

<b>Title:</b> <b>Next steps for Healthy Start: Adding Frozen Fruit and Vegetables and Minimising Voucher Misuse</b>  <b>Lead department or agency:</b> Department of Health <b>Other departments or agencies:</b> Devolved administrations for Scotland, Wales, Northern Ireland	<b>Impact Assessment (IA)</b>
	IA No: 3015
	Date: 14/02/2011
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Secondary legislation

## Summary: Intervention and Options

**What is the problem under consideration? Why is government intervention necessary?**  
 Healthy Start supports low income and disadvantaged pregnant women and families with children under four. Beneficiaries receive fixed value vouchers to spend on fresh fruit and vegetables, milk or infant formula milk. Research shows that low income families still have difficulty providing their children with a healthy, balanced diet including a variety of fruit and vegetables daily. There is therefore a need to help beneficiaries make best use of Healthy Start vouchers and to encourage them to buy and consume more fruit and vegetables of all kinds. A change to the foods that vouchers may buy can only be made through amending regulations.

**What are the policy objectives and the intended effects?**  
 To increase the effectiveness of the scheme by allowing vouchers to be spent on additional fruit and vegetable products that do not compromise its overall nutritional aims, that are economical to purchase, contribute to a healthy balanced diet, and can be clearly identified by both beneficiaries and retail staff as included in the scheme. This needs to be achieved without unacceptably increasing the risk that vouchers could be spent on fruit and vegetable products containing added fat, salt and sugar, or on foods or other products not included in the scheme.

**What policy options have been considered? Please justify preferred option (further details in Evidence Base)**

- 1) Do nothing
- 2) Add plain frozen fruit and vegetables to the scheme
- 3) Add a package of additional safeguards which could include enhanced terms and conditions for retailers accepting vouchers and new monitoring and enforcement measures (possibly requiring statutory regulation).
- 4) Combine options 2 and 3.

**In light of a public consultation exercise we have chosen Option 2, although we will work with retailers to find new ways to improve their handling of Healthy Start vouchers that do not require additional statutory regulation.**

Will the policy be reviewed? It will be reviewed	If applicable, set review date 31/03/2016
What is the basis for this review? Duty to review	If applicable, set sunset clause date: N/A
Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	Yes

**SELECT SIGNATORY Sign-off** For final proposal stage Impact Assessments:

*I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.*

Signed by the responsible Minister: AD.11 Date: 14/2/2011

# Summary: Analysis and Evidence

# Policy Option 2

## Description:

Price Base Year 2010	PV Base Year 2010	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: £190m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	£84k	Optional	Optional
High	£96k	Optional	Optional
Best Estimate	£89k	0	0

### Description and scale of key monetised costs by 'main affected groups'

There is a very small initial cost to Government due to the need to revise scheme guidance and amend voucher design. Estimates are based on timing implementation to minimise the need to write off existing stocks of Healthy Start guidance, information materials, and pre-printed voucher paper. If implementation were not carefully time then costs could rise substantially. In accordance with Department of Health guidance on impact assessments, we have applied a multiplier of 2.4 to our estimated exchequer costs of £37,000 to arrive at opportunity costs<sup>1</sup>.

### Other key non-monetised costs by 'main affected groups'

Negligible costs to retailers who must ensure that staff are aware of new products they can accept vouchers for. There are no additional costs for retailers not selling frozen fruit and vegetables.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	£0	£25m	£190m

### Description and scale of key monetised benefits by 'main affected groups'

Beneficiaries would have more flexibility to seek best value by spending vouchers on frozen fruit and vegetables where appropriate, which could effectively increase the value of the vouchers by £25m per year (assuming 25% of vouchers will be spent on frozen fruit and vegetables).

### Other key non-monetised benefits by 'main affected groups'

Beneficiaries will have more opportunities to access fruit and vegetables through the scheme and could potentially waste less fruit and vegetables purchased with vouchers.

Retailers selling frozen fruit and vegetables could gain Healthy Start voucher sales.

<b>Key assumptions/sensitivities/risks</b>	<b>Discount rate (%)</b>	3.5%
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Beneficiaries could exercise greater choice about how and where to spend vouchers locally.

Adding plain frozen fruit and vegetables does not significantly increase the risk that vouchers will be deliberately or accidentally spent on products that are not included in the scheme.

<b>Direct impact on business (Equivalent Annual) (£m):</b>	<b>In scope of OIOO?</b>	<b>Measure classified as</b>
Benefits: 0		Neutral

<sup>1</sup> It is estimated that the government foregoes the purchase of a Quality Adjusted Life Year (QALY), or a benefit of equivalent social value, for each £25,000 cost, and that QALYs have a monetary value of around £60,000 to the public.

## Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	United Kingdom				
From what date will the policy be implemented?	06/04/2011				
Which organisation(s) will enforce the policy?	HSIU/HSRU- as now				
What is the annual change in enforcement cost (£m)?	Negligible				
Does enforcement comply with Hampton principles?	Yes				
Does implementation go beyond minimum EU requirements?	N/A				
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)	<b>Traded:</b> 0		<b>Non-traded:</b> 0		
Does the proposal have an impact on competition?	No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	<b>Costs:</b> 0%		<b>Benefits:</b> 0%		
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	<b>Micro</b> 0	<b>&lt; 20</b> 0	<b>Small</b> 0	<b>Medium</b> 0	<b>Large</b> 0
Are any of these organisations exempt?	No	No	No	No	No

## Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
<b>Statutory equality duties<sup>2</sup></b> <a href="#">Statutory Equality Duties Impact Test guidance</a>	No	11
<b>Economic impacts</b>		
Competition <a href="#">Competition Assessment Impact Test guidance</a>	No	12
Small firms <a href="#">Small Firms Impact Test guidance</a>	Yes	12
<b>Environmental impacts</b>		
Greenhouse gas assessment <a href="#">Greenhouse Gas Assessment Impact Test guidance</a>	No	12
Wider environmental issues <a href="#">Wider Environmental Issues Impact Test guidance</a>	No	12
<b>Social impacts</b>		
Health and well-being <a href="#">Health and Well-being Impact Test guidance</a>	Yes	12
Human rights <a href="#">Human Rights Impact Test guidance</a>	No	13
Justice system <a href="#">Justice Impact Test guidance</a>	No	13
Rural proofing <a href="#">Rural Proofing Impact Test guidance</a>	Yes	13
<b>Sustainable development</b> <a href="#">Sustainable Development Impact Test guidance</a>	No	13

<sup>2</sup> Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

## Evidence Base (for summary sheets) – Notes

### References

No	Legislation or Publication
1	Healthy Start Next Steps consultation paper, consultation stage impact assessment, and consultation response: <a href="http://www.dh.gov.uk/en/Consultations">www.dh.gov.uk/en/Consultations</a>
2	Overall Healthy Start Equality Impact Assessment (updated March 2010). Part 1 Equality Impact Assessment on adding plain frozen fruit and vegetables (January 2011), and other documents relevant to the scheme: <a href="http://www.dh.gov.uk/en/publichealth/healthystart">www.dh.gov.uk/en/publichealth/healthystart</a>

### Evidence Base

#### Annual profile of UK-wide monetised costs and benefits\* - (£m) constant prices

	Y <sub>0</sub> (2010)	Y <sub>1</sub>	Y <sub>2</sub>	Y <sub>3</sub>	Y <sub>4</sub>	Y <sub>5</sub>	Y <sub>6</sub>	Y <sub>7</sub>	Y <sub>8</sub>	Y <sub>9</sub>
<b>Total Transition costs</b>	0.09	0	0	0	0	0	0	0	0	0
<b>Total Annual recurring cost</b>	0	0	0	0	0	0	0	0	0	0
<b>Total annual costs</b>	0.09	0	0	0	0	0	0	0	0	0
<b>Total Transition benefits</b>	0	0	0	0	0	0	0	0	0	0
<b>Total Annual recurring benefits</b>	0	25	25	25	25	25	25	25	25	25
<b>Total annual benefits</b>	0	25	25	25	25	25	25	25	25	25
<b>Business transition costs</b>	Neg	0	0	0	0	0	0	0	0	0
<b>Business annual recurring costs</b>	0	0	0	0	0	0	0	0	0	0
<b>Business annual costs</b>	Neg	0	0	0	0	0	0	0	0	0
<b>Business transition benefits</b>	0	0	0	0	0	0	0	0	0	0
<b>Business annual recurring benefits</b>	0	0	0	0	0	0	0	0	0	0
<b>Business total annual benefits</b>	0	0	0	0	0	0	0	0	0	0

\* For non-monetised benefits please see summary pages and main evidence base section

#### One In One Out

Amending Regulations to add plain frozen fruit and vegetables to the foods that Healthy Start vouchers can be spent on creates no new regulatory burdens. It is a very small change to an existing scheme that already allows vouchers to be spent on fresh fruit and vegetables, milk and infant formula milk.

Retailers selling plain frozen fruit and vegetables that have voluntarily registered to accept the vouchers will benefit from the opportunity to accept the voucher for them. Other registered Healthy Start retailers can continue to accept Healthy Start vouchers as they do now.

#### Sunset Clause

A sunset clause is not appropriate. The amendment will increase the choice and flexibility that beneficiaries have over how they use their vouchers, and reduce restrictions on what retailers can legally accept them for.

## **A. What is the problem under consideration? Summary of analytical narrative.**

### **The problem**

1. Healthy Start replaced means tested elements of the Welfare Food Scheme throughout the UK in November 2006. Introduction of the scheme met an NHS Plan 2000 commitment to reform the Welfare Food Scheme “to use the resources more effectively to ensure that children in poverty have access to a healthy diet [with] increased support for breastfeeding and parenting”.
2. Pregnant women, new mothers, and children under four in over 465,000 low income and nutritionally vulnerable families throughout the UK benefit from the scheme. They receive vouchers to spend on liquid cow’s milk, fresh fruit and vegetables, and infant formula milk, over 90% of which are used.
3. Legislation for the scheme allows the range of foods included to be amended through regulations, rather than primary legislation as before. This allows it to be more responsive to the nutritional needs of those supported.
4. Department of Health Ministers have agreed that Healthy Start should continue, but that it should be evaluated. Research and surveys have been commissioned and findings are due in late 2012.
5. The simplicity of the current range of Healthy Start foods reflects concerns that too broad, or ill defined, a range of foods could lead to vouchers being spent on products they are not intended for. This would reduce the scheme’s potential to impact on public health, and its value for money.
6. However, published research shows that low income families continue to struggle to achieve a healthy balanced diet. In particular, the lowest income groups are least likely to consume five daily portions of fruit and vegetables. In the NHS Plan 2000, the Department of Health estimated that if adults ate an average of five portions of fruit and vegetables every day, there could be up to a 20% reduction in overall deaths from chronic diseases such as coronary heart disease, stroke and some cancers. In the Cancer Plan 2000, it estimated that diet might contribute to the development of one-third of all cancers, and that increasing fruit and vegetable consumption is the second most important cancer prevention strategy, after reducing smoking.
7. Changing the range of foods that vouchers can be spent on requires amendment Regulations to be made and brought into force in each UK country. This is because the statutory power to determine the range of foods included in the scheme is devolved to the administration in each UK country.

### **The context**

8. Regulations for Healthy Start are made under powers in section 13 of the Social Security Act 1998 as amended by the Healthy and Social Care (Community Health and Standards) Act 2003. The scheme exists within the context of broader Government policies on improving public health, and on providing essential, means tested, support to those on very low incomes.
9. Developing policy on the scheme is informed by scientific advice on the nutritional needs of pregnant women, new mothers, and young children. It reflects the Government’s nutritional recommendations for these groups and evidence on the extent to which they achieve a healthy balanced diet.

## B. What are the policy objectives and the intended effects?

10. The objective is to increase the effectiveness of the scheme by including additional products that:
  - are readily available throughout a range of large and small retail outlets
  - are economically priced so that beneficiaries can exercise greater choice about how to get the best value for the vouchers they spend on Healthy Start foods
  - encourage greater consumption of fruit and vegetables
  - do not contain added fat, salt and sugar
  - can be easily and clearly distinguished by both beneficiaries and retail staff at point of sale from products that do contain added fat, salt and sugar
  - do not increase the risk that vouchers could be spent on food or non food products not included in the scheme.
  
11. A complementary objective considered before and during the consultation stage was to put in place, if necessary, proportionate and cost effective safeguards to:
  - address any existing inefficiencies in the scheme arising from retailers not checking that vouchers are used to buy only appropriate foods,
  - minimise the risk that misuse of vouchers would increase as a result of introducing a wider variety of products to the scheme over time.
  
12. As any new safeguards might have required new or more stringent statutory regulation, they were factored into the options we assessed.
  
13. We have taken account of a number of other factors when considering how the main objective can be reasonably met. These are based on feedback from beneficiaries, health professionals and retailers, including responses to this and earlier public consultations about the scheme. They are:

*Ensuring that the range of foods can continue to be simply and categorically defined so that it can be readily understood by both beneficiaries and retailers*

Defining the range of foods in a way that leaves “grey areas” about what is included, or including foods that are packaged and labelled very similarly to foods that are less healthy – particularly those containing added fat, salt or sugar – would increase confusion and the risks of deliberate or accidental non compliance with scheme rules.

*Ensuring that the scheme promotes fair and balanced messages about healthy diet*

A healthy, balanced diet contains fruit and vegetables of all kinds. The nutrients found in milk are also particularly important for very young children. The addition of any new foods should therefore be achieved without devaluing the role of milk or fresh fruit and vegetables in the scheme.

*Ensuring a proportionate approach to managing risks of voucher misuse*

Qualitative research suggests that only a minority of beneficiaries consider misuse “acceptable”. Over-regulation could have a detrimental effect as retailers might be less likely to volunteer to participate in the scheme. Or they might introduce embarrassing checks at point of sale that would deter beneficiaries from spending their vouchers at all.

### Minimising administrative burdens for retailers voluntarily participating in the scheme

Healthy Start delivery relies on the voluntary participation of a wide range of retailers, large and small. Retailers receive no handling fee for accepting vouchers – they are paid only the face value of vouchers taken. Any new measures requiring additional resourcing by retailers would risk the loss of retailers from the scheme, or high levels of non compliance.

## **C. What policy options have been considered?**

14. The following were actively considered:

- Option 1: Do nothing (baseline)
- Option 2: Add plain frozen fruit and vegetables to the foods that vouchers can be spent on
- Option 3: Add a package of additional safeguards which could include enhanced terms and conditions for retailers accepting vouchers and new monitoring and enforcement measures.
- Option 4: Combine options 2 and 3

### **Option 1: Do nothing**

15. The scheme would continue exactly as now. Some beneficiaries would find it difficult to use their vouchers to buy fruit and vegetables, and all would miss out on additional flexibility to get best value for vouchers spent on fruit and vegetables. Retailers would not be able to legally accept Healthy Start vouchers for a wider range of products. The key impacts would be:

#### Nutrition

- An opportunity to encourage low income pregnant women and families to eat more, and a wider variety of, fruit and vegetables would be missed.
- An opportunity to introduce young children to types of frozen fruit and vegetables that families might not purchase fresh (eg peas) would be missed.
- An opportunity to increase access to fruit and vegetables for scheme beneficiaries in rural and other areas not well served by large retailers would be missed.

#### Economy

- An opportunity to increase the spending power of vouchers in a way that is consistent with the scheme's nutritional aims would be missed.
- Opportunities for smaller retailers selling little fresh produce, such as some convenience stores, to gain business through the scheme would be missed. At the same time, risks that some retailers could lose income as a result of increased competition would be avoided.

#### Compliance

- Any risks that voucher misuse would increase as a result of adding new foods to the scheme would be avoided

## Option 2: Add plain frozen fruit and vegetables to the foods that vouchers can be spent on

16. Regulations would be amended in each UK country to allow vouchers to be spent on plain frozen fruit and vegetables as well as the fresh fruit and vegetables, milk and infant formula milk they can be spent on now. The key impacts would be:

### Nutrition

- It would encourage all beneficiaries to include more fruit and vegetables of all kinds into their daily family diet. Variety is a key element of the 5 A DAY healthy eating message.
- It is widely accepted that frozen fruit and vegetables can retain more vitamins and minerals than fresh produce that is stored poorly or too long. So its inclusion would benefit those who cannot access high quality fresh fruit and vegetables locally, or cannot shop as frequently. This could include those in rural and other areas not well served by large retailers, and would make it easier for them to include a variety of fruit and vegetables in their daily diet.

### Economy

- Frozen fruit and vegetables are often more economical than their fresh counterparts – especially when fresh produce is out of season. Including them would increase the buying power of vouchers spent wholly or partially on frozen fruit and vegetables. The table below shows that in August 2010 frozen produce was often around 50% cheaper than fresh in a range of popular shops. Price differences at other times of year, when fresh produce is harder to find, could be even greater.

Product		Price per kilogram (August 2010)			
		Tesco	Sainsbury	Asda	Iceland
Broccoli	Fresh	£1.98	£1.98	£1.97	£2.50
	Frozen	£0.84	£1.19	£0.84	£1.00
Green beans	Fresh	£4.17	£4.25	£3.23	£4.58
	Frozen	£0.98	£1.00	£0.98	£1.00
Carrots	Fresh	£0.76	£0.85	£0.50	£1.00
	Frozen	£1.00	£1.00	£1.00	£1.00
Peas	Fresh	£2.99	£3.00	£2.50	---
	Frozen	£0.84	£0.84	£0.84	£1.00
Blueberries	Fresh	£6.67	£8.00	£6.67	£10.00
	Frozen	£4.76	£4.17	£4.29	---
Raspberries	Fresh	£8.84	£8.82	£9.64	---
	Frozen	£4.30	£4.17	£4.29	---

- Being able to spend vouchers on frozen fruit and vegetables could help some beneficiaries reduce food waste, which would also help them get better value from the vouchers. According to the Waste and Resources Action Programme (WRAP)'s report on "The Food We Waste", published in 2009, fresh fruit and vegetables account for about 40% (by weight) of all food thrown away in the UK that could have been eaten.



### Compliance

- Extending the scheme to plain frozen fruit and vegetables, if not managed carefully, could increase risks that vouchers may be spent on fruit and vegetable products containing added fat, salt and sugar (eg oven chips, battered onion rings, or seasoned stir fry vegetables).

### **Option 3: Add a package of additional safeguards which could include enhanced terms and conditions for retailers accepting vouchers and new monitoring and enforcement measures**

17. The range of foods included in the scheme would not be changed. However, we would introduce one or more additional measures to reduce the risks that vouchers could be spent on foods not included in the scheme and/or to address any misuse that did occur. This could mean – for example - amending the terms and conditions for retailers registered to accept vouchers, perhaps to make it more explicit how they should handle vouchers at the point of sale. Or it could mean introducing additional monitoring or enforcement regimes. The key impacts would be:

### Nutrition

- There could be a small positive impact on consumption of Healthy Start foods if the risk that vouchers could be spent on less healthy products were reduced.
- However, there could be a negative impact if any additional measures to ensure compliance with scheme rules led to retailers embarrassing beneficiaries at the point of sale or to a reduction in the number of retailers willing to accept vouchers.

### Economy

- The costs to retailers of additional measures could range from negligible to substantial, depending on the measures chosen. If there were additional costs, retailers would be less willing to participate, and beneficiaries would have less choice about where to spend their vouchers and less ability to seek best value for them.
- However, a package of additional safeguards could reduce any current voucher misuse so that more vouchers were spent on Healthy Start foods.

### Compliance

- Proportionate new measures to increase compliance with scheme rules at point of sale could deter voucher misuse.

### **Option 4: Combine options 2 and 3 (add plain frozen fruit and vegetables to the range of foods that vouchers can be spent on, alongside a package of additional safeguards which could include enhanced terms and conditions for retailers accepting vouchers and new monitoring and enforcement measures)**

18. We would both amend Regulations to add plain frozen fruit and vegetables to the scheme and put in place additional measures to prevent and address risks that vouchers might be spent on products they are not intended for – which could require additional legislation. The key impacts would be:

### Nutrition

- As for option 2. New measures to reduce risks that vouchers could be spent on less healthy foods could enhance any positive nutritional impact of adding frozen fruit and vegetables.
- However, measures that were stringent or costly for retailers to implement could reduce the number of retailers willing to accept vouchers for Healthy Start foods.

### Economy

- As for options 2 and 3. The cost of new measures could, however, balance the negative impact of any increase in the number of vouchers that might be spent on products they should not be as a direct result of adding frozen fruit and vegetables to the scheme. New measures could also reduce risks associated with adding more foods over time.

### Compliance

- As for option 3.

## **Public consultation outcome**

19. A copy of the Government's response to the consultation has been published at [www.dh.gov.uk/consultations](http://www.dh.gov.uk/consultations). It demonstrates overwhelming support for adding plain frozen fruit and vegetables to Healthy Start, with 90% of respondents agreeing wholeheartedly that this should definitely be done, and a further 6% that it might be a good idea. Many commented that frozen fruit and vegetables are economical to purchase, readily available, and can help families to waste less food. Among beneficiaries who responded, 70% said they would eat more fruit and vegetables of all kinds if they could also choose plain frozen fruit and vegetables. Over 70% of health professionals said it would help them encourage low income families to eat more fruit and vegetables.
20. Over 70% of respondents had not come across instances of retailers accepting vouchers for products not included in the scheme. Of those who had, many said their evidence was anecdotal and they had not directly witnessed it. Only 14% said that the risks of voucher misuse would increase if plain frozen fruit and vegetables were added to the scheme, and a further 3% said that they might. Among these, a number said that the benefits still outweighed the risk and that the risks could be managed if clear and comprehensive guidance is made available for beneficiaries and retailers.
21. Around 65% said that the terms and conditions for retailers accepting vouchers should be strengthened or clarified, and around 66% said retailers should be subject to more monitoring or enforcement. However, there was no consensus on how terms and conditions should be strengthened, or what form monitoring and enforcement should take. There was no significant support for any measures requiring additional statutory regulation.
22. In light of comments made during the consultation, and particularly the immense support for adding plain frozen fruit and vegetables to the scheme, we will amend regulations to implement this change as soon as possible. However as there remains no objective evidence of a significant current issue with vouchers being accepted for products they should not be, and as the consultation did not indicate any strong need for further statutory measures to address concerns about voucher misuse, we do not intend to strengthen this aspect of the legislation governing the scheme. We will instead explore with retailer organisations how we can work in partnership to improve the way that retailers handle Healthy Start vouchers within the existing legal powers, and measure progress, with a view

to avoiding the need to impose further legal restrictions. For the purposes of impact assessment, we have therefore chosen option 2, rather than option 4 (which was originally presented as our preferred option). Information gained during the consultation will nonetheless inform discussions with retailers, and future decisions on the way forward.

## **D. Option 2 :Impacts, Costs and Benefits**

### **Costs**

23. There will be a one-off transitional cost to Government arising from voucher redesign, and revision of scheme guidance for beneficiaries, retailers, and health professionals. We would propose to do this as part of a routine annual exercise to update and re-issue scheme materials for the new financial year. It would be significantly more cost effective than a bespoke communications exercise and would allow us to keep costs very low, at an estimated £37,000. If implementation were not timed to co-incide with a routine guidance updating exercise, then the costs could increase significantly and so we are flagging this as an avoidable risk.
24. Retailers already have arrangements in place to keep point of sale staff up to date with developments that affect them. Information about the new products that retailers will be able to accept vouchers for can be easily included in these arrangements, based on the revised guidance. Those retailers that do not sell frozen fruit and vegetables would need to do nothing to inform staff about the change. We therefore consider the costs to retailers of informing staff about the change, where this is necessary, would be negligible.
25. On the basis that most respondents to our public consultation did not consider that the addition of plain frozen fruit and vegetables to the scheme would increase the risks of voucher misuse, we have not made allowance for this possibility in our cost/benefit analysis.

### **Benefits**

26. There could be an estimated annual £25m monetised benefit for beneficiaries of Healthy Start arising from an increase in the spending power of vouchers spent wholly or partially on plain frozen fruit and vegetables. This assumes that 25% of vouchers will be spent on frozen fruit and vegetables and that frozen produce is 50% cheaper than fresh. Many beneficiaries responding to the consultation commented that the low cost of frozen fruit and vegetables was an important reason to include them in the scheme, and some said they would purchase more fruit and vegetables than they do now if this change was made.

### **Specific Impact Tests**

#### *Statutory equality duties*

27. Responses to the consultation support our view that Option 2 does not have any significant impact on equality. This option increases choice and flexibility for all those supported by Healthy Start, without imposing any new restrictions on either beneficiaries or the retailers they use. A full equality impact assessment has therefore not been carried out but a Part 1 equality impact assessment screening template has been completed and published at [www.dh.gov.uk/en/publichealth/healthystart](http://www.dh.gov.uk/en/publichealth/healthystart).

### *Competition and small firms*

28. Extending the scheme to include plain frozen fruit and vegetables will increase choice for beneficiaries and so will slightly broaden the scope for competition between Healthy Start retailers. No formal competition assessment is warranted.
29. Healthy Start retailers selling frozen fruit and vegetables may reap a small positive benefit if beneficiaries choose to spend more of their vouchers with them. However, small and specialist retailers that do not sell frozen fruit and vegetables - such as greengrocers, doorstep milk deliverers and pharmacies - will not benefit from this new opportunity to compete with other retailers. Dairy UK has told us that its members believe that dairy businesses of all sizes could lose up to 5%, but more likely 2-3%, of their total Healthy Start voucher sales as a result of customers choosing instead to spend vouchers with retailers that sell both frozen produce and milk. Across the UK, approximately 3,700 milk rounds-men accounted for just over 5% (£5.1m worth) of Healthy Start vouchers in 2009/10. Three percent of this would be £153,000, or an average of £41 in lost voucher sales per business. Based on our Small Firms Impact Assessment (at Annex B), we therefore determine that the overall impact on small and micro retailers accepting Healthy Start vouchers is small.

### *Greenhouse gas assessment and wider environmental issues*

30. Option 2 will lead to some beneficiaries choosing to spend their vouchers on different Healthy Start foods than they do now. However, even where vouchers are currently being spent on fresh fruit and vegetables, milk or formula milk, there is an impact on the environment. For example, many fresh fruit and vegetables chosen are packaged rather than loose, and may well have been imported or transported considerable distances prior to purchase. The type of fruit or vegetable chosen, the length and type of storage at home, the cooking method used (where applicable), and how much is wasted and disposed of, will vary widely. Milk can be purchased in tetrapaks, plastic or glass bottles.
31. As the precise impact will depend on the choices made by Healthy Start beneficiaries about what products to spend vouchers on, the type of packaging, their chosen storage and cooking method (where appropriate), and the amount of food wasted, there is no accurate or proportionate way to assess the specific impact on the environment of Option 2. We have also borne in mind that the purchases families make with vouchers represent only a small proportion of a family's total food purchases – and Healthy Start choices are as likely to be influenced by their broader purchasing and dietary preferences as the change we are making. We therefore consider that the specific impact of the change is likely to be negligible and does not warrant a full greenhouse gas assessment.

### *Health and Wellbeing*

32. The potential impact on health and wellbeing has already largely been covered in this impact assessment. Option 2 will increase the spending power of Healthy Start vouchers where beneficiaries choose to spend them wholly or partially on frozen fruit and vegetables, and should encourage greater consumption of fruit and vegetables amongst families that are among the least likely to consume five portions daily. Important though this is, however, the specific contribution to individual low income families' overall health and financial circumstances is likely to be extremely small because the vouchers make only a very small contribution to their weekly food costs. Based on the average number of vouchers issued to Healthy Start families now, and assuming 52 x £3.10 vouchers per person per year, if 25% of these vouchers are spent on frozen fruit and vegetables it would equate to an increase in voucher spending power of £40 in Healthy Start foods per person annually.

33. Option 2 would not create any new demand on health, public health or social care services. Health visitors and midwives already promote Healthy Start, countersign applications, and offer information and advice on breastfeeding and healthy diet when doing so. This will not change.

#### *Human Rights*

34. Option 2 has no implication for human rights.

#### *Justice System*

35. Option 2 has no impact on the justice system.

#### *Rural proofing*

36. Option 2 confers additional choice and flexibility that may particularly benefit those in rural areas without access to a range of large and well stocked retail outlets. Many of the small convenience stores and general village stores that are important to beneficiaries in rural areas could also gain Healthy Start voucher sales from the change. Again, though, as Healthy Start voucher purchases make up only a very small proportion of a family's purchases, the overall impact on rural economies will be very small.

#### *Sustainable Development*

37. Option 2 has no impact on the NHS Estate. Adding plain frozen fruit and vegetables could provide more opportunities for health professionals to suggest practical ways in which low income families can include more fruit and vegetables in their diet. However, many health professionals responding to our public consultation did not think it would have a significant effect.

## **E. SUMMARY AND WEIGHING OF OPTION 2**

<b>Table : Costs and benefits and other factors associated with the short listed options (UK figures)</b>							
<b>OPTIONS (against Option 1)</b>	<b>COSTS (£)</b>		<b>BENEFITS (£)</b>		<b>NET BENEFITS (£)</b>	<b>Equality/ Other Impacts</b>	<b>QIPP Compliance</b>
	<b>Central</b>	<b>Worst</b>	<b>Central</b>	<b>Worst</b>			
<b>Option 2:</b>	<b>£0.09m</b>	<b>£0.1m</b>	<b>£225m</b>	<b>N/A</b>	<b>£225m</b>	<b>N/A</b>	<b>N/A</b>
<b>Option 2: NPV</b>	<b>£0.09m</b>	<b>£0.1m</b>	<b>£190m</b>	<b>N/A</b>	<b>£190m</b>	<b>N/A</b>	<b>N/A</b>

Impact Assessment Responsible Analysts:

Robert Anderson

Clive Pritchard

Department of Health, 25 January 2011

## Annex 1: Post Implementation Review (PIR) Plan

<p><b>Basis of the review:</b></p> <p>Policy on Healthy Start is kept under review on the basis of developing scientific evidence on the nutritional requirements of low income pregnant women, new mothers, and very young children. We will take a view by 31 March 2016 on the impact of implementing Option 2 within the broader context of the scheme.</p>
<p><b>Review objective:</b></p> <p>To assess whether amendment Regulations have had the intended effect.</p>
<p><b>Review approach and rationale:</b></p> <p>We will analyse routine management information from the scheme, as well as the findings of relevant UK nutritional surveys and broader research that already been commissioned. Further research and surveys may be commissioned if appropriate, subject to successful prioritisation and funding being available.</p>
<p><b>Baseline:</b></p> <p>Average UK scheme uptake 2009/10: 79% of those eligible. Percentage of vouchers used in 2009/10: 91% Trends in fruit and vegetable consumption/nutritional status among low income groups are also relevant.</p>
<p><b>Success criteria:</b></p> <p>Any increase in the percentage of vouchers used against 2009/10 (and 2010/11) figures. Any increase in the proportion of eligible women and families taking up the scheme against 2009/10 (and 2010/11) figures. Any increase in the extent to which low income families purchase/consume fruit and vegetables.</p>
<p><b>Monitoring information arrangements:</b></p> <p>Comprehensive management information is routinely collected on scheme take up and voucher usage rates Formal research has been commissioned to assess how vouchers are being used. There are a number of existing survey mechanisms that measure nutritional status and dietary choices of different socio-economic groups. The need for any further monitoring or evaluation will be considered within the context of broader priorities.</p>

## Annex B: Small Firms Impact Test

1. We used information held in the Healthy Start retailer database to assess the extent to which small businesses might be affected by the proposals we have consulted on. We also directly approached a number of small retail businesses throughout the UK, using the Department for Business, Innovation and Skills' database and the Healthy Start retailer database to source contacts. Retailers could also respond to a simple survey linked to the public consultation and posted on the Healthy Start Reimbursement Unit website.
2. Though we received less feedback from small retailers than we had hoped, the information we have obtained from them and other consultation respondents is enough to confirm our views on the potential impact of our chosen way forward.

### *Businesses likely to be affected*

3. The table below provides a breakdown of all retailers registered to accept Healthy Start vouchers in September 2010, and indicates the number/percentage of all vouchers spent with each retailer type between July and September 2010.

Category	Number of businesses registered in Sept 10	As %age of all businesses registered in Sept 10	Number of vouchers submitted for payment to HSRU Jul-Sept 10	As %age of total number of vouchers submitted for payment Jul-Sept 10
Food Co-Op/Box Scheme	336	1.70%	26,767	0.34%
Independent Chemist	1, 186	5.98%	43,916	0.56%
Independent Retailer	12,503	63.22%	1,138,570	14.39%
Milk Roundsman	3,652	18.47%	403,379	5.10%
Multiple Chemist	274	1.38%	327,737	4.14%
Multiple Retailer (franchised)	746	3.77%	110,989	1.40%
Multiple Retailer (non-franchised)	646	3.27%	5,744,965	72.62%
Wholesaler	149	0.75%	89,990	1.14%
Market Trader	284	1.44%	24,610	0.31%
TOTAL	19,776	100%*	7,910,923	100%*

4. The database does not hold information on the size of retail businesses, or the number of employees they have. However, we have made the following assumptions:

Category	Estimated No. of Employees
Food Coop or Box Scheme	<20
Independent Chemist	<20
Independent Retailer	<20
Milk Roundsman	<20
Multiple chemist	>50
Multiple retailer (franchised)	<20*
Multiple retailer (non-franchised)	>50
Wholesaler	>50
Market Trader	<20

\*Note: This category in particular actually contains a variety of larger and smaller businesses. We have assumed for the purposes of this impact test that all are likely to be single outlets with few staff, but it is inevitably an overestimate.

- On the basis of these assumptions, as many as 94.5% of all retail businesses registered to accept Healthy Start vouchers throughout the UK are small, and probably also micro, businesses.
- Between them they account for 22% of all Healthy Start vouchers spent throughout the UK – in 2009/10 their Healthy Start voucher sales would have been worth £22m. The majority of vouchers spent in the UK (nearly 73%) are accepted by non-franchised multiple retailers - ie supermarkets.
- Small and micro businesses currently account for a higher proportion of Healthy Start vouchers spent in Scotland, Wales and Northern Ireland than in England:

Percentage of all Healthy Start vouchers spent with small and micro retailers, July-September 2010			
England	Scotland	Wales	Northern Ireland
19.61%	53.33%	96.42%	71.06%

### *The potential impact of adding frozen fruit and vegetables*

- The majority of small and micro businesses registered to accept Healthy Start vouchers are general grocery retailers (convenience stores and franchised multiples) selling a variety of food products including frozen fruit and vegetables as well as fresh. Some may even stock more frozen produce than fresh. They could therefore be able to compete better for Healthy Start voucher sales if scheme beneficiaries are allowed to spend their vouchers on these foods. To reap the benefit, they would need to do no more than ensure that staff are aware that they can additionally accept vouchers for plain frozen fruit and vegetables.
- Independent chemists, with few exceptions, are only able to accept Healthy Start vouchers for infant formula milk. Bottle-fed babies in families getting Healthy Start vouchers will continue to need formula milk until they are one year old regardless of which other foods are available through the scheme.
- Neither of these two categories of retailer are therefore likely to lose out as a result of the addition of frozen fruit and vegetables to Healthy Start. Taking them out of the equation, the percentage of



Healthy Start voucher sales accounted for by other kinds of small and micro retailers across the UK is very small – less than 6%. Again, there are differences by UK country, as set out below:

Percentage of all vouchers spent with small and micro retailers (excluding general grocery retailers and chemists) by UK country, July-September 2010			
England	Scotland	Wales	Northern Ireland
5.31%	7.97%	17.66%	23.18%

11. These retailers include milk roundsmen, food co-ops and market stalls. Their losses would be as a result of increased competition from retailers selling frozen produce - including other small and micro retailers.
  
12. The majority are milk roundsmen and it could be argued that families that have made a specific choice to spend their Healthy Start vouchers on milk rather than fruit and vegetables may well be less likely to change their habits. However, figures provided by Dairy UK suggested that dairy businesses believe they could lose up to 5 %, but more likely 2-3% of their Healthy Start voucher sales as a result of increased competition from retailers that sell both frozen produce and milk. Spread evenly across the approximately milk roundsmen this would equate to approximately £41 in lost Healthy Start voucher sales per business per year.

*The potential for alternative approaches for regulating smaller retail businesses*

13. It would be undesirable and impractical to limit the ability to accept Healthy Start vouchers for frozen fruit and vegetables only to larger retailer businesses registered to take part in the scheme. This would be detrimental to scheme beneficiaries reliant on small retailers, including those in rural areas, deprived urban areas, as well as those with disabilities. It would also disadvantage the many small retailers participating in Healthy Start that sell, or could sell, frozen fruit and vegetables as scheme more beneficiaries could opt to spend their Healthy Start vouchers in supermarkets.

*Conclusion*

14. Adding frozen fruit and vegetables to Healthy Start is likely to have a very small positive impact on the majority of small and micro businesses registered to accept vouchers and which already sell frozen produce. It could have a neutral or negative impact on the minority of small and specialist retail businesses that do not sell frozen produce. Any negative impact will be the result of increased competition from other Healthy Start retailers and will not arise from any new financial or administrative burdens.