

Department for Environment, Food and Rural Affairs – January 2008

English Organic Action Plan Steering Group (OAPSG)

Strategic Paper on Public Procurement*

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1. Introduction

Government's strategy for sustainable farming and food¹ and organic action plan² both highlight the public sector as a key area in which to market UK produced organic food. Indeed, priority area three in the action plan states:

Following the recommendations of the Cross Government Sustainable Procurement Group this summer, the Government will take forward action to encourage sustainable procurement of food, including the role that procurement of organic food can play.

Some work has, therefore, already been done in this area, including through the Defra-run Public Sector Food Procurement Initiative (PSFPI). This initiative is generating some very positive examples in hospitals, schools and care homes where organic food has found a place in public procurement, and organic food is already becoming available in Defra staff restaurants. In addition, the message that procurement of organic food can have a role in public catering has been given on a number of occasions by Defra Ministers and officials. However, many in public sector procurement remain unaware of this government support and regularly including sustainable food, particularly organic food, is still not widespread in public sector procurement. Recently, in

* ORG 238

¹ Defra, *The strategy for sustainable farming and food: facing the future* (London: Defra, 2002).

² Defra, *Action Plan to Develop Organic Food and Farming in England*, (London: Defra, 2003).

an effort to counter this problem, Defra's PSFPI team have published 'Putting it into practice'³ aimed at members of the supply chain, buyers and senior management. This guide will be officially launched in early 2008.

The benefits to the tax payer of investing in organic food and farming for public good are highlighted in ORG245. Similarly, developing producer confidence to encourage sufficient domestic supply of organic food can be produced for the public sector is covered elsewhere. These issues are therefore not repeated in this paper for the OAPG which, instead, focuses on what more could be done to make more rapid progress towards a situation where British organic produce is used as a matter of routine in public sector catering, rather than being a rarity.

2. The importance of public sector procurement

Public procurement of goods and services represents a highly significant economic activity, and institutional food represents an important part of this sector. For example, in the UK the public sector provides approximately 1.8 billion meals every year, accounting for 7% of the entire UK catering sector.⁴ In the UK the quality of institutional food has been driven down over many years by reduced budgets and competitive tendering techniques which mean that cost cutting has been an overriding priority. This has resulted in a reliance on low quality ingredients and production methods, in both agriculture and manufacturing.⁵

There is potential for public sector catering to contribute to broader policy goals, for example to improve health and education, increase opportunities for food SMEs, and create jobs, as well as support environmental objectives and local producers. Including organic food in public procurement also helps ensure that people on lower incomes have access to organic food.⁶

Despite this potential, practical experience in assisting public sector caterers, for example in Sustain's 'Good Food on the Public Plate Project', to move towards sustainable food procurement has shown that:

- Although organic food procurement is part of government policy, such food is not being bought routinely by most of the public sector.
- Current budgets do not generally allow widespread use of organic food in public sector catering.
- The supply of UK organic food is sometimes not on a large enough scale, or available on a dependable enough basis to satisfy the

³ Defra, *"Putting it into practice – advice for promoting healthy food and improving the sustainability and efficiency of food procurement, catering services and supply"* (London: Defra 2007).

⁴ Lampkin, N. *The role of public procurement in supporting European organic agriculture*, ORG 53

⁵ Lampkin, N. *The role of public procurement in supporting European organic agriculture*, ORG 53

⁶ Food Matters, *Increasing Access to Organic Food for Low Income Consumers* (ORG 221, 2005).

current requirements of public sector caterers, particularly the routine insistence to have the same produce, year round.

- Procurers and catering staff often do not have enough knowledge of the benefits of organic food to make the extra effort required to make it an important part of the menu.

These problems need to be overcome to meet Government's priorities; to use public procurement to provide an important and stable market for organic farmers, to reduce greenhouse gas emissions from farming and food, and to help meet the Government's objectives for sustainable farming.

3. Existing policy support

At a global level, "green" public procurement is specifically mentioned in the implementation plan of the World Summit on Sustainable Development, encouraging "relevant authorities at all levels to take sustainable development considerations into account in decision making."⁷

The OECD also recommends that member countries take greater account of environmental considerations in public procurement of products and services. It recommends specific steps to ensure environmental criteria are included, which include providing information, training and technical assistance to officials involved in public procurement and making available to all levels of government information and methods that facilitate greener public purchasing.⁸

At a European level, Article 6 of the Amsterdam treaty specifies that "environmental protection requirements should be integrated into the definition and implementations of the policies and activities."⁹

As noted above, these international policy commitments are reflected in UK policy, specifically:

- England** - The organic action plan for England includes the aspiration that 50% of public authorities should specify organic food in contracts by 2010.
- Northern Ireland** – The organic action plan for Northern Ireland has statements to support more procurement of organic food, including by establishing links with public sector organisations such as hospital trusts and care homes.¹⁰
- Scotland** – The Scottish organic action plan includes a pledge for the assembly to look at the role of organic food in public procurement. It is also the Scottish Executive's policy that procurers

⁷ EUROPA *The Greening of Public Procurement* (Brussels: European Commission, 2005)

⁸ OECD *Recommendation of the Council on Improving the Environmental Performance of Public Procurement* (OECD, 2003).

⁹ EUROPA *The Greening of Public Procurement* (Brussels: European Commission, 2005)

¹⁰ Dardni, *The Organic Action Plan for Northern Ireland*, (Dublin: Dardni, 2005).

should take into account sustainability criteria when awarding food contracts.¹¹

- d. **Wales** – The Welsh organic action plan¹² includes priorities for public procurement. Moreover, all Welsh legislation must take sustainability criteria into account.

Thus policies to increase the amount of organic food in the public sector are clear throughout the UK. This message has been publicised, and also promoted at the top level of public sector organisations, and there are also many examples of good practice. East Ayrshire Schools¹³, Carmarthenshire schools,¹⁴ the EU Raphael project¹⁵ and the Cornwall Food Programme¹⁶ are among those documented. However, anecdotal evidence, from experience of working with public sector caterers including Sustain's Good Food on the Public Plate project indicates that this message is still not yet getting through to many practitioners.

4. Why is so little organic food bought by public purchasers?

Research by Cardiff University¹⁷ suggests that one barrier to sustainable food procurement is a lack of understanding among procurement professionals and institutions about what is allowable under EU law. This is supported by evidence that those regions and nations with clear guidance and support from their Governments about what is allowable under EU law have achieved greater take-up of organic food.¹⁸

Another difficulty might be that, within the UK, many different organisations have responsibility for increasing the amount of sustainable food being served by the public sector. They include the Regional Development Agencies, the government offices in the regions, and individual local authorities, hospital trusts, schools and so on. This may lead to confusion about which bodies should take the lead, so that 'islands of good practice'¹⁹ exist in a "sea" of inertia.

¹¹ Scottish Executive, *Integrating sustainable development into procurement of food and catering services*, (Edinburgh: Scottish Executive, 2004).

¹² Welsh Organic Food Industry Working Group *Welsh Organic Food Sector: A Strategic Action plan* (1999).

¹³ Hannah Pearce et al, *Double Dividend* (London: Sustainable Consumption Roundtable, 2005).

¹⁴ Carmarthenshire Council, *Local Sustainable Food Strategy* (Carmarthen: Carmarthenshire Council, 2004).

¹⁵ CPDNI, *Public Procurement in Northern Ireland* (Belfast: CPDNI, 2006).

¹⁶ Charlotte Russell et al *A Fresh approach to hospital food* (Soil Association Organic South West, 2006)

¹⁷ Morgan, K. & Morley, A. *Relocalising the Food Chain: the Role of Creative Public Procurement*, (Cardiff: The Regeneration Institute, Cardiff University, 2002).

¹⁸ Morgan, K. & Morley, A. *Relocalising the Food Chain: the Role of Creative Public Procurement*, (Cardiff: The Regeneration Institute, Cardiff University, 2002).

¹⁹ Morgan, K. *School Meals and Sustainable Food Chains* (London: The Caroline Walker Trust Lecture, 2004).

In addition, alongside clear messages about including sustainability in public purchasing, there are confusing messages about costs. The Gershon Efficiency review, for example, advocates the need for savings of £3 billion to be made in public sector procurement.²⁰ At the same time, senior policy makers are stating that ‘best value’ does not mean the cheapest price. For example, Sir Neville Simms, Chairman of the Sustainable Procurement Taskforce stated that ‘sustainable procurement, supporting wider social, economic and environmental objectives in ways offering real long-term benefits is the only way to gain true value for money for the public purse.’²¹

In the face of these apparently contradictory approaches, anecdotal evidence indicates that financial pressure on buyers, for example from finance departments, means that in reality, the cheapest *short term* price is the main consideration. The longer term effects, such as environmental damage or diet-related diseases, are rarely considered.

5. Where do we want to be, and how do we get there?

The ideal situation is that:

- There is strong, clear leadership on this agenda at a national level, along with the necessary financial and other support.
- All those responsible for procurement understand and correctly interpret and apply the rules for local and organic procurement.²²
- Environmental, social and health objectives, as well as economic considerations lie at the heart of public sector food procurement decisions.
- As a result of the above, British organic produce is used as a matter of routine in public sector catering, rather than being a rarity.

Successful examples of where this has already been undertaken can be found in Europe,²³ and perhaps offer options for the UK. Public procurement services in Denmark and Italy, for example, have benefited from government support for organic conversion. Both national governments have also provided funding to support organic procurement. In Italy, both national and regional laws have been passed to include organic as well as local ingredients in school meal provision. A number of regions have noted that organic procurement strategies tend to favour local and regional producers.²⁴

The recommendations set out below are those which we believe are required to develop large-scale organic supplies for the public sector. Although many of these issues are already being taken forward by the PSFPI, the limited

²⁰ HM Treasury. *Releasing Resources for the Frontline: An Independent Review of Public Sector Efficiency* (London: HM Treasury, 2004).

²¹ Simms, N. *What's the plan?* (London, Defra: 2006)

²² Defra, *Notice of Seminar on procurement of organic food in the public service* (London: Defra, ORG 89).

²³ Lord Whitty, *Speech to the Sustainable Procurement Conference* (ORG 138, 2003)

²⁴ Lampkin, N. *The role of public procurement in supporting European organic agriculture*, (ORG 53)

funding and staffing available, particularly at a national level, means that additional support will be needed to make more rapid progress.

a) Set targets for more organic produce in public procurement

The Organic Action Plan for England includes the aspiration that 50% of public authorities should specify organic food in contracts by 2010, but percentage targets for the proportion of organic food being procured by the public sector should also be set. The level of such targets could be decided by gauging levels being achieved in existing public sector food procurement pilot projects. It is highly unlikely that it would be practical, or even desirable to police such targets strictly, though the fact that they are in place is very likely to encourage caterers to engage with the agenda. Such targets might include:

- **20% of food should be UK organic in public sector institutions when in season (i.e. when readily available in the UK) by 2012.** Requirements for freshness and seasonality will help to ensure that supply chains are, as far as possible, based on local production and such statements are permissible in public sector contracts.
- **All public sector bodies should commit to begin working towards the Soil Association 'Food for Life'²⁵ targets by 2015.** Particular encouragement should be given to bodies which have done little work in this area in the past, such as the Ministry of Defence and prisons.

There is a potential cost in terms of higher prices of organic food, which is discussed below.

Each public sector organisation should integrate sustainable procurement into an overall sustainability strategy for the organisation. Where appropriate, this might involve reassessing budgets and responsibilities, as an integrated approach coupled with greater flexibility might be more effective in meeting a range of objectives, such as environmental improvement and nutrition²⁶. For example, more nutritious, tastier food (which is more likely to be eaten than wasted) may reduce the need to buy vitamin supplements for patients in hospitals.

b) Create appropriate clauses in tender documents

The OAPG could promote sample contracts to include clauses such as the following.

- a. **Purchase fresh ingredients, which in turn promotes locality as a quality factor:** such a measure would also necessitate the re-introduction of production kitchens for individual institutions, rather than relying on cook-chill / cook- freeze meals which are

²⁵ Soil Association, *Food for Life report: Healthy, local organic School Meals*, (Bristol, Soil Association: 2003).

²⁶ National Audit Office. *Smarter food procurement in the public sector: a good practise guide*, (London: The Stationary Office, 2006).

currently served at many hospitals and in other public sector catering. This type of investment is beginning to be undertaken for schools, though other institutions are not included the building programme. Alternatively, large scale, public sector owned production kitchens could be developed to cook local food and distribute the meals to other local public sector caterers. Such a facility is being developed by the Cornwall Food programme.²⁷

- b. **Purchase according to local production capabilities, for example demanding products in season:** This could be encouraged by developing seasonal menus, to update the menus which hospitals are still obliged to use as part of the government run 'Better Hospital Food Initiative' even though the initiative has now been discontinued.²⁸ These menus are not seasonal, do not encourage sustainable supplies and have been widely criticised by hospital catering staff.
- c. **Specify favourable service criteria:** Emphasising freshness, delivery responsiveness and minimal packaging, for example, can all help to encourage sustainable, local suppliers to participate in the tendering process.
- d. **Specify organic food:** Emphasising reductions in energy use, greenhouse gas emissions and pollution, and benefits to farmland wildlife, water quality and soil conservation will encourage organic suppliers to tender for contracts.

c) Create better links between relevant government departments²⁹

The OAPG could arrange meetings with, for example, the Department of Health and others which, to date, have been less active in their support for sustainable public procurement. It is likely that the government's Sustainable Development Commission would be highly supportive of this objective, as it is currently engaged in a major review to ensure that all government departments develop integrated policies that include sustainability in all policy-making and implementation.

d) Train procurement staff

Procurement staff should be 'trained for innovation', so that they recognise that 'value for money' does not necessarily mean cheapest.³⁰ This could be

²⁷ Cornwall Partnership Trust. *Cornwall Partnership Trust annual report 2004/05* (Cornwall: 2005)

²⁸ NHS Estates *Better Hospital Food Initiative resources* (London: 2005)

²⁹ Dowding, O. *Notice of Seminar on procurement of organic food in the public service* (London: Defra, ORG 89).

³⁰ Morgan, K. *Notice of Seminar on procurement of organic food in the public service* (London: Defra, ORG 89).

achieved by, for example developing a training course which all public procurement officers must attend, supported by materials on good practice.

e) Promote good practice

The OAPG could vigorously promote examples of practical ways in which organic food has been procured in the public sector, for example in projects run by the Soil Association and Sustain. Such examples give procurement officers on the ground helpful information and encouragement that what appear to be insurmountable obstacles to making changes can, in fact, be overcome.

f) Help organic producers win contracts

Support will also be required for the suppliers, such as training in tendering techniques, facilitating cooperation between smaller producers, and encouraging the development of appropriate supply infrastructure.³¹

The OAPG could support such infrastructure development by making a strong case for the value of supply infrastructure in facilitating sustainable public sector food procurement and funding innovation in this sector. Its value lies not only in improving the efficiency of marketing and distributing sustainable produce, but also in reducing transaction costs, for example, the number of invoices which need to be raised.

g) Engage service users and local communities

Experience in schools, in particular, has shown that involving people who use or are affected by public sector catering can reap dividends. Parents, pupils, and local community dieticians have all helped to improve and maintain higher standards in their school meal provision. Similar approaches should be explored in other public sector catering sectors such as hospitals, care homes and meals on wheels.

Non-Governmental Organisations currently working in the field of sustainable food procurement, and promoting this inclusive approach, such as the Soil Association, Sustain and Food Links UK are currently taking this agenda forward, and could be funded to do so by Defra, in association with other government departments that procure food, including the Department of Health, the Department for Children, Schools and Families and a wide range of others.

h) Increase food budgets

Budgets may need to be increased, but not without some controls to ensure that the money is used to buy or prepare sustainable food, and not for other unrelated purposes. Professor Kevin Morgan states that: 'It is clear that

³¹ London Development Agency. *London Sustainable Food Hub: Opportunities for a sustainable food logistics centre in London*. (London: LDA, 2005)

individual organisations will need to be supported financially in many cases to meet the increased cost of organic food.³² However, Peter Melchett, Policy Director of the Soil Association, notes that 'organic food need not always be necessarily more expensive, for example if one compares a basic organic product to a highly processed conventional one'.³³

In addition, meat is often the most expensive ingredient in catering. There are robust health, environmental and animal welfare grounds for reducing the quantity of meat in the diet. Replacing large quantities of low quality meat with small quantities of high quality meat maybe cost neutral, or even produce savings.³⁴

Extra funding may also be needed, initially, not for food purchasing, but for investment in facilities such as kitchens or kitchen equipment as noted above, so that whole, fresh food can be prepared. Some initial funding may be needed too, for redesigning menus to incorporate seasonal produce. These investments are likely to produce savings in the longer term, as noted in the Simms report.

In conclusion, public procurement of organic food has the potential to be an important and stable market for UK producers, which in turn will help meet all the objectives of the UK's sustainable food and farming strategy. Though there is policy support at national government level, the recommendations outlined in this paper will help to turn those policy aspirations more rapidly into changes in practice.

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³² Morgan, K. & Morley, A. *Relocalising the Food Chain: the Role of Creative Public Procurement*, (Cardiff: The Regeneration Institute, Cardiff University, 2002).

³³ Melchett, P. *Notice of Seminar on procurement of organic food in the public service* (London: Defra, ORG 89).

³⁴ Report by the Controller and Auditor General: *Smarter Food Procurement in the Public Sector* (NAO 2006).