



Department
of Health

Next Steps for Nursery Milk

Government Response

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Government Response

**Prepared by the Nursery Milk Team, Public Health Nursing Division,
Department of Health**

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Executive Summary

The Government has carried out a consultation on the operation of the Nursery Milk Scheme with the aim of improving the way it works and its value for money¹. The Department of Health consultation ran from 18 June until 23 October 2012. The intention, as the Prime Minister made clear, is to continue the scheme with no changes to the criteria for eligibility.

The Nursery Milk Scheme is a GB wide scheme and the Department of Health conducted the consultation for England, Scotland and Wales. This response has been endorsed by the respective governments.

Under the Nursery Milk Scheme, all children under five in a childcare or early years setting for two or more hours a day, are eligible to receive a free daily drink of milk (1/3 pint). This includes some 4 year olds in reception classes at primary schools. For children under one year old, this is given as infant formula. The Nursery Milk Scheme reimburses childcare providers for the full cost of purchasing milk they provide - free of charge, to children in their care. It funds free milk for around 1.5 million children under five years old – in 55,000 childcare settings throughout Great Britain. (A similar parallel scheme operates in Northern Ireland but that scheme was not part of this consultation.)

In parallel with the public consultation, we asked all childcare providers currently registered with the scheme to complete a survey about how the scheme works for them now, and how potential changes might affect them and the children they care for.

The Government also completed an Impact Assessment of the proposed options and having considered this and the evidence from the consultation, has arrived at the conclusion that the best way forward for the Nursery Milk Scheme is the direct supply option.

In its current form, the legislation governing the scheme provides for full reimbursement of the cost of the milk. Whilst childcare providers are encouraged to seek value for money, there is no set limit on the price that can be claimed. Although the amount of milk supplied under the scheme has risen by 26% since 2009/10, the total cost of the scheme has risen by 52%. If we leave the scheme operating as it is, we believe that higher cost suppliers of milk will continue to increase their market share - resulting in sustained increases in public expenditure. We need to improve the operation of the scheme to deliver better value for money, and to improve the way the scheme works, while ensuring that all eligible children under five continue to be entitled to receive free milk.

¹ <http://consultations.dh.gov.uk/nurserymilk/nextsteps>

Of the three options for change proposed in the consultation, Direct Supply is preferred by most respondents; 53% of respondents ranked it 1st. Capping the price that can be claimed for milk was the next preferred option; ranked 1st by 39%. E-vouchers were liked the least; ranked 1st by 16%. These figures do not add up to 100% because some respondents ranked some options more than once.

The Department will use the early market engagement phase to seek feedback from suppliers as part of informing our commercial approach. Tenders will then be advertised in OJEU and Contracts Finder, where SMEs can access both live and potential opportunities from UK Central Government departments.

All suppliers, big and small, will have the opportunity to attend a briefing day on how they can support the new Nursery Milk Scheme contract. The tender for the new contract will emphasise the Government policy on including SMEs in the supply chain.

To facilitate transition to the new scheme, the Department is also planning to regulate to change the time limit for making a claim under the existing scheme from two years to six months from October 2014. Settings claiming for milk purchased before October 2014 would still have two years from the purchase date to claim for this milk. Milk purchased after October 2014 would have to be claimed within six months of the purchase date.

Childcare providers and the milk industry will already have been aware from the Consultation that the Department was considering a change to the operation of the scheme. Potentially a large number of childcare providers may need to change their supplier under the new scheme. Childcare providers should therefore be mindful about the length of any new contracts and extensions in view of the new scheme. The Department will, in addition, notify childcare providers and the milk industry about changes to the scheme.

The analysis of the responses to the consultation and the analysis of the childcare providers survey were carried out by an independent organisation under contract to the Government and the facts recorded are set out at Annex A.

The Options Considered

The following options were set out in the consultation document:

Do nothing

1. If we do nothing, we believe that those supplying milk at a higher cost will continue to increase their market share, further escalating the cost of the scheme.

Cap the price that can be claimed for milk

2. An upper limit on the price that can be claimed for milk would be introduced.

Issue e-voucher cards with devolved incentives for childcare providers to buy milk economically

3. Childcare providers would have to indicate how many children normally attend for two or more hours per day. They would then be credited with a monthly payment equal to the number of pints required, multiplied by a fixed reimbursement rate. The rate would be set at an average market price per pint.

Contract with a company or consortium of companies, for the direct supply and delivery of milk to all childcare providers

4. The Department of Health would contract with a company, or a consortium of companies/milk suppliers, for the direct supply of milk to all childcare providers registered with the scheme, at an agreed price per pint. Childcare providers would register, indicating the number of children in attendance and then receive the appropriate amount of milk - delivered direct to the doorstep.

Engagement with Stakeholders

1. During the consultation process we engaged with a wide range of stakeholders including parents, childcare providers and milk producers. We have also engaged specifically with representatives of the dairy industry and local government to seek their views on how they might be affected.
2. 3,350 responses were received to the consultation and 2,258 responses were received to the survey of childcare providers. The consultation responses were from a broad range of stakeholders including:
 - pre-school organisations
 - nurseries
 - playgroups
 - local authorities
 - healthcare organisations
 - milk suppliers
 - members of the public.
3. The Department wishes to thank all those who commented on the consultation or completed the survey.

1. Introduction

- 1.1. The Nursery Milk Scheme is governed by legislation – the enabling powers are in the Social Security Act 1988, and the principle regulations are the Welfare Food Regulations 1996. This legislation requires the Secretary of State for Health or his/her officials to register childcare providers, to approve their claims for reimbursement and to authorise their payment for nursery milk provided to eligible children in their care. Under the Deregulation and Contracting Out Act 1994, Health Ministers are allowed to authorise a contractor to provide these services.
- 1.2. Over recent years, the prices claimed for milk provided under the scheme have risen significantly, with some claims as high as 92p a pint.
- 1.3. This has largely arisen as agents have contracted with childcare providers to supply and deliver the milk to them and then claim for the cost of the milk on their behalf, rather than the childcare providers buying the milk and claiming for the cost of the milk themselves. This, together with the increase in children participating in the scheme, has caused the total cost of the scheme to rise from £27m in 2007/08 to £61m in 2012/13.
- 1.4. If we leave the scheme operating as it is, we believe that high cost suppliers of milk will continue to increase their market share. If nothing is done to contain costs, the total annual cost of the scheme is expected to rise to £80m by 2015/2016. The Government's drive to improve availability and quality of childcare may also increase the number of children eligible for Nursery Milk.
- 1.5. We therefore need to improve the operation of the scheme to deliver better value for money and make it sustainable, while ensuring that all eligible children continue to receive free Nursery Milk.

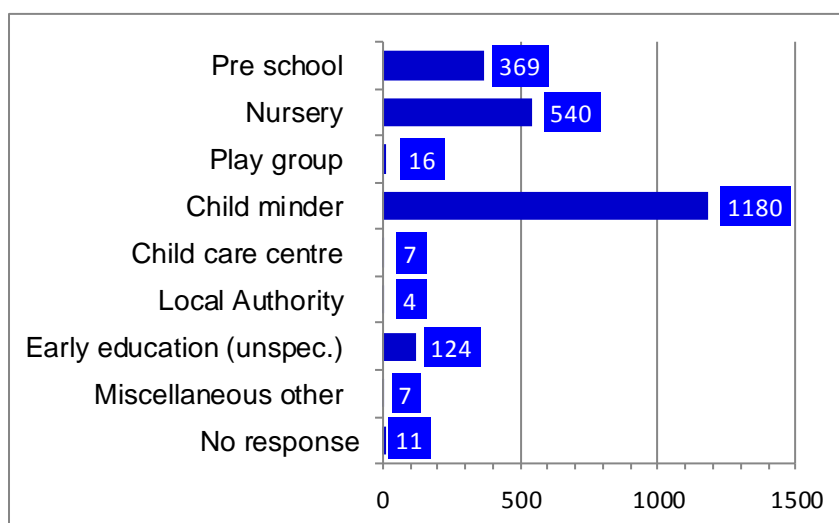
2. Analysis of the Responses

- 2.1. The analysis looked at the long-term feasibility, sustainability, cost effectiveness and benefits of each option and identified associated risks and uncertainties.
- 2.2. The consultation found that there is an extremely high level of satisfaction with the current scheme and many respondents (all types of organisations), would like the current scheme to continue unchanged. However, many consultation respondents also appreciate that the Government has an obligation to ensure that the scheme delivers best value for money. An alternative system that could make significant cost savings, would be acceptable - provided it continues to deliver the same level of choice in terms of product, purchase, administration and reliable delivery (where required).
- 2.3. A total of 3,350 organisations responded to the consultation. 3,140 completed the online questionnaire, 166 completed printed postal questionnaires downloaded from the Department of Health website and 44 organisations sent email responses.

Nursery Milk Survey of Childcare Providers – Key Findings

- 2.4. Most childcare provider respondents in the survey indicated high levels of satisfaction with the current Nursery Milk Scheme, with only 10% expressing dissatisfaction.
 - The organisations participating in the survey included child minders, (1180 organisations, 52% of the sample); nurseries (540 organisations, 24% of the sample); pre-schools (369 organisations, 16% of the sample); unspecified early education settings (124 organisations, 5.5% of the sample); Play Groups (16 organisations, 0.7% of the sample); Childcare Centres (7 organisations, 0.3% of the sample); Other named settings (7 organisations, 0.3% of the sample); Local Authorities (4 organisations, 0.2% of the sample). 11 organisations (0.5% of the sample) did not identify which type of organisation they were.
 - 88% of childcare providers have their milk delivered to their premises.
 - 95% of childcare providers purchase either whole milk or semi-skimmed milk.
 - 76% of childcare providers buy milk in plastic bottles, 31% in tetra pak cartons. Both types of material involve a mix of 1/3 pint and larger sized cartons.
 - The majority (89%) of the childcare providers responding to the survey were located in England, 6% were located in Scotland and 4% in Wales.

2.5. Responses to the Survey



2.6. Nursery Milk Scheme Consultation – Key Findings

- 53% of respondents ranked the direct supply option as their 1st preference compared to 39% for the price cap option and 16% for the e-voucher option.
- Whole milk and semi skimmed milk are the two main types of milk purchased by childcare providers and 95% of all childcare providers responding to the question use either whole milk, semi-skimmed milk, or both.

3. Appraisal of the Options

Capping (ranked 1st by 39%)

- 3.1. Capping the amount that can be claimed per pint could enable the current scheme to continue to operate, while controlling costs for the future. The Impact Assessment has estimated that capping the cost per pint could deliver savings averaging between £27 and £38million per year over the next 10 years.
- 3.2. 3,096 (92%) people that responded to the consultation gave feedback on circumstances other than geographical isolation that could affect childcare providers' ability to purchase milk at the normal market rate, as follows:

Five Prompted Reasons

- 1,853 (60%) - lack of transport
 - 1,555 (50%) - a long way from nearest shops
 - 1,212 (39%) - special milk required for religious or cultural reasons, e.g. Kosher
 - 1,091 (35%) - small number of children looked after
 - 1,058 (34%) - require single-serve packaging.
- 3.3. 15% mentioned other circumstances (excluding the five prompted ones above) that could affect childcare providers' ability to purchase milk at the normal market rate. These included:
 - the availability of staff to shop around and look for cheap milk and/or go out and buy the milk and most importantly its impact on adult : child ratios
 - a limited refrigerated storage space for milk
 - it is inconvenient to have to go to the shop each day/it is more convenient to have milk delivered
 - time constraints/no time available
 - extra costs incurred
 - collecting and carrying large volumes of milk (especially mentioned for larger childcare providers) – it is heavy and some don't have doorstep parking
 - dietary requirements – milk allergies and intolerance mainly
 - the cost of staff time/petrol/vehicle and parking cost to collect milk
 - a desire to support local businesses/local milk providers (including several mentions of helping to sustain a local milk delivery service)
 - extra costs incurred in staff/management administration time.
 - 3.4. The consultation responses revealed a perceived risk that a low cap on the price of milk could undermine the ability of some childcare settings to obtain milk within the capped

price, leaving these settings unable to re-claim total costs from the scheme. The responses also highlighted additional costs that childcare settings could incur in order to procure milk within the cap, such as the staff time required to shop around for milk, having to travel longer distances to procure milk within the cap, or the costs of storing refrigerated milk on the premises for longer periods (as a low cap may not cover the costs of delivery). Respondents also suggested that these costs could be compounded for smaller childcare settings.

- 3.5. Additionally, some childcare providers, such as reception classes in primary schools (where children under 5 are eligible for Nursery Milk) have no staff or facilities to wash drinking cups and may therefore require milk to be supplied in single-serve packaging, which tends to be more expensive - the average price paid by respondents to the survey for this type of pack was 28.8p per 1/3 pint (equivalent to 86p per pint). 29% of respondents said they served their milk in this way and the proportion may be significantly higher by volume of milk consumed.
- 3.6. The cap would, therefore, have a detrimental impact on a significant minority of childcare providers who would no longer be able to provide milk in single-serve packaging within the cap on price per pint. Setting the cap at a higher level may resolve some of these issues. However this would reduce the opportunity to make savings against the costs of the current scheme. Allowing for regional variations in the cap could allow for regional differences in cost to be taken into account but could considerably add to the administrative complexity, and administrative costs, of the scheme.
- 3.7. Addressing all of the concerns of those responding to the scheme could make the capping option difficult to implement and maintain, while delivering the required savings on costs.

E-Voucher (ranked 1st by 16%)

- 3.8. Issuing an e-voucher to childcare settings could help to ensure that costs per pint are capped, and provide an incentive for childcare settings to shop around for the best priced milk. Savings against the cap could, therefore, be spent on additional benefits (such as additional nursery milk). This option could, therefore, deliver many of the financial benefits of cost-capping but provide additional incentives to childcare settings.
- 3.9. However, this option is not considered in the Impact Assessment for the reasons given below, and at paragraphs 60-66 of the Impact Assessment document. Expected savings from this option would be very similar to those of the capping option, but with additional running costs estimated at around £3.7m per year.

- 3.10. Consultation responses showed that e-vouchers are the least popular option with both childcare providers and milk suppliers. 16% of respondents selected it as their preferred option.
- 3.11. 58% of the 2,541 childcare providers that answered this question in the consultation said they would feel comfortable using an e-voucher card compared to 42% that said they would not.
- 3.12. Respondents expressed concern that there may be a risk to the government from this system being open to abuse/over claiming. 53% believe there is a risk the e-voucher could be used inappropriately. They suggested measures that could be put in place to avoid the risk, some of which related specifically to mitigating the risk of providers buying milk for personal use or over claiming.
- 3.13. As with price capping e-vouchers have the disadvantage that, unless the milk allowance paid by the Government is high, it is likely that childcare providers will not be able to afford delivery. Most childcare providers currently receive deliveries of milk (88% of survey respondents) and having to collect the milk themselves will impose a further burden on them.
- 3.14. It would also be problematic to set a price per pint given price variations around the country. Many respondents expressed the concern that childcare providers in an area where milk prices are above average would not be prepared to buy the milk using an e-voucher. The need to issue vouchers and to support retailers in accepting these would also add further administrative complexities to the system, increasing costs.
- 3.15. The lack of support for this option amongst survey respondents, and the additional administrative complexities, provided powerful arguments against e-vouchers as an option for modernising the Nursery Milk Scheme early on.

Direct Supply – (ranked 1st by 53%)

- 3.16. Under a Direct Supply option a supplier, or consortia of organisations, would contract centrally with the Department of Health to supply milk to all eligible settings. This option is likely to be the most administratively simple and it is estimated that it could generate savings averaging between £25 and £47 million per year over the next 10 years.
- 3.17. This is the option favoured by most of the respondents – with over half ranking it as their first preference. The survey of childcare providers also shows that 88% of childcare providers already have their milk delivered to their premises.
- 3.18. Some respondents thought that childcare providers using low volumes of milk and childcare providers located in remote/isolated areas would be disadvantaged if the

direct supply of milk is introduced. However we believe that a scheme can be procured that commits suppliers to providing milk to more remote settings.

- 3.19. The Direct Supply option is likely to have the lowest administrative costs of any of the options being considered because a company/consortium running the scheme – including the administration – would have the opportunity to deliver efficiencies of scale. For childcare providers there would be no financial outlay and no need to claim reimbursement or keep receipts, thereby delivering them an administrative saving.
- 3.20. We also believe that the significant buying power of contractors, or a consortia, purchasing around 1.75m pints of milk a week via the Direct Supply option can enable us to secure greater value for money.
- 3.21. For many childcare providers, particularly those not currently using agents, the administrative burden of claiming milk will fall and they will be guaranteed delivery. This is likely to encourage more childcare providers to participate in the scheme, and so improve the take-up rates amongst childcare settings.
- 3.22. For the reasons set out above the Direct Supply option is the preferred option.

4. Issues Raised by Respondents

What Local Authorities Told Us

- 4.1. The Department has recognised the issue of whether some primary schools that receive School Milk² and Nursery Milk via the same supplier, may find themselves in a position where they are no longer able to obtain both from the same supplier. (If the new scheme operates via direct supply).

What Childcare Providers Told Us

- 4.2. There is some variation by type of childcare provider, and size of organisation, but overall the picture is very consistent: most organisations said they get their milk delivered. There was some variation by region; with a slightly higher proportion of childcare providers in England (88%) saying that they get their milk delivered to their premises, than in Scotland (79%) or Wales (80%).

What Milk Producers, Suppliers, Distributors and Retailers Told Us

- 4.3. Milk suppliers favoured the capping option the most: 96%. The next preferred option was direct supply: 28%. The e-voucher option was the least favoured option with only 3% of those responding saying it was their preferred option.
- 4.4. Some milk suppliers felt that the Department should reconsider claiming the EU School Milk Subsidy as they felt this would help improve the value for money of the scheme.

What Influences How Childcare Providers Buy or Order Milk?

INFLUENCES	Ranked 1 st	Ranked 2 nd	Ranked 3 rd
Convenience	1357	377	179
Service	206	534	482
Quality	170	363	396
Price	113	281	237
Loyalty	77	166	203
Packaging type	54	153	224

² School Milk means milk supplied to eligible pupils at nursery and primary schools (and also secondary schools) against which EU aid is claimed under the EU School Milk Scheme. Paragraph 9.12 refers. Further information on School Milk is also available at: rpa.defra.gov.uk/rpa/index.nsf/home.

5. The Provision of Milk

- 5.1. 28% of childcare providers in the survey use small single serve containers (1/3 pint or similar size) and 85% of these providers serve the milk to children by allowing them to drink the milk directly from the container (often using a straw). 15% serve the milk by pouring it into feeding bottles or cups.
- 5.2. 80% of childcare providers buy milk in 'bulk' containers (mainly 1 pint to 6 litres in size). The most common bulk container size used by respondents in the survey is 1 pint (32%), followed by 2 litres (27%).
- 5.3. A small proportion of providers (around 7%) buy 250ml sized containers, some pour the milk out into feeding bottles or cups and some give the containers to the children to drink.³
- 5.4. There is some variation by region, type of childcare provider and size of organisation, but overall the picture is very consistent: 76% of childcare providers that responded to the survey get their milk in plastic bottles, 31% said they get milk in tetra paks.⁴ It should be noted that both bulk containers and small single serve containers are supplied in either plastic bottles or tetra pak cartons. Very few said they get their milk in any other form of container.
- 5.5. Although not specifically asked of respondents, it is clear from the analysis of qualitative comments that packaging size is a key decision factor for many childcare providers (in particular the decision between having small single serve containers or bulk containers). The type of packaging material that the container is made of (i.e. plastic or tetra pak) is of relatively low or no importance to most respondents.

Definition of Milk

- 5.6. Milk under the Nursery Milk Scheme currently means whole or semi-skimmed liquid cow's milk which is heat treated but does **not include** milk to or from which chemicals, vitamins, flavours or colours have been added or removed other than as a consequence of the process of heat treatment or as a consequence of the process of producing semi-skimmed milk from whole milk.

³ The above figures do not add up to 100%, because some childcare providers use 2 or more different sized containers.

⁴ The numbers do not add up to 100% because some childcare providers get their milk in both types of material.

- 5.7. Dried milk currently means any infant formula that is specified in the regulations. Concerns have been raised about the inclusion of Ultra Heat Treated (UHT) milk in the scheme. It is proposed to continue to respect the long standing preference of beneficiaries under the scheme for fresh milk.

Packaging

- 5.8. We recognise that the dairy industry have raised concerns regarding their preference for the delivery of Nursery Milk in cartons containing a third of a pint of milk.
- 5.9. We also recognise that some childcare providers, such as reception classes in primary schools (where children under five are eligible for Nursery Milk) may have no staff or facilities to wash drinking cups and may therefore require milk to be supplied in single-serve packaging.
- 5.10. Equally, we acknowledge that there are some childcare providers who want to use the provision of Nursery Milk to teach children about pouring out portions and some providers do not have the fridge capacity to store several small cartons of milk.

European Union School Milk Scheme

- 5.11. The European Union (EU) School Milk Scheme is operated in Great Britain by the Rural Payments Agency (RPA)⁵ and enables local authorities and schools to provide milk at a reduced price to pupils attending schools up to and including secondary level. The EU rules were amended so that from the 1 September 2008, children under five were clearly eligible. From then, the Rural Payments Agency accepted claims for children under five, as well as extending the subsidy to secondary schools.
- 5.12. Whilst we recognise that claiming the EU School Milk subsidy may appear to be a further way in which we can improve the value for money of the scheme, we are also mindful of keeping burdens on childcare providers to a minimum. Through the consultation process, we discovered that many childminders would not be in favour of making the claims themselves, as the additional responsibility will place a further burden on them: even if childcare providers do not lodge claims themselves, to be eligible to receive school milk subsidy, settings must observe certain rules, including display of a poster about the EU School Milk Scheme and its benefits, as well as retaining receipts for a minimum of 3 years for auditing purposes. At least 1% of school milk beneficiaries must also receive an RPA verification inspection at their premises each year.

⁵ The RPA operates the EU School Milk Subsidy scheme in GB. EU aid may be claimed for milk supplied to eligible pupils at nursery, primary and secondary schools. Further information on School Milk is available at <http://www.rpa.gov.uk/rpa/index.nsf/UIMenu/673FF09985FF29FF80256F72003D5B0C?OpenDocument>

- 5.13. In the invitation to tender (ITT) to those bidding to run the new Nursery Milk Scheme we will be inviting ideas on how they might facilitate the receipt of any EU subsidy: bearing in mind it must be done in such a way as to ensure compliance with the EU rules for claimants and beneficiaries, keeping burdens on childcare providers to an absolute minimum, whilst avoiding any possibility of dual funding under the two schemes resulting in overpayments.
- 5.14. The Final Impact Assessment which accompanies this response contains further information regarding issues to be addressed for claimants who wish to apply for a subsidy under the EU School Milk Scheme.

6. Impact of a New Scheme on Small and Medium Sized Enterprises

- 6.1. To establish the potential impact of the proposed changes on business, as part of the consultation process we carried out an Impact Assessment of the proposed options on business including small to medium sized enterprises (SMEs). The data gathered during the consultation process has been used to inform the Final Impact Assessment.
- 6.2. Although Direct Supply presents a risk for specialist agents and smaller milk suppliers that business could be taken away from them, there are also considerable opportunities for SMEs from the change. We will make clear during the tendering process that we welcome bids from SMEs either as part of consortia or as sub-contractors to larger organisations. If larger suppliers are also awarded contracts, smaller businesses are likely to still be able to participate in the scheme as part of the supply chain. This is the arrangement that is currently used to deliver the School Fruit and Vegetable Scheme.⁶
- 6.3. The e-voucher option is the least favourable option for SMEs. Whilst both the price capping and e-vouchers options are similar in that they cap the price that the government reimburses for milk, responses to the consultation indicate significant resistance to the technology involved in the e-voucher scheme from both childcare providers and milk suppliers. Overall, 41% of childcare providers that responded to the consultation indicated that they would not feel comfortable using the electronic system.

Notice Period Required/Contractual Arrangements

- 6.4. Childcare providers were asked about current contractual arrangements and if price capping, e-vouchers, or direct supply were to be introduced, how much notice would need to be given to their current milk suppliers.
- 6.5. Despite the majority of childcare providers contracting in advance for their milk supplies, it appears that childcare providers would not need to give long notice periods to their current milk suppliers if they needed to change or end the current arrangements. 50%

⁶ Since 2005, Key Stage 1 children in fully State-funded infant, primary and special schools throughout England, have been provided with a free piece of fruit or vegetable every school day under the School Fruit and Vegetable.

From 1st October 2006, (in order to achieve forecast savings of greater than £1bn for the NHS), a 10-year Master Services Agreement was awarded to DHL to manage the supply chain services currently managed by the logistics division of the NHS Business Services Authority and part of NHS Purchasing and Supply Agency. This service is known as NHS Supply Chain.

The School Fruit and Vegetable Scheme has, for the last 7 years, operated through an annual Service Level Agreement (SLA) between DH and NHS Supply Chain - as an addendum to the MSA. NHS Supply Chain working with Local Authority maintained schools is responsible for the delivery of the scheme across England.

of respondents said that they would require two months or less. 25% said they would require only a month. 20% said that they would need to give no notice at all. 4% of respondents said that they would require more than six months.

- 6.6. Potentially a large number of childcare providers may need to change their supplier under the new scheme, unless their current provider is part of the new supply contracting arrangements.
- 6.7. Childcare providers and the milk industry will already have been aware from the Consultation that the Department was considering a change to the operation of the scheme. Potentially a large number of childcare providers may need to change their supplier under the new scheme.
- 6.8. Childcare providers should therefore be mindful about the length of any new contracts and extensions in view of the new scheme. The Department will, in addition, notify childcare providers and the milk industry about changes to the scheme.

Time Limit for Making an Existing or Residual Claim

- 6.9. 77% of those who responded to the consultation said that six months is sufficient time in which to make a claim for Nursery Milk reimbursement. 15% said that it was not. 8% did not respond to the question. Data from the Nursery Milk Reimbursement Unit also shows that over 90% of claims for milk from the current scheme are made within six months. The Department of Health is, therefore, planning to regulate to change the time limit for making a claim under the existing scheme from two years to six months from October 2014. Settings claiming for milk purchased before October 2014 would still have two years from the purchase date to claim for this milk. Milk purchased after October 2014 would have to be claimed within six months of the purchase date.

Statutory Equality Duties

- 6.10. We have fully considered equality requirements and our Statutory Equality Duty in the process leading up to and as part of the consultation. We have evaluated the effect of the options and have reviewed how different people will be affected by the proposed changes to the scheme. None of the proposed options for change impact children or childcare providers with regard to age, disability, gender reassignment, pregnancy and maternity, race, sex or sexual orientation.
- 6.11. Equality requirements will continue to be considered as the new changes are implemented and reviewed. We will ensure that business partners within the scheme fulfil their obligations to provide equal application of the scheme to all those concerned.

Environmental responsibilities

6.12. We are mindful of the drive for environmental sustainability and we have considered the impact that any new scheme could have on the environment: capping and e-voucher options will not have a more detrimental impact than the existing scheme. Direct supply offers the potential to reduce packaging waste by standardising supply in more environmentally-friendly packaging, such as tetra pak and equivalent cartons or plastic bags - which use around a quarter of the plastic of an equivalent sized plastic bottle.

7. The Way Forward

- 7.1. Our analysis of the responses demonstrate that the Nursery Milk Scheme is highly valued and well regarded as a whole, but they also corroborate the Government's view that the scheme should be revised to provide better value for money and a more standardised service to childcare settings.
- 7.2. Having weighed the evidence from the consultation and the Impact Assessment, we believe that direct supply is the best way forward as this appears to offer the potential to deliver the best service to recipients and the best value for money and:
- it attracted the most support from consultation respondents
 - it ensures the lowest burdens on childcare providers and it addresses concerns regarding accessibility
 - under the scheme, not only would the contractor(s) deliver milk to the childcare providers who participate (currently approximately 55,000) but the administrative burden associated with claiming the milk would be negligible, as this would be dealt with by the contractor(s)
 - neither of the other options guarantee delivery in the same way and both the price capping and e-voucher options are likely to result an administrative burden for childcare providers in claiming the money for the milk they provide.
- 7.3. We recognise that a minority of childcare providers prefer to buy their own milk locally, and so would like to retain the current scheme. However, we believe that if contractors can supply milk at a convenient time (and guarantee to do so) then this will reduce the burden on childcare providers and has the advantage of a single delivery mechanism which is likely to offer the best value for money. In addition we will:
- ensure that the scheme offers a sustainable price for milk supplied under the scheme
 - ensure that the scheme is mindful of sustainability and environmental concerns as regards the types of packaging used
 - ensure that independent regular customer satisfaction surveys of childcare providers are carried out
 - ensure independent regular audits for scheme compliance are conducted
 - measure, monitor and modify things as necessary to continuously improve service performance and customer satisfaction and to capitalise on what people find good and positive about the scheme.

Procurement of a Direct Supply Nursery Milk Scheme

- 7.4. The Department will fully support the participation of businesses of all sizes in the procurement opportunity offered by the Direct Supply option. In line with Government policy we shall make clear during the early market engagement activities that we

welcome bids from SMEs, either as part of a consortia of potential suppliers and/or as sub-contractors working with larger suppliers.

7.5. The Department will use the early market engagement phase to seek feedback from suppliers as part of informing our commercial approach. In line with the Department of Health “Lean Procurement” approach tendering will be undertaken as follows:

- Tenders will be advertised in **OJEU** and suppliers have the opportunity to receive email alerts against a common classification of goods and services in which they have registered their interest.
- **Contracts Finder** is a free website where SMEs can access both live and potential opportunities from UK Central Government Departments. This will be used as an accessible platform for smaller suppliers to obtain advance knowledge of contracting opportunities.
- The Department of Health will hold at least one **Supplier Day for all potential bidders**. All suppliers, big and small, will have the opportunity to attend a briefing day on how they can support the new Nursery Milk Scheme contract. The tender for the new contract will emphasise the Government policy on including SMEs in the supply chain.
- We are mindful of the Government’s aspiration to, as far as possible, increase the SME market share across all procurements to 25%.

7.6. Our approach is to encourage SME participation in the new operation of the Nursery Milk Scheme and we will continue to explore how SMEs can be included in the supply chain with formal market engagement.

Transition to the New Scheme

7.7. The Department of Health intends to conduct a tender exercise to secure new contracts to operate the Nursery Milk Scheme. We will be careful to ensure that, during the transition process to the new scheme, the current scheme continues to be run effectively and that eligible children continue to receive their milk.

7.8. We expect the new scheme to begin in 2015.

