

The loans authorised but unraised amount to £1,500,000 (being £500,000 of the North Island Main Trunk Railway Loan and the £1,000,000 re-authorised this session); the balance on hand at the 31st March last, and the loans authorised but unraised, make together £1,968,635 1s. 3d., subject to liabilities at 31st March last of £471,695 6s. 3d.

GOVERNMENT LOANS TO LOCAL BODIES.

Up to 31st March, 1887, there had been borrowed under the provisions of "The Government Loans to Local Bodies' Act, 1886," for the purpose of making loans to local authorities, the sum of £50,000, and there had been lent £15,270, leaving £34,730 in hand. Last year there was borrowed a further sum of £75,000, and lent £93,571, so that the total amount borrowed to 31st March, 1888, was £125,000, of which there has been handed over to local authorities £108,841, leaving a balance of £16,159 unissued. At the same date the liabilities outstanding amounted to £29,224, consisting partly of balances of loans not fully taken up, certain local authorities having elected to take their loans by instalments.

The applications received in response to the notice published in the *Gazette*, on 19th January last, under section 16 of the Act, amount to £78,330, of which £6,980 are for second years' loans. Nearly all of these applications have been provisionally granted; and should the local authorities complete the steps necessary to give the security required a further sum of about £90,000 will have to be borrowed to enable the Treasury to make the loans, which will bring the total amount borrowed on this account up to £215,000.

The Government Loans to Local Bodies Act provides that the Treasurer may grant loans to local bodies to such an amount as shall be appropriated by Parliament for the purpose; but, in the event of no sum being appropriated, the Act authorised the Treasurer to make loans up to £200,000 in each year. In the first year no appropriation was made; last year £100,000 was appropriated; and as these two sums are largely in excess of the total amount of the loans applied for to date and granted, it is not intended to ask Parliament to appropriate any money for this purpose in the present session. The scheme of these loans to local bodies contemplated an annual payment of 5 per cent. per annum for twenty-six years, the colony to be responsible for payment of the principal sum, and to meet it by setting aside yearly a Sinking Fund of 2 per cent. to redeem the debentures at maturity. It was thought that the money could be borrowed at 1 per cent. less than the rate at which it was to be lent to the local bodies, and that a contribution of 1 per cent. from the Consolidated Fund would make up the Sinking Fund of 2 per cent. As, however, the rate of interest being paid by the Government is 5 per cent., it is probable that with respect to future loans the amount payable by local bodies may have to be increased, and I shall during the present session make a proposal to the House upon the subject.

REDUCTIONS EFFECTED IN PUBLIC EXPENDITURE.

Mr. Hamlin, before going further I will ask the attention of the Committee to the important subject of the reductions proposed last year to be made in the public expenditure.

It was proposed in the Financial Statement of November, 1887, to reduce the public expenditure by £300,000, particulars of which were given in Table No. 10 attached to that Statement. But the House disallowed the proposal to raise the school-age to six years, which was estimated to effect a saving of £30,000. So that the proposed total reductions, according to Table No. 10 as amended by the House, was £270,000. But, besides the sum I have named, there was an error in the item of Public Buildings of £8,000, that amount having been deducted twice from the estimated expenditure for the year. This item further reduces the possible saving under Table No. 10 to £262,000. The actual saving so far made is £233,097, or £28,903 less than we had hoped to accomplish. Honourable members will recollect that in Table No. 10 the