

STATES OF JERSEY

r

SCHOOL MILK AND MILK AT A REDUCED RATE: CONTINUED PROVISION

Lodged au Greffe on 27th March 2007
by Deputy G.P. Southern of St. Helier

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

- (a) to express their support for the continued provision of school milk for a further period of 3 years and to request the Chief Minister, after consultation with the Minister for Economic Development, to bring forward for approval by the States in the Annual Business Plans for 2008 to 2010 funding proposals to enable this continued provision; and
- (b) to request the Minister for Social Security to ensure the continuance of a scheme for the provision and delivery of milk at a reduced rate to special classes following the introduction of the Income Support Scheme.

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

School milk

Members will be aware that the provision of school milk has been under budgetary pressure for some years. It is one of the “political footballs” that nobody wants to take responsibility for and over time has been kicked from Education to Health and thence to Economic Development in 2003. Protection of this funding was extended by the Assembly to cover the years 2004 and 2005 largely to provide a measure of stability for the dairy industry as it went through major reorganisation.

This came as one of 3 key recommendations in January 2003 to the Economic Development Committee of the time from Dr. McQueen as part of his strategic review of the dairy industry. Dr. McQueen predicted a certain level of recovery within the Dairy Industry over the 2-year period 2003 to 2004, though it was unlikely that this recovery would return the Dairy Industry to its previous level of profitability.

The Committee agreed to the 3 key recommendations made by Dr. McQueen, including that on the provision of school milk –

- *the guaranteed continuation of the present level of the States support for School Milk and Welfare Milk programmes, at least until the end of 2004.*

Dr. McQueen argued that such a measure would help to provide some stability in the transition period as the dairy and the industry attempted to get itself on to a better economic and financial position.

Following pressure in the States this was further extended until the end of 2005.

The Economic Development Committee next considered the ongoing funding of milk for schools into 2006, when they received an enquiry about the issue from the Managing Director of Jersey Dairy in 2005. The Managing Director of the Dairy was of the opinion that it would be advantageous for the Committee to continue to fund the provision of milk for schools into 2006. Were the Committee to decide to end funding for this service earlier than 2006, the Dairy would need to find alternative resources such as private sponsorship, and so was seeking clarification.

The Committee was fully supportive of the provision of this service, and notwithstanding that it had not been provided with a budget to continue it, the Committee decided to fund school milk into 2006, but not beyond. Subsequently, the Finance and Economics Committee agreed to leave funding for the provision of school milk in the Economic Development Committee’s budget for 2006, but to remove it from 2007 onwards. Since then, the funding school milk has been further extended to cover 2007, but not beyond.

In the Annex to the draft Annual Business Plan 2007 – 2011, this decision of Economic Development is recorded thus:

“School Milk is included in the budget for a further year. The intention remains to withdraw this funding pending the successful reorganisation of the Dairy industry”

Welfare Milk

In 2005, the Economic Development Committee was also asked to liaise with the Employment and Social Security Committee regarding the co-ordinated provision of welfare and school milk, and decided that it seemed sensible to co-ordinate the change in treatment of welfare milk with the removal of school milk funding and the introduction of an Income Support Scheme.

At that time it was hoped Income Support would be considered by the States in October 2006, with the scheme implemented in 2007.

In respect of the provision of welfare milk, Jersey Dairy’s decision to cease doorstep deliveries (being one of only

2 methods open to welfare milk recipients to purchase subsidised milk; the other being the retail outlet in the Central Market) resulted in the Employment and Social Security Committee deciding to resort to the direct payment of subsidy cheques to beneficiaries of welfare milk.

Subsequently, as members will know, this schedule for the introduction of Income Support has not been realised with the result that support for school milk has been further extended to cover 2007. So far however there is no commitment to fund school milk beyond this. In March of this year, letters were sent to those in receipt of welfare milk informing them that the cheques recently paid to them were to be the last, as this benefit was to be subsumed into Income Support.

Scrutiny Report

In the most recent review of the dairy industry, the Economic Affairs Scrutiny Report S.R.4/2007, conducted in conjunction with the Chief Minister's Department, contains the following sections on these topics –

School and welfare milk

Milk has traditionally been provided free or at discount rates to sections of the population that are deemed to need it. This has provided Jersey Dairy with an additional source of revenue.

Welfare milk

Until 2005, residents of Jersey were entitled to subsidised milk if it was deemed to be of particular benefit to them. Subsidies were previously received by pregnant women, children under 5, and people over 70, (or 65 in some cases). This was administered by making cheaper milk available from roundsmen who delivered door to door.

Welfare milk was sold directly to the claimants by Jersey Dairy, which was reimbursed the difference by the [Social Security](#) Department. Once the milk delivery scheme was terminated, the funds were distributed to the recipients by cheque. It is intended that the welfare milk payments will be subsumed into the low income support payments once that system is in place.

The 2004 subsidies for the various classes of beneficiary were –

- *Children under 5 were eligible to 3500 millilitres of milk per week at a reduction of 22p per 500 millilitres*
- *The over 70s (and over 65s with medical need) were eligible to 2000 millilitres of milk per week at a reduction of 24p per 500 millilitres*
- *Expectant mothers were eligible to 3500 millilitres of milk per week at a reduction of 22p per 500 millilitre.*

Although the number of beneficiaries and the sum required to support this benefit have been reducing over time, over 7,500 households will be affected by the withdrawal of the scheme.

			2001 £000	2002 £000	2003 £000	2004 £000
Milk at Reduced Rate	467	408	380	334	361	
Milk at Reduced Rate beneficiaries		9,792	8,948	8,353	7,837	7,578

School milk

School milk is currently available provided free of charge, with the cost of the milk paid to Jersey Dairy by the

Economic Development Department. The *Economic Development* Minister has stated that the funding for school milk will be in place for 2007, but will not continue into the future.

The Sub-Panel has polled schools and found that the majority appreciate milk provision, that most children drink the milk, and that there is little wastage in the system. Most schools would like to see the service continue indefinitely and feel that it represents a positive use of public money.

Although the dietary benefits of additional milk for the under 10s has been challenged by a UK report, the social aspects and the increased propensity of children who receive this milk to drink it in the future are considered benefits.

The cost of the provision of school milk is around £180,000 annually.

Rural Economy Strategy

In examining the wider aspects of government support, both direct and indirect, for the dairy industry, the Scrutiny Panel had the following to say –

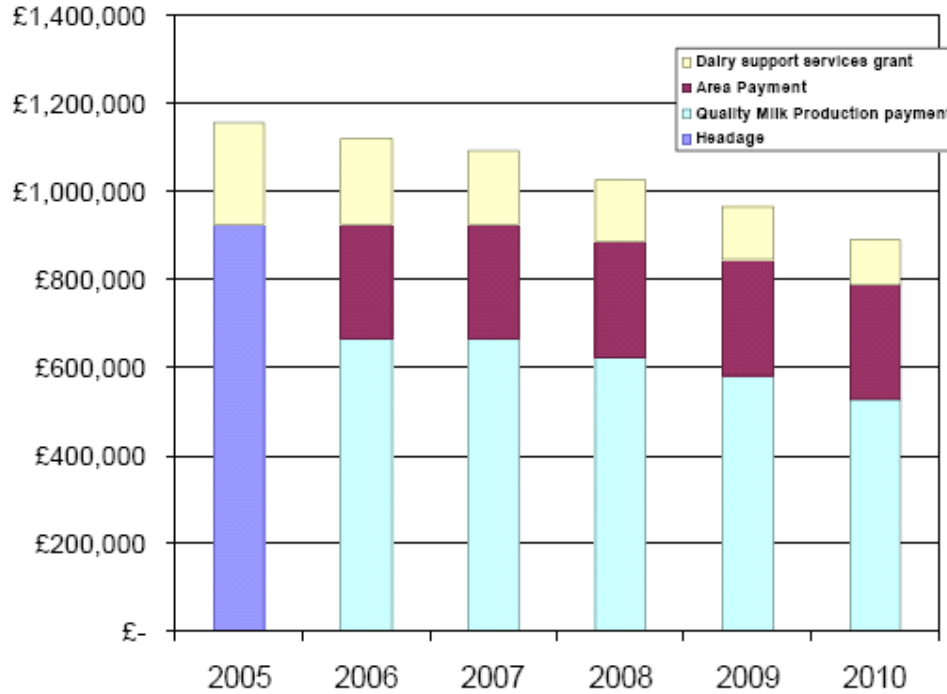
The Rural Economy Strategy is considered worthy of further detailed consideration. While it has only been operating for one year it introduces significant new concepts to the industry, as well as setting up a framework to reduce direct payment to farmers by approximately 25% between 2007 and 2010. The rationale for this reduction is that –

- 5.5.1 The dairy industry has identified efficiency gains that will flow from, for instance, the relocation of the dairy. It is proposed that current levels of direct aid are maintained until 2007 during this initial transition phase. Thereafter the overall level of financial aid (including support service payments) will be reduced.*

The government strategy is therefore based on the relocation of the dairy, and the Sub-Panel hopes that consideration will be given to the industry if the relocation is delayed.

This is illustrated in the graph below, taken from the Rural Economy Strategy. It shows a reduction in direct support to the industry of around £200,000 over the 3-year period 2007 to 2010.

Graph showing current and proposed Dairy support funding.



Doorstep deliveries

The decision of the Dairy first to introduce charges for delivery and then to cease deliveries altogether in 2004/5, whilst understandable from the Dairy's financial point of view, has had significant effects. In the words of the MD in his annual report dated May 2005 –

“it was decide ,early in the second half of the year, to introduce a modest charge many customers impacted by this charge chose to purchase their milk through alternative channels.... Accordingly the management decided that there was no prospect of making doorstep delivery profitable announced its intention to close it.... The loss from the doorstep delivery operation was £359,000, which accounts for the overall (Dairy) loss”

This has resulted in –

- (a) the decision of Social Security to pay cheques for welfare milk directly to beneficiaries twice yearly, awaiting
- (b) the decision to subsume the benefit in the Income Support scheme, and
- (c) Economic Development abandon school milk at the same time.

The situation is that following the Dairy's decision to cease doorstep deliveries, a new enterprise was set up by ex-roundsmen to take over this service. This company, Sunshine Deliveries, now delivers to most areas of the Island, and has recently negotiated the contract to deliver school milk for the Dairy. In addition to maintaining doorstep deliveries to those in receipt of welfare milk, including the elderly and those with mobility problems, without any additional charge, they also deliver to many States offices.

It seems that it would be possible to maintain welfare milk targeted at the original recipients and delivered to the doorstep, should we wish to.

This proposition asks members to answer a series of related questions –

- Do we wish to abandon welfare milk? Is the Income Support scheme an appropriate replacement?
- Do we wish to continue to support school milk, and if not, is this the right time to abandon it, in the light of
- the reduction in direct support for the dairy industry over the coming 3-year period, coupled with the need to relocate the Dairy to create a sustainable economic future for the sector?

Financial and manpower statement

Continued support for school milk will cost some £180,000 annually. Changes to welfare milk have no financial implications, but only concern themselves with the mechanism for delivery. There should be no additional manpower demand.