

HM Treasury Spending Review 2025 - Phase 2

Recipe for Change representation

About Recipe for Change

Recipe for Change is a coalition of 47 health organisations, Royal Medical Colleges and food campaigners led by Sustain, Obesity Health Alliance, The Food Foundation and Action on Salt and Sugar, with support from British Heart Foundation, and Impact on Urban Health. The campaign was launched in September 2023, calling for a new industry levy to help make our food healthier, while raising revenue that can be invested back into children's health. This is building on the success of the Soft Drinks Industry Levy, which has reduced the sales-weighted average sugar in soft drinks by 46% since 2015, while raising £300-350 million every year in revenues. This money has been used to establish the National School Breakfast Programme, support the Holiday Food and Activities Programme and double the Primary School Sports & PE Premium, the former of which provides crucial access to healthy and affordable food for children living in lower-income areas.

Our campaign call to action:

1. For Government to build on the success of the Soft Drinks Industry Levy by introducing a new levy on unhealthy food.
2. For businesses to change the recipes of the food and drink that they sell to make them healthier for all of us.
3. To invest revenue raised from the levy in children's health and access to good food.

Contact: Kate Howard, kate@sustainweb.org

Recommendation

Issue a joint HM Treasury, Department for Health and Social Care and Department for Environment, Food and Rural Affairs call for evidence on measures to incentivise healthier food and drink production beyond the Soft Drinks Industry Levy, including further financial levers.

Context

Poor population health is increasingly damaging our economy, reducing our participation in the workforce and our productivity, and increasing the need for medical attention, social care and welfare support.

For example, the total economic impact of obesity and overweight in the UK is estimated to be £98 billion per year, with the direct costs to the NHS of medical conditions at £19 billion per year¹. Costs tied to loss of productivity are estimated to be up to £15.1 billion annually². Whilst there have been recent developments in drug-

¹ Frontier Economics (2023) Unhealthy Numbers: The Rising Cost of Obesity in the UK <https://www.institute.global/insights/public-services/unhealthy-numbers-the-rising-cost-of-obesity-in-the-uk>

² Ibid

based and surgical interventions for people living with obesity, they have vast financial implications for the NHS and could only reach their maximum potential if the most cost-effective upstream measures to prevent obesity developing in the first place are also implemented.

To make our health and care services sustainable, the government is now clear that we must deliver a 'prevention first' revolution. The new cross-government Health Mission has rightly identified healthy weight and obesity as a key focus for action as part of the "prevention to ill-health" workstream.

Four of the top five risk factors for poor health are related to diet³. High salt consumption is strongly associated with high blood pressure – increasing risk of major conditions such as stroke (by 23%) and cardiovascular disease (by 14%)⁴, and sugar consumption is also linked with various chronic health conditions such as type 2 diabetes and musculoskeletal ill-health, as well as cardiovascular disease and a range of cancers⁵.

As much as 85% of the salt we eat is already in our food when we buy it⁶, and just three categories – biscuits, confectionery and desserts – are responsible for almost 60% of the added sugar that we eat at home⁷. 66% of children in the UK exceed salt intake recommendations and 95% exceed sugar recommendations⁸.

In the UK, food manufacturers have made progress in reducing salt and sugar in products like sweetened drinks, breakfast cereals, and yoghurts. However, new evidence from the Recipe for Change campaign which looked at the sugar and salt content of cakes, biscuits, chocolate and savoury snacks, shows substantial variation in salt and sugar levels between similar products with many products missing the voluntary targets, highlighting the opportunity for further reformulation in these categories⁹.

Many food manufacturers want to continue making their products healthier but require legislation to do so to create a level playing field¹⁰.

With current voluntary reformulation targets due to expire by December 2025, the government needs to set out what approach it wants to take to speed up progress and which other levers should be deployed after this date. The new Government's cross-departmental Health Mission and the announcement of a new Food Strategy provides a key opportunity for HM Treasury to play a catalytic role in using financial incentives and penalties, building on the success of the Soft Drinks Industry Levy.

³ National Food Strategy (2021), Global Burden of Disease 2019 data, NFS analysis <https://www.nationalfoodstrategy.org/the-report/>

⁴ P. Strazzullo et al (2009), Salt intake, stroke and cardiovascular disease: meta-analysis of prospective studies. BMJ 2009;339:b4567 <https://www.bmj.com/content/339/bmj.b4567>

⁵ World Health Organisation (2021), Obesity and Overweight <https://www.who.int/news-room/fact-sheets/detail/obesity-and-overweight>

⁶ British Heart Foundation (2022), Reducing the UK's salt intake: potential benefits <https://www.bhf.org.uk/what-we-do/policy-and-public-affairs/creating-healthier-environments/reducing-the-uks-salt-intake>

⁷ National Food Strategy (2021), The impact of a tax on added sugar and salt: IFS analysis <https://www.nationalfoodstrategy.org/the-report/>

⁸ Food Foundation (2021). Children's Future Food Enquiry <https://foodfoundation.org.uk/sites/default/files/2021-09/Childrens-Future-Food-Inquiry-report.pdf>

⁹ Recipe for Change (2025), Incentivising reformulation: The case for fiscal levers to strengthen the UK's reformulation programme <https://www.recipeforchange.org.uk/policy-and-evidence/feb25-incentivising-reformulation/>

¹⁰ Biteback 2030, (2022) "We need a level playing field" – businesses support more government action <https://www.biteback2030.com/our-activists/stories/we-need-a-level-playing-field/>

Our proposal: expand financial levers beyond the Soft Drinks Industry Levy (SDIL)

Introducing levers to incentivise production of healthier food and drink, including reformulation, is crucial for improving public health. The Soft Drinks Industry Levy (SDIL) has set a precedent as a highly effective policy for accelerating product reformulation and shifting focus of promotion and advertising towards low and no-sugar drinks, with an overall sales-weighted average reduction of sugar of 46%¹¹. However, voluntary food reformulation programmes have lagged behind, with average sugar reduction of just 3.5%, indicating that further levers for reformulation are now needed¹². **Our policy recommendation is therefore to expand the approach taken by the Soft Drinks Industry Levy to other food and drinks categories. Specifically, this process should begin by building on the current SDIL review and issuing a call for evidence on measures to incentivise healthier food production.**

See Appendix 1 for a list of the criteria that we believe any new levy should meet, regardless of the specific model chosen. These criteria have been agreed upon by a group of leading think tanks who also support further government regulation on the food industry to improve public health.

Public health benefits

The National Food Strategy proposed one specific lever. It estimated that an industry-wide sugar and salt levy could reduce average salt intake by up to 0.9g per day (a 10.7% reduction) and average sugar intake by up to 15g¹³ (a 30.2% reduction), while generating £2.9bn to £3.4bn annually for HM Treasury¹⁴.

A sugar and salt levy could result in substantial public health benefits. Research from the London School of Hygiene and Tropical Medicine, commissioned by Recipe for Change, shows that an industry-wide levy, as proposed in the National Food Strategy, could prevent up to 2 million cases of food-related ill health over 25 years, including over 1 million cases of CVD, 571,000 cases of type 2 diabetes, 11,000 cases of cancer, and 249,000 cases of respiratory diseases. The total value to society of these health improvements is estimated at £77.9 billion over the same period.¹⁵

Applying the model above to specific categories like biscuits, confectionery, cakes, and desserts, a levy could still yield significant health benefits. This approach could prevent up to 800,000 cases of chronic diseases, including more than 300,000 cases of CVD and type 2 diabetes, as well as nearly 9,000 cases of cancer. This targeted measure would support the prevention of over 1 million quality-adjusted life years (QALYs), with a value to society of £23 billion, over 25 years¹⁶.

An alternative approach to a salt and sugar levy, is a manufacturer levy focused on specific categories, similar to SDIL. This could focus on all pre-packaged foods

¹¹ Office for Health Improvement & disparities (2022), Sugar reduction programme: industry progress 2015 to 2020 <https://www.gov.uk/government/publications/sugar-reduction-programme-industry-progress-2015-to-2020>

¹² Ibid

¹³ Griffith R et al (2021) The impact of a tax on added sugar and salt. See: <https://www.nationalfoodstrategy.org/the-report/>

¹⁴ National Food Strategy (2021), The Report <https://www.nationalfoodstrategy.org/wp-content/uploads/2021/07/National-Food-Strategy-Recommendations-in-Full.pdf>

¹⁵ Recipe for Change (2023), Evidence Briefing 1: Health and economic benefits of an upstream sugar and salt levy <https://www.recipeforchange.org.uk/policy-and-evidence/sep23-recipe-for-change-evidencebriefing/>

¹⁶ Recipe for Change (2023), Evidence Briefing 2: Health and economic benefits of an upstream sugar and salt levy on select categories of food <https://www.recipeforchange.org.uk/policy-and-evidence/sep23-recipe-for-change-evidence-briefing-2/>

deemed high in fat, sugar and/or salt, or a narrower list of categories which align with existing regulations, such as location promotions. While not as far reaching, it would cover many of the categories which contribute the most sugar and calories to the diet. It would also have thresholds which enable companies to avoid the tax by reformulating.

These health gains would directly support the government's strategic goals of reducing healthcare expenditure while improving quality of life for citizens, further aligning with the broader objectives of the Spending Review.

Supporting economic growth and employment

Despite the changes being driven by SDIL, the soft drinks industry has not suffered. The total volume of soft drinks sold actually rose by 21.3% between 2015 and 2020, and SDIL has not had long-term negative impacts on the economic performance of soft drinks companies. The implementation of a sugar and salt levy would likely drive similar innovation in the food sector, encouraging manufacturers to reformulate products, develop healthier alternatives and would likely spur growth in the healthier food production sector. Additionally, the food and drink industry would benefit from clearer regulatory frameworks, creating a level playing field for businesses to adapt and innovate.

Furthermore, the expansion of the levy would have broader macroeconomic benefits. The improvements in public health would contribute to increased workforce productivity by reducing absenteeism due to food-related ill health. This, in turn, would help support the UK's overall economic growth and long-term sustainability.

Revenue Implications

Research from the National Food Strategy estimates that a new industry-wide levy could generate £2.9bn to £3.4bn annually for HM Treasury, including £2.3bn–£2.8bn from a sugar tax and £570m–£630m from a salt tax¹⁷. These revenues could be redirected into public health funding. This would help meet the rising costs of health and social care, supporting the 'prevention first' revolution identified in the government's cross-departmental Health Mission. Specifically, we recommend that these funds should be used to support initiatives focused on children's health and access to good food, including expansion of nutritional safety nets such as school feeding programmes or Healthy Start, or support new interventions such as a Community Eatwell programme or fruit and vegetables on prescription. We note economic modelling of cost-benefits for universal free school meals has been shown to generate £1.71 in core benefits for every £1 spent¹⁸. For the full list of initiatives that we believe could deliver excellent value for money if funded by revenue from an expanded levy, see our [menu of policy options](#).

An expanded levy would have the additional benefit of increasing revenue streams for HM Treasury, and support public spending commitments in ways that reinforce fiscal stability and contribute to the overall economic resilience of the UK.

¹⁷ National Food Strategy (2021), The Report <https://www.nationalfoodstrategy.org/wp-content/uploads/2021/07/National-Food-Strategy-Recommendations-in-Full.pdf>

¹⁸ Impact on Urban Health, Expanding free school meals: a cost benefit analysis

<https://urbanhealth.org.uk/insights/reports/expanding-free-school-meals-a-cost-benefit-analysis>

Public, expert and industry support

There is a strong mandate from both the public and health experts that the government should be doing more to incentivise healthier food production. Only 13% of the British public believe food companies will make their food healthier without Government intervention, according to recent YouGov polling which surveyed almost 5,000 people¹⁹. A majority of 68% also consistently support an expansion of SDIL-type levies to encourage companies to remove unhealthy ingredients from their food if any money raised from companies is invested in children's health²⁰. This support for government intervention in public health is seen elsewhere too, with polling conducted by Ipsos for the Health Foundation finding that the majority of British people (59%) support introducing a tax on organisations that produce foods high in sugar or salt, with some of the revenue being used to fund fresh fruit and vegetables for low-income families²¹.

Stronger regulation, and specifically a salt and sugar tax, are also amongst the key recommendations of the Lords' Select Committee report on Food, Diet and Obesity²², the National Food Strategy²³, IPPR²⁴ and the Times Health Commission²⁵. Furthermore, leading food companies and investors are increasingly calling for government intervention²⁶.

Complementary approaches

While our research has led to our call for further industry levies on manufacturers to incentivise faster reformulation or shift of product portfolios towards healthier food and drink (or pay the penalty of not doing so), we also recognise and support complementary proposals within the food and drink sector, such as Nesta's proposal for mandatory health targets at retail. Similar measures for the out-of-home sector will also be needed.

A call for evidence would enable complementary approaches to be explored by the government, as well as send a clear signal to the food and drink industry of the intent to move beyond voluntary programmes. It would also ensure that a full overview of the evidence from the existing SDIL programme and modelling for a potential expansion could be robustly evaluated and align all relevant areas of government around this evidence.

Recommendation: We recommend HM Treasury works alongside the Department of Health and Social Care and the Department for Environment, Food and Rural Affairs to build on the current SDIL review by issuing a joint call for evidence on further options for using incentives for healthier food and drink production, in support of the Government's strategy to reduce childhood and adult obesity rates.

¹⁹ YouGov Plc. Total sample size was 4,943 adults. Fieldwork was undertaken between 18th - 20th September 2024. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+). Details available on request.

²⁰ *ibid*

²¹ <https://www.health.org.uk/features-and-opinion/features/what-action-does-the-public-think-the-government-should-take-on>

²² House of Lords, Food, Diet and Obesity Committee (2024), Recipe for Health: a plan to fix our broken food system <https://publications.parliament.uk/pa/ld5901/ldselect/ldmfdo/19/19.pdf>

²³ National Food Strategy (2021), The Report <https://www.nationalfoodstrategy.org/the-report/>

²⁴ Institute for Public Policy Research (2024), Our Greatest Asset: The final report of the IPPR Commission on Health and Prosperity <https://www.ippr.org/articles/our-greatest-asset>

²⁵ Times Health Commission (2024), The Times Health Commission's 10 recommendations to save the NHS <https://www.thetimes.com/uk/article/the-times-health-commissionrecommendations-nhs-dzhvfzbs6>

²⁶ <https://foodfoundation.org.uk/news/lobbying-good-food-businesses-and-investors-share-their-vision-better-food-system>

Appendix 1: What are the necessary criteria for a new food industry levy?

Whilst there are a number of ways a new levy could be taken forward, it is the consensus view of the campaign and a group of leading think tanks is that any new levy on unhealthy food products should:

1) Improve overall dietary patterns in the UK, particularly for those on low incomes, reducing health-harms from food and closing inequalities in health outcomes

- a. Tax products that contribute excess salt, sugars and calories in our diets.
- b. Represent an improvement in population-level diets and in turn health outcomes.
 - i. This should be based on the overall sales-weighted average nutritional profile of products, as established in the Nutrient Profiling Model.
- c. Avoid taxing whole, unprocessed foods and ingredients (e.g. plain nuts, avocados, olive oil) in line with existing regulatory frameworks through policy design or exclusions.

2) Represent no significant increase in the overall amount an average family spends on healthy food

- a. A levy, and the revenue raised, should be part of a wider range of interventions to help make healthier food more accessible and affordable to help offset any potential price increases.

3) Be designed primarily to incentivise the reformulation of food and drink products to improve health

- a. Any levy should ideally be paid by businesses (manufacturers, retailers, caterers etc.) rather than be applied directly to consumers at the point of purchase.
- b. Have clear routes to minimise or eliminate any levy payments via sufficient reformulation (as seen with the Soft Drinks Industry Levy) e.g. via either a scaled, or a tiered threshold levy.

4) Be fully implementable

- a. Build on existing tax and regulatory definitions and frameworks where possible, avoiding new formalities at the border.
- b. Be capable of surviving a Judicial Review.

How could HMT potentially apply a levy?

There are several viable routes for HMT to take in designing the levy, each with differing levels of impact and complexity to implement, as well as potential acceptability, for example;

1. A 'per kilo' levy on all salt and sugar used in manufacturing (as per National Food Strategy recommendations)
2. Extending the SDIL model to food such as by:
 - a) Targeting categories of concern for salt, sugar and possibly saturated fats, to broadly align with reformulation/advertising programmes (a category levy)

- b) All pre-packaged food categories, with exemptions in place for healthy products as outlined above (a product levy)

What could a salt and sugar reformulation levy include?

HMT could apply a levy across all salt and sugar used in manufacturing, as modelled in the National Food Strategy.

What categories could be included in a category levy?

HMT could target categories that contribute most to excess consumption of salt, sugar and saturated fats or where the existing voluntary reformulation programmes have not made progress. Targeted categories are likely to include one or more of the following – confectionery, breakfast cereals, yoghurts, pre-packaged desserts, ready meals, morning goods, cakes, biscuits, pastries, crisps and savoury snacks.

What products could be included in a product levy?

HMT could include all final, packaged products, and place exemptions for clearly defined 'healthy' products or those without added sugars, salt or sat fats, such as single ingredients and whole fresh or dried foods.

When should this happen?

There are some set government milestones that any plans for this policy should take into account:

- Post-Budget 2024 – Launch review of SDIL on potential expansion to milk-based drinks and uprating in-line with inflation
- Q1 2025 - Multi-year Spending Review launched
- Early Spring 2025 – Treasury Review of SDIL expansion to milk-based drinks concludes
- Late Spring 2025 – Multi-year Spending Review concludes & published
- Summer 2025 – Formal call to evidence on measures to incentivise healthier food production launched
- October 2025 – Autumn Budget - enact any outcomes of the consultation on Milk-based drinks & conclude call to evidence on food
- December 2025 – Existing voluntary reformulation programmes on sugar, salt and calories conclude; announcement of mandatory measures