

THE CORNWALL FOOD PROGRAMME EVALUATING THE ECONOMIC IMPACT OF LOCAL PROCUREMENT IN THE NHS

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ABSTRACT

This dissertation examined the potential and actual economic impact of local procurement of food in the NHS through the case study of the Cornwall Food Programme. It employed the New Economics Foundation's LM3 tool to calculate the Multiplier Effect of the Programme within Cornwall, and compared it to the Multiplier Effect of a non-localised food procurement structure in the same area. The LM3 tool itself was then evaluated in terms of its usefulness as an indicator of the economic impact of food procurement with reference to the case study Programme. Recommendations were drawn from the results for public bodies around the UK – especially within the NHS – and for national policymakers.

Despite questions raised relating to the reliability of LM3, the findings demonstrated that the amount of money circulating within an area is increased if a policy of local procurement is introduced. LM3 offers an indication of the value of this increase, but is not a reliable benchmark against which to measure improvements over time or the comparative impact of different local procurement initiatives.

It was concluded found that LM2 might be a more useful and efficient tool for procurement officers to use in quantifying the impact of local procurement, accompanied by a more qualitative evaluation of constraints and opportunities faced by suppliers. It found that a great strength of the Cornwall Food Programme was its ability to respond to local needs and situations, and recommends that this, more than any prescriptive method, be the lesson applied to other regions of the UK seeking to initiate a similar Programme.

The dissertation found that an issue not addressed by LM3 was the redistribution of wealth between areas as economies are localised. It recommends that regeneration policymakers at a national level need to use a wider perspective to consider the impact of redistribution of wealth on other areas, whilst supporting localisation of procurement structures throughout the UK.

Keywords: Cornwall, Food, LM3, Local Purchasing, Multiplier, NHS, Public Procurement, Regeneration, Sustainable Development

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CHAPTER ONE - INTRODUCTION

1.1 - INTRODUCTION

It has been argued that the localisation of public procurement has the potential to make a great contribution to economic development and regeneration in disadvantaged areas. However the economic benefits of localised procurement have not been quantified.

Demonstration of the Multiplier Effect of such initiatives would make a valuable contribution to the body of evidence supporting the localisation of procurement. However the estimation of Multiplier Effects requires complex calculations. The establishment of a simple, easily understood tool for calculating the Multiplier Effect would enable it to be used by purchasing officers and community activists without a background in economics. This could be invaluable in proving the effectiveness of policies or adding weight to arguments for change. The New Economics Foundation has developed such a tool, known as LM3, but its simplicity raises questions about its ability to capture the whole spectrum of possible factors affecting the impact of a policy on a local economy.

This research examines in detail one case study of localised public procurement, and employs the LM3 tool to quantify its Multiplier Effect on the local economy.

1.2 – AIM OF STUDY

To explore the potential and actual contribution of public procurement to local economic development through a case study, and to evaluate the usefulness of LM3 as a tool for this purpose.

1.3 – STRUCTURE OF THE REPORT

Chapters Two and Three provide the theoretical background to this study, highlighting issues and questions raised by existing research and exploring Multiplier Effects and LM3 in more detail. Chapter Four presents the objectives and detailed methodology of the study.

Chapter Five places the case study in context, giving an overview of specific problems facing Cornwall and the food sector specifically, as well as current NHS procurement processes and the food procurement system in Cornish hospitals. This is followed by presentation of the research findings in Chapters Six and Seven.

The research findings are discussed and analysed in Chapter Eight, and conclusions are drawn relating to the objectives of the study. Finally, Chapter Nine provides an evaluation of the

methodology and discusses the implications of the study, offering recommendations for further research.

Appendices One to Five follow the study. Appendices One to Three provide samples of the surveys and interview questions used in the study and Appendix Four summarises the supplier survey responses. Finally, a Glossary and list of Acronyms used in the study is included in Appendix Five.

CHAPTER TWO – SHORT FOOD SUPPLY CHAINS AND ECONOMIC REGENERATION

2.1 – INTRODUCTION

It has been argued that public bodies such as local authorities and the National Health Service (NHS) could contribute to the economic regeneration of the localities in which they operate by procuring more of the goods and services they need from within the local area. This chapter will explore the origins and theoretical basis of this argument, with reference to existing literature and the food and farming sector in particular.

2.2 – ECONOMIC REGENERATION

“In Cornwall, £500 million per year is spent on food. 75 per cent of that is imported from outside Cornwall. If we reduce that by just 1 per cent, we have invested £5 million in our local economy.”

[Roger Thompson, Cornwall Business in the Community, quoted in Bullock, 2000, 5]

It has been acknowledged [Social Exclusion Unit, 2000] that the economic development of local communities requires two kinds of monetary investment. First, money must be attracted from external sources in terms of private investment or direct support from Government bodies. Secondly that money must be retained in the local economy through reinvestment [Pretty, 1998, Williams, 1996]. Hines [2000], Williams [1996] and Dobson [1993] all argue that the latter can only be achieved through a shift in the focus of economic activity, and meeting local needs locally wherever possible. Persky et al [1993, 18] point out that, under the name “import substitution”, this kind of localisation “has played an essential role in the development of many, if not most, major metropolitan areas of the world”.

However the current model of Regeneration (or Development, as it is called on the international stage) practiced by mainstream bodies, including government agencies, only addresses the first type of investment [Simms et al, 2003]. Williams [1994, 127] states, “local sourcing...is an aspect of economic development...which has more often been ignored than adopted by agencies involved in economic revitalisation”.

One reason for this is the current world trade system, which is geared towards export-led economies and large corporations. Money is free to move around the world, to the area where the largest profit can be made [Desai and Riddlestone, 2002]. Neoliberal doctrines of globalisation and comparative advantage, and the international rules which back them up, mean that businesses must be internationally competitive or they will simply fail [Lucas et al, 2002, Hines, 2000]. Customers – be they individuals, multinational companies or public bodies – are able to shop around the globe to find the “cheapest deal”. There is little space within this economic paradigm for small businesses that provide local jobs or services in remote areas [Simms et al, 2003, Desai & Riddlestone, 2002]. “Import Substitution” has become a dirty word.

2.3 – FOOD AND FARMING

The UK food and farming system is a clear example of the effects of globalised, neoliberal economics on communities, but also of the potential for change. The damage being wrought by our dependence on cheap imported food [Fort, 2003, Atkinson, 2002, Morgan & Morley, 2002, Jones, 2001] and the oligopolic supermarket system [Michaels, 2002, Seth & Randall, 1999, Tansey & Worsley, 1995] in terms of both rural and urban communities, the environment and the nation’s health have been well documented [for a detailed exploration of health impacts, see Lang & Raynor, 2001; for environmental impacts Jones, 2001 and Transport2000 Trust, 2003].

However equally well known is the growing movement in Europe and the US towards localisation of food supply for the benefit of farmers, consumers and the environment [see for example B-FIT, 2003, Sustain, 2002c, Hines, 2000, Pretty, 2001]. Emphasis is placed on connections between producer and consumer, quality produce and a fair price.

Local food initiatives include farmers’ markets, community-supported agriculture, vegetable box schemes, community gardens, and public procurement projects [Sustain, 2002a, Pretty, 2001]. They constitute one type of Short Food Supply Chain (SFSC) – the other being the sale of food with a regional or local identity outside of the region where it was produced [Marsden et al, 2000] - what Defra terms *locality* food, as opposed to *local* [Defra, 2003a].

SFSCs based on locality foods can offer producers a competitive advantage through a value added product, especially if they are awarded Protected Denomination of Origin (PDO) or Protected Geographical Indication (PGI) status within the European Union [Marsden et al, 2000]. SFSCs have also been called Alternative Food Networks (AFNs), because they work outside of the mainstream, bulk commodity based food system that has the major multiple supermarkets at its centre and uses

price and its main marketing tool [Renting et al, 2003]. However not all producers are able to differentiate a product through PDO/PGI status, and the supply chain for the sale of locality foods still involves engaging with the international food system, albeit with a quality rather than a commodity product. This study is concerned with *local* food networks, which involve geographically shortened and re-directed supply chains, and their role in community economic development.

There exists a wide body of literature on the benefits to communities of localising the food chain, in terms of social, environmental and economic well being. Organisations such as Sustain, the Soil Association and F3 – The Foundation for Local Food Initiatives regularly publish research on this subject [see References and Bibliography for a selected list].

Lang and Rayner [2001] have highlighted the need to supply healthy local food to all areas of the UK, and to reduce our reliance on imported fruit and vegetables. Cranbrook [2002] has demonstrated the interconnectedness of small rural businesses, and the impact on this “web” of the building of out of town supermarkets in rural areas. In particular she highlights the potential impact on new businesses: of the local producers she surveyed, nearly all stated that without access to local shops to market their goods when they started up, their businesses would not have succeeded.

F3 [2003] has conducted research in urban and rural areas into the “value added” in terms human, social, financial, physical and natural assets of businesses with an orientation towards local markets, as opposed to non-locally focused businesses. It concludes that locally-oriented businesses are twenty four times as likely to create new jobs in the area and twice as likely to offer those new employees training, six times more likely to buy from local suppliers and more than twice as likely to have direct contact with their customers, as well as being more likely to engage in land management schemes or convert to organic, and more likely to use existing local shops and markets for their own sales.

However, although interest in and awareness of local food among the general public is on the increase [see for example, Hedges & Zykes, 2003], the reality is that three quarters of the food purchased in the UK is purchased in a supermarket [CPRE, 2002]. Until this shopping habit changes, producers need to find alternative routes to markets, and to consumers. Public sector catering is one potential solution.

2.4 – PUBLIC PROCUREMENT

The majority of the money spent on food in this country is spent by public bodies - the NHS is the single largest purchaser of food in the UK, with an annual budget of around £500 million [Leach, 2003b]. Public sector catering as a whole makes up approximately seven per cent of total expenditure on food consumed in the UK, or 1.8 billion meals served at 61,500 different outlets annually [Sustain, 2002b].

However there are institutional and cultural barriers to the introduction of local procurement policies. It has been argued that current World Trade Organisation (WTO) rules, EU Directives and UK Government regulations that ban discrimination in favour of local suppliers are inhibiting the potential of this sector to bring local food into the supply system [Sustain & Wye Valley AONB, 2003, Morgan & Morley, 2002, North, 2001]. The EU Treaty of Rome emphasises the principles of Transparency and Non-Discrimination, and as such the EU Public Procurement Directives cannot favour local or domestic suppliers over those from other Member States [Cave-Bigley & Hines, 2002]. This includes a prohibition on specifying “local” as a contracting criteria, and a requirement that contracts with a value over a certain threshold must be advertised in the Official Journal of the European Communities (OJ). Recent clarifications of the law have allowed for economic and social considerations to be taken into account [EC, 2004], but these can only be considerations that directly affect the service delivery of the contracting organisation. It has been argued that a major barrier to the local procurement of goods is the specific prohibition of the use of “food miles” and the resultant carbon emissions as contracting criteria [Cave-Bigley and Hines, 2002]. This is arguably a contradiction of the UK Local Government Act 2000, which confers the “Power of Wellbeing” on local authorities – giving them the freedom to do anything within their power to promote the social, environmental and economic well-being of communities under their jurisdiction [Harrow, 2002].

An expansive body of academic research and practitioner discussion over recent years has highlighted various other barriers to localisation of procurement, including lack of local supporting infrastructure, gaps in the expertise on the part of suppliers, and size of contracts [see for example Leach, 2003a, Sustain & Wye Valley AONB, 2003, Morgan & Morley, 2002, Sustain, 2002b]. Van der Ploeg & Frouws [1999] also highlight the risks associated with producers changing an aspect of the rigid “Food Chain” with which they are engaged – this for most being the supermarket system. These issues will be further explored later in this study.

Recent changes in favour of Best Value for UK local government tendering processes [Harrow, 2002, Lyons, 2000] and decisions based on “the most economically advantageous tender” rather than simply the lowest price [EC, 2004] have opened up the possibility for creativity in contract design that can favour local suppliers. Morgan & Morley [2002] have highlighted examples from across Europe and the US where local authorities, schools, and hospitals have succeeded in stipulating conditions to favour local supply without breaking the law. These have included specifications according to freshness, delivery times, proportion of organics, and changes to contracting systems to enable smaller contracts to be issued. Assurance standards (such as PDO/PGI status) can also be specified, as long as the caveat “or equivalent” is always included [Cave-Bigley & Hines, 2002].

In the UK the Department for Environment, Food and Rural Affairs [Defra, 2003b & 2003b] and the Policy Commission on the Future of Farming and Food [PCFFF, 2002] both emphasise the local economic advantage of localising the procurement process. The NHS Purchasing and Supply Agency (PASA), the body responsible for devising national contracts for NHS Trusts around the country, has also recently taken on board the need to support local economies through purchasing contracts. Postcode Tendering has been introduced, a method whereby some contracts are split into lots and suppliers can bid to supply food produce to a certain area of the country, or even just one hospital or Trust. PASA has also recently published Environmental and Sustainability Policies, addressing the social, environmental and economic responsibilities of NHS Buyers [PASA, 2003].

2.5 – CONCLUSION

Although Britain is by no means the leader in this new wave of localised public procurement, public bodies are beginning to experiment [Soil Association, 2003, Morgan & Morley, 2002, Sustain, 2002c]. The increased support from Government and national supply agencies in recent years can only serve to facilitate further exploration of the possibilities for local contracts.

It has been asserted that a localised food chain can benefit local economies [La Trobe, 2002, PCFFF, 2002, Sustain, 2002b, Bullock, 2000], contribute to sustainable agriculture [Pretty, 1998], help to rebuild communities [Bullock, 2000], improve public health and nutrition [Morgan & Morley, 2002] and help to solve global environmental problems including pollution and climate change [Jones, 2001]. However little empirical research has actually been carried out to quantify or confirm these claims, or to evaluate the relative economic benefits of the local procurement initiatives in existence in the UK. Sustain [2002a] asserts that evidence to support the idea that local public procurement can help to regenerate communities is “anecdotal”. As Sacks [2002, 3] states, many people have “...a strong feeling that the decision to leave the future of their local economies up to the market has

been wrong”. The economic impacts of local public procurement for construction projects and of other local food initiatives such as box schemes and farmers’ markets have been examined using measures of Multiplier Effect [Sacks, 2002, Bullock, 2000], but no corresponding research has been carried out with regard to food procurement. The next chapter will explore one potential method for quantifying and evaluating the economic benefits of local procurement initiatives.

CHAPTER THREE – THE MULTIPLIER EFFECT AND LM3

3.1 – INTRODUCTION

Calculating the Multiplier Effect of particular policies or initiatives can be very useful in providing quantitative data on their local economic impact, for example to prove the benefits of an existing policy or establish the need for policy change. However calculations can be complex and the results difficult to interpret for those who do not have a background in economics - including most community activists and local authority officers. This chapter provides a brief overview of the principles of the Multiplier Effect, and introduces the reader to LM3, the simplified tool devised by the New Economics Foundation (nef) to calculate Multipliers at a local level.

3.2 – THE MULTIPLIER EFFECT AND LM3

First developed by John Maynard Keynes, the Multiplier Effect of an investment is said to be the number of times that that investment is spent within an economy before it leaves the area, and is a calculation of the total value of an investment to the local economy [Sacks, 2002]. As stated in 3.1, calculating the Multiplier Effect of a project can be very useful in determining its local economic impact. It has been defined in simple terms in the following equation, where Direct Effects are the value of the initial investment into the area [Walsh, 1986]:

$$\text{MULTIPLIER} = (\text{Direct Effects} + \text{Indirect Effects}) / \text{Direct Effects}$$

An example of how the Multiplier Effect works is given below.

If £1 is given to an individual in a particular community and that individual then spends the whole of that £1 buying a loaf of bread from a local baker, then the total value of that £1 in the local economy is actually £2. The first individual has a locally purchased loaf of bread worth £1, and the baker still has £1 to spend on other goods and services in the local area.

If however the same individual spends only fifty pence on bread from the baker and uses the other fifty pence to buy an item from a mail-order catalogue, then half of the money has left the local economy and the net local income is only £1.50.

Calculations of this type are not usually limited to one “round”. In reality the original £1 investment in the example above would be “followed” through the hands of all the people who received it until it had completely left the local economy. For example the baker, on receiving fifty pence for a loaf

of bread, might decide to spend thirty pence on a cup of tea at a café next door, and the remaining twenty pence might go towards the rent of his premises. So after the second “round” of spending, thirty pence is definitely still in the local area, but the remaining twenty pence may have left, depending on where the baker’s landlord is based. The greater the net income for the local economy of the initial investment, the higher the Multiplier Effect is said to be. Money that leaves the local economy during this process is said to have “leaked” [Walsh, 1986]. Research has shown that the majority of the money entering a local economy has “leaked” by the third “round” of spending, and that practically all of it has gone by the twelfth [Sacks, 2002, Walsh, 1986].

Calculation of Multiplier Effects is a complex and lengthy business, involving analysis of the sales and spending of businesses, governments and consumers, and requires the expertise of economists to complete comprehensively. However the New Economics Foundation (nef) has recognised the potential benefit of this type of calculation in evaluating the impact of spending within communities, whether a local community organisation, a business, a public body or the spending generated by a local facility such as a cashpoint. Nef’s Local Multiplier, or LM3, has been tested in studies around the UK, and claims to provide a simple method for the non-economist to measure and understand the Multiplier Effect of money within an area [Sacks, 2002].

3.3 – POSSIBILITIES AND PROBLEMS OF LM3

LM3 is so-called because it only traces the first three “rounds” of spending of an investment, which in most cases will incorporate the vast majority of spending [Sacks, 2002]. Nef has developed a survey that can be used to collect the information required to carry out an LM3 study, and provides instructions on how to calculate the Multiplier Effect from the information given. The end figure is simple to understand and provides a graphic representation of impact – the result is a number between one and three, where three means that 100% of the initial investment has stayed within the local economy and one means that 100% has left.

This study uses LM3 to estimate the local economic impact of a local procurement policy. However, the use of Multiplier Effects for this purpose is not uncontroversial. It has been argued [Walsh, 1986, Sacks, 2002] that initiatives designed to increase economic impact are simply “robbing Peter to pay Paul”, in other words they involve the *re-distribution* of wealth from other areas, rather than the creation of wealth per se. To use a simplified example that will be further explored in this study: a local procurement policy in Disadvantaged Area 1 might increase its Multiplier Effect by sourcing food locally rather than purchasing it from Area 2, in another part of the UK. This may be good for the local economy in Area 1, but Area 1 is gaining at the expense of Area 2, which might be equally

disadvantaged and dependent on custom from Area 1 for local jobs. When this bigger picture is taken into account, increasing the Multiplier Effect in one area might be contributing little to economic regeneration in general. Multiplier Effect calculations fail to take this into account.

The Curry Report [PCFFF, 2002] acknowledged that, in general, small and family-run businesses are more dependent on and contribute more to local communities and economies, in terms of supporting other local businesses, providing local employment and maintaining local environmental quality. Multiplier Effect calculations provide little information on the distribution of economic impact within an area and the size of the businesses who benefit. In terms of public procurement, they also do not examine the experience for local businesses of supplying large organisations with complex contracting criteria – a key aspect of the local economic impact of local purchasing, especially in terms of its long-term sustainability.

An additional potential problem with LM3 is the fact that it is simplified, and therefore possibly less reliable than a full Multiplier Effect calculation. LM3 covers only three rounds of spending, only one year's spending patterns, and often uses samples rather than entire populations. The calculation is also reliant on data provided by individuals and businesses, and so the researcher has limited control over its reliability. A detailed explanation of calculation of LM3 is provided in Chapter Five.

3.4 - CONCLUSION

Chapter Two explored some of the assumptions regarding the potential economic benefits of local procurement. This chapter has outlined briefly the theory of the Multiplier Effect, and introduced nef's LM3 tool as a method for calculating it. This research examines in detail one case study of localised public procurement, and employs the LM3 tool to quantify its Multiplier Effect on the local economy. Qualitative research was also carried out, to assess in more general terms the impact of the local procurement initiative, and to evaluate the effectiveness of LM3 and Multipliers in general in providing evidence of its economic impact. The following chapter examines the design, methodology and objectives of the study in detail.

CHAPTER FOUR – OBJECTIVES AND METHOD

4.1 – OBJECTIVES

Chapter Two explored the potential role of local procurement for public sector catering in economic regeneration. Chapter Three provided an overview of the theory of Multiplier Effects, and introduced nef's LM3 tool as a possible means of measuring the impact of local procurement policies. Against this theoretical and empirical background, and in the light of the aim of the study detailed in Chapter One, the following objectives for the study have been identified:

- 1) To explore the local economic impact of the public procurement of local food using LM3 and qualitative research.
- 2) To evaluate LM3 as a tool for exploring the local economic impact of procurement policies.
- 3) To produce recommendations for public sector organisations to maximise the benefits of their procurement for local economies whilst preserving quality and operational standards.
- 4) To produce recommendations for central government to optimise the impact of public spending on local economic regeneration.

4.2 – METHODOLOGY

The objectives of the study were achieved using a case study research design. This was chosen to enable in-depth quantitative and qualitative evaluation of one local procurement policy, and to facilitate the close relationship-building and trust deemed necessary in order to gather commercially sensitive and sometimes personal information from study participants. The research involved the following:

- Desk-based research of secondary documentation about local procurement in the UK to identify the case study, followed by in-depth research on the case study area, the case study organisation and the policy itself;
- Quantitative research to gather the necessary financial information to make the LM3 calculation;
- Qualitative research based on face-to-face interviews, postal surveys and personal communications to evaluate in more general terms the effectiveness of the case study procurement policy.

This report provides an analysis of the economic impact of a local procurement policy using the methods outlined above, and provides an evaluation of LM3 as a tool for this purpose in the light of the information gathered. It also offers recommendations based on this research for public sector organisations and for policy-makers.

Table 4.1, below, provides an overview of the information gathered and methods used to achieve each objective. Further detail follows regarding each of the research methods used.

Table 4.1 – Information and Methods

Objective	Information Gathered	Method(s) Used
1	<ul style="list-style-type: none"> - Financial and spending information from case study organisation, local suppliers and staff - Financial information from another, similar organisation, to provide a comparison. - Estimated LM3 score - Qualitative information relating to suppliers' experience of local retailing and supplying the case study organisation. - Data relating to food sector and regeneration in case study area 	<ul style="list-style-type: none"> - Surveys on income and expenditure - LM3 calculation (taken from Sacks 2002) - Detailed supplier surveys gathering qualitative information - Desk-based research on case study organisation and case study locality - Face-to-face interviews with relevant staff at case study organisation
2	<ul style="list-style-type: none"> - Information relating to LM3 research and calculation - Qualitative information relating to suppliers' experience of local retailing and supplying the case study area. 	<ul style="list-style-type: none"> - LM3 process - Suppliers' surveys - Communication with New Economics Foundation - Personal reflection on LM3 process.
3	<ul style="list-style-type: none"> - Objectives and implementation process of case study initiative. - Aims and operation of case study organisation. - Information relating to environment within which case study organisation operates, in comparison with other areas of the UK. - Factors inhibiting increased spending within the local economy. - Kinds of business accessing contracts, and kinds of business unable to do so. 	<ul style="list-style-type: none"> - Face-to-face interviews with relevant staff at case study organisation. - Desk-based research on operating environment and aims of case study organisation, and on implementation and future plans for case study local procurement policy.
4	<ul style="list-style-type: none"> - Factors inhibiting spending in the local economy. - Wider operating environment and respective responsibilities of various policy-making bodies relating to public procurement. 	<ul style="list-style-type: none"> - Desk-based research on operating environment of public procurement. - Desk-based research on factors inhibiting local spending - Suppliers' surveys - Face-to-face interviews with relevant staff at case study organisation.

4.3 – DESK-BASED RESEARCH AND CASE STUDY SELECTION

Desk-based research was used in the first instance to identify the case study. In order to fulfil the aims of this study, it was necessary to identify a mainstream public organisation that had adopted a policy of local food procurement. It was decided that a local authority or an NHS trust would be an ideal case study as these are widespread throughout the country, thus facilitating any replication of the research and ensuring that any findings may be applicable on a wider scale. These are also the two public bodies most heavily involved in procurement from the local food sector at present, because of the other perceived benefits of such policies for health, education, and nutrition [Morgan & Morley, 2002].

However such initiatives in the UK are rare. For this reason the case study was selected through initial contact by letter with any organisation meeting the above criteria. These letters were followed up with phone calls. As soon as a positive response was received, contact with all other organisations ceased.

Using this method the NHS Cornwall Food Programme (CFP) was selected. Cornwall is the English county with the lowest per capita income. The Cornwall Food Programme is a local sourcing initiative in the process of being implemented by the Healthcare Community in the county, and it is hoped that the Programme will boost the economy and provide a model of sustainable procurement for Cornwall and other areas. Throughout this study the term “local” should be taken to mean “within Cornwall”.

It is accepted that the choice of a case study design limits the external validity of the study’s findings to a certain extent. However it is hoped that the detailed explanation of methodology contained within this chapter and in Appendices One to Three will facilitate replication of the study in other areas and with other cases. Time and resource constraints precluded the investigation of more than one case as part of this study.

Further desk-based research was carried out, using recent reports and research, into the structure of the food sector in Cornwall, the socio-economic status of the county and the operations of the NHS with specific reference to the Cornwall Food Programme. Published works used are referenced where appropriate in the presentation and analysis of results. In addition Chapter Five provides an overview of Cornwall, the Food Sector and NHS Procurement. The LM3 tool was also identified through the desk-based research, and is drawn from work reported in Sacks [2002], carried out by the New Economics Foundation.

4.4 – FIELD RESEARCH

The field research was conducted during July and August 2004, by post and during a visit to the Royal Cornwall Hospitals Trust (RCHT) in July. Quantitative and qualitative information was gathered from:

- Managerial staff involved with CFP at various levels;
- RCHT catering staff;
- RCHT suppliers;
- The New Economics Foundation (nef)

Sub-sections 4.4.1-4.4.3 below discuss the information obtained and the methods used for the first three of these groups. Box 4.2 shows how the information gathered was used to calculate the LM3 score for the CFP. Personal communications with Justin Sacks of nef were used to inform the evaluation of the LM3 process, and these are referenced in the text where appropriate. Justin Sacks also provided an independent expert review of all the calculations in the study.

4.4.1 – Cornwall Food Programme Managerial Staff

Initial contact with CFP was made through the Programme Manager, Nathan Harrow. Research focussed on RCHT, where implementation of the CFP has already begun (see Chapter Six for more detail), although the CFP is a collaboration between the entire Cornish Healthcare Community and is managed by a board with representation from all five NHS Trusts. Nathan supplied background information through personal communications and written documentation (referenced where used). He also supplied the information regarding RCHT's Catering Department's income and expenditure that was needed to calculate the LM3, and some financial information relating to the Cornwall Partnership Trust (CPT), to provide a comparison with RCHT (see Chapter Eight). A face-to-face semi-structured interview was also conducted, based on the questions detailed in Appendix One.

In addition three other members of staff were interviewed:

- Roy Heath (Sustainable Development Manager for CFP, recently appointed)
- Mike Pearson (Programme Director and Acting Head of Hotel Services, RCHT)
- Bill Byers (Director, Cornwall Healthcare Estates and Support Services)

These staff were selected for their direct involvement with the CFP. Roy Heath and Nathan Harrow work solely on this Programme. Mike Pearson was responsible in a previous role for initiating the Programme and is now its Director, and Bill Byers as Director of CHESS, is responsible for catering services across the NHS in Cornwall. He is a member of the Programme's board and represents the senior level of decision-making within Cornwall NHS.

All four interviews were conducted using the same set of questions, but took the form of informal conversations regarding the history, progress to date and future of the programme rather than formal interviews. The intention was to gather as much qualitative data about the programme as possible, and to enable staff to relate information that they considered important. Not all staff were asked all of the questions – this depended largely on their different responsibilities, expertise and experience (for instance several questions were not asked of Roy Heath because he had only been in post for a month and so had limited knowledge of the history of the Programme or of relationships with suppliers). In addition both Mike Pearson and Bill Byers were only available for a limited time, and so discussion needed to be directed towards priority issues. Appendix One shows a full breakdown of which questions were included in each interview.

Three kinds of information was gathered from the interviews:

- Factual information about the CFP;
- Interviewees’ perceptions on the progress and future of the Programme;
- Interviewees’ perceptions on the wider local purchasing environment.

The final set of information was gathered using the similar questions to those included in the postal surveys (see below).

4.4.2 – RCHT Catering Staff

In order to complete LM3 calculations, it was necessary to “follow” RCHT’s spending on its catering staff as well as its catering suppliers. Staff spending was analysed to ascertain the average percentage of staff earnings from RCHT that was spent within the County.

RCHT has 120 catering staff. A list was provided by RCHT, showing job titles. Staff were identified by numbers to preserve confidentiality. Fishbowl sampling was then used to select a group of forty staff, proportionately representative of all areas of work to ensure that all income brackets were included. RCHT then distributed a postal survey (see Appendix Two) to each of the sample population, including a covering letter explaining the purpose of the research and a postage paid return envelope. No direct contact was made with any of the Catering Staff.

This survey was also distributed to the four interviewees mentioned in 4.4.1.

4.4.3 – RCHT Suppliers

A postal survey, covering letter and return envelope were distributed to every Cornwall-based supplier contracted to RCHT’s Catering Department (see Appendix Three). This survey collected income and expenditure information in a similar way to that distributed to Catering Staff, but in

addition included a section requesting more qualitative information about the supplier's business, experience as an RCHT supplier and perceptions of the local food market in Cornwall. This part of the survey was used to inform the evaluation of LM3, through the identification of economic impacts and patterns that would not have been identified through the quantitative research.

Two suppliers were contacted by phone following the return of their surveys, for clarification and further discussion of their responses. Details of these communications, where relevant, are included in Chapter Seven.

Box 4.1 – Calculation of LM3 (for more detail see Sacks, 2002)

The LM3 score for the CFP was calculated using the financial information supplied by Nathan Harrow on behalf of RCHT, responses to the staff surveys and responses to Part One of the supplier surveys. The three "rounds" of spending analysed and the calculations are outlined below. More information on the LM3 calculations is included in Chapter Six, but some data had to be removed for reasons of data protection and commercial sensitivity.

Round One: Total income of RCHT's Catering Department for the last financial year (2003-4).

Round Two: Total expenditure of RCHT's Catering Department that remains within Cornwall (financial year 2003-4) [= total spent on Cornwall-based suppliers and staff].

Round Three: Estimated total of RCHT Catering Department's Cornwall-based spending that is re-spent within Cornwall (by local suppliers and staff).

Calculation of Round Three was based on estimation because not all staff and suppliers returned surveys.

A breakdown of actual expenditure for each local contract was provided by RCHT. Where a supplier had returned a survey, the actual % local spending was used to calculate the proportion of that expenditure being re-spent locally. Where a supplier had not returned a survey, this proportion was estimated based on the figures supplied by RCHT and the average local re-spend rate. Once a re-spend amount had been calculated or estimated, these amounts were added together to arrive at a total re-spend figure for RCHT's suppliers.

The following table clarifies this method using sample figures. In the table, suppliers 1 and 2 returned a survey, but supplier 3 did not, so the "% Re-Spent" column for suppliers 1 and 2 is based on actual figures, and the figure for Supplier 3 is an average of 1 and 2.

Based on the table, the total re-spend figure for suppliers is $7000 + 690 + 435 = \text{£}8,125$.

	Supplier 1	Supplier 2	Supplier 3
Amount RCHT Spends with Supplier	£20,000	£3,000	£1,500
% Re-Spent	35%	23%	29%
Amount of RCHT's original expenditure Re-Spent within Cornwall	£7,000	£690	£435

This kind of spending breakdown was unavailable for staff, so a more simple method was employed. The average percentage of local re-spend by staff was calculated from survey responses received, and actual amount of money this represented was estimated to be this percentage of RCHT Catering Department's total spending on staff.

LM3 is calculated using the following equation:

$$\text{(Round one + Round Two + Round Three) / Round One} = \text{LM3}$$

To provide a theoretical comparison and evaluate the possible local economic impact of the CFP, the data obtained for this LM3 was then compared to the spending pattern of another Cornwall-based NHS Trust, the Cornwall Partnership Trust (CPT), the majority of whose food supplies are purchased from a cook-freeze facility based in Wales.

4.5 – LIMITATIONS

The main limitations of this research methodology were related to data collection from suppliers and staff. The low response rate to the postal surveys meant that estimated data needed to be used in the calculation of LM3 (see Box 4.1, above). This was especially true of the staff surveys, which suffered a particularly low response rate (five responded, but these were mislaid in the post between Cornwall and Bradford, so the only staff data collected was two surveys returned by managerial staff). Only 50% of suppliers responded to the surveys, but this accounted for over 60% of RCHT's spending, so although not ideal this was accepted as a valid sample [Sacks, 2004a].

In addition, much of the data received needed to be adjusted, either because the figures provided did not add up to 100%, or because sources were conflicting (for example the breakdown of spending on each supplier provided by RCHT did not add up to the total provided for the same category of spending). This is possibly attributable to the fact that only one financial year's spending was analysed, and spending patterns change. For example RCHT has recently switched sandwich supplier, and now spends more money for a higher quality product (NH). The supplier who responded to this research was the new contractor, but the figures supplied by RCHT for last financial year related to the old supplier. These inconsistencies were resolved as much as possible through direct contact with suppliers and with RCHT, but on occasions totals needed to be slightly adjusted using informed guesswork and guidelines laid down in *The Money Trail* [Sacks, 2002].

A slight problem experienced with the face-to-face interviewing stage of the research was the interviewing environment. It was impossible to record the interviews as they took place in an open-plan and relatively noisy office, so the research was reliant on note taking. In addition, in one of the interviews more than one interviewee was present. This inhibited the gathering of different perceptions from each interviewee. Time constraints on two of the interviewees also meant that it was not possible to ask all questions. However it should be noted that all RCHT staff contacted were extremely helpful and supportive of the research and gave freely of their time, as did the suppliers. This is evidenced by the fact that it was possible to complete the interviewing in one day.

4.6 – RESEARCH FINDINGS

The findings of the research are reported in Chapters Six and Seven, and analysed in Chapter Eight with reference to the research objectives detailed above. To place the research findings in context, more information on the case study area, the food sector and NHS Procurement is provided in Chapter Five.

This study concludes with final chapters offering conclusions relating to the methodology and the research findings, and a discussion of the implications of the research, including suggestions for future work.

CHAPTER FIVE – CORNWALL, FOOD AND THE NHS

5.1 – INTRODUCTION

This chapter offers a context for the research findings. A brief socio-economic profile of Cornwall and a summary of trends in the food sector are followed by an overview of the operating structure of procurement in the NHS. Some background information is also provided to the NHS Cornwall Food Programme, which mainly operates through the Royal Cornwall Hospitals Trust (RCHT) but will eventually involve the entire Cornish Healthcare Community. The information presented is based on desk-based research and personal communications (referenced where used), and informal semi-structured interviews with managerial staff. These are referenced with the initials of the staff member cited (NH, RH, MP, BB).

5.2 – A BRIEF SOCIO-ECONOMIC PROFILE OF CORNWALL

The county of Cornwall is located in the far south west of the UK, and is surrounded on three sides by the sea. Its one land border is with Devon, which for most of its length follows the river Tamar. The Scilly Isles, which form part of the county, are situated 45km from Lands End. This isolation has led to the establishment of a strong, proud sense of tradition in Cornwall, and a distinctive Cornish identity.

Along with its geographical remoteness, Cornwall has a low population density. In 1999 only 31% of its population of 485,600 lived in towns with a population greater than 10,000. A significant proportion of the population live in isolated rural areas – the nearest large urban centre is Plymouth, in Devon, and this is 125km from Penzance. The population is growing, but young people are leaving the county owing to the lack of employment and higher education opportunities.

Cornwall has the lowest per capita income in England, averaging 24% below the national average. Tourism, agriculture, mining and quarrying are disproportionately important to the Cornish economy, so employment is characterised as low value-added, low waged and mainly seasonal. The unemployment rate in 1999 was 6.8%, already above the national average, but this increases further during the winter months.

Businesses in Cornwall are generally small, with only 58 in the county employing more than 200 people - 19.1% of the workforce. Most businesses have less than five employees. 95.2% of businesses conduct at least some of their trade within Cornwall, and only 44.5% do business outside

the county. Problems include a lack of road and rail infrastructure to export goods. There is virtually no manufacturing industry in the county [supplier survey response].

In recognition of the need for regeneration in Cornwall, for the past fifty years the county has been in receipt of structural funds. In 2000 it was awarded EU Objective One status, and it was also the first Health Action Zone in the UK [Harrow, 2004a]. The Objective One Plan [Cornwall County Council, 1999a] identified a need to develop sustainable employment opportunities, and “the role of regional distinctiveness as a driver for economic growth”, related to the strong cultural identity of Cornish people. Recent EU expansion might well mean that in the future Cornwall is not eligible for this kind of statutory support.

[Statistics from Cornwall County Council, 1999b, unless otherwise stated]

5.3 – THE CORNISH FOOD SECTOR

Reed et al [2003] provides an in-depth analysis of the food economy in Cornwall. This section examines some general trends identified in that study.

Cornwall has active food production and processing industries, but the processing industry is worth much more to the Cornish economy (approximately £500 million per year). However Cornish processors do not necessarily process Cornish produce. The fish processing industry is a case in point – Cornish smokehouses import farmed fish despite the presence of a local supply.

The Cornish climate is mild, and allows for a long growing season for fruit and vegetables, although the county’s remote location inhibits the potential competitive advantage from this. Cornwall is also a net importer of chicken and pork, and although there is an active fishing industry, most of its produce is exported to “quality” retail outlets, and locals with lower incomes consume imported white fish purchased from the supermarket. The soft fruit market is also under-supplied by local producers, and Cornish cider-makers tend to use imported apples because there are not enough commercial orchards in Cornwall to supply them.

The food economy has two centres, and businesses are largely oriented towards one or the other – very few operate within both spheres. The majority of food production and processing in Cornwall is geared towards the bulk commodities for large supermarkets. As Reed et al state [2003, 72]:

“If a food business, whether a farm or a processor, wants to achieve rapid growth and to achieve a certain scale it must attach itself to the national economy. The overwhelming bulk of the Cornish food economy serves the national market, which is reflected in the trading postures taken by all the major food processors

and the largest primary producers in liquid milk, meat and fish. For many of these producers and processors the local market is addressed through the centralised distribution systems of the multiple retailers.”

A smaller proportion of businesses produces food for the local market. This is very seasonal, with some businesses aiming to do enough business with tourists during the summer months to sustain them through the winter. The socio-economic profile above highlighted the fact that the resident Cornish population has a low average per capita income, and so does not generally have the means to buy the quality, value-added goods produced by locally oriented businesses.

Locally-oriented businesses are usually small (less than fifteen full-time staff), and often family run. There is a lack of medium-sized businesses, as most small businesses have reached management capacity and cannot expand with their existing resources of people and space. Many organic enterprises in particular are not the owner's sole source of income, and so by definition remain very small scale.

Food processing businesses in Cornwall generally take an opportunistic approach towards local produce – if it is in season, of high enough quality and competitively priced, then they will buy it. No processing business in Cornwall is completely oriented towards the local market.

[Source: Reed et al, 2003]

5.4 – PROCUREMENT AND THE NHS

The vast majority of NHS procurement operates through centrally-managed contracts. Until 2000 this was carried out through NHS Supplies, a body that not only set up contracts for Trusts but was also a major supplier. In 2000 NHS Supplies was broken up into a distribution arm, NHS Logistics, and a strategic purchasing division, the NHS Purchasing and Supply Agency (PASA). PASA also has responsibility for auditing suppliers and Trusts' purchasing, to meet health and safety and hygiene criteria but also value for money. There is no obligation for a NHS Trust to operate within the PASA system, but most do to save money and make the most of the purchasing power of a national body [Harrow 2002]. Under the NHS Plan (introduced in 2000) Trusts are expected to save three per cent per year on their procurement bill [Ward, 2001]. Some hospitals already spend only just over £2 per day on food for each patient [Jochelson, 2003]. Quality and levels of service can be considered in selecting a contractor, but not if the cost difference is too great. In Cornwall, despite the fact that the current milk supplier will not deliver further west than Helston, the difference in cost between this national contract and a possible local supplier is too great for the local supplier to be

considered (MP). However RCHT did recently change sandwich supplier for reasons of quality, and the new contract does cost more (NH).

The options open to NHS purchasers that might help to achieve this three per cent saving include increased use of electronic purchasing (computerisation of ordering, invoicing and payment), and collaboration with neighbouring Trusts [Ward, 2001]. These trends imply a move towards centralisation of distribution and larger contracts, both of which could be inimical to the participation of smaller, local producers [see for example Desai and Riddlestone, 2002, reporting on the establishment of a localised supply of charcoal to B&Q stores]. However there is at the same time an increasing interest in the value of local food, in terms of reducing the health and environmental costs which as Jochelson [2003, 24] states “the NHS will eventually pick up in cases of ill-health”.

Unfortunately there is currently a lack of conclusive research into the relationship between local procurement and reductions in other areas of hospital spending (NH), but if this link could be proved then the money-saving arguments for local food would be greatly strengthened. Jochelson [2003, 2002] and Lang & Rayner [2001] both argue that local food procurement meets the operational (preventative health) aims of the NHS and is therefore justified before any wider consideration of sustainable development is incorporated.

Despite the acknowledgement in the NHS Better Hospital Food Programme in 2002 that “food has a major influence on health” [quoted in Harrow, 2004a, 4], the NHS Executive appears to be undecided on whether to support these arguments. Chapter Two highlighted the steps that PASA has already taken to promote local purchasing – namely their sustainable development policy and introduction of postcode tendering into the contracting process – but practitioners seem to think that the NHS is sitting on the fence. Rhetoric supporting centralised distribution to ensure levels of quality is as likely to be heard as statements supporting local food (MP, BB). The Chief Executive of PASA sits on the project board for the Cornwall Food Programme, but there is still a feeling amongst those involved that the NHS nationally is waiting to see if it works before more overt support is offered (MP, BB).

There is also a lack of understanding among policy makers of the needs of a localised food economy. Many hospitals do not have the capacity to prepare food on site, and so are dependent on cook-freeze bought in from central production units (CPUs) (MP). Within this structure, local procurement for the majority of the hospital’s food needs is virtually impossible, unless the hospital happens to be situated in the vicinity of a CPU. Cornwall NHS is in a unique position for this reason (see section

5.5). As Mike Pearson pointed out in an interview, the vast majority of Private Finance (PFI) hospitals are built without kitchens, and so have no alternative but reliance on bought-in cook-freeze meals (MP).

5.5 – FOOD AND THE CORNWALL HEALTHCARE COMMUNITY

The Cornish Healthcare Community consists of five NHS Trusts:

- Royal Cornwall Hospitals Trust (RCHT) – responsible for three acute units in the county – the Royal Cornwall Hospital in Truro (RCH), West Cornwall Hospital in Penzance and St. Michael’s Hospital in Hayle;
- Cornwall Partnership Trust (CPT) – responsible for mental healthcare, operating various health centres and community hospitals throughout the county;
- North and East Cornwall, West of Cornwall and Central Cornwall Primary Care Trusts (PCTs).

A few of the smaller hospitals managed by these Trusts have their own kitchen facilities and prepare cook-serve meals on-site for patients. However the vast majority rely on cook-freeze meals bought in either from the kitchens at the Royal Cornwall Hospital (RCH) or from the Tillery Valley Central Production Unit (CPU) in South Wales [Harrow, 2002]. The Royal Cornwall Hospital (RCH) has its own purpose-built kitchen facilities, and prepares cook-serve meals on-site for patients, staff and visitors. The kitchen also prepares cook-freeze meals for St. Michael’s, and for the Maternity Unit at RCH.

A recent study into NHS food in Cornwall revealed that although RCHT is responsible for over 70 per cent of the hospital beds in Cornwall, it is only responsible for 58 per cent of the total spending on food. 18 per cent of Cornish hospital beds are served by Tillery Valley, and this amounts to 30 per cent of the overall food expenditure. The rest is spent by the cook-serve facilities in other, smaller hospitals [Harrow, 2002]. It would appear that cook-serve is better value for money. RCH has also always prided itself on the quality of the food it serves – developing innovative methods of food moulding and meeting the needs and expectations of Cornish patients [Harrow, 2004a and 2002].

However there are existing and anticipated problems with this system, especially for RCH. The kitchen is already operating at near capacity in terms of space and resources, and the reliance on “Just in Time” delivery means that the system is vulnerable when deliveries fail. Two extra wards are planned for RCH in the near future and it is estimated that patient throughput will increase by 25 per cent, with all the accompanying visitor and staff implications. In addition the NHS Better Hospital Food Programme, a key objective of the NHS Plan (2000) has stated that hospitals should

be providing 24-hour catering services. RCH will not be able to cope with this extra demand. At the same time, the CPU at Tillery Valley, a commercial enterprise, has begun to cut down its menu options to save money [Harrow, 2004a].

5.6 – CONCLUSION

This chapter has provided a background to the case study region, the food sector and NHS food procurement. It outlines some of the pressures facing NHS purchasers in general, and the NHS in Cornwall specifically. The following chapter presents research findings relating to the Cornwall Food Programme as an attempt to address these operational problems, and also to incorporate sustainability in NHS procurement.

CHAPTER SIX – DEVELOPMENT OF THE CORNWALL FOOD PROGRAMME

6.1 – INTRODUCTION

Chapters Six and Seven present the findings of this research study. This chapter outlines the development and operation of the Cornwall Food Programme, drawing on findings from face-to-face interviews and desk-based research. The next chapter explores the impact of the Programme.

6.2 – OVERVIEW

The Cornwall Food Programme (CFP) was developed to address the food supply needs of the Cornish Healthcare Community whilst at all times providing a value for money, good quality meal service. However throughout the Programme wider sustainability aims have been emphasised. The objectives of the programme as identified in staff interviews and desk-based research are shown in Table 6.1, below. In addition it is interesting to note that the Cost Benefit Analysis for CFP placed more weight on the impact on local and regional sustainability (twenty five per cent) than it did on levels of quality and service for meals served (twenty per cent) [Harrow, 2004a, 42].

The CFP has two discernible, interlinked strands. The first and perhaps the more adventurous involves the establishment of a Central Production Unit (CPU) on the Barncoose Industrial Estate near Redruth. The CPU seeks to address the significant barrier faced by many NHS Trusts when they explore local sourcing – the fact that they are dependent on cook-freeze supplies and do not have the on-site facilities to move away from this structure. The CPU has been initiated by Cornwall NHS, with RCHT already having the expertise and facilities to prepare cook-freeze meals, although it lacks the capacity to increase production to the scale required (see Chapter Five).

The second strand of the CFP is concerned with the sourcing of Cornwall's food supplies. It is assumed that once the CPU is established and running, then the procurement pattern already built up by RCHT will be adopted by the whole of Cornwall (NH). With this aim in mind a Sustainable Development Manager has recently been employed with funding from the Soil Association (underwritten by Defra) to increase the proportion of locally-sourced and organic food. Work will include redesigning menus to increase the proportion of locally seasonal food, and establishing an Alliance of producers and purchasers to facilitate communication and partnership working between the two (RH). The project has also recently been awarded money from European Objective One funds, to support the development of the CPU strand of the Programme (NH). However £4.5 million

still needs to be found before construction can start – as a public body the NHS is ineligible for match funding for capital projects from Objective One. However the project has been approved by the Department of Health (NH), and is supported in principle by the other Cornish NHS trusts [Harrow, 2004a]. The Chief Executive of PASA is a member of the project board, as are directors from each of the five NHS Trusts in the county (NH). Section 6.3 provides more detail about how the Programme developed.

Table 6.1 – Objectives of the Cornwall Food Programme

	Source	Programme Objective(s)
Interviews	Nathan Harrow	<ul style="list-style-type: none"> - Design and Build CPU - Make RCHT’s food procurement as sustainable as possible
	Roy Heath	<ul style="list-style-type: none"> - Food from within our area – cut down on food miles, loss of skills, etc – all the negative aspects of the current food system. - Bring in local sustainability as far as possible - Setting up a “Purchasing Alliance” – harnessing the buying power of 2/3 public procurers and 2/3 private sector bodies to create a market for local produce and create economies of scale for buyers.
	Mike Pearson	<ul style="list-style-type: none"> - Bring back food production for all hospitals to Cornwall. - Increase local partnerships - Solve the problem that RCHT faces – kitchen too small to cater for anticipated demand. - “Put something back into the community” by increasing local spending.
	Bill Byers	<ul style="list-style-type: none"> - Establish a good value, sustainable procurement pattern for Cornish hospitals as well as the community. - The project is about the increased procurement of local food – the CPU is in a lot of ways incidental. RCHT needed to solve its capacity problems, but the project came out of managers realising they had an opportunity to do something different – remodelling the entire system in a way that would provide centralised production locally, but with better quality and better service.
	Harrow 2004a	<ul style="list-style-type: none"> - “The Cornish Health Community is committed to environmental sustainability and the principles of local procurement and inward investment. In meeting the need to replace existing, and to develop new capacity for food production, the community wishes to ensure that every opportunity is taken to secure the benefits of an environmentally sustainable solution that also affords best value” [p.4] - “This project’s aim is to positively enhance the local economy through sustainable procurement which will in turn have a positive impact on the physical and social health of the community, potentially reducing patient numbers and the cost of care” [p.10].
Secondary Resources	Harrow 2002	<ul style="list-style-type: none"> - “Claiming the health dividend” through healthy food and sustainable procurement within the local community. - Linking the sustainable procurement of foodstuffs with the sustainable development of Cornwall: “The Central Production Unit would be “big enough to cope and small enough to care” and will provide for the personal demands of the patient including specialist dietary items. It will provide a career infrastructure and career development path for NHS staff, unlocking Cornish potential, and is likely to mirror, in a small way, the “Eden” effect which has seen massive support for the rural economy” [p. 2]. - “...developing links with a national supplier would give up the control on quality that this county enjoys and is not an option” [p.22]

6.3 – DEVELOPMENT OF THE CFP

The Cornwall Food Programme was initiated by the Royal Cornwall Hospitals Trust (RCHT) in 1999, when the Trust took over St. Michael’s Hospital in Hayle. The hospital had no kitchen facilities, and so it was decided that cook-freeze meals would be supplied to the hospital from the kitchens at the Royal Cornwall Hospital in Truro. In order to make the space RCH began to buy in its sandwiches from a national contractor. When it was discovered that this contractor was based in Rotherham, catering managers decided to take action to find a local company. A partnership was developed to build the capacity of the local company so that it could competitively supply the sandwiches to the hospital, and this is the pattern that has been adopted with other suppliers since then. It is hoped that the appointment of a Sustainable Development Manager will enable this “organic” process to become more structured (NH).

At the same time, RCH itself was expanding. Lack of space in the kitchens meant that there was no longer enough capacity to prepare cook-serve meals for the whole hospital. RCH began to prepare cook-freeze for its Maternity Unit. Managers began to think “if we can do this for St. Michael’s, why not for the whole county?” (MP). Managers saw it as a natural progression to incorporate local sourcing into this increased capacity as a matter of course (MP).

At the end of 2001 a Project Manager was employed to conduct research into the feasibility of supplying the whole of Cornwall with cook-freeze meals from within the county (MP). The study found that the most cost-effective and locally beneficial way to supply hospital food in Cornwall was through a purpose-built CPU within the county, building on the experience and expertise of RCHT staff and bringing good food and wider sustainability benefits to the community [Harrow, 2002]. Once established, this CPU will make use of the procurement structure established by RCHT, using local produce and suppliers as much as possible (NH).

6.4 – OPERATION OF THE CFP

Progress to date towards localisation of procurement through the CFP has been made purely from a commitment to local sourcing, and contracts are re-examined with local suppliers in mind when they come up for renewal (NH). Programme Managers have improved communication with local suppliers, compiling a database of potential companies and advertising new contracts in local newspapers. Meet the Buyer days are also held regularly, in partnership with other public bodies in Cornwall, including the county council (NH). Local suppliers have also been attracted by increases in contract length – contracts of three to five years are offered, as opposed to the usual twelve

months (NH). Local contractors compete with national suppliers through the PASA system of postcode tendering. One supplier is actually a national contract supplier to the NHS who happens to be based in Cornwall [communication with supplier]. Project managers estimate that between 50 and 80 per cent of food is locally-sourced (NH, MP).

However there is a discrepancy between purchasing from local companies and purchasing locally produced food, as all of the interviewees acknowledged. RCHT’s suppliers are mostly wholesalers (see Chapter Seven), and the proportion of locally produced food they supply is difficult to monitor in a lot of cases (NH) (the exception being the meat supplier, who keeps detailed records and buys all of his supplies from within Cornwall [Communication with supplier]). In any case, it would be illegal for RCHT to specify this to suppliers [EC, 2004]. There is a desire to work more directly with local producers, and to influence wholesale suppliers through the Alliance (RH). However a cautionary note was sounded in terms of the potential resource implications: “the last thing we need is four hundred people sending us cauliflower!” (NH).

Operation within the PASA system, and within EU regulations, means that local suppliers need to be competitive on price (as stated in Chapter Five, criteria such as quality and service can be taken into account, but only if they do not raise the price by an unrealistic amount). RCHT currently spends around £2.30 per patient per day, and argues that this has not increased since it began using local suppliers (NH). Any scope to increase it would have to come from national budget allocations (NH).

6.5 – PROBLEMS

Table 6.2 – Initial Problems for the Cornwall Food Programme

Nathan Harrow	Mike Pearson	Bill Byers
<ul style="list-style-type: none"> - “Demonstrating the point of it was quite difficult” – 2 years ago no one was talking about local economies and sustainable development. This turned around once Duncan Eaton [Director of PASA] was on the board, and Lord Witty launched the Power in the Public Purse campaign at RCHT in August 03. - Cornish people have a very strong identity, so were always supportive. - Using “Sustainable” rather than “local” meant they weren’t excluding Devon 	<ul style="list-style-type: none"> - Initial problems convincing national stakeholders because it went against national policy at the time – they were ahead of the sustainable development agenda in government. - Attitude of Trusts = “why bother to change”, and why do we need a partnership? - Basically had to sell the idea at national and Trust board level. 	<p>Huge problems persuading people – not reluctance or resistance, people were aware of the benefits. But NHS is a large a complex organisation – keeping every department and stakeholder involved and informed was a problem and on occasions they got it wrong and temporarily alienated people.</p>

When interviewed, the three members of staff who had seen the project develop each highlighted problems experienced during the establishment of the CFP. These are outlined in table 6.2, above.

In addition, there are products that managers admit would be a challenge to procure locally. Exotic foods such as rice and coffee are obvious examples, but there are also “gaps” in the local market – for example in chicken, pork and fish (See Chapter Five). However future development of the CFP will involve adaptation of menus to reflect in-season fruit and vegetables, and locally available meats. The Sustainable Development Manager is negotiating with Newlyn fish market to purchase quality local fish that fails to meet supermarket standards of size and weight, and such an arrangement is already in place with a local cheese manufacturer (NH). The Project Manager estimates that it would be possible to meet 80% of RCHT’s food needs with local produce, with work on menus and partnership with local producers (NH).

The potential for creating markets for local producers to diversify is also being explored. In theory new enterprises supplying hard-to-come-by produce such as local pork could survive on the back of a contract with RCHT (NH). Project staff perceive that the project has the potential to develop new markets for Cornish produce, but “that’s down to the expertise of the producers” (RH). Some locally unavailable products are purchased from NHS Logistics (NH).

6.6 – BENEFITS

In addition to the objectives already identified (see above), the following benefits of the CFP were highlighted by interviewees:

- Reduction in third party distribution by using local suppliers – they are more flexible, deliver to individual sites and add value - for example one supplier will deliver to RCH, then pick up the cook-freeze meals and deliver to St. Michael’s (NH).
- The local ice cream was found to contain a higher nutritional content than the supplements given to some patients, with the added benefit that it wasn’t seen as medication (NH).
- Seeing Cornish food on the menu adds to a feeling of being “at home” in hospital (NH).
- Being well known as a leader in sustainable procurement (NH), raising the profile of RCHT as being forward-thinking (MP).
- The opportunity to build “symbiotic relationships” – eg RCHT could help the clotted cream industry to get rid of a by-product by taking all their semi-skimmed milk.
- Attracting good quality staff (“Getting Nathan on board!”) (MP)

- The project “ticks all the boxes of what people want” – good local support and feeling (MP); Positive patient response when Cornish produce (for example cheese and ice-cream) is highlighted on menus (NH); Receive letters expressing satisfaction from patients regarding the availability of local food (MP).
- Promotion of partnership working between Trusts – the project has illustrated the value of this type of working (MP); The opportunity to engage directors, senior management and individuals in a cross-trust, county-wide project (BB)
- A stepping stone in changing NHS culture and encouraging working together to maximise benefits, including economies of scale.
- Working with other agencies as well, particularly the increased involvement of the County Council in the work of the NHS (BB).

When questioned on the possible health benefits of local food, Nathan Harrow admitted that there is a need for research into this aspect of local procurement, and the possible associated cost savings for the NHS. He pointed out that “good, local food” is more likely to be eaten by patients, and that food does patients no good whatsoever if it is left on their plates.

In addition the following benefits were highlighted in secondary resources [Harrow, 2004a and Harrow, 2002]:

- The employment created will not be seasonal – it will be consistent throughout the year [2002]
- Meeting the goals of the NHS Plan in terms of providing skilled jobs in the NHS, reducing food miles and the creation of a sustainable economy [2002]
- Promotion of health through healthy eating [2002]
- Waste reduction [2002]
- Continued ability to provide innovation in cook-freeze meals (eg pureed meal moulds) [2004a]
- Trust retains control of quality assurance [2004a]

Interviewees foresaw that the future developments of the CFP (see section 6.6) would bring the following benefits:

- Percentage of local food served will increase to 80% (NH)
- More fresh, local food means that staff, patients and visitors will have more confidence and know where their food comes from (NH).
- Relations with the community can only improve through the CPU – it is “in the interests of every Trust to develop further the relationships between themselves and the locality” (NH). The CPU

will enhance relations with the local community – they are impatient to see it finished and frustrated that the Trusts aren't working faster (BB).

- Cornish Trusts will inherit RCHT's purchasing strategy, and government policy will be informed by the success of the project (NH).
- Increased patient involvement (it is being encouraged in general throughout the NHS) – in the future they might get involved in menu formulation, and this would be useful because sick people have different preferences than when they're well. Meeting the need for “comfort food” as well as nutritious food – making the hospital stay more comfortable and personal (MP).
- Inward investment and increased employment opportunities improve health – social wellbeing and increased wealth. Prevention rather than cure for RCHT, plus reduced costs as fewer people end up in hospital (BB).
- Improving psychological welfare of farmers by providing a sustainable income – reducing suicide rates for example (BB).
- Providing job opportunities at the CPU for people with learning difficulties reduces the burden on mental health services (Cornwall Partnership Trust) and improves quality of life (BB).
- Quality is improving all the time with new cook chill/freeze technology. This means savings for hospitals from reduced food wastage – the food is better so patients eat more of it.
- Possible replication of the Programme by other Trusts – had enquiries from France and Northern Ireland (BB).

6.7 – THE FUTURE

The main development of the Cornwall Food Programme in the near future will be the building of the CPU, once the £4.5 Million funding has been secured. The outline plan has the approval of all five Cornish NHS Trusts [Harrow, 2004a], and is planned for completion in 2006 (NH). Future plans for the CPU, in addition to serving every hospital in Cornwall, include engaging other local public bodies such as schools and prisons, and supplying them with cook-freeze meals (MP).

Interest has also been expressed, from local suppliers and from the Regional Development Agency, in the establishment of a local food cluster around the CPU on the Barncoose Industrial Estate (NH). It is also hoped that the CFP will be able to work with local colleges to provide Modern Apprenticeships and other opportunities for qualifications to new and existing staff (NH).

Another direction for the programme, currently being implemented, is the introduction of Green Box Schemes using local fruit and vegetables. The scheme will begin in the staff restaurant at RCHT, offering staff the opportunity to purchase a mixed box of locally grown produce. The produce will

be mostly, but not all, organic. One perceived benefit of the scheme is to provide a market for producers in conversion to organic. If promotion of the scheme is successful, then it will be extended to the visitor restaurant. There is also a possibility that boxes will be provided to patients leaving hospital, with the opportunity of continuing their order through direct contact with the supplier (RH). As Nathan Harrow states: “I’d love to see hospitals being a market for healthy things”.

CHAPTER SEVEN – THE IMPACT OF THE CORNWALL FOOD PROGRAMME

7.1 – INTRODUCTION

This chapter concludes the presentation of research findings. The impact of the Cornwall Food Programme is examined, with reference to LM3 calculations, surveys and face-to-face interviews. Secondary data will be drawn on where appropriate. For clarity, the findings have been divided into three sections: the LM3 score, qualitative data on the impact of the CFP, and findings relating to the future of local procurement in Cornwall and beyond, including policy recommendations.

7.2 – LM3 CALCULATIONS

In order to calculate the LM3 of the Cornwall Food Programme, local spending data from RCHT, suppliers and staff was required. Some of this data was of a commercially or personally sensitive nature. Where possible, percentages have been used instead of actual figures, but some data needed to be excluded completely. However as much information as possible has been included to demonstrate the validity of the results shown.

For the reasons highlighted above it was not possible to include all of RCHT’s spending data. RCHT provided information on the amount spent with each supplier, but for reasons of commercial confidentiality these figures could not be included. Table 7.1 provides a breakdown of the data that could be included. The Catering Department’s total expenditure for the financial year 2003/4 was £2,487,000, and £1,631,366 of this was spent within Cornwall. 57.2 per cent of RCHT’s food spending was spent within Cornwall during the year in question.

Table 7.1 – RCHT Spending within Cornwall

Item	Total Spending	Spending Within Cornwall
Staff Costs (excl. NI and pension)	£1,040,000	£1,040,000
NI, Pensions and Training	£260,000	None
Suppliers (Food)	£1,000,000	£571,716
Suppliers (Non-Food)	£131,000	£19,650
Fuel and Utilities	£50,000	None
New Investment	£6,000	None
TOTAL	£2,487,000 [“Round One”]	£1,631,366 [“Round Two”]

Table 7.1 shows Rounds One and Two of the spending needed to calculate LM3. Round Three involves examination of the spending patterns of Cornwall-based suppliers and staff. Tables 7.2 and 7.3 show the available data on local spending of RCHT's Cornwall-based staff and suppliers, based on returned surveys (see Appendices 2 and 3). The average percentage local spend was calculated from the available data, and this was applied to those staff and suppliers from whom survey responses were not received. Five of CFP's ten local suppliers responded to the survey (twelve suppliers were contacted initially, but it then transpired that one of these was based in Devon and the other had not supplied CFP in the financial year 2003/4). One supplier only responded to Part Two of the survey so could not be included in the LM3 calculation. However those who did respond make up more than 60 per cent of RCHT's local spending, so this was considered to be a representative sample [Sacks, 2004a].

Although these cannot be shown in the study, a figure was supplied for the amount that RCHT spends on each of its local suppliers. The actual or average (depending on whether actual data was available) percentage re-spend of this figure was then calculated for each supplier (see Chapter Four). The total local spending by local suppliers was £319,258.59. For all survey respondents, all staff costs excluding National Insurance, training and pension contributions were local. Table 7.3 shows that Supplier 10 spent a far greater proportion of its turnover on staff than the other respondents did. Similarly, Supplier 11 spent a far larger proportion of its turnover on supplies than the others did. These differences can be attributed to the different structure and nature of the businesses surveyed – for example numbers of staff required and the nature of the supplies procured. To preserve the anonymity of the businesses surveyed, information relating to the nature of the businesses has been de-linked from the financial information supplied (see Appendix Four for detailed Supplier Responses to Part Two of the survey).

Similar, simplified calculations were done for staff spending. Based on staff responses received, total local spending was estimated to be £414,128 (39.82 per cent of RCHT's total staff spending).

Table 7.2 – Staff Local Spending

	Average	Staff 1	Staff 2
Income Tax	0.00%	0.00%	0.00%
Supermarkets	15.34%	4.00%	26.67%
Other Groceries	2.40%	1.50%	3.30%
Entertainments	3.00%	5.00%	1.00%
Clothes	5.09%	3.50%	6.67%
DIY/Gardening/Household	6.00%	10.00%	2.00%
Transportation	5.00%	6.00%	4.00%
Council Tax	4.00%	4.00%	Not Known – assumed 0%
Other	2.00%	2.00%	0.00%
TOTAL	39.82%	36.00%	43.64%

Table 7.3 – CFP Suppliers' Local Spending

	Supplier 2	Supplier 3	Supplier 5	Supplier 6	Supplier 7	Supplier 8	Supplier 9	Supplier 10	Supplier 11	Supplier 12	Average %
Staff excl. NI	No data	No data	No data	No data	No data	11.80%	No data	34.19%	12.60%	13.30%	17.97%
NI, Pensions and Training	No data	No data	No data	No data	No data	0.00%	No data	0.00%	0.00%	0.00%	0.00%
Drawings after Tax	No data	No data	No data	No data	No data	0.00%	No data	0.00%	0.00%	0.00%	0.00%
Director's fees	No data	No data	No data	No data	No data	0.00%	No data	1.20%	3.81%	0.00%	2.51%
Taxes	No data	No data	No data	No data	No data	0.00%	No data		0.00%	1.30%	1.30%
Supplies	No data	No data	No data	No data	No data	9.50%	No data	0.08%	57.14%	0.00%	22.24%
Sub-contractors	No data	No data	No data	No data	No data	0.90%	No data	0.00%	0.00%	0.00%	0.90%
Rent/ Mortgage	No data	No data	No data	No data	No data	0.00%	No data	16.60%	0.00%	2.00%	9.30%
Fuel and Utilities	No data	No data	No data	No data	No data	0.80%	No data	0.00%	1.90%	0.00%	1.35%
Repairs/ Maintenance	No data	No data	No data	No data	No data	1.90%	No data	0.00%	9.52%	0.07%	3.83%
New Investment	No data	No data	No data	No data	No data	1.30%	No data	0.00%	0.00%	0.30%	0.80%
Loan Repayments	No data	No data	No data	No data	No data	0.00%	No data	0.00%	0.00%	0.00%	0.00%
Insurance	No data	No data	No data	No data	No data	0.02%	No data	0.00%	0.00%	0.80%	0.41%
Marketing	No data	No data	No data	No data	No data	0.00%	No data	0.00%	0.00%	2.70%	2.70%
Sports sponsorship	No data	No data	No data	No data	No data	0.30%	No data	0.00%	0.00%	0.00%	0.30%
Dividends	No data	No data	No data	No data	No data	2.10%	No data	0.00%	0.00%	0.00%	2.10%
Other	No data	No data	No data	No data	No data	0.00%	No data	0.00%	0.00%	0.00%	0.00%
Total local %	46.53%	46.53%	46.53%	46.53%	46.53%	28.62%	46.53%	52.07%	84.97%	20.47%	46.53%

As can be seen from Table 7.2, only 2 staff responses were received. This was not considered to be a reliable sample from a total of 123 staff. The LM3 has therefore been calculated in two ways: including the staff spending, and excluding it (see Table 7.4). The significance of these scores will be explored in Chapter Eight.

Table 7.4 – LM3 Score for the Cornwall Food Programme

Including Staff Spending		LM3 Round		Supplier Spending Only	
Total Catering Turnover	£2,487,000	1	Total CFP Spending on Suppliers	£1,131,000	
CFP Total Local Spend	£1,631,366	2	CFP Local Spending on Suppliers	£591,366	
Suppliers' and Staff Total Local Spending	£733,387	3	Suppliers' Total Local Spending	£319,258.59	
Total Local Spending	£2,364,753		Total Local Spending	£910,624.59	

LM3 1.95

LM3 1.81

7.3 – THE IMPACT OF LOCAL PROCUREMENT

In addition to the above, supplier surveys, face-to-face interviews and desk-based research were used to gather more qualitative information regarding the local impact of the CFP. The results of these are summarised in this section. The findings from Part Two of the supplier surveys are presented in Appendix Four, and the survey in full can be found in Appendix Three.

Of those suppliers who responded to the survey, one was a craft bakery, two were wholesalers and one was a catering butcher. In addition, it is known that one of RCHT's suppliers is a dairy farm-based ice-cream producer, and another is the second largest producer of mould-ripened cheeses in the UK [Reed et al 2003]. The respondents supplied a variety of foodstuffs, mainly processed (for example bakery products, processed meat products, ice cream and tinned goods). One supplied non-food goods, including janitorial supplies and other catering products. All placed an emphasis on quality in their products, but none were accredited, for example to an assurance scheme or as organic producers. CFP managers had not explored the use of, for example, the Red Tractor scheme with their local suppliers, and there was a perception that this would be contrary to EU regulations, although this in fact is not the case (NH). The desirability of specifying fair trade produce in the future was mentioned (NH), and the Soil Association-funded Sustainable Development Manager plans to increase the use of organic produce where possible. He also plans to produce procurement guidelines, specifying assurance and other criteria and standards for all food products procured by RCHT (RH). All respondents worked long hours in their business, and employed a widely varying number of extra staff – between sixteen and three hundred. For all it was their main source of income.

Interviews with CFP managers revealed that the type of supplier had not really changed, with different companies supplying frozen and dried goods, meat products, sandwiches, milk and bakery products. However local contractors did tend to be smaller than the national suppliers, and the relationship was more personal – one of the managers is consulting with the cheese supplier regarding the purchase of some goats to keep his lawn short! (NH). There was a feeling that the relationship was based on more than simply the desire on both sides to save money (NH).

Business support, where it was accessed, came from Cornwall Taste of the West, The Regional Development Agency and BusinessLink. In an interview, Nathan Harrow also stated that many if not all of RCHT's supplier businesses had received support in the form of Objective One funding for business development, although none of the respondents mentioned this (NH). In terms of working with other businesses in the area, one supplier was working within a co-operative of catering suppliers, and one was

beginning a partnership. The CFP itself is working in partnership with the County Council and Organic South West, both of whom are represented on the project board. Additional support is received from South West Foodlinks, South West Food and Drink, Cornwall Taste of the West, the Agricultural Development Team at Cornwall Enterprise, Defra and the National Farmers' Union (NFU). Links have been made with Government Office through involvement with Objective One, and with the Regional Development Agency through the planned food cluster (see Chapter Six) (NH, RH). The Programme team is also working with the County Council and local media to market the project locally and keep communities up to date with progress (MP). The Director of CHESS pointed out that without community support the CFP would not have secured Objective One funding (BB). Another interviewee pointed out a benefit of County Council support – “they are concerned all the way with economic sustainability for the region and ensuring that what RCHT is doing will have long term benefits”. There was a sense of responsibility that RCHT could *cause* ill health through stress if their local contracts are implemented badly (MP).

Nationally, financial and research support was received from PASA, NHS Estates and the Department of Health, and was especially appreciated in terms of “getting us onto the right boards,...giving us a forum to share what we’re doing” (NH). However there was a perception that NHS Estates and PASA were “sitting on the fence” between local sourcing and centralised distribution systems, and that only if the project succeeded would they support it wholeheartedly (NH). “They seem to be talking the language but I’m not sure they’re practising it yet” (MP).

All of the respondents used a variety of local businesses for supplies of products and services – the one respondent who sourced no supplies in Cornwall explained during a personal communication that the products were unavailable within the area. That business was using other local businesses for services. Similarly, the businesses all had other local outlets in addition to RCHT – in fact in only one case was RCHT’s business worth more than three per cent of turnover, and only one business claimed that staff levels were in any way dependent on the RCHT contract. Interdependence between the businesses was also highlighted – many sourced supplies from each other and many used the same local businesses for other supplies.

For supplier respondents the most important factor in choosing their suppliers was overwhelmingly reputation and quality, followed by cost and availability of spares/ease of maintenance. Proximity of the business was not deemed to be particularly important by any of the respondents. One did state that buying Cornish was a priority, and the business had a policy of providing “a wide range of interesting Cornish foods” to its customers. One supplier sourced goods through a buying group. The attitude to suppliers

was summed up by one respondent: “As a Cornish employer we would always prefer to use local supplies, however if specification and price are not tolerable, sourcing would occur from outside of the county [*sic*]”.

Benefits of supplying RCHT highlighted by survey respondents focussed on a consistent source of income and job stability, the PR benefits of supplying a high profile customer, and an increase in income from regular, high value orders. Difficulties included slow turnaround of payments and small delivery sizes, although these did seem to be outweighed by the benefits in the view of the respondents – two of the five answered that they had experienced no difficulties at all.

All of the respondents seemed to have an awareness of the potential wider economic and social sustainability benefits of using local businesses and selling through local outlets. Multiplier Effects were mentioned (“Definitely the money stays around and goes around”), as was the benefit to employment and local pride. Attracting tourists was also highlighted as a benefit.

Barriers to increasing local sales in general, and to accessing public procurement contracts, focussed on cost, stranglehold of the supermarkets and practicalities of meeting contracts. The need to know when tenders become available was highlighted, as well as problems for small businesses with tight margins in meeting the cost of quality assurance for public contracts. One respondent also mentioned that “the cost approach [to public contracts] does not consider the micro-economic impact on Cornwall”.

Interviewees also highlighted barriers to the increased production of local food in Cornwall. Again, it was claimed that small producers often lack awareness of how the [procurement] system works (NH), and a connected issue was the reluctance of small producers to rely on one large contract that leaves them vulnerable. As one interviewee stated, “a lot of this is about confidence and trust”, and RCHT needs to build this trust so that producers are prepared to depend on their business (RH). Another interviewee stated a personal view that lack of public awareness and over-reliance on the supermarket system were barriers to increased local sales: “we’ve been lulled into this convenience food syndrome”. He claimed it was ironic that supermarkets are now trying to recreate the local shops that they had helped to destroy, such as butchers and fishmongers, within their stores (RH). It was also deemed essential to change perceptions of food – “We’re becoming very cash rich but time poor” – and encourage people to take time to enjoy cooking and eating (RH).

Infrastructural barriers to increased local production were also identified by interviewees, for example the lack of a flour mill in Cornwall and the low level of local vegetable processing (NH). However it was pointed out that Objective One is funding new enterprises (NH). Marketing was seen as another barrier:

for example Cornish potato producers were not until recently washing and sorting their potatoes, and caterers cannot afford to employ someone to do this when French and Moroccan potatoes are ready to use. “It’s taken time for the Cornish economy to realise they have to market it right to sell it” (RH). Transport was another area deemed in need of improvement to support local producers. In particular it was thought that the lack of dual carriageway on the A30 and the single track railway line between St. Austell and Truro were segregating East and West Cornwall and inhibiting access to export markets (RH – personal view).

Funding might also be a potential barrier to the development of the CFP. When asked whether the project would have gone ahead without external support from Objective One (a “pot” of money only available in three areas of the UK) and the Soil Association, interviewees responded that it would but that it would have taken a different form. Nathan Harrow pointed out that the NHS did fund a fourteen-month “gap” in funding for the Programme, but sole reliance on the NHS for support would have meant that the project would have progressed more slowly and on a smaller scale. Both he and Mike Pearson agreed that the Sustainable Development Manager could not have been employed without external funding, and Mike Pearson expressed doubts that Nathan Harrow would have been employed either. However Mike Pearson also pointed out that the hospital is expanding, and the operational need for RCHT to increase its capacity was a big motivation for change. The Trust would have built the CPU for these reasons alone, and had simply taken the opportunity to structure the new system around local procurement and sustainability. He did note however that the Soil Association and Objective One input had shaped the Programme by introducing an emphasis on organic food and local job creation.

7.4 – THE FUTURE FOR PROCUREMENT AND POLICY-MAKERS

Interviewees were asked whether they believed that the CFP could be replicated in other areas of the country, and whether they believed other Trusts would find this difficult to do. Nathan Harrow’s first reaction was “define difficult”. He believed that establishing any kind of local sourcing policy was more complicated and required more effort than simply falling back on national contracts, but that this effort is offset by the benefits. He argued that commitment to sustainable sourcing and the top management levels was crucial: “It’s how passionate you are isn’t it”.

It was suggested that Trusts in some [remote, rural] areas might be able to directly replicate the strategy adopted in Cornwall in terms of localising contracts (NH, MP), whereas others might still find it indirectly relevant. Examples cited were urban areas, where there may not be an abundance of local producers, and more specifically the area of the Midlands around the M4/M5 corridor, where many of PASA’s national

suppliers were based anyway (NH). However it was pointed out that national strategy stated all NHS Trusts should be looking at sustainability, so from this point of view it was relevant to every area (MP). However Mike Pearson reiterated that national policy was not unified on the issue of local sourcing, citing Radio Four's Food Programme (19th July 2004), he claimed that a representative from NHS Estates had spoken in favour of centralised production systems to standardise quality. This contradicts public statements from PASA and Defra on the subject, although NHS Estates did apparently acknowledge that the Cornish model could be useful for remote areas (MP).

Other potential problems with replication of the scheme identified by interviewees were the perception that local food costs more, and the fact that Cornwall has the benefit of an over-arching organisation responsible for catering policy (CHESS) – without this, partnership working could be more difficult and without partnership working the project would have failed (BB).

Survey respondents were asked for measures both RCHT and national policymakers could adopt to improve access to contracts for local suppliers. Recommendations for RCHT focussed on increasing the size and amount of orders, paying promptly and improving communication – for example listing tenders in the public domain. Measures for national policymakers included increasing funding for local schemes (specifically supporting the building of the CPU in Cornwall), again increasing availability of information (through a newsletter, website or workshops), and the promotion of local tendering as opposed to large national contracts.

This final point was echoed in the responses of interviewees to the same question. A need was expressed for a more flexible approach to the kind of contract that was appropriate in different situations (local or national), and for a focus on regional contracts. This was linked to a desire for more support from national policymakers, and for increased trust – giving those managers with proven track records the autonomy and freedom to manage their own local contracts should they wish to. There was an admission that “the mindset is changing” and national bodies were no longer simply “bulldozing” national contracts through (MP).

The need for increased investment in local procurement projects was also echoed by interviewees, and the need for national recognition of initiatives like the CFP was also highlighted (NH). One interviewee suggested that the government should be exerting pressure on public bodies to procure locally, and introduce flexibility into national contracts so that public bodies can localise their focus (RH). Government attitude was also criticised – there was a lack of “joined up thinking” across departments, where the economic, environmental and social benefits of sustainable procurement were appreciated by

this was not backed up by policy or research. “Everyone knows sustainable development is a good idea but they don’t know why” (NH). Government short-termism was partly blamed for this lack of progress – five-year plans did not look far enough into the future to make policy effective. It was also suggested that food and procurement (and secondary services in general) be incorporated into the NHS star-rating system (NH).

One interviewee took a broader view, basing recommendations on the entire international food system and our relationship with it: “We can be inward focussed but we can’t ignore the global system of food supply”. He argued that “the global market [should] complement our food rather than dictate it” and that governments should be actively encouraging local and organic growers rather than embracing the current outward-oriented model of food supply. He accused government of making decisions based on political motivation in the international arena whilst “our own farmers are going to the wall”, and challenged the election rhetoric of empowerment and improving diets to deliver real change (RH).

7.5 – CONCLUSION

This chapter has presented the second half of the findings of this study, providing a commentary on survey and interview responses to the impact of the Cornwall Food Programme, lessons for the future, recommendations for policy makers and the possibility of replicating the study in other areas. The outcomes of the LM3 research have also been shown in detail. Chapter Eight discusses these findings in the context of the study’s objectives and responds to the questions they raise.

CHAPTER EIGHT – ANALYSIS OF FINDINGS

8.1 – INTRODUCTION

Chapters Six and Seven presented the findings of this study through the following:

- A detailed explanation of the development, operation and future plans of the Cornwall Food Programme;
- Calculation of the LM3 score;
- Presentation of the main findings from the surveys and interviews.

The LM3 of the Cornwall Food Programme was found to be 1.95 if staff data was included, and 1.81 if it was excluded.

This Chapter analyses these findings in relation to the objectives of this study, as detailed in Chapter Four. The first two objectives – those relating to the local economic impact of the CFP and the effectiveness of LM3 as a tool for determining this – are explored in Sections 8.2-8.4. Section 8.2 shows the LM3 of the CFP, analysing its reliability and offering suggestions as to its subsequent usefulness. The local impact of public procurement was evaluated using both quantitative and qualitative methods in the study. The quantitative LM3 analysis is complemented in Section 8.3 with qualitative analysis from the supplier surveys, face-to-face interviews and desk-based research. Of interest is the reliability of the quantitative data and the ability of the qualitative data to “fill the gaps” in the information provided by numbers alone. Section 8.4 offers further suggestions as to the effectiveness of LM3, drawing on the experience of practically implementing the process. A detailed evaluation of the entire methodology of this study is included in Chapter Nine. The first part of this Chapter is concerned with those problems deemed to be inherent in the LM3 tool, and which have affected its ability to determine the economic impact of the Cornwall Food Programme.

Sections 8.5 and 8.6 relate to the third and fourth objectives of the study, and draw on qualitative data gathered to offer suggestions for local public bodies and national policymakers.

8.2 - THE LM3 SCORE FOR THE CORNWALL FOOD PROGRAMME

As was demonstrated in Chapter Seven, the LM3 for the entire Cornwall Food Programme is estimated at 1.95, and at 1.81 when only suppliers are considered. In monetary terms, an LM3 of 1.95 would mean that the initial spending by RCHT of £2,487,000 is generating an additional £2,364,753 to the Cornish economy, and an LM3 of 1.81 would mean that the initial spending of £1,131,000 (on suppliers only) is generating an additional £910,624.59.

These results imply that staff local spending boosts the LM3 score considerably. However Chapter Seven also highlighted the fact that the staff figures not reliable as only two staff surveys were returned. For this reason, for the sake of this analysis the staff data will be excluded and discussion will focus on the supplier-based LM3. In any case this is the more interesting area of analysis from the point of view of the CFP for the following reasons:

- The CFP is concerned with increasing local contracts, and staff levels at RCHT have not changed as a result of the Programme [Harrow, 2004b];
- Staff spending cannot be meaningfully compared with other Trusts, as each Trust has different staff needs based on operational requirements and these determine staff budgets.
- The analysis is countywide, so no staff are based outside of the defined “local” area and it is unlikely that this would be different for any other Trust.

However the analysis has revealed that RCHT spends almost as much on staff as it does on suppliers, so in theory promoting local spending among staff could have a comparable benefit to the local economy as increasing local sourcing. The CFP is addressing this through the introduction of the Green Organic Box Scheme to hospital staff at RCH. Once the CPU is established staff levels for RCHT will also increase dramatically, so an awareness that the CFP will eventually be increasing long term local employment and providing career development opportunities should inform this analysis.

Despite the higher response rate for the supplier-based LM3 its reliability could also be questioned. Calculations were based on averages in the case of over half of the suppliers, although over 67 per cent of RCHT’s local spending was “caught” in the actual figures provided by those suppliers who did respond.

There is also a potential problem in that the accuracy of the figures supplied cannot be known. Suppliers could be going over books for the last financial year and providing expenditure to the last decimal point, or they could be guessing “off the top of their head”. At least one supplier completed Part One of the survey over the phone in a couple of minutes, changing the percentages for each item when they didn’t quite add up to one hundred. This is more problematic when it is taken into account that the suppliers who responded are likely to be the ones who were more interested in the study, and therefore committed to and aware of the benefits of local sourcing. This may well lead them, intentionally or unintentionally, to artificially inflate local spending figures. Evidence of this was provided during interviews at RCHT, when one manager estimated that 80% of food served at RCH was locally sourced (BB). Analysis of actual spending patterns revealed that only 57.2 per cent of food spend was local. This reflects one way in which the LM3 can be very useful, as it can

demonstrate to stakeholders that their contribution to the local economy is not as high as they think it is, and motivate them to investigate how they can improve it [Sacks, 2004b]. However in terms of data reliability this kind of over-estimation is not such good news.

For this reason the results of the supplier-based LM3 were “tested” for margins of error. Actual and average spending figures were first reduced by five per cent, mimicking a scenario where the figures supplied had been over-estimated by this amount. This reduced the total for “Round Three” to £298,704.66 from the original £319,258.59. The new hypothetical figure was then fed into the LM3 calculation, giving a new score of 1.79. Next the local spending was reduced by ten per cent, giving a new total for “Round Three” of £266,044.66, and an LM3 of 1.23. Over-estimation of local spending by five per cent was thus shown to have little effect on the LM3 score, but an over-estimation of ten percent raised it considerably. With data from only four suppliers, it is impossible to identify patterns that might indicate where one supplier has overestimated his or her local spending.

As Sacks himself points out, there is “no easy solution to these problems” [Sacks, 2004b], but it should be noted that disputes over reliability are in this case only relevant to the third round. In *The Money Trail*, nef outlines a variant of the LM3 tool, called LM2, which only covers the first two rounds of spending [Sacks, 2002]. An LM2 score could be calculated for the CFP with one hundred per cent confidence, although obviously the maximum possible score would be 2.00 rather than 3.00. This would still provide useful information on the Programme’s impact. Using the Round One and Two figures provided by RCHT, the LM2 of the Cornwall Food Programme’s suppliers is 1.52 [(Round One + Round Two)/Round One].

It should be emphasised however that despite its limitations, the LM3 is still a very useful tool to illustrate the level of benefit in terms of increased circulation of money within Cornwall that the CFP has brought about. The Cornwall Partnership Trust (CPT), responsible for NHS mental healthcare in Cornwall, sources the vast majority of its food from Tillery Valley. Using the average supplier local spending data gathered for the CFP, a theoretical comparison between the two food systems can be drawn. The CPT spends approximately £246,000 per year on food (“Round One”), 91.65 per cent of which is spent with Tillery Valley and three per cent of which is spent with a national sandwich supplier. 5.35 per cent stays within the county – a total of £13,161 (“Round Two”) [Harrow, 2004c]. Using the average local supplier re-spend for CFP – 46.53 per cent – the total local re-spend (“Round Three”) can be estimated at £6,123.81, giving an LM3 of 1.07. Even if we adopt the “worst case scenario” in terms of data reliability for the CFP explored above, the difference between an LM3 of 1.07 and an LM3 of 1.23 is considerable in actual money terms (£174,090 versus £572,010

for the CFP). Similarly, if for one hundred per cent accuracy we only calculate an LM2 based on these figures (see above), then the score for the CPT is 1.05, compared with the CFP's 1.52. These figures show that despite the questions raised over the reliability of Round Three data collected, it can be confidently asserted that the local economic impact of the CFP is considerable in terms of increased circulation of money within Cornwall when compared with a non-localised food procurement system.

8.3 – THE ECONOMIC IMPACT OF PUBLIC PROCUREMENT: OTHER FACTORS

One of the objectives of this study was to evaluate LM3 as a tool for exploring local economic impact. For this reason, it is interesting to note factors that could possibly affect the economic impact of the CFP that only emerged during qualitative research and would thus have been excluded from a straightforward LM3 analysis. Interviewees and survey respondents highlighted benefits and barriers to local spending, and characteristics of the supplier companies and their relationship with RCHT were revealed.

Benefits cited by survey respondents included gaining more business from elsewhere as a result of the “kudos” of supplying RCHT, and increased stability through steady (non-seasonal) employment and high value orders. RCHT managers also mentioned that they supported local businesses in meeting their contracting criteria, thus aiding their development and helping them to expand. These factors would imply that the knock-on economic benefits of a large, high profile purchaser like the NHS deciding to source locally are greater than those shown up by the LM3 calculations. This is supported when the specific profile of Cornwall is examined [see for example Reed et al, 2003, Cornwall County Council, 1999b]: a huge problem for local employers and businesses is the reliance of the County on tourism and the resultant seasonal nature of the economy.

Similarly, a brief survey of supplier businesses' other outlets and sources of supplies reveals that many of them provide business for each other, and many also use the same third party suppliers (see Appendix Three). This implies again that the knock-on effect of providing business to one of these suppliers might be greater than the figure revealed by the LM3. Conversely, as Cranbrook [2002] points out, these interdependencies are key when calculating the economic and social effect of the closure of one of these businesses – something the CFP should possibly be bearing in mind when considering the local economic implications of switching contractors.

Knock-on impacts might also be manifesting themselves in changing attitudes towards local sourcing. A high-profile initiative like the CFP is raising awareness among local people and businesses of the local food agenda, in much the same way as the Eden Project might have done.

Survey respondents all showed awareness of the social and economic sustainability benefits of local sales, and interviewees' comments about public support imply that local community awareness has also been raised. However, this study has not investigated the causal relationship between awareness of the potential benefits of local sourcing and access to RCHT contracts – it is possible that businesses with a commitment to local sourcing are more likely to show an interest in supplying local markets in the first place.

However there is also evidence to support the idea that the economic impact of the CFP is less than the LM3 figures indicate. For example the characteristics of supplier businesses are not revealed in any detail during the LM3 process, and these could potentially have an effect on the economic impact of the CFP. We learn from Reed et al [2003] that most food businesses in Cornwall are small, and a lot are family-run. The businesses supplying RCHT seem to be reasonably large, and so are probably unrepresentative of the majority of local businesses.

Investigation of the value of the RCHT contract to each business is also telling – only one business claimed that the RCHT contract was worth more than 3% of its annual turnover, and only one claimed that it had any influence on staff levels. This is a positive sign for the businesses concerned as it means that they are not overly reliant on one source of income [Sacks, 2004b]. However this information also raises questions about the difference that would be made to these businesses if they did not have the RCHT contract. The LM3 research has shown the proportion of their turnover that is re-spent locally, but the low value of the RCHT contract implies that the majority of this re-spend would be happening in any case.

Similarly, we do not find out in any detail from the LM3 process where supplies are coming from. Interviewees were asked whether they could monitor what proportion of their suppliers' products were actually locally produced. The answer, with one exception (the meat supplier), was basically “no”. The economic impact of the CFP, and the distribution of that impact, is obviously increased if suppliers, especially wholesalers, are buying local.

RCHT is working to address this issue in the future, through the Alliance and other partnerships with producers. However when asked, suppliers had different reasons for not sourcing locally. One supplier highlighted the fact that the lack of manufacturing industry in Cornwall meant that he had no choice but to buy outside of the county, despite a commitment to the local economy [communication with supplier]. If RCHT were to use the LM3 score on its own as a basis for future planning, they would have difficulties in working out where the “leaks” in their system were and which ones they could realistically “plug”.

The qualitative research implies that the economic impact of the CFP is affected by a more complex interaction of factors than the LM3 can identify, and that much can be revealed in terms of possible improvements if more detailed responses from suppliers are gathered.

8.4 – LM3: THE “QUICK AND SIMPLE” MULTIPLIER EFFECT?

In *The Money Trail*, Sacks [2002, 19] asserts that LM3 is a “quick and simple” way for communities, businesses and local authority officers to calculate local Multiplier Effects. The experience of completing this study implies that the process actually takes considerable time and effort to complete with any degree of accuracy. Time constraints had a detrimental effect on the reliability of data collected in this study, as did lack of direct access to survey populations and the distance of the case study from the research base (a detailed evaluation of the methods used in the study is included in Chapter Nine). Feedback highlighted in *The Money Trail* indicates that other researchers have experienced similar problems, with one recommending that a team of workers take on the task rather than an individual [Sacks, 2002, 38]. However the fact remains that most LM3 work has been carried out by people working “in the field”, often in their spare time [Sacks, 2004b]. This implies that it is much easier for someone directly involved with a project or an area to complete the process than it would be for someone “on the outside”.

However the “quick” factor is not the only problem with this methodology. The findings of this study indicate that, in an effort to ensure that the calculation of Multiplier Effect is “simple”, LM3 is possibly too reliant on assumptions, estimates and averages. As highlighted in Chapter Three, LM3 covers only three rounds of spending and one year’s spending patterns, and often uses samples rather than entire populations. Spending patterns differ year on year (in the case of RCHT, one of their suppliers had changed and so data for Rounds Two and Three for the same supplies actually related to different companies) and samples are not necessarily representative of entire populations (variations in proportions of supplier spending on different items shown in table 6.3 demonstrate this fact).

In addition, although around ninety per cent of the spending is “caught” in the first three rounds [Sacks, 2004b], looking beyond this might actually provide useful information regarding ways to improve the Multiplier Effect. For example, the origins of supplies are only identified by the third round of spending if the suppliers are primary producers. This is not to say that it would be desirable to conduct an LM4, but *qualitative* research beyond the third round might provide useful insight into an organisation’s supply chain (see 8.3).

Another serious problem with the “simple” element of this tool is its reliance on data, the quality and accuracy of which is beyond the control of the researcher. The potential problems of estimation and perception of the value of local spending were explored in 8.2.

Chapter Three also highlights the fact that the use of Multiplier Effects is in itself not uncontroversial. *The Money Trail* itself points out that boosting local spending could simply be “robbing Peter to pay Paul” [Sacks, 2002, 8]. This study has been unable to quantify any kind of redistribution effect that might take place between South Wales and Cornwall following the building of the proposed CPU. From the point of view of the Cornwall Healthcare Community, whose concern is with Cornish communities, this is arguably immaterial. However this redistribution issue is of vital importance to the wider regeneration agenda. Sacks argues that the LM3 tool is “designed primarily for poorer communities” [2002, 9], but when the potential redistribution is *between* “poorer communities”, rather than from rich to poor, this has to raise questions that national policymakers should seek to answer before they endorse projects like the Cornwall CPU as part of a national regeneration strategy.

However LM3 makes no claim to quantify the wider impact of localisation - although Sacks does assert that “We don’t believe in a blanket local purchasing programme” [8] – so for the purposes of this study it is probably unfair to evaluate it against this criteria. Sacks emphasises the fact that “...our LM3 tool is an *indicator*. We use indicators all the time, such as television ratings or stock market estimates... These are indicators because they are not exact measurements but do give us a general sense of how something is doing. Likewise, when you calculate your LM3, your result will offer general insight into how one aspect of your local economy is working, rather than a fixed, unchangeable fact. And, just like television ratings, local multiplier results are open to interpretation” [20].

This statement is an acknowledgement that LM3 has limitations, and should be interpreted as a warning to researchers and policymakers that the picture it paints is only one part of the whole. Analysis of qualitative data and exploration of the problems with the LM3 findings within this study have highlighted some of these limitations, but it has also been shown (through comparison with CPT) that LM3 can demonstrate, in a simple way, the “added value” for local areas of localising purchasing. Its unreliability might limit its usefulness in comparing the relative impacts of two different local sourcing policies or the changing impact of one policy over time, but this study has shown that it can contribute to the case for local sourcing per se. It should also be noted that nef emphasises the value of LM3 in informing wider analysis, and that it does not claim that LM3 is conclusive in itself [Sacks, 2002, Sacks, 2004b].

However, the process of carrying out the LM3 has also revealed that it can involve a large time commitment, and this is perhaps its largest drawback. The tool is complex, especially for first-time users, and as the qualitative analysis shows, it doesn't tell "the whole story". Busy professionals working in the field must decide whether this is the best way to use their time and resources. In the case of the CFP, an LM2 calculation for RCHT and CPT would have taken minutes, and allowed a comparison of local spending levels that would arguably have provided a similar indication of the value to Cornwall of local sourcing. The LM2 could then have been analysed to identify problem areas or obvious ways in which the procurement process could be localised, making more efficient use of the time and resources available to the surveying organisations.

8.5 – THE ROLE OF THE PUBLIC SECTOR

The third objective of this study was to produce recommendations for public sector organisations to maximise the local benefits of their procurement policies. The study has revealed that in some senses the Cornwall Food Programme may well be unique, but it has also raised some barriers and opportunities that are relevant to the NHS in other areas, and often to public bodies in general.

8.5.1 – The Unique Situation of the Cornwall Food Programme

Interviews, surveys and desk research have pointed out throughout this study that Cornwall is in many ways in a unique position. It is more rural and isolated than most counties, and whilst this has led it to develop its own unique and proud cultural identity it has also caused it to become one of the most disadvantaged areas of the UK. As we have seen, the Cornish economy is over-reliant on low value-added sectors, employment is low-paid and seasonal and businesses are more dependent on sales within the county than they might be in less peripheral areas. These factors coupled with Cornwall's mild climate might imply that the area lends itself more readily to Short Food Supply Chains than other parts of the country.

Other factors more specific to the situation of RCHT might also affect the relevance of the CFP experience to other public bodies. First, the building of the CPU, subject to funding, is a great opportunity to localise the entire procurement chain that is not open to most NHS Trusts. Mike Pearson argued that most new hospitals are being built without the necessary kitchen facilities for a cook-serve system, and so are locked from the start into centralised, national procurement (MP).

The presence of national suppliers in more centralised areas (NH) and the lack of diversity in agriculture in other remote rural areas might also inhibit the introduction of RCHT's contracting approach elsewhere in the UK. In the remote county of Cumbria in northwest England, for example,

over ninety per cent of agricultural land is devoted to pasture, and less than 0.8 per cent is horticultural holdings [Cumbria County Council, 2003].

Perhaps most important, however, is Cornwall's unique funding situation. Cornwall is one of only three areas in England that qualified for Objective One Status in 2000-2006. This equates to a £50 million funding opportunity for the county over the six years (NH). RCHT has accessed a portion of this money directly, and managers seem to think that most of their suppliers have also accessed funding (although this is not confirmed by the suppliers themselves). Few other Trusts would have access to this kind of external funding, and as interviewees confirmed, without it the CFP would have developed at a far slower pace and would probably not be able to achieve as much.

The final aspect of Cornwall's "uniqueness" that merits analysis here is the attitude and culture of its people. It has already been stated that Cornwall has a unique and very proud cultural identity, and at least one interviewee argued that in his experience of working in the NHS in other regions, he had never encountered the same level of public support for or involvement in NHS business (MP). Another respondent stated that Objective One funding would not have been secured without public support (BB). This support might also be partly attributable to the "Eden Effect". In recent years the Eden Project has not only raised the national profile of Cornwall and boosted year-round income to the region, it has also raised the profile within the area of the value of local sustainability and local sourcing – Eden has a policy of sourcing as locally as possible wherever possible, and spends an estimated 85-90 per cent of its annual food budget within the locality (RH). No other area of the UK boasts such a high-profile, mainstream example of local sustainability in action.

8.5.2 – Barriers to Public Body/Local Supplier Partnerships

Despite the "uniqueness" of the Cornish situation described above, some of the barriers highlighted by this study are more widely applicable. Survey respondents and interviewees mentioned the need for trust and partnership working to enable relationships between suppliers and purchasers to work. This is especially true in the case of small producers, whose business might depend on a contract the size of CFP's, although the existing contractors who responded to the survey did not fit into this category.

A case in point is that of the RCHT sandwich contract, which has recently switched to another local supplier. No reference was made during interviews of the effect this might have had on the first business. Van der Ploeg & Frouws [1999] highlight the rigidity of the different food chain systems, and use Actor-Network theory to illustrate the risks perceived by farmers and other stakeholders in

the organic sector in The Netherlands in changing from one “chain” to another. They point out that trust and communication are vital to the successful establishment of Alternative Food Networks.

Survey responses gathered in this study point to the same conclusion in relation to convincing smaller businesses to take on a large contract.

Reed et al [2003] highlight the fact that many small food businesses in Cornwall remain small through choice, wishing to keep direct control over all aspects of their business. The CFP would be effectively asking these businesses to make themselves vulnerable, and dependent on the NHS contract alone, and managers acknowledge that this would be unacceptable to many of them. The creation of new business opportunities solely dependent on the CFP would not necessarily be perceived as the “win-win” situation managers think it could be (NH). Examples of specific risks highlighted by survey respondents were the length of time it took RCHT to pay its contractors and the “Just in Time” delivery structure. It should be noted that the CFP is addressing some of these issues already. Contracts are set longer to give businesses more security, and once built the CPU’s larger storage capacity will reduce the need for “Just in Time” deliveries. The Sustainable Development Manager’s plans for close working and communication with producers and suppliers should also facilitate the changeover of contracts, and enable a mutually beneficial system to be established.

Finally, this study has shown that one of the largest perceived barriers to localisation is in fact a myth. Cornwall NHS has managed to establish the CFP and work with local suppliers without increasing the daily food spend per patient. There is a need to communicate this message to procurement officers throughout the NHS.

8.5.3 – Opportunities for Development

A major opportunity for development identified through this study lies, conversely, in what the CFP is *not* doing. Chapters Six and Seven presented the details of the CFP. Through this we see that much of what is planned (the CPU, and changes in menus and contracting criteria for example) has yet to be implemented to the extent where it can effect the Programme’s actual impact on the local economy. The LM3 score and survey responses from suppliers indicate however that the CFP is already having a positive impact on the local economy. These two facts indicate that the CFP has the potential to further increase its local impact in the future, and they also offer an incentive to other NHS Trusts to begin to look at their food purchasing systems.

Morgan & Morley [2002] point out that an often-cited barrier to the introduction of local sourcing for procurement officers is a lack of clarity over the legal status of contracts that contain criteria designed to encourage local tenders – delivery times or the specification of locally seasonal foods, for example. The experience of the CFP implies that procurement policies can have a considerable positive effect within their local communities before they even begin to re-examine the wording of contracts or the legal status of certain criteria. It must be remembered that the CFP's approach has been a contract-by-contract reassessment, with an emphasis on support for and communication with potential local suppliers. Only now are Programme Managers planning to look at contracting criteria and menu adaptation to increase the proportion of locally sourced food, and throughout the process RCHT has remained part of the national PASA contracting system. Similarly, the use of assurance schemes has not been investigated and this presents yet another opportunity to promote the local [for example through setting proportions of organic food – see Morgan & Morley, 2002].

Another key opportunity that again avoids the need to enter into legal territory presents itself in the CFP's attitude to working with producers. The Programme is seeking to work with producers, but will do this directly only on a small scale (for example through the Green Organic Box Scheme). Otherwise CFP will go through the medium of their existing wholesale suppliers – facilitating communication between these businesses and local producers who could meet their needs (RH). It would be illegal for RCHT to *dictate* procurement of local food to its wholesalers [EC, 2004]. However the survey responses imply that there are cases where all that is needed for wholesalers to purchase locally is contact with local producers. Of course there is an assumption that standards of quality and service would need to be met by these local producers. To many procurement managers in other areas, working with existing wholesalers in this way will seem like a far more feasible route to local sourcing than dealing directly with each producer, which is what government policy documents on the subject seem to advocate [see for example Defra, 2003a and 2003b and discussion in Hughes, 2003 and Venn, 2002]. As Nathan Harrow states: “The last thing we need is 400 people sending us cauliflower!”. An added advantage is that wholesalers, as private enterprises, are free to specify “local” in their own purchasing criteria should they choose.

8.6 – THE ROLE OF GOVERNMENT

Survey respondents and interviewees were both asked to recommend actions for national government and policymakers to increase local sales and improve access to local contracts. These are presented in Chapter Seven, but in general focussed on improving communication, increasing flexibility and demonstrating real commitment to local sourcing, where possible and appropriate.

Within our current system of EU rules the active promotion of local sourcing may seem to be beyond the parameters of policy, but Morgan and Morley [2002] demonstrate through their comprehensive survey of creativity in public procurement that this is possible within existing legislation. PASA's system of postcode tendering is further evidence of what is possible, but interviewees' and survey respondents' feedback implies that the lack of a coherent message from national policymakers on the direction the NHS should take is inhibiting the introduction and development of local sourcing schemes. This could potentially change however if the CFP can prove itself a success (MP).

Respondents' comments on the barriers inhibiting increased local spending and economic development in general could also inform priorities for national policymakers. The power of the supermarkets is a central consideration in the development of any food system, and this was mentioned by both survey respondents and interviewees. Supermarkets are a reality of our modern shopping and eating habits, but there is more that could be done to ensure that their relationship with producers is based on equity and mutual choice. The Supermarkets Code of Practice, introduced in 2002, was hailed as a means to protect producers in their dealings with major multiples, but it is a voluntary agreement and campaigners argue that it has largely been ignored [Friends of the Earth, 2003]. Curbing supermarket power could also open up alternative routes to market for producers by protecting local outlets, which have been shown to be central to the development of small and new businesses [Cranbrook, 2002].

Local markets and other outlets for local produce are not the only essential features of a sustainable local infrastructure. Cornwall is more fortunate than many areas in that it does have food processing facilities within its borders. Other areas have suffered greatly from the introduction of strict EU rules governing abattoirs, [see for example Rural Development Team, 2002 and Swingland et al, 2001] to which the British Government (unlike others in the EU) has adhered to the letter [North, 2001]. However one interviewee did point out that although bread products are produced in Cornwall, the nearest flourmill is in Somerset (NH).

Another key role for central policymakers lies in their national perspective. The problems raised regarding the redistribution of wealth through local sourcing policies might be addressed through a comprehensive government strategy operating in all areas at once – following the argument that if local economies throughout the UK were to simultaneously undertake restructuring, then in theory the export income would be replaced by Import Substitution in each area and no one area would benefit at the expense of another. This is of course easier said than done, but without this broad

overview there is no hope that the employees of Tillery Valley will experience any benefit from the establishment of a CPU near Redruth.

This broad perspective could also help to facilitate the establishment of NHS and other public procurement schemes that were locally specific. National orientation should switch, as one interviewee pointed out, from a “one-size-fits-all” policy of national contracting to an emphasis on locally-specific purchasing systems that meet NHS operational needs and aims whilst delivery benefits to local economies and communities (MP). The Cornwall model could not work in every area, and this analysis has indicated that in carbon-copy form it may not be appropriate anywhere else. However the fact that local decision-makers have based the Programme on awareness of their own and their community’s needs is a lesson that should be incorporated at the highest levels of policymaking. Unequivocal central support for this kind of approach, and investment in independent research into how similar aims could be achieved in other areas are key challenges for policymakers within both the NHS and national Government.

8.7 – CONCLUSION

This Chapter has analysed the findings of the study in relation to its objectives, outlined in Chapter Four. It has found that, as part of a wider package, LM3 is potentially a useful tool in evaluating the local economic impact of a policy in general terms. If more specific information or a more precise calculation is required, this study concludes that LM3 is not that useful. In some circumstances, LM2 might be a more appropriate, efficient and useful tool to integrate with qualitative analysis of a local situation.

In terms of the broader implications of the case study Programme to local procurement, the research found that in many ways the CFP is locally specific. While this study has raised broadly applicable issues relating to the success of local sourcing, perhaps the most important factor that needs to be considered by national and local decision-makers is that local sourcing initiatives must respond to the local conditions and needs of the area where they are to operate. Procurement managers need to know the area, identify opportunities and partnerships as they arise, and develop a local food programme that fits with their area’s needs. National policymakers need to be flexible enough to support these initiatives, share best practice and provide the national perspective to ensure that local procurement is not simply “robbing Peter to pay Paul”.

Chapter Nine will look at the broader implications of this study, including recommendations for further research, and provide an evaluation of the methods used.

CHAPTER NINE – IMPLICATIONS AND EVALUATION OF THE STUDY

9.1 – INTRODUCTION

Some evaluation of the methodology, as it relates to LM3, has already been provided in Chapter Eight. This chapter examines the methodology for the entire study in more detail and discusses the broader implications of the research findings, above and beyond the stated objectives. Lessons and recommendations for further research are drawn throughout this analysis.

9.2 – EVALUATION OF METHODOLOGY

First, as already mentioned, some of the data gathered during this study was unreliable. Only two staff surveys were returned out of a total population of 123 and a sample of 43, and as a result the staff contribution to the LM3 was discounted. In addition although the supplier surveys “caught” more than 60 per cent of RCHT’s local spending, only half of the suppliers actually responded. A response rate of fifty per cent is to be expected from postal surveys [Kumar, 1999].

These two problems can be largely attributed to the resource and time constraints placed on the study – it would undoubtedly have been preferable to survey all respondents face-to-face. In the case of the staff, a presentation could have been given and surveys collected in person (as recommended in the LM3 toolkit – Sacks, 2002]. However this was impossible within the confines of the study as time was limited and the case study organisation was located a prohibitive distance from the University of Bradford. Financial resources would not stretch to the length of stay in Cornwall that would have been necessary to complete the work in this way.

Additional problems arose with staff working different shifts, and the research being carried out during the summer holiday period. Data protection was also an issue – RCHT managers felt unable to provide direct access to staff. Constraints on their time meant that the maximum possible staff sample was only one third of the total, rather than one half as suggested in *The Money Trail* [Sacks, 2002].

Personal contact with suppliers would have been possible however, and in hindsight might have increased response rates considerably. Surveys were followed up twice with phonecalls, but the fact that the original surveys were not sent out to a named person meant that in most cases the person spoken to over the phone was not aware of the study. This resulted in surveys being re-sent by fax to several suppliers, cutting down their response time. All communication with suppliers was

carried out via RCHT, and more personal contact might have yielded better results. This produces a dilemma to a certain extent, as the need for personal contact and relationship building would imply that an internal researcher would be better placed to carry out the LM3. However, as mentioned in Chapter Eight, the length of time demanded for the research might inhibit. There is an ethical consideration here too, however – it is an accepted feature of postal surveying that response rates are fairly low, and a balance must be achieved between achieving acceptable response levels and harassing potential respondents.

The length of the questionnaires sent out also undoubtedly put respondents off, although it was made clear that partially completed surveys would nonetheless be valuable. One respondent commented on this, expressing support for the aims of the research but pointing out that it had taken a long time to fill in. The questionnaire was piloted, but the pilot respondent was a small farmer who managed his business entirely alone – as a result he knew “off the top of his head” many of the figures that managers of the larger businesses supplying RCHT had to look up. It would have been useful to gain some idea of the type and size of business supplying RCHT before the surveys were sent out for this reason. The size of the businesses might also explain the logistical problems with surveys getting lost. Again, this would not have been such a problem with smaller enterprises.

The interviewing was generally thought to have been successful, with interviewees willingly devoting time to the study and providing detailed responses. However as mentioned in Chapter Four, it would have been preferable to record the interviews, and to interview each individual separately.

The fact that the study followed a case study design raises further questions in relation to validity of results. As an individual case, care must be taken in making generalisations based on its findings. However it can be concluded that the findings of the study offer support to the theory that localised procurement produces local economic benefits. Further case study research is desirable in the future, both in other areas and, if possible, back in Cornwall to test the impact of the planned development of the CFP. It is hoped that the detailed methodology set out in Chapter Four will make replication of this study feasible.

In relation to the external validity of this research, it should also be pointed out that the researcher in this case had no prior experience of carrying out economic analysis or of calculating Multiplier Effects. This in one sense was beneficial, as it allowed for the “foolproof” nature of LM3 to be tested by a non-expert user, but it must be acknowledged that lack of prior experience provides a limited basis for comparison of one method with another.

9.4 – IMPLICATIONS OF THE STUDY

This study has achieved its objectives as set out in Chapter Four, but it has also raised some related issues, which warrant discussion in this Section. One such issue is funding. The study showed that although RCHT is a “mainstream” public body (part of the NHS), in order to establish the CFP in the way that it has it needed to seek external funding from the Soil Association and from Objective One. The implications of this for replication of the Programme were discussed in Chapter Seven. However this also raises questions not answered by this study regarding the sustainability of Programmes like the CFP. Can local procurement be achieved without this kind of short term, project-based funding? Is it possible to use mainstream public money – for example the NHS food budget – to achieve sustainable regeneration in communities where it is spent, over and above the expressed operational purpose for which the budget is designated?

This study, and the example of the CFP, does not prove in any way that local procurement is not possible without external support, but the fact that this project relies on it must be taken into account. There is a need for further research into the role and potential of “mainstream” money in meeting regeneration aims. One potentially interesting “angle” for this research relates specifically to the value of local purchasing. Objective One has brought £50 million over six years into the Cornish economy. Cornwall Business in the Community estimates that if local spending within Cornwall were increased by one per cent, this would generate £5 million per year for Cornwall [quoted in Bullock, 2000].

Connected to this issue, the fact that the NHS is specifically concerned with health care and prevention could in itself be a useful tool in justifying increased local spending. As interviewees in this study pointed out, there are a number of ways in which increased local sourcing could be said to benefit Cornwall – in terms of nutrition, awareness of healthy eating, and reduced stress for farmers to name a few. Research to substantiate these claims would provide valuable evidence that local sourcing was not only feasible for NHS Trusts (as this study has shown), but was also a valuable way of meeting targets in other areas. This in turn could lead to increased budgets for hospital food as it was realised that other aims were met by doing so. Further benefit would be gained by research into the nutritional value of local food, and the effect of serving local food on lengths of stay and levels of food wastage in hospitals.

In relation to the conclusions found by this study regarding the usefulness of LM3, the kind of research advocated above could also be informative. LM3 requires a time and resource commitment on behalf of participating organisations or external researchers, and produces a result that is of

limited practical use. As *The Money Trail* suggests, NHS managers should consider seriously what it is they want to prove before embarking on an LM3. If an alternative methodology existed, related specifically to the NHS and designed to prove how local sourcing could meet operational aims relating to health, then managers would be free to decide that this methodology was a better investment of time and resources than the entirely quantitative, income-based LM3. Further evaluation of the time demands and usefulness of LM2 would also inform these decisions.

In terms of those public bodies who do decide to conduct an LM3 investigation, this study has highlighted the need to expand on the methodology and team it up with more qualitative analysis. Chapter Seven demonstrated the limitations of LM3, and if research is to be practically useful then it is essential for managers to gain a fuller picture than it alone can reveal.

9.4 – TAKING THE STUDY FORWARD

Some current work of relevance to this study is listed below, followed by a summary of the recommendations for further research resulting from this study (Table 9.1).

- 1) Nef is currently compiling a report on the possibility of localising public procurement without “pushing the boundaries” of existing legislation, to include the results of an LM3 investigation into the economic impact of local food sourcing in London hospitals. The Cornwall Food Programme and the findings of this study will be used as a case study within this report [Sacks, 2004b].
- 2) A detailed case study evaluation of the Cornwall Food Programme is currently being conducted by the Countryside and Community Research Institute at Gloucester University as part of the Europe-wide SusChain Programme, investigating the relationship between food chains and sustainable rural development. The LM3 results from this study will be used to inform that work [Kirwan, 2004].
- 3) Northumberland County Council is currently conducting LM3 research into its entire procurement system, including all food and non-food purchasing [Northumberland County Council, 2004].

Table 9.1 – Recommended Further Research

Area of Research	Recommended Research
Economic Impact of Local Procurement	<ul style="list-style-type: none"> - Further Case Study Research with Other Existing Local Procurement Initiatives - Repetition of the Study with the CFP, following Implementation of Planned Future developments
Funding for Community Regeneration	<ul style="list-style-type: none"> - Investigation of the potential role and sustainability of using “mainstream” budgets to achieve regeneration objectives
“Value for Money” within the NHS	<ul style="list-style-type: none"> - Research into the potential of local food to achieve health-related operational aims of the NHS - Monitoring of food-wastage and length of hospital stays in “local food” and “non-local food” hospitals.
Evaluation of LM3 and Usefulness of Multipliers in general	<ul style="list-style-type: none"> - Investigation and possible development of an alternative, qualitative methodology designed specifically for use within the NHS - Further evaluation of the usefulness and reliability of LM2 as opposed to LM3.

This study has lent support to the theory that local procurement can bring economic benefits to local communities, and has suggested that for the NHS in particular it can bring other operational benefits in terms of local health dividends. It is hoped that the suggested further research listed above, and the research currently being carried out, will shed light on the issues raised in this report. More detailed research in this area will provide further support for NHS and other public procurement officers seeking to implement sustainable, local procurement initiatives for the benefit of their organisations and their communities.

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APPENDIX ONE – SEMI-STRUCTURED INTERVIEWS

The following face-to-face interviews were conducted for this study:

Name	Position	Date of Interview	Approx. Length of Interview
Nathan Harrow (NH)	Manager, Cornwall Food Programme (employed by Cornwall Healthcare Estates and Support Services – CHESS)	Monday, 19 July 2004	2 ½ hours
Roy Heath (RH)	Sustainable Development Manager, Cornwall Food Programme	Monday, 19 July 2004	2 ½ hours
Mike Pearson (MP)	Acting Head of Hotel Services, RCHT	Monday, 19 July 2004	1 hour
Bill Byers (BB)	Director, CHESS	Monday, 19 July 2004	½ hour

A semi-structured approach was taken, with interviews taking the form of informal conversations. The questions asked of each interviewee are outlined below, although they were not necessarily asked or answered in the order in which they are laid out. Details of responses are provided in the main body of this report.

INTERVIEW QUESTIONS

- | | |
|--|-----------|
| 1) What is your job, and what is your role within the programme?

The Policy | ALL |
| 2) When did RCHT start to implement a policy of local sourcing? Whose idea was it/who championed it?
2a) Why? [What were the objectives of the policy?] | MP
ALL |
| 3) [Is it true that the national milk supplier won't deliver past Truro?] To what extent were problems with the national supply system a motivating factor in implementation of a local sourcing policy? | MP |
| 4) How was it done? – talk me through it...[decision made and implemented practically] | NH, MP |
| 5) [How did you make initial contact with local suppliers/make the transition from using the PASA centralised system?] | NH |
| 6) How is the project funded?
6a) If you had not had Objective 1 and Soil Association funding, would the project still have | NH |

gone ahead?	NH, MP, BB
7) Who is on the project board?	NH
8) To what extent were producers/potential suppliers in the area consulted or involved in the development of the strategy? What benefits did you gain from this?	NH
9) How have you changed your systems to implement the local sourcing policy?	NH
10) What are your “new” contracting criteria? Obviously can’t specify local, so how do you do it?	NH
11) How do you let potential local suppliers know about potential new contracts?	NH
12) Did you encounter any problems with persuading people within RCHT and the NHS that it was a good idea, for example was auditing a problem (value for money argument)?	NH, MP, BB
13) [To what extent are you constrained by auditing requirements/the need to show you are getting the best value for money? What are the best value criteria?]	MP
14) Have you experienced any <i>unexpected</i> benefits from implementing this policy?	NH, MP, BB
15) Do you publicise your work at all/get any buy in or feedback from patients? [Annual Report doesn't mention it, although it does say you've won an award for the quality of your catering].	NH, MP, BB
The Suppliers	
16) How many different contracts do you have at the moment? How much are they worth? (£) [has this been answered in the financial information?]	[Answered through desk research]
17) What changes have you noticed in the characteristics of your supplier base since implementing the policy? (eg size of company you are working with, nature of the products they sell, location of their business, origin of their supplies, working systems eg distribution methods)	
18) What proportion, would you estimate, of the food you buy is “local”?	NH
19) [How do you define “local”?]	NH, MP, BB
20) [Are you aware how much of the food supplied by your locally based wholesalers is actually produced within Cornwall? Do you monitor this? (Defra definition of a locally sourced food = “food both produced and sold within a limited geographical radius but which does not necessarily have any distinctive quality.” – from their public proc guidelines 2003)]	ALL
21) Do you specify anything in contracts to try to increase the use of local produce in deliveries? Eg organic, seasonality, etc?	
22) Do you require your suppliers to meet any assurance standards with the food they supply? Eg red Tractor, Organic, fair trade, % recycled packaging?	NH, RH
23) Do you do anything to ensure non-discrimination against smaller suppliers eg patchworking contracts, meet the buyer days, etc.	NH, RH
24) Is there any scope for dealing directly with producers? What’s the advantage of going through wholesalers, (even though there might be less guarantee that the products you’re buying are genuinely	NH, RH

local)?	
25) [Do you think there is anything you could do to attract more producers to supply you direct?]	NH, RH
26) Do you think this is desirable?	
27) Are there any products (food and non-food) that are difficult or even impossible to source locally?	NH
28) Do you use NHS Logistics for anything? What and why is this not feasible to get locally?	NH
The Food	
29) What is your average spend per patient per meal? Is there any scope to increase this if it was necessary to meet local food targets?	NH
30) Has the overall food bill increased? If so, how has this been justified?	NH, RH
31) Do you think this project is impacting on the health of the patients? In what ways? (NHS spends ~£2bn pa on diet-related illnesses). Have you been monitoring it?	NH, RH
32) Is there potential to use projected savings in health care spending as justification for increased spending on healthy food, if like in the case of the ice cream you can prove it is of high nutritional quality?	NH, MP, BB
33) Has the type of food you serve changed? [Eg less processed food? More fruit and veg vs high saturated fat foods like milk and meat? ref Tim Lang report on health probs assoc with this?]	NH
Wider Context	
34) Do you think you have reduced the number of links in the chain between producers and buyers? (ie shortened the food chain?)	NH
35) Food Links very strong in SW? How useful is it and do you have any dealings or contact with them? (Based in Bristol and regional focus). Any other useful orgs eg taste of the west?	NH, RH
36) Have you received any support from other agencies in the region or within the NHS/central government?	NH, RH
37) How does what RCHT does relate to what goes on in other NHS trusts? Very different? Would it be difficult for other Trusts to copy the policy? What problems might they encounter?	NH, RH
38) Have you encountered any infrastructure problems in attempting to procure locally, or do you foresee any, especially when the CPU is built? – for example, lack of access to locally produced meat owing to lack of locally-based abattoirs, or problems with distribution/storage facilities?	NH, MP, BB
39) What do you think are the main barriers, if any, to the increased production of local food in Cornwall? And to the participation of local, small-scale producers in public catering contracts?	NH, MP, BB

- 40) What do you think the Government/NHS/other agencies could do in a policy context to make this sort of strategy more effective/easier to implement? NH, RH
- The Future**
- 41) What future developments are planned for the project? (eg tell me about the CPU – including when you reckon it will be up and running – and the proposed box scheme working with Cusgarne). How do you envisage funding this? NH [didn't respond], RH, MP, BB
- 42) In terms of the box scheme, do you see any potential for linking this with your existing project, for example by making connections between producers and your wholesale suppliers, so that the wholesalers are able to procure more locally produced food? Are you doing this already? (ie supply chain management) *[If the above is beyond the scope of RCHT, who should be doing it/is anyone doing it?]* ALL
- 43) What benefits, if any, do you hope to see as a result of future project development in terms of:
- Percentage of food procured locally?
 - The sort (and size) of suppliers you are attracting?
 - Quality of food served to patients and staff?
 - Cost of the project?
 - Relations between the hospital and people in the locality it serves? NH, RH
 - The impact of RCHT's food purchasing strategy on other NHS Trusts, in Cornwall and beyond?
 - The impact of RCHT's food purchasing strategy on national (NHS/Government) policy? NH, MP, BB
 - Anything else?
- 44) Is it just food or do you *try* to procure other stuff locally too? From within catering services obviously eg cutlery, equipment, stationery?
- 45) When the CPU is built the quantities of foods you will require will increase, and so will the size of your contracts. Do you foresee that this might be a problem in terms of engaging local suppliers?
- Questions for Roy Heath re previous job as procurement officer at the Eden project:**
- 46) What was the procurement policy at Eden re: Local Sourcing? NH, MP, BB
- 47) Do you think there are any lessons to be learned for RCHT from Eden?
- 48) Do you think (estimate) that Eden or RCHT has been more successful in procuring locally? NH
- RH
- RH
- RH

APPENDIX TWO – STAFF SURVEY

Thank you for taking the time to complete this survey.

This questionnaire is seeking to find out how much of your personal income is spent within Cornwall, and how much is spent outside.

All responses will be kept in the strictest confidence and anonymity of respondents will be preserved. If you are happy to be contacted again in connection with this survey, please complete the relevant section at the end of the questionnaire.

Where do you live? (please circle) Within Cornwall Outside of Cornwall (please state where) _____

Roughly how far away from your place of work do you live? _____ miles

How do you spend your income?

It would be helpful if you could fill this section in with actual figures, but if you prefer you can use a percentage of your total income – divide each item by your total income to obtain the percentage figure. You can use monthly or annual figures, but please be consistent!

For each row (eg “Food”) the “Total £(or %)” should be the total of “£ Within Cornwall” and “£ Outside of Cornwall”

Item	Total in £ (or %)	£ (or %) Within Cornwall	£ (or %) Outside of Cornwall
<i>Example</i>	<i>£1400/14%</i>	<i>£560/5.6%</i>	<i>£840/8.4%</i>
Income Tax			
Groceries (supermarkets)			
Other Groceries (eg specialist stores, markets, etc)			
Entertainment (eg restaurants, video rental, betting, sport, pub)			
Clothes			
DIY/Garden/Household appliances and items			
Transportation (eg taxis, car tax, bus fares, petrol)			
Services (eg baby-sitting, window cleaner)			
Rent/Mortgage			
Council Tax			
Home Costs (fuel, water, phone, TV tax, etc)			
Loan Repayments			
Savings			
Other (please specify)			

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Total Spending = £ _____ /100%

With which local businesses do you spend your income? Please complete the table below, listing the names of any businesses based within Cornwall which you use, what products or services you purchase from them, and how far away they are from your home.

Name(s) of Business(es) Based Within Cornwall that you use	Product or Service Obtained	Distance From Your Home (miles)

If you rent, please circle one of the following:

Private landlord
(within Cornwall)

Private Landlord
(Outside of Cornwall)

Housing
Association

Council
Tenant

I may wish to contact you in connection with your responses. If you are happy to be contacted, please fill in your details below. Your responses will still remain anonymous.

Name and position _____

Contact Details

Thank you once again for taking the time to complete this questionnaire, and for making a valuable contribution to this research.

Please place your completed survey in the postage-paid envelope and return it to me. You can send it via internal mail in Catering Services, or put it in a post box.

APPENDIX THREE – SUPPLIER SURVEY

Thank you for taking the time to complete this survey.

Your responses to the questions below will be of great value to this project, and will help RCHT to improve its policy and performance. All responses will be kept in the strictest confidence and anonymity of respondents will be preserved. If you are happy to be contacted again in connection with this survey, please complete the relevant section at the end of the questionnaire. Please get in touch if you have any questions or comments. Alternatively you can complete the “comments” section at the end of this questionnaire. If it would be easier for you to complete this survey electronically, please let me know and I will email it to you.

PART ONE – MEASURING LOCAL MONEY FLOWS IN CORNWALL

This section of the questionnaire is seeking to find out how much of your business income is spent within Cornwall, and how much is spent outside.

Company Name _____

Where do you live? (please circle) Within Cornwall Outside of Cornwall (please state where) _____

How is your business income spent? *It would be helpful if you could fill this section in with actual figures, but if you prefer you can use a percentage of your total turnover – divide each item by your total turnover to obtain the percentage figure. But please be consistent! If possible, please supply figures for the last full year.*

Total Turnover 2003/4 = £_____ /100%

Item	Total in £ (or %)	£ (or %) Within Cornwall	£ (or %) Outside of Cornwall
<i>Example</i>	<i>£1400/14%</i>	<i>£560/5.6%</i>	<i>£840/8.4%</i>
Staff Costs (excl. NI and pension)			
NI, Pensions and Training			
Drawings After Tax (if sole owner)			
Directors' Fees and Bonuses (if a partnership)			
Taxes			
Supplies			
Sub-contractors			
Rent/Mortgage			
Fuel and Utilities			
Repairs/Maintenance (inc vet's fees)			
New Investment			
Loan Repayments			
Insurance			
Other (please specify)			

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With which local businesses do you spend your income? Please complete the table below, listing the names of any businesses based within Cornwall with which you spend your business income, what products or services you use them for, and how far away they are.

Name(s) of Business(es) Based Within Cornwall that you use	Product or Service Obtained	Distance From Your Business (miles)
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PART TWO – LOCAL PROCUREMENT AND CORNISH BUSINESSES

This part of the questionnaire is investigating the type of business that is successful in securing contracts to supply public bodies such as the Hospitals Trust, and what impact these contracts have on your business. Some of these questions relate to your answers to Part One. I am interested in your personal responses to these questions, but if there are any that you would rather not answer, please leave them out. If you need more space to respond to any of the questions, please continue on the blank sheet provided.

MORE ABOUT YOUR BUSINESS

1) What is the nature of your business? (farm, bakery, wholesale distributor, etc) _____

*If you mainly sell your own produce, please go to **question 2**. If you do not mainly sell your own produce (for example if you are a wholesaler), please go to **question 4**.*

2) Do you own or rent land? (please delete) Yes/No

If yes:

How large is your land holding? _____ hectares

How much is owned and how much rented?

Owned _____ hectares; Rented _____ hectares

3) What do you produce? Please complete the following table.

Type of Product	Quantity sold per year, in £ (or % of your total turnover)	Names of Main outlets – please specify within or outside Cornwall
Fresh Produce (fruit, vegetables and herbs, eggs, milk, cereal crops, meat or fish – please specify)		
Value-Added Produce (processed dairy, processed meat, prepared fish, baked goods, preserves, beverages, ready meals, catering packs, other – please specify)		
Non-Food Produce (crafts, farm supplies, other – please specify)		

Please go to question 5.

4) What products do you sell? Please complete the following table.

Type of Product	Names of Main Suppliers for Each Product – please specify within or outside Cornwall	Quantity Sold Per Year, in £ (or % of your total turnover)	Names of Your Main Outlets – please specify within or outside Cornwall
Fresh Produce (fruit,			

vegetables and herbs, eggs, milk, cereal crops, meat or fish – please specify)			
Value-Added Produce (processed dairy, processed meat, prepared fish, baked goods, preserves, beverages, ready meals, catering packs, other – please specify)			
Non-Food Produce (crafts, farm supplies, other – please specify)			

Please go to question 5.

5) Do your products/the products you sell have any distinctive qualities (eg accreditation scheme, environmentally friendly production methods, rare breeds, fair trade)? Please specify product and distinctive quality.

6) Does the business provide the main source of income for your household? (please delete) Yes/No
 If No, what is your household's main source of income? _____

7) How many people work in the business?

People	How Many?
Family members – full time (not including	

yourself)	
Family members – part time (not including yourself)	
Employees – full time	
Employees - part time year round	
Employees – part time seasonal/casual	

Roughly how many hours per week do **you** work in the business? _____ hours (if this differs seasonally, or for any other reason, please give details)

The following two questions refer to your needs and experiences with regard to suppliers for your business.

8) What is important to you when choosing a product, service, supplier or contractor? Please complete the following table, ticking the appropriate boxes:

	Very important	Quite important	Not very important	Not at all important
Cost				
Reputation/Quality				
Availability of replacement or Spares				
Proximity of business				
Methods of production/Business ethics (eg Organic/GM Free, Social Enterprise) – please specify:				
Other (please Specify)				

9) Please add any further comments on your own experience of using Cornwall-based suppliers (eg availability of products and services you need, quality, value for money). Please include any advantages or disadvantages you have experienced in using Cornwall-based suppliers.

YOUR BUSINESS IN CORNWALL

10) Do you receive support or advice from any organisation about how to sell produce through outlets in Cornwall? (eg Local Authority, Countryside Agency, Regional Development Agency, BusinessLink, Government Office, other local initiatives) – please give details

11) Do you work with other Cornwall-based producers or suppliers to market your produce? (Eg co-operative, informal network, partnership) – please give details

12) In your opinion, are there any particular benefits for Cornish people or businesses of increasing the sales of Cornish produce within Cornwall? (please describe)

13) Do you consider there to be any particular barriers preventing you from increasing your sales through outlets in Cornwall (eg local markets and shops, or through public tenders such as RCHT)? (please describe)

YOUR BUSINESS AND THE ROYAL CORNWALL HOSPITALS TRUST

If you do not have a contract directly with RCHT, please answer the questions below in relation to your contract with the RCHT supplier. Your responses to these questions will not be shared with RCHT - they will be confidential and anonymous. If there are any questions you would rather not answer, please leave them blank.

14) Roughly what is the value of your contract with RCHT as a percentage of your total net income?
_____ %

15) Please refer back to your answer to question 7. Has the labour in the business changed since you became an RCHT supplier? Please give details.

16) Please describe any benefits you have experienced from becoming a supplier to RCHT _____

17) Please describe any difficulties you have experienced in fulfilling your RCHT contract _____

18) Please describe any measures that you feel RCHT could take to improve access to contracts for local food suppliers

19) Please describe any measures that you feel the government or other national agencies could take to improve access to contracts for local food suppliers

I may wish to contact you in connection with your comments or responses, or for more information about your involvement with RCHT. If you are happy to be contacted in this way, please fill in your contact details on the following page. Please note supplying your contact details will not affect the anonymity of your responses to this survey.

Thank you once again for taking the time to complete this questionnaire, and for making a valuable contribution to this research.

Contact Name and position _____

Contact Details _____

The following page has been left blank for your additional comments or responses.

APPENDIX FOUR – SUPPLIER SURVEY RESPONSES (SURVEY PART TWO)

Nature of Business	Wholesale Food Distributor Craft Bakery None specified Catering Butcher Wholesale Distributor
Do you own or rent land?	No Yes [no details of how much] Yes – own 250ha, rent 20ha No No
What Do You Produce/Products Do You Sell?	Meat, biscuits, smoked food, cheese, jams, sauces, pasties, ice-cream 1000+ Bakery products £250,000 worth of ice-cream per annum Catering Butchers (Beef, pork, lamb)/Cornish Manufacturers of Sausages and Burgers Catering (fast food packaging), Table top (cutlery/crockery), chef products, Hygiene products – janitorial supplies (£1.5 million)
Does the Produce Have Any Distinctive Qualities?	“we like to offer our customers a wide range of interesting Cornish foods” None highlighted “Quality farmhouse ice-cream – fresh milk and cream and natural flavourings – quality assured.” “Environmentally friendly farming – NOT organic” Made in Cornwall Scheme, EFS accredited, STS (Health Service accredited National Association of Catering Butchers) Paper products – hand towel, toilet tissue, wiping towel – all produced to ISO14001 and based on recycling/managed forests
Who Are Your Main Cornwall-Based Suppliers?	Barnet Fare, Kensey Vale Meats, Furniss Foods, Fresh From Cornwall, Cornish Cuisine, A.E. Rodda & Son, Chaffins, Cornish Chilli Company, Proper Cornish Ltd, Kelly’s of Bodmin, J.T. Collins, Callestick Ice-Cream, St. Ives Food Company, W.C Rowe Kensey Vale, A.E. Rodda, Potfresh, West Country Fruit Sales, Rowe Farms Limited, St. Ives Cooked Meats, Tregonning Mushrooms, Trewithen Farm. Bradley’s Dairy, Cide(?) Farm Jaspens (?), Madron Meats, J.V. Richards, Colin Carren (?), Doble Foods, Kelly’s Ice-Cream, No local suppliers, services are procured within Cornwall [“no manufacturing in Cornwall”, so supplies unavailable – sourced from mixture of within UK and abroad – no indication of seeking as local as possible].
What are your main outlets?	Various caterers, pubs, schools, hospitals and restaurants Within Cornwall: NHS, Own shops, Eden project, plus: national supermarket chains Eden, Heligan, Hall for Cornwall (?), Hotels, Café, Beach Sites Health service Cornwall/Devon, Cornwall Schools, Eden Project, Devon Schools, Tisco (?) Estates, Cornwall City Council, Devon and Cornwall Police, many private customers “We have 2,500 customers including five NHS Hospital Catering Departments, and NHS Dentists”

Is the Business Your Main Source of Income?	Yes No response Yes Yes Yes				
How Many Staff?					
Family f/t	0	0	5	4	1
Family p/t	2	0	0	0	0
Employees f/t	20	200	6	22	12
Employees p/t	2	100	2	1	11
Employees p/t seasonal	1	0	3	0	1
Number of Hours You Work	40 No Response 65 (“Seasonal with summer work”) 50 55				
Important Factors When Choosing a Product, Service, Supplier or Contractor:					
Cost	Quite	Very	Very	Quite	Very
Reputation/ Quality	Very	Very	Very	Very	Very
Replacements/ Spares	Very	Very	Quite	N/A	Quite
Proximity	Quite	Quite	Quite	Quite	Not Very
Production Methods	Very (Cornish)	Very	Quite	Quite	Quite
Other	Very (sourced through buying group)	Very (Flexibility and service)	N/A	Adhere to our strict criteria	Quite (Customer Service)
Comments On Experience of Cornwall-Based Suppliers	<p>“The bigger Cornish companies are much easier to deal with than the less well organised small producers”</p> <p>No Comment</p> <p>“Speed of service”</p> <p>“Attention to detail”</p> <p>“availability/proximity”</p> <p>“As a Cornish employer we would always prefer to use local supplies, however if specification and price are not tolerable, sourcing would occur from outside of the county.”</p> <p>“Cornish based suppliers are cost competitive and focus on <u>service</u>, this differs from national firms”</p>				
Support from Any Other Organisations?	<p>Marketing grants from Cornwall Taste of the West</p> <p>No Comment</p> <p>Cornwall Taste of the West & RDA</p> <p>Business Link</p> <p>Business Link, Cornwall College Business School “Cascade” Project</p>				
Work With Any Other Producers/ Suppliers?	<p>Cornwall Catering 2000 (marketing co-operative of Cornish-owned businesses supplying the catering industry)</p> <p>No Comment</p> <p>“No – beginning partnership”</p>				

	<p>“Not at Present”</p> <p>“Informal network of people who refer our company when asked by a customer”</p>
Benefits of Selling Cornish Produce Within Cornwall?	<p>“Yes, sustainability and improving the visitor experience and pride and taste”</p> <p>“Huge benefits to the overall prosperity of Cornwall and its inhabitants”</p> <p>“Definitely the money stays around and goes around – multiplier effect whole community benefits”</p> <p>“Yes to sustain the county we live in”</p> <p>“YES – we can increase the turnover (£) of surrounding businesses, and consequently require more resources (people, suppliers, services) which generates more “working cash” in society”.</p>
Barriers to Increasing Sales in Cornwall?	<p>“Small producers will often try to by-pass the wholesalers.”</p> <p>“Margins tend to be very tight on Cornish products due to higher costs of production through smaller scale operations.”</p> <p>No Comment</p> <p>“Supermarkets – have supplied but are now rationalizing product lines despite? local supply”</p> <p>“Ready to supply schools but no? forward with supply rank”</p> <p>“No”</p> <p>“Knowledge of what tenders are available” [barrier to increased public tendering]</p> <p>“A cost approach which does not consider micro-economic impact on Cornwall” [increased public tendering]</p> <p>“Our systems – we need to attain Quality (ISO9001), Environmental (ISO14001) and H and S (ISO10001) – these are time consuming and costly systems to implement” [increased public tendering]</p>
Value of Contract With RCHT	<p>2.4%</p> <p>2%</p> <p>1%</p> <p>15%</p> <p>2% (Non-contract supplier)</p>
Labour Changed Since Securing RCHT Contract?	<p>No</p> <p>No Comment</p> <p>No</p> <p>“We are a long established supplier to RCHT but I would say that approx 10% of our staff are related to RCHT”</p> <p>“No – Value of business insufficient”</p>
Benefits of Becoming an RCHT Supplier	<p>“Increased turnover which is non-seasonal”</p> <p>“job creation”</p> <p>“High profile customer, good PR”</p> <p>“More company and product awareness”</p> <p>“Consistency in maintaining staff levels throughout the year”</p> <p>“the recommendation of supplying such a client”</p> <p>“Large order value – hence efficiency in logistics”</p> <p>“Regular orders”</p>
Difficulties of Being An RCHT Supplier	<p>“None”</p> <p>“Daily frozen deliveries in small quantities”</p> <p>“Small value orders over distance”</p> <p>“None”</p> <p>“Slow at making payments (circa 45-60 days)”</p> <p>“Value of order inconsistent”</p>
Measures for RCHT to Improve	<p>“Take on supply to other hospitals, meals on wheels, etc to increase throughput”</p> <p>No Comment</p>

<p>Access to Contracts?</p>	<p>No Comment No Comment “Pay invoices promptly!” “List contracts in public domain – so they can be evaluated openly” “Communicate with the community what opportunities exist for local suppliers”</p>
<p>Measures for Government/ National Agencies?</p>	<p>“Assist RCH Trelisk [the Royal Cornwall Hospital in Truro] to build the proposed CPU at Barncoose so that it can do the above [take on supply to other hospitals, etc].” “More funding would...help increase food spend” “Greater availability of tender information” “local supply for local authorities, schools, hospitals, prisons – local tendering” No Comment “Workshops involving product users/NHC-RCHT procurement/suppliers to discuss opportunities/ challenges – every 3 months” “Newsletter/Website etc etc advising on what products are being used by RCHT and when tenders/contracts etc are due for renewal”</p>

APPENDIX FIVE – GLOSSARY AND ACRONYMS

BB	Bill Byers (Interviewee from Cornwall Food Programme)
CFP	Cornwall Food Programme
CHESS	Cornwall Healthcare Estates and Support Services
Cook-Freeze/ -Chill	Method of producing catering meals off-site. Food is cooked and then immediately frozen or refrigerated, to be defrosted and/or re-heated on-site.
Cook-Serve	Production of catering meals in on-site kitchens. Food is prepared and then immediately served to consumers.
CPT	Cornwall Partnership Trust (NHS Mental Healthcare Trust)
CPU/CFPU	Central (Food) Production Unit (specialised facility producing cook-freeze meals for catering)
Defra	(UK Government) Department for Environment, Food and Rural Affairs
EU	European Union
LM3	Local Multiplier 3 (tool devised by New Economics Foundation to enable non-experts to quantify local Multiplier Effects)
Local Food	There is no legal definition of “local food”, but the Soil Association [quoted in Sustain, 2002a] defines it in the following way: <i>“A system of producing, processing and trading, primarily of organic and sustainable forms of food production, where the physical and economic activity is largely contained and controlled within the locality or region where it is produced, which delivers health, economic, environmental and social benefits to the communities in those areas.”</i> For the purposes of this study, the “locality or region” of production is the English county of Cornwall.
MP	Mike Pearson (Interviewee from Cornwall Food Programme)
Nef	New Economics Foundation
NH	Nathan Harrow (Interviewee from Cornwall Food Programme)
NHS	(UK) National Health Service
OJ	Official Journal of the European Communities
PASA	(UK) NHS Purchasing and Supply Agency
PCFFF	Policy Commission on the Future of Farming and Food
PDO	(EU Produce) Protected Denomination of Origin
PFI	(UK) Private Finance Initiative
PGI	(EU Produce) Protected Geographical Indication
RCH	The Royal Cornwall Hospital, Truro (Trelisk) – One of three hospitals operated by the Royal Cornwall Hospitals Trust (RCHT)
RCHT	The Royal Cornwall Hospitals Trust (NHS Acute Trust)
RH	Roy Heath (Interviewee from Cornwall Food Programme)

SFSC	Short Food Supply Chain (also referred to as an AFN – Alternative Food Network)
WTO	World Trade Organisation

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