

Summary: Intervention & Options

Department /Agency: Defra	Title: Impact Assessment of the implementation in England of the EU School Milk Scheme	
Stage: Consultation	Version: Final	Date: 24 October 2008
Related Publications:		

Available to view or download at:

<http://www.defra.gov.uk/corporate/consult/schoolmilk/index.htm>

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What is the problem under consideration? Why is government intervention necessary?

The EU rules for providing milk and milk products within schools have changed. Following a commitment we made, we are consulting on how best we might implement the changes, taking account of the policy objectives below. In consulting we are seeking to improve our evidence base.

What are the policy objectives and the intended effects?

To implement the EU School Milk Scheme in accordance with the EU Regulations whilst adhering to the School Food Standards. To ensure the national top-up is paid in the way that delivers best value for money.

What policy options have been considered? Please justify any preferred option.

- Maintain the status quo (offer the same range of products in both primary and secondary schools, but only pay the national top-up to beneficiaries in primary schools).
- Offer a wider range of milk products.
- Consider the future of the national top-up.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

A review is planned for April 2011.

Ministerial Sign-off For consultation stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

Jane Kennedy

..... Date: 11 November 2008

Summary: Analysis & Evidence

Policy Option: Two	Description: National top-up paid on plain milk, flavoured milk and plain yoghurt in both primary and secondary schools.
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COSTS	ANNUAL COSTS	Description and scale of key monetised costs by 'main affected groups' Additional costs of the national top-up to the taxpayer compared with the baseline: £100,000 (low scenario) to £400,000 (high scenario).		
	One-off (Transition) Yrs			
	£ N/A			
	Average Annual Cost (excluding one-off)			
	£ 100k to 400k	Total Cost (PV)	£ 290k to 1,160k	
Other key non-monetised costs by 'main affected groups' Administration, enforcement and inspection costs to schools, LEAs and the RPA. See page 9 for more details.				

BENEFITS	ANNUAL BENEFITS	Description and scale of key monetised benefits by 'main affected groups' Reduced price of milk products to school children compared with the baseline: £100,000 (low scenario) to £400,000 (high scenario).		
	One-off Yrs			
	£ N/A			
	Average Annual Benefit (excluding one-off)			
	£ 100k to 400k	Total Benefit (PV)	£ 290k to 1,160k	
Other key non-monetised benefits by 'main affected groups' School Children: There may be long-term health benefits due to promoting healthier consumption though these are difficult to monetise due to the uncertainty surrounding them. See page 8 for details.				

Key Assumptions/Sensitivities/Risks See Annex 5 for more details.

Price Base Year 2008	Time Period Years 3	Net Benefit Range (NPV) £ 0	NET BENEFIT (NPV Best estimate) £ 0
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What is the geographic coverage of the policy/option?	England
On what date will the policy be implemented?	
Which organisation(s) will enforce the policy?	RPA
What is the total annual cost of enforcement for these organisations?	£ N/A
Does enforcement comply with Hampton principles?	Yes
Will implementation go beyond minimum EU requirements?	Yes
What is the value of the proposed offsetting measure per year?	£ N/A
What is the value of changes in greenhouse gas emissions?	£ N/A
Will the proposal have a significant impact on competition?	No
Annual cost (£-£) per organisation (excluding one-off)	Micro Small Medium Large
Are any of these organisations exempt?	No No N/A N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)
Increase of £ N/A	Decrease of £ N/A	Net Impact £ N/A

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Summary: Analysis & Evidence

Policy Option: Three	Description: National top-up paid on plain milk, flavoured milk, plain yoghurt and flavoured yoghurt in both primary and secondary schools.
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COSTS	ANNUAL COSTS	Description and scale of key monetised costs by 'main affected groups' Additional costs of the national top-up to the taxpayer compared with the baseline: £200,000 (low scenario) to £600,000 (high scenario).					
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Total Cost (PV)		£ 580k to 1,740k					
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What is the value of changes in greenhouse gas emissions?	£ N/A								
Will the proposal have a significant impact on competition?	No								
Annual cost (£-£) per organisation (excluding one-off)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">Micro</td> <td style="width: 25%; text-align: center;">Small</td> <td style="width: 25%; text-align: center;">Medium</td> <td style="width: 25%; text-align: center;">Large</td> </tr> <tr> <td style="padding: 5px;">No</td> <td style="padding: 5px;">No</td> <td style="padding: 5px;">N/A</td> <td style="padding: 5px;">N/A</td> </tr> </table>	Micro	Small	Medium	Large	No	No	N/A	N/A
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Key: Annual costs and benefits: Constant Prices (Net) Present Value

Evidence Base (for summary sheets)

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

A. INTRODUCTION

There is currently an EU School Milk Scheme which pays a small subsidy (currently worth about 3.76 pence per 250ml serving, see Annex 1) towards the provision of milk and certain milk products to pupils.

The European Commission state that the Scheme is intended to encourage children to consume milk and milk products and develop a lasting habit of doing so. The Scheme is there to provide children with access to milk products, contribute to a healthy way of living and provide nutritional education and a better knowledge of products.

The rules are set out in Article 102 of Council Regulation (EC) No 1234/2007¹. The detailed implementing rules were revised in July 2008 and are found in Commission Regulation (EC) No 657/2008². The products available under the Scheme can be found in Annex 1 of the Regulation.

We have to make choices about the products we offer under the Scheme. We do not have to offer every product. If we offer every product, the costs of the Scheme will increase. Also under consideration is how the products and the Scheme fit in with the Government's health and nutrition agendas. We are required to implement EU legislation, so we must offer access to the Scheme to those who wish to participate.

Article 102 (2) of the Council Regulation states that a Member State can supplement the EU subsidy by way of a national top-up if they so wish. Following a reduction in the EU subsidy in 2001, the UK decided to pay a national top-up to make good that shortfall. In England the national top-up is worth approximately 0.99 pence per 250ml serving and the maximum budget is £1.5 million.

This Impact Assessment considers choices on:

- 1. the products we offer under the Scheme; and**
- 2. the future of the national top-up.**

Views on these choices, additional information to help inform our evidence base or the assumptions we are making, and answers to the questions posed in this Impact Assessment would be welcome.

B. PREVIOUS POSITION (PRIOR TO AUTUMN TERM 2008)

A summary of Scheme activity in the 2007-08 academic year can be found in Annex 1.

¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:299:0001:0149:EN:PDF> (OJ, L299, 16.11.2007).

² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:183:0017:0026:EN:PDF> (OJ, L183, 11.07.2008).

Participation

Commission Regulation (EC) No 2707/2000³ as amended, allowed Member States to choose which type of schools to include in the School Milk Scheme. England offered access to the Scheme to primary schools (children in Key Stages 1 and 2).

Whilst Member States were required to offer access to the Scheme, participation by schools was at the discretion of the school or the Local Education Authority (LEA). Due to the significant administrative burdens involved with the Scheme, many schools and LEAs chose not to participate. Most LEAs charged parents for the products provided, although the amount charged varies.

Where schools offered access to the Scheme, it was up to parents/guardians to choose whether or not their child/children should participate. There were a number of reasons why many chose not to participate. Possible reasons included cost (as noted above, there was often a charge for the products provided), concerns about nutrition and a child's preferences.

This Scheme is not the only way of providing milk or milk products to children at school. In fact, a higher percentage of schools provide milk without the EU subsidy and national top-up (a number of commercial schemes operate as well as school caterers providing milk and milk products).

- 1 If you are a school or LEA participating in the Scheme, please give details on the time taken to complete forms, maintain records, deal with payments, and please provide details of any costs associated with participation?
- 2 If you are a school or LEA who do not participate, or a parent that chooses that their child does not participate (if participation is an option), why not?

Products

Commission Regulation 2707/2000 required Member States to offer access to the following products, which the EU paid a subsidy on:

- plain whole and semi-skimmed milk;
- flavoured whole and semi-skimmed milk (with a 90% minimum milk content); and
- plain yoghurt made from whole and semi-skimmed milk.

The inclusion of cheese in the Scheme (only a limited range was permitted) was left to the discretion of Member States. The UK chose not to offer it.

C. CHANGES TO THE SCHEME IN 2008.

Schools

With effect from 1 August 2008, Commission Regulation (EC) No 657/2008 (which repealed and replaced Regulation 2707/2000) required Member States to offer the Scheme to secondary schools as well⁴.

³ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2000:311:0037:0042:EN:PDF> (OJ, L311, 11.12.2000).

⁴ In order to fully implement Regulation 657/2008, Member States are required to offer children in nursery schools/other pre-school establishments access to the EU School Milk Scheme. In Great Britain children under the age of 5 are, with certain conditions, eligible for free milk under the Nursery Milk Scheme (the costs of the milk are reimbursed).

Due to the tight timescale between publication of the Regulation and its coming into force, we decided to implement changes to the EU School Milk Scheme in two stages. From the Autumn Term 2008, the Scheme was extended to secondary schools and the same range of products offered in primary schools were made available. No changes have been made to the implementation in primary schools, so the situation described in Section B remains unchanged. However, due to the constraints on the budget, no national top-up is currently being provided to secondary schools.

The purpose of this consultation is to help inform our decision on whether we should change the way we implement the Scheme as we move into the second stage of implementation.

Products

Under Regulation 657/2008 Member States may now choose to offer any of the following products under the Scheme, which the EU will pay a subsidy on:

- plain milk;
- flavoured milk (with a 90% minimum milk content);
- plain fermented milk products, such as yoghurt, buttermilk, and kephir (fermented milk products must contain 90% by weight of milk and a maximum 7% added sugar/sweeteners);
- fermented milk products with fruit, or fruit juice (fermented milk products with fruit must contain 80% by weight of milk and a maximum 7% added sugar/sweeteners); and
- an extended range of cheese.

The revision of the Regulation, provides us with the opportunity to review the products we offer and to whom. However, there are a number of constraints to consider that are set out in Annex 8 and below:

- Member States may also apply stricter standards than those set out in the Regulation. In September 2007 the Department of Children Schools and Families (DCSF) introduced, for all maintained schools, the final food based standards for school lunches, and food based standards for school food other than lunch. Nutrient based standards were also set out in those regulations, and the nutrient based standards for school lunches set out the minimum amount of calcium that must be provided as part of an average school lunch. Primary schools must comply with the nutrient based standards from September 2008, and secondary and special schools must comply from September 2009. Therefore, any products offered under the Scheme will have to comply with these standards. This will be the responsibility of suppliers and school catering managers. More nutritional information can be found in Annexes 8 and 9.
- Under the Scheme schools and caterers are not allowed to make a profit from the subsidised products offered and there are restrictions concerning what the products can be used for. In order to make offering milk and milk products in schools commercially viable, many schools offer unsubsidised products which provides them with more flexibility on how the products are offered, and lowers the costs for parents and schools. For example, schools can offer larger servings of milk, instead of the 250 ml which is the maximum daily allowance permitted under the Scheme.

Based on nutritional information, DCSF and the Food Standards Agency (FSA) recommend that we maintain the status quo in terms of the products offered under the Scheme (i.e., we continue to offer plain milk, flavoured milk and plain yoghurt in both primary and secondary schools).

As can be seen from our assumptions in Annex 4, it appears that the value for money for the Exchequer, taxpayers and for parents, in providing products such as fruit yoghurt is very low.

- 3 Do you want the products offered to be changed? If so to what?
- 4 Do you see any difficulties in fitting any additional or new products around the nutrient based standards?
- 5 When are products offered under the Scheme most likely to be consumed during the school day?

The national top-up

The national top-up is funded jointly by Defra, DCSF and Department of Health (DH). The budget is £1.5 million, which we do not propose to use public funds to increase. The extension of the EU School Milk Scheme to cover secondary schools means uptake of the Scheme is likely to increase. Therefore, we have to consider options for the national top-up. These might include:

- continue with the status quo and only offer the national top-up to primary schools on plain milk, flavoured milk and plain yoghurt (the cost implications are detailed in Section D and Annex 2);
- alternatively, only offer it to secondary schools on plain milk, flavoured milk and plain yoghurt;
- decrease the rate of the national top-up we pay to enable us to offer it to both primary and secondary schools (the cost implications of this are detailed in Section D and Annex 5)
- only offer the national top-up on some products, but to both primary and secondary schools;
- stop paying it as a national top-up for the subsidy and use it in a more cost effective way, for example, to promote healthy eating or as a grant for recycling packaging, (however, there are rules on State Aids which limit what we could use it for);
- introduce a levy on the dairy sector to increase the national top-up or the ask the sector to provide some other contribution to the Scheme; and
- stop paying the national top-up all together (Member States are not obliged to pay it) and solely rely on the EU subsidy.

6 Which of the above options would you prefer and why?

In considering options for the national top-up, there are a number of factors to consider:

- We are working on the assumption that there is a significant administrative cost involved in the Scheme and national top-up and the value of both is eroded by these costs.
- At Defra's Consumer Representatives' Group meeting in May⁵, the extension of the Scheme was discussed. The consumer representatives considered that the administrative costs of the Scheme far outweighed the value of the subsidy and national top-up, and that parents should not be encouraged to buy products which could be more expensive than in supermarkets (buying milk in small containers, which most schools offer, though having some practical benefits, is a more expensive way of buying milk than buying it in larger volumes). Instead they favoured a framework of advice and support for schools and parents in encouraging good nutrition.

7 Does the EU subsidy and national top-up influence your decision to participate in the Scheme?

8 Does your child have milk in addition to the subsidised milk provided at school?

⁵ <http://www.defra.gov.uk/animalh/ahws/consumer/pdf/meeting010508.pdf>

D. IMPLEMENTATION OPTIONS

For the purpose of this consultation we have decided to explore the possibility of three policy options.

Option one: Make the EU subsidy available to secondary schools and primary schools on plain milk, flavoured milk and plain yogurt, but only offer the national top-up to primary schools. This is in essence our baseline scenario and the way we currently implement the Scheme.

Option two: Make the EU subsidy available to secondary schools and primary schools on plain milk, flavoured milk and plain yogurt, and offer the national top-up to primary and secondary schools.

Option three: Make the EU subsidy available to secondary schools and primary schools on plain milk, flavoured milk, plain yogurt and flavoured yogurt, and offer the national top-up to primary and secondary schools.

Without information on consumption of milk products in secondary schools, we have had to develop assumptions about the likely take-up of the Scheme. We have decided to employ a sensitivity analysis and use two scenarios for each option. In the first scenario, take-up in secondary schools is assumed to be roughly a quarter of that in primary schools (low scenario), and in the second, we assume take-up to be half that of primary schools (high scenario). See Annex 2 for more detail on developing our assumptions.

Our initial analysis of the costs to the taxpayer of providing the national top-up under these assumptions demonstrated that the £1.5million cap would be breached in options two and three (see Annexes 3 and 4 for detail). In order that we keep within the limit, it has been necessary to reduce the value of the national top-up by 20% for both options. See Annex 7 for more detail on reducing the national top-up.

Benefits are defined as the health benefits gained as a result of this Scheme. These may include healthier children, a healthier diet and fostering a culture of healthier consumption that will sustain into their future. However, these benefits are difficult to prove and therefore, monetise because of the following:

- Milk consumption at school may substitute consumption elsewhere and therefore, not lead to any additional health benefits.
- Alternatively, milk consumption under the Scheme may be in addition to milk consumption at home. It is not possible to assign the benefit to the Scheme.
- The size of the subsidy and national top-up is small (worth respectively 18.45 and 5 pence per 250ml serving per participant per week) relative to the cost of the products, so the Scheme is less likely to have much impact on consumption choices.
- Promoting milk consumption is only part of a wider drive to encourage healthier diets. Therefore, it is impossible to attribute future benefits to an individual Scheme.
- It is unclear exactly what health benefits might result from the Scheme. Research has shown that 1 in 8 boys and 1 in 4 girls aged 11 to 14 years have a daily calcium intake below recommended calcium intakes, and that 1 in 10 boys and 1 in 5 girls aged 15 to 18 years have an intake below the Lower Reference Nutrient Intake (LRNI)⁶. Milk and milk products are a good source of calcium, but it is not known what impact the Scheme might have on calcium intake.

⁶ Reference: Gregory J *et al* (2000) National Diet and Nutrition Survey: young people aged 4 to 18 years. Volume 1: Report of the diet and nutrition survey. London: TSO

In light of these difficulties, this analysis makes no attempt to monetise the health and behavioural benefits that may or may not arise from the national top-up.

Costs are defined as those incurred in providing the Scheme. Administration, enforcement and inspection costs are born by LEAs, the Rural Payments Agency (RPA) (who administer the Scheme) and schools. The extent to which they are a product of the national top-up depends upon how the national top-up affects demand for milk products in secondary schools. The relative size of the national top-up is unlikely to have an impact on the demand for milk products amongst secondary school children, so we are more interested in how it affects a school's decision to take part in the EU Scheme.

Here it is assumed that schools participate because of the larger EU subsidy and therefore, any running costs of providing the subsidies are attributed to that.

By assuming that the national top-up has no effect on demand in secondary schools, or the decision to participate, we are assuming there is no cost of providing the Scheme. Under this assumption there can be no health or behavioural benefits, as any found would be attributed to the EU Scheme. More evidence on why schools participate in the Scheme is needed to validate or disprove this assumption.

There is a cost to the taxpayer of providing the national top-up (currently around £1.3million), which is cancelled out by the benefit of reduced priced milk products for school children. The national top-up is a transfer from the taxpayer to the consumer (the school children). However, the benefit of a reduced price may be eroded by the following:

- Administration costs in schools reduce the amount of national top-up that is passed on to children, these are currently apportioned to the EU Scheme, but this assumption does not hold if a school participates in the Scheme because of the national top-up.
- If children substitute school milk products for less-expensive milk products bought elsewhere, then there is in fact an increase in price to them and no benefit (see Annex 1).

Option one

The cost of the national top-up is £1.3million in the low scenario and £1.3million in the high scenario. As this is our baseline, there is no change in the costs to the national top-up. This is because we are not changing the characteristics of the national top-up.

See Annex 2 for a detailed breakdown of the cost calculations to the taxpayer.

Option two

The cost of the national top-up is £1.4million in the low scenario and £1.7million in the high scenario. Compared to the baseline of £1.3million (option one), the difference in the cost to the taxpayer of the national top-up is £100,000 in the low scenario and £400,000 in the high scenario. Under the high scenario there is a risk that the national top-up will exceed the £1.5million on offer.

Over three years the additional cost of the national top-up to the taxpayer compared with the baseline, will range from £290,000 in the low scenario to £1,160,000 in the high scenario. These are matched with an equal benefit of a reduced price of milk products to school children. Therefore, the net benefit over three years is zero.

See Annex 5 for a detailed breakdown of the cost calculations to taxpayers.

Option three

The cost of the national top-up is £1.5million in the low scenario and £1.9million in the high scenario. Compared to the baseline of £1.3million (option one), the difference in the cost to the taxpayer of the national top-up is £200,000 in the low scenario and £600,000 in the high scenario. Again, under the high scenario there is a risk that the national top-up will exceed the £1.5million on offer.

Over three years the additional cost of the national top-up to the taxpayer compared with the baseline, will range from £580,000 in the low scenario to £1,740,000 in the high scenario. These are matched with an equal benefit of a reduced price of milk products to school children. Therefore, the net benefit over three years is zero.

See Annex 5 for a detailed breakdown of the cost calculations to the taxpayer.

From the analysis so far, there is little justification to increase the national top-up, extend the products currently offered or to include more children in the Scheme.

9 [If you do not agree with our assumptions, please provide more information about numbers, costs or choices](#)

With this extra information we will be able to refine our assumptions and overall costs.

E. NEXT STEPS

After the completion of the consultation we will review the responses we receive. We will also have statistical information from the first claim period under the changed rules (where the Scheme was extended to secondary schools).

This new information will help us to refine and validate our assumptions, before drafting the final Impact Assessment. We will use any additional information received to consider whether more can be done to quantify the health benefits associated with the Scheme. However, we fear that it will still prove hard to quantify the benefits of the consumption of milk under this Scheme rather than the general health impacts from the consumption of all milk. This is something we will explore with specialists in DH. There are also potential behavioural impacts from participating in the Scheme, which we will engage specialists in DCSF on.

We will use information gathered to inform us on whether the national top-up affects a school's decision to participate in the Scheme. This will enable us to better quantify the costs of providing the national top-up and similarly apportion any health and behavioural benefits we find.

Once completed, we will put the options to Ministers for a final decision.

It is unlikely that any changes to the implementation of the Scheme could be made before the 2009 summer term at the earliest.

A review of the Scheme is planned for 1 April 2011. In this review we will look at:

- the difference between take up in the first and second year of operation;
- how much interest there was in the Scheme within secondary schools;
- if some products proved more/less popular than others within primary and secondary schools;
- the administration burden within primary and secondary schools;
- the cost of the Scheme within primary and secondary schools; and
- implementation of the Scheme and RPA's recommendations.

F. SPECIFIC IMPACT TESTS

Competition Assessment

The Scheme is unlikely to have negative effects on competition.

Small Firms Impact Test

The Scheme is unlikely to have impacts on small businesses.

Legal Aid

The Scheme does not create new criminal sanctions or civil penalties.

Sustainable Development

The proposed Regulation is in accordance with the shared UK principles of sustainable development.

Carbon Assessment

The Scheme will have no significant effect on carbon emissions, as it will have minimal impact on the production of milk and milk products. There will be individual winners and losers in terms of increased or reduced trade opportunities, and therefore, some change to the carbon footprint of individual businesses, but the overall impact for the industry as a whole is unlikely to alter substantially.

Other Environment

The Scheme will have minimal impact on the nature of milk and milk product production, therefore, it will have no significant implications in relation to climate change, waste management, landscapes, water and floods, habitat and wildlife or noise pollution. However, there may be a small increase in packaging waste through the increased use of the specific milk cartons used in the Scheme.

Health Impact Assessment

The Scheme may have an impact on the health of the children involved, but these benefits will be hard to quantify.

Research has found that on average there was adequate milk consumption amongst children in primary school without the Scheme

More generally, milk and milk products, such as cheese and yoghurt, when consumed as part of a balanced diet as depicted by the Eatwell Plate (www.eatwell.gov.uk), contribute to young people's intakes of energy, protein, calcium and vitamins A and B12.

Milk and milk products make a contribution to saturated fat and energy intakes of young people (Gregory, J, et al 2000, *National Diet and Nutrition Survey: young people aged 4 to 18 years. Volume 1: Report of the diet and nutrition survey*. London: The Stationery Office).

Products such as fruit yoghurts contain sugar (though the maximum content is regulated under the Scheme), and cheese contains salt in varying amounts. The fat content of different milk products varies, and much of the fat is present as saturated fat. Both excess saturated fat and salt are linked to heart disease in later life.

Disability/Gender Equality

There are no limitations on meeting the requirements of the Scheme on the grounds of disability or gender. The Scheme does not impose any restriction or involve any requirement which a person of a particular disability or gender would find difficult to comply with. Conditions apply equally to all those involved in the activities covered by the Scheme.

Race Equality

There are no limitations on meeting the requirements of the Scheme on the grounds of race/religion/culture, as participation in the Scheme is optional and under the Scheme, goat's and sheep's milk may be subsidised as well as cow's milk.

Human Rights

The Scheme is consistent with the Human Rights Act 1998.

Rural Proofing

The Scheme is not likely to have any different effect in rural areas, as rural schools are included within the Scheme.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	Yes	No
Sustainable Development	Yes	No
Carbon Assessment	Yes	No
Other Environment	Yes	No
Health Impact Assessment	Yes	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	Yes	No
Rural Proofing	Yes	No

Annexes

ANNEX 1 – THE CURRENT SCHEME SITUATION

There are currently 199 active Scheme claimants (for primary schools) in Great Britain:

- 185 local authorities;
- 5 schools;
- 2 parish councils;
- 3 town councils; and
- 4 other organisations.

Information on the number of pupils who receive milk under the Scheme is not collected. Subsidy claims are calculated by multiplying the volume of milk distributed (up to the maximum serving size of 250ml per pupil) by the aid rate. However, take up is estimated to be around 25-30% of eligible pupils between the ages of 5 and 11.

The table below shows the current volume of products being claimed under the Scheme in England, as well as the subsidy and national top-up cost per product.

	Product	Volume (kl)	EU Subsidy Cost (£)	Top-Up Cost (£)
Primary	Plain Milk	32,986.03	3,731,648.96	1,308,914.02
	Flavoured Milk	39.47	3,805.93	1,501.10
	Plain Yoghurt	1.83	234.95	72.33
	Primary Total	33,027.32	3,735,689.84	1,310,487.45
	Total Cost of Scheme	33,027.32	3,735,689.84	1,310,487.45

Using these figures we can make a crude estimate of the number of participants in the Scheme. Assuming:

- milk is served in 189ml portions;
- yogurt is served in 120g portions;
- there are 190 days in the school year; and
- each child has one portion per day.

The table below gives an estimate of the number of primary school children taking part in the Scheme in England:

Product	Volume (kl) 2007/08	Number of Units	Number of Participants
Plain Milk	32986.026	174529238	918575
Flavoured Milk	39.456	208810	1099
Yogurt	1.831	1906071	84
Total	33027.313	176644119	919758

The current subsidy rate (September 2008) for the School Milk Scheme can be found in the table below:

		Subsidy per 250ml (p)	Subsidy per 1/3 pint (p)
Milk (Whole/Semi)	EU subsidy	3.7623	2.8506
	Top-up	0.9964	0.7549
	Total subsidy	4.7586	3.6055

These figures were calculated using an exchange rate of 0.805 (£/€).

The maximum entitlement under the Scheme is 250ml per school day. Even though pupils are entitled to this, in practice most primary schools prefer to offer 189ml (1/3 of a pint).

Most LEAs charge for the products supplied under the Scheme and they are also allowed to charge an Administration and Distribution Allowance (ADA)⁷. The amount parents are charged under the Scheme varies across England. The range is thought to be from providing it free to charging 20 pence per 189ml serving. For example, one LEA charges parents a total of 13 pence per 189ml serving (made up of 12.25 pence per 189ml for their milk, 3.97 pence ADA, then the EU subsidy and national top-up is subtracted from the total).

Supplying milk in small containers has many practical benefits for schools and parents. Children like the cartons, many of which have attractive designs. However, as a consumer group noted, it is an expensive way of buying milk (and creates additional packaging waste). It is often cheaper to buy in bulk as the figures below demonstrate.

Subsidised milk

Assuming 13 pence per 189ml serving is about average, this works out as the equivalent of 39 pence per pint, or 69 pence per litre. However, as stated above parents can be charged as much as 20 pence per 189ml serving (which works out as the equivalent of 60 pence per pint, or £1.06 per litre) or nothing depending on where they live in the country.

Supermarket milk

189ml/250ml cartons are not widely available in supermarkets as they are not commercially viable. The smallest size generally available is a pint and at present a pint of whole/semi-skimmed milk in a major supermarket is 45 pence per pint, or 79 pence per litre

However:

- 2 pints works out as 86 pence, or 76 pence per litre;
- 4 pints works out as £1.53, or 67 pence per litre; and
- 6 pints works out as £2.25, or 66 pence per litre.

From these costs it is possible to see that buying in bulk works out cheaper than buying the smaller cartons available under the Scheme. Some primary schools do buy in bulk and distribute the milk in glasses, but the majority of schools offer the 189ml cartons.

⁷ The ADA charge does not just cover administering the Scheme and the handing out of milk, but also the refrigeration of the milk. The refrigeration of milk under the Scheme is an advantage over milk a child may bring into school with their lunch, which will be warm and possibly unhealthy by lunchtime.

ANNEX 2 – OPTION ONE CALCULATIONS WITH THE CURRENT NATIONAL TOP-UP RATE

The assumptions:

- Milk is served in 189ml packs with a national top-up rate of 0.75 pence in primary schools.
- Milk is served in 250ml packs with a national top-up rate of 1 pence in secondary schools.
- Yogurt is served in 120g packs with a national top-up rate of 0.49 pence.
- Primary school take-up will be equal to that of 2007/08.

In option one we will extend the EU Scheme to include secondary schools, and both secondary and primary can provide plain milk, flavoured milk and plain yogurt. However, only primary schools are eligible to claim the national top-up. In effect this is the current situation.

Using data from last year we calculated that there were roughly 900,000 children receiving the subsidy in England.

We are uncertain about how popular the Scheme will be in secondary schools, so we will use two scenarios:

- A low scenario, where the Scheme is roughly half as popular and there are roughly 225,000 participants.
- A high scenario, where the Scheme is popular and there are roughly 450,000 participants.

The table below shows the costs to the taxpayer associated with option one:

Option One	Product	Participants	Units Per Year	EU Subsidy (£)	Top-Up (£)
Primary	Plain Milk	918,500	174,515,000	4,973,678	1,308,863
	Flavoured Milk	1,100	209,000	5,957	1,568
	Plain Yogurt	100	19,000	300	95
	Flavoured Yogurt	0	0	0	0
	Total	919,700	174,743,000	4,979,934	1,310,525
Secondary (Low Scenario)	Plain Milk	62,500	11,875,000	446,500	0
	Flavoured Milk	150,000	28,500,000	1,071,600	0
	Plain Yogurt	12,500	2,375,000	37,525	0
	Flavoured Yogurt	0	0	0	0
	Total	225,000	42,750,000	1,555,625	0
Secondary (High Scenario)	Plain Milk	125,000	23,750,000	893,000	0
	Flavoured Milk	300,000	57,000,000	2,143,200	0
	Plain Yogurt	25,000	4,750,000	75,050	0
	Flavoured Yogurt	0	0	0	0
	Total	450,000	85,500,000	3,111,250	0

The total cost to the taxpayer of the national top-up in both scenarios is £1.3million.

Subsidy rates and full calculations can be found in Annex 1.

ANNEX 3 – OPTION TWO CALCULATIONS WITH THE CURRENT NATIONAL TOP-UP RATE

In option two we will offer the existing range of products, extend the national top-up to secondary schools and keep the same assumptions as in option one.

The table below shows the costs to the taxpayer associated with option two:

Option Two	Product	Participants	Units Per Year	EU Subsidy (£)	Top-Up (£)
Primary	Plain Milk	918,500	174,515,000	4,973,678	1,308,863
	Flavoured Milk	1,100	209,000	5,957	1,568
	Plain Yogurt	100	19,000	300	95
	Flavoured Yogurt	0	0	0	0
	Total	919,700	174,743,000	4,979,934	1,310,525
Secondary (Low Scenario)	Plain Milk	62,500	11,875,000	446,500	118,750
	Flavoured Milk	150,000	28,500,000	1,071,600	285,000
	Plain Yogurt	12,500	2,375,000	37,525	11,875
	Flavoured Yogurt	0	0	0	0
	Total	225,000	42,750,000	1,555,625	415,625
Secondary (High Scenario)	Plain Milk	125,000	23,750,000	893,000	237,500
	Flavoured Milk	300,000	57,000,000	2,143,200	570,000
	Plain Yogurt	25,000	4,750,000	75,050	23,750
	Flavoured Yogurt	0	0	0	0
	Total	450,000	85,500,000	3,111,250	831,250

The total cost of the national top-up to the taxpayer in the low scenario is £1.7million and £2.1million in the high scenario.

Subsidy rates and full calculations can be found in Annex 1.

ANNEX 4 – OPTION THREE CALCULATIONS WITH THE CURRENT NATIONAL TOP-UP RATE

The assumptions:

- Milk is served in 189ml packs with a national top-up rate of 0.75 pence in primary schools.
- Milk is served in 250ml packs with a national top-up rate of 1 pence in secondary schools.
- Yogurt is served in 120g packs with a national top-up rate of 0.49 pence.
- Primary school take-up will be equal to that of 2007/08.

In option three we will extend the choice of products on offer to include fruit yogurt. Again we will use a low and high scenario.

It is assumed that the total volume of yogurt claimed will remain the same in primary schools as children will substitute fruit yogurt for plain yogurt⁸ and this will have no impact on the costs of the Scheme.

However, it is expected that fruit yogurts will be more popular in secondary schools than any of the other products. The take-up of fruit yogurt is set at roughly 150,000 participants in the low scenario and 300,000 in the high scenario. This reflects the greater autonomy over choice that secondary school children have.

In secondary schools it is also assumed that this will not reduce the take-up of other products as we will be subsidising children that already consume fruit yogurts. Data is needed on consumption of milk products in schools to make these figures more credible.

The table below shows the costs to the taxpayer associated with option three:

Option Three	Product	Participants	Units Per Year	EU Subsidy (£)	Top-Up (£)
Primary	Plain Milk	918,500	174,515,000	4,973,678	1,308,863
	Flavoured Milk	1,100	209,000	5,957	1,568
	Plain Yogurt	50	9,500	150	48
	Flavoured Yogurt	50	9,500	48	48
	Total	919,700	174,743,000	4,979,832	1,310,525
Secondary (Low Scenario)	Plain Milk	62,500	11,875,000	446,500	118,750
	Flavoured Milk	150,000	28,500,000	1,071,600	285,000
	Plain Yogurt	12,500	2,375,000	37,525	11,875
	Flavoured Yogurt	150,000	28,500,000	450,300	142,500
	Total	375,000	71,250,000	2,005,925	558,125
Secondary (High Scenario)	Plain Milk	125,000	23,750,000	893,000	237,500
	Flavoured Milk	300,000	57,000,000	2,143,200	570,000
	Plain Yogurt	25,000	4,750,000	75,050	23,750
	Flavoured Yogurt	300,000	57,000,000	900,600	285,000
	Total	450,000	85,500,000	4,011,850	1,116,250

The total cost of the national top-up to the taxpayer in the low scenario is £1.9million and £2.4million in the high scenario. It is clear that the national top-up will exceed its limit of £1.5million if we offer it at the current rate of 0.75 pence per 189ml serving on milk

⁸ Many primary schools do not choose to offer flavoured products, due to the difficulties associated with distributing the products amongst children. If a child is provided with a flavoured alternative they are more likely to choose a different flavour each day and as a result of this extra administrative burden, flavoured products are not popular with primary schools.

(primary), 1 pence per 250ml serving on milk (secondary) and 0.49 pence per 120g serving on yogurt.

Subsidy rates and full calculations can be found in Annex 1.

ANNEX 5 – COST CALCULATIONS WITH THE REDUCED NATIONAL TOP-UP RATE

Option two

The table below shows the costs to the taxpayer associated with option two in a low scenario with a reduced national top-up rate:

Low Scenario	Product	Participants	Units	Top-Up Rate (p)	Top-Up Cost (£)	EU Rate (p)	EU Cost (£)
Primary	Plain Milk	918,500	174515000	0.6	1,047,090	2.85	4,973,678
	Flavoured Milk	1,100	209000	0.6	1,254	2.85	5,957
	Plain Yogurt	100	19000	0.4	76	1.58	300
	Flavoured Yogurt	0	0	0.4	0	1.58	0
	Total	919,700	174743000		1,048,420		4,979,934
Secondary	Plain Milk	62,500	11875000	0.8	95,000	3.76	446,500
	Flavoured Milk	150,000	28500000	0.8	228,000	3.76	1,071,600
	Plain Yogurt	12,500	2375000	0.4	9,500	1.58	37,525
	Flavoured Yogurt	0	0	0.4	0	1.58	0
	Total	225,000	42750000		332,500		1,555,625
	Total cost of scheme				1,380,920		6,535,559

The table below shows the costs to the taxpayer associated with option two in a high scenario with a reduced national top-up rate:

High Scenario	Product	Participants	Units	Top-Up Rate (p)	Top-Up Cost (£)	EU Rate (p)	EU Cost (£)
Primary	Plain Milk	918,500	174515000	0.6	1,047,090	2.85	4,973,678
	Flavoured Milk	1,100	209000	0.6	1,254	2.85	5,957
	Plain Yogurt	100	19000	0.4	76	1.58	300
	Flavoured Yogurt	0	0	0.4	0	1.58	0
	Total	919,700	174743000		1,048,420		4,979,934
Secondary	Plain Milk	125,000	23750000	0.8	190,000	3.76	893,000
	Flavoured Milk	300,000	57000000	0.8	456,000	3.76	2,143,200
	Plain Yogurt	25,000	4750000	0.4	19,000	1.58	75,050
	Flavoured Yogurt	0	0	0.4	0	1.58	0
	Total	450,000	85500000		665,000		3,111,250
	Total cost of scheme				1,713,420		8,091,184

Option three

The table below shows the costs to the taxpayer associated with option three in a low scenario with a reduced national top-up rate:

Low Scenario	Product	Participants	Units	Top-Up Rate (p)	Top-Up Cost (£)	EU Rate (p)	EU Cost (£)
Primary	Plain Milk	918,500	174515000	0.6	1,047,090	2.85	4,973,678
	Flavoured Milk	1,100	209000	0.6	1,254	2.85	5,957
	Plain Yogurt	50	9500	0.4	38	1.58	150
	Flavoured Yogurt	50	9500	0.4	38	1.58	150
	Total	919,700	174743000		1,048,420		4,979,934
Secondary	Plain Milk	62,500	11875000	0.8	95,000	3.76	446,500
	Flavoured Milk	150,000	28500000	0.8	228,000	3.76	1,071,600
	Plain Yogurt	12,500	2375000	0.4	9,500	1.58	37,525
	Flavoured Yogurt	150,000	28500000	0.4	114,000	1.58	450,300
	Total	375,000	71250000		446,500		2,005,925
	Total cost of scheme				1,494,920		6,985,859

The table below shows the costs to the taxpayer associated with option three in a high scenario with a reduced national top-up rate:

High Scenario	Product	Participants	Units	Top-Up Rate (p)	Top-Up Cost (£)	EU Rate (p)	EU Cost (£)
Primary	Plain Milk	918,500	174515000	0.6	1,047,090	2.85	4,973,678
	Flavoured Milk	1,100	209000	0.6	1,254	2.85	5,957
	Plain Yogurt	50	9500	0.4	38	1.58	150
	Flavoured Yogurt	50	9500	0.4	38	1.58	150
	Total	919,700	174743000		1,048,420		4,979,934
Secondary	Plain Milk	125,000	23750000	0.8	190,000	3.76	893,000
	Flavoured Milk	300,000	57000000	0.8	456,000	3.76	2,143,200
	Plain Yogurt	25,000	4750000	0.4	19,000	1.58	75,050
	Flavoured Yogurt	300,000	57000000	0.4	228,000	1.58	900,600
	Total	750,000	142500000		893,000		4,011,850
	Total cost of scheme				1,941,420		8,991,784

ANNEX 6 – OPTION ASSUMPTIONS

Admin Burdens

According to the Business Enterprise and Regulatory Reform (BERR) website, “the Standard Cost Model (SCM) simplifies administrative costs and defines them as the costs of administrative activities that businesses are required to conduct in order to comply with the information obligations that are imposed through central government regulation” (<http://www.berr.gov.uk/files/file44503.pdf>, page 12).

As the School Milk Scheme is voluntary, it is not strictly an obligation. Schools do incur a cost if they wish to participate in the Scheme, but this is optional and they are able to recoup these costs through the EU subsidy they receive.

Evidence Base

In BERR’s Impact Assessment Guidance they state that “the Evidence Base should address any risks or uncertainties associated with the policy options or proposal under consideration” (<http://www.berr.gov.uk/whatwedo/bre/policy/scrutinising-new-regulations/preparing-impact-assessments/toolkit/page44201.html>, page 9, section 47).

Considering the above, we have employed a sensitivity around the likely popularity of the Scheme. Our analysis shows that at the current rate of the national top-up would be too expensive under both a low and high scenario. For this reason we have reduced the rate in options two and three by 20%. The new rates will be 0.8 pence per 250ml serving of milk, 0.6 pence per 189ml serving of milk and 0.4 pence per 120g portion of yogurt (see Annex 7 for more details).

ANNEX 7 – MAXIMUM NATIONAL TOP-UP RATE

In order to stay within the national top-up budget of £1.5million and using the assumptions given in Annexes 2 to 4 about projected take-up rates in secondary schools, the national top-up rate would need to be reduced.

The table below shows for each option, and each scenario what the national top-up would need to be on each product to stay within the £1.5 million in primary schools. The rates on milk and yogurt have been reduced by the same proportion.

Primary schools	Milk (189ml)		Yogurt (120g)	
	High Scenario	Low Scenario	High Scenario	Low Scenario
Option 1	0.75 pence	0.75 pence	0.5 pence	0.5 pence
Option 2	0.46 pence	0.57 pence	0.3 pence	0.38 pence
Option 3	0.4 pence	0.52 pence	0.27 pence	0.35 pence

The table below shows for each option, and each scenario what the national top-up would need to be on each product to stay within the £1.5 million in secondary schools. The rates on milk and yogurt have been reduced by the same proportion.

Secondary	Milk (250ml)		Yogurt (120g)	
	High Scenario	Low Scenario	High Scenario	Low Scenario
Option 1	1 pence	1 pence	0.5 pence	0.5 pence
Option 2	0.61 pence	0.76 pence	0.3 pence	0.38 pence
Option 3	0.54 pence	0.57 pence	0.27 pence	0.35 pence

ANNEX 8 – EU AND ENGLISH REGULATIONS

Products offered under the Scheme must at least adhere to the EU Regulations, but if guidelines in England are stricter, the latter will apply.

Product	Regulation 657/2008	SI 2008 No 1800
Plain Milk	Heat-treated milk including lactose free milk drink. Includes cows', sheep's and goats' milk. Soya products are not permitted (Annex I, Category I (a)).	Low fat milk, lactose reduced milk.
Flavoured Milk	Heat-treated milk with chocolate, fruit juice ⁹ or flavoured, containing at least 90 % by weight of the milk indicated in point (a) ¹⁰ and containing maximum 7 % of added sugar ¹¹ and/or honey (Annex I, Category I (b)).	<p>Combinations of fruit juice or vegetable juice with— low fat milk, lactose reduced milk or plain fermented milk drinks (in each case with or without plain water) in which case the milk or fermented milk drink must be at least 50% by volume and may contain vitamins, minerals and less than 5% added sugars or honey;</p> <p>Combinations of low fat milk, lactose reduced milk, plain fermented milk drinks (in each case with or without plain water) with cocoa, in which case the low fat milk, lactose reduced milk, fermented milk drink, must be at least 50% by volume and may contain vitamins, minerals and less than 5% added sugars or honey.</p> <p>Flavoured low fat milk, flavoured lactose reduced milk must be at least 90% by volume and may contain vitamins, minerals and less than 5% added sugars or honey.</p>
Fermented Milk Products (for example, Yoghurt)	Fermented milk products with or without fruit juice ¹² flavoured or non-flavoured, containing at least 90 % by weight of the milk indicated in point (a) ¹³ and containing maximum 7% of added sugar ¹⁴ and/or honey (Annex I, Category I (c))	<p>Yoghurt (including frozen).</p> <p>Plain fermented milk drinks.</p>

¹⁰ Fruit juice shall be applied in accordance with Council Directive 2001/112/EC of 20 December 2001 relating to fruit juices and certain similar products intended for human consumption.

¹¹ Heat-treated milk including lactose free milk drink.

¹² For the purpose of this category, sugar shall mean the items listed under CN code 1701 and 1702. In the case of milk- and milk derivative- based drinks, energy-reduced or with no added sugar, sweeteners shall be used in accordance with European Parliament and Council Directive 94/35/EC of 30 June 1994 on sweeteners for use in foodstuffs.

¹² Fruit juice shall be applied in accordance with Council Directive 2001/112/EC of 20 December 2001 relating to fruit juices and certain similar products intended for human consumption.

¹³ Heat-treated milk including lactose free milk drink.

¹⁴ For the purpose of this category, sugar shall mean the items listed under CN code 1701 and 1702. In the case of milk- and milk derivative- based drinks, energy-reduced or with no added sugar, sweeteners shall be used in accordance with European Parliament and Council Directive 94/35/EC of 30 June 1994 on sweeteners for use in foodstuffs.

	Flavoured and non-flavoured fermented milk products with fruit ¹⁵ , containing at least 80 % by weight of the milk indicated in Category I point (a) and containing maximum 7 % added sugar ¹⁶ and/or honey (Category II).	
Cheese	Flavoured and non-flavoured fresh and processed cheeses containing at least 90 % by weight of cheese (Annex I, Category III, IV and V).	The table in part 2 of Schedule 3 to The Education (Nutritional Standards and Requirements for School Food) (England) Regulations 2007, as amended by The Education (Nutritional Standards and Requirements for School Food) (England) (Amendment) Regulations 2008, sets out the nutritional requirements for school meals, including maximum fat content per meal. Lower fat cheese will help schools to meet these requirements. This only applies to lunches, not food at other times of the day. Fromage frais.

There are some restrictions on how the products under the Scheme can be offered. Milk or milk products used in the preparation of meals do not benefit from the EU subsidy. However, milk or milk products can be used in the preparation of meals if they do not involve heat treatment. For example, cheese can be added to a jacket potato and still be eligible for the EU subsidy. Plain and flavoured milk can be heated and still receive the EU subsidy. For example, heated milk used in cocoa is eligible for the EU subsidy.

¹⁵ For the purpose of this category, fermented milk products with fruit shall always contain fruit, fruit pulp, fruit purée or fruit juice. For the purpose of this category fruit shall mean the items listed under Chapter 8 of the Combined Nomenclature excluding nuts and products containing nuts. Fruit juice, fruit pulp and fruit purée shall be applied in accordance with Council Directive 2001/112/EC of 20 December 2001 relating to fruit juices and certain similar products intended for human consumption.

¹⁶ For the purpose of this category, sugar shall mean the items listed under CN code 1701 and 1702. The sugar added to the fruit shall be included in the maximum 7 % added sugar. In the case of milk- and milk-derivate-based preparations, energy-reduced or with no added sugar, sweeteners shall be used in accordance with European Parliament and Council Directive 94/35/EC of 30 June 1994 on sweeteners for use in foodstuffs.

ANNEX 9 – NUTRITIONAL STANDARDS AND HEALTHY EATING

A guide to the food based standards for school lunches, can be found on the School Food Trust website at:

http://www.schoolfoodtrust.org.uk/doc_item.asp?DocId=8&DocCatId=9

The food-based standards for school food other than lunch apply to all food provision up to 6pm, including:

- breakfast clubs;
- mid-morning break services;
- vending machines;
- tuck shops; and
- after school snacks and meals.

A guide to these standards can be found on the School Food Trust website at:

http://www.schoolfoodtrust.org.uk/doc_item.asp?DocId=41&DocCatId=9

The 1994 COMA report 10 (*Department of Health (1994). Nutritional Aspects of Cardiovascular Disease. Report of the Cardiovascular Review Group, Committee on Medical Aspects of Food Policy. London: HMSO.*) stated that it is highly appropriate for school aged children to consume semi-skimmed or skimmed milk in order to help regulate the amount of fat in their diets. Lower fat milk contains the same amount of calcium, protein and riboflavin as full fat equivalents.

The only milk based drinks permitted during the school day are low fat milk, or lactose reduced milk; plain fermented milk (for example, yoghurt) drinks; and flavoured low fat milk. As well as this the School Food Trust strongly encourages schools to provide drinks that are unsweetened, unfortified and additive free.

FSA healthy eating advice recommends reduced fat versions of milk products, such as semi-skimmed and skimmed milk, as good choices for those wishing to cut down on fat intakes. This recommendation does not apply to younger children, who should drink whole milk from one year of age until at least two years at which point semi-skimmed milk can be introduced if they are eating well. Skimmed or 1% milk should not be introduced to children until they are at least five years old because it's too low in calories. Also skimmed milk only contains very small amounts of vitamin A, which children need.

Schools are encouraged to provide opportunities for children to make healthier choices when it comes to milk and milk products. Schools can provide lower fat milk and milk products, which still contribute positively to a child's nutrient intakes. Consideration also needs to be given to providing certain milk products, such as cheese, less often or in smaller quantities. Some flavoured milk and milk products will contain added sugars, which if consumed regularly between meals can be bad for teeth.