are increasingly able to compete for contracts, particularly fruit and vegetable growing. These businesses can offer cost effective, responsive and innovative solutions to procurement needs.

Social Enterprises can have a major impact in achieving a social and economic dividend in local communities. Government policy is for community enterprises to develop and they can fulfil a role in helping to deliver public services. Accordingly it is recommended that the public sector should consider Social Enterprises as a viable option for procurement by public sector organisations.

## **The Cost of Sustainable Food and Drinks**

Cost is the key barrier to change and is the brake on transition to introducing more sustainable public catering services in Scotland. Sustainably produced food from SMEs within Scotland, as a general rule, costs more than is available through nationally procured contracts which are concerned primarily with best price and less with how food is produced and where the food is sourced. Caterers and procurement staff in order to live within their budgets are required to focus on the economic bottom line, and are not asked to account for social welfare or environmental stewardship.

What is clear from discussions at the Regional Meetings is that right across the spectrum, there is a growing realisation and willingness to change the current price dominated approach to food procurement and instead to appropriately account for the wider benefits for the community, the economy, employment, the environment and better health. However this requires a combination of adequate funding and more creative procurement practices which exploit the opportunities within the EU Procurement Legislation rehearsed earlier in this report.

The delivery of sustainable procurement requires that Public Sector food contracts should focus on price as one aspect which determines the decision to award a contract and give parity of esteem which fully accounts also for the social, economic and environmental benefits that will accrue, and account for these in the tender process. (an example is provided as appendix 4).

At the same time it has to be recognised that due diligence requires correctly that Public Bodies have continually to make appropriate decisions between competing priorities. Crucial decisions such as cutting the cost of catering services or providing better medical treatment or resources in schools is frequently an area which brings the cost of food to the fore as an area of potential cost reduction. There has to be an optimum combination of whole life cost and quality in the value for money proposition, otherwise on a straightforward price/value comparison sustainable food will not be affordable on any significant scale within the public sector. The new paradigm of thinking has to officially recognise both 'value for money' and 'values for money'.

In order to make a fair evaluation that accounts for the value of sustainable food, the procurement strategies used by Public Sector organisations should place high value on the delivery of sustainable development and take advantage fully of the EU award criteria approved by the European Parliament which states that contracting authorities are able to include social and environmental criteria in the evaluation and award of contracts, as long as such criteria are linked to the subject matter of the contract.

It is recommended that there should be parity of esteem between achieving a competitive price and sustainability criteria in order to introduce sustainably produced food into public sector organisations. When evaluating tenders, a balance of up to 50% cost and 50% quality is reasonable and justifiable and this balance will be necessary to account for sustainable attributes attached to food commodities being tendered as part of a contract.

This is also why this report recommends that Public Sector organisations need now to reconsider the value of food for the delivery of sustainable development and specifically enunciate its significance within their corporate objectives in order that the mandate for sustainable food procurement is explicit within the organisation.

## **The Shared Services Agenda and Food Procurement within Scotland**

Scotland Excel, NHS National Procurement and the SPS are all examples of where, in a theoretical way, there is a facility offered to allow SMEs to participate in contracts. In practice however the focus is firmly on aggregating contracts on the national scale. In Scotland, the public procurement of goods and services are organised into four categories of contract. Food and drink procurement contracts are categorised as A, B, C1 and C denoting; National, Sector Specific, Regional and Local respectively (see page 27).

Scotland Excel, in following one interpretation of the recommendations of the McClelland Report, creates a potential dichotomy for local authorities in Scotland as they endeavour to support the food and drink SME sector because there is of a mismatch between Category C (those items that can be locally sourced by individual organisations) and category B contracts (contracts aggregated on a sectoral national scale for the public sector) and this must be resolved.

National procurement inevitably restricts the ability of SMEs to engage with public sector organisations because they are unable to produce the volumes that are necessary or to distribute their produce throughout Scotland. SMEs could, however, successfully tender for contracts organised within their local area. There should be an acceptance that the predominant model of national procurement practiced by Scotland Excel, NHS Procurement and the Scottish Prison Service should be amended to allow local procurement, where the business case can be justified on sustainable development principles and evaluated on a balanced scorecard which accounts for financial and non financial factors.

An alternative model of food procurement is to recognise that in every part of Scotland there will be a number public bodies operating side by side such as the NHS, the prison service, universities, FE colleges and local authorities. There is obvious potential for public food procurement to join together on a regional basis to maintain or increase their purchasing power. This approach is entirely consistent with the 'Shared Services Agenda' and the ethos of 'Community Planning and Community Health Partnerships' which are designed to deliver health, community well being, and a better environment, within this food is a central theme.

By aggregating contracts, for example within local authority or health board boundaries, a more 'local' perspective could be introduced in a way that would increase the opportunity for SMEs to enter this market and to consolidate and grow their businesses. This approach would maintain the purchasing power of public sector organisations, would not discourage national food companies from tendering, but would provide increased opportunity for SMEs presently unable to tender for contracts.

For many business reasons indicated previously, and perhaps for individual reasons, it seems obvious that a local SME food producer will be more likely to tender for contracts if they are within the vicinity of their existing business.

### **Community Planning Partnerships a Focus for Food**

The Single Outcome Agreement also sets out how the Council and Community Planning Partnerships intend to measure progress towards their priority outcomes. This report therefore recommends a more radical proposal to strengthen 'Community Planning or Community Health Partnerships' and accordingly, that there should be a reconfiguration of the present arrangements for public sector food procurement by aggregating contracts within local authority or health board activity. This will create efficiencies consistent with the objectives of the 'Shared Services Agenda' and produce contracts for food which prefer the local scale. There is support for this within the McClelland report. It would require a significant policy change but it does recognise the multiple dividend that is

attributable to food and would ensure that a more local perspective could be introduced in a way that could increase opportunity for SMEs to consolidate and grow their businesses. It allows food to be developed as an important strategic issue within the work of Community Planning Partnerships or health service areas where it has real significance for community well-being. Within the McClelland report the following is stated;

#### **'Category C1 – Local/Regional Contracts**

There is an additional opportunity within Category C commodities and services for local or regional optimisation. This is where items that do not merit consolidation as A's or B's could be consolidated in a region to the benefit of purchasing power and optimisation of skilled resources. There are a number of consortiums already operating in this manner and I recommend that this practice be extended wherever beneficial. I also recommend that the relevant Local Authority take the lead role in proposing and organising this form of regional consortium procurement.'

### **Urban Challenges**

The place of Glasgow, Edinburgh, Aberdeen, Inverness and Dundee need to be considered in relation to sustainable food procurement. It is clear that these larger Scottish cities could be significant as a catalyst for change but the issues of scale, capacity and distribution are complex in this regard. Presently it is only the large food distributors who could deliver the needs of all of Glasgow's 300 primary, secondary, nursery and special schools for instance.

Public sector contracts are usually outwith the reach of the scale of a SME production and distribution capacity as they demand a large scale of supply, complex distribution and highly competitive prices to match the economies of scale that they offer. Established suppliers require a large scale of operation to make the smaller quantities and high number of delivery points economically viable. At the other end of the scale SMEs are not presently organised into distribution networks, hubs or co-operatives that could scale up to offer the volumes that are needed. So the concept of local suppliers and SMEs working with the large cities is at this time is some way off.

These same cities however have a duty to provide sustainably produced food to their customers and contribute to the delivery of sustainable development objectives, the same environmental benefits apply, the same health and educational benefits apply, and they can be a powerful economic driver for the food industry in Scotland.

The challenge therefore is for their procurement practices to be reconsidered by offering contract lots for areas within the city that can be supplied by SMEs, and through which small and large suppliers can tender for one or more geographical lots. It should also be possible to plan seasonal menus that provide the opportunity to an SME producer, to be competitive on price and forward plan to grow or rear sufficient amounts to be able to supply produce, in season, through an existing distributor to the local authority or hospital. This will require more sophisticated menu planning in the public sector. It is a recommendation of this report that when appropriate, tenders for supply of produce and distribution are tendered separately. At the same time, because of the volume of food that they require, there is a need to recognise that at this time Scotland is unable to meet their needs in full.

### **Increasing Competition and Interest by Segmenting Contracts into Lots**

Public sector organisations usually combine a range of produce within one contract; for example, a contract for dairy produce would as a rule include eggs, cheese, milk, and yogurt in a single contract. While it can be argued that SME producers must look at opportunities to combine their activity to make the supply chain more efficient, this

approach does automatically exclude a producer of a single product and favours large distributors of food.

Separating the contract into "lots" during the tendering process, can allow small and medium enterprises to bid for certain parts of supply contracts. This approach allows both small and large suppliers to compete on equal terms and, at the same time, avoids the danger of disaggregating demand, which would contravene EU Procurement Legislation which binds the Public Sector.

Lots can be split in any way, including by product or distribution area. Suppliers can bid for some or all lots. Letting the contract for supply only and distribution of certain product lines can not only help smaller producers gain access to public markets but also reduce overall distribution costs.

## **Guidance and Legislation - Integrating Sustainable Development into Public Procurement of Food and Catering Services**

There was a wide consensus of advice communicated through the Regional Meetings that use of regulatory powers and incentives would be the most effective way of bringing about the step change that is necessary in public sector food procurement. Specifically, the Guidance titled 'Integrating Sustainable Development into Public Procurement Of Food and Catering Services' produced in 2004 by the Scottish Executive, could be considered as legislation governing sustainable procurement of food by public sector organisations in Scotland. The present guidance was issued to local authorities with advice on various sustainable development objectives including encouraging local sourcing, fair trade, and waste, and how to pursue these various objectives whilst staying within EU procurement law. It explains how aspects such as freshness, quality standards and asking for seasonal, locally available produce can lead to more engagement from local suppliers. Unfortunately, its adoption was not widespread, perhaps because at the time it was too radical and did not fit with a low-cost catering culture that favours lowest price food options without regard to social and environmental impacts. In 2009, Scotland now recognises the health and environmental challenges of greater magnitude and the public sector is now increasingly aware of the need to reform into wider strategies for sustainability and community wellbeing.

Within the Schools (Health Promotion and Nutrition) (Scotland) Act 2007, local authorities are obliged to 'have regard to' sustainable procurement for food and catering services. This effectively means that, although education authorities must consider guidance issued by Scottish Ministers on sustainable development, they do not have any duty to ensure that the food and drink procured achieves a particular standard, or has particular characteristics that show provenance or how it has been produced and supplied in a sustainable way. While this allows authorities flexibility to include the principles of sustainable development, it does absolve councils from actually procuring sustainable food within school meals. This non-statutory approach may provide further insight into why the Guidance issued in 2004 was not adopted on any scale.

It is recommended that a short life work group is formed comprising professionals from both the supply and procurement sides to ensure that the guidance 'Integrating Sustainable Development Into Public Procurement Of Food and Catering Services' is redrafted, and achieves a workable consensus which has the effect of stimulating and increasing the amount of sustainable food used in the public sector, thereby determining how to make public sector food procurement in Scotland 'an exemplar for sustainable economic growth in terms of quality, health and wellbeing, affordability and sustainability'. It is further recommended that this group make recommendations on the suitability of this as statutory guidance.

## Managing Change

It is essential that sustainable procurement of food is adopted as a Corporate Objective across the public sector and that, in the case of local authorities, this is set within the Single Outcome Agreement. An effective sustainable food purchasing policy should therefore;

1. Designate a senior official with responsibility for implementing the action plan to procure sustainably produced food. This should be an elected official at Cabinet/Board level with a member of the corporate management team.
2. Devise a Catering Plan and a Procurement Plan to promote sustainable development through food procurement.
3. Obtain Cabinet/Board level endorsement for this.
4. Research the current procurement baseline from which can be measured improvement.
5. Develop SMART objectives which measure progress against a broad set of indicators that reflect economic, social and environmental factors.
6. Designate procurement officers and managers of catering services at an appropriate level to deliver the objectives and targets in the action plan.
7. Develop appropriate product Specifications and Compliance/Assurance Mechanisms, and supplier engagement strategies.
8. Have regard to the whole life cycle cost and benefits of food procured and link this with the organisation's social, economic and environmental objectives including carbon and GHG reduction objectives when these become available.
9. Provide appropriate staff training.
10. Report progress at the appropriate level within the organisation.

## Measuring Progress

Setting bold targets designed to encourage or mandate public sector organisations to increase the quantity of Scottish produce used in the Public Sector has been considered, and is an obvious and attractive proposition but this would be discriminatory, open to legal challenge, and directly contravene EU legislation. EU Procurement legislation is designed to open up the EU's public procurement market to competition to prevent "buy national" policies and to promote the free movement of goods and services. It does not allow public bodies to give greater weight to locally produced food and drink when deciding to award contracts. Nor is it possible within EU legislation to use food miles specifically as a reason for awarding a contract. Currently within the education and social services sector 34% of food used by the public sector is Scottish produce. This baseline offers a good opportunity on which to build. It is recommended as a guiding principle that a minimum of 35% of produce supplied to the public sector should be of Scottish origin and the Food for Life recommended target of 50% or greater should be considered good practice. There may also be a need for improved monitoring of the use of Scottish produce by food type, as these tend to correspond with the size of contract and type of supplier. The larger the contract, the more difficult it is for both suppliers and buyers to identify the share (DTZ 2009).

For that reason the recommendations that are brought forward focus more on placing an onus within public sector contracts to account for a range of sustainable development objectives and, for fresh food in particular, to set a timescale from harvest to delivery, provided that the timescale is reasonable and not likely to discriminate against non-local suppliers. This adds weight within the contract evaluation to recognising the significance of provenance and therefore opens the way for an advantage for the procurement of Scottish produce. Equally the specification of 'PGI or equivalent' for Beef & Lamb

products in contracts can guarantee increasing volumes of Scotch Beef and Scotch Lamb are being supplied to this sector. From this base, increasing numbers of smaller suppliers would be able to compete in the public sector in the knowledge that larger suppliers will not undercut them with non-PGI products. Effectively, this would allow a like for like price evaluation at the tender stage. The use of PGI and PDO has been slow compared to the rest of Europe and this is an opportunity missed.

It is recommended that in the life of Public Sector contracts, this should require suppliers to identify where products come from and monitor the quantity of Scottish produce used over time, as a percentage of the total by financial value. Monitoring the place of origin of our food, to help establish a meaningful KPI/SPI against which progress towards procuring more local supplies can be measured and might not be as difficult as first envisaged. Much of the information needed to do this is already available and held by suppliers, and has previously been made available for example during food scares when it is important to establish the origin of products as a matter of public safety.

If we consider this as a proactive function rather than a reactive one, it should be possible to require suppliers, through contract conditions relating to the issue of Management Information, to provide data on the place of origin. This could be as simple as a straight % of food deriving from Scotland and other stated geography over a period of time logically as a contract year. Monitoring of progress would then be demonstrated by this arrangement.

### **The Single Outcome Agreement and Food as a Stated Corporate Objective by Government and across the Public Sector**

For Local Authorities, Single Outcome Agreements are important practical examples of the new relationship between the Scottish Government, local government and partners. Each SOA provides a vision of strategic priorities for a local area, founded on an evidenced based assessment of local circumstances by the council and community planning partnership. These priorities should be aligned with the Government's purpose of Sustainable Economic Growth, set out in the Government Economic Strategy, and the National Performance Framework. The agreements should also set out how the council and Community Planning Partnerships intend to measure progress towards their priority outcomes.

The benefits of providing sustainably produced food to the public sector are many. The Public Sector through food provided in its hospitals, prisons, and the education sector has a unique and multi faceted role in delivering sustainable development; improving health, social justice, and economic growth, creating employment, reducing harmful environmental impacts, and sustaining education, skills and training. Food is a major determinant for health improvement and inequalities and it is directly relevant to each of four cross cutting themes in combination with poverty and inequality, economy and early years.

It is recommended that the adoption of Sustainable Food Procurement becomes an explicit Corporate Objective for all public sector organisations and NDPBs and forms part of the SOA for local government.

In order to measure progress in the food economy and the efficiency of SMEs to meet the needs of Scotland's hospitals, schools and welfare catering, prisons and NDPBs, as a guiding principle, a minimum of 35% of produce supplied to the public sector should be of Scottish origin and the Food for Life recommended target of 50% or greater should be considered good practice.

The percentage of food from Scottish origin used by each public sector organisation should be reported annually through their own mechanism for reporting SPIs to government.

Note: Within Scotland's 45 Performance National Indicators, there is no prominence explicitly given to the importance of food or drink. It is recommended that this be reviewed in order to support the implementation of the National Food and Drink Policy.

### **Future role of the Scottish Government, Food and Drink Industry Division**

There are different dimensions and challenges in the design of public sector catering systems. The NHS, SPS, Local Authorities, Universities and others manage different expectations, success factors and constraints to the realisation of what might be their vision for sustainable procurement, and crucially the dissemination and implementation of the National Food Policy will need to be monitored and supported. It will not happen without a momentum being created and maintained over time because a strategy to increase the amount of sustainable food used in public institutions, and particularly food from Scotland requires, along with adequate funding being made available, the hearts and minds of all stakeholders with a will to redesign priorities in procurement and the producer supply chain.

Currently, few producers have the capacity to take advantage of the opportunities which are available in public sector contracts. They tend to be independent and their production is not co-ordinated. The skill level of producers to organise their production, distribution and tendering skills will have to be addressed. In addition, there is in addition a need to build capacity in the supply chain in Scotland, to develop hubs and distribution networks, to work with Social Enterprises and to establish collaborative arrangements between producers and with appropriate funding Seafood Scotland could be tasked in using the European Fisheries Fund to better support the introduction of sustainable seafood into public organisations.

In the public sector there is a need to develop and embed more creative tendering procedures. Catering skills in some areas will need to be enhanced, and, in order to bring about change, it is recommended that public sector organisations should recognise that they have a role in reaching out to food producers in Scotland to be effective proponents for sustainable development.

It is recommended that within the FDID, an officer should be appointed to link with training delivery partners, develop food producer co-operatives and hubs, interface with the public sector procurement and catering managers, build influence with Foodservice companies who are the major suppliers to the public sector, and develop co-operation among public sector procurement organisations and producers involved in the supply chain. The SAOS who have been commissioned to develop a model, the legacy of which will be to provide the knowhow and resources to achieve much of this (or another suitable organisation) could also be approached to assume responsibility for this success critical area for the implementation of the National Food and Drink Policy.



# RECOMMENDATIONS

The following recommendations are made from a culmination of a series of indepth face to face meetings held with influential organisations and professionals active across the landscape of public sector food procurement. The three Regional Meetings held were participative and informative and brought together a wide exchange of experience and insight on the supply and procurement of food and drink drawn from the perspective of producers, distributors, purchasers and catering officers. Together other research based work, their input was a vital contribution to the development of the recommendations.

NUMBER	PROPOSALS THAT WOULD REQUIRE LEGISLATION	WHY?
1	Food should be highlighted in the Scottish Climate Change Bill or any supplementary Guidance as a carbon intensive industry and major contributor of methane and other GHG emissions.	Signposting this within the Bill, supplementary guidance and Scotland's Climate Change Declaration will identify that Public Sector Organisations must practice sustainable procurement for food, and by joining up food procurement objectives with sustainable development objectives, reduce its ecological footprint.
2	<p>Scottish Government policy is that public sector buyers should take account of relevant sustainable development objectives when awarding contracts for food and catering services. It is recommended that the guidance 'Integrating Sustainable Development into the Procurement of Catering Services' is reviewed, and as it will become a key part of the National Food Strategy consideration should be given to this becoming Statutory Guidance.</p> <p>In order to achieve this it is recommended that a short life working group involving all parts of the public sector affected to ensure that there is ownership and that the Guidance is fit for purpose.</p>	Adoption is critical if public sector procurement in Scotland is indeed to become an 'exemplar of sustainable economic growth' in the food sector. The benefits are holistic and cross cutting. Food is a key driver of sustainable growth and security for Scotland. Legislation will deliver the necessary mandate for public sector organisations to lead by example in the implementation the Food Strategy. Otherwise lowest price will override sustainable development in the procurement process.
3	Review the success of the current policy for free school meals in primary years 1-3 and consider extending this to all primary years. This will require additional funding.	Engaging children at an early age is a good way of changing current habits in relation to food consumption and choices. It will provide an expanded stable market for through which producers can develop.

NUMBER	PROPOSALS THAT WOULD REQUIRE POLICY CHANGE	WHY?
4	It is recommended that the adoption of Sustainable Food Procurement becomes an explicit objective in the SOA and for all Public Sector Organisations and NDPBs.	Sustainable Food Strategies are a critical area of public policy and food should be afforded a prominence by national and local government as being strategically important in its own right, rather than a less significant component of major policy areas such as education, health or economic development. Public Sector organisations need now to reconsider the significance and value of food for the delivery of sustainable development and explicitly include this within their corporate objectives.
5	Within Scotland’s 45 National Performance Indicators there is no prominence given explicitly to the importance of food or drink. It is recommended that this the contribution of food and drink to the National Performance Framework be assessed in order to support the implementation of the National Food and Drink Policy.	The significance of Food Policy for ‘sustainable economic growth in terms of quality, health and wellbeing, affordability and sustainability’ is important for Scotland.
6	To strengthen ‘Community Planning Partnerships’, derive a new benefit from the ‘Shared Services Agenda’ and foster food contracts which encourage local and smaller suppliers, there should be a reconfiguration of arrangements for public sector procurement allowing aggregation of contracts across sectors within local geographic areas. This might include, for example, Local Authority and Health Service requirements.	This would maintain economies of scale and allow food and drinks to be developed as an important strategic issue within the work of Community Planning or Health Partnerships where it has real significance for community well-being. Public Sector Organisations could then maintain or improve their purchasing power while stimulating opportunities for SMEs, providing wider community benefits and apply the principles of sustainable procurement. SMEs excluded from tendering because of an inability to meet the demand and distribution requirements of national contracts, would benefit from this approach.

7	<p>The Single Outcome Agreement with Local Authorities and equivalent mechanisms with other public sector organisation should require that monitoring the place of origin of food in all public sector contracts, to establish a meaningful KPI against which progress towards procuring more local supplies can be measured. As a guiding principle minimum of 35% of produce should be of Scottish origin and the Food for Life recommended target of 50% or greater should be considered good practice.</p>	<p>To recognise the high Importance of food to the Scottish economy, for its impact on Climate Change, and the health and well being of individuals and communities.</p>
8	<p>Scotland Excel by following the recommendations of the McClelland Report creates a potential dichotomy between Category C (those that are to be procured by individual organisations) and category B contracts (commodities procured at a sectoral level) which should be resolved.</p> <p>This can be addressed in 2 ways. Either there should be an acceptance that the predominant model of national procurement practiced by Scotland Excel, NHS Procurement and the Scottish Prison Service or it should be amended to encourage local procurement where the business case can be justified if including if required on a non-savings basis - sustainable development and health and well-being for example, - and evaluated on a balanced scorecard which accounts for financial and non financial factors. In the case of Local Authorities this would require that food should be designated a Category C commodity. In the case of the NHS and SPS a review of current practices would be required.</p> <p>However it is also recommended that a further, more informed approach is taken by supporting the treatment of food as a commodity to be dealt with as a category C1 contract, as envisaged in the McClelland report, allowing food and drink contracts to be aggregated within the combined purchasing power inside local authority or health board boundaries. This would effectively create a <i>'Community Planning Food and Drink Purchasing Consortium'</i>.</p>	<p>SMEs are generally unable to compete for contracts let Scotland wide and are therefore at something of a disadvantage.</p> <p>Food <i>is</i> different and has a social, economic and environmental capacity for the delivery of sustainable development on a community scale. Its procurement should be regarded differently from the procurement of other consumables. Locally situated SME food producers will be more likely to be interested and able to tender for contracts if they are close by their existing business. Food and drink contracts aggregated within the combined purchasing power inside local authority or health board boundaries will advance the 'Shared Services Agenda and can directly strengthen 'Community Planning and Community Health Partnerships'.</p> <p>It is possible to divide category B requirements into lots, on a commodity or geographical basis and this might offer more opportunities to small and local suppliers. The emphasis on cost reduction tends to work against this approach, however, and leaves the Procurement Centres of Expertise with a difficult balance to strike. This is particularly relevant to the procurement of food with its inherent ability to deliver benefits which may not show up in direct savings but derived from a reduction in downstream environmental, health and well-being, welfare benefits system, and costs to the NHS.</p>

9	All parts of Public Sector Food Procurement in Scotland should have regard to good practice identified in the 2008 report ' <i>Accelerating the SME Economic Engine</i> ' by HM Treasury.	In order to streamline procurement processes and improve access to opportunities for SME's it is recommended that the 12 key recommendations be homologated into the recommendations from this workstream for all parts of the public sector food procurement.
10	Food as a discrete subject area should be developed within the framework of ' <i>A Curriculum for Excellence</i> ' and offered by the SQA at standard grade and higher.	Sustainable Food Strategies are a critical area of public policy but Scotland has a poor cultural association and awareness of the impact of food on health and the environment. This can be improved significantly by elevating its importance within the school curriculum. In addition the Schools (Health Promotion and Nutrition) Act 2007 calls for a Whole School approach and stresses the importance of sustainable development in relation to the purchase of food.

NUMBER	FINANCIAL GOVERNANCE	WHY?
11	Producers of sustainable food articulate their commitment to produce quality food for the public sector at an economically viable price but regard the public sector to be focussed on a low cost catering culture.	The price tendered has to be economically viable for SMEs, and, affordable within public sector budgets. This either requires additional funding from Government to meet the higher cost of sustainably produced food or a reprioritisation within internal budgets.
12	<p>The cost of 'locally' sourced and sustainably produced food is <i>generally</i> higher than prices available by nationally procured contracts.</p> <p>The funding currently available in public sector budgets leaves little room for creative procurement. This either requires additional funding from Government or a reprioritisation within internal budgets.</p>	The 'whole life' cost of food has to be recognised. The balance between price and quality, and sustainable development including costs attributable to health and climate change, have to be acknowledged by both sides of the purchaser provider equation, and factored into the business proposition.
13	There should be National Nutrient Standards for the NHS, and the Scottish Prison Service in support of health improvement objectives as there is through the Schools (Health Promotion and Nutrition) (Scotland) Act 2007. Funding should be allocated to support this and Food and Drinks budgets within this should ring fenced in order to maintain impetus for the delivery of The National Food and Drink Policy.	<p>Real "value for money" needs to be buttressed by a broader metric of sustainability that reflects a range of social and cultural values, rather than a one-dimensional economic value.</p> <p>Hungry for Success – A Whole School Approach for School Meals made funding available to improve the quality of school meals and the Schools (Health Promotion and Nutrition) (Scotland) Act 2007 and proved an effective catalyst for change benefiting producers and consumers.</p>
14	There should be a bi-annual review of public sector food budgets; this also should be recognised in the Concordat with local government in order to support the National Food and Drink Policy.	To support the implementation of the National Food and Drink Policy and to maintain the focus for better health, education and employment sustaining the impetus for sustainable development allowing public sector caterers, procurement officers, and food producers to work strategically.
15	Where key policies and legislation are in place for diet and health, such as the Schools (Health Promotion and Nutrition) (Scotland) Act 2007, budgets for food and drink should <i>be ring fenced</i> to ensure maximum impact in support of the Government's food strategy and health promotion objectives.	Food is seen as but one commodity within ancillary activity and as such it is vulnerable. When included as part of an overall funding allocation it will not receive the significance required by a Strategic National Food Policy.

16	The Scottish Rural Development Fund and the European Fisheries Fund could be used creatively to better support the introduction of sustainable food into public sector organisations.	The funding allocated is part of the producer / purchaser equation. A more creative use could be used to incentivise public sector organisations to use more sustainable food from Scotland.
NUMBER	GOOD PRACTICE & INNOVATION	WHY?
17	It is recommended that as soon as possible a series of 'Good Practice Guides and Toolkits' are produced to provide food producers, buyers and catering staff with a clear and practical guidance framework to assist in the procurement of sustainable of food in the public sector	The ambition of SME's to participate in public sector tenders is not always matched to the necessary skills and experience and this will also test the resolve of independent producers to step up their strategies for food production, processing and distribution. Producer and business support organisations should be encouraged to make this type of training and business support widely available.
18	It should be possible to require suppliers, through contract conditions relating to the issue of Management Information, to provide data on the place of origin.	Monitoring the place of origin of food in all public sector contracts, to help establish a meaningful KPI against which progress towards procuring more local supplies can be measured. This could be as simple as a straight % of food deriving from a specific geographic area or areas over a period of time as a contract year. Monitoring of progress on the uptake of Scottish produce would then be demonstrated by this arrangement.
19	Procurement strategies used by Public Sector organisations should place high value on sustainable development to take advantage fully of the EU award criteria 2004/18/EC of the European Parliament.	There should be parity of esteem between competitive price and sustainability criteria in order to introduce sustainably produced food into public sector organisations. When evaluating tenders, a balance of 50% cost and 50% quality should be considered normal.
20	Improve access to tenders.	The evidence suggests that suppliers want to do business with the public sector but complain that they are not informed of opportunities or how to pursue them and are not given sufficient information. The Public Contracts Scotland Portal will help and should be widely publicised.

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In order to bring about change public sector organisations must recognise that they have a role in reaching out to food producers in Scotland. Through 'meet the buyer events', information on web sites, direct emailing, and other collaborative means public sector organisation should seek to forward plan and work with suppliers. They should be supported by 'Supplier Development Programmes'.

Food producers can develop their business plan to build capacity and take account of products and specifications which will be included in future tenders.

22	<p>Procurement Organisations should actively work to assist SMEs to develop, widen the supplier base and develop the contractual relationship.</p>	<p>Procurement Officers should liaise with potential suppliers and provide information to increase their awareness of upcoming opportunities and give guidance on how to effectively tender for government work. Post-contract award, public bodies should work with their suppliers to further enhance the contractual relationship for delivering the requisite goods and services, which should have a positive effect for future contracts.</p>
23	<p>All public sector organisations should have the ability to place their own contracts if they wish but should have access to competitive contracts that allow options for 'local' sourcing to be backed up by nationally procured contracts through Scotland Excel, NHS, and SPS.</p> <p>(Within the section on Policy Change and alternative model is also recommended which proposes that food and drinks are excluded from the recommendations of the McClelland report to allow food and drink contracts to be aggregated within the combined purchasing power inside local authority or health board boundaries to form localised 'Community Planning Food and Drink Consortia').</p>	<p>This would provide the guarantee of supply, address concerns about seasonality and food availability, and cost management all of which are of critical importance for publicly funded organisations.</p>
24	<p>Public sector organisations should advertise food tenders a minimum of 12 months in advance.</p>	<p>In order to allow SME's to plan for, build capacity, and to develop coherence between supply and demand, to produce at the appropriate quality, and to meet the product specification at an economic price.</p>
25	<p>Public Sector Organisations should advertise contracts for food categories segmented into individual lots by a defined geographical area and/or by product. For example separate lots for; Soft drinks, Milk, cheese, eggs, fresh meat, fish, poultry, fruit, vegetables, cereals, groceries or any suitable configuration. Tenderers would be invited to express interest in one or more lots.</p> <p>A matrix or 'patchwork' of options is necessary avoid disaggregating demand which would be in conflict with EU legislation.</p>	<p>This will provide the opportunity smaller food producers of one product to tender for contracts.</p>

<b>26</b>	In menu development across the public sector seasonal food which can be grown in Scotland should be preferred and the amount of vegetarian food offered on menus should be increased. Fish and shellfish from sustainable and well managed sources should be preferred.	To recognise the financial and environmental cost of importing food and to increase opportunities for food producers by specifying more fresh and seasonal produce that can be produced in Scotland.
<b>27</b>	Public and Product Liability Insurance requirements should not be as onerous as to be a disincentive SMEs to tender or be a disproportionate cost in their tender price.	Public sector procurement normally demands high levels of guarantees on insurance cover, with requests for either bonds or parent company guarantees which can exclude SME's because they are too expensive or onerous to accept.
<b>28</b>	PGI/PDO status should be considered in tenders.	<p>To improve the opportunity to select Scottish Produce by specifying PGI or equivalent for Beef &amp; Lamb products. This would encourage increasing volumes of Scotch Beef and Scotch Lamb being supplied to the public sector .with a price comparison based on a like for like decision rather than competing with non PGI produce.</p> <p>The benefits of this will cascade through the supply chain for farmers, feed merchants and abattoirs and processors in Scotland</p>
<b>29</b>	Public sector contracts should when appropriate relax certain product specifications for example EC Class 1 for fruit and vegetables.	Nutritional quality is maintained and the opportunity within tenders is increased.
<b>30</b>	In order to create short and efficient supply chains Food Producers should ideally develop consortia or hub arrangements or on a co-operative basis forming arrangements with a distributor who can deliver to individual catering sites. Alternatively producers awarded contracts on a local basis can deliver direct.	The shorter the chain the more competitive and cost efficient.
<b>31</b>	<p>FDID should support the development of the necessary skills and training opportunities throughout the supply chain to establish or encourage more food producer co-operatives and hubs to take up the public procurement opportunity and increase co-operation among buyers and producers.</p> <p>This could be delivered directly by FDID. Alternatively, SAOS under its current role, or other producer organisations, should be approached to assume responsibility for this key development area.</p>	<p>Currently few producers have the capacity to take advantage of the opportunities which are available in public sector contracts. They tend to be independent and their production is not co-ordinated. There is a need to develop capacity to supply large scale catering contracts through hubs, distribution networks and to establish effective collaboration between producers.</p>

32	It is recommended that producer organisations and business support organisations encourage the universal adoption of effective food safety assurance schemes and provide the necessary support and training to achieve this.	Public Sector organisations require this as a matter of due diligence and should be a condition for the award of a contract.
33	The Government's Communications Directorate should be engaged to develop a media campaign to raise awareness of the National Food Policy and the benefits for Scotland.	To promote understanding of the benefits to the public, producers, catering staff, and procurement officers, and to encourage an increase in the uptake of sustainable fresh food, and tenders, from small and local producers
34	SAOS should be commissioned to develop a model which will involve a group of producers and address the legal, financial, business development, supply distribution and capacity issues, together with training in contractual matters and tender preparation that are necessary for participation in public sector contracts.	The ambition of SME's to participate in tenders is not always matched to the necessary skills and experience. This real time experiment will produce a toolkit of guidance and make available a suite of off the shelf paperwork, ratios and resources which SME's can use.
35	There needs to be more engagement with the wholesale Food Service Sector as major purchasers and distributors of food and drinks.	To take advantage of Foodservice distributor transport arrangements and to assist producers to take advantage of nominated supplier, and core products status in their product catalogues.
36	Producer and business support organisations should be encouraged to offer the necessary business development and tender preparation training that is required to compete for public sector contracts.	In the food sector the ambition of SME's to participate in tenders is not always matched to the necessary skills and experience. This will test the resolve of independent producers to step up their businesses and their skill sets to secure contracts which are tendered by the public sector. Along with business and enterprise support Climate Change funding might be one route to support and training for producers to meet standards to supply.

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Social enterprises are increasingly able to compete for contracts, particularly fruit and vegetable growing. These businesses can offer cost effective, responsive and innovative solutions to procurement needs.

Social Enterprises can have a major impact in achieving a social, and economic dividend in local communities. Government policy is for community enterprises to develop and fulfil a role in helping to deliver public services.

## Appendix 1

### The Ten Questions discussed at Regional Meetings

**The following questions are intended to focus discussion and elicit your experience in relation to the significance of this work, current practice, opportunities that the National Food and Drink Policy can create, barriers to this which have to be overcome and the mechanics of making this happen.**

#### For Procurers:

1. Key objective of the Scottish Government's policy is to increase the amount of sustainable food used by the public sector. How aware are you of this?
2. How well is this objective integrated within your organisation's policies, procedures and business planning?
3. What gaps and inconsistencies in the guidance/in the organisation are apparent?
4. What is the current practice for food procurement or food supply (distribution) within your organisation? Is this typical of other parts of Scotland?
5. Guidance on the use of quality and sustainability criteria was issued in 2004. A refreshed version is about to be reissued. Are you aware of this guidance? How widely is this guidance understood? Does your organisation take account of this in tendering. If yes, how has this worked? If no, why not? How can the guidance be improved to make it more widely adopted?
6. What needs to be done to make the public sector and exemplar for sustainable economic growth in relation to your area of activity? (consider both food production, supply, public sector procurement).
7. What opportunities does this present? What are the tangible benefits? What would represent success?
8. What difficulties stand in the way of success and how can they be overcome from the producer, purchaser standpoints? (cost, capacity, training, distribution, consistency of quality and supply etc)
9. What is the best way to introduce and implement Scotland's future food policy within your area of activities? How should it be presented? How should its effectiveness be 'sold'?
10. How should success be measured?

#### For suppliers:

1. What attracts you to supplying food (or catering services) to the public sector?
2. What sources of information/advice do you make use of?
3. Bearing in mind that guidance has been available now for some time, what does the group feel is required to move the issue forward? What, if anything, different would be useful for prospective suppliers?
4. What is preventing producers etc from getting involved in public sector contracts?
5. When involved in supply to the public sector, what are the obstacles for suppliers? How can the issues be resolved.

**SROI: Food for Life School Meals in East Ayrshire**

<b>Outcome Type</b>	<b>Indicator</b>	<b>Value in £s</b>
<b>Environmental Outcomes</b>	Reduced food miles leading to less CO2	93,532
	Reduced food miles leading to avoided costs of environmental damage	3,513
	Savings in costs to the environment of externalities of organics	478
	Sub-total of environmental outcomes	<b>97,522</b>
<b>Economic Outcomes</b>	Profit increases from FFL contract	61,813
	Value of additional employment	18,018
	Local economic impact of FFL contract	137,169
	Value of new land brought into organic production	41,250
	Sub-total of economic outcomes	<b>258,250</b>
<b>Health Outcomes</b>	Reduction in production of children with a body mass index outwith a healthy range	62,104
	Reduced future health conditions: cancer	7,127
	Reduced future health conditions: coronary heart disease	2,496
	Reduced future health conditions: stroke	3,352
	Value of FFL as a health promotion campaign	1,887
	Sub-total of health outcomes	<b>76,966</b>
<b>Other Outcomes</b>	Increased uptake of FFL school meals compared to non-profit schools	42,259
	Value of media campaign to achieve similar reputational advantage	9,500
	Reduced staff absence levels in pilot as opposed to non-pilot schools	25,051
	Value of staff training (netted off against investment)	
	Sub-total of other outcomes	<b>76,810</b>
<b>Total</b>		<b>£509,547</b>

## Appendix 3

### **CREATIVE PROCUREMENT PRACTICE Example of Tender Evaluation Model**

#### **Evaluation Criteria:**

**50% financial, 50% quality, with the quality evaluation broken down as follows**

#### **Method Statement A Ability to Supply to Deadlines (15%)**

- Adaptability - alternative delivery methods
- Timescales from Harvest to Delivery

#### **Method Statement B Quality & Range of Food Stuffs (15%)**

- Shelf life
- Traceability & Recall Procedures
- Quality System - approved by accredited certification body
- Product Assurance Schemes
- Inward Inspection Procedures
- Procedures for Inspections during manufacture
- Equipment Inspections
- Ethnic, Cultural, Religious Diet Needs
- Seasonal and Traditional Produce
- PGI/PDO Standards

#### **Method Statement C Food Handling Arrangements & Facilities (10%)**

- Safety in the Working Environment
- Training Opportunities for Existing and New Staff
- Equal Opportunities
- System of Food Safety Management - eg HACCP
- Membership of Food Associations etc

#### **Method Statement D Environmental & Social Responsibilities (10%)**

- Contribution to Sustainable Development, eg Biodiversity Promotion, Opportunities for Creating Employment
- Minimising Energy Consumption
- Minimising Packaging
- Minimising waste, eg re-use, recycle, composting
- Approved Animal Welfare Standards (details of housing, diet etc)
- Minimisation of Use of Chemicals for Growing
- Account of Social Impact/Ethical Sourcing

Note: It is not permissible to specify Fair Trade produce as the Fair Trade description does not relate to the physical attributes of the produce but rather to the circumstances of the grower/producer/supplier. Nonetheless it is possible for public bodies to support fair trade producers provided it is done in a non-discriminatory manner as explained here; <http://www.scotland.gov.uk/Resource/Doc/1265/0009391.pdf>

Appendix 4

**Illustrative Figures, the Winning Tender is not the Lowest Priced.**

<b>SAMPLE TENDER EVALUATION MODEL</b>					
			<b>All Figures are Dummy</b>		
<b>TENDER EVALUATION</b>			LOT #	LOT #	LOT #
		Max Points	Tenderer 1	Tenderer 2	Tenderer 3
	<b><u>Financial Evaluation</u></b>				
1	Financial Amount from Form of Tender		£90,120	£120,500	£121,800
2	Financial Bid transposed into points	<b>50</b>	<b>50.00</b>	<b>37.39</b>	<b>36.99</b>
	<b><u>Quality Evaluation</u></b>				
3	Ability to Supply to Deadlines (Method Statement A)	15	5	12	14
4	Quality & Range of Foods (Method Statement B)	15	10	10	12
5	Food Handling Arrangements & Facilities (Method Statement C)	10	8	9	9
6	Environmental & Social Responsibilities (Method Statement D)	10	4	8	7
	<b>Total Added Value Points:-</b>	<b>50</b>	<b>27</b>	<b>39</b>	<b>42</b>
	<b>Total Points Scored:-</b>	<b>100</b>	<b>77.00</b>	<b>76.39</b>	<b>78.99</b>
			2 <sup>nd</sup>	3 <sup>rd</sup>	Winner

## **Appendix 5**

### **The Landscape of Public Sector Food Procurement**

The Landscape of Public Sector Food Procurement is described on the following pages through a collection of Position Statements which representative organisations were invited to submit in response to key questions.

#### **Public Sector Procurement Organisations**

1. A factual description of XXX National Procurement's current procurement arrangements for food and drinks.
2. Outline why the current arrangements for the procurement food and drinks is arranged in this way.
3. A description of the range of types of XXX facilities that this covers.
4. How can the XXX organisation contribute tangibly to the Food and Drink Policy? Is change necessary? How can opportunities be created or introduced within the procurement process to increase the amount of sustainable food and encourage SMEs in Scotland?

#### **Contracted Catering Services**

1. A factual description of the current procurement strategy for the delivery of catering services.
2. Outline why the strategy for the procurement of catering services for food and drinks is being arranged in this way.
3. A description of how the provenance, range and types of food and drinks to be used in the delivery of the caterings services are highlighted within the contract. How is Scottish food to be featured?
4. How can the provisions of the catering contract contribute tangibly to the National Food and Drink Policy? How can opportunities be created or introduced within the procurement process to increase the amount of sustainable food and encourage SMEs in Scotland ?

#### **Producer Organisations**

1. An overview of XXX members current supply/sales arrangements for food and drinks.
2. Outline why these currently are arranged in this way.
3. How can the XXX producers contribute tangibly to the Food and Drink Policy? Is change in how they currently organise themselves necessary? How can opportunities be created or introduced within the procurement process to increase the amount of sustainable food and encourage SMEs in Scotland?

#### **Private Foodservice Procurement Arrangements**

1. A factual description of XXX current procurement arrangements for food and drinks.
2. Outline why the current arrangements for the procurement food and drinks is arranged in this way.
3. How can the procurement arrangements contribute tangibly to the Food and Drink Policy? Is change necessary? How can opportunities be created or introduced within the procurement process to increase the amount of sustainable food and encourage SMEs in Scotland ?

#### **Private Foodservice Provider - Distribution and Supply Arrangements**

1. An overview of XXX members current supply/sales arrangements for food and drinks into Public Sector government sponsored organisations such as prisons, hospitals, schools and other government contracts.
2. Outline why these currently are arranged in this way.
3. What is the potential for smaller food producers working with XXX on distribution?
4. How can the XXX contribute tangibly to the Food and Drink Policy? Is change anticipated in how XXX currently organise? How can opportunities be created or introduced within the procurement process to increase the amount of sustainable food from Scotland and could XXX's place in the market be used more to encourage SMEs in Scotland ?

## **SCOTLAND EXCEL & LOCAL AUTHORITIES**

### **1. The Current Procurement Arrangements for Food and Drinks.**

The McClelland Report (published 15th March 2006) challenged the Scottish Public Sector to make significant improvements in procurement in a relatively short timeframe. The expected financial benefits of improving procurement across the Scottish Public Sector are articulated in the McClelland Report. The Programme includes changes to policy; delivery of cross-sector collaboration and structures to support it, including the establishment of procurement centres of expertise; improving procurement management information; enhancing skills and practices; improving procurement efficiency and improving supplier relations.

Launched on 1st April 2008, Scotland Excel is the non-profit-making organisation which is funded by participating local authorities. Scotland Excel was created as one of four sectoral centres of expertise, following recommendations from the government-commissioned McClelland Report, to improve the efficiency and effectiveness of procurement in Scotland. Its purpose is to serve local authorities and related organisations across Scotland with a comprehensive, professional and customer-focused procurement service.

Scotland Excel will act as the delivery agency for local government and partner organisations Category 'B' (sectoral) commodities. It will also play a role in the Category 'A' (national) commodities and Category 'C' (local) commodities acting as the main point of contact for national initiatives, supporting the development of council procurement initiatives and facilitating cluster initiatives at a local level.

The key objectives of Scotland Excel are to:

- Reduce cost and increase the quality of service from suppliers through collaborative procurement initiatives
- Facilitate more effective dialogue between procurement professionals and partner service departments by creating a customer-oriented organisation
- Increase the level of expertise and capacity in local authority procurement
- Deliver business benefits within the supply chain community by fostering innovation and effective partnerships with key suppliers, small- and medium-sized enterprises, trade associations and other public and private bodies at all levels
- Develop an approach that is scalable for all Scottish local authorities
- Manage the transition to the Centre of Expertise in line with the McClelland recommendations and timescales

We have dedicated teams who are experts in their commodity areas and in negotiating contracts. The teams are responsible for working with local authorities to understand their needs and establish appropriate contracts to meet these needs, and to maximise the potential benefits for all involved.

The team dedicated to Catering and Cleaning has a portfolio in excess of £80 million spend per annum. 75% (approx £60 million) of this annual spend relates to food and drink. There are five key food and drink contracts: Groceries and Provisions, incorporating snacks and drinks, Water Cooler Solutions, Frozen Foods, Meats, including fresh fish, and Milk. Specific details are included in Appendix 1.

All 32 Scottish local authorities have access to Scotland Excel contracts. These contracts that are being developed by Scotland Excel also have flexibility to include other national public sector organisations: Advanced Procurement for Universities and Colleges (APUC), National Health Services (NHS), Scottish Prison Services (SPS) – see Appendix 2.

### **2. Why the Current Arrangements for the Procurement Food and Drinks is Arranged in this Way.**

The role of Scotland Excel is to achieve the best value in relation to Financial, Service, Quality and Administration (Award Criteria) in any contract we deliver. Scotland Excel contract reflect the specific requirements of authorities within the tendering process and tender documents, e.g. Core Products, volumes and strategic/operational requirements.

Scotland Excel, as the Centre of Expertise for local authorities, will lead and influence authorities where possible. However Scotland Excel is also driven by the authorities' strategies and objectives.

The consultation process with authorities is key to deliver what they want, at what quality/cost. Price (the financial aspect of Award Criteria) is very often scored highly

Scotland Excel will also lead and encourage investment from suppliers to develop value-added contracts that meet the changing needs of authorities.

Hungry for Success, the Nutrition Act, quality products, specifications, Food Standards Agency (FSA) Quality, Assurance and Accreditation, are all very apparent and an important aspect within tender documents and encourage quality.

We operate a full contract management process and provide full support to authorities on any contract queries they may have such as delivery, prices, product availability and supplier complaints. The catering/cleaning team monitors each contract to identify and quickly resolve supply issues at both operational and strategic level.

### **3. How can Scotland Excel Contribute Tangibly to the National Food And Drink Policy?**

- The way our tenders are prepared is to encourage as much participation from small and medium sized Enterprise (SMEs). Tenders can be awarded on a Geographical lotting to ensure SME's are not disadvantaged. Suppliers can offer for all or any authorities.
- Within tender documents and after the award of contracts, Scotland Excel will encourage suppliers to operate in sustainable manner. We are very aware that sustainability is high on the agenda for Scottish Government.
- We have recently amended the scoring on Environmental aspect of our tenders e.g. the recent Frozen Foods tender, Quality was weighted at 20% of the top level weighting, of which the subsection Environmental accounts for 30% (of that 20%). This contrasts with the earlier Groceries tender where it had been weighted at only 10% of the Quality section, where Quality was 25% of the top level weighting.
- We aim to simplify where possible tender documents and process for suppliers.
- After award of contract we work with contracted suppliers to encourage small and medium sized growers/manufacturers/producers. We also receive Key Performance Indicators (KPIs) relevant to origin of product as well as general KPI's on quality and service.
- Scotland Excel also have a nominated line process for products where products can be added to a contract where authorities provide a commitment of minimum volumes.
- Scotland Excel also ensure that any perceived obstacles are investigated and addressed by attending and participating at Meet The Buyer Events that are general, not commodity-related. We do conduct regular forums to promote good buyer/supplier relationships such as holding supplier open days.
- Scotland Excel can assist the Scottish Government in publicising the Advertising Portal by actively encouraging suppliers to
- Ask suppliers for Marketing Plan. This won't be scored with award criteria but will be assessed and encouraged after award.
- If relevant and required by authorities, include pricing options in tenders, e.g. Butchermeat. Pricing options also for Protected Geographical Indication (PGI) products.

- Non-Core products will always include organic/fair trade. Prices can be negotiated if sufficiently high volumes are committed to by authorities and the products can be included as core.
- Fair Trade cannot specifically be detailed in tender as it is a social aspect of a product, not quality, but at post-tender negotiations or after award of contract Fair Trade options are welcomed.
- Encourage and suggest to suppliers to operate "Good Practice" with regards to sustainability

**Potential Dichotomy between Food and Drink Policy aims and Scotland Excel's contracts**

- The option of a two-tier contract, as explained by Robin Gourlay, would entail a local authority placing a local contract with a local supplier (the example discussed was milk) and using a nationally negotiated Scotland Excel contract as a strategic back-up should there be a local supply issue or failure.

Scotland Excel's view is that this should more accurately be described as a local sourcing strategy and that there may be some difficulties with this arrangement.

1. The offering of a contract to a regional or national supplier as a "strategic back up" with no commitment to buy except on the occasion when a local supplier failed to ensure continuity of supply would be difficult to sell.
2. With existing contracts, if the local authority committed to use the Scotland Excel contract but then chose not to then the supplier would have a legitimate right to challenge the contract's validity.

From a supplier's perspective, local authorities and Scotland Excel would be seen as having misled them on potential volumes and values of business they intended to place with them. These business forecasts would have formed the basis of pricing and any supply chain/logistical investment the suppliers would have had to make to ensure local servicing requirements had been met.

## **SCOTTISH PRISON SERVICE - FOOD PROCUREMENT PROCESSES**

### **Information to inform the National Food and Drink Policy - Public Procurement of Food Regional Meetings - Workstream 4 – Walk the Talk**

#### **Background**

As the aggregated value of food expenditure is greater than the relevant value thresholds, the majority of food purchased by the Scottish Prison Service is undertaken in accordance with EU Procurement Legislation. Adverts are placed in OJEU (Official Journal of the European Union), the Scottish Government and SPS's websites to generate interest in the marketplace. SPS will also consider advertising in trade magazines as another avenue to stimulate interest.

SPS have 5 food/drink contracts details below, –

- Fresh Meat and Poultry
- Frozen Food
- Pre packed Food
- Milk & Dairy Products
- Bread & Bakery

SPS has appointed a dietician to work with catering staff at each prison to review the types of products currently being used and to bring the product range in line with recommendation from the Food Standards Agency. SPS is working towards a 3 year menu improvement plan and as part of this exercise the dietician will review all food specifications prior to tenders being conducted.

#### **Procurement Process**

A key part of the procurement process is the compilation of a category plan which is completed before the formal procurement exercise commences. This document incorporates the internal customer requirements and considers all supply market aspects, then recommends the procurement strategy to be followed. While the strategy is being defined, a working group within SPS will review the contract specification.

Part of our strategy consideration is determining whether the contract is to be tendered as a whole or whether it should be split into geographical regions or into product lots. Doing this may not only encourage SME's to bid but might also provide SPS with a more appropriate solution.

SPS actively contacts companies (sourced via the internet, Yellow pages or trade magazines) at the start of compiling the category plan to see if they have the product range and capabilities to meet the requirements.

SPS has a number of constraints that are considered when completing a category plan and they include:

- Each prison is given an annual budget for food and each prison then place orders weekly or bi weekly direct with the suppliers. Suppliers must have the logistic capability to deliver in Scotland and be able to manage any security issues that may occur when they are delivering to any prison.
- There is a potential security breach every time the prison gate is opened. SPS tries as far as possible to reduce the number of deliveries. Splitting some contracts into lots to assist SME's, potentially conflicts with this security aim.

- SPS spend significant time escorting a vehicle within the prison. This adds to the cost of accepting additional deliveries from more than one supplier, which in turn affects the cost of processing an order (soft costs).
- The geographical spread of prisons within Scotland, ranging from Peterhead to Dumfries, can be problematic for suppliers. All prisons must be treated the same. SPS would find it difficult to justify using 2 suppliers with different costs when one supplier could provide all goods.
- SPS buys a lot of ready prepared food. This is good for portion control (ie size) and is very important to prisoners it also helps SPS to effectively manage our budget. While this is slowly changing, any substantial change will not be apparent for some time.

SPS ask potential suppliers a wide range of questions which must be submitted as part of their bid. A selection cover areas such as environmental policies, sustainability and quality assurance schemes etc. As these tenders are governed by EU legislation, SPS cannot specify Scottish/local products or suppliers, without breaching discrimination rules within the EU Procurement Directive. SPS must ensure value for money is achieved when awarding contracts.

Opportunities are also explored about collaborating with other government bodies such as NHS, APUC (Universities and Colleges). Scotland Excel are also approached as this organisation tenders on behalf of local authorities, however the product specifications are different between each department, which makes collaborating challenging.

During any contract extension or annual price reviews benchmarking is done with other government departments (mainly same suppliers are used) and competitors. This is another way to check SPS is getting value for money. This has highlighted discrepancies in the way some departments consider/accept price increases and SPS is hoping to engage other departments so a consensual approach is achieved.

### **Current and Future Initiatives**

SPS is working towards introducing healthier food options by reviewing specifications and tender processes. The following steps are being considered -

- SPS intends to set up a cross sector panel from the key government bodies with the intention to meet up regularly to brain storm ideas/experiences and to agree a joint approach agreed on how to engage with suppliers, pre and post contract award. Another aim would devise guidelines to deal with market and price fluctuations and have these agreed by the cross sector group.
- Future tenders will continue to ensure companies adhering to quality assurance schemes prevalent to their specific food sectors.
- SPS will also consider grouping products from different contracts together, ie cheese and eggs to the dairy contract with a view to encouraging more suppliers to bid for SPS contracts. At the moment they are part of the pre packed food contract.
- SPS will continue discussions with organisations such as Quality Meat Scotland to get market place updates. Other independent sources of information are used such as Milkprices.com, The Grocer Magazine, The Baker magazine and Meat Trades Journal.

- SPS are working with incumbent suppliers to introduce healthier options. Last month (February 09) following successful trials at 2 prisons, SPS started to purchase a healthier alternative to semi skimmed milk. There are two fold benefits to this change, one it is a healthier product and it is less expensive.
- Discussions are also ongoing with our incumbent pre packed food supplier to introduce wholemeal pasta, and fortified margarine and vegetable oil and cereals.

SPS undertook a recent tender for chips based on a healthier chip specification. By doing this, we have engaged with a new supplier and have also made a financial saving.

## **Contract Catering - SODEXO**

### **The Current Procurement Arrangements for Food and Drinks.**

The role of our purchasing team is to achieve the very best commercial terms to satisfy the commitments made by the businesses of Sodexo to quality and service. It is also responsible for increasing manufacturer and supplier synergies through effective supply chain management, whilst promoting purchasing compliance with purchasing best practice throughout our operations.

The team is organised to ensure that it contributes to our business in a proactive way. We believe purchasing must be in the front line of improving value, and our Buying Liaison Managers, based in our operating divisions, are the bridge between our buyers and our business managers on site. Their role is to advise, support and communicate to help achieve buying decisions that can be implemented successfully at the client site.

We operate a dedicated purchasing helpdesk system. This provides full support to unit managers on queries concerned with delivery, price lists, product availability and supplier complaints. The purchasing team monitors this system to help identify and quickly resolve supply issues at operational level.

Our buyers are professionally qualified, experienced specialists in each of the categories we buy. We regularly review our categories and conduct rigorous tenders on a UK, European and global basis, as appropriate, in order for us to balance our commitment to purchase locally with maximising our purchasing leverage.

### **Why the Current Arrangements for the Procurement Food and Drinks is Arranged in this Way.**

Purchasing within Sodexo is important to the service that we deliver to both our customers and our clients in respect to our commercial terms, quality and service, and we feel that the structure outlined above delivers this requirement.

We have a commitment to our clients to offer best value in terms of price and guaranteed food safety, therefore our sourcing policies are designed to maximise the cost effectiveness of our supply chain. Suppliers to Sodexo are regularly audited by Safeguard (its health and safety consultancy) against its Supplier Code of Practice, a key part of which is the traceability and origin of key ingredients.

The structure of our organisation helps to ensure that our operations are buying through the correct channels thereby maximising purchasing volumes and ability to optimise purchasing contracts to ensure the best deal for our clients.

Through our helpdesk we can monitor supplier performance and address any ongoing issues in a timely manner.

## **5. How can Sodexo Contribute Tangibly to the National Food And Drink Policy?**

"Healthwise" is the nutrition, well-being and lifestyle philosophy of Sodexo. A commitment to a healthy lifestyle is central to every aspect of our business and Healthwise is our way of reflecting this commitment in everything we do. Healthwise provides information and advice to help employees, clients and customers learn about how to achieve a balanced and healthy lifestyle. Our team of dietitians, development chefs and catering staff are committed to providing healthy lifestyle information and choices for customers.

We seek wherever possible long term relationships with our suppliers, preferring to establish business building opportunities rather than work in an adversarial style. However, we regularly assess supply options to ensure we and our clients are best placed to benefit from market conditions. Sodexo operates a policy of centralised procurement. We encourage SME's to contract directly with our primary distributors and suppliers. For example our fresh produce

supplier contracts with a wide range of producers from the small independent mushroom growers to larger family owned businesses.

We believe that a change is necessary within the industry. There needs to be greater collaboration and cooperation between SME's in order to supply larger organisations and to overcome issues such as availability, logistics, technical accreditations and health and safety.

## **Contract Catering - ARAMARK**

### **The Current Procurement Arrangements for Food and Drinks.**

ARAMARK's procurement arrangement for food and drink can be summarised as a team of buying professionals responsible to source the best value products available to help support excellence for all environments in which the organisation trades.

The team are responsible to source products direct from grower, from manufacturer, via importer or from wholesaler and are challenged to provide the most suitable and commercially viable logistics solutions to ensure timely, consistent and measured distribution of product ranges.

The team will source on all points of the spectrum, depending upon the clients requirements, from leveraging ARAMARK's international scale to delivering local requirements to local clients and including the provision of sustainable and ethnically diverse product ranges.

The team is further charged with helping support the delivery of innovation via the various points of culinary excellence including a centre constructed (the Innovation Centre) simply for the purpose of supporting the organisations drive to provide unique culinary concepts to it's clients.

Finally each member of the team will have direct responsibility for the provision of procurement services within each of the organisations regions to ensure the thoughts of the team are fully aligned to those of our clients.

### **Why the Current Arrangements for The Procurement Food and Drinks is Arranged in this Way**

The procurement teams are currently arranged in this manner to help support ARAMARK's clients positions at the for front of the industries in which they operate whilst listening to and delivering the needs of our ultimate customers.

It also ensures that the procurement solutions delivered by the team are commercially viable, consistently delivered and with the ability to deliver flexible and market leading solutions

## BRAKES - FOODSERVICE DISTRIBUTOR'S VIEW

### The Current Procurement Arrangements for Food and Drinks

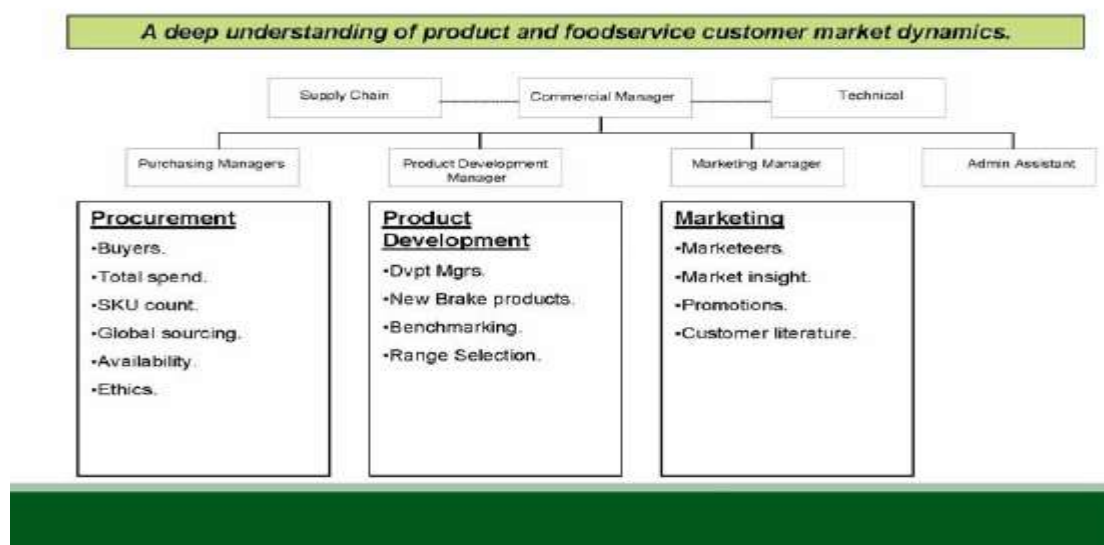
Brakes believe in understanding our customers' requirements at a deep level and as such we split our procurement into 8 specialist teams offering detailed expertise in each products area:

- Fish & Seafood
- Produce & Accompaniments
- Dairy & Delicatessen
- Grocery
- Deserts, Bakery & Prepared Meals
- Meat & Poultry
- Drinks, Cereals & Impulse
- Non Food

The members of each commercial team sit within close proximity enabling us to share best practice and combine expertise of procurement, development and new product ranges. The marketing Function helps communicate the benefits of the Brakes offering to customers via the Salesforce.

The Technical side ensures product safety & ethical due diligence that is industry leading. Likewise the presence of Supply Chain Managers ensures product availability. Our Product and Technical Managers work together to ensure that all existing and new development lines are not only right for the marketplace, but also monitored to make sure they achieve the high standards we expect, and that our customers deserve.

### Commercial team strategy and structure



### Why the Current Arrangements for The Procurement Food and Drinks is Arranged in this Way

Brakes Head of Health and Nutrition, Eileen Steinbock was part of the School Meals Review Panel to produce the report, Turning the Tables: Transforming School Meals having previously worked with the Scottish Executive on Hungry For Success. We have also had consultations with the Food Standards Agency regarding the Target Nutrient Specifications for school foods and allergy information for foods sold through catering outlets.

This close contact with Government and FSA ensures Brakes are always at the forefront of developments and are able to support customers through any changes. Brakes are committed to providing our customers with choice and as such have a range of regional products available.

Brakes provide its customers with products of the highest quality. We also understand the value to customers of being able to offer consumers regional products on their menus. We offer our

customers a choice of products ranging from prepared meals, chilled meats and fresh produce to cheeses, seafood and frozen vegetables. Many of the products we offer are regional specialities and are produced using regional specialities within their ingredients, with numerous products being produced by regional manufacturers.

### **How can Brakes Contribute to the National Food And Drink Policy?**

Brakes will always endeavour to source products to suit the needs and requirements of our customers business. We continually review our range of regional products as part of our commitment to providing our customers with a wide and varied choice of quality products. As a British Company, Brakes supports British suppliers and encourages its customers to buy British products. Where possible Brakes will endeavour to work with local companies. An example of this is when Highland Council asked us to list locally sourced eggs and Salmon Kebabs. The local companies deliver the product to Brakes, who deliver the product out to all the units at an on cost to cover the cost of the delivery. Brakes are continually looking to improve our structure and offering based on marketplace and customer requirements, so would always welcome discussions.

Like many large organisations, our operations impact the natural environment as well as livelihoods throughout the world.

As the UK's largest foodservice company, we have earned respect through the integrity of both our products and how we go about our daily business. Brakes is committed to minimising its impact on the environment and demonstrates this through our recycling policy, energy saving initiatives and how we source our products. We believe prevention is the best cure, which in Brakes case also means the sustainable and responsible sourcing of products and supplies.

Working closely with suppliers enables us to source the best quality products. These close relationships ensure through working together we maintain both product quality and limit the potential environmental impact.

Sourcing products with a responsibility to the environment means that Brakes has built relationships with associations already known to consumers, such as Assured Food Standards (Red Tractor) and the Marine Stewardship Council (MSC). Both associations have allowed us to be the first foodservice company to carry Red Tractor and MSC accredited products.

Organic, Fairtrade and Lion Quality are all accreditations carried on a range of Brakes products, showing that we support growing methods, control of additives and growing procedures as well as ensuring that farmers in developing countries are not exploited.

The more often welfare-friendly products like these are sourced, brought and added to menus, the more farmers and suppliers will be persuaded to raise their standards and the more we all can benefit.

## The SOIL ASSOCIATION

### The Soil Association Scotland's contribution to the Scottish Government Food and Drink Policy

SA Scotland contributed to the debate on improving nutrition in school meals prior to and since the Schools Nutrition Act of 2007.

We have spoken at national and regional conferences during the national conversation on the food policy.

SA Scotland's Food for Life offers an achievable model of joined up working for improving the quality and provenance of food in public sector procurement, accompanied by an education programme to change the food culture in schools and other institutions.

We are working to establish several FFL projects in local authorities and other catering services across Scotland.

### Realising the opportunities within the procurement process

Public procurement in Scotland offers an excellent opportunity to develop a truly visionary and joined-up approach to food in schools, hospitals, prisons and care homes, as advocated by the food policy discussion document **Choosing the Right Ingredients**.

The **Review of the Scottish Diet Action Plan**, published in 2006, recommended a closer integration between the policy goals of improving Scotland's diet-related ill-health and those of social justice, sustainable development and agriculture. We commend the Scottish Government for seeking to break out of the silo culture to develop a food policy that supports this recommendation.

Food for Life promotes food that is healthy and climate-friendly, sourced from high-quality local and organic ingredients, available to all on the public plate.

This is an opportunity to develop a public procurement process that escapes silo thinking, and that meets both public health and climate change imperatives.

### School meals

- Initiatives to improve school meal nutrition standards is happening in isolation from climate change considerations, and without connection to the broader educational activity of the school
- Teaching on healthy eating is too often theoretical, not practical, and fails to capture the imagination of young people and influence their eating habits
- Rounded school food education should link practical food education, like cooking, food growing and farm visits, with the example set by a freshly prepared and carefully sourced school meal. Food for Life provides an action framework and award scheme to support this approach by schools.

We recommend that the school meals service, and other public catering services for vulnerable groups, in hospitals, prisons and care homes, are seen as part of the delivery of education and health - not as commercial businesses.

This inevitably has financial implications, as in general sustainable sourcing costs more.

Scotland Excel appears to be seems to be working in a different direction – towards centralisation and industrialisation. We recommend that unless and until this is addressed, its activities should exclude food purchasing.

## **A VIEW FROM THE NATIONAL FARMERS UNION OF SCOTLAND**

### **The Current Supply Chain arrangements for Food and Drinks**

NFU Scotland is the country's lead agricultural organisation comprising around 9,000 members who are mostly food producers. The organisation represents farmers, crofters, growers and other rural businesses.

Many different agricultural products are produced on Scottish farms. There is not a single route to market for all agricultural products or one followed by all producers.

The major supermarkets are Scottish farming's biggest customers. Very few farm businesses will deal directly with a supermarket instead selling to a processor.

There are some direct sales routes to the consumer that farmers have adopted. These include farmers' markets that have become a regular feature in towns and cities throughout Scotland since the first market was run in Perth in the late 1990's, internet selling and farm shops. These routes allow the producer and the consumer to deal directly with one another. These routes are welcome but cannot shift the total volume of products produced on Scottish farms.

### **Reasons for current supply chain arrangements**

Much of the primary products produced by farmers require some form of processing before they can be consumed by the public. Processing efficiency can require scale and consumer purchasing habits mean that much of what is produced must be sold to supermarkets.

### **NFUS Members Contribution to the Scottish Government Food and Drink Policy**

Agriculture has massive potential to deliver benefits across a whole range of government portfolios, from rural development and health, to tourism and enterprise. However, the potential of the policy can only be realised if Scotland's food and drink production capacity is secured and strengthened.

The food industry and in particular primary producers are facing competing demands and conflicting political signals. For example, the production of forestry, agriculture, food, flooding and climate change strategies could potentially pull farmers in opposing directions. There is a need for a clear political signal on the role agriculture is being asked to fulfil.

An effective food policy will recognise the contribution that farming can make to a range of policy objectives and will result in increased farmer confidence to invest for the future. Through innovation and continuous improvement Scottish farming will deliver the quality primary products required by the food chain.

### **Realising the Opportunities within the Procurement Process**

Trustworthy and transparent relationship must be built which benefit each link in the supply chain. This will allow the delivery of high standards and good availability of product.

There is a need to think creatively when issuing public procurement guidelines. Local authorities should be made aware of how procurement contracts that include terms relating to freshness or quality assured produce can assist local business at the same time as complying with EU competition rules.

Farmers and many small processors are unable to meet the distribution requirements that can accompany public procurement contracts. There should be a way to enable the public procurement process to separate the contracts for the supply of goods and the distribution of the goods.

## Appendix 6

# REGIONAL EVENTS ON SUSTAINABLE LOCAL PROCUREMENT

## INTRODUCTION

The development of a National Food and Drink Policy is a key objective for the Scottish Government and it was considered that the views of leading public and private sector organisations and bodies was critical to its development. Regional meetings were organised with the intention of providing a forum for consultation and ideas to inform workstream 4 of the National Food and Drink Policy, being led by Robin Gourlay of East Ayrshire Council. The development of Scotland's first National Food and Drink Policy has been commissioned by Richard Lochhead MSP, Cabinet Secretary for Rural Affairs and the Environment on behalf of the Scottish Cabinet.

Regional meetings were held on:

**Monday 19 January** – Barony College, Parkgate, Dumfries DG1 3NE - 7 attendees covering NHS and local Councils

**Tuesday 20 January** – Dewars Business Centre, Glover Street, Perth PH2 0TH - 40 attendees covering local Councils, NHS, 3663, Sodexo, AK Stoddart, Quality Meat Scotland, Scottish Association of Farmers Markets and small producers.

**Wednesday 21 January** – Scottish Natural Heritage, Great Glen House, Leachin Road, Inverness IV3 8NW - 17 attendees covering local Councils, NHS, Scotland Excel, SAOS, small producer

The discussions held are summarised under the headings of the key questions posed. Ideas forwarded by the participants are also listed.

### Questions aimed at procurers:

#### **1. Key objective of the Scottish Government's policy is to increase the amount of sustainable food used by the public sector. How aware are you of this?**

- Participants were generally aware of this objective various views were articulated including that it was considered aspirational and that understanding was generally poor and certainly not appreciated at a senior level within organisations.
- The guidance had been disseminated but there had been no follow through or clear guidance what to do with it thereafter.
- Key document but low awareness, and no expectation that this guidance should/would be implemented.

#### **2. How well is this objective integrated within your organisation's policies, procedures and business planning?**

- Fife, Tayside for example, awareness is high and there is evidence of an integrated approach being developed.
- NHS is clear sustainability is within Corporate targets and objectives
- Scotland Excel - less clear that Excel have adopted 'sustainable development' criteria as a key strategic objectives of the public sector. This requires further discussion with the National Procurement Director particularly in relation to food.
- Can Scotland Excel realistically tender for a national butcher meat contract, is this possible or desirable?
- Public Sector business planning process needs to recognise the 'cost of procuring sustainably' it is anticipated that this will cost more.

- In order for Public Sector to adopt sustainable procurement of food, this may require initial funding/incentive.
- Considered aspirational but does not fit with operational position of tight budgets and the low profile of catering when allocating budgets. Not a priority
- Recognise there is limited flexibility to innovate new methods of procurement when public sector is working with such low catering budgets.
- If budgets are cut, food is one of the first to suffer, for example NHS catering budget has been/is under pressure, or Hungry for Success, budget was ring fenced, now its part of GAE allocation and is being top sliced by Finance Departments
- Agreement that there is a need to be active and to encourage SMEs to tender.
- Objective to increase the amount of sustainable food used by the public sector is integrated in business planning to varying degrees across LAs. Cost seen as a barrier.

**3. What gaps and inconsistencies in the guidance/in the organisation are apparent?**

No comments received at the meeting, the opportunity would be taken to study the new version of the guidance.

**4. What is the current practice for food procurement or food supply (distribution) within your organisation? Is this typical of other parts of Scotland?**

- NHS use National Procurement for all contracts
- Within the NHS National Contract there is scope to deviate to local sourcing if the evaluation can demonstrate there are local/community benefits that will accrue.
- Excel used by a the majority of LA's, but not all.
- Require to discuss with Scotland Excel – need to increase the value placed on sustainability when evaluating food procurement contracts.
- There is a need to correlate the expectations of the Food Policy with Scotland Excel 'Category B' & 'Category C' contracts.
- There needs to be greater concentration on distribution and the capacity of SMEs to deliver food. Possibly separating food supply and delivery costs in tenders, possibly encouraging the development of hubs, possibly utilising existing distributor networks.
- AK Stoddart was unsure that this was workable.
- Support and training for SMEs on tender preparation
- Vast differences in the approach to contract management between LA's
- Consider organisations (ie NHS/LAs) work together to enable more bargaining power and a better price when it comes to contracts with major suppliers. Money saved could be used on buying local produce
- General attitude that complexities in procurement are something that Scotland Excel should consider in order to be more accessible for SMEs

**5. Guidance on the use of quality and sustainability criteria was issued in 2004. A refreshed version is about to be reissued. Are you aware of this guidance? How widely is this guidance understood? Does your organisation take account of this in tendering. If yes, how has this worked? If no, why not? How can the guidance be improved to make it more widely adopted?**

- Better dissemination is essential if it is to be adopted
- Relatively poor level of awareness
- Information needs to be updated
- It would have had a greater impact if it had been updated at intervals since 2004
- Some people had seen the guidance before, others had not
- Some thought it described what they are doing anyway. "Might be useful to some-one new to procurement"
- Some suggested its usefulness varied depending on how good the

- tender documents were and this varies between councils
- The 2004 version is out of date in terms of the NHS catering spec
- Comment that it was "wishy washy" no innovation and is not robust enough to give confidence or instil enthusiasm
- On PGI "it is a nightmare and adds cost"
- Should identify more clearly where opportunities exist
- Low awareness of guidance. Lack of understanding of implications at a political corporate level.

**6. What needs to be done to make the public sector and exemplar for sustainable economic growth in relation to your area of activity? (consider both food production, supply, public sector procurement).**

- Collaboration in supply chains is important, public sector not strong in this
- Simplification of tender documentation to encourage small producers
- To acknowledge the difference in developing collaborative supply chains between supermarkets ( who can act as they see fits the purpose) and public sector ( is public money, governance, probity).
- Good quality food important in patient recovery
- Local food generally costs more - tension between NHS priorities – infection control, medical and spending more on food.
- Ability of local suppliers to organise and be able to organise and be competent to tender for NHS contracts – NHS repeatedly frustrated.
- Ideal mode for AK Stoddart – to use /piggy back on an existing distributor network
- Framework agreements versus sole supply. Risk factor too great for SMEs in Framework contracts.
- Investment and education of suppliers and children
- Make the tendering process more user friendly for SMEs.
- Influence EU law.
- Ensure supply meets demand i.e free range eggs not always available
- Keep terminology simple
- Government needs to make it more attractive financially for SMEs to tender.
- Skill shortages need to be addressed
- Relax EU rules for food procurement. Strong lead from Scottish Government.
- Clear policy, clear guidance, strong legal support

**7. What opportunities does this present? What are the tangible benefits? What would represent success?**

- Starting to see the benefit of Hungry for success in the new intake of S1 and S2 pupils. This could be built upon.
- Possibility of separate product/food cost and distribution costs in tenders to facilitate SMEs tendering competitively and seek out alternative distribution arrangements perhaps facilitated by public sector introducing suppliers to each other.
- Creation of hubs and distribution networks
- Better recognition of 'sustainability' criteria in contracts.
- Stronger local economy

**8. What difficulties stand in the way of success and how can they be overcome from the producer, purchaser standpoints? (cost, capacity, training, distribution, consistency of quality and supply etc)**

- Poor bids from SMEs
- Inability of SMEs to consistently meet supply criteria
- More legal challenges from failed tenders may be forthcoming.
- Tenders from the EU need to be considered. Can't evaluate on C footprint at the moment

- Large supply companies will work with LA's to develop recipes for "healthy" meals, SMEs don't have the capacity to do this. Some large companies act as the middle person therefore share risk
- Infrastructure and support within some LA's lacking
- Seems to be discord with these aims and the creation of Scotland Excel. The latter is easier for big companies to deal with. Excel seems to "fly in the face of local"
- Cost and importance of balancing of priorities ie pay extra for free range eggs or pay for a breakfast club
- SMEs don't always adequately understand/apply HACCP and other quality schemes even when these are a legal requirement
- Cost and quality are the key issues
- Scotland Excel must produce contracts that are more accessible to SME producers and take account of sustainability criteria , or
- Do away with Scotland Excels involvement in food – do it locally and same for NHS
- Consider 2 tier contracts, national and local
- Large companies can cover indemnity, perceived problematic for SMEs
- Large companies were considered by some to be less hassle, more reliable and involve less paperwork (ie one supplier instead of multitude of suppliers)
- Locally supplied food is not necessary locally produced
- Helping small suppliers to deal with the supply process is very time consuming a lot of "hand-holding" required. This is not really the job of procurement staff.
- Where the LA is located may restrict options for "local" provision
- Some LA's have to deal with geographically challenging and range of different social issues in schools
- Lack of commitment of farmers (ie will chase the best price)
- LA's and NHS seem to work in isolation, can they have common specs and learn from each other
- Lack of communication between suppliers
- May need to break tender lots into A, B, C into a different format to encourage SMEs
- Collate a definitive common list of SMEs who have passed audit
- Consider length of contracts
- EU rules perceived barrier

**9. What is the best way to introduce and implement Scotland's future food policy within your area of activities? How should it be presented? How should its effectiveness be 'sold'?**

- Food Policy should be mandated or statutory otherwise it may not be adopted by the public sector, alternatively this could be through a KPI or part of Single Outcome Agreement
- Should be fit for purpose
- Sensible and workable
- Should have a stepped phased approach
- Hungry for Success was a good example of starting the change of culture build from this and learn from its successes
- Flexibility as each LA's face its own barriers
- National campaign should be launched to gain support amongst the public etc i.e. social marketing to help deal with any potential backlash
- Needs to be an initial investment to support suppliers and users
- Identify cost in savings to health and other budgets and invest that as an incentive.
- Clear policy, clear guidance, strong leadership
- Heighten awareness of national procurement portal

**10. How should success be measured?**

- By a return showing the number of SMEs enquiring and tendering for public sector contracts.
- Link to Climate Change Bill?
- Performance Indicator?

## **For suppliers:**

### **1. What attracts you to supplying food (or catering services) to the public sector?**

- A healthy product to sell which fits in with nutritional guidelines
- There is some light, there appears to be more enthusiasm to use local suppliers, build on this and it will encourage SMEs/local suppliers.
- Continuity of service
- Business growth
- Opportunities for development
- Sustainability of profitability
- Opportunity to improve margins
- Stable Environment

### **2. What sources of information/advice do you make use of?**

### **3. Bearing in mind that guidance has been available now for some time, what does the group feel is required to move the issue forward? What, if anything, different would be useful for prospective suppliers?**

- Food producer groups need to be encouraged to follow QMS model. Government needs to encourage this.

### **4. What is preventing producers etc from getting involved in public sector contracts?**

- Looking for a financial offset/incentive at the start
- Too many specifications
- Lack of knowledge in LA's of local food and suppliers
- Preconception of public sector being poor payers
- Lack of commitment to required assurance schemes
- Lack of flexibility around seasonality of fresh fruit/veg
- Complex tendering process
- Conflict between collaborative model and drive for local produce

### **5. When involved in supply to the public sector, what are the obstacles for suppliers? How can the issues be resolved?**

- Lack of understanding of the soft drinks industry
- New products have to be tested by the LA's however each LA seems to have a different spec which makes the cost of trials outweigh the financial capability of the supplier
- No guarantee product will be accepted therefore large financial risk to the SME
- Scotland Excel not helpful, provides a barrier to SME's (ie categories seem to be set in stone) does not give advice or feedback
- Can't cover the public liability cost
- Tendering process is a barrier ie the small supplier may not feel confident to do a presentation on their bid compared to staff from big companies where such presentations are almost routine
- Tendering process needs changed to help small suppliers

## **IDEAS SUGGESTED BY PARTICIPANTS**

- Set up an advisory body to assist SMEs in forming co-ops, dealing with paperwork, developing a model for SMEs in form of training, education packs and assistance in the paperwork and do mentoring
- Creation of a non-profit making Brakes type organisation. Examples given were Highland Food Hub and Green City.
- The issue of reduced school meal uptake was discussed with suggestions that the Government takes a stance to ban of burger vans and junk food shops within vicinity of the schools during lunch breaks

## Appendix 7

### Workstream Membership

Robin Gourlay	Chair
Gordon Sloan	Quality Meat Scotland
Scott Walker	National Farmers Union Scotland
Alan Stevenson	Scottish Agricultural Organisation Society
David Bedwell	NHS National Services Scotland
Fergus Chambers	Glasgow City Council
Jean Henderson	Glasgow City Council
Heather Murray	East Ayrshire Council
Veronique Malcolm	Scottish Parliament
Geri Lipton	Scotland Excel
Nicola Bruce	Scotland Excel
Heather Peace	Food Standards Agency Scotland
Roberta Sonnino	Cardiff University
Anne Moseley	Seafood Scotland
Jo Hunt	Highlands and Islands Local Food Network
Munro Anderson	South Lanarkshire Council
Hugh Raven	Soil Association
Pam Rodway	Soil Association
Jim Fairlie	Farmer
Dave Cook	Scottish Government
Elaine McGregor	Scottish Government
Kathy Johnston	Scottish Government

## Appendix 8

### Organisations Represented at Regional Meetings

NHS Ayrshire and Arran	NHS Highland
NHS Dumfries and Galloway	Scotland Excel
Scottish Borders Council	Lanarkshire Council
Glasgow City Council	Killara Chickens
Golden Jubilee National Hospital Clydebank	South Lanarkshire Council
North Lanarkshire Council	AK Stoddart
Orkney Islands Council	NHS Greater Glasgow & Clyde
Aberdeenshire Council	Sodexo
Comhairle nan Eilean Siar	East Dunbartonshire Council
NHS National Services Scotland	Inverclyde Council
Highland Council	NHS Fife
Moray Council	Aberdeen City Council
Scottish Agricultural Organisation Society	Argyll & Bute Council
Scottish Agricultural College	Fife Council
	East Lothian Council
North Ayrshire Council	
NHS Forth Valley	
Midlothian Council	
Renfrewshire Council	
Falkirk Council	
West Lothian Council	

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