



PUBLIC SECTOR PROCUREMENT OPPORTUNITIES:

A Practical Guide to
Supplying Food & Drink to
the Public Sector in Scotland

Contents

Introduction	4
The Market	8
How to Supply	16
Is This For Me?	20
Public Sector Requirements	24
Where to Find Opportunities	26
Responding to Tenders	30
Further Support	36
Appendix 1 – Tendering Requirements	38
Food Safety & Quality Assurance	40
Health & Safety	42
Environment & Sustainability	43
Equal Opportunities	44
Pricing Your Products	46

PUBLIC SECTOR PROCUREMENT OPPORTUNITIES

A Practical Guide to
Supplying Food & Drink to
the Public Sector in Scotland



Foreword

Public Sector Contracts - A Guide for SME Food Producers and Manufacturers

Scotland's national food and drink policy aims to maximise opportunities to encourage SME food producers and manufacturers to engage in delivering Scotland's food requirements for schools, hospitals and elsewhere in the public sector. In this sustainable procurement is a key factor. It is an indication that the public sector in Scotland wants to lead by example – not only in how we source our food but also what we source.

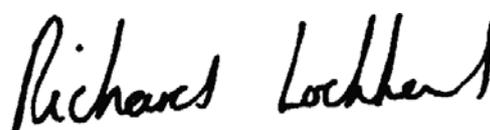
It is for that reason that we commissioned SAOS, as part of the C2 Cultivating Collaboration Project which is delivered under Scotland Food & Drink, to provide practical guidance to businesses aspiring, or considering, the opportunities of selling food and drink to the public sector. The guide aims to dispel any notion that public sector food and drink contracts are off limits or too complex for smaller sized food producers and manufacturing businesses and the Guide will provide the insight, knowledge and confidence to help achieve this ambition.

The public purse always looks for value for money but we recognise that price is not the only factor. Health, Economic and Environmental impacts around food are important considerations as well. That is why the Scottish Government firmly supports sustainable public procurement and encourages consideration of sustainability criteria in its procurement. This guide is an important tool in helping deliver that aim.

For established companies and producers keen to grow their business public procurement offers a binding contract with a generally predictable demand, and from this a steady assured cash flow. This can be a substantial opportunity from which businesses can consolidate and move forward.

Following the publication of this Guide, which contains a wealth of information for the first time assembled in the one document, I very much hope we will see many more SMEs competing and winning contracts to deliver healthful, sustainably produced food and drinks in schools, hospitals and across the public sector.

I wish you well. There are considerable opportunities out there and Scottish food and drink companies are well placed to deliver the quality product required.

A handwritten signature in black ink that reads "Richard Lochhead". The signature is written in a cursive, flowing style.

Cabinet Secretary for Rural Affairs and the Environment

1.0

Introduction



This guide aims to provide small- and medium-sized Scottish companies and producers with a practical insight into supplying the Public Sector food and drink market. As you work through it, each section will introduce a key element that should be considered when tackling this growing and changing market. You will discover how the market operates, what buyer expectations are, the main routes to market, how to find and prepare tenders, and find out how tenders are evaluated.

1.1 A Changing Marketplace – Sustainable Procurement

Despite the fact that the Public Sector in Scotland spends around £130 million each year on food and drink, smaller producers and processors often find it difficult to capitalise on the opportunities offered by this market. Pre-conceived notions that the sector is driven primarily by cost, and that the tendering process is time consuming, difficult, and excludes smaller companies, means few are attracted to supplying the market.

Times are changing and there is now considerable interest from the Scottish Government in increasing the role of Public Sector food procurement in providing opportunities for Scottish businesses, including Small and Medium-Sized Enterprises (SMEs) and the produce they supply. (In the UK a small business is classified as one with not more than 50 employees and a medium-sized business as not having more than 250 employees.)



Times are changing and there is now considerable interest from the Scottish Government in increasing the role of Public Sector food procurement in providing opportunities for Scottish businesses



Through the National Food and Drink Policy, the Scottish Government is developing and implementing a plan to support small businesses in supplying healthy, sustainable food to the Public Sector. Guidelines have been produced for Public Sector bodies, outlining practical steps that should be taken to ensure that procurement practices are as inclusive as possible, maximising the opportunities for smaller suppliers to become involved. In doing so, progress is being made in establishing the Public Sector as an attractive and viable market for smaller Scottish food and drink companies.

A holistic approach is driving the agenda of sustainable food procurement in the Public Sector, whereby increasing attention is being given to the consideration of areas such as health, social and environmental benefits when awarding food and catering service contracts – it's not all price driven. In October 2009 the Scottish Government launched its Scottish Sustainable Procurement Action Plan, aimed at assisting the Public Sector

to build sustainable procurement into their corporate culture. The key elements of sustainable procurement consist of social, economic and environmental considerations.

In leading from the front, the Scottish Government has issued guidance to all Public Sector bodies in Scotland setting out six simple steps they can take to ensure that small companies have fair access to Public Sector contracts.

In April 2009 John Swinney, the Cabinet Secretary for Finance and Sustainable Growth, wrote to Chief Executives and Heads of Procurement throughout the Public Sector to promote access to Public Sector contracts for SMEs, social enterprises, and third sector bodies, through the use of the "Six Simple Steps". Mr. Swinney said "Taken together, these six simple steps will help to give SMEs fair access to contracts – Public Bodies must implement them as soon as possible to help Scotland beat the recession."

Further Information

Scottish Government public procurement webpage:

<http://www.scotland.gov.uk/Topics/Government/Procurement>

The Six Simple Steps guidance for Public Bodies in Scotland:

<http://www.scotland.gov.uk/Topics/Government/Procurement/policy/SMEs>

Scottish Government Suppliers Charter:

<http://www.scotland.gov.uk/Topics/Government/Procurement/Selling/Supplierscharter2>

Scottish Sustainable Procurement Action Plan:

<http://www.scotland.gov.uk/Topics/Government/Procurement/policy/corporate-responsibility/sspap>

National Food & Drink Policy for Scotland:

<http://www.scotland.gov.uk/Topics/Business-Industry/Food-Industry/national-strategy>



2.0

The Market

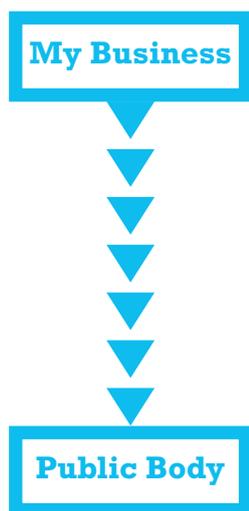


The Public Sector food and drink market in Scotland is large and diverse. A number of routes into this market exist, with opportunities to supply directly, either as an individual business or as part of a collaboration, or indirectly, via established intermediaries such as wholesalers, foodservice companies, or contract caterers.

The diagram below highlights the different supply routes for food and drink into the Public Sector. Where catering functions are contracted out there will be limited options for directly supplying that Public Sector body, as they will have appointed a single contract caterer to fully manage their food and drink supply. In this case

opportunities may lie in becoming a supplier to the appointed caterer or to another business in their supply chain. The largest Public Sector markets for food and drink are in health, prisons and local authorities (including schools and social work).

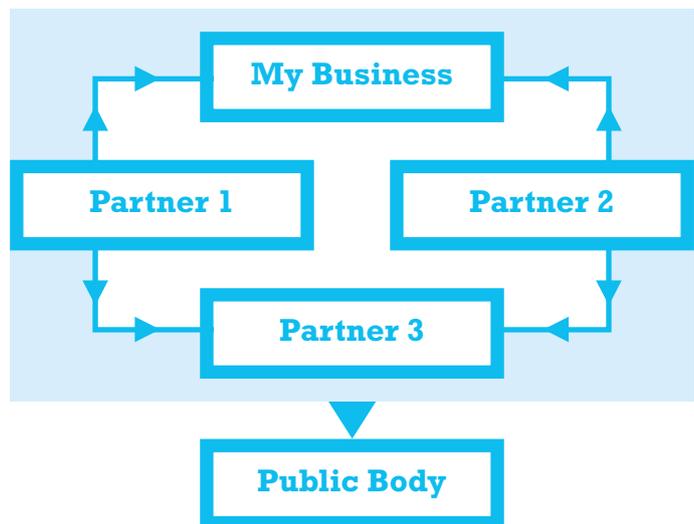
Direct Supply



Indirect Supply



Collaborative Supply



2.1 How Procurement Works in the Scottish Public Sector

There are a large number of Public Bodies procuring goods, services and works. The Public Procurement Reform programme, co-ordinated by the Scottish Procurement Directorate (SPD), aims to improve procurement practices and encourage collaboration between organisations.

As part of the reform programme, procurement Centres of Expertise have been established and the public procurement of goods and services in Scotland has been organised into four categories, A, B, C1 & C, depending on the nature of the products or service being bought and the procurement agency. Food and drink contracts presently fall into categories B, C & C1 depending on their size, complexity and the procuring body.

The Procurement Centres of Expertise, which have been established to improve processes and collaboration within their relevant business areas and sectors, are:

At a National level:

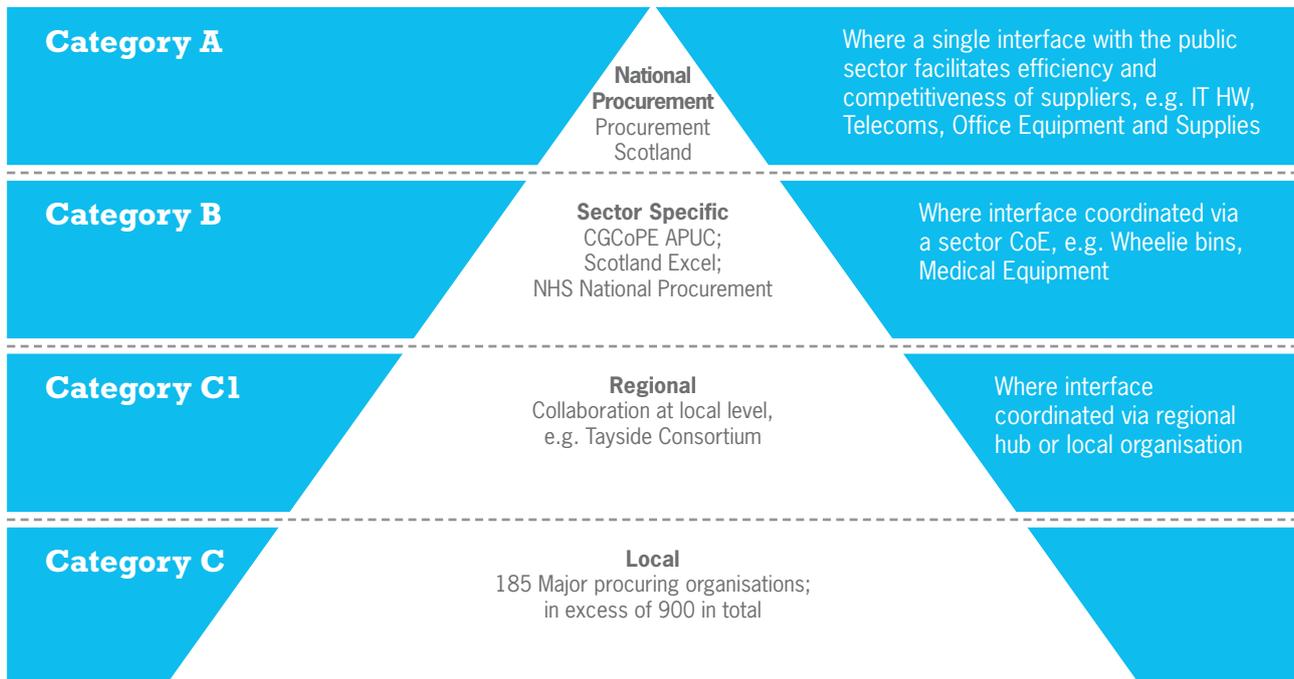
- **Procurement Scotland** – responsible for developing and implementing procurement strategies for national Category A commodities such as IT hardware and office supplies, on behalf of all Scottish Public Bodies. No food and drink products are considered Category A.

Centres of Expertise have also been established to manage the procurement of goods and services that are defined as Category B in key sectors:

- **Central Government Centre of Procurement Expertise (CGCoPE)** – responsible for leading and facilitating collaborative procurement activity for Scottish Government Agencies, Non-Departmental Public Bodies (NDPBs), Tribunals and Public Corporations.
- **Advanced Procurement for Universities and Colleges (APUC)** – responsible for Higher and Further Education Sector.
- **Scotland Excel** – responsible for local authorities.
- **NHS National Procurement** – responsible for health.



The following descriptions and diagram summarises the categories and procurement organisations.



At present all food and drink procurement contracts fall into the categories B, C & C1.

2.1 Public Contracts Scotland (PCS)

The free-to-use, on-line Public Contracts Scotland (PCS) portal has been established to enable all of the Scottish Public Sector to advertise their opportunities in a single place. Major contracts and many smaller opportunities are advertised on the portal. It is the prime site to search for Scottish Public Sector tendering opportunities. The portal gives free access to contract opportunities above and below EU thresholds. It is recommended that suppliers register and sign up for free email alerts for opportunities with Scottish Public Sector organisations such as the Scottish Government, Agencies and NDPS, Local Authorities, NHSScotland, Higher and Further Education and Emergency Services. It can be accessed at: www.publiccontractsscotland.gov.uk

2.2 National Health Service

NHS National Procurement is responsible for the procurement of hospital food in Scotland, and is an umbrella body covering all the NHS Boards. The remaining share is made up by local contracts for sourcing particular products, such as fresh fish and prepared food for therapeutic diets. These local contracts are managed by the individual NHS Boards.

Many NHS tendering opportunities are advertised through PCS. Suppliers to the NHS are expected to hold, or be working towards the BRC (British Retail Consortium) Global Standard for Food Safety.



Small and medium sized companies already successfully supply to the Public Sector across Local Authorities, in the education and social work sectors and in hospitals.



2.3 Prisons

The Scottish Prison Service manages prison food and drink procurement centrally. There are a small number of large procurement contracts in place covering pre-packed food, frozen food, fresh and frozen meat and poultry, bread and bakery, and milk and dairy. Large-scale food service contractors dominate the prison sector. Details of upcoming food and drink contracts can be found on the Scottish Prison Service website and on PCS.

2.4 Local Authorities

Small and medium sized companies already successfully supply the Public Sector across Local Authorities, in the education and social work sectors and in hospitals. Local Authorities are generally keen to support the local economy and many have been proactive in small supplier development.

One of the major differences between Local Authorities and other Public Sector bodies is the often large number of individual catering operations that need to be supplied. This distribution element can present a challenge to many small companies who wish to supply this sector, with delivery costs often forming a significant portion of the delivered price. In some instances the best route to market can be through a dedicated wholesaler or foodservice company who will have the appropriate delivery infrastructure.

For many Local Authorities procurement is managed as part of a consortium through Scotland Excel in a bid to secure better value through the greater volume of food required. The majority of the 32 Scottish Councils have signed-up to Scotland Excel which formally commenced operations on 1st April 2008. Scotland Excel's area of responsibility includes a number of National Local Authority Contracts ("Category B contracts"). In addition, around a quarter of food and drink is procured through regional consortia, such as Tayside Consortium, and just over half of the expenditure is procured by individual Local Authorities. Scotland Excel tenders can be found on the Public Contracts Scotland website, www.publiccontractsscotland.gov.uk.

2.5 Universities & Colleges

Universities and colleges are major buyers of food and drink products and will either have a self-managed or outsourced catering function. Where universities operate their own catering facilities they will either purchase food directly from suppliers or may aggregate purchasing by working with other organisations to increase their purchasing strength by offering combined, and therefore more substantial food supply contracts. In Scotland the majority of collaborative procurement is undertaken by APUC (Advanced Procurement for Universities and Colleges), with many contracts being advertised on the Public Contracts Scotland portal.

Considerations in Supplying the Public Sector

Benefits in Supplying the Public Sector

- Predictable business, including year round for prisons and hospitals.
- Public Sector organisations generally have good payment terms and are obliged to pay suppliers within 30 days of receipt of a valid invoice.
- Demand is less likely to be affected by economic downturns.
- Sizeable market opportunity – worth £130m per annum in Scotland.
- Public Sector procurers are keen to increase opportunities for small and medium sized businesses.
- Drive towards sustainable procurement is likely to increase opportunities for smaller suppliers.

Challenges in Supplying the Public Sector

- Perception that prices offered for products can be lower than in other markets.
- Distribution arrangements can be complex to manage.
- The tender process can be complex and lengthy for some organisations.
- Scale and length of timescales for national contracts can make it difficult for small suppliers to enter the market. There is however some movement by public bodies towards dividing contracts into smaller lots.
- You must ensure that your business has the capability and capacity to fulfil the contract on an ongoing basis.
- Value for money – the desired economies of scale may only be achieved by small suppliers working together, or in partnership with others in the supply chain.
- Cost of achieving and maintaining food safety & quality criteria such as the British Retail Consortium Global Standard (BRC), Safe & Local Supplier Approval (SALSA) and in some cases Local Authority assessment and Farm Assurance.

Having looked in some detail at the Public Sector market and how it operates, it is clear that, although complex, the market offers significant opportunities for competent small businesses. The move to a more sustainable procurement model should further serve to increase opportunities for small companies in this growing market.

Further Information

Public Contracts Scotland:

www.publiccontractsscotland.gov.uk

nhs.uk

Scottish Procurement Directorate:

<http://www.scotland.gov.uk/Topics/Government/Procurement>

Scottish Prison Service:

<http://www.sps.gov.uk>

Procurement Scotland:

<http://www.scotland.gov.uk/Topics/Government/Procurement/npcoc>

Scotland Excel:

<http://www.scotland-excel.org.uk>

Central Government Centre of Procurement Expertise:

<http://www.cgcopescotland.gov.uk>

London Olympics:

<http://www.london2012.com/business>

Advanced Procurement for Universities and Colleges (APUC):

<http://www.apuc-scot.ac.uk>

Glasgow Commonwealth Games:

<http://www.glasgow2014.com>

NHS National Procurement:

<http://www.nhsscotlandprocurement.scot>

3.0

How to Supply



There may be several different routes to your Public Sector customer, depending upon the product, your end-user, their location and procurement practices.

Small companies and producers can supply direct to Public Sector customers. There are also opportunities to supply the Public Sector indirectly through wholesalers, distributors or processors. This can help small businesses overcome some of the barriers associated with supplying large contracts or not being able to supply a wide enough product range single handedly.

Increasingly the Public Sector is dividing large contracts into smaller parcels (“lots”), which might be based on, for example, the geographical location of the sites to be supplied or the type of product. This provides a greater opportunity for smaller producers to supply part of a contract.

In addition, it might be possible for a group of suppliers to work together to deliver the requirement or for suppliers to collaborate with others in the supply chain to provide part of a larger contract.

The key is to contact the public body concerned to find out what possibilities might exist. This is best done well in advance of any contract requirements being advertised, in order to allow sufficient time to put any arrangements formally in place.

3.1 Supplying Directly

If your company is large enough, or the Public Sector organisation has chosen to split a contract into smaller lots, there may be opportunities to sell products directly. In supplying directly you will be responsible for all aspects of tendering and supply. Public Sector buyers are no different from any other buyer and have a duty of care and responsibility. With this in mind you must be certain that you can meet all the organisation’s requirements on food safety, quality, consistency, any sustainability criteria, capacity, delivery requirements and security of supply.

Small suppliers need to be particularly aware of any need to supply standard products covered by the contract to all sites, however remote, at the same price. This geographic spread can often be too great for small suppliers to undertake alone, in which case you may wish to collaborate with others. Another consideration is if your product is not ambient, but chilled or frozen, it will need appropriate distribution facilities and delivery vehicles.

3.2 Supplying Indirectly

If you wish to supply the Public Sector but do not have the ability or scale to sell directly you may wish to see if there is an opportunity to supply products to those who already hold Public Sector contracts such as regional or major national foodservice companies, wholesalers or contract caterers. Many of these companies are keen to strengthen their local food offerings and are often happy to talk to potential new suppliers. Details of contracted suppliers can be obtained by calling the procurement contact at the relevant Public Sector body. In addition information on contracts that have been awarded can be found on the Public Contracts Scotland portal.

3.3 Collaborate to Supply

Working in partnership with others in the food chain can increase the number of opportunities to supply the Public Sector, by increasing your ability to supply the quality, consistency and security of supply required.

Partnership working is also increasingly important as Public Sector organisations strive to rationalise their supplier base to achieve greater efficiencies. Therefore some producers may prefer to be part of a consortium of suppliers, which might also include a regional wholesaler/distributor, rather than act as an individual supplier. By working collaboratively producers and small companies can consolidate supplies, which may help meet the volume and distribution requirements of Public Sector customers. Collaborative activities may include:



Working in partnership with others in the food chain can increase the number of opportunities to supply the Public Sector, by increasing your ability to supply the quality, consistency and security of supply required.



- Collaboration in processing, grading and marketing of products to achieve collective efficiencies and cost savings that could not be achieved alone.
- Establishing or joining a delivery 'hub' where products can be consolidated prior to delivery to reduce delivery costs and reduce the amount of transportation required.
- Collaborate to offer the right competitive mix of products and volumes to meet the needs of Public Sector buyers.
- Providing a single administrative organisation for Public Sector buyers to deal with.



Recommendation

Whichever supply route you decide is best for you; remember that those who supply the Public Sector tend to have succeeded because they have focused on the needs of the end-user (e.g. schoolchildren and in hospitals). All parts of the supply chain need to focus on what is required by the end-user and be willing to adapt their product or service to suit.

4.0

Is This For Me?



For many food and drink companies, supplying the Public Sector for the first time presents an exciting new opportunity, but also a new set of challenges. It is important to be clear from the outset about the challenges of doing business with the Public Sector, particularly with respect to strategic fit and whether it aligns with your aspirations for growth and development. In considering the factors outlined below you will be in a better position to identify the types of opportunities that your business could respond to.

4.1 Strategic Fit

It is important to consider whether supplying the Public Sector fits with the strategic goals and vision that you have set for your business. The Public Sector market should be viewed in the same way as any other market, requiring focus and attention to detail. It is unwise to undertake any endeavour that does not fit with the goals you have set for your business.

“

It is important to consider whether supplying the Public Sector fits with the strategic goals and vision that you have set for your business.

”

4.2 Capacity and Resources

As a potential supplier to the Public Sector, the first question you must ask prior to responding to any tender opportunity is – do I have the capability, the capacity and the resources to manage and fulfil the contract?

Specific questions you will need to consider include:

- Can I supply the required range of products?
- Do I have sufficient skills and capacity to accommodate any additional production?
- Can I meet the food safety and quality assurance requirements?
- Am I confident that my business can deliver products on time and in full as per the requirements set out in the tender?
- Am I comfortable sticking to the quoted price for the duration specified in the tender?
- Am I willing to adapt and learn?
- Do I have adequate storage and distribution capacity and capability?
- Has my business the correct type and level of insurances in place?
- What contingency arrangements do I have in place should my business fail to win or lose the contract?
- What are the risks and the impact of any failure to meet the contractual obligations?

If your business cannot meet all the requirements set out in the tender you may wish to partner with others to strengthen your offering.

4.3 Suitable Products

The number and scale of opportunities to supply the Public Sector varies quite significantly across product categories. At present the greatest opportunities with respect to local supply by SMEs lie in fresh and perishable products, including milk, bread and bakery, fruit and vegetables, meat, poultry & fish, and soft drinks. Other food and drink categories such as ambient and frozen tend to be sourced through larger wholesalers or distributors.

An important consideration for smaller suppliers is being able to supply what may be seasonal products on a year-round basis.

4.4 Distribution

A major consideration when bidding for Public Sector contracts is the distribution arrangements required.

Depending on the nature of the contract, the products being supplied and the geographic area covered, the cost of delivering products to the required place at the right time can sometimes be problematic and costly. This is particularly true where volumes are small and there are many and widespread drop-points, combined with a mix of ambient, chilled and frozen products. Many Public Sector contracts will also specify that suppliers deliver products to sites within a defined delivery window. This may present a challenge when delivering to multiple sites. A shift in focus to the use of more fresh and seasonal produce may serve to reduce distribution and storage costs for small businesses. In all instances it is important to consider if you have the required distribution capacity, and that your delivery costs are worked out accurately.

Where supplying the Public Sector means transporting products to new areas there may exist opportunities to develop new business along that route, further reducing the transportation cost.

If it is too costly or difficult to deliver goods using either your own transportation or a third-party haulier, you may wish to consider collaborative distribution arrangements with other small businesses serving either the same customer, or working similar routes.

Recognising the logistical challenges for small companies, some Public Sector organisations are splitting contracts into separate supply and distribution components, allowing SMEs to concentrate on production and specialists to deal with the logistics of delivery.



5.0

Public Sector Requirements



When tendering for Public Sector contracts, the contracting body will specify in their tender documentation a number of requirements that suppliers should seek to meet, some of which are considered ‘essential’, and others that are ‘desirable’. It is critical that you are able to meet all the ‘essential’ requirements and advantageous to meet as many ‘desirable’ criteria as you can.

Whilst the criteria will vary between customers and contracts, buyers may want to see:

- Some evidence of legal existence.
- Evidence of financial viability – e.g. audited accounts, bank statements or a deed of guarantee.
- Employers and public liability insurance certificates & product liability insurance.
- Health and safety policy.
- Quality assurance policy.
- Evidence of accreditation to a recognised food safety standard and/or membership of a particular food safety/quality assurance scheme.
- Evidence of compliance/registration with business/product certifications.
- Certificates of organic registration (if supplying organic) and/or evidence of compliance with any other specified certifications.
- Sustainability in terms of environmental, social and ethical policies.

Most of these will be included in the tender evaluation criteria of the purchasing authority, which are advised to all those bidding for contracts before their bids (“tenders”) have to be submitted. Some may also ask for trade references from your customers, particularly if you are a new entrant.

A guide to compiling the most commonly requested requirements can be found in Appendix 1.

6.0

Where to Find Opportunities



For many companies part of the challenge in supplying the Public Sector starts in gaining access and insight into the opportunities available. Thankfully, the Public Sector has recognised this challenge and has concentrated the number of places that businesses need to look in order to identify tendering opportunities.

6.1 Online

The best way of finding up to date tendering opportunities is to look online.

Larger contracts from all Scottish Public Bodies can usually be found advertised on PCS www.publiccontractsscotland.gov.uk

All Public Sector bodies in Scotland are expected to use the portal to post opportunities that are above the European Directive thresholds but can also use it for contracts below EU thresholds.

6.2 Scotland Excel

Scotland Excel was created as a Centre of Procurement Expertise for the local government sector to help improve the efficiency and effectiveness of Public Sector procurement in Scotland. Scotland Excel is responsible for the creation and delivery of purchasing strategy for Category B commodities and establishing and managing Scotland Excel contracts for use by all member councils and associates. All Local Authority contracts administered by Scotland Excel can be found on the Public Contracts Scotland website.

In addition to Scotland Excel, there exist 'Centres of Expertise' for the other Public Sector organisations that will be responsible for procurement of their own sector wide Category B commodities and services. This includes the NHS, Scottish Government (Central Government Centre of Procurement Expertise (CGCoPE) which includes SPS) Police, Fire and Further Education Centres. Like Scotland Excel, the majority of the contracts administered by these Centres of Expertise will be advertised on the PCS website.

6.3 Official Journal of the European Union (OJEU)

Larger Public Sector procurement opportunities that fall above EU threshold amounts must be published in the Official Journal of the European Union, as well as being advertised locally and nationally, to ensure equal access to opportunities across member states.

EU threshold amounts are changed every two years to reflect inflation or deflation. Information on the EU Thresholds including the current threshold amounts can be found at:

<http://www.scotland.gov.uk/Topics/Government/Procurement/policy/10613>

EU Tenders are advertised in the Official Journal of the European Union at www.ted.europa.eu. Scottish Public Sector tenders that are above the EU threshold will appear on both the Public Contracts Scotland website as well as in the Official Journal of the European Union.



6.4 Other Sources of Opportunity

It is often difficult for small suppliers to understand how they might get a foot in the door with respect to supplying the Public Sector. Outlined below are some simple yet effective ways to identify opportunities and market your business to the Public Sector.

Local Authority Websites

Where the procurement of food and drink products is not classified as a Category A or B, local procurement teams will administer food and drink contracts. At present, this is largely restricted to 'Category C' items such as fruit, vegetables and bakery, although there are local exceptions. Tender notices for these contracts will appear either on the Public Contracts Scotland website, the Local Authority website, or in the Press.

University/College Websites

For smaller, non-aggregated purchases, tender details may be found on the respective university or college website or by contacting their procurement department. Where procurement has been aggregated, opportunities will be advertised in the PCS portal.

National Health Service

All larger scale NHS food and drink contracts will be advertised on the PCS website, whilst smaller contracts administered locally will be advertised on the website of the individual NHS Trust or Board.

Approved Supplier Lists

Where Public Sector organisations procure directly, they often have a list of approved suppliers who they can invite to tender for work. If this is the case contact the organisation

directly to see if you can get your business onto the list. The opportunity to get on to the list should be advertised – find out when this will happen.

Press

Check the local, regional and trade Press regularly for invitations to tenders.

Personal Contacts – Put Your Business on the Map!

Calling the procurement department of the Public Sector organisation you are interested in supplying is a good means of introducing your business and establishing what the organisation purchases, how they purchase it, and if there are any opportunities that may exist for your business.

Trade Organisations

Trade organisations such as Quality Meat Scotland and Seafood Scotland and Scotland Food & Drink will often have information on supplying the Public Sector and may run specific events or workshops where you will be able to learn more.

Contact Existing Suppliers

If you do not wish to supply the Public Sector directly, and would prefer to supply indirectly through existing suppliers, it is important you market your business and product offerings to these companies. Many of these companies are large catering and foodservice businesses, but there are also a number of smaller regional wholesalers who are worth targeting. Details of existing suppliers can be obtained by calling the procurement contact at the relevant Public Sector body or by visiting the PCS portal. More information and support on supplying the catering and foodservice sector can be found on the Scotland Food & Drink website at www.scotlandfoodanddrink.org.

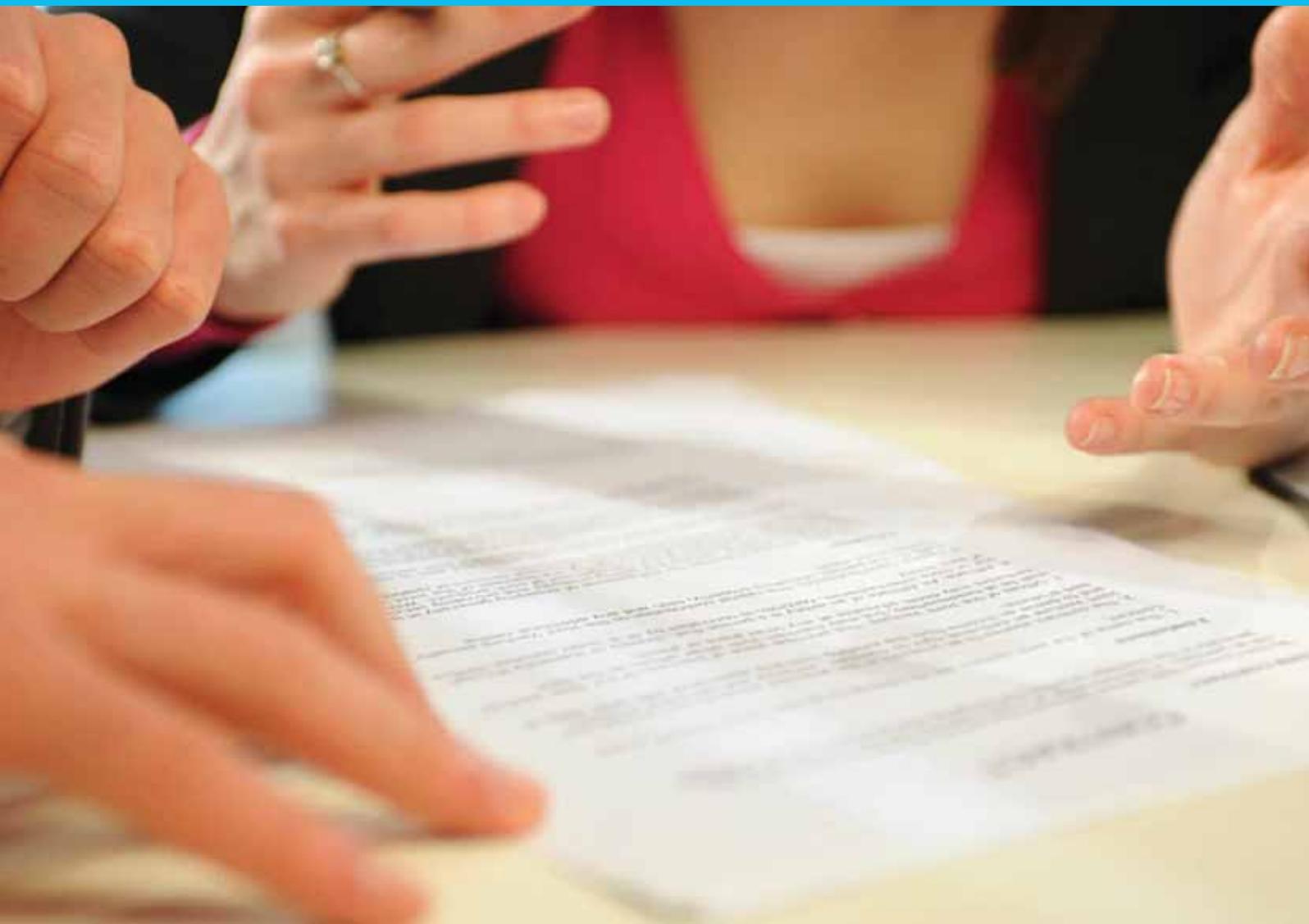
Meet the Buyer Events

Look out for ‘meet the buyer’ events. These provide a great opportunity to talk to potential buyers who are interested in working with small producers, and to find out more about what they are looking for. Talk to your Local Authority buyers and check out their websites along with the following organisations’ websites for details of forthcoming events:

- Scotland Food & Drink – www.scotlandfoodanddrink.org
- Supplier Development Programme – www.sdpScotland.co.uk
- Federation of Small Businesses – www.fsb.org.uk
- Business Gateway – www.bgateway.com
- Quality Meat Scotland – www.qmScotland.co.uk

7.0

Responding to Tenders



For many small food and drink companies the process of responding to Public Sector tenders, particularly for the first time, can be a time consuming and often confusing process. This section will help demystify the process by providing a practical insight into the types of tenders that may be encountered, what buyers are expecting, how to respond, and how they are assessed.

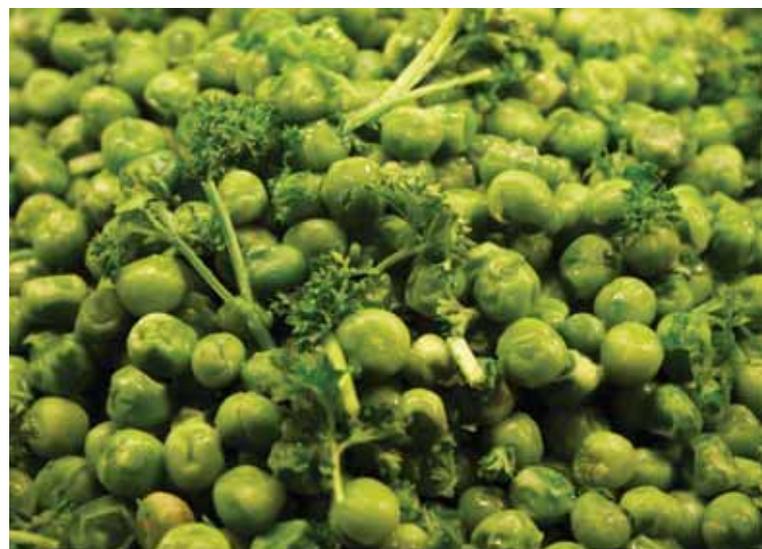
7.1 The Tendering Process Explained

In general the tendering process follows the three steps below. Public procurement procedures are legally obliged to be transparent and to treat each potential supplier equally. It is imperative that you supply all the information asked for at each stage of the process. Where you are not clear what is being asked for, ask the contact point given for clarification.

- Expression of Interest
- Pre-Qualification
- Invitation to tender

7.1.1 Expression of Interest

Once opportunities are advertised; interested parties, including the current contract holder(s), have to respond and “express interest” in tendering. Each advertisement will say what level of information is required in the expression of interest and this will vary according to the nature of the requirement.



7.1.2 Pre-Qualification

The next stage (Pre-Qualification) is the stage of the process where the Public Sector assesses which food producers have the capacity and capability to meet its requirements. This will be done by way of a Pre-Qualification Questionnaire that will ask questions about your financial standing and your technical capability and experience. If you do not pass this assessment you will not be invited to tender. There will usually be more suppliers interested in tendering than the public body wishes to invite so the assessment will often involve some sort of ranking. It is normal for some suppliers who meet the minimum standard to be passed over in favour of those who have scored better.

7.1.3 Invitation to Tender

Those who pass the Pre-Qualification stage are invited to “tender” for the job. This documentation requires detailed pricing for the range of products for which you are tendering. It details the terms and conditions of any subsequent contract. If you tender successfully and win all or part of the contract you will be bound by those terms and conditions. If successful at this stage tenderers might be invited to interview and have their premises generally inspected. When the buyer is satisfied the supplier will be notified that he/she has been awarded a contract.

6 Simple Steps

1. Look for public contracts using internet sources and press.
2. Weigh up if the opportunity is right for your business.
3. Apply expressing interest.
4. Submit Pre Qualification Questionnaire (PQQ)
5. If you are successful respond to the invitation to tender.
6. Make sure you have completed all information correctly.

7.1.4 Framework Arrangements

Some organisations may use what are known as framework arrangements. These are sometimes placed with more than one supplier and are advertised in the same way as other opportunities. The advertising, pre-qualification and tendering arrangements follow similar lines to those explained above. Framework arrangements detail the products available with prices and can be accessed by a number of Public Bodies. They can last a number of years and allow buyers to buy goods from the selected suppliers by placing orders during that period. The frameworks are generally based on known or expected demand but there is no guarantee about the amount of any products bought during the life of the framework.

As part of the Scottish Government's response to the increasing interest from businesses in supplying the Public Sector, particularly smaller producers and processors, buyers are being encouraged to split larger contracts into smaller lots. When assessing procurement opportunities remember to read the advertisement carefully, and make sure you know exactly what it is you are responding to.



Once you have been invited to submit a tender for a contract you must be sure to take full advantage of the opportunity. Remember, you are in competition with others



7.2 Responding to Invitations to Tender

Once you have been invited to submit a tender for a contract you must be sure to take full advantage of the opportunity. Remember, you are in competition with others and the public body concerned will rely upon the details within the submitted tender responses to make a decision on who should be awarded the contract. This is the chance for you to really sell your organisation and the products you provide. Pay close attention to the evaluation criteria provided in the tender documents as these will decide who wins the business. Key questions to ask are:

- Have you answered the questions and provided all the information you were asked for?
- Are you supplying what they want?
- Why use your company?
- What makes your company and products unique?

Remember this is your only opportunity to win the business so be sure you invest sufficient time completing the tender and be sure that it does justice to the products you offer. A useful source of information is to talk to companies in your field who are already working with Public Sector clients.

Responding to Tenders: A Checklist

- Check the advertisement carefully to see when and where you should return your bid. Bids that are even a few minutes late may be rejected out of hand.
- Make a note of the time, date and address (including the building name or number).
- Check any requirements regarding the format of your response. For example, does the advertisement state that you should use an unmarked envelope?
- Provide all the information and documentation required.
- Sign and date documents as required.
- Don't try to qualify your bid by adding extra items or information, and don't submit alternative bids, unless specifically requested to be innovative.
- If the buyer comes back and asks for more information, make sure you provide it by the deadline.

7.3 Assessment of Tenders

Generally tenders are scored on a MEAT basis – Most Economically Advantageous Tender, where quality is considered as well as price. However, procurement authorities are also giving additional points to wider non-price factors in tenders.

The advertisement for the requirement or the documents, which invite you to submit a tender, will say on what basis tenders will be evaluated.

It is important for the smaller producer, who might have higher costs of production to fully highlight the non-price credentials of their products and business in order to maximise scoring on non-price criteria.

Typical factors non-price factors may include:

- Ability to supply to deadlines
- Food handling arrangements and facilities
- Environmental and social responsibilities

- Quality assurance/procedures and range of foodstuffs
- After sales service
- Freshness and seasonality
- PGO/PDI designation
- Food safety criteria

For certain product categories, some Public Sector organisations will award a contract on the basis of the lowest price. The lowest price award criteria is ascertained by considering all bids that meet the defined specification detailed in the tender documents and awarded to the supplier with the lowest price. No other consideration is required.

7.4 Contract Documentation

Invitation to tender documentation from Public Sector bodies varies in format but will typically include:

- A letter of invitation which invites you to tender and may contain other notices such as how, by when and to where your tender (bid) has to be returned;
- A specification or technical requirement which may set out some background detail and then explains what you have to tender for;
- A pricing schedule for you to complete; and
- The terms and conditions which will apply to any contract you win.

Whatever you say in your tender and other correspondence may also form part of any contract.



Further Information

The Scottish Government has issued guidance on how to tender for public contracts which businesses may find helpful – see “Tendering for Public Contracts” which can be downloaded at:

<http://www.scotland.gov.uk/Publications/2008/10/27105954>

For more information on some of the main tendering requirements see Appendix 1.

8.0

Further Support



Scotland Food & Drink is the leadership organisation for the food and drink industry in Scotland. A number of our stakeholders, including SAOS and the C2 Cultivating Collaboration project, work within the field of public procurement and are able to offer advice and assistance. For all other information about Scotland Food & Drink and the benefits that we offer to members, please visit www.foodanddrink.scot.

Appendix 1

Tendering Requirements

When responding to tenders it is essential you maximise the opportunity available by responding clearly and accurately to the questions asked, ensuring you comply with all the essential business pre-requisites. Included here is a guide to some of the more commonly requested requirements to be found in Public Sector food and drink tenders. You may see these referred to as ‘Method Statements’. Of course, not all tenders will specify the complete range of factors considered here, and marked differences will exist between contracts. These guides will be updated regularly and are also available to download at www.scotlandfoodanddrink.org

Food Safety & Quality Assurance

Food Safety

Food safety is a fundamental requirement and cannot, and must not be taken for granted. It must be a pre-requisite for all points in the food chain, and as such all Public Sector procurers will require evidence that your business is compliant with food safety legislation. Some procurement bodies (such as the NHS) will require additional accreditation such as SALSA (Safe and Local Supplier Approval), or the BRC Global Standard for Food Safety.

At present it is a legal requirement for all food businesses in the UK (except primary producers) to put in place, implement and maintain permanent procedures based on food safety management (HACCP) principles.

HACCP stands for 'Hazard Analysis & Critical Control Point'. It is an internationally recognised and recommended system of food safety management. It focuses on identifying the 'critical points' in a process where food safety problems (or 'hazards') could arise and putting steps in place to prevent things going wrong. This is sometimes referred to as 'controlling hazards'. Responsibility for monitoring food safety compliance lies with your Local Authority.

Other certifications may be expected as a condition of supply by the procurement body. In the UK the two most widely adopted food safety standards are BRC and SALSA. SALSA is specifically designed to meet the requirements of small and medium sized food and drink businesses.

Check the tender documentation carefully to see what the expectations are regarding food safety standards and be prepared to show evidence of compliance/certification.

Prior to awarding a tender, the procurement body may review food safety performance by taking up references and requesting copies of inspection reports held by the Local Authority Environmental Health Service.

Quality Assurance

In addition to the provision of evidence with respect to food safety, Public Sector buyers may also request information regarding your quality management policies (unless it is incorporated into standards such as BRC).

A commitment to quality management provides evidence that a business is truly committed to serving the customer, while quality management standards provide a framework for a business to manage its processes and activities.

The level of detail required in tenders with respect to quality management varies according to the procurement body and nature of the products being supplied. Some tenders may simply ask for basic details with respect to handling of complaints, compliance to performance indicators, organisational structure, returns policy and/or other issues they deem to be of importance within their specific contract, whilst others may require a fully-fledged, formally-accredited quality management system (such as ISO 9000) to be in place.

The ISO 9000 series is the best-known set of standards against which you can measure your quality management system. Achieving it could be a good investment for your business, giving you an edge over competitors.

Sample Food Safety & Quality Policy Statement – This Food Company

This Food Company believes that success depends on the supply of high quality products that meet or exceed customer expectations and to ensure they comply with all Food safety, Legality and Quality parameters. Fundamental to this belief is the responsibility to ensure the food safety of all products that the company manufactures.

The company is committed to continually enhance the reputation of the products it produces and maintain customer confidence in its products through the development and implementation of quality and food safety systems, standards and practices. Food safety is the responsibility of all employees that have direct influence on ingredients, packaging, manufacturing, storage and the transport of products.

The company takes all reasonable steps, to ensure the safety and integrity of the products. It has adopted due diligence principles through HACCP to ensure that the products are free from harmful substances and are fit and safe for human consumption.

This policy is implemented through a Quality Management System, the principles and policies of which are defined in the Quality Management Manual.

As Managing Director/Owner/Partner I am committed to the Quality and Food Safety Policy.

Managing Director/Owner/Partner
Dated:

Resources

Food Standards Agency Scotland:
www.food.gov.uk/scotland

Royal Environmental Health Institute Scotland:
www.royal-environmental-health.org.uk

SALSA:
www.salsafood.co.uk

BRC Global Standard for Food Safety:
www.brcglobalstandards.com/standards/food

BSI (For information on ISO 9000):
www.bsigroup.co.uk

Health & Safety

Without exception, Public Sector procurement bodies will expect prospective suppliers to be compliant with current Health and Safety legislation. If you employ five or more people, you must have a written health and safety policy. For businesses employing less than five people there is no legal obligation to have a written health and safety policy, although you must still ensure that you comply with all relevant health and safety legislation.

Your policy should set out your commitment to managing your risks and meeting your legal

duties. It should also inform people in your business of their duties towards health and safety at work and the steps they need to take in order to fulfil those duties. It is recommended that your health and safety policy manages the risks inherent in the operation of your business as identified by a formal risk assessment.

Depending on the procuring organisation, you may or may not be asked for copies of your health and safety policy and policy statement with your tender application. A sample health and safety policy statement is provided below.

This Food Company – Health and Safety Policy Statement

This Food Company is committed to operating the business in accordance with the Health and Safety at Work Act 1974 and all applicable regulations made under the act, so far as is reasonably practicable.

Health and Safety matters are one of the Director's/Partner's/Owner's management responsibilities. It is the duty of the Director/Partner/Owner to ensure that everything reasonably practicable is done to prevent injury when servicing customers.

It is the duty of any employee or associate to act responsibly and to do everything they can to prevent injury to themselves and others.

Although the implementation of the policy is the Director's/Partner's/Owner's responsibility, it relies on the co-operation of all employees to assess and manage risks.

**Director/Partner/Owner
Dated**

You policy statement must of course be backed up by practical action, outlined in a more detailed Health & Safety Policy. Detailed guidance, sample policies, policy templates, and advice on carrying out a risk assessment can be downloaded from the Health and Safety Executive website at: www.hse.gov.uk

Environment and Sustainability

With an increasing focus on sustainable procurement, many Public Sector buyers now expect suppliers to operate in a manner that fully recognises (and manages) environmental issues within the production of goods and services. To this end, many Public Sector tenders now give a significant weighting to environmental factors when assessing tenders. For some SMEs, being environmentally proactive can provide an important, non-price-based source of advantage when responding to tenders.

Depending on the procuring body you may be asked as part of the tendering process to provide a copy of your environmental or sustainability statement and policy, or at least

be able to identify in writing the steps you undertake to ensure environmental provisions are adhered to. You may also be asked to provide evidence of any environmental accreditations (such as ISO 14001 or EMAS) you may have, or details of your environmental management system.

The following is an example of an environmental policy statement outlining a business' aims and principles in relation to managing the environmental effects and aspects of its operations. Any such statement must however be backed up by evidence of supporting activity that it is being implemented within the business.

Sample Environmental Policy Statement – This Food Company

This Food Company is committed to leading the industry in minimising the impact of its activities on the environment.

The key points of its strategy to achieve this are:

- **Minimise waste by evaluating operations and ensuring they are as efficient as possible.**
- **Minimise harmful emissions through the selection and use of its fleet and the source of its power requirement.**
- **Actively promote recycling both internally and amongst its customers and suppliers.**

- **Source and promote a product range to minimise the environmental impact of both production and distribution.**
- **Meet or exceed all the environmental legislation that relates to the Company.**
- **Use an accredited program to offset the greenhouse gas emissions generated by our activities.**
- **Increase the use of recyclable and biodegradable product packaging.**

Director/Partner/Owner
Dated

With this in mind it is important, even if you don't have a formal environmental policy, to think carefully about the various ways in which your business reduces its impact upon the environment and explain these in your tender. Initiatives may include:

- Recycling of paper and packaging
- Diligent use of various power sources and use of green electricity
- Use of public transport by employees
- Recycling of materials (other than paper) where possible, e.g. refilling ink cartridges
- Purchase of paper from managed forestry suppliers
- Use of vehicles that have low CO₂ emissions or run on electric or bio-diesel
- Steps taken to reduce the number of delivery runs.

Further Resources

Business Gateway:
www.bgateway.com

WRAP:
www.wrap.org.uk

Envirowise:
www.envirowise.gov.uk/scotland

BSI:
www.bsigroup.co.uk

Business Environment Partnership:
www.thebep.org.uk

EMAS:
http://ec.europa.eu/environment/emas/index_en.htm

Equal Opportunities

Public Sector organisations will expect suppliers to be legally compliant with equal opportunities legislation, and in some cases will require prospective tenderers to have equal opportunities policies and statements in place and be committed to them. It is therefore essential that you are acting within the law and that your policies and practices are in no way discriminatory.

In addition to your equal opportunities policy, you may wish to provide additional evidence to support your commitment to equality. These could include documents containing instructions to staff, advertisements, recruitment, selection, access to training and opportunities for promotion, copies of recruitment advertisements, extracts from staff handbooks or other materials.

Sample Equal Opportunities Policy – This Food Company

This Food Company is committed to eliminating discrimination and actively encouraging diversity amongst our workforce. Our aim is that our workforce will be representative of all sections of society and each employee feels respected and able to give of their best.

The purpose of this policy is to provide equality and fairness for all in our employment and not to discriminate on grounds of gender, marital status, race, ethnic origin, colour, nationality, national origin, disability, sexual orientation, religion or age.

All employees, whether part-time, full-time or temporary, will be treated fairly and with respect. Selection for employment, promotion, training or any other benefit will be on the basis of aptitude and ability.

Our commitment:

- To create an environment in which individual differences and the contributions of all our staff are recognised and valued.
- Every employee is entitled to a working environment that promotes dignity and respect to all. No form of intimidation, bullying or harassment will be tolerated.
- Training, development and progression opportunities are available to all staff.
- Equality in the workplace is good management practice and makes sound business sense.
- We will review all our employment practices and procedures to ensure fairness.
- Breaches of our equality policy will be regarded as misconduct and could lead to disciplinary proceedings.

This policy is fully supported by senior management and has been agreed with trade unions and/or employee representatives.

Director/Partner/Owner

Dated

Resources

ACAS:
www.acas.org.uk

Equality & Human Rights Commission:
www.equalityhumanrights.com/scotland

Scottish Human Rights Commission:
www.scottishhumanrights.com

Scottish Government:
www.scotland.gov.uk/Topics/People/Equality

Pricing Your Products

Pricing products correctly to maximise the chances of winning a Public Sector tender is one of the major challenges facing SMEs. Success in pricing demands that you have a robust understanding of your business' cost base, marketing strategy and competitive position.

Before you complete any tender it is important to understand how the tender will be assessed – will it be on a lowest cost, or MEAT (Most Economically Advantageous Tender) basis. This is an important consideration, as it will have bearing upon how you price your products.

Where tenders are being scored on a MEAT basis, factors other than price, such as quality and environmental performance may feature heavily in the assessment criteria, placing less pressure on businesses that perform well in these areas to reduce prices to a minimum in an attempt to win the business. The advertisement for the requirement or the documents, which invite you to submit a tender, will say on what basis tenders will be evaluated. It is important for the smaller producer, who might have higher costs of production to fully highlight their product's non-price credentials in order to maximise scoring on the non-price factors.

For certain product categories, contracts will be awarded on the basis of lowest cost. The lowest

price award criteria is ascertained by considering all bids that meet the defined specification detailed in the tender documents and awarding to the supplier with the lowest price. No other consideration is required. In this situation it important to ensure your bid is competitive, but not to price so low that you may lose money over the course of the contract.

There is a great deal of literature available that explains in more detail the subtleties and complexities of product pricing, most of which is beyond the scope of this short guide. Here we'll focus on the two basic elements of costing your products, and setting a price for your tender response.

Costing Your Products

Before establishing the price point for your products in any tender response, it is essential that you first understand the various costs associated with making, delivering and supporting your product. Product costing tells you the minimum amount at which your product can be priced to break even.

Product costs include both fixed and variable costs which, for food and drink producers typically fall into three categories:

1. Material Costs

This will include all material and supply costs such as the packaging and raw ingredients used to make your food products. Material expenses are variable costs. To identify variable costs look to see which costs keep pace with the amount of products that you produce.

E.g. a milk processor would include the costs for the raw milk, bottles/cartons, labels and the delivery costs in the materials cost grouping.

2. Labour Costs

The amount you pay the people (including yourself) who make your food product should be added to labour costs. If you are unsure how much time you spend working on production activities, keep a record for one week. Labour costs for machinery operators and any people who prepare the food product, package or prepare it for delivery should be included in this section. Most labour costs are variable costs since they change with the number of units made.

3. Overhead Costs

Business expenses such as equipment and facility expenses, insurances, utility costs and depreciation are considered to be overhead costs. If you can't directly trace costs back to

labour or materials, it likely belongs in overhead. Most overheads are fixed costs in that they can't be tied to the number of units produced - they are the same whether 10 or 1000 are produced. You have to pay your fixed costs whether or not you sell anything. Variable overhead costs such as direct labour, equipment repairs etc must also be factored into product costings.

E.g. Product liability insurance protects your business if consuming your product injures someone. This is an overhead cost.

Pricing Your Product

Having established the costs associated with manufacturing your products you can then move on to considering how to price your products.

There are a number of different pricing strategies the business can utilise, the most common of which in the food and drink industry are:

1. Competition-Based Pricing

The price range set by your competition is the range your customers will expect. You can get this information by preparing a profile of your competition and determining the prices they charge for products similar to yours. You can use this as a guide to set your prices. You can

Jargon Buster

Variable costs – costs that increase proportionally to the amount produced. As a rule of thumb, variable costs include direct labour, direct material, equipment repairs, fuel costs for distribution, broker fees, marketing expenses, etc.

Fixed costs – are consistent costs that do not change from month to month. These costs occur no matter how many products are produced. Often they are time related, e.g. monthly rent, annual machinery costs, depreciation, salaries, etc.

set your price the same as your competitors or you can set a price that is lower in an attempt to undercut them, but make sure you are still covering your costs of production and overhead. In a tendering situation it is useful to research the competition to guide your own price. This is particularly important where tenders are evaluated on a lowest-price basis.

2. Customer-Based Pricing

How much is your customer willing to pay for your product? You need to know your customer's attitudes and values toward prices, product quality, value, and prestige. Some customers believe a higher price means higher quality. You want your price to reflect your product image. Being aware of customer-based pricing can be useful in situations where tenders are being assessed on a MEAT basis, particularly where you feel your company is very strong across the range of non-price factors being considered.

3. Cost-Based Pricing

This is one of the simplest and most popular ways of pricing a product. The price would cover the cost of manufacturing your product plus the overhead and a profit. In cost based pricing, you would take your costs and add on a profit to determine your price. This method provides a simple pricing procedure, especially when multiple products are being sold.

The disadvantage of cost-based pricing is that competition is not considered. For most food and drink producers and manufacturers competition affects how products are priced. The idea of simply adding a profit level or percentage to a product price will only work in industries with limited competition.

Summary

Now, how do you combine all of these calculations to come up with a price? Here are some basic guidelines:

- Your price must be higher than costs to cover reasonable variations in sales volume. If your sales forecast is inaccurate, how far off can you be and still be profitable? Ideally, you want to be able to be off by a factor of two or more (your sales are half of your forecast) and still be profitable.
- You have to make a living. Have you figured salary for yourself in your costs? If not, your profit has to be enough for you to live on and still have money to reinvest in the company.
- Your price should never be lower than your costs or higher than your customers consider "fair". This may seem obvious, but many businesses seem to miss this simple concept, either by miscalculating costs or by inadequate market research to determine fair pricing.

Pricing for Public Sector contracts is a tricky business, and there is no single right answer. You're certainly entitled to make a fair profit on your product, and even a substantial one if you create value for your customers. But remember, something is ultimately worth only what someone is willing to pay for it.

Resources

Business Gateway:
www.bgateway.com

Chartered Institute of Marketing:
www.cim.co.uk



This document is available on the Scotland Food and Drink website: www.foodanddrink.scot

Scotland Food & Drink
3 The Royal Highland Centre
Ingliston
Edinburgh
EH28 8NB

0131 335 0940