

War charges.

On this basis the increase in the *per capita* receipts during the period is £4 1s. 10d. The first striking fact to be noted is that the cost of the charges directly due to the Great War averages £3 13s. 3d., and this accounts for nearly the whole of the increase in the taxation receipts per head.

Social services.

The other noteworthy increase is in the total amount devoted to social services, under which heading I group health and hospitals, pensions (excluding war pensions) and education. The actual charge on taxation for these three items amounted in 1913-14 to £2,120,000, which is roughly about one-third of the total collections for the year. During the last financial year no less than £5,735,000, or nearly one-half of the total collections less war charges, was expended on social services. On a comparable basis the expenditure on social services per head of population rose from £2 16s. 6d. in 1914 to £4 2s. 4d. in 1926, an increase of 45 per cent.

Naval defence.

The cost of defence for 1925-26 includes the expense of the second cruiser which recently joined the New Zealand Station, for only part of a year, so this item will show an increase for this financial year. The net expenditure on Naval defence for last year amounted to £441,203, an increase of £157,847 over that of the previous year.

Summary of position.

Setting aside the amount required to cover war charges and social services, which in 1925-26 absorbed £8 19s. 4d. out of a total of £12 4s. 4d. per head of revenue collected, the remaining revenue for other services does not represent in 1925-26 any real increase over that required in 1913-14.

The results demonstrate that economy and control have been consistently applied to administrative expenditure, and that there has been no undue inflation of departmental services.

In regard to existing social services there will, of course, be a steady rise due to increases in population, but this should be met by increased revenue receipts due to the same cause. Any new departures or extensions, however, can obviously only be made at the expense of increased taxation *per capita*, unless reductions can be made in the relative amounts required for other services.

As regards last year's actual expenditure as compared with that of the previous year, I wish to remark as follows:—

Pensions.

Including £37,505 from national endowments on account of old-age pensions and £2,499 from gold duty in respect to miners' pensions, the total net payments on account of pensions for the last financial year amounted to £2,480,155, as against £2,403,614 for the previous year, an increase of £76,541, notwithstanding the fact that the war pensions showed a reduction of £62,630.

Health.

Turning to expenditure on health, it will be seen from the accounts and particulars supplied that the subsidies under the permanent appropriations for Hospital and Charitable subsidies in 1925-26 totalled £600,000, the actual amount paid being £575,777, in addition to which a special subsidy of £18,000 was paid to the Nelson Hospital Board. It is estimated that an appropriation of £600,000, the same as last year, will be required for the current year. Subsidies on capital levies increased from £72,000 in 1923-24 to £115,000 in 1925-26, but it is not anticipated that the amount will further increase this year. The net expenditure of the Department from the Consolidated Fund other than subsidy was £34,968 more than that of the previous year.

Education.

For education the net expenditure under the vote amounted to £2,879,719, to which must be added £157,341 received under special Acts, making a total provision out of the Consolidated Fund of £3,037,060 for 1925-26, as against £2,949,115 for 1924-25. In addition, there is also expenditure out of reserves and endowments, full particulars of which will be found in Table No. 20 attached to this Statement.

TREASURY BILLS.**Treasury bills.**

Treasury bills in anticipation of the 1925 loan amounting to £500,000 were sold in London at 4 $\frac{3}{8}$ per cent. discount at the beginning of April, 1925, and were duly redeemed out of the loan receipts.