

Budget 2025 Savings Template

Section 1: Overview

Section 1A: Basic initiative information					
Initiative title (max 120 characters)	Waste Levy - additional savings options.				
Lead Minister	Minister for the Environment	Agency	Ministry for the Environment		
Initiative description (max 800 characters)	<p>This initiative provides options for more waste disposal levy funds to be used for purposes other than waste investment by capping the Waste Minimisation Fund.</p> <p>The choice of WMF cap is just one input to determining potential savings from the levy. Other inputs include existing commitments eg CSVL and decisions about use of levy funds across other waste/environmental activities. This includes options within the environment portfolio for savings from existing Grants and Funds, and other environmental initiatives across government. Residual revenue can also be repurposed towards a broad environment investment fund, for further consideration in early 2025, with strategic significance for environmental investment, including better alignment of activities with government priorities.</p> <p>We expect Ministers will make these decisions as part of the Budget 25 process. These decisions will impact both the overall potential savings from the levy and how that surplus is utilised.</p> <p>A range of assumptions have been made to determine potential savings from the levy, which are set out in section 3A and 3C. A key point is that there are a number of existing commitments beyond the WMF that must be funded from the levy, for example funding allocated through Budget 24 and government commitments like the Contaminated Sites and Vulnerable Landfills fund (\$20m per year ongoing). There are also further decisions to be made on some items. Accordingly the figures provided in section 1B and 3C below are preliminary and indicative only and should be regarded as potential surplus rather than amounts available for return.</p>				
Priority Area (PA) Objective	<input checked="" type="checkbox"/>	Targeted policy savings	<input type="checkbox"/>	Reprioritisation	
	<input type="checkbox"/>	Grants and funds	<input type="checkbox"/>	Performance Plan Scrutiny	
	<input type="checkbox"/>	Tagged Contingency			
Is this a cross-Vote initiative?	N	If yes, indicate which other Votes are affected.			
Is this a revenue initiative?		N	Does this require legislative change?		N
Agency contact	Name: Tim Allen Phone: 9(2)(a) Email: Tim.allen@mfe.govt.nz		Treasury contact (Vote Analyst)	Caleb Hewson Caleb.hewson@treasury.govt.nz Phone: +64 04 917 6185	
Section 1B: Summary of savings/reprioritisation profile					
Operating funding available for return (\$m)					
2024/25	2025/26	2026/27	2027/28	2028/29 & outyears*	Total
(18.885)	(53.568)	(72.977)	(52.602)	(53.728)	(251.760)
<p>*For irregular outyears, add additional rows above to display the full profile of the initiative. Delete "& outyears" for time-limited funding. See Budget 2025: Uploading Initiatives to CFISnet for more information on entering outyears into CFISnet.</p> <p>*expenditure is shown as positives and savings are shown as negatives. Revenue increases are shown as negatives and revenue decreases are shown as positives.</p>					

Capital funding available for return (\$m)										
24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34*	Total
-	-	-	-	-	-	-	-	-	-	-

*Extend the profile above if funding is needed beyond 2033/34.

Section 2: Alignment and options analysis

Section 2A: Alignment				
The answer to each question must not exceed 1-2 paragraphs				
Does this savings/reprioritisation initiative have implications for the delivery of Government priorities? (if there are implications for multiple Priorities, select the most relevant)	<input type="checkbox"/>	Addressing the rising cost of living	<input checked="" type="checkbox"/>	Delivering effective and fiscally sustainable public services
	<input type="checkbox"/>	Building for growth and enabling private enterprise	<input type="checkbox"/>	No consequences
	This initiative supports delivering effective and fiscally sustainable public services by changing the balance of how levy funds are used, with potential to free up Crown funding and generate greater value for money from a more strategic approach to the portfolio of activity funded by the levy			
What is the proposed use for reprioritisation? (for reprioritisation initiatives only)	<input checked="" type="checkbox"/>	Cost Pressures / New Spending	<input type="checkbox"/>	Economic Growth (invitation only)
Which initiative(s) is this intended to be reprioritised for?	Refer to section 1a			
Section 2B: Options analysis				
The answer to each question must not exceed 1-2 paragraphs				
What were the range of options considered?	Capping the WMF at \$15m, \$30m, and \$60m per annum as invited by the Minister of Finance, alongside a preferred additional option of \$50m. The caps are regarded as annual funding available in the WMF to commit to new initiatives ¹ .			
What was the process used to select the preferred option?	<p>Key considerations across cap options include: overall value for money of WMF investment, including administration costs; impact on commitments in the second Emissions Reduction Plan (ERP2) and overall sufficiency of the plan; the degree of balance in the investment portfolio across Government waste priorities; the waste sector's ability to co-invest; and social licence of the levy (a strong enough link between the source of the levy - waste disposal facility operators - and its uses). These considerations were weighed against the savings enabled at each cap level through reduced draw on the levy across the forecast period.</p> <p>The approach was tested with Minister for the Environment and Ministerial colleagues.</p>			

¹ actual expenditure incurred each year will vary, depending on project milestones, however in the long run the average annual expenditure will not exceed the agreed caps.

Section 3: Costs and benefits analysis

Section 3A: Benefits and non-fiscal costs

The answer to each question must not exceed 1-2 paragraphs. The primary benefit of savings is fiscal. Therefore, the primary purpose of this section is to highlight any risks or impacts of the savings/reprioritisation initiative.

<p>Where do the savings or revenue or reprioritisation arise from?</p>	<p>In all options the WMF would first use levy funds accumulated up to 30 June 2024 until they are exhausted. The amendments made to the Waste Minimisation Act on 1 July 2024 stipulated that these funds can only be used for activities distributed and spent in accordance with the Act as if it had not been amended². The practical effect of this is that funds cannot be spent on funds outside of the WMF, ie. the CSVLF, Freshwater Improvement Fund etc.</p> <p>The balance at year-end was \$170m, of which \$73.5m is currently³ committed to active funding deeds or in contracting. This leaves \$96.5m available (as at 7 December) for investment in new initiatives, noting that it is subject to change⁴. This can be drawn down over time according to the agreed annual cap from the options below. When this is exhausted, the WMF will transition to using levy revenue received after 30 June 2024 (referred to as new revenue), taking a broader more flexible approach across waste, climate and other environmental funds.</p> <p>The effect of being able to use the existing WMF underspend is that for (say) an annual cap of \$30m, the amount actually allocated to the WMF from the levy in early years can be zero, as the existing underspend is used first.</p>
<p>Risks and impacts</p>	<p>Recent independent evaluation of the effectiveness of levy investment⁴ concluded that New Zealand society is better off by around \$107m (a BCR of 1.37) due to investments made via the waste levy from 2021. This <u>excluded</u> a number of benefits other than emissions reduction and diversion of waste from landfill, for example: the value of recovered materials, reduced imports, positive impacts on waste management behaviour and attitudes, and social cohesion and community engagement.</p> <p>Option A: \$15 million</p> <p>This option offers the greatest potential for long-term savings as no new revenue would be required across the budget 25 period. It carries the lowest risk in terms of the sector's co-funding capacity and would be the lowest-cost option to administer – see Administration Costs section below. However, it is only half the annual amount (\$30 million) required to meet the ERP2 target contribution from waste, meaning this target would not be met – likely falling short by some 268,000tCO₂ (26 percent). The sufficiency of ERP2 is finely balanced and waste initiatives play a key part of overall projected emissions reductions, meaning that any change would create a sufficiency risk.</p> <p>It would also leave no funding for other government priorities including infrastructure to recover value from (and divert from landfill) non-organic Construction and Demolition (C&D) waste (eg plasterboard) and plastic waste. Another consideration is that reducing investment of the waste levy on waste initiatives to this extent will stretch the “levy” status by diminishing the link between the source of the levy (waste disposal facility operators) and the purposes it is used for.</p> <p>Option B: \$30 million</p> <p>At this level no allocation of new revenue would be required until approximately FY28/29, and administration costs would be in the mid-range. There would be sufficient funding to meet the \$30m annual ERP2 target contribution from waste over the ERP2 period. However if all funding is consumed for ERP2 there would be none for infrastructure to recover value from other priority waste materials non-organic C&D and plastics and divert these from landfill. (Noting that C&D waste includes timber which is organic).</p>

² Waste Minimisation Act 2008 as at 1 July 2024, Schedule 1, Part 1, section 2(1).

³ as at 7 December 2024. This amount will change as new initiatives are awarded funding, or existing funding deeds undergo variations or termination

⁴ Waste Levy Review – an assessment of outcomes and recent performance of waste levy investments (section 7), Sapere, October 2024

contracted outcomes. Applicants are required to contribute funding to their project according to a co-funding policy. Grants are typically paid in arrears upon receipt of milestone reports and supporting documentation.

The WMF is administered alongside the Contaminated Sites and Vulnerable Landfills Fund (which is also funded by the waste disposal levy) by MfE's Waste Investments team.

Existing operating funding for programme/service (\$m) Contestable Waste Minimisation Fund*

2024/25	2025/26	2026/27	2026/28	2028/29 & outyears*	Total
66.205	121.041	164.082	180.425	138.912	670.665

*The Contestable Waste Minimisation Fund is the default fund for the Crown portion of the waste disposal levy revenue. Funds are forecast to accumulate across the forecast period due to the increases in levy rates. Pre-Budget 25 work will allocate residual funds to the wider waste work programme, provide Crown savings by financing existing environmental activities, and potentially be available for a broad environment investment fund.

*Extend the profile above to a "steady state" if funding into outyears is irregular. Delete "& outyears" for time-limited funding.

Existing capital funding for programme/service (\$m)

24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34*	Total
-	-	-	-	-	-	-	-	-	-	-

Section 3C: Savings / Revenue / Reprioritisation profile and cost breakdown

The answer to each question must not exceed 1-2 paragraphs.

Formula and assumptions underlying costings	Indicative levy surplus scenarios – see below:			
	Forecast revenue (across the budget period - FY 24/25-28/29) - 1.4 billion*			
	Baseline assumptions (apply to all scenarios)		<i>Allocation of new revenue (across the budget period - FY 24/25-28/29) - \$m</i>	
	Disbursement to TAs as per the Waste Minimisation Act (50 percent of revenue)		713.799	
	Environment Work Programme - departmental costs for Waste and HSNO work programme		61.930	
	Annual CSVLF cap for new initiatives - assumed to be \$10m in 24/25 and \$20m each year after that (modelled on expenditure rather than allocation)***		78.000	
	Allocation of levy funding to the Freshwater Improvement Fund and Kaipara Moana remains as per the appropriation / Budget 2024		115.925	
	Low and high range scenario assumptions	Allocation of new revenue (across the budget period - FY 24/25-28/29) - \$m	Mid-range scenario assumptions (Recommended – see 1B)	Allocation of new revenue (across the budget period - FY 24/25-28/29) - \$m
	\$15m and \$60m WMF annual cap for new initiatives	0 – 124.277	\$50m WMF annual cap for new initiatives	87.477

Waste Minimisation Administration - departmental costs for waste operations and waste investments**	59.904 – 71.104	Waste Minimisation Administration - departmental costs for waste operations and waste investments**	68.704
\$0 and \$10m per annum allocation for emergency waste management***	0 – 50.000	\$10m per annum allocation for emergency waste management***	50.000
Total allocation (including baseline assumptions)	59.904 – 245.381	Total allocation (including baseline assumptions)	206.181
Indicative surplus	212.560 – 398.037	Indicative surplus	251.760
<p>*Assumes actual levy revenue received is in line with the latest revenue forecasts, noting forecasting levy revenue is complex and uncertain due to multiple factors such as market dynamics, policy impact, impact of government investment on diversion, and data quality. These figures are estimates only and will likely shift over time</p> <p>**Departmental costs are provided for indicative purposes only - actual ongoing allocation is yet to be decided through the Budget 25 process</p> <p>***Actual ongoing allocation yet to be decided through the Budget 25 process</p> <p>See attached spreadsheet for further indicative levy surplus information</p>			

Provide a breakdown of total initiative expenditure by individual expense category. Total operating and capital expenses in this section must match the totals in *Section 1B: Summary of funding profile*. Insert additional rows as appropriate for additional expense categories.

Recommended operating savings / reprioritisation (\$m)

Operating expense category	2024/25	2025/26	2026/27	2027/28	2028/29 & outyears*	Total
Contestable Waste Minimisation Fund	(18.885)	(53.568)	(72.977)	(52.602)	(53.728)	(251.760)
Net FTE funding	-	-	-	-	-	-
Net contractor/consultant funding	-	-	-	-	-	-
Net FTE and contractor/consultant overhead funding	-	-	-	-	-	-
Total (\$m)	(18.885)	(53.568)	(72.977)	(52.602)	(53.728)	(251.760)

*Extend the profile above to a “steady state” if funding into outyears is irregular. Delete “& outyears” for time-limited funding.

Headcount Change	2024/25	2025/26	2026/27	2027/28	2028/29 & outyears*
Total # of net FTEs at [Agency / Crown Entity / etc.] (employees)	-	-	-	-	-

Total # of net FTEs at [Agency / Crown Entity / etc.] (contractors/consultants)	-	-	-	-	-
Total # of net FTEs (employees and contractors/consultants)	-	-	-	-	-

*Extend the profile above to a “steady state” if headcount change into outyears is irregular. Delete “& outyears” for time-limited funding.

Additional breakdown of FTE changes over the forecast period	see Section 3 – Administration Costs
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Workforce Management	see Section 3 – Administration Costs
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Recommended capital savings (\$m)

Capital expense category	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34*	Total
Total (\$m)	-	-	-	-	-	-	-	-	-	-	-

*Extend the profile above if funding is needed beyond 2033/34.

Section 4: Delivery

Implementation of savings / reprioritisation

The answer to each question must not exceed 1-2 paragraphs

Implementation of savings from / reprioritisation of this programme, activity or investment	Section 1A noted that the WMF caps are only one input in determining overall potential savings from the levy. A broader programme of work is underway through the Budget 25 process to identify opportunities for wider use of the waste levy. The WMF caps need to be considered in this context.
	Section 3A analyses the impact of the WMF cap options and notes that Options A and B would have impact on the delivery of emissions and waste outcomes.
	Regarding the WMF caps, Option A (\$15m annual cap) may require further FTE reduction, entailing redundancy costs (see Section 3 – Administration Costs). And as noted in Section 3 there are likely to be impacts to the delivery of the ERP2 target contribution from waste particularly in Option A.
	These options would also require communications for revised investment priorities, for example sector group meetings, website update, emails – relatively easy to implement.
	Since the caps are regarded as annual funding available to commit to new initiatives, there is no impact on existing contractual arrangements.

Transition costs associated with the savings initiative (\$m)

2024/25	2025/26	2026/27	2027/28	2028/29 & outyears*	Total
-	-	-	-	-	-

Section 5: Equity

The answer to each question must not exceed 1-2 paragraphs.

Timing of costs and benefits	Section 3A Risks and Benefits provides commentary on the timing of benefits of each of the WMF cap options			
Treaty of (Te Tiriti o Waitangi) Waitangi implications	N	There are no Te Tiriti o Waitangi implications associated with this decision since existing funding arrangements are not impacted.		
Human rights implications	N	N/A		
Does the initiative have a larger impact on any of the following groups of New Zealanders than on the population as a whole	<i>Māori</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>
	<i>Pasifika</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>
	<i>Other minority ethnic groups</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>
	<i>Rural Populations</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>
	<i>Seniors</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>
	<i>Disabled Peoples</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>
	<i>Women and girls</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>
	<i>Low-income individuals / families</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>
	<i>Children and Young People</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>
<i>Other groups (please specify)</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>	
Distributional Impacts	There are not considered to be any distributional impacts from the WMF cap options or the wider proposals for the use of levy funds.			