

1946  
NEW ZEALAND

# LOCAL GOVERNMENT LOANS BOARD

REVIEW OF OPERATIONS FOR THE YEAR ENDED 31st MARCH, 1946

*Laid on the Table of the House of Representatives by leave*

THE year ended 31st March, 1946, was the nineteenth year of the Board's operations and during that year the Board dealt with a steadily increasing number of local-authority borrowing proposals. The total amount of the applications considered was £3,553,170, £3,497,820 of which consisted of new applications and £55,350 amounts previously referred back.

Loans for new works totalling £2,643,935 and redemption loans to the extent of £243,235 were sanctioned, and the balance, £666,000, was referred back for further consideration or was deferred pending further investigation.

The following table summarizes the Board's operations for the year, and the figures for the previous year are incorporated for reference :—

	1944-45.		1945-46.	
	£	£	£	£
Applications .. .. .	3,242,327		3,497,820	
Previously referred back .. .. .	150,000		55,350	
	£3,392,327		£3,553,170	
Sanctioned—				
New loans* .. .. .	1,737,807		2,643,935	
Renewal loans .. .. .	698,120		243,235	
Referred back .. .. .	956,400		666,000	
	£3,392,327		£3,553,170	
New loans*—				
Waterworks—				
Urban .. .. .	146,800		94,100	
Rural .. .. .	..		..	
	146,800		94,100	
Drainage and sewerage .. .. .	22,700		133,525	
Roads and bridges (counties) .. .. .	41,500		43,800	
Street works (boroughs) .. .. .	204,750		35,850	
Municipal buildings, offices, &c. .. .. .	10,000		57,700	
Recreational facilities .. .. .	31,250		..	
Transport .. .. .	..		28,600	
Housing—				
Urban .. .. .	364,200		228,050	
Rural .. .. .	..		..	
	364,200		228,050	
Electricity supply—				
Power Boards .. .. .	194,000		731,000	
Others .. .. .	22,000		..	
	216,000		731,000	
Hospital works .. .. .	431,500		953,750	
Harbour works .. .. .	..		135,000	
Fire Board loans .. .. .	25,500		27,500	
Gasworks .. .. .	137,400		35,000	
Abattoirs .. .. .	68,000		1,000	
Education authorities .. .. .	29,290		47,700	
Miscellaneous .. .. .	8,917		1,360	
	£1,737,807		£2,643,935	

The diversion of the unexpended balances of loans amounting to £458 19s. was approved under section 47 of the Finance Act, 1927, and approval was given under section 20 of the Finance Act, 1934, to the use of capital moneys amounting to £11,502 16s. 3d.

The amount sanctioned for new works shows a substantial increase, and borrowing by Hospital Boards was again very heavy, the amount sanctioned being exceeded only in 1942-43, when the figure was £996,250, as against £953,730 last year.

The supply of electricity has called for heavy capital expenditure and approximately twice the amount authorized in 1944-45 was sanctioned. Despite the electricity shortage in the North Island, new building, opening up of land for development, and increased demand by individual consumers have made it necessary for Electric-power Boards to extend and increase the carrying-capacity of reticulation lines.

The amount sanctioned for housing shows a substantial decrease, probably accounted for by the acute shortage of materials. A noteworthy feature of the housing-loan proposals formulated during the year was the extent to which local authorities exercised the powers given by the Local Authorities (Temporary Housing) Emergency Regulations 1944, which authorize the raising of loans by special order without a poll of the rate-payers for the purpose of providing, with the consent of the Minister of Finance, temporary accommodation for persons awaiting homes. During the year, loans totalling £177,100 were sanctioned for this purpose.

The amount referred back during the year (£666,000) was much larger than usual and included proposed loans for hospital buildings amounting to £542,000. In these cases the Board was of the opinion that the proposals could with advantage be reconsidered by the respective Hospital Boards with a view to reducing costs and thus lightening the levies on the contributing local authorities.

A further safeguard to the expenditure of loan-moneys by local authorities has been introduced by the Engineers' Registration Amendment Act, 1944, which came into force on the 1st April, 1945. That Act provides that loan-moneys may be expended only under the supervision of an engineer who is the holder of an annual practising certificate issued under the Act. The Board acted in conjunction with the Engineers' Registration Board in drawing the attention of local authorities to the provisions of the Act.

Applications dealt with by the Board have been as follows:—

	Total Applications.	Sanctioned.	
		New Works.	Redemptions.
	£	£	£
1927-28 .. .. .	4,636,649	3,212,185	1,048,796
1928-29 .. .. .	6,007,045	3,866,551	809,221
1929-30 .. .. .	4,218,730	3,563,842	967,875
1930-31 .. .. .	3,840,505	1,766,256	838,901
1931-32 .. .. .	3,412,365	781,195	2,483,810
1932-33 .. .. .	2,951,645	406,521	2,348,231
1933-34 .. .. .	3,884,132	917,560	2,744,245
1934-35 .. .. .	3,859,363	1,585,440	2,379,955
1935-36 .. .. .	4,061,076	1,550,690	2,051,790
1936-37 .. .. .	2,804,308	2,411,358	430,313
1937-38 .. .. .	3,362,173	3,098,445	122,758
1938-39 .. .. .	5,138,917	3,013,872	1,188,525
1939-40 .. .. .	2,674,450	1,701,460	355,800
1940-41 .. .. .	5,336,640	2,709,505	1,602,670
1941-42 .. .. .	4,589,653	1,898,096	1,391,728
1942-43 .. .. .	3,336,770	1,497,120	1,121,000
1943-44 .. .. .	3,999,665	1,349,335	2,359,755
1944-45 .. .. .	3,242,327	1,737,807	698,120
1945-46 .. .. .	3,497,820	2,643,935	243,235
	74,854,233	39,711,173	25,186,728
		64,897,901	

The difference (£9,956,332) represents amounts declined or referred back by the Board during the period.

The following table shows the movement of gross local-authority debt:—

£			£		
1915	..	24,538,721	1939	..	68,206,674
1920	..	30,187,942	1940	..	69,486,970
1925	..	53,353,466	1941	..	67,974,687
1930	..	71,207,539	1942	..	66,645,990
1931	..	72,686,036	1943	..	65,131,074
1932	..	72,402,282	1944	..	63,262,828
1933	..	72,476,056	1945	..	61,237,937
1934	..	71,969,387			

It will be noted that, although additional loan works are being undertaken continuously, the gross local-authority debt is now steadily declining, a fact largely attributable to the policy of the Board of requiring the repayment of loans within the estimated life of the assets to be acquired.

The domicile of local-authority debt has been as follows:—

31st March,	London.	Australia.	New Zealand.	Total.
	£	£	£	£
1931 .. ..	17,533,425	8,574,529	46,578,082	72,686,036
1935 .. ..	16,088,525	2,564,693	52,592,240	71,245,458
1940 .. ..	12,284,225	2,264,220	54,938,525	69,486,970
1941 .. ..	9,893,025	2,198,211	53,883,451	67,974,687
1942 .. ..	9,381,825	2,043,718	55,220,447	66,645,990
1943 .. ..	8,461,325	1,851,273	53,656,498	63,969,096
1944 .. ..	7,837,225	1,624,458	53,801,145	63,262,828
1945 .. ..	7,074,925	1,544,382	52,618,630	61,237,937

Local bodies have shared fully in the benefits from the general fall in interest-rates over the last few years. Furthermore, the improvement in the status of local-body securities since the Local Government Loans Board was established is reflected in the narrowing of the margin between the rates for these securities and the rates for Government securities. The conversion of local-authority loans effected in 1934-35 generally brought interest-rates for these securities down to  $4\frac{1}{4}$  per cent., but the current market rate is  $3\frac{1}{4}$  per cent., with some local authorities raising loans at an even lower rate. The present rate has probably never been equalled and the low interest charges have enabled substantially lower rates to be struck by local authorities.

The Board desires to acknowledge the valuable assistance it received from the comprehensive reports prepared for its information by the various Government Departments and to acknowledge also the ready co-operation of the local authorities concerned, which greatly facilitates the smooth administration of the legislation governing local-authority borrowing.

B. C. ASHWIN, Chairman.

THE LIBRARY  
 CANTERBURY UNIVERSITY COLLEGE  
 CHRISTCHURCH, N.Z.

*Approximate Cost of Paper.*—Preparation, not given; printing (510 copies), £6

By Authority: E. V. PAUL, Government Printer, Wellington.—1946.

Price 3d.]

