

COMMITTEE	Finance, Policy and Resources
DATE	9 March 2017
DIRECTOR	Richard Ellis, Interim Depute Chief Executive (Director of Corporate Governance)
TITLE OF REPORT	Procurement of Fruit and Vegetables
REPORT NUMBER	CHI/17/049
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to seek Committee approval to undertake a joint procurement exercise with Aberdeenshire Council for the supply of fruit and vegetables at an estimated contract value of £1,100,000 over a 4 year contract term.

2. RECOMMENDATION(S)

It is recommended that the Committee:

- 2.1 instruct officers to undertake a fully compliant EU tender exercise in collaboration with Aberdeenshire Council; and
- 2.2 approve contract duration of 3 years with the option to extend for up to a further 12 months and a total estimated spend under the contract of £1,100,000.

3. FINANCIAL IMPLICATIONS

- 3.1 The current provider has maintained their prices since 2013. However market forces are such that an increase in price is inevitable as a result of various market forces discussed below.
- 3.2 Market research identifies the following drivers affecting market prices.
 - 3.2.1 Imports play a vital role in the industry, reflecting in part the fact that the UK climate is unfavourable for the growth and cultivation of a number of different vegetables. Europe is the largest market for both vegetable imports and exports. When the pound declines against the euro, British vegetable exports become more competitive in European markets, while imports from Europe become more expensive in the United

Kingdom, and vice versa.

- 3.3.2 A rise in health consciousness means a potential increase in vegetable consumption, which boosts demand and revenue for industry players. Growing public concern over rising obesity levels has prompted consumers to choose more healthy ingredients in their cooking, which could translate into higher demand for fresh vegetables, as well as possibly benefiting demand for more organic produce.
- 3.3.3 Weather patterns and annual rainfall have a major bearing on growing conditions for vegetable farmers and thus influence production and prices. Rainfall is important for soil fertility and in moderate levels improves quality and production yields. However, extended periods of very heavy rainfall can damage crops and constrain yields and revenue. This is currently evidenced in Europe.
- 3.3.4 The Council spend on fruit and vegetables in the financial year 2015-2016 was £213,479. The spend in the first 3 quarters of the current financial year is £132,943.
- 3.3.5 Accordingly, budgets will require to be reviewed in line with the tender outcome.

4. OTHER IMPLICATIONS

Not Applicable

5. BACKGROUND/MAIN ISSUES

- 5.1 The current contract arrangement which expires on 31 July 2017 was tendered collaboratively with Aberdeenshire Council and given the success of the partnership working and scale economies; the Commercial & Procurement Services (CPS) ascertained that both parties were keen to collaborate once again.
- 5.2 An EU compliant, open tender exercise requires to be undertaken awarding the contract on the basis of the most economically advantageous offer.
- 5.3 Facilities Management Catering services are committed to providing produce that is fair-trade, fresh, free range, farm assured, sustainable, seasonal, local, MSC approved, organic, free from GMIs and artificial flavouring / preservatives.
- 5.4 The aim is to provide a service that is always improving: where all staff are personally responsible for delivering an excellent customer experience, providing a best value quality catering service, following Scottish Government healthy eating regulations, food provenance and environmental functions associated with the provision of catering services at all Facilities Management Catering sites.

- 5.5 Facilities Management Catering services are committed to supporting Healthy Eating choices that are embedded in **Better Eating, Better Learning – A New Context for School Food** which was launched by Scottish Government in 2014. Schools can play a fundamental part in developing a child's relationship with food, not only understanding where it comes from and its benefits but also in providing the opportunity to experiment and taste in a learning environment. Better Eating, Better Learning is a follow up to the successful Health Nutrition and Promotion act 2007 and Hungry for Success 2004, which placed a duty on local authorities to adhere to the set legislation. By doing so we also help reduce obesity in young people assisting NHS targets and working in the local community
- 5.6 Facilities Management Catering Services provide fruit and vegetables as part of the menu for breakfast, morning break, lunchtime and designated fruit days within primary schools to encourage healthy eating. The FM Catering service provides for Head Quarter properties, Secondary, Primary and Special Needs schools across the city.
- 5.7 The Beach Ballroom uses the contract to complete the facilities demand for function catering from small events for 12 people to full dinners for up to 600 people and as such demand for supplies varies throughout the year. The main months for function catering are November, December and March to May. The Beach Ballroom catering team also cater for all Civic events at the Town House and as such quality and freshness are paramount.

6. IMPACT

Improving Customer Experience –

Customers accessing the various catering outlets will benefit from the varied and healthy menu options offered resulting from the supply of good quality fresh fruit and vegetables.

Improving Staff Experience –

The resultant contract to flow from the tender exercise will provide the Council's catering teams with quality produce to enable them to deliver varied and healthy menu options.

Staff using the various catering outlets will benefit from the varied and healthy menu options made available to them.

Improving our use of Resources –

By undertaking an EU compliant open tender exercise the Council is complying with its duty to be open, transparent and accountable for spending public funds as well as delivering best value. In addition economies of scale should be achieved by collaborating with Aberdeenshire Council.

Corporate -

The existence of a contract delivering best value will assist the Council's Catering services achieve their aim of continually reviewing

services and improving their service offering. It adheres to the principles of Shaping Aberdeen in delivering outcomes for people and place.

Public –

Customers accessing the various catering outlets will benefit from the varied and healthy menu options offered resulting from the supply of good quality fresh fruit and vegetables.

7. MANAGEMENT OF RISK

- 7.1 Should approval not be granted to undertake a tender exercise and make a subsequent award of contract, the Council would either have to extend the current contract or make a direct award to another supplier. These actions will place the Council at risk of challenge from other economic operators for being in breach of the EU and Scottish Government Procurement Regulations.
- 7.2 The current supplier may not be willing to continue the contract and therefore the Council is at risk of interruption of supply and therefore delivery of school meals and other catering services will be at risk.
- 7.3 Should budget funding not be sufficient to meet the anticipated increase in price, then the amount of fresh fruit and vegetables offered as part of school menus and other catering services will need to be reduced.

8. BACKGROUND PAPERS

Not Applicable.

9. REPORT AUTHOR DETAILS

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