



**Office of Hon Chris Carter**  
**MP for Te Atatu**  
 Minister of Conservation  
 Minister of Local Government  
 Minister for Ethnic Affairs

Wellington Regional Council  
 18 JUN 2004

17 June 2004

The Chairperson  
 Wellington Regional Council  
 PO Box 11646  
 Wellington

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Dear Margaret

**RATES REMISSIONS REIMBURSEMENT – FEBRUARY 2004 STORMS**

In March of this year, the Government agreed to give \$11.250 million to reimburse local authorities that granted rates remissions to the income-generating properties most affected by the February 2004 storms.

I am pleased to advise you that the details of the Government's rates remissions reimbursement scheme have been finalised, and that the first payments to local authorities can now be made. The details of the scheme, including the schedule of payments that will be made to your council, are attached.

The rates remissions reimbursement scheme means that storm-affected property owners, such as farmers, will have one less bill to worry about. The scheme will also assist local authorities to meet their budgeted rates income levels.

Arrangements have been put in place by the Department of Internal Affairs to make the payments to your council. Your council's staff will have been made aware of the scheme's details, as well as the arrangements for payments.

I would like to thank you and your council for all the work you have done to help deliver assistance to those affected by the February storms.

If you have any questions in relation to this matter, please do not hesitate to contact me.

Yours sincerely,

**Hon Chris Carter**

**Minister of Local Government**

**Electorate Office:** 300 Great North Road, Henderson, Waitakere City, New Zealand.  
 Telephone: 649 835 0915, Facsimile: 649 835 0945

**Ministerial Office:** Parliament Buildings, Wellington, New Zealand.  
 Telephone: 64 4 470 6568, Facsimile: 64 4 472 8034

Email: ccarter@ministers.govt.nz, Website: www.beehive.govt.nz

## **Rates Remissions Reimbursement February 2004 Storms**

The details of the proposed reimbursement package have been finalised, and are outlined below.

All figures are GST inclusive. GST will be included in the amount of money paid to councils.

### **Background**

The Government has budgeted for \$11.25 million to be spent on reimbursing those councils that grant rates remissions in respect of income-generating properties affected by the February 2004 storms.

The \$11.25 million is to be split into two payments – 40% will be allocated to councils for this financial year (**2003/04**) and the remaining 60% will be allocated for the next financial year (2004/05).

The split is in recognition of the fact that not everyone who receives a remission for **2003/04** rates will need one for 2004/05 rates.

### **Apportioning the Funding Between Councils**

Earlier, councils were asked to identify, as best they could, those commercial properties that were affected by the storms, and to provide the total rates that were assessed on those properties for the 2003/04 financial year. Those assessment figures were used to divide up the \$11.25 million between the affected councils proportionally.

For example, if a council's assessment figure represented 10% of the total assessment figures for all affected councils, then that council would be allocated 10% of the \$11.25 million.

The Manawatu-Wanganui Regional Council, its constituent territorial authorities, and the Central Hawkes Bay District Council were consulted in respect of the methodology, process for distribution, and accountability requirements. Department of Internal Affairs officials met with those councils because together they are receiving nearly all (approximately 95%) of the funds that are made available by the Government's reimbursement package.

## Allocations

**Column (A)** shows the maximum allocated to each council.

**Column (B)** shows the amount that will be paid immediately to councils for the year ending June 2004 (40% of column (A), payment 1)

**Column (C)** shows the amount allocated for the year ending June 2005. This is the balance (60%) of column (A). It may be eventually that in some cases this allocation is not paid out in full.

**Column (D)** represents half of column (C). This is the amount that will be automatically paid to councils at the beginning of the 2004/05 year (payment 2).

Councils have been allocated funding to reimburse remissions as follows:

Local Authority	(A) Share of \$11.25 m	(B) 2003104 40% share Payment 1	(C) 2004105 60% share	(D) Half of 60% share Payment 2
Central Hawkes Bay District Council	779,285	311,714	467,571	233,785
Horowhenua District Council	276,116	110,446	165,669	82,835
Hutt City Council	27,383	10,953	16,430	8,215
Kapiti Coast District Council	15,974	6,389	9,584	4,792
Manawatu District Council	2,590,010	1,036,004	1,554,006	777,003
Marlborough District Council	22,819	9,128	13,692	6,846
Masterton District Council	175,710	70,284	105,426	52,713
Palmerston North City Council	14,833	5,933	8,900	4,450
Rangitikei District Council	4,675,710	1,870,284	2,805,426	1,402,713
Ruapehu District Council	262,424	104,970	157,454	78,72,7
South Taranaki District Council	39,934	15,974	23,960	11,980
South Wairarapa District Council	93,560	37,424	56,136	28,068
Taranaki District Council	421,019	168,408	252,612	126,306
Taupo District Council	18,256	7,302	10,953	5,477
Wanganui District Council	470,081	188,032	282,049	141,024
Waikato Regional Council	4,564	1,826	2,738	1,369
Wellington Regional Council	111,815	44,726	67,089	33,545
Hawkes Bay Regional Council	188,261	75,304	112,956	56,478
Taranaki Regional Council	4,564	1,826	2,738	1,369
Manawatu-Wanganui Regional Council	1,057,683	423,073	634,610	317,305
<b>Totals</b>	<b>11,250,000</b>	<b>4,500,000</b>	<b>6,750,000</b>	<b>3,375,000</b>

Each council will receive all of its allocation for the current financial year (40% of the total) by way of direct credit before the end of June 2004. For the next financial year, however, each council will receive half of the remaining 60% automatically in July 2004, and the remainder of its allocation (or any portion of it) only if and when the council identifies that it is needed.

The reason for holding back some of the 2004/05 allocation is again to recognise that councils are not yet in a position to accurately identify all ratepayers who will be receiving a remission. If a council needs its full 2004/05 allocation, it will receive it.

If not all of the money allocated to a council is used, the Department of Internal Affairs may consider re-allocating it to councils that demonstrate a need to spend more on rates remissions than they were individually allocated. What is absolute, however, is that the total of \$11.25 million cannot be exceeded.

Nothing, of course, prevents a council granting remissions in excess of the reimbursement amount allocated to it. In such cases, however, the cost of remissions in excess of the Government's reimbursement level would be borne entirely by the council.

Any money allocated to a council for the current financial year that is unspent by 30 June 2004 will be able to be carried forward into the next year. Any money allocated to a council by the Government that is not used to remit rates in the next financial year must be returned to the Department of Internal Affairs.

Each council will be required to include a brief statement in its annual reports for the 2003/04 and 2004/05 financial years along the following lines:

The Council granted rates remissions totalling \$x to owners of commercial/properties affected by the February 2004 storms. The Government reimbursed the council for these remissions to a total of \$x.

It may be that this statement (or words to that effect) is included in the notes to the financial statements, but that detail can be agreed later between each council and its auditor. The Office of the Auditor-General will be asking local authority auditors to (a) ensure that such a statement appears in the annual report, and (b) trace the remissions and reimbursements through the local authority's accounts.

### **Remissions Policy**

Remissions can only be made in accordance with legislation. Section 139 of the Local Government (Rating) Act 2002 allows rates to be remitted as if the Rating Powers Act 1988 were still in force – but that transitional provision expires on 30 June 2004. Section 180 of the Rating Powers Act allows rates to be remitted in respect of land affected by natural calamity.

For the 2004/05 year, however, that transition provision does not apply. Remissions can only be granted in terms of a remissions policy that forms part of the LTCCP. As advised to council officers earlier, councils will therefore need to ensure that the LTCCPs that are adopted by 30 June 2004 include a remissions policy that covers remissions made in respect of the February 2004 storms.

It is possible, however, that there might be an exception to expiration of the transition provision. The Local Government and Environment Committee has recommended to Parliament that the Local Government Law Reform Bill (No 3) makes provision for the transition to be extended for one more year (expiring on 30 June 2005) – but only in respect of those local authorities that have adopted an LTCCP that covers the period beginning 1 July 2003. If Parliament agrees to that recommendation, it will affect only the "Early 9" local authorities that opted to have an LTCCP that applied from 1 July 2003, rather than have one that applied from 1 July 2004.