

Report

Report to:	Climate Change and Sustainability Committee
Date of Meeting:	20 September 2023
Report by:	Executive Director (Community and Enterprise Resources)

Subject:	Food Procurement: Findings of the Market Capacity Assessment and Next Steps
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1. Purpose of Report

1.1. The purpose of the report is to:

- ◆ Note the findings and recommendations from the Market Capacity Assessment on food procurement as well as the next steps as described in the action plan

2. Recommendations

2.1. The Committee is asked to approve the following recommendation(s):

- (1) Note the findings and recommendations from the Market Capacity Assessment on food procurement as well as the next steps as described in the action plan.

3. Background

- 3.1. South Lanarkshire Council (SLC) aims to provide suppliers with opportunities to increase the provision of local food and drink as set out in the Good Food Strategy, Procurement Strategy, Community Wealth Building Strategy. Local procurement is indeed one of the key strands of the Council Community Wealth Building Strategy and this exercise aimed to identify opportunities for increasing local spend.
- 3.2. A project review group on Sustainable Food Procurement was established in February 2021 to identify options to progress this objective. In particular, the decision was taken to source funding to undertake research into the food and drink market in South Lanarkshire with a view to identifying actions to increase local spend and overcome potential barriers.
- 3.3. An application was made in October 2021 to the Council's Food Strategy Fund for £10,000 to recruit a consultant to undertake a Market Capacity Assessment and understand the capacity of local food and drink businesses to supply food to the different buyers of the Council.
- 3.4. The application was successful and following a Quick Quote Procedure, the contract was awarded to Fare Consulting Limited for a budget of £14,500 (additional funding also came from the Food Strategy Fund). Fare Consulting Limited is an independent consultancy established eight years ago with experience in projects with multiple stakeholders and businesses of varying scale and complexity and in food and drink related projects.
- 3.5. There is national interest at the moment with regards to sourcing local food with the Good Food Nation Act (2022).

4. Objectives of the Market Capacity Assessment

4.1. The objectives of the research were as follows:

1. Assess capacity of local food and drink businesses to supply to SLC Resources;
2. Identify local food and drink businesses who can currently meet the Council demand;
3. Identify food and drink businesses who could develop to meet demand;
4. Identify challenges to local businesses to begin to supply and to the Council in purchasing; and
5. Recommend actions for the Council and partners to address and overcome barriers.

5. Activities undertaken to deliver the project

5.1. The consultant undertook the following activities:-

- ◆ Internal engagement with the Council including bilateral and group meetings with officers from Facilities, Social Work, Economic Development, Performance and Development teams and South Lanarkshire Leisure and Culture (SLLC) and data collection on food requirements and provision per department
- ◆ External engagement with local food and drink businesses across Lanarkshire via a variety of methods (online meetings, online survey, drop-in sessions, direct contact via emails and calls)
- ◆ External engagement with industry bodies (i.e. Scotland Excel, Scotland Food and Drink, Lanarkshire Larder, Soil Association, SAC Consulting, National Farmers Unions)
- ◆ External engagement with other local authority representatives;
- ◆ Analysis of documentation received (Council and SLLC food and drink purchasing details, country of origin purchasing data, agricultural census)
- ◆ Analysis of research (data, questionnaire, feedback from meetings and discussions)

6. Summary of Fare Consulting Limited findings and additional data provided by Scotland Excel

6.1. Overview of Council buyers

- ◆ Facilities Service is the largest purchaser of food and drink. It represents 86% of the value of food purchased by the Council (including all Resources and SLLC). The Service supplies food to 93 nurseries, 125 primary schools, 7 Additional Support Need schools and 17 high schools, staff restaurant and community meals. The Service has a legislative duty to provide school meals which comply with the nutritional requirements of National Requirements for Food and Drink in School (Scotland) Regulations 2020, for Nurseries the standard for meals is "setting the Table". In addition to these legislative requirements, the Service provides over 500 adapted diets for medical and cultural needs for pupils. The Service must comply with Food Safety Act 1990 and ensure that all suppliers are vetted and have the accreditations and safety standards in place. Scotland Excel uses the Environmental Health Service to ensure that food and drink contracts meet the relevant safety standards and can provide full traceability of food
- ◆ Social Work Resources is the second largest purchaser (9% of the total value of food purchased) with food provision to care homes and day care
- ◆ SLLC purchase food and drink for visitor cafés and for events at SLLC venues (4% of the total value of food purchased)
- ◆ Other Resources (Housing and Technical, Finance and Corporate, Education) have limited spend with ad hoc requirements

6.2. Overview of food purchased

- ◆ The Council is procuring all food and drink via Scotland Excel Framework Contracts, with the exception of fresh fruit and vegetables sourced directly from George Carruthers
- ◆ Scotland Excel is the Scottish local authority Centre of Expertise which is responsible for establishing collaborative frameworks for use of all councils to drive efficiency and best value. The Council's strategic sourcing approach for food and drink requirements is focused on use of Scotland Excel frameworks, which ensure compliance with health and safety and food quality standards
- ◆ The Council has a collaborative contract with North Lanarkshire for fruit and vegetables and has maintained this contract as the terms are more favourable than the Scotland Excel framework
- ◆ Total food and drink purchased via Scotland Excel frameworks for the Council is in the region of £4.5m per year
- ◆ Current suppliers, value of contract and information about country of origin for food purchased by the Council are presented below
- ◆ All figures are extracted or calculated from tables provided by Scotland Excel for the period April 2021 to March 2022 or from tables provided by Procurement Services. A visual representation is available in Appendix 1.

Contract	Supplier	Total spent	Total Scottish Spend*	Sub-suppliers from Lanarkshire available in suppliers' catalogue
Frozen Food	Brakes	£3,291,728 (73%)	20%	Cosmo's pizza and pizzini
Groceries and Provision	Brakes		12%	Lees and Tunnocks cakes and confectionery, Border Biscuits, Equi Ice Cream and AG Barr drinks Brakes also employs over 400 people in Newhouse, Motherwell Depot.
Fresh Fruit and Veg	George Carruthers	£517,874 (11%)	16%	Fruits and vegetables are sourced from the Glasgow fruit market.
Milk	Muller	£416,058 (9%)	100%	23% of supplying farms are within Lanarkshire and 20% adjacent (Dumfries and Galloway) Significant company infrastructure and employee numbers in Bellshill, East Kilbride and Cambuslang
Fresh Meat, Cooked Meat and Fish	Campbells Prime Meat	£164,101 (4%)	99%	Some meat procured from farms in Lanarkshire, including Heatheryhall Farm, Toftcombs Farm and Park Farm

Contract	Supplier	Total spent	Total Scottish Spend*	Sub-suppliers from Lanarkshire available in suppliers' catalogue
Davidsons Cash and Carry	Soft drinks and confectionaries- (essentially for SLLC)	£143,740 (3%)	13%	Information not available

* To be classified as Scottish, products should either come from Scotland or be manufactured in Scotland. To be classified as coming from Scotland, one of the following must apply: it is grown on a Scottish farm or it is derived from fishing activities in the North-East Atlantic (which includes the North Sea and Scottish coastal waters) and landed at a Scottish seaport in rivers, lochs or water courses and fish farms within Scotland. Food classified as manufactured in Scotland is manufactured from raw ingredients (even though they may not originate from Scotland) in a Scottish factory or food facility which employs people and contributes positively to the country's gross domestic product.

- ◆ With regards to the origin of meat (frozen, fresh and cooked either from Campbell Meat and Brakes), 53% is from Scotland*, 44% was from the rest of the UK, 1% from Europe and 2% was out with Europe.
- ◆ Regarding fish (exclusively from the Frozen Food contract with Brakes), 47% is from Scotland*, 1% was from the rest of the UK and 52% was from a country of origin out with Europe.

6.3. Overview of the local food and drink market and engagement with businesses including current suppliers

- ◆ There are 615 businesses registered as Food and Drink businesses in South Lanarkshire and 166 in North Lanarkshire (Growth Sector Statistics, Scottish Government, consulted in 2022). The sector includes the following: Crop and Animal Production, Hunting and Related Service Activities; Fishing and Aquaculture; Manufacture of Food Products; Manufacture of Beverages
- ◆ Following engagement with businesses, 22 businesses showing interest in supplying food to the council were identified (overview of businesses available in Appendix 2)
- ◆ The Lanarkshire location has a reputation for high quality dairy produce and meat
- ◆ In addition to farmers and traditional food and drink businesses, there is a thriving artisan food scene in South Lanarkshire with makers of craft drinks, coffee blenders, artisan bakers and specialist meat and cheese producers
- ◆ There are limited examples of active collective working in the food and drink private sector. Lanarkshire Larder is a network of food and drink businesses with under 30 producer members, but it is first and foremost a marketing organisation
- ◆ 88% of the agricultural land in the Council area is grassland or land used for rough grazing, 6% is woodland, 5% is used to grow crops (of which 76% is used for grains) and 1% is classified as other land
- ◆ Brakes is currently working with 78 Scottish suppliers including eight from Lanarkshire and offers local food products within a large buying range
- ◆ Muller sells milk from 198 Scottish farms including 11 farms from Lanarkshire to all Scottish customers. The business has significant infrastructure and employee numbers in Bellshill, East Kilbride and Cambuslang

6.4 Overview of practices developed by other local authorities in Scotland

- ◆ Practices described below i.e. from East Ayrshire Council and Argyll and Bute Council were selected and analysed by the consultant as they are perceived as part of the most advanced in Scotland regarding local food procurement. However, it should be noted that the requirements in terms of volume for the respective catering teams are very distinct given the number of pupils in each

local authorities with 45,862 pupils in South Lanarkshire, 16,149 in East Ayrshire Council and 9,994 in Argyll and Bute (figures for 2022)

- ◆ In East Ayrshire Council, the process of sourcing local food started 8 years ago. Menu and recipe are developed according to seasonality and availability of supply. Contracts are offered for smaller lots i.e. specific products or specific geographical areas which allow smaller businesses to tender. Tendering processes are also tailored with criteria related to community wealth building and sustainability. This approach requires additional human resources in the procurement and catering team and continuous engagement and support to several businesses compared to handling one single contract. There is also a central distribution point. Cost of local food is higher, but this is offset by the hospitality and events business. Buying independently also offers flexibility to buy what is affordable whereas there is less flexibility in Scotland Excel frameworks
- ◆ In Argyll and Bute Council, the process started 12 years ago, and the primary objective is to support local communities. The Council uses Excel Framework but has clauses in place to permit flexibility in use of contracts. A pilot exercise was initially established on Isle of Bute with local meat, milk and eggs supplied into island schools, then the model was replicated elsewhere. Small procurements lots were defined on a local basis. Business Gateway and the Supplier Development Programme (SDP) targeted businesses wishing to engage with the Council. Cost of local food is higher, and it also takes more resources and time to deal with multiple small suppliers compared to handling one contract

6.5. Key findings

- ◆ Supplier engagement was challenging and the level of interaction with local food and drink businesses was not as high as anticipated with only 22 businesses responding (more information on businesses available in Appendix 2). The low level of responses could be explained by the context with businesses under pressure and limited capacities to engage with third parties and/or a low interest in supplying food to the council
- ◆ All 22 businesses identified indicated a desire to engage further with the Council on local procurement
- ◆ However, further engagement with businesses would be required for a better understanding of their ability to supply food to the Council as the following constraints were identified:-
 1. Many of the products sold by local businesses do not match the demand from Facilities (e.g. five businesses of alcohol and three of soft drinks businesses were identified) but could match the demand of other buyers such as SLLC (Appendix 2- Figure 2)
 2. None of the businesses can fulfil the scale of current requirements for schools. Although some of the businesses could supply an element of the requirement (i.e. some products or some geographical areas) and these are mostly small businesses with turnover below £250k per annum. For instance, of the 22, two businesses were interested in supplying poultry, two businesses were interested in supplying milk to some areas/schools, one business could also supply gluten free bakery goods.
 3. Accreditations held by businesses are very variable depending on businesses (Appendix 2 - Figure 5) and might not match the requirements of the Council buyers.
- ◆ The analysis of practices implemented in local authorities which are further ahead in their journey does not give a fully relevant assessment of opportunities given the different scale on which they operate

- ◆ As shown in the table paragraph 6.2 (last column), some of the food currently purchased by the Council comes from local suppliers as they supply Tier 1 contractors Muller, Brakes and Campbell Meat
- ◆ There is a national interest towards local food in the public sector. Scotland Excel and current Council suppliers are following strategies to expand local procurement by trying to increase the number of local sub-suppliers

6.6. Challenges and opportunities

- ◆ If suitable local products/businesses were identified (e.g. milk), the strategy of splitting lots during the tendering process could potentially be adopted to overcome the issue of local businesses being able to only supply smaller quantities compared to the council requirements, following the approach of East Ayrshire and Argyll and Bute Councils. By doing that, businesses would be required to supply only one elements of the requirements i.e. a product or an area. This approach is likely to imply more resources from Procurement Service to tender and manage contracts, more resources from Facilities Service to manage multiple contracts and from Environmental Services if vetting and traceability processes had to be undertaken
- ◆ The Council cannot award local providers without a competitive process, but tendering processes can be tailored with specific criteria that could give higher score to local businesses (e.g. community wealth building and sustainability criteria)
- ◆ To meet the Council demand in terms of volume, opportunities of collaboration among businesses could also be explored
- ◆ To overcome the issues of accreditations, business support provided by the Council and partners could be targeted to specific businesses (e.g. Business Grants, Business Gateway)
- ◆ Cost of local food might be higher as seen in other local authorities engaged in local food procurement
- ◆ Challenges perceived among suppliers also include the lack of capacity of businesses to engage with the public sector. However, support is available through the Supplier Development Programme who supports businesses in engaging with public sector procurement
- ◆ In the short term, there are more opportunities to make progress with regards to local procurement for SLLC venues compared to other Council Resources. This is due to the type and scale of produce sold within these venues. For instance, among the companies who have expressed interest, five produce alcohol, two produce coffee and one produces tea
- ◆ As illustrated in the table paragraph 6.2, subcontract opportunities are significant with the possibility for local small-scale providers to supply food to the largest suppliers (e.g. Brakes, Muller or Campbell Meat)

7. Evaluation of the Market Capacity Assessment

- 7.1. The outputs of the Market Capacity Assessment are evaluated in the light of the objectives (as listed in paragraph 4).

Objectives	Evaluation
Assess capacity of local food and drink businesses to supply to SLC Resources	The assessment is partial as only 22 food and drink businesses responded to the survey despite the variety of methods used to engage with them.
Identify local food and drink businesses who can currently meet the Council demand	All businesses identified wanted to engage with the Council but would face constraints to supply food to the council. Further engagement with businesses would be required to get a more in-depth understanding of opportunities.
Identify food and drink businesses who could develop to meet demand	While assessment of current interest and capacity has been undertaken, no assessment of required development to meet the Council's demand has been undertaken.
Identify challenges to local businesses to begin to supply and to the Council in purchasing	Barriers were identified.
Recommend actions for the Council and partners to address and overcome barriers	Recommendations were made and discussed with Council services.

8. Next steps and monitoring

- 8.1. Recommendations were discussed with the consultant and Council Services and Resources. Actions agreed and an update on implementation is provided below.

Action	Expected outcomes	Update / timeframe
Engagement with businesses		
Pursue engagement with the 22 businesses identified. <u>Service:</u> <u>Economic</u> <u>Development</u>	For each business, detailed analysis of business capacity compared to Council demand and identification of actions that would be required to source products from these businesses	Engagement with businesses will be carried out in 2023/204
Explore the possibility of using the Quick Quote process to increase the supply of local food and drink in specific SLLC venues.	Increased supply of local food and drink in specific SLLC venues	Two sites i.e. Rutherglen Town Hall and Chatelherault Country Park started an audit process of the current demand (type of product, volume used and current suppliers) and local offer (potential local suppliers). The audit in Rutherglen Town Hall is complete and shows that the current offer of food is suitable, but the venue will

Service: <u>SLLC and Procurement</u>		<p>review the menu and products periodically.</p> <p>The audit in Chatelherault Country Park is still ongoing. A working group including officers from SLLC procurement was established. It will bring recommendations together including a list of products (e.g. meat and fruit and veg) that is expected to be sourced through Quick Quote processes. The process is expected to start in December 2023.</p> <p>Delays are being experienced in the development of this project due to restructure of SLLC.</p>
Identification of additional good practices		
Identify and analyse practices developed in comparable local authorities including cost implications. Service: <u>Sustainable Development and Facilities</u>	List of good practices from comparable local authorities that could replicated in South Lanarkshire	Engagement with additional local authorities will be carried out in 2023/24
Business support		
Deliver the food and drink accelerator programme "Eat South Lanarkshire". Service: <u>Economic Development</u>	Tailored support to selected food and drink businesses	<p>The programme will take place in 2023-2024. Eight businesses from South Lanarkshire will be selected to participate to the accelerator programme. The programme will be advertised to companies who have shown interest in supplying food to the Council buyers.</p> <p>Cost: £31,440 for 2023/2024</p>
Support discussion with the existing collaborative food and drink group Lanarkshire Larder Service: <u>Economic Development</u>	Effective food and drink businesses local network to increase possibilities of collaboration among businesses	<p>The Council continues to financially support Lanarkshire Larder and provide expertise. South Lanarkshire Council has a now a seat at the board of Lanarkshire Larder and outcomes were agreed together with the organisation.</p> <p>Cost: £5,000 for 2023/2024</p>
Promote sub-contracting opportunities to local businesses together with	Increasing number of local food and drink businesses aware of sub-	<p>Two local events took place in 2022/2023 for local businesses to meet buyers:</p> <p>1/ Lanarkshire Meet the "Real" Buyer event organised in February 2023 and</p>

partners (e.g. Supplier Development Programme, Scotland Food and Drink, Lanarkshire Larder) <u>Service:</u> <u>Economic Development</u>	contracting opportunities	jointly hosted by North Lanarkshire and South Lanarkshire Council and supported by the Supplier Development Programme (SDP). However, no local food and drink businesses participated to the event despite communication on the event. 2/ “Showcasing the Larder of the Lowlands” organised with support from Scotland Food and Drink in April 2023 with 50 food and drink businesses who attended the event. By March 2024, a supplier development event will be organised by Lanarkshire Larder for local food and drink businesses with support from the Council.
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- 8.2. An update on the implementation of this action plan will be provided twice a year as part of the quarter 2 and quarter 4 reports of the food action plan presented to the Climate Change and Sustainability Committee.

9. Employee Implications

- 9.1. Key services (i.e. Economic Development, Procurement, South Lanarkshire Leisure and Culture) are required to contribute to the implementation of actions. The Policy Officer for Food Development will monitor progress.

10. Financial Implications

- 10.1. There are no direct financial implications as a result of the recommendations in the report.
- 10.2. Financial implications of local procurement options will be confirmed as part of the delivery of the action plan.

11. Climate Change, Sustainability and Environmental Implications

- 11.1. Providing suppliers with opportunities to increase the provision of local food and drink will help the transition towards a more sustainable and resilient food system, and therefore help to achieve the objectives of the Climate Change and Sustainability Strategy by supporting local food production and local food system, ensuring that food come from places subject to high environmental standards, reducing food miles, increasing connections between residents and local businesses.

12. Other Implications

- 12.1. The main risk identified is the possibility for the Council to have difficulty to progress the Council objectives of increasing the provision of local food (Community Wealth Building Strategy, Good Food Strategy).

13. Equality Impact Assessment and Consultation Arrangements

- 13.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.
- 13.2. There were no consultation arrangements required for this report.

David Booth
Executive Director (Community and Enterprise Resources)

31 August 2023

Link(s) to Council Values/Priorities/Outcomes

Values

- ◆ Focused on people and their needs.
- ◆ Working with and respecting others
- ◆ Accountable, effective, efficient and transparent
- ◆ Ambitious, self-aware and improving
- ◆ Fair, open and sustainable
- ◆ Excellent employer

Priorities

- ◆ We will work to put people first and reduce inequality.
- ◆ We will work towards a sustainable future in sustainable places.
- ◆ We will work to recover, progress and improve.

Outcomes

- ◆ Our children and young people thrive.
- ◆ Good quality, suitable and sustainable places to live.
- ◆ Thriving business, fair jobs and vibrant town centres
- ◆ Caring, connected, sustainable communities.
- ◆ People live the healthiest lives possible.
- ◆ Inspiring learners, transforming learning, strengthening partnerships

Previous References

Climate Change and Sustainability Committee 13 August 2022 – Action Plan for the third year of implementation of the Good Food Strategy

List of Background Papers

None

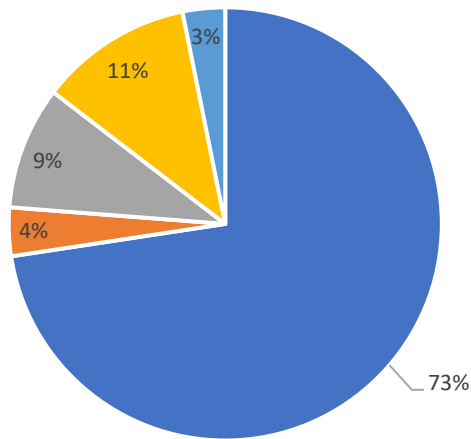
Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:

Hélène Gourichon (Policy Officer for Food Development)

E-mail: helene.gourichon@southlanarkshire.gov.uk

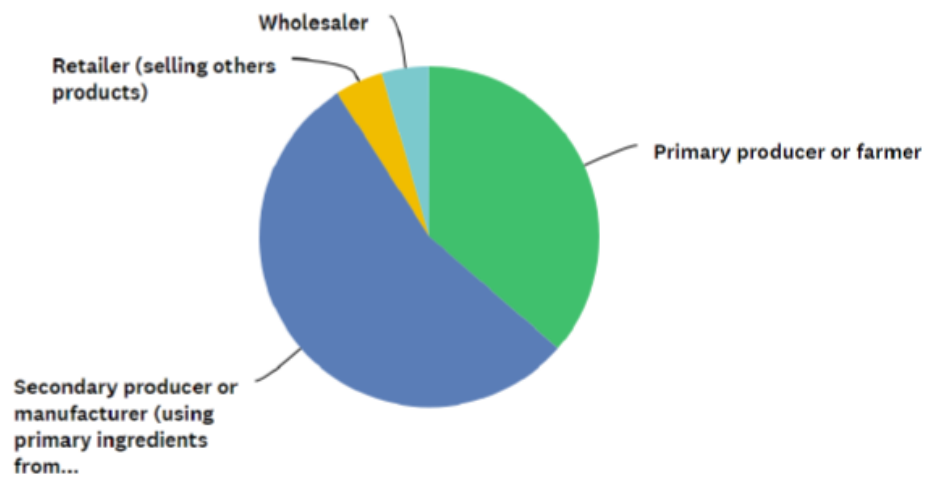
Appendix 1. Food spending per category and per contract (value)



- Brakes (general/frozen goods)
- Carruthers (fruit and vegetables)
- Muller (milk and cream)
- Campbells Prime Meats (raw and cooked meats)
- Davidsons Cash and Carry

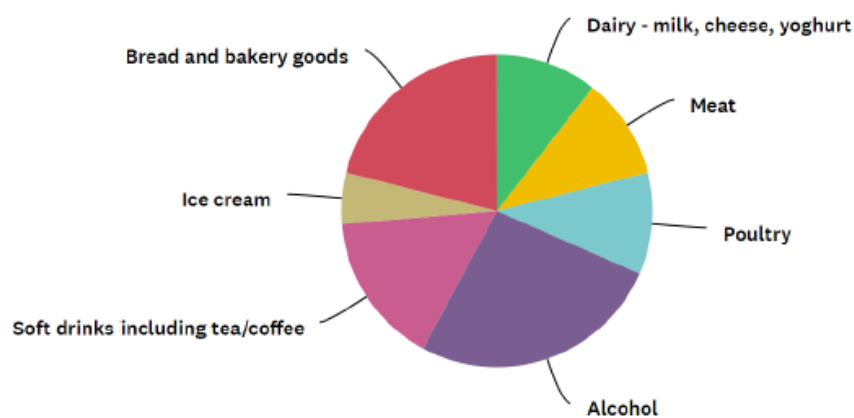
Appendix 2. Overview of food and drink businesses showing interest in supplying food and drink to the Council

Type of business



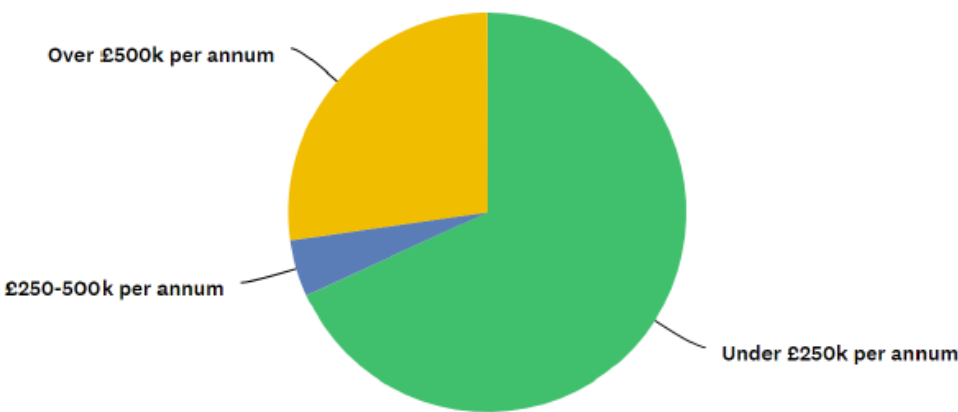
ANSWER CHOICES	RESPONSES
▼ Primary producer or farmer	36.36% 8
▼ Secondary producer or manufacturer (using primary ingredients from others)	54.55% 12
▼ Retailer (selling others products)	4.55% 1
▼ Wholesaler	4.55% 1
TOTAL	22

Categories of food and drink that businesses make/sell



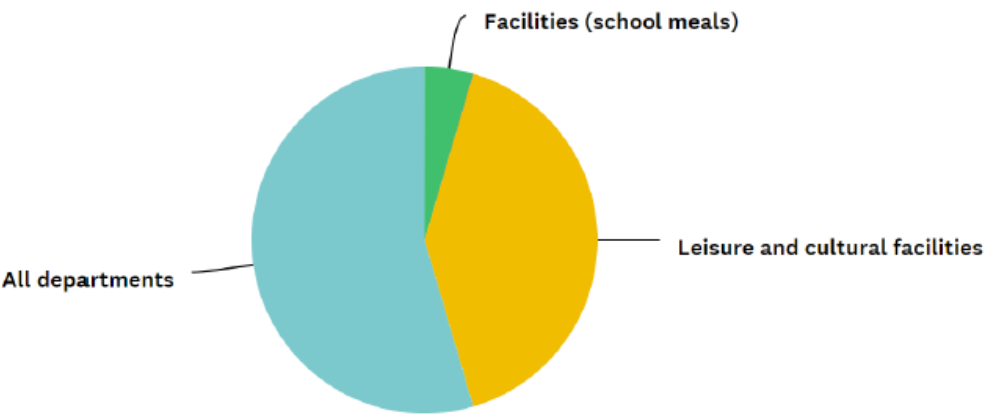
ANSWER CHOICES	RESPONSES	
▼ Dairy - milk, cheese, yoghurt	10.53%	2
▼ Vegetables/fruit	0.00%	0
▼ Meat	10.53%	2
▼ Poultry	10.53%	2
▼ Grains/cereals	0.00%	0
▼ Alcohol	26.32%	5
▼ Soft drinks including tea/coffee	15.79%	3
▼ Ice cream	5.26%	1
▼ Bread and bakery goods	21.05%	4
TOTAL		19

Size of businesses



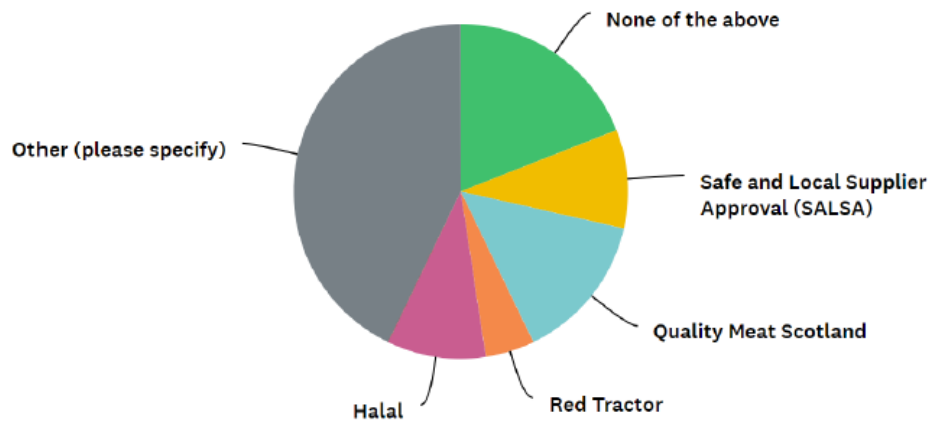
ANSWER CHOICES	RESPONSES
Under £250k per annum	68.18%15
£250-500k per annum	4.55%1
Over £500k per annum	27.27%6
Prefer not to say	0.00%0
TOTAL	22

Department that businesses would be interested to supply



ANSWER CHOICES	RESPONSES
▼ Facilities (school meals)	4.55%
▼ Social care premises (care homes etc.)	0.00%
▼ Leisure and cultural facilities	40.91%
▼ All departments	54.55%
TOTAL	

Accreditations hold by businesses



ANSWER CHOICES	RESPONSES	
▼ None of the above	19.05%	4
▼ British Retail Consortium (BRC)	0.00%	0
▼ Safe and Local Supplier Approval (SALSA)	9.52%	2
▼ Quality Meat Scotland	14.29%	3
▼ Red Tractor	4.76%	1
▼ Certified organic	0.00%	0
▼ Halal	9.52%	2
▼ Kosher	0.00%	0
▼ ISO 9001	0.00%	0
▼ Other (please specify) Responses	42.86%	9

Other includes: BRC AA+, SEDEX, Living Wage, Vegan Society, Speciality Coffee Association, Rainforest Alliance, RSPO Palm Oil, FDA