

1946  
NEW ZEALAND

## STATE ADVANCES CORPORATION OF NEW ZEALAND

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1946

*Laid before both Houses of the General Assembly of New Zealand pursuant to Subsection (2) of Section 43 of the State Advances Corporation Act, 1934-35, and Subsection (2) of Section 42 of the State Advances Corporation Act, 1936*

The Right Hon. the MINISTER OF FINANCE, Wellington.

WE have pleasure in submitting the Balance-Sheet and Revenue Accounts for the year ended 31st March, 1946, together with a report on the administration for the year, as required by subsection (1) of section 43 of the State Advances Corporation Act, 1934-35.

### PART I.—GENERAL

For the period from 1935, when the Corporation was established in terms of the State Advances Corporation Act, 1934-35, progressive steps were taken to carry into effect the Board's policy of engaging and training a staff suitable to the needs of the organization and to deal effectively with the different phases of lending for which it had been established. Steps were also taken to decentralize the work to the greatest possible degree in order that the clients of the Corporation should derive the greatest benefit from the advice and assistance of the officers of the Corporation, as the staff had reached a stage of efficiency which enabled the Board to proceed with its lending work with a considerable degree of confidence. At that stage there was a very active demand for loans for the erection of houses and for the purchase of houses and farms, and as an instance the new business accepted during the year 1938-39 is evidence of the progress that had been made, the loans approved for that year amounting to :—

|                         | No.   | Amount.<br>£ |
|-------------------------|-------|--------------|
| (a) Rural loans .. .. . | 1,020 | 1,248,193    |
| (b) Urban loans .. .. . | 3,692 | 3,012,198    |
|                         | 4,712 | £4,260,391   |

When New Zealand became involved in World War II and offered assistance both in regard to the provision of troops and materials for the purpose of prosecuting the war it became necessary for the Corporation, as for other businesses in the country, to review its policy and to reorganize its staff so that the greatest possible contribution could be made towards this Dominion's share in the responsibility of the Empire. At the outbreak of war the number of the male staff employed by the Corporation was 493, and although further juniors were employed and temporary staff were engaged to replace men released for service in the Forces and other special duties it is significant to note that during the war period no less than 465 male employees were released for military duties, while other officers were seconded to various Departments for special duties in connection with the war. Members of the Corporation Directorate assumed additional responsibilities, and special reference is made to the fact that—

- (a) Mr. A. D. Park was appointed as Chairman of the Defence Forces Personnel Committee :
- (b) Mr. T. N. Smallwood was appointed as Chairman of the National War Savings Committee :
- (c) Mr. B. C. Ashwin was appointed as Chairman of the Stabilization Commission :
- (d) Mr. David Barnes accepted appointment on the Personnel Section of the R.N.Z.A.F., to which he was attached for a period of three years.

It was necessary as a war measure to modify the Board's lending policy with a view firstly to co-operating in the Government's financial stabilization measures, particularly (so far as the Corporation was concerned) in the direction of restricting the creation of credit for non-essential purposes, and, secondly, to conserving funds for the purpose of providing loan-moneys for the rehabilitation of servicemen when they were discharged from the Forces. Lending was accordingly restricted to those cases where applicants desired finance to erect or purchase houses for themselves, or to purchase or improve farm properties. The Corporation curtailed its operations in regard to transactions involving only the refinancing of existing mortgages. The amount of new business, as a result of this change of policy, was on a reduced scale during the war years.

The Corporation, however, assumed other responsibilities in relation to the war effort, and the staff, drastically reduced as it was by the demands of total war, has been fully and continuously employed to the limit of its capacity. It is pleasing to record that throughout this difficult period the Corporation's activities have embodied such important work as :—

#### SOLDIERS' FINANCIAL ASSISTANCE

The administration work of the Soldier's Financial Assistance Board, which was established in 1940 for the purpose of providing assistance for those servicemen whose financial position had been adversely affected by the change from civilian occupations to service with the Armed Forces. A full statement on the activities of this Board is published as an Addendum to this report. The Corporation was represented on the Board by one of the Joint Managing Directors as Chairman and by Mr. David Barnes.

As an indication of the volume of business handled by the Soldiers' Financial Assistance Board it is recorded that as from the appointment of the Board in 1940 up to the 31st March, 1946, there were 24,306 applications placed before the Board, and the grants approved amounted in the aggregate to £930,220.

#### REHABILITATION LOANS

As one of the first steps taken to provide loan assistance for servicemen returning to civil life and re-establishing themselves in civilian occupations the State Advances Corporation was appointed to deal with applications from servicemen under this scheme,

which was first inaugurated in June, 1941. The Rehabilitation Board was subsequently established in February, 1942, and the Corporation then became the agent of that Board for the purpose of dealing with loan applications under the Rehabilitation Act, 1941. A Rehabilitation Loans Committee was established, with the Chairman of the Corporation as Chairman, and having representatives thereon of the Rehabilitation Board and of the State Advances Corporation and of other Departments concerned with rehabilitation, and this Loans Committee has been responsible for the examination of all applications and the consideration of loans within the policy as laid down by the Rehabilitation Board.

For the purpose of accelerating the handling of applications subsidiary Loans Committees have been established wherever practicable, and these District Executive Committees are now dealing with the large majority of local applications, referring to the Central Committee only such cases that have unusual circumstances—for example, where the amount applied for is in excess of the normal limits approved by the Board, or where, in the opinion of the District Executive, the application is one which should not be approved.

#### FIELD-WORK AND STAFF

The normal business of the Corporation is still on the restricted scale adopted early in the war period, but the consideration of rehabilitation applications and the administration of loans granted under the Rehabilitation Act has thrown an extremely heavy burden on the staff of the Corporation, particularly in relation to the field staff. It can in fact be said that the magnitude of this task does not seem to be generally realized, nor is it always appreciated that the efforts of the Corporation in this field are directed primarily to ensuring the effective settlement of the serviceman in a proposition which will result in his long-term re-establishment in civil life. Too often is it said that the first requirement of the Corporation is the security for loan-moneys, when in actual fact security for the serviceman and his successful establishment in the proposition of his choice and reasonable security for loan funds mean one and the same thing.

This special work has necessitated the employment of temporary officers and reorganization of the existing staff pending the time when the Corporation's officers who were mobilized for active service returned to duty. As suitable men have become available on demobilization special courses of training have been arranged for them, and good progress is being shown in bringing the numbers and quality of our staff up to pre-war standards.

In selecting new appointees preference has been given to ex-servicemen who are specially suited to deal with the borrowers, with whom many of them have been associated during their war service. Trainees have been given the opportunity of gaining experience while employed on well-established farms, and most of them in addition have been provided with a refresher course at one of the agricultural colleges. In this way their rehabilitation is being attained while preparing them to undertake their important duties with the Corporation.

#### REHABILITATION LOANS AUTHORIZED

Since June, 1941, when the rehabilitation scheme was commenced, up to 31st March, 1946, loans have been granted as shown in the following table:—

| Type of Loan.          | Number. | Amount.<br>£ |
|------------------------|---------|--------------|
| Tools of trade .. .. . | 832     | 27,108       |
| Furniture .. .. .      | 12,344  | 1,129,793    |
| Business .. .. .       | 2,935   | 1,516,722    |
| Farms .. .. .          | 1,851   | 6,697,773    |
| Stock .. .. .          | 180     | 139,040      |
| Houses .. .. .         | 7,895   | 8,900,514    |
| Miscellaneous .. .. .  | 138     | 22,256       |

## REHABILITATION AGENCY : GENERAL

It will be apparent from what has already been recorded that the introduction of this new type of lending and the increasing volume of business handled on behalf of the Rehabilitation Board entails a considerable amount of additional and specialized work, both by the clerical and field officers employed by the Corporation.

The following brief description of the various types of loans available to eligible ex-servicemen will be helpful :—

*Farm Loans.*—Up to £5,000 for a dairy farm and £6,250 for a sheep or mixed farm (in both cases including land and stock), with interest at the rate of 3 per cent., reducible to 2 per cent. for the first year.

*House Loans.*—Up to £1,500, with interest at the rate of 3 per cent., reducible to 2 per cent. for the first year.

*Business Loans.*—Normally up to £500, but with authority to vary the maximum in appropriate cases up to a limit of £1,500, interest being at the rate of 4 per cent., reducible to 2 per cent. for the first year.

*Furniture Loans.*—Up to £100, free of interest.

*Tools of Trade Loans.*—Up to £50, free of interest.

Special provision is made in respect of rehabilitation loans for the granting of supplementary interest-free loans on property within the limits stated, where considered necessary, having regard to the cost of the proposition in relation to normal rental and resale values, and the total amount of the supplementary loans already granted under this authority up to 31st March, 1946, was £667,523.

In dealing with applications from returned servicemen it is necessary to give consideration to the purchase-price and the general suitability of the proposition to the needs of the serviceman concerned. For example, in an application for the purchase of a farm property a comprehensive report is furnished in regard to all factors affecting the present and future productive capacity of the property and its suitability for the applicant in view of his experience and physical ability. All these factors are of special importance in settling ex-servicemen borrowers, as many of them are being provided with 100 per cent. of the finance required to purchase both land and stock. In these circumstances it is essential that the returns that may be obtained from the farm under normal conditions should be sufficient to meet the borrower's living and working expenses, and to cover the charges under the rehabilitation loan.

Following the approval of a loan to an ex-serviceman who is being settled on the land, he is assisted by the Corporation in arranging all the necessary detail of acquiring stock and plant, in carrying out further improvements and additions to the farm, and generally in establishing himself in his new venture. This service is to continue for as long as may be necessary to ensure that the serviceman is able to manage and develop his property and deal with incidental financial matters by himself. Although it is the policy of the Rehabilitation Board to defer the settlement of ex-servicemen seeking farm loans until such time as they can be graded as competent to undertake farming on their own account, it is not infrequently found that through the break in the applicant's farming experience caused by his mobilization with the Forces, or perhaps because of his transfer from one locality to another, he is not fully experienced in all branches of the type of farming which he has undertaken, and it is here that the expert knowledge of the Corporation's field officers proves of invaluable assistance. Regular visits are paid to the farms by the Farm Appraisers wherever that is possible having regard to the pressure of work in other directions, and it is pleasing to note that in the large majority of cases there is the closest co-operation between the borrower and the field officer concerned.

A somewhat similar position arises in regard to the men financed in businesses, and in these cases a friendly contact is maintained by the Accounting Officers of the Corporation, or by public accountants or other business men who have offered their assistance to the ex-servicemen with the same objective.

The favourable conditions existing in the commercial world during the last few years has enabled the servicemen recommencing business, or taking up a line of business in which they have the necessary experience, to become settled within a comparatively short time. The loan accounts of most of these servicemen are showing a steady reduction, and we are confident that the large majority of those already established in business will make good. The payment of instalments on loans granted under the rehabilitation scheme has, on the whole, been on a satisfactory basis, but there are, unfortunately, some borrowers who have apparently failed to appreciate that they, on their side, have a responsibility towards the rest of the community, which, of course, includes their former comrades-in-arms, and there has in a few cases been an inclination to delay the payment of instalments on loans without reasonable cause. In fixing the terms of repayment care is taken to ensure that the amount required monthly is reasonably within the income-capacity of the borrower, but should there be any change of circumstances which would justify a variation of the instalments or a temporary postponement this is readily agreed to.

#### ARREARS IN RESPECT OF REHABILITATION LOANS

The following tables are supplied in order to illustrate the general position in regard to rehabilitation loans:—

##### (1) *Arrears as at 31st March, 1946, on Farm and Dwelling Loans*

|                     | Accounts. |           | Arrears. |         | Percentage<br>in Arrears to<br>Number of<br>Accounts. |
|---------------------|-----------|-----------|----------|---------|---|
|                     | Number.   | Amount.   | Number.  | Amount. |   |
|                     |           | £         |          | £       |   |
| Farm .. .. .        | 1,253     | 4,203,116 | 94       | 6,803   | 7·5   |
| Residential .. .. . | 4,876     | 4,851,440 | 184      | 1,539   | 3·8   |
|                     | 6,129     | 9,054,556 | 278      | 8,342   | 4·5   |

##### (2) *Arrears as at 31st March, 1946, on other Rehabilitation Loan Accounts*

|                        | Accounts. |           | Arrears. |         | Percentage<br>in Arrears<br>to Number of<br>Accounts. |
|------------------------|-----------|-----------|----------|---------|---|
|                        | Number.   | Amount.   | Number.  | Amount. |   |
|                        |           | £         |          | £       |   |
| Furniture .. .. .      | 10,697    | 699,009   | 965      | 7,938   | 9·0   |
| Tools of trade .. .. . | 587       | 9,423     | 130      | 1,032   | 22·1  |
| Business .. .. .       | 1,929     | 860,805   | 210      | 10,166  | 10·9  |
|                        | 13,213    | 1,569,237 | 1,305    | 19,136  | 9·9   |

It is not always possible to draw accurate conclusions from percentage tables of accounts in arrear, and to avoid a misunderstanding it is necessary to make some general observations before coming to any specific conclusions.

The first comment that should be made is that the growth of rehabilitation lending has been particularly rapid and the Corporation has had to take control of a large number of loan accounts in a relatively short span of time. It can be said that when a man is assisted to buy or build a house he has in relation to that project other expenses which have to be met. He may be renting a house in the meantime and he may have to continue to pay rent while his new home is in course of erection. The new home has to be furnished. Stamp duty is payable on the purchase-price if he buys a home already erected, and there are many other expenses incidental to the

setting-up of a borrower in a new home. In the early stages of a loan, therefore, in some cases, owing to extraordinary expenditure, there is not the usual margin between income and expenditure of the borrower to take care of every contingency, and it may not always be possible for him, with the best of intentions, to meet all his charges. Despite that, however, the arrears in respect of residential rehabilitation loans are not considered to be unduly large.

In regard to farming loans, the same position arises, and we have, in addition, to recognize the fact that the payment of instalments on farm loans can only come out of farm revenue. Farm income is not spread evenly over the farming year, and the due dates of instalments on loan accounts do not necessarily coincide with the date of receipt of the main farm income. The return of arrears in respect of rural borrowers, as in the case of residential loans, discloses quite a satisfactory position, particularly when it is remembered that during the year now under review New Zealand experienced in certain districts one of the worst droughts for many years past.

Coming now to arrears on other rehabilitation loans, it can be said that those who have borrowed money on extremely favourable terms without interest for the purchase of furniture and tools of trade are not always showing regard for their obligations to the degree warranted. Borrowers under this category are, in the main, salary and wage earners whose income is regular and whose expenditure should be within their means. The arrears under these headings are considered to be unduly large, being 9 per cent. in respect of furniture loans and 22.1 per cent. in respect of tools-of-trade loans. The latter is a particularly disturbing figure.

In the case of business loans the arrears are higher than they should be, but, again, when a borrower is being established in business, often with the aid of a 100-per-cent. loan, he perhaps has underestimated his requirements for working capital and the need to give credit, and in the early months may find difficulty in meeting instalments on loans. The Corporation, however, is keeping in as close touch with these borrowers as is possible, and we confidently expect the position to improve.

#### LOSSES IN RESPECT OF REHABILITATION LOANS

The following table shows losses written off up to date in respect of rehabilitation loans under the various classes :—

| REHABILITATION LOSSES WRITTEN OFF AS AT 31ST MARCH, 1946 |    |    |    | Number | Amount.    |
|--|----|----|----|--------|------------|
|  |    |    |    |        | £ s. d.    |
| Farms  | .. | .. | .. | 3      | 780 15 2   |
| Tools of trade   | .. | .. | .. | 3      | 8 8 0      |
| Furniture  | .. | .. | .. | 13     | 328 3 3    |
| Business   | .. | .. | .. | 10     | 1,003 17 1 |
| Houses   | .. | .. | .. | Nil    | ..         |
|  |    |    |    | 29     | £2,121 3 6 |

#### PRIMARY PRODUCTION DRIVE

When the British Government requested New Zealand to increase its export of cheese, the Corporation, with the assistance of the Department of Agriculture, dealt with applications from those dairy factories who agreed to increase their cheese-production, and, where necessary, provided loan finance to enable the companies to carry out essential alterations or additions to factory buildings and to acquire additional plant. It was a condition attached to this arrangement that when the production of additional cheese was no longer required the factories concerned would have the right to claim compensation for any loss that was sustained in disposing of the redundant

plant and buildings. When the scheme was cancelled it became the duty of the Corporation, in conjunction with representatives of the Department of Agriculture, to investigate claims for compensation and arrange for the necessary payments to the companies concerned. The disposal of surplus plant was the responsibility of the Department of Agriculture. In all, claims aggregating £237,507 were recorded for consideration.

In some cases the companies concerned were in a position to take over portions of the plant and buildings, but in others the assets were surrendered, and realization has been proceeding as quickly as convenient.

#### FARMERS' LOANS EMERGENCY REGULATIONS AND OTHER SUBSIDIARY ACTIVITIES

Other wartime services undertaken by the Corporation are—

- (a) Organizing and operating, in collaboration with the Department of Agriculture and Primary Production Councils, a scheme for increasing the production of foodstuffs urgently required by Britain and her allies. Under this heading, loans were granted to 172 applicants, and the total amount advanced has exceeded £71,000 :
- (b) Implementing the production drive and assisting, where necessary, with special arrangements for the housing of additional employees on farms and by dairy factories. The investigation of applications and the provision of financial assistance in connection with these matters has been the responsibility of the Corporation. Under these schemes temporary accommodation has been provided in 1,210 cases, and additional permanent houses were erected :
- (c) At various times during the war the Corporation's officers have been co-opted in assembling data and advising on the question of farming costs, &c. We refer here to such matters as price fixation for the purposes of Government purchases of produce and for the purposes of stabilization :
- (d) The staff of the Corporation has also made a very useful contribution towards the effective administration of the Servicemen's Settlement and Land Sales Act, 1943, and since the Act has been in force our field officers have assisted materially with valuation work, both in respect of rural and urban properties referred for consideration by the Land Sales Committees.

#### LOANS UNDER ADMINISTRATION

The following table, showing the number and value of loans under administration, is evidence that in the aggregate the volume of business under the jurisdiction of the Corporation is very substantial :—

*Loans outstanding at the 31st March, 1946 (which incidentally include Rehabilitation Loans on Rural and Urban Securities)*

|  | Number. | Amount.<br>£ |
|--|---------|--------------|
| (a) Loans on mortgage—   |         |              |
| (i) Rural securities .. .. .   | 18,094  | 23,644,143   |
| (ii) Urban securities .. .. .  | 36,197  | 23,825,094   |
| (b) Government and local-body investments .. .. .  | 1,948   | 7,711,837    |
| (c) Government agencies for Treasury and other Departments<br>(excluding rehabilitation loans) .. .. .   | 1,126   | 338,748      |
| (d) Rehabilitation loans, other than loans on farms and dwellings—administration of<br>loans granted to ex-servicemen by the Rehabilitation Loans Committee— |         |              |
|  | Number. | Amount.<br>£ |
| Tools of trade .. .. .   | 587     | 9,423        |
| Furniture .. .. .  | 10,697  | 699,009      |
| Business .. .. .   | 1,929   | 860,805      |

## LOANS AUTHORIZED SINCE CORPORATION COMMENCED TO FUNCTION

Altogether since its inception in 1935 the Corporation has dealt with 31,435 applications for loans aggregating £42,378,735, as follows :—

|                           |               | £                  |
|---------------------------|---------------|--------------------|
| Farm .. .. .              | 6,896         | 15,181,507         |
| Residential .. .. .       | 24,043        | 21,794,045         |
| Local authorities .. .. . | 496           | 5,403,183          |
|                           | <u>31,435</u> | <u>£42,378,735</u> |

## STATE RENTAL HOUSING UNDER ADMINISTRATION

In addition to its main functions, the Corporation is responsible for the administration of the State rental houses erected and purchased under the Government housing scheme, and at the 31st March last the number of tenancies had reached the substantial figure of :—

|                           | Number. | Capital Investment. |
|---------------------------|---------|---------------------|
|                           |         | £                   |
| (a) New dwellings .. .. . | 20,267  | 27,351,517          |
| (b) Old dwellings .. .. . | 1,037   | 607,248             |

## GROWTH OF CORPORATION

The value of assets and investments now under administration, including the agency accounts and Housing Account, amount in the aggregate to £87,495,986, as compared with £43,217,990 in 1936.

## NEW BUSINESS

In order to give a comprehensive picture of the new business dealt with during the year it is necessary to show the number and amount of loans both under the Corporation's ordinary lending scheme and under the rehabilitation scheme, and in reading the following table it should be noted that the loans granted under the heading of urban and rural advances include both classifications—*i.e.*, Corporation and rehabilitation loans—the reason for this being that the loans in this category are all on a long-term basis from Corporation funds and they will remain as a substantial proportion of the Corporation's business for many years. The balance of the rehabilitation loans are more of a temporary nature and are actually administered in the form of an agency for the Rehabilitation Board :—

*Loans authorized (previous year's figures shown in parentheses)*

| Class of Business.     | Number.               | Amount.                       |
|------------------------|-----------------------|-------------------------------|
|                        |                       | £                             |
| Urban—                 |                       | £                             |
| Purchase, &c. .. .. .  | 3,508 (1,535)         | 3,297,504 (1,323,808)         |
| Erection .. .. .       | 2,175 (1,070)         | 2,716,662 (1,254,810)         |
| Rural .. .. .          | 1,168 (553)           | 4,401,262 (1,708,609)         |
| Total .. .. .          | <u>6,851 (3,158)</u>  | <u>10,415,428 (4,287,227)</u> |
| Business .. .. .       | 1,640 (947)           | 951,868 (433,733)             |
| Tools of trade .. .. . | 399 (282)             | 14,200 (8,729)                |
| Furniture .. .. .      | 6,755 (3,566)         | 620,080 (327,865)             |
| Miscellaneous .. .. .  | 79 (57)               | 13,749 (8,424)                |
| Total .. .. .          | <u>8,873 (4,852)</u>  | <u>1,599,897 (778,751)</u>    |
| Grand total .. .. .    | <u>15,724 (8,010)</u> | <u>12,015,325 (5,065,978)</u> |



Although the amount of business offering from civilians is naturally restricted because of the preference given to the applications submitted by ex-servicemen, there has been quite an increase in the inquiry for loans for house-building, and this notwithstanding the difficulty that has been experienced in obtaining materials and labour for this type of work. It seems clear, however, that the operations of the Housing Construction Department on the one hand and the effect of rehabilitation loans on the other has resulted in a credit structure being created in the building industry which has brought in its train a demand which appears for the time being to be beyond the physical capacity of the industry to meet. The reflection of this position seems to the Board to be having an adverse effect on building costs and reacting specially to the disadvantage of those who are erecting their own homes.

Loan applications from civilians in respect of farm purchases have naturally been adversely affected by the operations of the Servicemen's Settlement and Land Sales Act, as many of the properties which are under negotiation for purchase by civilians are being acquired by the Crown for the settlement of ex-servicemen under section 51 of the Act. However, in many cases additional loans have been made available to existing farm borrowers desirous of adding improvements, or bringing additional areas into production.

#### INTEREST RATE AND TERMS OF LENDING

The interest rate charged on loans granted by the Corporation has remained at  $4\frac{1}{8}$  per cent., and the policy of granting loans on the long-term amortization system has been continued. Under this system the instalments include interest on the outstanding balance and, in addition, an amount which is applied in reduction of the loan, and thus clearing the loan liability within the term agreed upon. Long-term loans on this basis have been a feature of the lending business of the Corporation since its inception, and it is the aim of the Board to grant the longest possible term, depending on the nature of the security and its estimated utility life, and having regard to the wishes of the borrowers, not all of whom require unduly long terms. In general, loans on houses are granted for terms of up to thirty years, while on farms longer terms are granted, depending on the class of farming, the proportionate value of buildings in relation to land, and other factors.

#### PRESERVATION AND PROTECTION OF TIMBER

The Corporation, as mortgagee in respect of many thousands of residential and farm properties throughout the Dominion, is directly concerned with the subject of timber-preservation, and, in addition, has the responsibility of undertaking certain administrative duties in terms of the Termites Act, 1940, which was introduced for the purpose of bringing under control the infestation of timbers by the termite, or white ant, which had become established in certain parts of the country. In implementing this legislation it has been necessary to obtain the co-operation of the local authorities within whose districts the termite was known to be active, and, apart from the unavoidable delay which has arisen in some places owing to the inability on the part of the local authorities to obtain the necessary staff, the progress that has been made may be considered to be very satisfactory. In the areas controlled by the Auckland City Council and adjoining boroughs over 15,000 inspections have been made since the Act came into force, and as the result of this work 380 cases have been discovered where the termite was active. Prevention measures have been taken by officers specially appointed and trained by the Corporation, and the results have so far been reasonably effective. In addition to the Auckland area, further work is still necessary in the New Plymouth Borough, but it is satisfactory to record that an outcrop of termite infestation in the Waikohu County area has, as a result of operations carried out in terms of the Act, been brought under control.

The Board is satisfied that the legislation has been a wise measure, and it is hoped with the continued co-operation of the local authorities to bring completely under control the activities of this destructive insect.

The Corporation's technical officers have been engaged in other phases of timber-protection, collaborating in this work with representatives of the Scientific and Industrial Research and the Housing Construction Departments. By a process of experimenting with wood-preservation in conjunction with kiln-drying, useful information has been obtained which will enable greater use to be made of timbers which previously could not be used with confidence in the erection of houses or other permanent buildings. In carrying out this experimental work valuable assistance has been obtained from experts in overseas countries, and it is confidently anticipated that further developments as the result of this investigation and experimental work will result in the preservation and utilization of much timber that in the normal course of events would have been excluded from use. In view of the reducing quantities of suitable timber for building, such results are of outstanding importance to the Dominion.

#### BALANCE-SHEET

During recent years the Board has drawn attention to its policy of conserving funds for the purpose of helping rehabilitation borrowers, and this resulted in the accumulation of a considerable sum in the way of cash reserves and temporary investments. At the close of the year ended 31st March, 1945, the reserves held for investment amounted to something in excess of £6,000,000, but the rapid acceleration of the rehabilitation lending has resulted in the reduction of these funds to approximately £3,000,000. The balance-sheet shows a corresponding increase in the amount invested on mortgage. It is evident that with the continuing demand for loans by ex-servicemen for farms and houses this latter sum will soon be disposed of. Negotiations are in train for the provision of further funds which will enable the Board to continue without interruption the granting of loans to eligible ex-servicemen, and to others within the policy for the time being in force in relation to the normal business of the Corporation. It is difficult at this stage to estimate the aggregate advances that will be called for in terms of rehabilitation policy, but when it is recognized that there were in all some 200,000 engaged in the Armed Forces overseas and on home service duties it must be expected that during the next few years the amount required for rehabilitation purposes will amount in all to a very substantial sum.

The only other items in the balance-sheet which appear to call for comment are the amounts outstanding under the heading of "Sundry Creditors, £241,400" and "Sundry Debtors, £287,762." The increase under both these headings is substantial, but this is accounted for mainly by unusual adjustments that have become necessary between the Corporation, the Treasury, and other Departments for whom agency work is undertaken. For example, advances made by the Corporation to ex-servicemen for the purchase of furniture, tools of trade, and businesses are provided by way of advances from the Treasury, and as repayments are made by the borrowers concerned the receipts are at monthly intervals repaid to the Treasury. The transactions in connection with the State rental houses, in respect of which the Corporation handles all the receipts, have now grown to large proportions, and the adjustment of accounts between the Corporation and the Housing Account are also made periodically.

#### REVENUE ACCOUNTS

A perusal of the Revenue Account discloses a proportionately small variation considering the substantial amount of the gross receipts and expenditure for the year. The income derived from investments in mortgages, current accounts, and from investments in Government and local-body securities at £2,202,093 represents an increase of £12,535 as compared with the previous year.

Mainly as a result of the adjustment in salaries approved for all members of the Public Service, there is an increase in the cost of management and administration, including the cost of administration of rehabilitation loans, and the aggregate increase in the Corporation's management expenditure as compared with the previous year amounts to £47,086.

After setting aside reserves in respect of new business and ex-State loans, there remains a profit of £94,099 for transfer to the Appropriation Account. From this source the estimated amount required for the payment of taxes is £88,000, leaving a balance of £6,099 for transfer to Treasury.

#### STAFF

It is with the deepest regret that we record the fact that twenty-eight of our officers lost their lives as a result of war service. We can, however, now say that the majority of the Corporation's officers who were mobilized for service in the Armed Forces have now rejoined the staff, and they are rapidly resuming their normal duties. All possible steps are being taken to provide special training for these men so that they may quickly bring up to date their knowledge of the office methods and systems which have been subject to many variations since they joined the Forces. For those members of the staff who desire to take up special educational courses to fit them for their future work arrangements have been made for leave to be granted.

During the war years there has been a necessity to call upon the remaining members of staff and on those temporarily engaged to undertake additional duties, and the Board desires to place on record its sincere thanks and appreciation of the willing spirit that has been shown throughout the whole period by all these officers.

A. D. PARK, Chairman of Directors.

T. N. SMALLWOOD, Deputy-Chairman of Directors.

B. C. ASHWIN

D. BARNES

R. G. MACMORRAN

} Directors.

## REVENUE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1946

*Interest Account*

|  |                   |  |                   |
|--|-------------------|--|-------------------|
| <i>Dr.</i>   |                   |  |                   |
| Interest on stock and debentures .. .. .   | £                 |  | £                 |
| Interest on General Reserve Fund investments—  | 1,610,637         |  | 1,774,390         |
| Payable on State's contribution .. .. .  | 105,951           |  | 93,903            |
| Credited to General Reserve Fund .. .. .   | 48,544            |  | 333,800           |
| Gross profit transferred to Profit and Loss Account .. .. .                              | 436,961           |  |                   |
|  | <u>£2,202,093</u> |  | <u>£2,202,093</u> |
| <i>Cr.</i>   |                   |  |                   |
| Interest on mortgages and current accounts .. .. .                                       |                   |  |                   |
| Interest concessions on rehabilitation advances : Paid from War Expenses Account .. .. . |                   |  |                   |
| Interest on Government and local-body securities and on temporary investments .. .. .    |                   |  |                   |

*Profit and Loss Account*

|  |               |  |                 |
|--|---------------|--|-----------------|
| <i>Dr.</i>   |               |  |                 |
| Management expenses .. .. .  | £             |  | £               |
| Administration of rehabilitation advances from War Expenses Account (business, tools of trade, furniture, and miscellaneous loans) .. .. . | 230,021       |  | 436,961         |
| War-damage insurance .. .. .   | 59,688        |  |                 |
| Reserve for losses : Ex-State .. .. .  | 9,252         |  |                 |
| Reserve for losses : New business .. .. .  | 25,000        |  |                 |
| Net profit, transferred to Appropriation Account .. .. .   | 20,000        |  |                 |
|  | <u>94,099</u> |  | <u>1,079</u>    |
|  |               |  | <u>£438,040</u> |
| <i>Cr.</i>   |               |  |                 |
| Gross profit, transferred from Interest Account .. .. .  |               |  |                 |
| Rentals : Properties acquired .. .. .  |               |  |                 |
| Less miscellaneous expenses thereon .. .. .  |               |  |                 |

*Profit and Loss Appropriation Account*

|  |              |  |                |
|--|--------------|--|----------------|
| <i>Dr.</i>   |              |  |                |
| Reserve for taxes .. .. .                                    | £            |  | £              |
| Balance : Profits payable to Treasury .. .. .                | 88,000       |  | 94,099         |
|  | <u>6,099</u> |  |                |
|  |              |  | <u>£94,099</u> |
| <i>Cr.</i>   |              |  |                |
| Net profit, transferred from Profit and Loss Account .. .. . |              |  |                |

## BALANCE-SHEET AS AT 31ST MARCH, 1946

| <i>Liabilities.</i>  | £                  | <i>Assets</i>   | £          |
|--|--------------------|---|------------|
| Authorized capital .. .. .   | 1,000,000          | Mortgages and accrued interest .. .. .  | 47,588,484 |
| Stock and debentures .. .. .   | 47,722,590         | Securities in course of realization .. .. .   | 172,431    |
| Accrued interest .. .. .   | 254,700            | Advances on current account and accrued interest .. .. .                            | 256,390    |
|  | 47,977,290         | Government and local-body securities and accrued interest .. .. .                   | 7,777,537  |
| General Reserve, including (a) £2,753,164 repayable to the State under section 35 of the State Advances Corporation Act, 1934-35; (b) contribution from War Expenses Account of £208,683 in respect of rehabilitation advances .. .. . | 4,147,144          | Office furniture, equipment, and motor-vehicles, at cost, less depreciation .. .. . | 18,751     |
| Specific reserves—   |                    | Current assets—   | £          |
| Reserve for losses—  | £                  | Sundry debtors .. .. .  | 287,762    |
| Ex-State .. .. .   | 2,313,413          | Lodgments in transit, cash in bank and on hand .. .. .                              | 198,429    |
| New business .. .. .   | 299,738            |   |            |
| Investment Fluctuation Reserve .. .. .   | 120,000            |   |            |
|  | 2,733,151          |   |            |
| Sundry creditors .. .. .   | 241,400            |   |            |
| Provision for taxation .. .. .   | 88,749             |   |            |
| Liability to the Crown—  |                    |   |            |
| Surplus for year .. .. .   | 6,099              |   |            |
| Interest payable on State's contribution to General Reserve .. .. .  | 105,951            |   |            |
|  | 112,050            |   |            |
|  | <u>£56,299,784</u> |   |            |

W. G. DENT, B.Com., A.R.A.N.Z., for Chief Accountant.

A. D. PARR, F.I.A.N.Z., F.R.A.N.Z. } Managing Directors.  
T. N. SMALLWOOD }

In accordance with the provisions of the State Advances Corporation Act, 1936, we report that we have obtained all the information and explanations we have required in respect of the accounts of the Corporation examined by us and in respect of the above Balance-sheet, which, in our opinion, is properly drawn up so as to exhibit a true and correct view of the state of the Corporation's affairs according to the best of our information and the explanations given to us and as shown by the books of the Corporation.

Wellington, N.Z., 20th May, 1946.

R. C. BURGESS, F.P.A.N.Z. } Auditors.  
G. D. STEWART, F.P.A.N.Z. }£56,299,784

## PART II. HOUSING ACCOUNT

In terms of the Housing Act, 1919, and amendments thereto it is the responsibility of the Corporation to administer various phases of the Government's activities in the field of housing, both in rural and urban districts.

### RURAL HOUSING

The Rural Housing Act, 1939, enables the Corporation to make advances from the Housing Account to local authorities who desire to make loans to eligible farmers within the area controlled by the authority, and the Corporation is also responsible to some extent for the supervision of the operations under this Act. It is unfortunate that during the war years, owing to the shortage of labour and materials and the rising cost of building, there has been little progress made under the Act, but it is hoped that as the conditions in the building trade improve there will be a revival of interest.

Loans are made to local authorities bearing interest at 3 per cent. and repayable on the amortization system over terms of up to twenty-five years. The local authorities are then in a position to make loans to farmer applicants bearing interest at the rate of 3½ per cent., and such loans are usually repayable over a term similar to that on which the local authority has borrowed. The loan made to the farmer by the Council is secured by a statutory land charge.

During the war, arising out of the need for maintaining or increasing production, there have been several schemes for assisting farmers in the provision of housing required for the purpose of accommodating additional workers, and the Corporation has been associated with other Departments in arranging for the consideration of applications, the granting of loans, the allocation of temporary housing units made available for the purpose, and all incidental administration work arising therefrom. The financing of these schemes has, however, been arranged on an agency basis, the necessary funds being provided through the Treasury.

There is provision under the Housing Act for the granting of loans to employers, and this has provided an avenue of assistance for such branches of the industry as dairy companies and limeworks. Although some applications have recently been dealt with under this section, the volume of business has been adversely affected by difficult conditions in the building trade in the same way as has been the case with housing generally.

### URBAN HOUSING

In the cities and towns throughout the Dominion there has been a continuing demand for tenancies of State houses, and it is in this phase of the Government's housing schemes that the Corporation's administration has been particularly active. Houses and shops are erected under the direction of the Housing Construction Department, and when these buildings are ready for occupation the control of the assets passes to the Corporation. The number of houses and shops built is, under existing conditions, limited by the amount of labour and material available, but in its planning of the various housing schemes throughout the Dominion the Housing Construction Department is guided largely by the volume of applications that have been received by the Corporation, and for this reason applications are classified according to location and to the size and type of house suited to the families concerned. The Housing Construction Department is regularly supplied with comprehensive reports showing the extent of the unsatisfied demand in the various localities, and as the result of discussions between the two organizations the programme for the future is developed.

An examination of recently prepared statistics discloses that the demand for additional houses is well spread throughout the Dominion, and even the smallest of communities appears to have a housing problem. The claims of all localities are given careful consideration in arranging the building programme.

Owing to the large volume of applications on hand the selection of tenants has become a major problem. It is the practice to investigate the living-conditions of each applicant and to classify each case according to its degree of urgency. The information so obtained and the submissions made on behalf of the applicants themselves are carefully recorded, and regular review of the records is necessary to ensure that the most deserving of the applicants are first attended to. In selecting tenants it is, of course, necessary to pay due regard to the date on which an application is received, but, other things being equal, the degree of urgency is the important factor.

#### ALLOCATIONS TO EX-SERVICEMEN

In accordance with the Government's decision, 50 per cent. of all available housing units are allotted to approved returned servicemen, and the selection of the tenants in this category has been placed in the hands of the local Rehabilitation Committees at the various centres. It is unfortunate, but nevertheless unavoidable, that during the war years, and to some extent since the cessation of hostilities, the shortage of labour and material has caused a delay in the completion of housing units, and the number of tenancy applications on hand has shown an increase. This applies particularly to the returned servicemen section.

#### TRANSIT HOUSING

Some alleviation of the difficult conditions suffered by applicants for State houses, and this includes returned servicemen, has been attained by carrying into effect the Government's policy of co-operating with local bodies who have been willing to establish transit camps. Under this scheme the Government has released to local bodies buildings and material which have previously been in use for military purposes, and in this way temporary buildings suitable for residential purposes have been erected. In some instances the local authorities have decided to select the applicants for these temporary premises, but in most cases there has been an arrangement made between the local authority and the State Advances Corporation for the allocation of space in the transit camps to applicants for State tenancies, and in these circumstances the families are as soon as is possible given the opportunity of taking up permanent residence in a State rental unit.

It is pleasing to note that this transit-housing scheme has been adopted fairly generally by local bodies, and in total some hundreds of families will have thus been assisted over a difficult period.

#### COMPLETED UNITS

Up to 31st March, 1946, the Corporation has taken over from the Construction Department 20,267 housing units, and at the same date there were 47,088 applications for tenancies unsatisfied. This includes applications by ex-servicemen, whose needs will be met from the quota of 50 per cent. set aside for allocation to ex-servicemen.

#### FUTURE REQUIREMENTS

It is apparent from a recent survey of these applications that there are quite a number of those who are seeking State tenancies who are to-day reasonably housed in other premises, so it should not be assumed that it is necessary to provide 47,088 new units in order to overcome the present shortage. It is difficult to give an accurate estimate of the number of units that would overcome the immediate problem, but it is felt that if 25,000 new tenancies could be provided within, say, the next two to three years the needs of the most pressing cases could be reasonably met. In saying this we have taken into account the fact that there is considerable activity in building for private owners, and this will naturally have a beneficial effect on the housing position throughout the Dominion. We expect that in the future there will be a steady progress in the erection of houses for ex-servicemen and others who do not desire to be accommodated in State rental houses, and who have a preference for homes of their own.

## OTHER RENTAL PROPERTIES

In addition to the new dwellings erected under the present housing scheme, the Corporation has under administration other properties which have been acquired in earlier years, and which are let to tenants on terms similar to those applying to the new houses. The number of these units under administration as at the 31st March, 1946, was 1,037, representing a capital investment of £607,248.

## REVENUE ACCOUNTS AND BALANCE-SHEET

The revenue accounts and balance-sheet, copies of which are attached, are set out in a form which discloses the result of the year's operations under the various sections of the Housing Act, and the balances from these subsidiary accounts are carried forward to a profit and loss account showing the final result of the year's operations. On referring to the tabulated statement it will be seen that in the undermentioned accounts there is a profit varying in proportion to the amount of business handled :—

- (1) Properties sold under agreement for Sale and Purchase.
- (2) Advances to Local Authorities (Urban).
- (3) Advances to Employers.
- (4) Advances Under Rural Housing.

Under none of these sections has there been any substantial activity during the past year, and the administration work in connection therewith has not been onerous.

The most active sections of the business are (a) rented properties, old, and (b) rented properties, new. The revenue and expenditure in regard to (a) have varied little as compared with the previous financial year, the total revenue for 1945-46 being £56,239, as compared with £54,240 for 1944-45, and the expenditure is £59,381, as against £57,286. The dwellings which are included in this section mainly represent the result of purchases over a number of years. These properties, being of the older type, are subject to somewhat heavier costs for repairs, and it is necessary also to reserve for depreciation at a higher rate than would be necessary for newer buildings. Under existing trading conditions maintenance work is, unfortunately, more expensive than would be the case when a more adequate supply of materials and labour is offering.

The year's revenue receivable in respect of the new State rental houses has reached the substantial figure of £1,293,157, which shows an increase of £169,970 over the total revenue for 1944-45. On the expenditure side provision has been made for the actual cost of such items as interest, rates, and management, and, following the practice adopted in previous years, the amount set aside for depreciation, insurance, maintenance, and losses has been calculated on the basis that is considered to be a proper charge, having regard to the estimated utility life of the assets and the average costs over the term. This is especially significant when dealing with an item such as maintenance, where the major item of expenditure is painting which recurs on the average every five years and maintenance expenditure is proportionately heavier as the buildings become older. The basis of assessing these charges has been continuously under review, and it is considered that the provision now being made is a proper one.

The revenue statement for the year discloses that after paying interest, rates, and cost of management, and making the appropriate provision for depreciation, maintenance, insurance, and contingencies, outgoings in this section exceed the revenue by £19,292. The year's transactions in the other subdivisions of the Housing revenue accounts result in a surplus of £7,693, thus leaving a net loss of £11,599.

At the 31st March, 1945, there was a credit of £64,821 in the Profit and Loss Account, representing the accumulated profit to that date, and after deducting the net deficiency for the past year, and making a few minor adjustments as shown in the statement, there remains a credit balance of £52,786 to be carried forward.



As visualized in last year's report, a stage has been reached when due to increased construction costs the rentals fixed under the new State housing section are becoming insufficient to meet the outgoings, but it is hoped that the abolition of sales tax on building materials will be reflected in lower construction costs in the future.

It is pleasing to record that the rental payments due by tenants are being met on a satisfactory basis, and the following comparative statement will be of interest :—

|   |             |
|---|-------------|
| Number of housing units taken over as at 31st March, 1946 .. .. .   | 20,267      |
| Book value of property .. .. .  | £27,351,517 |
| Amount of rent due on all new State rental units tenanted since first house was completed in 1937 .. .. . | £6,261,683  |
| Amount of rent in arrear at 31st March, 1946 .. .. .  | £5,273      |
| Amount of rent written off up to 31st March, 1946 .. .. .   | £4,166      |

The outstanding items in the balance-sheet are (a) the increase in loan liability from £22,443,297 to £26,813,933, (b) the capital invested in new dwellings is £27,351,517, as compared with £22,731,157. These variations are, of course, the result of taking over further completed units during the financial year, the cost of the land and buildings involved being paid from the Housing Account in settlement to the Housing Construction Department.

In accordance with section 35 of the Housing Act, 1919, the following statistical information is submitted :—

|   |           |
|---|-----------|
|   | £         |
| (1) Payments received during the year .. .. .   | 1,400,932 |
| (2) Amount of arrears outstanding at 31st March, 1946 (including instalments due on agreements for sale and purchase and rentals on tenancies, old and new) .. .. . | 28,256    |

A. D. PARK, Chairman of Directors.

T. N. SMALLWOOD, Deputy-Chairman of Directors.

B. C. ASHWIN

D. BARNES

R. G. MACMORRAN

} Directors.

## HOUSING ACCOUNT

TABULATED REVENUE AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31ST MARCH, 1946

| Item.  | Properties sold under Agreement for Sale and Purchase. |       | Advances under Part V, Housing Act, 1919 (Local Authorities Urban Housing). |        | Advances under Part III, Housing Act, 1919 (Loans to Employers). |     | Advances to Local Authorities under Rural Housing Act, 1939. |       |
|--|--|-------|---|--------|--|-----|--|-------|
|  | Dr.  | Cr.   | Dr.   | Cr.    | Dr.  | Cr. | Dr.  | Cr.   |
| <i>Revenue</i>   |  |       |   |        |  |     |  |       |
| Interest .. .. .   | £  | £     | £   | £      | £  | £   | £  | £     |
| Rent .. .. .   | ..   | 4,166 | ..  | 14,753 | ..   | 181 | ..   | 4,251 |
| <i>Expenditure</i><br>(including allocations to Reserve marked*)           |  |       |   |        |  |     |  |       |
| Interest .. .. .   | 1,370  | ..    | 7,229   | ..     | 89   | ..  | 2,097  | ..    |
| Management expenses .. .. .  | 1,091  | ..    | 153   | ..     | 17   | ..  | 260  | ..    |
| Depreciation .. .. .   | ..   | ..    | ..  | ..     | ..   | ..  | ..   | ..    |
| Insurance (including war-damage and earthquake insurance)                  | 28   | ..    | ..  | ..     | 1  | ..  | ..   | ..    |
| Rates .. .. .  | ..   | ..    | ..  | ..     | ..   | ..  | ..   | ..    |
| Maintenance .. .. .  | ..   | ..    | ..  | ..     | ..   | ..  | ..   | ..    |
| Losses and vacant tenancies .. .. .  | 181  | ..    | ..  | ..     | ..   | ..  | ..   | ..    |
| Excess of revenue over expenditure, transferred to Profit and Loss Account | 1,496  | ..    | 7,371   | ..     | 74   | ..  | 1,894  | ..    |
| Excess of expenditure over revenue, transferred to Profit and Loss Account | ..   | ..    | ..  | ..     | ..   | ..  | ..   | ..    |
| Totals .. .. .   | 4,166  | 4,166 | 14,753  | 14,753 | 181  | 181 | 4,251  | 4,251 |

| Item.  | Rented Properties (Old) erected prior to 31st March, 1937. |        | Rented Properties (New) erected under New Housing Scheme. |           | Combined Revenue and Expenditure Account. |           |
|--|--|--------|---|-----------|---|-----------|
|  | Dr.  | Cr.    | Dr.   | Cr.       | Dr.                                       | Cr.       |
| <i>Revenue</i>   |  |        |   |           |   |           |
| Interest .. .. .   | £  | £      | £   | £         | £   | £         |
| Rent .. .. .   | ..   | 56,239 | ..  | 1,293,157 | ..  | 1,349,396 |
| <i>Expenditure</i><br>(including allocations to Reserve marked*)           |  |        |   |           |   |           |
| Interest .. .. .   | 10,573   | ..     | 358,871   | ..        | 380,229                                   | ..        |
| Management expenses .. .. .  | 5,837  | ..     | 106,853   | ..        | 114,211                                   | ..        |
| Depreciation .. .. .   | 15,262*  | ..     | 239,701*  | ..        | 254,963                                   | ..        |
| Insurance (including war-damage and earthquake insurance)                  | 1,860*   | ..     | 68,784*   | ..        | 70,673                                    | ..        |
| Rates .. .. .  | 10,864   | ..     | 186,982*  | ..        | 197,846                                   | ..        |
| Maintenance .. .. .  | 14,503   | ..     | 286,600*  | ..        | 301,103                                   | ..        |
| Losses and vacant tenancies  | 482  | ..     | 64,658*   | ..        | 65,321                                    | ..        |
| Excess of revenue over expenditure, transferred to Profit and Loss Account | ..   | ..     | ..  | ..        | ..  | ..        |
| Excess of expenditure over revenue, transferred to Profit and Loss Account | ..   | 3,142  | ..  | 19,292    | ..  | 11,599    |
| Totals .. .. .   | 59,381   | 59,381 | 1,312,449   | 1,312,449 | 1,384,346                                 | 1,384,346 |

HOUSING ACCOUNT—continued  
 PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1946

| <i>Dr.</i>   | £       | <i>Cr.</i>   | £       |
|--|---------|--|---------|
| Administration of Termites Act, 1940 .. .. .                 | 664     | Balance, 1st April, 1945 .. .. .                       | 64,821  |
| Borer-treatment investigation .. .. .                        | 97      | Recoveries on account of losses previous years .. .. . | 620     |
| Pre-treatment of timber .. .. .                              | 295     |  |         |
| Loss for year (see combined Revenue and Expenditure Account) | 11,599  |  |         |
| Balance, 31st March, 1946 .. .. .                            | 52,786  |  |         |
|  | £65,441 |  | £65,441 |

## HOUSING ACCOUNT—continued

BALANCE-SHEET AS AT 31ST MARCH, 1946

|  | £       | £          | £           |
|--|---------|------------|-------------|
| <i>Liabilities</i>   |         |            |             |
| Loan liability .. .. .   | .. .. . | 26,813,033 |             |
| Sundry creditors—  |         |            |             |
| Tenancy deposits .. .. .   | £       | 20,425     | 98,407      |
| Rent paid in advance .. .. .   |         | 17,215     | 4,807       |
| Departmental .. .. .   |         | 97,096     |             |
| Miscellaneous .. .. .  |         | 35,059     |             |
| Insurance Reserve .. .. .  |         | 169,795    | 590,226     |
| Reserves: Rented properties (new), (rates, maintenance, bad debts, and vacant tenancies) .. .. . |         | 452,560    | 140,283     |
| Profit and Loss Account .. .. .  |         | 1,352,394  | 833,723     |
|  |         | 52,786     | 4,179       |
|  |         |            | 2,664       |
|  |         |            | 3,662       |
|  |         |            | 80          |
|  |         |            | 844,308     |
|  |         |            | 4,636       |
|  |         |            | 839,652     |
|  |         |            | 721,254     |
|  |         |            | 114,006     |
|  |         |            | 28,469,019  |
|  |         |            | 1,117,562   |
|  |         |            | 27,351,517  |
|  |         |            | 25,662      |
|  |         |            | 327         |
|  |         |            | 14,791      |
|  |         |            | 40,780      |
|  |         |            | 381         |
|  |         |            | 990         |
|  |         |            | £28,840,568 |
|  |         |            | £28,840,568 |

NOTE.—Dwellings under construction and vacant land are under the control of the Public Works Department, and all expenditure in connection therewith is included in the accounts of that Department.

W. G. DENT, B.Com., A.R.A.N.Z., for Chief Accountant.

A. D. PARK, F.I.A.N.Z., F.R.A.N.Z. }  
 T. N. SMALLWOOD } Managing Directors.

I hereby certify that the Balance-sheet and accompanying accounts have been duly examined and compared with the books and documents submitted for audit, and correctly state the position as disclosed thereby, subject to the above departmental note.—  
 J. P. RUTHERFORD, Controller and Auditor-General.

## ADDENDUM

### GENERAL REPORT ON OPERATIONS OF THE SOLDIERS' FINANCIAL ASSISTANCE BOARD

Following the cessation of hostilities and the consequent demobilization of the Armed Forces, the time seems opportune to place on record a summary of the operations of the Soldiers' Financial Assistance Board, which has functioned almost from the commencement of hostilities, although during the past few months its operations have been on a greatly reduced scale and before very long the Board will have finally completed the task for which it was established. The following is therefore submitted by way of a general survey of the broader issues which arose in the course of its operations:—

#### CONSTITUTION OF BOARD

The Board was set up within a few months of the outbreak of hostilities. Regulations which had been put into operation closely following the declaration of war gave the necessary authority without special legislation being required, and, in announcing the personnel of the Board, the Government also indicated the general lines upon which the Board was to operate. Expressed briefly, it could be stated that the function of the Board was to grant assistance to servicemen who, as a direct result of joining the Forces, were unable to meet the normal and reasonable commitments of civil life. The Board was not empowered to meet principal repayments on mortgages, and the maximum assistance which could be granted in the case of any one applicant was £156 per annum. The machinery of the State Advances Corporation was utilized for the administrative work in connection with the Board. The necessary funds were provided from the War Expenses Account.

The original members of the Board were:—

Chairman—

|                         |   |   |
|-------------------------|---|---|
| A. D. Park, C.M.G. or   | } | Joint Managing Directors, State Advances Corporation. |
| T. N. Smallwood, O.B.E. |   |   |

Members—

B. C. Ashwin, C.M.G., Secretary to the Treasury.

D. Barnes, Timaru.

J. G. Barclay, M.P., Whangarei.

H. E. Combs, M.P., Wellington.

T. L. MacDonald, M.P., Mataura.

Ernest W. Hunt, Public Accountant, Wellington.

The appointments were purely honorary, although provision was made for meeting travelling-expenses incurred in attending meetings.

Closely following the press announcement of the establishment of the Board, application forms were prepared and circulated to all military camps, as well as to all post-offices throughout the Dominion. Arrangements were also put in train with Base Records, the Navy Office, and the Air Department for the supply of such information as would be required both as regards the general rates of pay and allowances and also the amounts which would be payable to individual applicants. Provision was also made to keep the Board informed of any changes which might occur in the status of those applicants to whom assistance of a continuing nature was granted.

### FIRST MEETING

The first meeting of the Board was held in February, 1940, when a full examination was made of suggestions for the conduct of operations and the manner in which it was proposed to submit individual cases. The Board was unanimous in its approval of the details which had been submitted by the State Advances Corporation for its consideration, and commented on the thoroughness of the initial work as well as the clear manner in which the proposals were presented. That the initial work was efficiently done was later proved, as during subsequent years, when the Board was working at full pressure, no major alteration in procedure was required, and such minor alterations as did occur were the result of changes which had taken place in the general conditions.

### APPOINTMENT OF EXECUTIVE COMMITTEE

The first meeting was confined entirely to procedure, and no individual cases were dealt with. As a matter of fact, at that time very few applications had been received, and none had been fully investigated. It was anticipated that frequent meetings would be necessary if applications were to be dealt with expeditiously, and as the Board members were located in various parts of the Dominion it was decided to appoint an Executive Committee comprising those members normally resident in Wellington to meet as required to give decisions on individual applications, and to hold a monthly meeting of the full Board to consider matters of policy.

### TO WHOM ASSISTANCE COULD BE GRANTED

In the earlier stages of the war the overseas Forces were made up very largely of single men who had little in the way of permanent commitments of an essential nature, so that the applications received were not numerous. Although the Board was known as a "Soldiers'" Financial Assistance Board, the term "Soldiers" was interpreted in the wider sense and deemed to include Naval and Air Force personnel. At the commencement, assistance was also restricted to personnel who had enlisted for overseas service, but the scope of operations was later extended first to cover those mobilized on coastal defence batteries and later to Territorials called up for periods of training extending over one month. With the entry of Japan into the war a full-scale mobilization was embarked upon, and all those mobilized for full-time service were made eligible to receive assistance should their circumstances so warrant.

### INITIAL GRANTS OF ASSISTANCE

In the consideration of applications for assistance the method adopted to indicate the merits of individual cases was as follows:—

Firstly, the civil income as stated by the applicant was verified by reference to the civil employers or, in the case of applicants in business, by a reference to the business accounts. The deduction of normal taxation from the gross income gave a figure which was as near as it was possible to get to the actual net civil life income. Other commitments (rent, interest, &c.) were similarly verified. Secondly, the income available from military sources was obtained by a reference to Base Records or other appropriate authority. In this case, however, the income was entirely free of taxation. The serviceman, too, was provided with keep and clothing, so that allowance had to be made for this factor. It was recognized that in the majority of cases the serviceman, by reason of being with the Forces, was obliged to meet expenditure which he might not have been required to meet otherwise, so that the allowance for keep and clothing was determined at a figure which was considerably lower than the estimated cost, thus providing for a reasonable increase in personal expenditure. In addition, in the case of men serving overseas, the income of the dependants was assessed after allowing for the retention of a reasonable portion of the military pay for the servicemen's personal use. A comparison of the net civil-life income and the income available to the dependants after making the allowances just referred to gave a clear indication of the extent, if any, to which the financial position

had been effected as a result of the service with the Forces. If on the position thus indicated assistance appeared warranted, a grant was authorized. This may have been either in the form of a grant to meet, entirely, some commitment which it was obvious would create hardship to the dependants or assistance in meeting interest on a mortgage over the home or perhaps assistance in meeting the rent. In such cases it was customary to make the payment direct to the creditor concerned. In other cases, to avoid a multiplicity of payments, the grant took the form of a payment to the dependant, usually the wife, to assist with general expenses, and was made payable at monthly intervals. Another form of assistance given was a grant to meet life-insurance premiums on the soldier's life, and where the policy was subject to war loading this factor also was taken into consideration. In order to avoid any complication arising from possible delay in payments, an arrangement was entered into with the Life Offices Association whereby once the Board had signified its intention of meeting premiums the policy was kept current until the insurance office was notified by the Board of its intention to discontinue the payment. This arrangement was very successful, and all insurance offices were extremely helpful to the Board in supplying information as required. On the other hand, the Board rendered valuable assistance to the insurance offices by drawing the attention of all applicants for assistance whose applications showed the existence of insurance policies to the necessity for contacting the insurance office and ascertaining the extent to which the policy would be affected as a result of the insured joining the Forces.

#### RECONSIDERATIONS

Although applications were considered on the basis of conditions as they existed at the time of commencement of service with the Forces, it very soon became evident that these conditions were by no means static. Where there were no young children to be cared for the wife frequently took up employment, and the additional income thus received was such that assistance was no longer necessary. Changes in living arrangements frequently occurred, the wife letting the home or giving up rented premises and boarding with her parents or friends, with a consequent reduction in expenditure. In this connection it may be remarked that it was not necessarily the function of the Board to restore the income to that which had been received in civil life, but simply to ensure that the dependants did not suffer any undue hardship as a result of the husband's service. In some cases where it was apparent that extreme hardship had formerly existed the financial position was considerably bettered and the dependants of the soldier enabled to live in reasonable comfort. The status of the serviceman, too, frequently changed. Numerous cases of promotion, some to commissioned rank, occurred, with consequent substantial increases in military pay.

#### REVIEWS

Except in those cases where the assistance granted by the Board was in the form of liquidating entirely some particular liability, all authorizations were for a definite period, usually twelve months, and shortly before the expiration of that time steps were taken to check up on the circumstances of the dependants. Notwithstanding the fact that it was made a condition of all grants that the serviceman and/or his dependants should notify the Board of any changes taking place, it was surprising what changes could and did occur without the dependants realizing that they should have informed the Board of the fact. It can, however, be definitely stated that in the majority of cases the omission was not a deliberate withholding of information, but a lack of appreciation of the effect such a change would have on the financial position generally. Simultaneously with the review of the circumstances of dependants, the opportunity was taken to check up on the rank, &c., of the servicemen, although, as stated earlier, arrangements had been made with the appropriate military authorities to supply information of any changes in rank in cases where assistance was being granted. On the whole, the information required was forwarded reasonably well, but with the Forces scattered in various parts of the world it sometimes happened that there was a considerable time-lag between the date of a promotion and the receipt of the relative advice by the Board.



## DECEASED PERSONNEL AND MEN POSTED MISSING

When the Division went into action the question arose as to the manner in which the Board should treat those casualties where the dependants were in receipt of assistance. It was decided, with the Minister's concurrence, that in cases where a serviceman was killed in action the Board should act in a manner similar to that adopted by the Army authorities in regard to pay and allowances - namely, that assistance should continue for a period of three months after the date upon which notification of the casualty was issued to the next-of-kin. In the case of men reported sick or wounded or prisoners of war pay and allowances continued, and, similarly, any assistance granted by the Board went on without variation other than the normal review of the circumstances of the dependants. However, quite large numbers were reported missing, believed killed, or believed prisoner of war. In some cases this was followed a few weeks later by a more definite notification, but in others the position remained indefinite for a long period. In these cases, too, the Board continued its assistance so long as the Army pay continued. Where assistance had been discontinued by reason of the cessation of Army pay and it was subsequently reported that the soldier was a prisoner of war, assistance was resumed from the date of cessation. An exception to this rule was made in the case of payments in respect of insurance premiums, but in these cases it was arranged with the Life Offices Association that the Board would meet any premium which had accrued during the period the notification was indefinite.

## GENERAL ALTERATIONS IN SCALES OF PAY AND ALLOWANCES

During the course of hostilities various changes were made in the rates of pay and allowances to dependants, and the Board, when reviewing grants, had before it the increased income thus available, and some adjustments were made to grants as a result. The Board, however, adopted the practice that portion of the increase should be made available to the dependants, and in some cases, in view of the particular circumstances, no change in the *quantum* of the grant was made.

The general increases in pay and allowances had the effect of placing the average married serviceman with, say, two children in a financial position which compared favourably with that existing in civil life. For example, a private with a wife and two children received 8s. 6d. per day pay of rank, 4s. per day wife's allowance, 3s. per day for two children, and 2s. 6d. per day domestic allowance—a total of 18s. per day, or £328 10s. per annum, which was entirely free of tax, while, in addition, the soldier was provided with food and clothing. Consequently, from the time these rates became effective, the number of applications being received by the Board fell off rapidly.

## STATISTICS

The number of applications dealt with by the Board and the amount of assistance authorized year by year during its period of operation are set out briefly in the following tables :—

## Applications received—

|                                |    |    |    |        |
|--------------------------------|----|----|----|--------|
| *Period ended 31st March, 1941 | .. | .. | .. | 3,464  |
| Year ended 31st March, 1942    | .. | .. | .. | 4,222  |
| Year ended 31st March, 1943    | .. | .. | .. | 12,022 |
| Year ended 31st March, 1944    | .. | .. | .. | 2,911  |
| Year ended 31st March, 1945    | .. | .. | .. | 1,270  |
| Year ended 31st March, 1946    | .. | .. | .. | 417    |
| Total to 31st March, 1946      | .. | .. | .. | 24,306 |

\* This covers a period of fifteen months from the inauguration of the Board.

| Assistance authorized—      |       | £        | s. | d. |
|-----------------------------|-------|----------|----|----|
| Year ended 31st March, 1941 | .. .. | 43,092   | 6  | 9  |
| Year ended 31st March, 1942 | .. .. | 149,081  | 16 | 10 |
| Year ended 31st March, 1943 | .. .. | 350,204  | 3  | 7  |
| Year ended 31st March, 1944 | .. .. | 197,778  | 14 | 0  |
| Year ended 31st March, 1945 | .. .. | 127,505  | 18 | 0  |
| Year ended 31st March, 1946 | .. .. | 62,557   | 1  | 9  |
|                             |       |          |    |    |
|                             |       | £930,220 | 0  | 11 |

| Actual amount paid over—    |       | £        | s. | d. |
|-----------------------------|-------|----------|----|----|
| Year ended 31st March, 1941 | .. .. | 20,243   | 1  | 0  |
| Year ended 31st March, 1942 | .. .. | 58,941   | 13 | 2  |
| Year ended 31st March, 1943 | .. .. | 270,072  | 10 | 3  |
| Year ended 31st March, 1944 | .. .. | 212,668  | 16 | 0  |
| Year ended 31st March, 1945 | .. .. | 131,936  | 17 | 11 |
| Year ended 31st March, 1946 | .. .. | 69,736   | 7  | 0  |
|                             |       |          |    |    |
|                             |       | £763,599 | 5  | 4  |

Applications other than new applications submitted for review or reconsideration on account of changes in circumstances :—

|                             |       |        |
|-----------------------------|-------|--------|
| Year ended 31st March, 1941 | .. .. | 497    |
| Year ended 31st March, 1942 | .. .. | 1,772  |
| Year ended 31st March, 1943 | .. .. | 6,479  |
| Year ended 31st March, 1944 | .. .. | 8,639  |
| Year ended 31st March, 1945 | .. .. | 5,108  |
| Year ended 31st March, 1946 | .. .. | 2,697  |
|                             |       |        |
|                             |       | 25,192 |

#### MANAGEMENT EXPENSES

As will be indicated from the summary given in the preceding portion of this report, the work involved in the initial investigation and review of applications assumed very considerable proportions, the volume of correspondence alone being particularly heavy, and had it not been for the fact that full use was made of the organization and facilities of the State Advances Corporation the management expenses connected with the operation of the Board during its six years of activity would have been considerably more than was actually the case. The figures year by year are as follows :—

|                             | £     | s.      | d.   |
|-----------------------------|-------|---------|------|
| Year ended 31st March, 1941 | .. .. | 5,145   | 19 4 |
| Year ended 31st March, 1942 | .. .. | 10,437  | 6 5  |
| Year ended 31st March, 1943 | .. .. | 30,700  | 9 1  |
| Year ended 31st March, 1944 | .. .. | 18,345  | 1 10 |
| Year ended 31st March, 1945 | .. .. | 11,735  | 16 0 |
| Year ended 31st March, 1946 | .. .. | 7,080   | 0 0  |
|                             |       |         |      |
|                             |       | £83,444 | 12 8 |

## CONCLUSION

In concluding this report on the work of the Board it can be safely stated that the Board, by its operations, enabled the dependants of many servicemen to enjoy a reasonable standard of living during the absence of the breadwinner in the service of his King and country. It is true that there have been a limited number of protests against the decision of the Board to decline applications and requests for an increase in the *quantum* of assistance which has been granted. That was inevitable having regard to the nature of the assistance dispensed by the Board, but when the numbers of cases dealt with are realized the complaints were few and far between. The Board has never acted in an arbitrary manner and has always been prepared to review a case should fresh facts be brought to light or new considerations arise.

On the other hand, many servicemen have called to express personally their gratitude for the assistance which was granted, and numerous letters of appreciation have been received. Four letters, typical of many, received from different parts of the Dominion are quoted :—

DEAR SIR,—

I take this opportunity on behalf of my wife and self in thanking the members of the Board for their past consideration, promptness in all matters, &c., without which many other servicemen like myself would have been financially distressed during our terms of service.

Yours faithfully,  
(Sgd.) ——

DEAR SIR,—

Application for renewal of assistance to hand, and I am returning same herewith as my husband finished with the Army on the 18th inst. and is returning to civil occupation and I am no longer entitled to the assistance. I would like to express my appreciation to the Board for their assistance while my husband was in the Army. The promptness in which the cheques were received and the benefit I derived from them makes me very grateful to you. Again thanking you.

I remain,  
Yours gratefully,  
(Sgd.) ——

DEAR SIR,—

Ref. yours of 22nd March. Thank you for the consideration you have shown me. The cheque referred to has arrived, and I can assure you that it has been very greatly appreciated. I agree with your Board that changes in the rate of pay warranted a revision of the case.

My chief purpose in writing this letter is to tell you that both my wife and I appreciate the thought, time, and understanding you have devoted to my case, and to express, through you, our appreciation of what the Soldiers' Financial Assistance Board have done for us. If every soldier receives as just a deal as I have received, many a home must have been relieved of a great deal of anxiety.

Yours faithfully,  
(Sgd.) ——

DEAR SIR,—

I am writing to let you know that my husband has been discharged from the sick and wounded and started on his civilian work to-day, so that the next payment will be made out to the above date and then cancelled.

I wish to sincerely thank you for your help and consideration in the past, and I have nothing but the highest regard for the work of the State Advances Corporation. My husband has done business with your organization to get established once more in business and has had all the help and advice which it was possible for them to give him.

Thanking you once again.

I remain, yours sincerely,  
(Sgd.) ——

The letters quoted above give a broad indication of the reaction of servicemen generally to the provision which had been made by the Government for assisting them to maintain their dependants in a reasonable degree of comfort whilst they were on service, and also of the manner in which the Board carried out the task which had been allotted to it.

An expression of thanks is due to the other members of the Board for their valuable assistance and helpful advice which was so freely given and which was a very material factor in ensuring the successful operation of the scheme. During the war period the time devoted to meetings necessarily entailed considerable personal sacrifice by all.

In particular, the members of the Executive Committee were required to attend meetings twice each week for a long period for the purposes of considering the individual applications in detail.

Finally, the Board desires to place on record its appreciation of the work of both the office and field staffs of the Corporation, who carried out the whole of the work of investigating and reporting on the 24,000-odd applications for assistance and the 25,000-odd subsequent reviews, as well as the large volume of work involved in making regular payments based on the Board's decisions.

A. D. PARK, Chairman.

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