RECIPE FOR CHANGE

January 2024

Spring Budget 2024 representation: Recipe for Change

About Recipe for Change

Recipe for Change is a coalition of 41 health organisations, Royal Medical Colleges and food campaigners led by Sustain, Obesity Health Alliance and Food Foundation, with support from British Heart Foundation, Action on Salt and Sugar 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 to date 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.

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Summary of recommendations for the Spring Budget:

- Issue a call for evidence on measures to incentivise healthier food and drink production beyond the Soft Drinks Industry Levy, including use of further financial levers.
- Maintain and extend the Soft Drinks Industry Levy to incentivise product reformulation and raise revenues for investment in children's health:
    - Announce an intention to uprate the liability under the Levy starting no later than April 2025.
    - Announce an intention to review the effectiveness of the current tiered approach to the Soft Drinks Industry Levy.
    - Signal intent to initiate a process to bring sugary milk and alternative milk-based drinks into scope of the SDIL.
    - Maintain a commitment to ensuring revenues from SDIL and any further healthy food and drink levies support government investment in programmes to support children's health.

Issue a call for evidence on measures to incentivise healthier food and drink production beyond the Soft Drinks Industry Levy, including further financial levers.

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 year[1]. Costs tied to loss of productivity are estimated to be up to £16 billion annually. Whilst there have been recent developments in drug-based and surgical interventions for people living with obesity, they are very costly to the NHS, benefits are often not sustained in the long term, and they do not address the causes of dietary ill-health or support prevention.

Four of the top five risk factors for poor health are related to diet[2]. 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%)[3], 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 cancers[4].

As much as 85% of the salt we eat is already in our food when we buy it[5], and just three categories – biscuits, confectionery and desserts – are responsible for almost 60% of the added sugar that we eat at home[6]. 66% of children in the UK exceed salt intake recommendations and 95% exceed sugar recommendations[7].

Introducing levers to incentivise production of healthier food and drink, including reformulation, is crucial for improving public health. Given the positive impact of the Soft Drinks Industry Levy in accelerating product reformulation and shifting focus of promotion and advertising towards low and no-sugar drinks, whilst voluntary reformulation programmes have lagged behind, our policy recommendation is for an extension of the Soft Drinks Industry Levy to other food and drinks categories.

In the UK, food manufacturers have made some progress with salt reduction, as well as reducing sugar levels in sweetened drinks, breakfast cereals and yoghurts. Many want to continue making their products healthier but require legislation to do so to create a level playing field[8].

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

3 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

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

5 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

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

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

8 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/

The National Food Strategy has estimated that an industry-wide sugar and salt levy could reduce average salt intake by up to 0.9g per day and average sugar intake by up to 15g[9].

Recent research by the London School of Hygiene and Tropical Medicine, commissioned by Recipe for Change, found that an industry-wide levy on salt and sugar could prevent up to two million cases of disease over 25 years, including over 1 million cases of cardiovascular disease (CVD), 571,000 cases of type 2 diabetes, 11,000 cases of cancer and 249,000 cases of respiratory disease[10].

This could provide gains of around 3.7 million quality adjusted life years, with an economic value worth £77.9 billion over 25 years.

Taking a more targeted approach to categories of high sugar intake, a more focused sugar levy applied industry-wide on biscuits, confectionery, cakes and desserts alone could still prevent up to 800,000 cases on chronic diseases over 25 years, including over 300,000 cases of CVD and type 2 diabetes, almost 9,000 cases of cancer and 150,000 cases of respiratory disease[11]. This would support more than 1 million quality adjusted life years with an economic value of £23 billion over 25 years.

The National Food Strategy estimated that a new levy could generate between £2.9bn–£3.4bn per year for HM Treasury. This includes £2.3bn–£2.8bn from a sugar tax and £570m–£630m from a salt tax[12]. This would provide significant additional revenues for the Treasury to direct into relevant departmental budgets supporting children's health and wellbeing.

While our research has led to our call for further industry levies on manufacturers to incentivise further 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.

Recommendation 1: We recommend HM Treasury works alongside the Department of Health and Social Care to issue a call for evidence on further options for using incentives for healthier food and drink production, including financial incentives, in support of the Government's strategy to reduce childhood and adult obesity rates.

Maintain and extend the Soft Drinks Industry Levy to incentivise product reformulation and raise revenues for investment in children's health

The Soft Drinks Industry Levy (SDIL), which came into force in April 2018, has been highly effective in incentivising the soft drinks industry to reduce sugar from soft drinks, which contribute significantly to children's sugar consumption. It has triggered

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

10 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/**

11 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/**

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

a 46% reduction in sugar levels of soft drinks from 2015-2020, according to the Office Health Improvement and Disparities (OHID)[13]. This compares to just 3.5% lowering of sugar in other product categories covered by the voluntary sugar reduction programme. In addition, the levy has raised over £1.5 billion for the UK Exchequer since 2018, with the latest (provisional) receipts from 2022/23 increasing to £355 million from £334 million in 2021/22. Latest research suggests that the levy may have already prevented over 5000 cases of obesity per year amongst Year 6 girls alone[14], as well as being associated with a 12% reduction in admissions for carious tooth extractions amongst children aged 0-18 years[15].

Recommendation 2 - Announce an intention to uprate the liability under the Levy, starting no later than April 2025.

The SDIL has been in existence for six years, but unlike other excise duties, has never been uprated with inflation, or to trigger further reformulation or wider shifts in production, marketing, sale and consumer purchase of sugary drinks.

At the same time, the consistent level of receipts suggests that the SDIL is not yet maximising its potential in driving reformulation, and the charging rates could be working harder to incentivise further change.

We encourage HM Treasury now to announce an intention to uprate the charges under the Soft Drinks Industry Levy, given there has been no change to these since introduction in 2018. In line with the approach to SDIL, which gave the industry time to reform before being enacted, an announcement in the 2024 Spring Budget of an intent to start uprating liabilities from the 2025/26 fiscal year could in itself act as a stimulus for further action.

We note that the Government is working to lower inflation rates. Unlike tobacco and alcohol, the introduction of the SDIL in 2018 had no impact on inflation rates, as the industry sought instead to reformulate to reduce and avoid liabilities[16]. It is therefore not anticipated that smaller changes in uprating SDIL would produce any inflationary effect. We also note that sales of soft drinks overall have not been impacted by the levy, and the sector as a whole remains in growth[17].

In particular, given that the overwhelming majority of receipts under the levy come from the higher tier drinks[18], which contribute the highest levels of sugar to diets,

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[13] 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**

[14] Cambridge University (2022) Sugary drinks tax may have prevented over 5,000 cases of obesity a year in year six girls alone **https://www.cam.ac.uk/research/news/sugary-drinks-tax-may-have-prevented-over-5000-cases-of-obesity-a-year-in-year-six-girls-alone**

[15] Rogers NT, Conway DI, Mytton O, *et al* (2023), Estimated impact of the UK soft drinks industry levy on childhood hospital admissions for carious tooth extractions: interrupted time series analysis *BMJ Nutrition, Prevention & Health* 2023;e000714. doi: 10.1136/bmjnph-2023-000714

[16] Scarborough P, Adhikari V, Harrington RA, Elhussein A, Briggs A, Rayner M, et al. (2020) Impact of the announcement and implementation of the UK Soft Drinks Industry Levy on sugar content, price, product size and number of available soft drinks in the UK, 2015-19: A controlled interrupted time series analysis. PLoS Med 17(2): e1003025. **https://doi.org/10.1371/journal.pmed.1003025**

[17] 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**

[18] HM Revenue and Customs (2023), Soft Drinks Industry Levy statistics commentary 2023, **https://www.gov.uk/government/statistics/soft-drinks-industry-levy-statistics/soft-drinks-industry-levy-statistics-commentary-2021**

there is evidence that the SDIL could be working much harder at this level to either drive additional reformulation or increase future revenues for HM Treasury.

As the levy revenue increased in the year 2022/23, this also signals that we have not yet reached the revenue maximisation point, and uprating the liability is an opportunity to test this further.

Recommendation 3 - Announce an intention to review the effectiveness of the current tiered approach to the Soft Drinks Industry Levy

We also recommend HM Treasury conducts a review of the effectiveness of the current tiered approach in continuing to incentivise lowering of sugar levels in soft drinks. Independent research published in February 2020 notes that, while the overall percentage of drinks with more than 5g sugar fell from 49% to 15% from 2015 to February 2019, "*After the implementation of the SDIL, we observed a peak in the proportion of intervention drinks with a sugar level between 4.5 and 5.0 g per 100 mL (see S5 Appendix), suggesting that many manufacturers chose to reformulate to just below this threshold.*"[19] The threshold structure of the SDIL has led to manufacturers reformulating their drinks to avoid the lower threshold, but these drinks still contain a significant amount of sugar. A typical 330ml can of Fanta Pineapple and Grapefruit (formerly Lilt) contains over half of a child's daily sugar limit, but is not subject to the SDIL. Lowering the threshold would also bring the SDIL in line with the current nutrient profiling model (NPM) which categorises food and drink as 'less healthy' or 'healthier' and is used in planned advertising restrictions.

Lowering the entry threshold of the Soft Drinks Industry Levy from 5g to 4.5g would therefore result in:

- Triggering new incentives for business to undertake additional product reformulation, removing more sugar from soft drinks.
- Providing a consistent policy approach between the SDIL and the Nutrient Profile Model.
- Maintaining the level of revenue flows from the SDIL into the Exchequer, which the Government pledged would enable investment into children's healthy diets and exercise.

At the same time, we note that around 90% of revenues derive from liabilities in the higher tier of drinks. A review of the tiered approach could also explore whether the threshold for the higher tier could now be reduced, which alongside an uprating of the higher tier could act as a refreshed incentive for reformulation or drive additional revenues for investment in children's health.

Recommendation 4 - Signal intent to initiate a process to bring sugary milk and alternative milk-based drinks into scope of the Soft Drinks Industry Levy

We note that while milk and milk-alternative based drinks remain out of scope of the current SDIL, there is a commitment by HM Treasury to review this. The threat of

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[19] Scarborough P, Adhikari V, Harrington RA, Elhussein A, Briggs A, Rayner M, et al. (2020) Impact of the announcement and implementation of the UK Soft Drinks Industry Levy on sugar content, price, product size and number of available soft drinks in the UK, 2015-19: A controlled interrupted time series analysis. PLoS Med 17(2): e1003025. **https://doi.org/10.1371/journal.pmed.1003025**

future expansion of SDIL has supported some successful voluntary reformulation of milk-based drinks in the retail sector (a 24.5% reduction in sugar levels[20]) but in the out of home (OOH) sector drinks continue to have unhealthily high levels of sugar. For example, open cup milkshakes showed a 12.7% increase in sugar content and a 12.2% increase in calories per single serving from baseline. These drinks, especially those produced in large out-of-home corporations, are produced to a standardised formula, and whilst it may require an adjustment to the mode to account for naturally occurring lactose, there should be a way to apply an industry levy to high sugar drinks.

Following the publication of the next voluntary sugar reduction report by OHID, HM Treasury should convene stakeholders to consider how sugary milk and milk-alternative based drinks can be brought into scope of the SDIL, in a way that recognises existing progress but supports reformulation and product innovation where this has not happened.

Recommendation 5 - Maintain a commitment to ensuring revenues from SDIL and any further healthy food and drink levies support government investment in programmes to support children's health.

The SDIL has consistently brought in revenues of around £300-350 million every year (provisional receipts from 2022/23 show this has in fact increased to £355 million). Whilst incentivising the reformulation of drinks was the primary objective, the introduction of the levy was also accompanied by a commitment to use revenue raised to increase investment in children's health.

While the levy has not been hypothecated since 2021, Government ministers have confirmed that the existence of the SDIL has enabled them to invest in programmes including doubling the Primary PE & Sport Premium, establishing a National School Breakfast Programme and the Holidays Food and Activities Programme. We therefore strongly recommend that revenues continue to be directed into departments and programmes supporting children's health, and that this should remain a core principle of any use of healthy food and drink levies.

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[20] 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