

1939.  
NEW ZEALAND.

---

# LOCAL GOVERNMENT LOANS BOARD.

REVIEW OF OPERATIONS FOR THE YEAR ENDED 31ST MARCH, 1939.

---

*Presented to both Houses of the General Assembly by Command of His Excellency.*

---

THE Local Government Loans Board, constituted under the Local Government Loans Board Act, 1926, comprises seven members, of whom two are officers of the Public Service, being the persons for the time being holding the offices of Secretary to the Treasury and Engineer-in-Chief of the Public Works Department. The remaining five members are appointed by the Governor-General to hold office during his pleasure.

In general, the Act provides that it shall not be lawful for any local authority to borrow any money without the precedent consent of the Governor-General in Council given after compliance with the provisions of the Act, which further provides that every local authority which proposes to borrow any moneys, otherwise than in anticipation of its revenues, shall submit to the Local Government Loans Board an application and statement giving such information and particulars as may be required by the Board.

After proper investigation the Loans Board may :—

- (a) Sanction the proposal, either wholly or in part, and unconditionally or subject to such terms, conditions, and stipulations as it thinks fit ; or
- (b) Require the local body to divide the loan proposal into constituent items to the intent that the ratepayers may vote separately on each item ; or
- (c) Refer the application back to the applicant local authority for modification or amendment ; or
- (d) Decline to sanction the proposed loan.

The Board has been in existence since 1927, and the report of its operations for the year ended 31st March, 1939, is appended

During the year proposals to borrow involving £5,138,917 came under the purview of the Board, and of this amount £4,875,584 represented new applications and the balance of £263,333 amounts previously referred back or declined.

Of the total amount considered, new loans and renewal loans totalling £3,013,872 and £1,188,525 respectively were sanctioned, whilst £936,520 was referred back for reconsideration or declined.

The following is a summary and analysis of the loans for new works as compared with similar items for the previous year:—

Summary for 1938-39—		£	s.	d.	£	s.	d.
Total new applications		4,875,584	9	2			
Previously referred back		263,333	6	8			
					5,138,917	15	10
Sanctioned—							
New loans ..	..	3,013,872	9	2			
Renewal loans ..	..	1,188,525	0	0			
Referred back or declined ..	..	936,520	6	8			
					5,138,917	15	10
Analysis of new loans—		1938-39.			1937-38.		
		£			£		
City and borough works ..	..	922,454			526,025		
Electric-power Board loans ..	..	923,800			689,110		
Waterworks in counties ..	..	99,170			147,950		
Roads and bridges ..	..	276,625			216,600		
Harbour-works ..	..	340,000			407,000		
Hospitals ..	..	171,300			755,430		
Fire Board loans ..	..	5,659			42,300		
Overdraft accommodation ..	..	41,075			35,800		
Miscellaneous ..	..	28,914			21,310		
3 Per Cent. Housing loans ..	..	204,875			256,920		
		£3,013,872			£3,098,445		

The renewal loans, £1,188,525, sanctioned for repayment of maturing loans take the place of previous debt of £1,314,400.

For comparative purposes the following schedule is given showing the amount dealt with and the amount sanctioned both for new works and redemption loans since the inception of the Board:—

	Total Applications.	Sanctioned.	
		New Works.	Redemptions.
	£	£	£
1927-28 .. .. .	4,636,649	3,212,185	1,048,796
1928-29 .. .. .	6,007,045	3,866,551	809,221
1929-30 .. .. .	4,218,730	3,563,842	967,875
1930-31 .. .. .	3,840,505	1,766,256	838,901
1931-32 .. .. .	3,412,365	781,195	2,483,810
1932-33 .. .. .	2,951,645	406,521	2,348,231
1933-34 .. .. .	3,884,132	917,560	2,744,245
1934-35 .. .. .	3,859,363	1,585,440	2,379,955
1935-36 .. .. .	4,061,076	1,550,690	2,051,790
1936-37 .. .. .	2,804,308	2,411,358	430,313
1937-38 .. .. .	3,362,173	3,098,445	122,758
1938-39 .. .. .	5,138,917	3,013,872	1,188,525
	£48,176,908	£26,173,915	£17,414,420
		£43,588,335	

The difference, £4,588,573, represents amounts declined or referred back by the Board during the period.

In addition to the above, a total of £30,506 was dealt with during 1938–39, representing applications in respect of the diversion of unexpended loan-moneys under section 47 of the Finance Act, 1929, and £45,290 in respect of the disposal of capital moneys under section 20 of the Finance Act, 1934.

Prior to 1927, when the Loans Board came into being, local authorities were borrowing approximately £5,000,000 per annum, and in a large number of cases inadequate provision was made for the liquidation of the debt incurred; but indiscriminate borrowing has now been effectively checked, and local bodies are compelled to provide for repayment of loans within the effective life of the respective assets created.

Since the coming into operation of the Board the amount of loans sanctioned annually has been consistently below the amount previously raised by local authorities when no effective control was exercised over their borrowing. This has been particularly noticeable during the years immediately following 1927, when an average of £3,000,000 per annum was authorized. During the depression years the applications received by the Loans Board dropped considerably, but with the return of prosperity greater activity in this field has been evident.

Two classes of local bodies whose borrowing has shown abnormal increases over the past two years are Electric-power Boards and Hospital Boards. In the first of these classes the increase has no doubt been caused by the unprecedented demand for electricity due to the more prosperous conditions now ruling throughout the Dominion. As regards Hospital Boards, however, it would seem that modern technique in the administration of hospitals and treatment of patients, together with increases in staff due to the reduction in working hours, has imposed on Hospital Boards the duty of increasing accommodation generally by the erection of up-to-date buildings.

Although additional loan works are being undertaken, the gross local-body debt is steadily declining, accounted for no doubt by the more adequate repayment provisions which are imposed by the Loans Board and the result of the operations of the conversion legislation. The gross debt of local authorities reached its peak in 1931, when it stood at £72,686,036, whereas seven years later it had dropped to £68,061,551. The following table shows the amount of the gross debt outstanding at 31st March in each of the years indicated:—

£			£		
1915	..	24,538,721	1931	..	72,686,036
1920	..	30,187,942	1932	..	72,402,282
1925	..	53,353,466	1933	..	72,476,056
1926	..	59,419,754	1934	..	71,969,387
1927	..	64,012,247	1935	..	71,245,458
1928	..	66,404,172	1936	..	70,400,176
1929	..	69,294,619	1937	..	68,559,750
1930	..	71,207,539	1938	..	68,061,551

Another matter to which reference can well be made in this report is the result of the conversion operations undertaken from 1933 to 1935. There is no doubt that local authorities do not yet, and probably never will, realize to the full the tremendous benefits that have accrued to the people of their constituent districts as a result of the conversion schemes which placed practically the whole of the local-body debt domiciled in the Dominion on a satisfactory basis with regard to the rate of interest, the arrangement of maturity dates, and provision for repayment. The old system of accumulating sinking funds was largely departed from and, as a result of conversion operations, repayment of a large proportion of the local-body debt was placed on the basis of the annual redemption of debentures, while a further substantial amount was placed on the instalment-repayment system. The total of loans arranged on these two bases was approximately £44,000,000.

The balance of approximately £24,000,000 of debt is repayable on fixed maturity dates and represents principally debt domiciled outside the Dominion and not subject to conversion, together with non-convertible debt held in New Zealand.

The figures regarding the domicile of local-body debt indicate a tendency for New Zealand to arrange its own finance within the Dominion. The amount of debt outstanding in the United Kingdom and in Australia has steadily decreased, and in the "Local Authorities Handbook" for the year ended 31st March, 1937, the amount domiciled in the United Kingdom is shown as just under £14,000,000, a reduction of £3,500,000 since 1931, the amount in Australia being slightly over £2,000,000, as against £8,500,000 in 1931. The remainder of the debt is held within the Dominion, and, in view of the present policy of authorizing the raising of loans only in New Zealand, the tendency will be to increase still further the holdings in New Zealand and to reduce overseas indebtedness as existing loans fall due and are paid off from sinking funds.

The Board desires to acknowledge the valuable assistance it derives both from the comprehensive reports prepared by the Public Works, Health, Internal Affairs, and other Government Departments, and from the data so efficiently compiled and presented for its consideration by the staff of the Treasury detailed from time to time for duties connected with its operations.

The Board also desires to acknowledge the ready co-operation of the local bodies concerned which greatly facilitates the smooth administration of the legislation governing local-body borrowing.

The Treasury, Wellington, 8th August, 1939.

B. C. ASHWIN,  
Chairman,  
Local Government Loans Board.

*Approximate Cost of Paper.*—Preparation, not given ; printing (1,200 copies), £4 10s.

---

By Authority: E. V. PAUL, Government Printer, Wellington.—1939.