



Public sector procurement from West of England food suppliers

- SUMMARY PAPER -

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The West of England food system and the local impact of the Food for Life Catering Mark feature in a case study that was produced as part of a wider report that investigates ‘the role of the private sector in city region food systems’.¹ The Bristol case study aimed to better understand the impact of two public sector buyers’ use of the Food for Life Catering Mark – North Bristol Health Trust and Bristol City Council, through its contact with Eden Food Service – and the resulting work with the private sector to source more local and regional products from the West of England.

This summary paper highlights some key findings to support the discussions at the Healthy& Sustainable Food Procurement conference on 1st February 2017. This paper highlights:

1. Extent of increased sourcing from WoE suppliers by two of Bristol’s largest public sector institutions, North Bristol Health Trust and Eden Food Service
2. The types of West of England businesses that are supplying food to these two public sector institutions.
3. Challenges
4. Impact of increased sourcing from WoE suppliers by two of Bristol’s largest public sector institutions, North Bristol Health Trust and Eden Food Service
5. Support needs and policy recommendations

1. Extent of increased sourcing from WoE suppliers by two of Bristol’s largest public sector institutions, North Bristol Health Trust and Eden Food Service

In Bristol alone, a Public Health baseline report in 2013 estimated that 23,623 Food for life Catering Mark accredited meals were served daily across Bristol: 2,100 bronze; 21,143 Silver; 380 gold.² This could be understood as roughly 5% of Bristol’s lunches. While this doesn’t mean local products are necessarily used in all these meals, there will be a proportion of locally sourced ingredients.

Data held by the Soil Association Catering Mark Team on CM award-holders in the Bristol City region shows that local supply of meat, vegetables, dairy and bread are cited by silver and gold level award holders, some of which is certified organic. Two of the largest public sector meal providers in the city of Bristol are North Bristol Health Trust (NBT) that prepares meals for Southmead Hospital, and Eden Food Service that supplies meals for schools. Both are holders of the Catering Mark awards. NBT and Eden play a key role in driving increased local procurement,

¹ <http://www.ruaf.org/projects/role-private-sector-city-region-food-systems>

² Source: Bristol Sustainable Food Cities Award, Silver, 2016:45, 47

i) as the biggest players in terms of overall volume and; ii) due to the relatively high proportion of local sourcing in line with their Silver and Gold level Catering Mark status.

North Bristol NHS Trust has been serving Silver Catering Mark meals to hospital patients since 2013, having gained Bronze initially in 2009. They now serve 1,900 meals a day, (693,500 annually), to patients. The hospital's staff restaurant has a Bronze award and is working towards gaining Silver. NBT kitchens operate 5 days a week and prepare 3,000 meals a day on site for the cook/chill system at Southmead Hospital in Bristol.

Eden Food Service, supplies 350 schools across England with Silver Standard Catering Mark accreditation. Eden holds Bristol City Council's contract to provide school meals in 126 schools in the Bristol city region. This began in 2007 as an 8-year contract worth £40m (£5 million per year). In 2014, they were the first catering business in the UK that achieved Food For Life gold standard, a benchmark that encourages a significant proportion of produce to be sourced regionally and a proportion of organic produce amongst a wide range of other criteria.

2. The types of West of England businesses that are supplying food to these two public sector institutions

Analyses of businesses that supply food from the WoE region for both hospital and school meals have identified a significant number of shared attributes and characteristics including a certain scale of operations.

Small to medium size enterprises: The businesses who are supplying NBHT and Eden Food Services mostly fit the definition of small to medium size enterprises, i.e. under 250 employees and under 50 million Euro.

Ownership - family run, run by a small partnership or have sole owners: The most common trait amongst the direct and indirect suppliers that we are featured in the full report is that they are run as a family business or by one of the owners. This applies to 80% of the businesses, including two of the medium to large processors. Four key processor suppliers – all family businesses – were founded in the 1910s, 1920s or 1930s and are now run by the third and fourth generation with several family members still involved in production, processing, marketing and in charge of overall management.

Affinity with the region and pride and passion in running a family business: All interviewees commented one way or another on their affinity to the region or strength of feeling about the family business, illustrated by quotes from owners or managers: 'I am Bristol born and bred.' or 'The family members in the business have all grown up with it and there is a lot of pride and pure passion for continuing the family business. We think we have survived this long because of the service we are able to provide particularly to buyers in the region.'

Versatile businesses that tend to operate predominantly in the region: All the processors that we interviewed had the resources and ability within the family business to develop from initially sole farm production or basic processing/retailing to complex million pound businesses that cover production, processing, marketing and for most of them distribution too. Some of them also developed very effective brands. Own distribution is seen as crucial by most suppliers to serve such a contract. Whilst the sales to NBT or Eden Food Services are important for WoE suppliers the majority of businesses don't depend on it as they have built up wide-ranging sales, including in some cases other significant hospitals' or schools' related contracts in the region.

Offer flexibility to their buyers: One business reports that they are unique in the region because of their ability to address allergen concerns and providing packaging solutions suitable for hospital requirements in regards to disease control. Another business reported that they developed specific (simpler and cheaper) packaging for the hospital product to meet the required price point. Processors who run their own distribution have highlighted how they are able to support their buyers by offering much shorter lead times and increased flexibility when compared with the service from national providers. They also deliver 5 or 6 days/week. Both procurers commented on their appreciation of their regional suppliers' flexibility. *'Within the local (i.e. SW) supply chain we are a big fish, our local chain is much more flexible but we do need to understand their restrictions too.'*

Human scale: One of the interviewees put the subject of scale succinctly: *'if you are too big then you are run by accountants'*. Another supplier points out that: *'we tend to work with owner-driven businesses as I prefer to work with businesses where we can communicate directly with the boss and make something happen'*. One of the wholesalers commented that they like to deal with local businesses as it means less travelling, stronger relationships and bespoke services.

3. Challenges

The main driver for substantial supply from regional suppliers into Bristol is the demand from key buyers. Demand from buyers results from the interest and demand of consumers and a supportive policy environment.

'Local ticks boxes for awards but the reality is much harder'. Another key supplier highlights how the Catering Mark scheme in principle is very helpful and procurers use it for their PR and for strengthening their tenders but *'that does not mean the buyer won't squeeze prices and make it difficult to fulfil the contract'*. Food service is a notoriously low price market and there are a number of well-known challenges that suppliers face. For more detail please see the full report.

Challenging issues in maintaining and increasing city region supplies include the following:

- Price pressure
- Increased demand and wider use of the Catering Mark required
- Competing against national scale catering companies
- Requirements for all year consistency and availability of produce from the region
- Distribution demands
- Lack of direct relationships between procurers and suppliers
- Audit requirements
- Volume requirements

4. Impact of increased sourcing from WoE suppliers by two of Bristol's largest public sector institutions, North Bristol Health Trust and Eden Food Service

The catering teams that were interviewed for the original case study highlight that they are responsible for spending tax payers' money and they believe that it is a good thing to re-invest in the local economy where possible and to 'give something back to the community'. This research highlights anecdotal evidence how the public sector contracts often support diverse, small to medium scale enterprises. Examples from this research show that

- regional suppliers have the potential to offer more employment and they are also likely to procure significant services (maintenance, machinery, farm inputs) from the local area, thereby further supporting the local economy
- public sector food procurement is a significant part of the sustainability of the WoE region suppliers and therefore their ability to provide secure local employment

This research highlights some anecdotal evidence from NBT or Eden Food Services suppliers.

4.1 Local employment

The businesses that we interviewed employed between 14 and 130 staff. One business has labour costs of approximately £500k/year, and most staff live locally. Another business discussed how a local authority contract allowed them to employ older drivers for that particular contract as the requirements for delivery times were more flexible and physically less demanding. Looking at two examples of farm-based processors, due to the diversity of enterprises from farming, processing, distributing to marketing, these businesses each with over 20 staff both compare with an average dairy farm of similar size which might employ as few as one or two members of staff (anecdotal evidence). Obviously the public procurement contracts are just a part of a wide range of customers and outlets but all businesses stated that public sector food procurement-related trade is a significant part of the sustainability of their business and therefore their ability to provide secure local employment.

One of the farm processors reports that they are the biggest employer in the food sector in the surrounding 10 parishes. They employ 26 staff, some of whom have worked for the business for more than 30 years and they have generally a very low turnover of staff. One of the wholesalers highlights that they have seen a direct impact of listing one of the WoE region suppliers as that supplier has expanded as a consequence of the public procurement trade.

4.2 Impact on the suppliers' suppliers

The recent Food for Life Programme evaluation report (Soil Association, 2016) highlights a social return of £4.41 for every £1 invested.

A number of local trades people benefit from thriving food-processing businesses, particularly farm-based ones who are most likely to use rural service providers and therefore offer vital business. Service providers that benefit in such cases range from maintenance for vehicles, machinery, buildings and processing equipment as well as consumables such as containers, labels, packaging materials. One anecdotal example from this case study shows how a £100k annual public sector contract with a farm-based processor represents 10% of that business' trade. This business in turn spends annually £500k on local staff and £500k on local services. Other suppliers (farm-based and processors) that we have interviewed also aim to source as

much as possible locally. One business stated that they source produce from local farms to the value of approx. £50k/year. Two of the processors reported that they source 70-75% of their ingredients from a 50-mile radius.

4.3 Environmental benefits

One farm-based processor runs the farm organically aiming for self-sufficiency as a major goal. Minimising environmental footprint and the embrace of green energy developments are characteristic for the farm. Measurements include wood pellet boiler, solar panels, borehole and a heat recovery system. One of the wholesalers stated that sourcing locally helps them to address environmental concerns, which are often mentioned in tenders.

One supplier (processor) is known to have a strong environmental ethos and currently operates their fleet of vehicles on 'Euro 4-6' engines (6 is the highest current level in clean engines).

4.4 Opening up new markets

One farm-based processor reports that the NBT trade has given them credibility with other prospective customers. Additional contracts followed with some community hospitals in the city region, most likely helped by the reputation of the NBT connection. One of the wholesalers reported that listing catering mark equivalent products (that they had to develop for NBT) makes it easier to approach prospective public procurement buyers.

Two processors report benefits around volume and efficiency. For one business NBT provides a market during otherwise low seasonal sales, for another it provides a volume outlet that allows further smaller sales in the city region by justifying new a distribution route.

4.5 Reduced waste

There is an assumption that the much reduced lead times (time required between order and delivery) that most regional suppliers offer should lead to lower waste. With the national caterers lead time tends to be quite long so it's hard for the buyer to forecast demand correctly. Local suppliers are able to take orders significantly closer to the delivery time and they can deal with amendments at very short notice. If this anecdotal evidence could be monitored it could become a factor in PP contract negotiations.

5. Support needs and policy recommendations

Addressing the following specific needs and policy recommendations would contribute to increased supplies from the city region.

Public investment: Where there is public money, it should be required to benefit the local economy using the policy support framework of the social value act; Red Tractor; the local act; the Catering Mark. If the North Bristol Health Trust can spend a quarter of its annual food budget on products sourced and purchased from the region, so can others.

Public sector buyers: There is huge potential to replicate the successful adaptation of the Food for Life catering mark standards across Bristol's public organisations. Buyers who are not yet sourcing from the region may need help in understanding the options available around contract specification and contract management, the availability of products, the businesses that can help them with sourcing and the case for doing it.

Recognising the role of 'voluntary' mechanisms: These can be very helpful tools for local authorities to use, especially now that they are becoming 'industry norm'. In this case, top-down policy is only (a small) part of the story. Driving a cultural shift using policy instruments from within the 'industry' is clearly effective. The Catering Mark (CM) is voluntary but has been promoted to great effect, in line with public opinion and national campaigns. The CM is a very effective, well tried, well-structured and strong policy mechanism and it has become instrumental in changing industry norms in the catering sector, particularly in the public procurement sector. It gives everyone involved a reason to make a change.

Food for Life Catering Mark CM): The success of the CM could be further enhanced by addressing what appears to be a 'grey area' in the CM standards. The research suggests that procurers can interpret 'local' regionally based suppliers without the requirement for supplies from further down the supply chain (particularly raw material such as meat and milk) to be sourced from the region. This issue could be addressed in the silver and gold standards of the CM but all initiatives supporting sustainable regional procurement should encourage procurers to request pre-dominant regional supplies throughout the whole supply chain.

Suppliers: Having access to suitable processing is crucial in enabling WoE suppliers to meet and develop local market demand. Existing facilities and businesses should be supported and gaps in provisions of services may need to be established.

Recognition of the importance of wholesalers: Wholesalers and distributors are often overlooked in discussions about the local procurement but they are key players in the case of supply to the public sector and potentially offer a scale of operation where impacts can be felt at a WoE region level.

Independent brokerage and the sharing of market intelligence: Two of the core direct suppliers that we have interviewed were neither pro-actively considering the public procurement market in Bristol nor were they aware of the Catering Mark developments. The relationship was instigated in one case by a wholesaler and in the other case by the independent Soil Association team. Independent brokerage and the sharing of market intelligence can accelerate developments towards increased sourcing from the region.