

Agenda Item No:

NORTH LONDON WASTE AUTHORITY

REPORT TITLE:

REVIEW OF REAL NAPPY SUBSIDY

REPORT OF:

HEAD OF WASTE STRATEGY AND CONTRACTS

FOR SUBMISSION TO:

AUTHORITY MEETING

DATE:

19th September 2007

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;
- anticipated costs and benefits and 2007/08 financial outlay; and
- options for the future.

RECOMMENDATIONS

The Authority is recommended to decide if it wishes to:

- i. continue its support for re-usable 'real nappies' as currently structured for the 2008/09 financial year; or
- ii. withdraw its support for re-usable 'real nappies' as of 1 April 2008; or
- iii. continue its support for re-usable nappies as currently structured but give formal notice to its seven constituent borough councils and the Real Nappies for London scheme that it will formally review its support for re-usable 'real nappies' once the results of the Environment Agency's updated research on this subject are available; the Authority notes that this may commit it to funding re-usable nappies for 2008/09.

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

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Date:

1.0 BACKGROUND

- 1.1 The Authority has supported the use of 'real nappies' in North London since 2005. The existing scheme reimburses parents up to £54.15 'cash-back' for the cost of buying real nappies for home washing or signing up to use a nappy collection and laundry service. Each of the constituent boroughs is responsible for outreach and promotion of real nappies within their area.
- 1.2 At the December 2006 Authority meeting, it was agreed to support the new Real Nappies for London (RNfL) scheme which was publicly launched on 29th June 2007. Five North London boroughs (Camden, Enfield, Hackney, Haringey and Islington) signed up to the RNfL scheme along with eight other London boroughs.
- 1.3 The RNfL scheme includes joint promotion and outreach programmes and provides a £54.15 voucher, 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. The voucher value is in line with the subsidy provided through the cash-back support scheme previously operated throughout North London.
- 1.4 In addition to paying the voucher costs, the Authority also pays the £2,200 annual administration fee for each North London borough that joins the RNfL scheme.
- 1.5 Barnet and Waltham Forest have opted to not participate in the RNfL scheme at this stage, but instead promote the use of real nappies through their own outreach programmes. The Authority continues to pay the subsidy to residents of these boroughs as well as providing database and administrative support.
- 1.6 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 cheque refund as before.
- 1.7 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.
- 1.8 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.

- 1.9 On 29 June 2007 Ben Bradshaw MP (the Minister of State for Health) cited the conclusions of the Environment Agency's LCA when answering a question on the contribution of real nappies to reductions in landfill. This answer prompted articles in a number of newspapers including the Daily Mail and The Daily Telegraph on July 2nd and 3rd discussing the Environment Agency LCA and the 'real nappy' support programme run by the government funded Waste and Resources Action Programme (WRAP) over recent years. The Women's Environment Network (WEN) issued a press release following this coverage¹, reaffirming their support for real nappies and discussing their concerns about the conclusions of the LCA (see section 4.2).
- 1.10 Following Ben Bradshaw's answer in Parliament, the Chairman of the Authority requested that the Authority's financial support for the use of real nappies be reconsidered for the 2008/09 financial year.

2.0 ACHIEVEMENTS 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 1,550 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 444 tonnes of waste being diverted from landfill or incineration and £80,833 worth of subsidies being paid.
- 2.3 If estimates for NLWA and borough administration and promotion costs (leaflets, adverts, events) between July 2005 and September 2007 are added to the cost of subsidies, the total amount paid by NLWA and boroughs rises to approximately £133,700² or up to £301 per tonne of waste avoided. This excludes borough staff time and other additional outreach costs as figures were unavailable. However, as section 3.6 shows, these could be significant in some boroughs.
- 2.4 As discussed in the December 2006 Authority meeting, the target for the RNfL scheme is to lift the average number of parents claiming the real nappy subsidy every year from 75³ per North London borough in 2005/06 to 300 per annum.
- 2.5 As 2007/08 is the transition year from the existing scheme and the RNfL scheme did not launch until late June 2007, the stretch objective of 300 claims per participating borough has not yet been achieved.

¹ http://www.wen.org.uk/general_pages/Newsitems/ms_nappies4.7.07.htm

² Calculated on a pro-rata basis between 1 July 2005 and 10 Sept 2007, includes allocations of annual administration costs (£200 per borough for non-RNfL boroughs and years, £2,200 for RNfL boroughs in 2007/08) along with estimates of outreach costs (assumed to be £2,323 for non-RNfL boroughs and years, £6,550 for RNfL boroughs in 2007/08).

³ This number was reported as 77 in December, based upon data available at the time. This data has since been adjusted to remove inactive entries (i.e. children who were registered, but whose parents did not make a claim by the end of the financial year) and the average has been adjusted to 75 per borough.

- 2.6 Table One below shows the number of claims from each North London borough in 2005/06, 2006/07 and a projected 2007/08 figure. The 2007/08 projection is based on the first 4 months of the 2007/08 financial year and does not fully reflect the impact of the RNfL scheme which was launched at the end of June. It is anticipated that the RNfL's use of a voucher, combined with advertising across London may result in increased participation in the second half of the year, but we are unable to be certain the likely extent of this increase.

Table One- Annual Claims

	2005/06	2006/07	2007/08 (projected)
Barnet	39	93	99
Camden	118	113	132
Enfield	25	44	48
Hackney	155	217	189
Haringey	27	75	144
Islington	140	125	147
Waltham Forest	21	70	66
Average	75	105	118
Total	525	737	825

3.0 ANTICIPATED COSTS/BENEFITS AND LIKELY 2007/08 FINANCIAL OUTLAY

- 3.1 The anticipated costs and benefits and the likely overall costs of supporting reusable nappies in 2007/08 are set-out in Tables Two and Three below. The focus is on financial costs and benefits, as the best information currently available (see Section 4 below) suggests the environmental case is broadly neutral.
- 3.2 The cost-benefit analysis at Table Two is presented at the level of average effects per borough, whereas the financial outlay at Table Three shows the potential financial impact on the Authority and boroughs for 2007/08. The analyses include cost of administration, cost of subsidies provided, cost of promotional material, avoided cost of collection, avoided cost of disposal and potential landfill allowance trading scheme (LATS) benefits but exclude staff time spent on outreach and promotion.
- 3.3 Both Tables Two and Three model two potential scenarios for the number of claims from RNfL boroughs, one using the level of claims as projected for 2007/08 (previously calculated in paragraph 2.6) and the other using the RNfL target of 300 claims per borough per year.
- 3.4 The avoided cost of waste disposal is assumed to be £53.69 per tonne, in line with the 2007/08 recycling credit value.
- 3.5 The value of a LATS permit (which is for one tonne of biodegradable waste) was reported as £17.98 at the June 2007 Authority meeting. However, this notional value for a tonne of avoided biodegradable waste is not realised until sold.
- 3.6 The staff time spent on outreach and promotion varies between boroughs, and was not included in the calculations. Some boroughs spend only 3 hours of staff time per week while others spend 5 hours of staff time per week plus contracting outside companies to provide 70 hours of outreach per month (totalling approximately 0.65 of a full time staff equivalent).

- 3.7 For the December 2006 Authority meeting, it was calculated that signing up to the RNfL scheme would result in a net benefit for the public purse (NLWA and boroughs combined) of £2,050 to £5,040 per borough per annum, assuming 300 subsidy claims. This same calculation estimated that retaining the existing system would result in a net cost to the public purse of £890 per borough per annum.
- 3.8 NLWA officers have reviewed the assumptions made in December's cost/benefit calculation and the figures have been reviewed downwards based upon the final format of the RNfL scheme, performance to date, updated recycling credit value and the fact that boroughs have retained more administration and outreach costs than was anticipated.

Table Two- Cost/Benefits

	Non RNfL boroughs		RNfL boroughs (Target)		RNfL boroughs (2007/08 projection)	
Average number of subsidies per borough per annum	71 ¹		300 ²		153 ³	
Average tonnes diverted per borough ⁴	39.93		168.75		86.06	
	Costs	Benefits	Costs	Benefits	Costs	Benefits
NLWA						
Avoided cost of disposal ⁵		£2,143.84		£9,060.19		£4,620.56
Potential LATS benefit ⁶		£717.94		£3,034.13		£1,547.36
NLWA administration costs	£200 ⁷		£2,200 ⁸		£2,200 ⁸	
Cost of incentives (cash or vouchers) ⁹	£3,844.65		£16,245		£8,284.95	
Totals	£4,044.65	£2,861.78	£18,445	£12,094.32	£10,484.95	£6,167.92
Net Cost/Benefit for NLWA per borough	£1,182.87 net cost		£6,350.68 net cost		£4,317.03 net cost	
Boroughs						
Avoided cost of collection ¹⁰		£360.33		£1,522.50		£776.47
Promotion costs	£2,325 ¹¹		£3,560 ¹²		£3,560 ¹²	
Totals	£2,325	£360.33	£3,560	£1,522.50	£3,560	£776.47
Net Cost/Benefit for each borough	£1,964.67 net cost		£2,037.50 net cost		£2,783.53 net cost	
Public Purse						
Totals	£6,369.65	£3,222.11	£22,005	£13,616.82	£14,044.95	£6,944.39
Net cost/benefit for the public purse per borough	£3,147.54 net cost		£8,388.18 net cost		£7,100.56 net cost	

¹ Based on 2007/08 projected average for Barnet, Enfield and Waltham Forest

² WEN target for each borough in RNfL scheme

³ Based on 2007/08 projected average for Camden, Hackney, Haringey and Islington

⁴ Assumes 225kg waste avoided per child per year for 2 ½ years, which totals 562.5kg

⁵ Based on recycling credit value of £53.69 per tonne for 2007/08

⁶ Based on a 2005/06 book value of £17.98 per allowance, as per Financial Advisers advice to Authority in June 2007- this benefit is not realised until the credit is sold

⁷ Based on NLWA staff time for database administration

⁸ Based on RNfL administration costs, which NLWA are paying on behalf of boroughs

⁹ All vouchers/incentives are £54.15

¹⁰ Based on a 2006 collection cost of £5.075 per child, identified in the Barnet Waste Prevention Strategy - Appendix 8: Business Case Details

¹¹ Based on approximate average annual cost of leaflets and advertisements for Islington and Hackney during the pre-RNfL pilot period

¹² Based on estimated RNfL charges for promotional material and support for 2008/9, which is lower than 2007/08 due to start-up costs

Table 3- Likely 2007/08 Financial Outlay

Likely 2007/08 total cash outlay- NLWA ¹	£56,073.75
Likely 2007/08 total cash outlay- All boroughs combined ²	£37,400.00
Potential NLWA cash outlay if 300 claims per RNfL borough was achieved	£88,113.95

4.0 LIFE CYCLE ANALYSIS

- 4.1 The overall conclusion made by the Environment Agency's LCA is that there is no significant difference in environmental impacts between disposable and real nappies. However, the report recognised that each nappy system had impacts in different areas. For example:
- disposable nappies emit more greenhouse gases across their lifetime than home-washed reusables, but less than commercially washed reusables³;
 - disposable nappies produce more solid waste than reusables⁴; but
 - reusable nappies use more water⁵ and have a larger potential impact on aquatic toxicity due to the detergents used in washing⁶.
- 4.2 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.⁷
- 4.3 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 December 2007.
- 4.4 Changing the way parents use real nappies has the potential to significantly reduce their comparative environmental impact. Best-practice behaviours such as laundering at lower temperatures, not ironing nappies and air drying rather than tumble drying can all be promoted and encouraged through support and awareness campaigns.
- 4.5 One benefit of real nappies that was not covered by the LCA was their ability to be re-used. Given the durable nature of terry towel nappies, they have the potential to be used on 2 or more children. In such circumstances, re-used real nappies would have no manufacture, transport and retail environmental impacts allocated to them, resulting in significant environmental benefits over and above those included in the study. A nappy re-use scheme is part of the RNfL, but the likely impact in North London is impossible to forecast reliably at this stage.

¹ Includes cost of incentives, admin costs of £200 per non-RNfL borough and £2,200 per RNfL borough but excludes staff time

² Includes estimated cost of promotional material, but excludes staff time. Promotional costs for RNfL boroughs is estimated at £6,550 each in 2007/08, which is higher than the £3560 expected in subsequent years due to start-up costs.

³ *Life Cycle Assessment of Disposable and Reusable Nappies in the UK*, Environment Agency, 2005- Table 8.2, 8.13 & 8.23

⁴ Ibid, Table 7.1, 7.2, 7.4 & 7.5

⁵ Ibid

⁶ Ibid, Table 8.2, 8.13 & 8.23

⁷ http://www.wen.org.uk/general_pages/Newsitems/ms_LCA19.5.05.htm

5.0 OTHER CONSIDERATIONS

- 5.1 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.
- 5.2 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.
- 5.3 If the Authority chooses not to continue financial support for real nappies, the North London boroughs will not be levied for the cost of the associated subsidies and administration. This will “free-up” money within each boroughs’ budget which they can use to continue support for real nappies, or use for other council priorities.
- 5.4 As the Authority will complete the transition to a tonnage based levy for 2008/09, any reduction in disposed tonnages (eg. achieved due to promoting real nappies or other work such as home composting) will result in a lower levy proportion paid by boroughs (noting default mechanism time delays). This means that much of the business case for waste reduction now rests with our constituent boroughs.
- 5.5 WRAP, which was originally involved in the promotion of real nappies including the annual Real Nappy Week event, announced that it would phase out its support for real nappy campaign work in November 2005, focusing instead on organics and construction waste¹.
- 5.6 While real nappies have a higher set-up cost, it is estimated that they can save a parent up to £500² 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.
- 5.7 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.
- 5.8 The North London Joint Waste Strategy Waste Prevention Implementation Plan, approved at the December 2006 Authority meeting, aimed to “*Continue with the nappy subsidy taking account of, and actively being involved in, the development of proposals for a pan-London scheme*” and “*Encourage creation of nappy laundry services*”. If the Authority decides to withdraw or amend its current support for re-usable nappies, this plan will have to be updated.

¹ http://www.letsrecycle.com/do/ecco.py/view_item?listid=37&listcatid=244&listitemid=7051

² http://www.wen.org.uk/nappies/cost_comparison.htm

6.0 OPTIONS

Continue support for re-usable 'real nappies' as currently structured

- 6.1 This option would see the Authority continuing to pay the £54.15 incentive for real nappies, pay the £2,200 RNfL administration charge for those constituent boroughs that have signed up to the RNfL scheme and continue to provide database support for those boroughs not signed up to the RNfL scheme.

Withdraw support for the re-usable 'real nappies'

- 6.2 The Authority has committed to supporting real nappies until 31st March 2008, including paying incentives (cash-back or vouchers), paying the administration fee for constituent boroughs participating in the RNfL scheme and providing database support for those boroughs not signed up to the RNfL scheme.
- 6.3 However, as there has been no commitment for the 2008/09 financial year, the Authority can choose to remove support for real nappies from 1 April 2008.

Review its support for re-usable 'real nappies' once the results of the Environment Agency's updated research on this subject are available.

- 6.4 The updated LCA is expected to be published by the Environment Agency sometime in early December 2007. Delaying any decision on the future of the Authority's real nappy support scheme until it is published would allow the results of this updated report to be considered.
- 6.5 However, the anticipated release date is likely to preclude any analysis of the updated LCA to be ready in time for the December 12th Authority meeting, where 2008/09 budget forecasts are considered.
- 6.6 Additionally, any delay in the finalisation of the LCA update could see the release date pushed back into January. This could make it difficult or even impossible to complete analysis of the updated report in time for the February 6th Authority meeting, which is the very last opportunity to finalise 2008/09 budgets. Consequently, it brings with it the risk that the Authority effectively commits itself to at least one further full year of expenditure and support in this area.

7.0 RECOMMENDATIONS

- 7.1 The Authority is recommended to decide if it wishes to:
- i. continue its support for re-usable 'real nappies' as currently structured for the 2008/09 financial year; or
 - ii. withdraw its support for re-usable 'real nappies' as of 1 April 2008; or
 - iii. continue its support for re-usable nappies as currently structured but give formal notice to its seven constituent borough councils and the Real Nappies for London scheme that it will formally review its support for re-usable 'real nappies' once the results of the Environment Agency's updated research on this subject are available; the Authority notes that this may commit it to funding re-usable nappies for 2008/09.

8.0 COMMENTS OF THE FINANCIAL ADVISER

8.1 The Financial Adviser has been consulted and his comments incorporated into the report.

9.0 COMMENTS OF THE LEGAL ADVISER

9.1 The Legal Adviser has been consulted and her comments incorporated into the report.

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

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

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