

In the Social Security Fund, after transfers from the Consolidated Fund to the extent of £3,800,000, which was £200,000 in excess of the amount appropriated, the revenue was sufficient to meet the expenditure, leaving a like balance at the end of the year to the sum carried into the accounts from the previous year.

**Social Security
Fund, 1942-43.**

In the War Expenses Account, which is now the principal of the State's financial responsibilities, the results for the year ended 31st March last were as follows:—

**War Expenses
Account,
1942-43.**

WAR EXPENSES ACCOUNT, 1942-43

EXPENDITURE						£(m.)	£(m.)
Navy	..	..	..	..	..	8.5	
Army	..	..	..	..	..	88.9	
Air	..	..	..	..	..	24.3	
Civil	..	..	..	..	..	14.9	
Reciprocal aid : Reverse Lend-Lease	..	..	..	..	..	7.0	
Miscellaneous	..	..	..	..	..	0.4	
						—	144.0
RECEIPTS							
War taxation	..	..	..	..	..	39.6	
Transfers from Consolidated Fund—					£(m.)		
1941-42 surplus	..	..	..	..	1.7		
1942-43 appropriation	..	..	..	..	1.5		
						—	3.2
							42.8
Miscellaneous	..	..	..	..	..	0.4	
Reciprocal aid : Lend-Lease	..	..	..	..	..	26.8	
Memorandum of Security	..	..	..	..	15.4		
Loans raised in New Zealand	..	..	..	..	62.6		
						—	78.0
							148.0

When submitted to this House a year ago, the estimates for the year, amounting to £133,000,000, represented an astounding increase over the previous level of expenditure, but even so it will be observed that actual costs exceeded the estimate by £11,000,000. Costs met directly from New Zealand amounted to £101,800,000, compared to a Budget estimate of £77,000,000, whereas charges financed through our Memorandum of Security Agreement with the United Kingdom Government were £30,600,000 less than was expected.

The Budget estimate was based on provision for meeting accumulated arrears of costs for the equipping and maintenance of our forces in the Middle East which was later found not to be required. During my visit to London last year discussions were held with the United Kingdom Government on the matter of these outstanding items and an agreement was reached providing for a new assessment of the Dominion's liability for capital equipment. In the course of operations in Greece, Crete, and Libya our Division had been forced to abandon a large quantity of vehicles and equipment, and the estimate was compiled on the assumption that claims for successive replacements might come to charge. In the course of the discussions the position was clarified and a settlement arranged on a basis of New Zealand being charged with the full cost of all initial equipment, provision for maintenance being included in an agreed monthly charge. As part of the agreement, costs of maintenance in the field have now been compounded for a monthly payment of £400,000 sterling, a basis that is most satisfactory. Charges under the agreement totalled £15,400,000, and repayments £8,000,000 during the year.

**Memorandum
of Security
Agreement.**

Army costs met directly from New Zealand, including the cost of forces in the Pacific Islands, were over £12,000,000 in excess of the estimates, but, as indicated at the time the estimates were submitted, it was most difficult to make any reliable estimate of what would be required to pay for the expansion of the forces then taking place.