

1947
NEW ZEALAND

LOCAL GOVERNMENT LOANS BOARD

REVIEW OF OPERATIONS FOR THE YEAR ENDED 31st MARCH, 1947

Laid on the Table of the House of Representatives by Leave

THE 31st March, 1947, marked the end of the twentieth year of the Board's operations, and during that year the Board dealt with a greatly increased number of local-authority borrowing proposals. The total amount of the loans considered was £10,722,893, the largest amount dealt with during any one year of the Board's operations. Of that amount, £9,843,543 consisted of new applications and £879,350 represented amounts previously referred back.

Loans for new works totalled £7,289,436, while redemption loans to the extent of £1,006,430 were sanctioned. The balance of £2,427,027 was referred back for reconsideration or was deferred pending further investigation.

The following is a summary and an analysis of the loans dealt with during the year, compared with the figures for 1945-46 :—

	1945-46.		1946-47.	
	£	£	£	£
Applications	3,497,820		9,843,543	
Previously referred back	55,350		879,350	
	£3,553,170		£10,722,893	
Sanctioned—				
New loans	2,643,935		7,289,436	
Renewal loans	243,235		1,006,430	
Referred back	666,000		2,427,027	
	£3,553,170		£10,722,893	
New loans—				
Waterworks	94,100			155,465
Drainage and sewerage	133,525			386,120
Roads and bridges (counties)	43,800			42,629
Street works (boroughs)	35,850			369,050
Municipal buildings, offices, &c.	57,700			86,315
Recreational facilities			312,480
Transport	28,600			1,018,000
Housing—				
Permanent	50,950		341,017	
Transit	177,100		147,850	
		228,050		488,867
Electric supply—				
Power Boards	731,000		1,011,500	
Other		460,400	
	731,000		1,471,900	
Hospital works	953,750			1,502,005
Harbour works	135,000			1,065,000
Fire Board loans	27,500			39,500
Gasworks	35,000			32,000
Abattoirs	1,000			107,900
Education authorities	47,700			17,425
Machinery			54,730
Miscellaneous	91,360			140,050
	£2,643,935		£7,289,436	

The diversion of the unexpended balances of loans amounting to £17,310 was approved under section 47 of the Finance Act, 1929, and approval was given under section 20 of the Finance Act, 1934, to the use of capital moneys amounting to £310,694. This

latter sum was much larger than usual and included £238,000 representing the purchase-money of assets sold by two local authorities. The purchase-money could not conveniently be utilized in loan-repayment, and accordingly approval was given for it to be expended on capital works.

The amount sanctioned for new works shows a very substantial increase, as was to be expected with the expansion of local-authority activity following the abnormally low level of activities during the war period. Increased costs also are reflected in the amounts of loan proposals. The borrowing by Hospital Boards was again very heavy and was the highest annual figure on record, being more than 50 per cent. higher than any previous year's figure. Hospital Board borrowing was also the highest of any individual category for local-body works.

Large increases are shown in proposals for drainage and sewerage works, borough street works, recreational facilities, machinery purchases, and transport. The latter item is largely accounted for by the Dunedin City Council's scheme for the complete replacement of electrical tramways by a trolley-bus service involving loans totalling £858,000.

Proposed harbour works resulted in another item which exceeded £1,000,000, mainly for major long-term programmes at Auckland and Wellington. Notwithstanding the immediate difficulties associated with the shortage of power, electric-supply authorities are undertaking heavy capital expenditure in the extension of supply to new areas, in the further reticulation of areas already receiving supply, and in increasing the carrying-capacity of reticulation lines. The new loans under this heading show a £740,000 increase over the 1945-46 figure and reached a total of £1,471,900.

Local-authority housing proposals have shown an increase during the year, transit housing still being a substantial item. It is noteworthy, however, that whereas in 1945-46 transit housing proposals well exceeded the amounts provided for permanent housing, in 1946-47 permanent housing predominated greatly. Municipal buildings, offices, &c., show a very modest increase, presumably giving place to the more urgent provision of housing.

The amount referred back during the year (£2,427,027) was considerably higher than usual and reflects in a measure the fact that the Board is unwilling to sanction excessive borrowing under buoyant conditions that might later prove unjustified or too great a burden for the local authorities concerned. Approximately half the amount referred back was in respect of Hospital Board proposals.

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	466,521	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	4,051,076	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	5,158,917	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
1946-47	9,843,543	7,289,436	1,005,430
	84,697,776	47,000,609	26,193,158
		73,193,767	

The difference (£11,504,009) 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	1946	..	60,025,864

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	55,883,451	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
1946	..	6,604,725	1,484,400	51,936,739	60,025,864

The low interest-rates mentioned in last year's report are still being maintained, and accordingly during the year the Board revised its policy with regard to the interest-rates it was prepared to sanction. The maximum rate which the Board will now approve is $3\frac{1}{2}$ per cent., and permission to pay interest at that rate would be given only in exceptional circumstances. The basic rate applicable to the majority of local authorities is $3\frac{1}{4}$ per cent. It is interesting to note that several of the larger local authorities have recently floated loans at 3 per cent. and $3\frac{1}{8}$ per cent., those closely approximating the interest for Government securities. These lower interest-rates, to some extent, are a set-off against the present high cost of capital works.

The very heavy increase in the cost of undertaking capital works is, however, having a marked effect both on rating and on the amount of loan proposals, making it increasingly difficult for the smaller boroughs and town districts in particular to achieve the basic services of water-supply and sewerage. The present appears to be an inopportune time for local authorities to undertake works for which there is no immediate urgency.

The Board desires to acknowledge the valuable assistance it has continued to receive 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.

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