



94 WHITE LION STREET, LONDON N1 9PF

tel: 020-7837-1228 • fax: 020-7837-1141

e-mail: [sustain@sustainweb.org](mailto:sustain@sustainweb.org)

website: [www.sustainweb.org](http://www.sustainweb.org)

# **Sustainable Food Chains**

## **Briefing Paper 2**

### **Public Sector Catering; opportunities and issues relating to sustainable food procurement**

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## The Sustainable Food Chains project

Sustain; The Alliance for Better Food and Farming advocates food and agriculture policies and practices that enhance the health and welfare of people and animals, improve the working and living environment, promote equity, and enrich society and culture. Sustain represents over 100 national public interest organisations working at international, national, regional and local level.

This briefing paper is part of an initiative by Sustain, called 'Sustainable Food Chains' to promote sustainable food, including in public sector catering. More specifically, over the next two years our activities will include;

- Establishing contact with interested bodies at regional, national and European level, currently developing, or planning to develop, policy options.
- Developing policy recommendations for the statutory, private and voluntary sectors to support sustainable food economies, with the future publication of 'Local Food: What are the policy options?'
- Organising a national conference to discuss and develop policy recommendations.
- Producing a technical manual on public procurement with case studies. This will include a 'How to do it' guide on buying and supplying local/fair trade and organic food including legal and contractual aspects, supply chain issues, and ideas for catering options.
- Establishing a pilot project within one district/county. We intend to establish work with at least two institutions, in tandem with the technical manual, and highlight experience gained at local level.
- Producing briefing papers on local food and public sector catering and the potential for sustainable food providing health, farming, and environmental benefits.
- Advising and negotiating with government at European, national, regional, and local level for changes in policy and action to support the public procurement of sustainable food.
- Responding to consultations from national and European government and others on public procurement issues.

'Sustainable food', for the purpose of this paper, refers to food which meets a number of criteria including;

- **Proximate** – originating from the closest practicable source or the minimization of energy use
- **Healthy** as part of a balanced diet and not containing harmful biological or chemical contaminants
- **Fairly or cooperatively traded** between producers, processors, retailers, and consumers
- **Non-exploiting** of employees in the food sector in terms of pay and conditions
- **Environmentally beneficial** or benign in its production (e.g. organic)
- **Accessible** both in terms of geographic access and affordability
- **High animal welfare standards** in both production and transport
- **Socially inclusive** of all people in society
- **Encouraging knowledge and understanding** of food and food culture

## Contacts and information

The staff members who will be conducting this work are;

Vicki Hird, Policy Director [vh@sustainweb.org](mailto:vh@sustainweb.org)

James Petts, Policy Officer [james@sustainweb.org](mailto:james@sustainweb.org)

Other briefings available as part of this initiative include;

*Briefing 1 Local Food; Benefits, Obstacles and Opportunities*

*Briefing 3 Public Procurement of Sustainable Food; Current, planned and related initiatives*

*Briefing 4 The English Regional Development Agencies; What are they doing to support sustainable food economies?*

All documents are downloadable from Sustain's website (<http://www.sustainweb.org>) in pdf format.

Hard copies are available at a cost of £5 plus £1 postage and packaging from;

Sustain  
94 White Lion St  
London  
N1 9PF

This paper does not necessarily represent the views of Sustain or any of Sustain's members. Although every effort has been made to ensure the information is correct at time of release, the editors cannot be responsible for errors or omissions.

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## Introduction

There is currently a great opportunity to develop sustainable - such as organic and fair-trade - food supplies through public sector catering (PSC). The catering sector represents round 30% of total expenditure on food consumed in the UK and is a growing sector. PSC (including schools, care homes, hospitals, government departmental and agency catering) represents around 7% of this with approximately 61,500 outlets and 1.8 billion meals eaten annually<sup>1</sup>. The operation of PSC also influences, and is influenced by, developments in the rest of the food sector. Rapidly growing interest in sustainable food presents an ideal opportunity to strengthen the sector and pressure is already being put on PSC to supply sustainable food in schools.

## Benefits of sustainable food in Public Sector Catering

The benefits of more sustainable PSC, in brief, include:

- **Sustainable economic development:** This should strengthen the sustainable food economy, stabilising existing and creating new enterprises and jobs in the food chain. Interest in helping UK farmers thrive and become more sustainable has been witnessed by the success of farmers' markets, and regional food initiatives such as Somerset Food Links and East Anglia Food Link, and in support for food assurance schemes such as the NFU's Red Tractor logo.
- **Environmental protection:** By supporting sustainable agriculture, the food chain becomes more sustainable by reducing food miles<sup>2</sup> and ensuring protection of natural resources such as soil, nutrients, and water. Paying now for more sustainable supplies will also be cheaper than the costs of addressing climate change, pesticide clean up, and of food related diseases, later on.
- **Health improvements:** Providing a healthier, fresher food supply and reducing the need for processing and the risk of nutrient loss or contamination associated with mass catering and long distance transport of food should improve public health. Much PSC is for vulnerable groups – children, the elderly or sick – who need and deserve the highest quality food but tend to get the worst, due to financial constraints and lack of standards.
- **Educational opportunities:** Better PSC can be linked with education and information initiatives in the public sector for instance with curricular activities in schools, nutrition advice in hospitals, and local authority local food directories.
- **Joined up government:** By supporting new markets the government will both stimulate demand for and create a public interest in responsible purchasing. This will contribute to government objectives in other areas such as increasing organic production, reducing food waste, achieving higher animal welfare standards and transport reduction strategies.

## Overview of relevant legislation

There are four factors that make it difficult for public purchasing authorities to specify local supplies:

- The World Trade Organisation (WTO) Agreement on Government Procurement (1994) (GPA) was signed in Marrakesh on 15 April 1994 - entering into force on 1 January 1996. In respect of the procurement covered by the Agreement, Parties to the Agreement are required to give the products, services and suppliers of any other Party to the Agreement treatment "no less favourable" than that they give to their domestic products, services and suppliers and not to discriminate among goods, services and suppliers of other Parties. The UK is a Party to the Agreement although many agricultural products are exempt from it.
- Supplies, services and works below certain thresholds are governed by the 'Treaty of Rome' and prevent local positive discrimination between EU members. 'EC Directives' become applicable for

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<sup>1</sup> *The UK Catering market*, ISCAN, Sheffield Hallam University, 1998

<sup>2</sup> see *Eating Oil: food Supply in a Changing Climate*, Sustain, 2001

spending above thresholds and require government contracts to be advertised, and to be open to any potential supplier regardless of nationality. The Directives are:

- 93/36/EEC – Public Supply Contracts
- 93/37/EEC – Public Works Contracts
- 92/50/EEC – Public Service Contracts

These European Public Procurement Regulations, which apply to all purchases by a public body, prevents discrimination against a supplier on grounds of location or nationality, and requires stringent tendering arrangements where contracts exceed the thresholds<sup>3</sup>. The present guidance<sup>4</sup> from the EC concerning these public procurement regulations does allow the external economic costs incurred by the purchasing authority to be taken into account in the award of contracts, but does not allow the external economic costs incurred by the purchasing authorities' community or society at large to be taken into account.

- The Local Government Act (1988) requires the country or territory of origin of supplies, or the location of business activities or interests of a contractor, to be considered only on commercial grounds. This implies locality can only be taken in account when it has economic implications. However, this doesn't apply to hospitals, and possibly not to universities, the armed forces, and prisons.
- The requirement to achieve Best Value. Best Value allows factors other than price to be considered, but local authorities must demonstrate overall value for money.

Purchasing authorities can ensure that their purchasing department or agent advertises contracts locally, and does not exclude suppliers just because they are small, but encourages small, local firms to come up with features which can be weighed against price, including such things as quick delivery, organic, recyclable, and immediate maintenance call-out. Purchasing departments and agents normally retain a range of suppliers under their contracts and local authorities could stipulate those contracts where it felt it essential to have a local service because of operational needs.

Purchasing authorities could also put in place arrangements with local suppliers to provide local services to schools at the best price. Under Fair Funding, schools are discrete operational units for the purpose of the EC regulations and the EC threshold applies to each individual school. They are more likely, therefore, to be able to source their needs without the requirement to tender.

Small, local firms are unlikely to be able to afford advertising and marketing which can compare with larger national or European suppliers. One of the ways small, local suppliers can help themselves is by working together, e.g. in Chambers of Commerce or trade associations, to advertise and market themselves. But they must not join together to fix prices, as this falls foul of the Competition Act, which forbids cartels. Local authorities can deal with partnerships of small suppliers if they tender competitively.

## **Constraints to sustainable food in PSC and how these have been addressed by practitioners**

The problem with mainstream public sector catering is that it represents, generally, the lowest common denominator of food supply i.e. the cheapest raw materials, of minimal nutritional quality, often heavily processed and rarely presented in a way which contributes to an appreciation of food culture and quality. The driving forces have been delivery of cost savings and the desire to reduce administration. Particularly as vulnerable groups – the young, sick and elderly – make up a large proportion of PSC, this is an unacceptable situation and deserves immediate attention by Government.

Specific obstacles to buying local food include parts of the relevant legislation outlined above including the local government regulations which prohibit the issuing contracts on 'non-economic' grounds, and EU

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<sup>3</sup> For a table of the relevant thresholds see <http://www.ogc.gov.uk/index.asp?id=397>

<sup>4</sup> Commission Interpretative Communication on the Community law applicable to public procurement and the possibilities for integrating environmental considerations into public procurement COM (2001) 274 final

law that does not allow territorial preferences being specified in public purchasing contracts.<sup>5</sup> Other obstacles include the shortage of suitable suppliers e.g. of vegetables, the lack of school catering facilities, lack of time for facilitating and administering more local and possibly more numerous contractors, and the lack of suitably processed and semi-processed products for catering.

However, many good practice examples can be found both in the UK and elsewhere (good examples exist in the US, Italy and France for instance). In the UK these are extremely rare so we need to draw on the experience of these initiatives to take sustainable food out of its niche market and into the mainstream in public sector catering. Good practice examples of PSC have been driven by a perception of the following benefits of local food links:<sup>6</sup>

- Desire for fresh food (often organic) and a reduction in food miles
- More community involvement
- Support for farmers and sustainable agriculture
- Less transport pollution
- Desire to give farmers in developing countries a fairer deal for their products
- Desire for more seasonal varieties
- Reducing costs, packaging and waste
- Growers obtain a reliable market not subject to the strict requirements of supermarkets or competition with imported produce and can concentrate on quality rather than 'cosmetic' standards
- Communication and trust built between consumers and producers together with positive education about food (and links with the national curriculum)

For instance, the Somerset Food Links – *Local Food For Local Schools?* initiative was in response to the local communities' desire for less processed food in schools' menus and inclusion of more varied fresh, local produce. Somerset producers were also keen to supply Somerset schools. They have identified the potential for local food and the policies which can help this, such as the decentralisation of school meal budgets in April 2000 and the School Nutritional Guidelines (April 2001) as well as Local Agenda 21 initiatives.

In Italy, a desire in the early 1990s to maintain the Mediterranean diet in schools, to stave off the growth of school 'fast' food, has ultimately led to a growing number of initiatives for local and organic produce in schools across the country. Parents' committees began to realise that by introducing education on food and nutrition, and changing the content of the school meals and the way that they were provided, they could influence the way people look at food and what people buy in the wider community. They have sought producers and suppliers which could fulfil the desired criteria and have cultivated a relationship with them. This was part of an approach that regarded school meals as being the best way to introduce a sound dietary and food education throughout the community.

It has been suggested that the two examples above are able to operate by using technical and sustainability criteria and policies which are allowable under EU and other regulations. However, much confusion still exists amongst purchasers and others as to what is allowed and what is not under the legislation, hence clarification of it, and possibly amendment to it, is necessary.

For more details of the examples above and for further examples of public procurement initiatives and support projects see Sustainable Food Chains, *Briefing Paper 3 Public Procurement of Sustainable Food; Current, planned, and related initiatives* at <http://www.sustainweb.org>

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<sup>5</sup> Section 17 of the Local Government Act 1988 and EU Directive 93/36 EEC and Proposal for a Directive of the European Parliament and the Council on the co-ordination of procedures for the award of public supply contracts, public service contracts and public work contracts {2000/0115(COD)}, and Proposal for a Directive of the European Parliament and the Council co-ordinating the procurement procedures of entities operating in the water, energy and transport sectors {2000/0117(COD)}.

<sup>6</sup> Tull, Anita, 2001, Healthy eating initiatives and food provision in primary and secondary schools, School Food Action Group, CommonCause Cooperative, Lewes.

## What needs to be done?

There are significant logistical and infrastructure barriers, and these need to be addressed in an integrated way by all sectors in the food chain and at all levels of governance. It will also need to go beyond the food chain to include, for example, people developing the curriculum, monitoring nutritional standards in schools and hospitals and the community, implementing school grounds policy, and running hospital/community link groups. In this way, new schemes can connect with existing ones and a 'whole school' or 'whole authority' approach should be the goal.

Those in the public sector involved with food purchasing need the support, advice and finances necessary to initiate different purchasing priorities. Securing an adequate and reliable supply is currently an obstacle and there are significant problems of scale for new entrants or for alternative approaches. These can be overcome (and examples exist to prove this) as shorter supply chains free capital and reduce costs, and with more active cooperation between suppliers, they can develop the volume and standards required.

Priority measures needed:

- **Regulation:** Rules on public procurement must include consideration of process and production methods (PPMs), and allow costs borne by both the contracting authority<sup>7</sup> and those borne elsewhere (such as through environmental damage by pesticides or transport) to be taken into account by purchasing authorities. They must allow display of information that identifies the producers, location and production methods. Government should consider a new UK Public Sector Responsible Purchasing Act to remove confusion and create an enabling environment for government institutions. (Addressing the 1988 Local Government Act (s17), EC Directives, and the WTO Agreement on Government Procurement).
- **Research:** The Food Standards Agency (FSA) and the Department of Environment, Food, and Rural Affairs (DEFRA) should jointly undertake research programmes to assess how more sustainable food schemes could provide nutritional advantages particularly to low-income and vulnerable groups, and how they could contribute to environmental, development, and regeneration objectives.
- **Information, advice and demonstration:** Information on the legal aspects of PSC including new EC Directives is needed, as well as assistance to those groups providing technical advice and training for suppliers and procurement officers. Supply chain initiatives need to be supported by grants, training and business advice particularly for schemes involving local and organic produce, for example, through the Rural Development Regulation, Regional Development Agencies and Countryside Agency's *Eat the View* project. Exchanges with those engaged with schemes in Europe would also be valuable given the considerable expertise developed, particularly in France and Italy.
- **Financing and funding:** To achieve higher quality in terms of nutrition and sustainability in PSC more spending per person per meal is required. We urge that the Department of Health's new Better Hospital Food Panel address the issue of sustainable food in hospitals.
- **Training and recipe changes:** Canteen staff, purchasing officers, and others need specific training on buying and using sustainable food as other European countries have done. Recipe changes could make the use of sustainable food dramatically easier. Recipe changes to healthy, seasonal dishes may also lead to falls, or lower increases, in both initial and running costs.
- **Legal definitions of local food and PFNs:** Greater support is required for the development of foods legally defined as local and/or regional, and culturally distinctive. The UK has currently only thirty-one Protected Food Names<sup>8</sup> (PFNs) registered with the EU compared with hundreds from

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<sup>7</sup> The current guidance from the EU concerning public procurement regulations (Commission Interpretative Communication on the Community law applicable to public procurement and the possibilities for integrating environmental considerations into public procurement COM (2001) 274 final) does allow the external economic costs incurred by the purchasing authority to be taken into account in the award of contracts. It doesn't, however, allow the external economic costs incurred by the purchasing authorities' community or society at large to be taken into account.

<sup>8</sup> Protected Food Names are products registered with the EU as coming from a particular region or location, examples include Blue Stilton and Cornish Clotted Cream.

other European countries. More need to be registered so that contractors can specify these in the technical criteria in contracts.

- **Coordination:** Government should consider the appointment of food workers to act as agents between local producers and public-sector caterers or suppliers to facilitate marketing, logistics, and information exchange to establish sustainable supply routes.
- **Government leading the way:** Government should lead the way through its own purchasing policies, rethinking departmental purchasing policy so it supports sustainable food procurement.

## Web Contacts

Audit Commission <http://www.audit-commission.gov.uk/home/>

[NHS Procurement and Supply report

<http://www.audit-commission.gov.uk/publications/nrprocsupply.shtml>]

Best Value Information <http://www.bestvalueinspections.gov.uk/whatisBVI/whatis.htm>

Big Barn [local food finder] <http://www.bigbarn.co.uk>

British Chambers of Commerce <http://www.britishchambers.org.uk>

Chartered Institute of Purchasing and Supply <http://www.cips.org/>

Community Food Security Coalition (US) <http://www.foodsecurity.org/programs.html>

Countryside Agency <http://www.countryside.gov.uk>

Department of Environment, Food, and Rural Affairs <http://www.defra.gov.uk>

Department of Health [purchasing] <http://www.doh.gov.uk/purchasing/index.htm>

Department of Transport, Local Government, and the Regions <http://www.dtlr.gov.uk>

East Anglia Food Link <http://www.eafl.org.uk>

Eat the View <http://www.eat-the-view.org.uk>

European Parliament <http://www.europarl.eu.int/>

Food Standards Agency <http://www.foodstandards.gov.uk>

Forum for the Future <http://www.forumforthefuture.org.uk>

Foundation for Local Food Initiatives <http://www.localfood.org.uk>

Joint Procurement Policy and Strategy Group <http://www.jpmsg.ac.uk/sustainability/>

Local Authorities Caterers Association <http://www.laca.co.uk/>

Local Government Association <http://www.lga.gov.uk>

Office of Government Commerce <http://www.ogc.gov.uk>

[Procurement thresholds] <http://www.ogc.gov.uk/index.asp?id=397>

OGC Buying Solutions (Executive Agency) <http://www.ogcbuyingsolutions.gov.uk/>

Official Journal of the European Commission (OJEC). <http://www.ted.eur-op.eu.int> (Tenders Electronic Daily)

Organisation for Economic Cooperation and Development (OECD) <http://www.oecd.org>

Green procurement press release <http://www.oecd.org/oecd/pages/home/displaygeneral/0,3380,EN-document-0-nodirectorate-no-12-24841-0,FF.html>

National Audit Office <http://www.nao.gov.uk>

Modernising Procurement report [http://www.nao.gov.uk/publications/nao\\_reports/](http://www.nao.gov.uk/publications/nao_reports/)

NHS Purchasing and Supply Agency (PASA) <http://www.pasa.doh.gov.uk>

Sustain: The Alliance for Better Food and Farming <http://www.sustainweb.org>  
[Sustainable Food Chains project [http://www.sustainweb.org/chain\\_index.shtm](http://www.sustainweb.org/chain_index.shtm)]

Sustainable Development Commission <http://www.sustainable-development.gov.uk>  
[Food Procurement for Health and Sustainable Development report summary  
<http://www.sd-commission.gov.uk/pubs/fp/index.htm>]

Society of Procurement Officers (SOPO) <http://www.sopo.org/>  
[Guidance on local supplies [http://www.sopo.org/information/SOPO\\_guidance3.htm](http://www.sopo.org/information/SOPO_guidance3.htm)]

Somerset Food Links <http://www.somersetfoodlinks.org.uk>

Soil Association <http://www.soilassociation.org>

The Treasury <http://www.hm-treasury.gov.uk>

Tenders Direct <http://www.tendersdirect.co.uk/>

World Trade Organisation <http://www.wto.org>  
[Overview on plurilateral agreement on Government Procurement  
[http://www.wto.org/english/tratop\\_e/gproc\\_e/over\\_e.htm](http://www.wto.org/english/tratop_e/gproc_e/over_e.htm) ]