



Ministry for the
Environment
Manatū Mō Te Taiao

Waste Levy Spending

Guidelines for Territorial Authorities

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1. Introduction

1.1 Purpose of these guidelines

These guidelines provide good practice guidance to territorial authorities (TAs) on how to use Waste Disposal Levy money received under section 31 of the Waste Minimisation Act 2008 (WMA).

These guidelines will help TAs:

- identify projects and set spending priorities that are in line with the intent of the WMA
- develop new ideas for using levy money to achieve waste minimisation
- have clear processes to identify spending priorities and approve funding
- track and accurately report on spending of levy money in a more efficient and effective way
- evaluate levy spending outcomes.

The guidelines will also help the Ministry to better determine:

- waste minimisation outputs and outcomes from TA levy spending
- compliance with levy spending requirements under the WMA.

1.2 Scope of these guidelines

The WMA places responsibilities on TAs to promote effective and efficient waste management and minimisation within their districts (section 42). To do this, a TA must develop a waste management and minimisation plan (WMMP).

Actions under a WMMP may be funded from a variety of sources, one of which is money allocated to a TA from the Waste Disposal Levy. This guidance is concerned only with the portion of spending under the WMMP that is funded by your waste levy allocation.

For clarity, these guidelines do **not** provide guidance on:

- spending of levy money allocated through the Waste Minimisation Fund¹
- waste management and minimisation planning²
- TA spending priorities or monitoring and reporting more generally
- non-levy related TA accounting, financial tracking, and auditing processes.

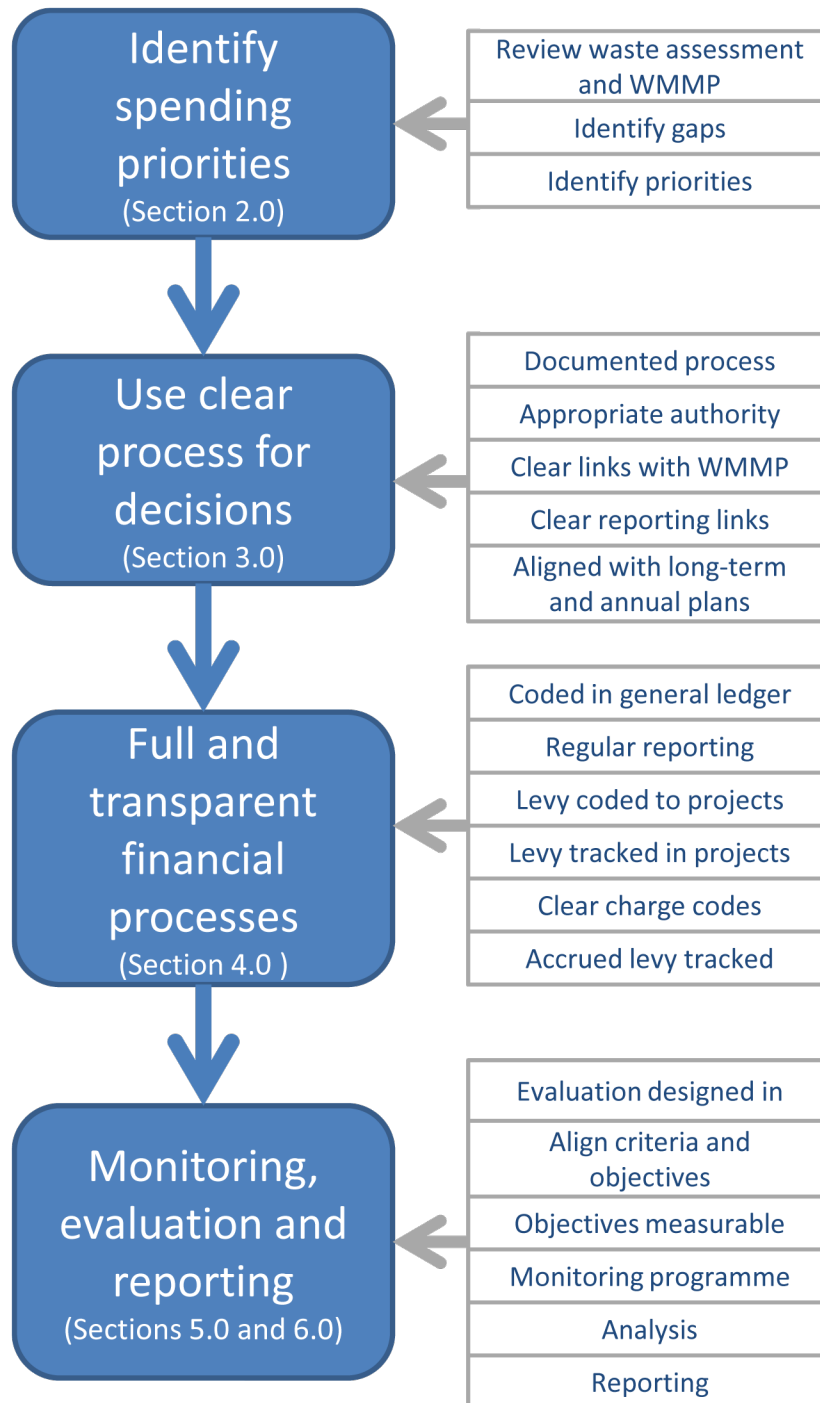
The advice contained in these guidelines does not take precedence over any statutory obligations for TAs.

¹ Refer to Waste Minimisation Fund <http://www.mfe.govt.nz/issues/waste/waste-minimisation-fund/index.html>.

² Refer to Waste Management and Minimisation Planning: Guidance for Territorial Authorities, available from <http://www.mfe.govt.nz/publications/waste/waste-management-minimisation-planning/>.

1.3 Process summary

The following chart provides a summary of the process set out in these guidelines:



2. Identifying spending priorities

2.1 General

It is important to use a clear process when deciding on levy spending priorities. This section outlines good practice for identifying your levy spending priorities.

2.1.1 Purpose of the levy

Good practice for spending levy money is guided by section 25(a) of the Waste Minimisation Act (WMA), which states that one of the key purposes of the levy is to “raise revenue for *promoting* and *achieving* waste minimisation”.

Under the WMA you are required to spend the levy money you receive in accordance with section 32, which states:

A territorial authority may spend the levy money it receives under section 31 only—

- (a) on matters to promote or achieve waste minimisation; and
- (b) in accordance with its waste management and minimisation plan.

2.2 Review waste assessment and WMMP

Waste assessments and waste management and minimisation plans (WMMPs) should contain (amongst other things) an analysis of key issues, forecast of future demand, and options for meeting that demand. The WMMP provides a way to determine appropriate spending of levy money and should be the primary factor informing spending priorities.

If your WMMP includes a list of explicit actions to help promote or achieve waste minimisation, these actions can be fully or partially funded from your levy money.

Alternatively, your WMMP actions may be more flexible and identify a more general set of waste minimisation activities and spending of levy money against any of those. For example, ‘organic waste diversion’ may be identified for potential levy funding, but precisely what is funded by the levy may not be determined until feasibility studies are completed, costs and benefits are calculated, or other funding sources secured. Where this is the case, a clear, documented prioritisation process should be followed.

You should consider how the WMMP has been translated into action through your activity management plan(s), long-term plan and annual plan, so the approaches are consistent and reflect the priorities that have been consulted on and agreed.

2.3 Identify waste minimisation activity gaps

When you developed your WMMP, you should have assessed how well existing services and infrastructure provide for current and anticipated future needs. If gaps in waste minimisation activities were identified, directing resources towards addressing those gaps is a good first step.

Circumstances may have changed since the waste assessment and your WMMP was developed, or new information may have become available which could affect priorities. Any changes or new information should be explicitly noted, including how this is likely to influence decision-making.

2.4 Identify priority areas for levy spending

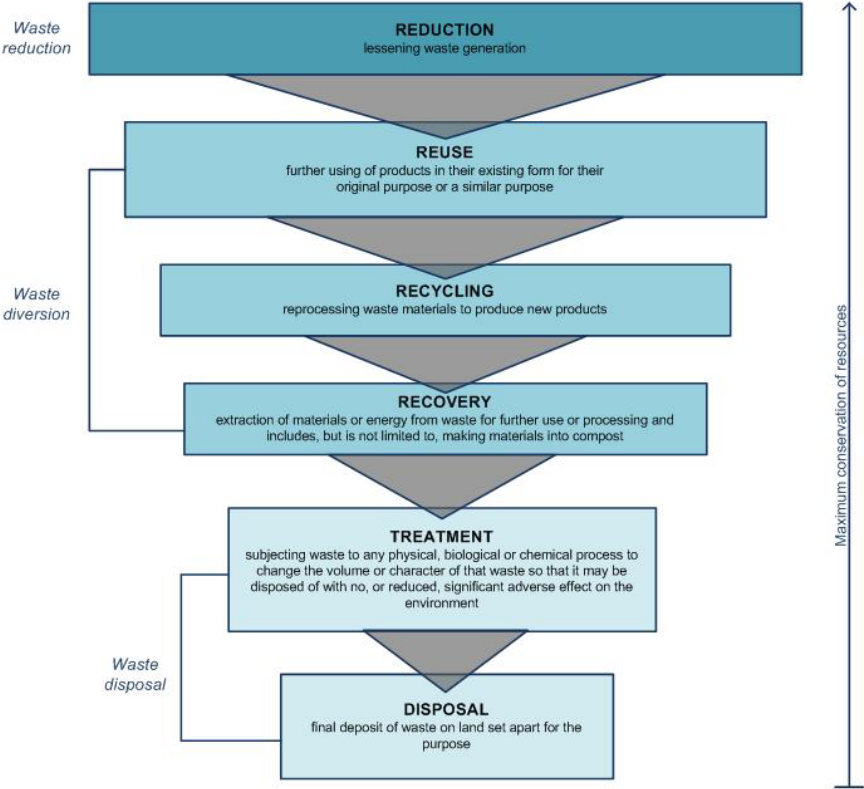
Once gaps have been identified, potential actions that could be appropriate for levy spending will need to be prioritised.

Key point: Priorities for action must be in accordance with your WMMP. If priorities change significantly after the adoption of your WMMP, you may need to consider reviewing your WMMP.

The following sub-sections contain suggestions for you to consider when prioritising levy spending actions.

2.4.1 Consider the waste hierarchy

Under section 44 of the WMA, you are required to give consideration to the waste hierarchy when preparing or amending your WMMPs. The waste hierarchy states that preference should be given to actions that are higher in the hierarchy.



Based on: Performance Audit Report, April 2007. Waste Management Planning by Territorial Authorities, Office of the Auditor General, www.oag.govt.nz/2007/waste-management.

When considering levy spending on waste minimisation initiatives (all else being equal) actions that are higher in the hierarchy should take priority.

2.4.2 Have regard to the Waste Strategy, national objectives and local issues

Section 44(c) of the WMA requires that WWMPs must have regard to the New Zealand Waste Strategy.³ Therefore, any actions under the WMMP should also be reflective of the Strategy. Key considerations for linking spending to the goals of the New Zealand Waste Strategy include the potential for the initiatives to:

- reduce harm, and
- improve resource efficiency.

When identifying areas for levy spending, consider how this will fit with national priorities or objectives. Investment in waste management and minimisation on a national and regional/local scale should ideally complement, rather than replicate, one another.

Other priorities might reflect local concerns, for example, reducing volumes of construction and demolition waste, improving agricultural waste management, or developing local processing capacity.

2.4.3 Consider a balanced approach

The levy is intended to raise revenue for both *promoting* and *achieving* waste minimisation. For example, if your non-levy funding is predominantly directed towards actions that *achieve* waste minimisation, it may be appropriate to balance this by using levy money towards actions that *promote* waste minimisation or vice versa.

To plan a balanced approach to waste management and minimisation it may help to differentiate between types of actions. For example, a programme might differentiate between service delivery, education and communication, monitoring and reporting.

Case study: Waikato Regional Council

In 2012, Waikato Regional Council adopted a 'Waste and Resource Efficiency Strategy, which sets out the vision, goals, and objectives for managing waste in the region.

The strategy identifies six 'key focus areas' for action:

- improve waste data and information management
- review regulatory environment governing waste
- reduce the harmful impacts of waste
- increase resource efficiency and beneficial use
- stimulate research and innovation

³ Refer to The New Zealand Waste Strategy: Reducing Harm, Improving Efficiency, available from <http://www.mfe.govt.nz/publications/waste/waste-strategy/>.

- foster partnerships, collaboration and funding.

Setting out actions across these six focus areas helps identify, prioritise and develop waste to resource opportunities in the region.

2.4.4 Identify quick wins

Initiatives that have the potential to deliver effective, timely and measurable waste minimisation gains for relatively little cost should be considered a priority. For example, this could include separating recoverable materials at transfer stations (such as green waste or other materials with ready markets), extending the coverage of a recycling service, or providing improved information to the public.

Undertaking initiatives that deliver positive, quick, and cost-effective results can help demonstrate what is possible, and gain support for other longer-term waste minimisation initiatives.

2.4.5 Collaborative working

Many of the waste issues faced by TAs are not unique, but may be common across TAs (in particular neighbouring TAs), and may involve shared interests with other parties such as local industry or research institutions.

Where shared interests exist, a collaborative approach can facilitate pooling of levy money towards joint projects. Use of levy money in joint projects will avoid duplication of effort and will help leverage the value of that money. This can be of particular benefit where available budgets are not large enough to be effective on their own.

Some regions already have formal arrangements to encourage joint working, and some regional councils facilitate cooperation in waste at a regional and pan-regional level. Collaborative working can be on a case-by-case basis or may be ongoing across all waste issues.

Key options to consider include:

- pooling TA levy funds that are tagged to a common outcome (eg, organic waste, hazardous waste) to develop collaborative solutions
- establishing a regional TA waste officer forum to share information and ideas, and identify priority areas for collaboration
- establishing a waste advisory group with membership from TAs, regional councils, and key local industry and research bodies to identify areas for collaboration
- establishing a joint committee comprising councillors from neighbouring TAs to identify and oversee joint waste management and minimisation projects.

Case study: Canterbury Waste Joint Committee

The Canterbury region has established the 'Canterbury Waste Joint Committee' to promote a regional approach to common waste issues. Under this structure all the Canterbury TAs pay into a common fund (based on population) on an annual basis. Regionally applicable projects are then undertaken using the fund, with the aim of providing beneficial outcomes for all TAs and the region as a whole.

The initiative has successfully addressed some of the bigger waste issues such as e-waste management, treated timber disposal, and rural waste management. The group has found that economies of scale make a difference at this level and more can be achieved working in unison. With their regional perspective, Environment Canterbury has found that regional councils can play a useful role in identifying larger cross-boundary issues and facilitating solutions.

Case study: Rotorua District Council and Scion

Rotorua District Council (RDC) has a collaborative relationship with scientific research and development organisation, Scion, working towards developing technologies to deal with organic waste. The relationship developed originally through RDC seeking a solution for the disposal of its biosolids. The technology aims to use biosolids as a feedstock to create commercially valuable products. RDC and Scion formed a joint company (Terax 2013 Ltd) to oversee the development of a full scale plant and commercialisation of the process. They also initiated a joint research project to investigate the potential application of the process to organic municipal solid waste streams.

The collaboration has enabled RDC to be proactive in seeking beneficial solutions for dealing with its organic waste streams.

2.4.6 Initiatives to consider

While you need to make decisions on levy spending according to sound internal processes, good practice initiatives that you may wish to consider could include (but are not limited to) the following.

Services:

- collecting additional recoverable materials from kerbside (eg, organics, extending the range of recyclables)
- expanding the coverage of kerbside recovery services
- accepting additional recoverable materials at transfer stations
- collaborating with industry or another TA to offer a new waste minimisation service, (eg, product stewardship schemes).

Infrastructure:

- establishing or expanding processing infrastructure
- introducing reuse programmes or facilities.

Communication and education:

- new or expansion of existing waste education programmes including waste reduction
- adopting a community development approach to engage the community in waste minimisation activities.

Policy, research and reporting:

- research and trials of new systems or technologies
- systems to enhance data collection and management
- establishing and implementing bylaw or licensing schemes where there is a waste minimisation focus.

Other initiatives:

- allocation of money to the community and business sector through a contestable fund for waste minimisation projects.

It should be noted that the above list is not intended to be exhaustive or prescriptive, but provides some examples of things that might be included under each category. Further waste minimisation examples can be found on the Ministry for the Environment website: www.mfe.govt.nz/waste.

Checklist:

- I have reviewed the waste assessment and considered any subsequent developments
- I have reviewed the actions in the WMMP and long-term plan
- I have identified potential activity gaps
- I have considered issues that could influence priorities including:
 - WMMP aims and objectives
 - the application of the waste hierarchy
 - alignment with the New Zealand Waste Strategy and national objectives, and local issues
 - ensuring a balanced approach
 - the potential for quick wins
 - opportunities for collaborative working

3. Good practice decision-making processes

3.1 Overall process

For the purposes of tracking and reporting on levy expenditure, good practice should ensure there is a clear audit trail through the decision-making process. Decision-making for projects or initiatives that use levy funding should be well documented and transparent.

For spending identified in your waste management and minimisation plan (WMMP), good practice processes will ensure:

- the waste assessment sets out a clear rationale for identified priority spend areas and that this is reflected in the WMMP
- spending of levy funds is clearly identified in the WMMP and this is aligned with the long-term plan budget
- there has been appropriate public consultation on key projects
- projects and key spend areas from the WMMP and long-term plan are set out in the annual plan.

Where spending is not specifically set out in a WMMP (but is in accordance with the WMMP) it is good practice for TAs to be able to demonstrate:

- the process that has led to decisions on levy spending
- that this process meets all statutory and internal process requirements, including documenting decisions and sign off at the appropriate level of authority
- there are clear links between the objectives of the WMMP, levy spending decisions, and what is reported to the Ministry
- there has been appropriate public consultation on key projects
- spending is aligned with activity management plans, long-term plan and annual plan budgets.

For all projects and initiatives, it is good practice that:

- any large projects which meet the TA's significance criteria are approved by an appropriate resolution of council or delegated committee, these decisions are minuted, and the funds authorised for release through the appropriate channels
- all projects that can be approved within officer funding delegation powers have a clear authorisation process (eg, memo to manager, authorisation by group manager, record of approval to project/spend levy funds)
- all projects are either reported to council as part of a monthly/quarterly reporting regime the TA may have in place, or clearly described in a full council report.

Case study: Kāpiti Coast District Council – waste levy allocation policy

In June 2010, Kāpiti Coast District Council approved a waste levy allocation policy, which was updated in September 2011.

The objectives of the policy are to:

- *ensure optimal and transparent allocation of the national waste levy funding to waste minimisation projects*
- *increase the range, scale and number of waste minimisation activities on the Kāpiti Coast through effective use of the waste levy fund.*

The policy sets out a process for allocating levy money, including the levels of authorisation required at each stage.

The policy also establishes a framework for allocating the waste levy which sets out the high level categories for allocation of the money.

Part of the high level allocation is for some of the funding to be contestable. The final elements of the policy establish criteria for assessing applications to this contestable fund.

A copy of the full policy can be downloaded from the Kāpiti Coast District Council website: <http://www.kapiticoast.govt.nz/Documents/Downloads/Policy/KCDC-Waste-Levy-Allocation-Policy.pdf>.

Case study: Hastings District Council – waste levy allocation procedures

All levy money that is not specifically allocated to projects or initiatives in Hasting District Council's WMMP is accrued in a levy reserve fund. The primary purpose of the levy reserve fund is to develop a funding pool for large projects (which have been signalled in the plan at a high level).

To release accrued funding of amounts over \$15,000 the following process is followed.

- A memo is sent to the senior management team detailing proposed expenditure so they are briefed before a report is presented to Council.
- A report is prepared setting out the reasons for releasing some of the levy money for that project.
- Council approves the release of the funds for the stated purpose.
- The approval is formally minuted.
- A project charge code is applied to the released funds which clearly identifies the project and the phase of the project (eg, recycling depot construction).

The Asset Manager has delegated authority to release small amounts of funding as and when required.

- A memo is sent to the Asset Manager.
- Approval is granted and documented.
- A project charge code is applied to the released funds which clearly identifies the project and the phase of the project.

Checklist:

- There is a documented decision-making process
- The process meets all statutory requirements
- Approval has been at the appropriate level of authority
- There are clear links with the WMMP and levy reporting
- Appropriate public consultation has been undertaken
- Actions and spending are aligned with the long-term plan, annual plan, and activity plans

4. Good practice financial processes

4.1 Overall process

To track and report on levy expenditure, there should be a clear audit trail through the financial tracking and reporting process. A good process would have the following attributes:

- levy income is coded specifically in the general ledger
- there is regular (eg, month end) reporting on expenditure
- levy money is specifically coded to projects/initiatives
- spending of levy money within projects/initiatives is tracked separately from other funding streams that apply to that project
- project coding is accurate and there are good accounting controls
- projects have clear internal charge codes (eg, capex, opex, admin) so it is clear how levy money has been spent
- accrued waste levy money is specifically tracked, including interest earned
- there are appropriate internal auditing processes.

4.2 Specific issues

4.2.1 Accounting for levy money across reporting periods

Territorial authorities (TAs) receive quarterly payments during each year. Levy spend reporting should account for all spending of levy money received in that financial year as well as expenditure of any accrued funds carried over from the previous year. Levy money received but not spent in a financial year must be carried over and must be appropriately documented as such for use in the next financial year within the TA's ledger. Alternatively, it may be treated as an accumulation of levy money over time and accrued to a levy reserve fund.

4.2.2 Carry-over of under-spend

Levy spend will not always match budget allocations. Unspent money from individual projects or initiatives may be reallocated to other appropriate projects within a financial year (and the reallocation appropriately documented). At the end of a financial year, unspent levy monies must be carried over (and appropriately documented as such for use in the next financial year). Alternatively it may be treated as an accumulation of levy money over time and accrued to a levy reserve fund.

4.2.3 Accumulation of levy money over time

Levy funds should be accounted for in the Council Statement of Special Funds (council created reserve funds). Accrued waste levy funds should be recorded as a line item in the statement

(eg, levy reserve fund). All funds recorded against that line item must be specifically used for waste minimisation. Good practice is for that position to be specifically recorded in TA meeting minutes.

4.2.4 Application of interest earned from levy money not spent

Interest earned from any unspent or accrued funds should be described as a further line item within that statement (eg, levy reserve fund). Good practice is to use the interest earned specifically for waste minimisation projects and to record that position in TA meeting minutes.

Checklist:

- Levy money is specifically coded in the general ledger
- Levy expenditure is regularly reported
- Levy is specifically coded to projects
- Levy spending is tracked within projects
- Projects have clear internal charge codes
- Accrued levy money and interest earned is specifically tracked

5. Monitoring and evaluation

Where levy money has been applied to a project or initiative it is good practice for there to be appropriate monitoring and evaluation so outputs and outcomes can be determined and reported on. Applying the following principles will help ensure effective monitoring and evaluation:

- the project evaluation criteria and process are determined in the design phase
- evaluation criteria relate to the project objectives
- project objectives are measurable
- baseline information/data is available
- a monitoring programme is established to gather the required data or information throughout the project or initiative
- information generated is collated and analysed for use in reporting.

Case study: WasteNet Southland – cost effectiveness model to evaluate progress

WasteNet Southland (a joint committee of Invercargill City Council, Southland District Council and Gore District Council) are trialling a 'cost-effectiveness' model to evaluate progress towards implementing their joint Waste Management and Minimisation Plan.

The model gauges the effectiveness of initiatives relative to their cost. While cost can be easily measured, 'effectiveness' is often more subjective to evaluate as outcomes are not always readily quantifiable in waste reduction terms. The trial model recognises this and rates 'effectiveness' on a subjective judgment of performance against agreed criteria. Initiatives are scored (for example on a 5 point scale) against how well intended outcomes were met. The allocated score must be supported by a clear justification. This self-evaluation process helps identify future improvements as well as the types of projects that are effective. Over time, the application of the model will enable waste minimisation outcomes to be optimised within council budgets.

Checklist:

- Project evaluation included in design phase
- Evaluation criteria relate to objectives
- Objectives are measurable
- Baseline data is available
- Monitoring programme is in place
- Information analysed for reporting

6. Reporting

6.1 Levy spend reporting

Territorial authorities (TAs) report their levy spending to the Ministry for the Environment annually. Following the processes set out in these guidelines will help you allocate your levy money appropriately and accurately track and record spending. Completing accurate and timely levy reports will help you:

- evaluate your progress on waste minimisation outcomes
- identify good practice and benchmark your spending
- report to the Minister for the Environment on levy outcomes.

It will also allow the Ministry to report and provide feedback to TAs and other stakeholders on levy outcomes.

Key point: TAs are expected to evaluate and report on their own waste management and minimisation plan outcomes for internal monitoring and reporting purposes. Reporting to the Ministry for the Environment should draw on existing monitoring and reporting processes and information from within the TA.

The reporting format and accompanying instructions may be updated over time and so are not included in these guidelines. An example of the current reporting format and instructions can be requested from the Ministry for the Environment by emailing waste.ta@mfe.govt.nz.

For the purpose of transparency, it is good practice to make information on how your levy money was spent available to your ratepayers.

6.2 Definitions and classifications

It is important when establishing projects and tracking and reporting on levy expenditure that there is a clear, common understanding of the terms used and how certain activities should be classified and reported.

Categories for territorial authority levy spend reporting

Education and communication

This covers all communication and education related spending including, but not limited to, communications related to the introduction of new services or expansion of existing services, education aimed at students or the general public, including workshops, or any other public facing messaging that council develops about waste minimisation. For the purposes of clarity, where non-levy spending is being reported all communication spending related to service updates (such as notification of changes to collection days, reminders about acceptable items for collection etc.) should be included under this heading.

Services

This includes all costs directly related to the provision of a service, including all contract costs, and consumable items (bags, stickers, etc). For the purposes of clarity, where capital items are purchased by a contractor, and the ownership resides with them and does not revert to council at any stage this should be included under services rather than infrastructure.

Infrastructure

This includes spending on all items that have an asset value, and that are managed under the TA's solid waste asset management plan. Any items such as bins recorded as having an asset value by the TA should be recorded under infrastructure.

Policy, research and reporting

This category is intended to cover functions that support and promote waste minimisation outcomes. For example:

- research, including surveys, studies, trials, and pilot schemes
- policy initiatives such as development of bylaws, or charging regimes
- monitoring and gathering of information and data, and its collation, analysis and reporting.

Other initiatives

All other initiatives that do not fit under the above classifications.

New versus existing initiatives

New refers to where levy money has enabled a new project/ service to start. The levy money does not have to account for the entire project/service budget; however, it should make a positive contribution to enabling the project.

Existing means that levy money has subsidised an existing service that was operational on the same or similar scale before the allocation of levy money to it.

Expansion means that the levy money has been used to significantly expand a current service/ project beyond what it was originally achieving before levy payments to TAs were introduced.

For example, where a kerbside recycling scheme that was previously only provided in urban centres has been expanded to include the rural parts of a district, or where new materials are included in the service. For the purposes of clarity, inclusion of new households as a result of new building or developments would not be classified as expansion.

Waste hierarchy

The definitions for classification under the waste hierarchy are as provided in sections 5 and 6 of the Waste Minimisation Act 2008. For ease of reference, these are:

reduction means—

- (a) lessening waste generation, including by using products more efficiently or by redesigning products; and
- (b) in relation to a product, lessening waste generation in relation to the product

reuse means the further use of waste or diverted material in its existing form for the original purpose of the materials or products that constitute the waste or diverted material, or for a similar purpose

recycling means the reprocessing of waste or diverted material to produce new materials

recovery—

- (a) means extraction of materials or energy from waste or diverted material for further use or processing; and
- (b) includes making waste or diverted material into compost

treatment—

- (a) means subjecting waste to any physical, biological, or chemical process to change its volume or character so that it may be disposed of with no or reduced adverse effect on the environment;
- (b) but does not include dilution of waste

disposal means—

- (a) the final (or more than short-term) deposit of waste into or onto land set apart for that purpose; or
- (b) the incineration of waste

for all purposes relating to the levy, **final (or more than short-term) deposit of waste** means any deposit of waste other than a deposit referred to in section 26(3)

incineration means the deliberate burning of waste to destroy it, but not to recover energy from it.

Appendix: Frequently asked questions

Q	Can levy money be spent on seed funding of projects that are seeking support from the Waste Minimisation Fund (WMF)?
A	Yes, provided that the activity is in accordance with the waste management and minimisation plan (WMMP) and other WMF criteria are met. In the WMF application, territorial authorities (TAs) will need to explain why the project is not funded out of their council's baseline funding and does not fall under their council's core responsibilities, and why it is not funded out of Waste Disposal Levy money received under section 31 of the Waste Minimisation Act.
Q	Can levy money be used to pay for waste composition analyses?
A	Yes, provided the activity is in accordance with the WMMP.
Q	Can levy money be used for undertaking waste assessments or developing WMMPs?
A	Yes, as long as the amount of levy money is within reason and spent on items directly related to the waste assessment or WMMP.
Q	Can levy money be used to offset pre-existing staff or overhead costs?
A	This would not be considered appropriate if it does not <i>promote</i> or <i>achieve</i> waste minimisation.
Q	Can levy money be used to substitute for other funding sources within existing programmes?
A	This would not be considered appropriate if it does not help <i>promote</i> or <i>achieve</i> waste minimisation outcomes across the TA's overall waste minimisation programme. There may be exceptions where it can clearly be demonstrated that the service or initiative funded would otherwise be discontinued or scaled back without the support of the levy.
Q	Can levy money be used for items that could be regarded as 'sensitive expenditure'?
A	Sensitive expenditure generally covers items where there may be a perceived private benefit to the recipients such as meals, entertainment, and travel. Although expenditure of levy money on these items may be appropriate in some limited circumstances, it is recommended that levy money not be applied to items that could be regarded as 'sensitive expenditure'. ⁴
Q	Can levy money be used for funding or promoting waste collection and disposal services or facilities?
A	No, this would be in contravention of section 32 of the Waste Minimisation Act (WMA).
Q	Can levy money be spent on funding or promotion of hazardous waste collection, treatment or disposal?
A	Under section 32 of the WMA, levy money must be spent on waste minimisation which, as defined in the WMA does not include treatment or disposal. If hazardous waste is collected for recovery (eg, e-waste and solvent recovery) then this would be in line with section 32.

⁴ For general guidance on controlling sensitive expenditure refer to <http://www.oag.govt.nz/2007/sensitive-expenditure/>.