



Briefing: Cover briefing for Cabinet paper CAB-471: Cabinet report-back: performance of government spending funded by the waste disposal levy

Date submitted: 01 November 2024

Tracking number: BRF-5515

Sub Security level: Classification

MfE priority: Urgent

Actions sought from Ministers

Name and position	Action sought	Response by
To Hon Penny SIMMONDS Minister for the Environment	Provide feedback on the draft Cabinet paper and then circulate for Ministerial and Coalition Partner consultation.	To enable consultation to begin by 04 November if possible

Actions for Minister's office staff

If agreed by the Minister, **forward** this briefing to: Office of the Minister for Regulation
Consult with Ministers and coalition partners on the enclosed Cabinet paper, once any required amendments have been made

Return the signed briefing to the Ministry for the Environment (ministerials@mfe.govt.nz).

Appendices and attachments

1. Draft Cabinet paper: *Cabinet report-back: performance of government spending funded by the waste disposal levy*
2. *Waste levy review. An assessment of outcomes and recent performance of waste levy investments.* Sapere. October 2024.
3. *Efficiency and effectiveness review of levy and funds administration.* KPMG. September 2024.

Key contacts at Ministry for the Environment

Position	Name	Cell phone	First contact
Principal Author	Stephanie Hill		
General Manager	Glenn Wigley	64 27 4917806	✓

Minister's comments

Cover briefing for Cabinet paper CAB-471 (Cabinet report-back: performance of government spending funded by the waste disposal levy)

Key messages

1. You have been requested to report back to Cabinet on the performance of government spending funded by the waste disposal levy (levy) [CAB-24-MIN-0138 refers]. This briefing encloses a draft Cabinet paper for your feedback (appendix 1).
2. This briefing encloses two independent reports that the Ministry for the Environment commissioned to inform the report-back:
 - an assessment of outcomes and recent performance of waste levy investments, by Sapere (appendix 2)
 - a review of the efficiency and effectiveness of administration and investment of the waste disposal levy, by KPMG (appendix 3).
3. The draft Cabinet paper responds to the recommendations outlined in these reports, and seeks a direction from Cabinet on:
 - reviewing the decisions Cabinet made in April 2024, in line with the agreement to revisit the waste minimisation scope change and levy increases prior to Budget 2025 [CAB-24-MIN-0138 decision 24 refers]
 - matters relating to waste legislation proposals, including how the levy is allocated between territorial authorities and the matters territorial authorities can spend the levy on
 - 9(2)(f)(iv)

Recommendations

We recommend that you:

- a. **provide feedback** on the draft Cabinet paper *Cabinet report-back: performance of government spending funded by the waste disposal levy*

Yes | No

- b. **meet** with officials to discuss the draft Cabinet paper

Yes | No

- c. **forward** this briefing and its appendices to the Minister for Regulation

Yes | No

d. **consult** with Ministers and coalition partners on the revised draft Cabinet paper

Yes | No

Signatures



Glenn Wigley

General Manager – Waste & HSNO Policy

Climate Change Mitigation and Resource Efficiency

31 October 2024

Hon Penny SIMMONDS

Minister for the Environment

Date

Cover briefing for Cabinet paper CAB-471 (Cabinet report-back: performance of government spending funded by the waste disposal levy)

Purpose

1. This briefing provides you with advice on draft Cabinet paper *Cabinet report-back: performance of government spending funded by the waste disposal levy* (CAB-471) provided in appendix 1.

Background

2. When Cabinet agreed in April 2024 to amend the Waste Minimisation Act 2008 (WMA) to enable the waste disposal levy (levy) to be spent on a wider range of waste and environmental priorities, it requested that you report back on a number of matters.
3. Cabinet expressed an interest in ensuring the levy is spent efficiently and effectively, in a way that provides good value for money and achieves improved environmental outcomes [CAB-24-MIN-0138 decisions 22 and 23 refer]. Cabinet also agreed to revisit the waste minimisation scope change and levy increases prior to Budget 2025.
4. To support this report-back, the Ministry for the Environment (the Ministry) commissioned two independent reports, in consultation with Under-Secretary Court, the Minister for Regulation, and officials at the Treasury and the Ministry for Regulation [BRF-4800 refers]:
 - i an assessment of outcomes and recent performance of waste levy investments, by Sapere (appendix 2) (which relates to decision 22 of CAB-24-MIN-0138)¹
 - ii a review of the efficiency and effectiveness of administration and investment of the waste disposal levy, by KPMG (appendix 3) (which relates to decision 23 of CAB-24-MIN-0138).²
5. The draft Cabinet paper responds to recommendations in the Sapere report. The recommendations of the KPMG are largely operational improvements that the Ministry could make to how it administers the levy and its investment. The recommendations align well with current practices. The draft Cabinet paper indicates you will direct officials

¹ Decision 22: invited the Minister, in consultation with the Minister for Regulation, to report back to Cabinet by October 2024 on the performance of government spending funded by the levy, with a focus on value for money, whether private investment is being crowded out, on improved environmental outcomes, and on the market failures surrounding waste disposal that have resulted in the need for a levy.

² Decision 23: invited the Minister to independently review the process for making investment decisions using the waste disposal levy and back-office functions in the Ministry for the Environment relating to the waste disposal levy, with a focus on value for money.

to implement the recommendations as appropriate. We can discuss these recommendations further with you as required.

6. The Cabinet paper also provides an opportunity for you to outline other planned improvements to the operation of the levy, including in relation to how it is shared amongst territorial authorities and what they can spend it on.

Analysis and advice

Use of waste levies

7. One of the matters Cabinet asked you to report back on is the market failures surrounding waste disposal that have resulted in the need for a levy. This is covered in the draft Cabinet paper in paragraphs 12 and 13, which list a variety of justifications used internationally for establishing a levy. It is not intended to be a detailed analysis of the New Zealand context, since the market conditions are in any case different from when the levy was established in 2009.
8. Your colleagues may hold a range of views about the rationale for a waste levy, and these paragraphs may generate some debate. They are intended as background information in response to the topics requested to be covered by the report-back. You may wish to consider whether you wish to retain the paragraphs and consider how to respond to any Ministerial feedback or leave them out of the paper.

Territorial authorities and the levy

9. 9(2)(f)(iv)
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10. Further changes to what the levy can be spent on will need to be considered in the context of the Legislation Design and Advisory Committee's *Legislation Guidelines* on the distinctions between levies, fees and taxes.
11. There would be a range of options for these matters. Officials consider the appropriate place to put forward detailed proposals would be in a future Cabinet paper where you seek approval to consult on legislation proposals. Before that point, officials will provide you with further advice on options as part of the series of briefings on waste legislation reform (BRF-5226 is due to your office in late November).

Loan and equity funding

12. Sapere suggested loans or equity arrangements should be considered as an alternative to grant funding.
13. The Waste Minimisation Fund (WMF) currently provides funding only through grants. Whilst this funding method has been an appropriate mechanism for the typically small

projects funded in the past, more sophisticated tools could be useful for more complex and large-scale commercial or quasi-commercial infrastructure projects.

14. Other financial instruments include loans, equity positions or special provisions for some or all of a grant to be returned in certain circumstances. These tools enable monies to be returned to the public purse for re-use once the initial reason to fund the project has been met – for example, to bring it forward, or overcome a funding shortfall until it becomes self-sustaining. They also provide a means of balancing the risk and reward between the Government and the recipient of the funding.
15. A number of agencies already provide funding in this way, for example the Kānoa – Regional Economic Development and Investment Unit within the Ministry for Business, Innovation and Employment (MBIE), and New Zealand Green Investment Finance. The investment team has considered the capability and capacity requirements to effectively administer funding of this nature. Particularly in the context of reduced resourcing within the Ministry for the Environment, including in waste investments, we consider it makes more sense to look at using delivery partnerships with an agency that is already set up in this way, rather than trying to develop the required capability and capacity within the Ministry.

16. 9(2)(f)(iv)

17. In relation to equity funding, this could also be an option to consider in the future, but our understanding is that it is more complex to administer than either grant or loan funding.

Te Tiriti analysis

18. No Tiriti issues are associated with the proposals in this briefing.

Other considerations

Consultation and engagement

19. No external consultation took place in relation to this paper. Agency consultation is summarised in the draft paper.
20. Sapere undertook some limited engagement with key stakeholders in developing their report.

Risks and mitigations

21. No risks are associated with the proposals in this briefing.

Legal issues

22. Legal advice has not been sought for this briefing. Legal advice will be sought as required when implementing decisions made by Cabinet, including in relation to waste legislation.

Financial, regulatory and legislative implications

23. Financial implications of this paper will be discussed further through Budget 2025 processes.
24. There are no direct legislative or regulatory impacts of this paper, although the draft Cabinet paper outlines your proposed approach to some matters relating to waste legislation.

Next steps

25. The next steps for this paper are as follows:

Table 1: next steps for finalising CAB-471	
Step	Timing
Provide feedback on draft paper	Ideally by morning of 4 November 2024
Ministerial/coalition consultation on draft Cabinet paper	Ideally to commence by COP 4 November 2024
Revise paper to reflect consultation feedback	By COP 13 November 2024
Lodge paper	14 November 2024
Cabinet Economic Policy Committee (ECO) meeting	20 November 2024
Cabinet meeting	25 November 2024