

**NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE:**

**REAL NAPPY SUBSIDY**

**REPORT OF:**

**HEAD OF WASTE STRATEGY AND CONTRACTS**

**FOR SUBMISSION TO:**

**AUTHORITY MEETING**

**DATE:**

**6<sup>th</sup> February 2008**

**SUMMARY OF REPORT:**

This report updates Members on the Authority's support programme for 'real nappies'. The report covers:

- outcomes of the Authority's support programme to date; and
- options for the future.

**RECOMMENDATIONS**

The Authority is recommended to decide if it wishes to:

- i. abide by its decision made in September 2007 to cease financial support for reusable 'real nappies' as of 1 April 2008; or
- ii. reinstate financial support for reusable 'real nappies' from 1 April 2008, with administration payments and subsidies maintained at current levels; or
- iii. reinstate financial support for reusable 'real nappies' from 1 April 2008, with reduced administration payments and/or subsidy levels as at paragraph 4.3.1, 4.3.2, or 4.3.3 of this report.

**Signed by Head of Waste Strategy  
and Contracts**

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**Date:** .....

## **1.0 BACKGROUND**

- 1.1 At its September 2007 meeting, the Authority resolved to cease financial support for reusable 'real nappies' in North London from 1 April 2008.
- 1.2 An Extraordinary Authority Meeting was held in December 2007 where the Authority received a presentation on the use and benefits of real nappies from Kay Wagland from the Women's Environment Network (WEN).
- 1.3 At the scheduled Authority Meeting that followed the Extraordinary Meeting, Members requested that the decision to cease financial support be reconsidered at the next meeting in February 2008.
- 1.4 The Authority has supported the use of reusable 'real nappies' in North London since 2005. The scheme provides parents a subsidy of up to £54.15 if they buy real nappies for home washing or sign up to use a nappy laundry service. Each of the constituent boroughs is responsible for outreach and promotion of real nappies within their area.
- 1.5 During 2007/08 the Authority also paid an administrative fee of £2,200 on behalf of the five North London boroughs (Camden, Enfield, Hackney, Haringey and Islington) that signed up to the Real Nappies for London (RNfL) scheme.
- 1.6 The RNfL scheme provides a voucher (paid for by the Authority), redeemable against the purchase of real nappies or the cost of a real nappy laundry service. The voucher is intended to make real nappies more accessible to those on lower incomes, as the upfront costs associated with a cash-back scheme are avoided.
- 1.7 Barnet and Waltham Forest have opted to not participate in the RNfL scheme at this stage. The Authority currently pays a cash-back subsidy to residents of these boroughs as well as providing database and administrative support.
- 1.8 In August 2007, Enfield Members reviewed their involvement in the RNfL scheme and opted to withdraw. Enfield residents who apply for a real nappy subsidy will be offered a cash-back refund as before.
- 1.9 In 2005, the Environment Agency released a report called 'Life Cycle Assessment of Disposable and Reusable Nappies in the UK' (the LCA). This report compared the environmental impact of disposable nappies with one type of home washed and one type of commercially washed reusable nappy from the extraction of raw materials through to manufacture, use and disposal. The LCA was based on data collected in 2001/02.
- 1.10 The Environment Agency's report concluded that there was no significant difference in the environmental impact between the disposable and reusable nappy systems studied, but recognised that each system had impacts in different areas. For instance, disposable nappies have a higher manufacture and waste disposal impact compared with real nappies, whose main impact comes during the washing and drying stages.
- 1.11 The overall conclusion of the LCA was rejected by supporters of real nappies such as the WEN, who cited a number of assumptions made in the LCA that they

believed to be incorrect including the number of nappies used, the temperature of wash, the method of drying and the efficiency of the washing machine used.<sup>1</sup>

- 1.12 The Environment Agency is currently updating the LCA to include more modern types of reusable nappies as well as bringing all other data up to 2006 levels. This report is anticipated sometime in early 2008.

## 2.0 OUTCOMES OF THE REAL NAPPY SUPPORT PROGRAMME

- 2.1 The NLWA real nappy support programme started in 2005, after a short pilot study which investigated appropriate levels of subsidy. Since its launch, the parents of approximately 2,052 children have received subsidies to encourage the use of real nappies instead of using disposables.
- 2.2 To date, the NLWA real nappy support programme has resulted in an estimated 566 tonnes of waste being diverted from landfill or incineration and approximately £113,000 worth of subsidies and administration costs being paid (equating to approximately £200 per tonne).
- 2.3 Table One below shows the number of claims from each North London borough in 2005/06, 2006/07 and a projected 2007/08 and 2008/09 figure.

*Table One- Annual Claims*

	2005/06	2006/07	2007/08 (projected)	2008/09 (projected)
<b>Barnet</b>	39	93	115	142
<b>Camden</b>	118	113	155	213
<b>Enfield</b>	25	44	66	99
<b>Hackney</b>	155	217	226	235
<b>Haringey</b>	27	75	157	329
<b>Islington</b>	140	125	163	213
<b>Waltham Forest</b>	21	70	77	85
<b>Average</b>	75	105	137	188
<b>Total</b>	525	737	959	1,315

- 2.4 The target for the RNfL scheme is to lift the average number of parents claiming the real nappy subsidy to 300 claims per borough per annum. 2007/08 was the first year of the scheme (which was not launched until June) and this target should be viewed as a medium term aim.

## 3.0 OTHER CONSIDERATIONS

- 3.1 Currently, the Authority is the only joint waste disposal authority in London that pays real nappy subsidies on behalf of its constituent boroughs. All other boroughs pay for these subsidies from their own budgets.
- 3.2 The Authority is also the only joint waste disposal authority in London that pays the RNfL administration fee on behalf of its participating constituent boroughs.
- 3.3 One option to reduce costs of the real nappy scheme to the Authority would be to continue paying the subsidy on behalf of all North London boroughs, but place the responsibility of paying the RNfL administrative fee back on the 4 North

<sup>1</sup> [http://www.wen.org.uk/general\\_pages/Newsitems/ms\\_LCA19.5.05.htm](http://www.wen.org.uk/general_pages/Newsitems/ms_LCA19.5.05.htm)

London boroughs likely to participate in the RNfL scheme in 2008/09 (Camden, Hackney, Haringey and Islington).

- 3.4 The use of real nappies is estimated to prevent 225kg of waste for every year that the child is in nappies. The value of this avoided waste (using NLWA costs for transport and disposal to landfill) is between £45.24 and £54.29 depending whether the child is in nappies for 2 ½ or 3 years.
- 3.5 The current value of subsidy was calculated on the assumption that children are in nappies for 3 years. However, more recent methodology used by WEN and other organisations estimates that children only spend 2 ½ years in nappies.
- 3.6 The Authority could choose to reduce its subsidy to £45 to match the avoided cost of disposal over 2 ½ years or choose to keep the subsidy at its current value. If the Authority chooses to keep the subsidy at its current value, it is recommended that it is “frozen” against future rises until the value matches the cost of disposal over a 2 ½ year period rather than the current 3 years.
- 3.7 The level of subsidy paid by other boroughs participating in the RNfL scheme ranges from £30 to £50 with an average level of £40 and a median level of £42.50.
- 3.8 While real nappies have a higher set-up cost, it is estimated that they can save a parent up to £500<sup>2</sup> (compared with disposables) across the period that a child is in nappies (including costs of washing, laundry powder, electricity etc). Subsidies from organisations such as the NLWA help reduce these higher set-up costs and allow people on lower incomes to access real nappies along with their associated cost savings.
- 3.9 Real nappies are identified in a number of constituent boroughs’ waste prevention and recycling strategies eg. *Recycling Strategy for Haringey 2006-2020*, where the support of real nappies is one of the key actions.

## 4.0 OPTIONS

### 4.1 Abide by the decision to cease financial support for reusable ‘real nappies’

This option would see the Authority abide by its decision made at the September 2007 meeting to cease financial support for reusable ‘real nappies’ from 1 April 2008. There would be no cost associated with this option.

### 4.2 Reinstate financial support for re-usable ‘real nappies’ from 1 April 2008 as currently structured

This option would see the Authority continuing to pay both the £54.15 incentive for real nappies, the RNfL administration charge (approximately £2,266 in 2008/09) for those constituent boroughs that have signed up to the RNfL scheme in 2008/09 and continue to provide database support for those boroughs not signed up to the RNfL scheme. The total cost to the Authority of this option would be some £81,000 in 2008/09.

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<sup>2</sup> [http://www.wen.org.uk/nappies/cost\\_comparison.htm](http://www.wen.org.uk/nappies/cost_comparison.htm)

4.3 Reinstate financial support for re-usable 'real nappies' from 1 April 2008, but consider reducing either the level of subsidy, the payment of the RNfL administration fee on behalf of the boroughs, or both.

This option would see the Authority continuing to provide a financial support to parents to encourage the use of real nappies, but reconsidering the level of that financial support. Options include:

- 4.3.1. continuing to pay a subsidy of £54.15, but placing the responsibility of paying the RNfL administration fee back on the four participating boroughs (Camden, Hackney, Haringey and Islington). The total cost to the Authority of this option would be some £72,000 in 2008/09; or
  - 4.3.2. reducing the level of subsidy paid to £45, but continuing to pay the RNfL administration charge on behalf of Camden, Hackney, Haringey and Islington. The total cost to the Authority of this option would be some £69,000 in 2008/09; or
  - 4.3.3. reducing both the level of subsidy paid to £45 AND placing the responsibility to pay the RNfL administration fee back on the four participating boroughs (Camden, Hackney, Haringey and Islington). The total cost to the Authority of this option would be some £60,000 in 2008/09.
- 4.4. A cost-benefit analysis of the each option to continue financial support for real nappies is presented in Appendix 1.

## **5.0 RECOMMENDATIONS**

- 5.1 The Authority is recommended to decide if it wishes to:
- i. abide by its decision made in September 2007 to cease financial support for reusable 'real nappies' as of 1 April 2008; or
  - ii. reinstate financial support for reusable 'real nappies' from 1 April 2008, with administration payments and subsidies maintained at current levels; or
  - iii. reinstate financial support for reusable 'real nappies' from 1 April 2008, with reduced administration payments and/or subsidy levels as at paragraph 4.3.1, 4.3.2, or 4.3.3 of this report.

## **6.0 COMMENTS OF THE FINANCIAL ADVISER**

- 6.1 The Financial Adviser has been consulted and his comments incorporated into the report. The 2008/09 draft budget elsewhere on this agenda provides sufficient budget provision and the flexibility for Members to agree any of the recommendations.

## **7.0 COMMENTS OF THE LEGAL ADVISER**

- 7.1 The Legal Adviser has been consulted in the preparation of this report and has no further comments to add.

## **Local Government Act 1972 – Access to information**

**Documents used:** *Life Cycle Assessment of Disposable and Reusable Nappies in the UK*, Environment Agency, 2005

[http://www.wen.org.uk/nappies/cost\\_comparison.htm](http://www.wen.org.uk/nappies/cost_comparison.htm)

*Recycling Strategy for Haringey 2006-2020*

*Waste Prevention Strategy 2005-2015*, London Borough of Barnet, December 2005

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	2007/08 Projection		2008/09 Projection- as currently structured		2008/09 Projection- NLWA pay £54.15 but don't pay RNfL admin		2008/09 Projection- NLWA pay £45 but still pay RNfL admin		2008/09 Projection- NLWA pay £45 AND don't pay RNfL admin	
Total number of subsidies	959 <sup>3</sup>		1,315 <sup>4</sup>		1,315 <sup>2</sup>		1,315 <sup>2</sup>		1,315 <sup>2</sup>	
Average tonnes diverted <sup>5</sup>	539.44		739.69		739.69		739.69		739.69	
	Costs	Benefits	Costs	Benefits	Costs	Benefits	Costs	Benefits	Costs	Benefits
NLWA										
Avoided cost of disposal <sup>6</sup>		£38,089.86		£59,493.27		£59,493.27		£59,493.27		£59,493.27
Potential LATS benefit <sup>7</sup>		£2,697.20		£3,698.45		£3,698.45		£3,698.45		£3,698.45
Administration costs <sup>8</sup>	£11,400		£9,664		£600		£9,664		£600	
Cost of incentives (cash or vouchers)	£51,929.85 <sup>9</sup>		£71,207.25 <sup>7</sup>		£71,207.25 <sup>7</sup>		£59,175 <sup>10</sup>		£59,175 <sup>8</sup>	
Totals	£63,329.85	£40,787.06	£80,871.25	£63,191.72	£71,807.25	£63,191.72	£68,839	£63,191.72	£59,775	£63,191.72
<b>Net Cost/Benefit for NLWA</b>	<b>£22,542.79 net cost</b>		<b>£17,679.53 net cost</b>		<b>£8,615.53 net cost</b>		<b>£5,647.28 net cost</b>		<b>£3,416.72 net benefit</b>	
Boroughs										
Avoided cost of collection <sup>11</sup>		£4,866.93		£6,673.63		£6,673.63		£6,673.63		£6,673.63
RNfL Administration Costs <sup>12</sup>	n/a		n/a		£9,064		n/a		£9,064	
Promotion costs <sup>13</sup>	£22,450		£21,215		£21,215		£21,215		£21,215	
Totals	£22,450	£4,866.93	£21,215	£6,673.63	£30,279	£6,673.63	£21,215	£6,673.63	£30,279	£6,673.63
<b>Net Cost/Benefit for boroughs<sup>14</sup></b>	<b>£17,583.07 net cost</b>		<b>£14,541.37 net cost</b>		<b>£23,605.37 net cost</b>		<b>£14,541.37 net cost</b>		<b>£23,605.37 net cost</b>	
Public Purse										
Totals	£85,779.85	£45,653.99	£102,086.25	£69,865.35	£102,086.25	£69,865.35	£90,054	£69,865.35	£90,054	£69,865.35
<b>Net cost/benefit for the public purse</b>	<b>£40,125.86 net cost</b>		<b>£32,220.90 net cost</b>		<b>£32,220.90 net cost</b>		<b>£20,188.65 net cost</b>		<b>£20,188.65 net cost</b>	

<sup>3</sup> Based on 2007/08 projected total

<sup>4</sup> Based on 2008/09 projected total

<sup>5</sup> Assumes 225kg waste avoided per child per year for 2 ½ years, which totals 562.5kg

<sup>6</sup> Based on NLWA cost to send waste to landfill via Hendon Waste Transfer Station of £70.61 in 2007/08 and £80.43 in 2008/09

<sup>7</sup> Based on a market value of £5 per allowance, as per Financial Advisers advice to Authority in Dec 2007- this benefit is not realised until the credit is sold

<sup>8</sup> Based on £2,200 per RNfL borough in 2007/08, £2,266 per RNfL borough in 2008/09 and £200 per non-RNfL borough in both 2007/08 and 2008/09.

<sup>9</sup> Based on a voucher/incentive value of £54.15

<sup>10</sup> Based on a voucher/incentive value of £45

<sup>11</sup> Based on a 2006 collection cost of £5.075 per child, identified in the Barnet Waste Prevention Strategy - Appendix 8: Business Case Details

<sup>12</sup> Based on £2,266 per RNfL borough in 2008/09

<sup>13</sup> Based on £2,325 per borough for non-RNfL boroughs and £3,560 per borough for RNfL boroughs

<sup>14</sup> Excludes staff time costs