1943
NEW ZEALAND

STATE ADVANCES CORPORATION OF NEW ZEALAND

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1943

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 Hon. the MINISTER OF FINANCE, WELLINGTON.

WE have pleasure in submitting the Balance-sheet and Revenue Accounts for the year ended 31st March, 1943, together with a report on the Board's administration for the period, as required by subsection (1) of section 43 of the State Advances Corporation Act, 1934–35.

PART I.—GENERAL

1. The business controlled by the Board as at 31st March, 1943, may be briefly classified under the following headings:—

	Number.	Amount.
		£
(*a*) Loans on mortgage—		
(i) Rural securities	19,149	22,412,426
(ii) Urban securities	39,516	23,377,141
(*b*) Government and local-body investments	2,040	8,278,235

(*c*) State rental properties: 15,563 tenancies, representing a capital value of £19,777,152. (NOTE.—These properties are assets of the Housing Account which is the subject of a separate statement in Part II of this report.)

(*d*) Governmental agencies for Treasury and other Departments, representing 1,652 accounts for a total sum of £409,799.

(*e*) Administration work in connection with the Soldiers' Financial Assistance grants for the past year numbering 11,877 and representing commitments totalling £350,204.

(*f*) Granting and administration of rehabilitation loans to ex-servicemen of the present war: Loans granted to date number 900; amount, £377,188.

The operations under the rural and urban mortgage section of the Corporation's business have continued on a normal basis, and it is satisfactory that we are again in a position to state that the payment of instalments throughout the year has been well up to the good standard existing during the previous year. Considering the large volume of business handled, the proportion of instalments unpaid during the period is comparatively small. Repayments of principal sums owing under mortgages have, in fact, been accelerated in quite a number of cases, this indicating that borrowers generally are in a favourable financial position.

2. *New Business.*—Following the policy adopted during the previous year, the Board has restricted its new lending to the provision of advances for the purpose of erecting dwellings, the carrying-out of improvements to existing securities—farms and residences—and to enable applicants to purchase either homes or farms. Owing to the necessity for providing loan-moneys for the rehabilitation of ex-servicemen, which has already commenced and which, we anticipate, will increase rapidly in volume as the men return from overseas, the Board of Management has, with the approval of the Government, refrained from dealing with applications for loans solely to repay existing mortgages. However, an exception is made to this rule in approved cases to enable discharged servicemen desiring to stabilize their finances to raise loans from the Corporation on table mortgage at the normal rate of interest and on the usual terms for such advances. Loans on mortgage granted during the year ended 31st March, 1943, were as follows:—

	Number.	Amount.
		£
Urban	409	350,517
Rural	121	233,569

In recent years applicants for house-building loans have had the opportunity of using the Corporation's Plan Service Scheme, under which plans and specifications were supplied for a moderate charge. A wide range of plans prepared by members of the New Zealand Institute of Architects has been available for selection. An improvement in this scheme is now contemplated with a view to assisting applicants in modifying these plans to suit their individual requirements. This service should be of considerable assistance to ex-servicemen and others when building again becomes active.

3. *Interest Rate and Terms of Lending.*—The Corporation's lending rate of $4\frac{1}{8}$ per cent., which has been in operation for some years, has been maintained, and the system of lending on long-term amortization tables has been continued.

4. *Financing Increased Production.*—Since the outbreak of war the Corporation has at various stages been called upon to deal with applications from primary producers desirous of increasing their turnover, and the number of loan accounts still in operation is 496, representing an investment of £121,371. In addition to assisting farmers individually, the Government agreed to assist dairy factories which were changing over from the manufacture of butter to cheese production, or otherwise contributing towards an increase in the output of cheese, and loan finance was made available through the Corporation for that purpose. In addition, the Government contracted with the companies that when the need for increased cheese no longer existed they would be compensated for expenditure incurred for this purpose. Over eighty factories co-operated in this effort. However, before the commencement of the 1942–43 season, information was received that the United Kingdom would be satisfied with our pre-war rate of export of cheese, and the factories were accordingly permitted to resume normal activities, with bias in favour of butter. It was the original intention that final adjustments with the companies should be effected after the cessation of hostilities, but in the light of the changed conditions it was decided to settle compensation claims as at the 1st August, 1942. Negotiations for settlement are being carried out by the Corporation with the assistance of the Agriculture Department.

5. *Preservation and Protection of Timber.*—The Corporation is mainly responsible for the direction of operations undertaken under the Termites Act, 1940, and satisfactory progress has been made during the past year. It is unfortunate that it has now been found that the termite is active in the Poverty Bay district in addition to the areas previously under review. To date 9,527 investigations have been carried out by the local authorities in the areas known to be infested by termites, and the following table shows the number of cases where active colonies of termites have been discovered: Auckland City, 188; Onehunga Borough, 105; Mount Roskill Road Board, 21; Mount Eden Borough, 4; Mount Albert Borough, 4; New Plymouth Borough, 13; One Tree Hill Borough, 2; Waikohu County, 17: total, 354. Treatment of the properties affected is proceeding and it is pleasing to report that satisfactory results have already been obtained.

6. *Soldiers' Financial Assistance.*—In 1940 the Soldiers' Financial Assistance Board was appointed to provide a channel through which financial aid could be obtained by members of the Armed Forces, or their dependants, in cases where the military income was insufficient to meet reasonable commitments entered into in civil life. To facilitate the investigation of applications, the staff and branch organization of the Corporation were made available to the Board, and by this means a rapidly increasing number of applications has been dealt with. The increase has been particularly noticeable during the past financial year, during which greater numbers of married men have joined the Forces. Hereunder is a statement showing the number of cases considered by the Board and the total amount of grants approved during the last three years:—

	Number	Grant.
		£
1940–41	2,815	43,092
1941–42	3,375	149,081
1942–43	11,877	350,205
Total	18,067	£542,378

All grants made by the Board are reviewed at least once a year, and during the past year 6,479 of such earlier cases came up for consideration. The allowances approved by the Board are paid by the State Advances Corporation from funds provided from War Expenses Account.

7. *Assistance to Industries.*—Section 29 of the State Advances Corporation Act, 1936, makes provision for the granting of loans to industrial concerns in need of further capital to enable them to establish or develop industries necessary to the Dominion's national economy, and the war has given rise to increased activity under this section, as manufacturers who have been called upon to assist in the production of munitions, &c., have found it necessary to expend additional moneys on their capital undertakings. To date loans aggregating £53,765 have been approved by the Board of Management under this authority.

8. *Uneconomic Farm Securities: Amalgamation of Areas.*—Following the transfer to the Corporation of the investments under administration by the State Advances Department and the Lands Department, consideration was given to the general question of improving the position of various farmer borrowers whose inability to meet commitments arose mainly from the insufficiency of the area under their control. On making a survey of these cases it was found that in a number of settlements this difficulty was fairly general, and as many of the settlers concerned were ex-servicemen from the Great War it was decided that the whole problem should be considered by a committee consisting of representatives of the Lands Department as lessor, the Corporation as mortgagee, and a member of the executive of the New Zealand Returned Services' Association. In suitable cases the Pensions Department were also called into consultation. The problem appeared to arise more frequently in the Canterbury area than elsewhere, and the first committee to operate was established in that province. Altogether the committee had under consideration the cases of 234 settlers, and by a process of amalgamation the individual holdings were reduced to 136. In arranging the amalgamations an effort was made to retain on the land the farmers who through experience and physical ability had the best prospects of success, and those who retired from their holdings were settled in some other way, either by transfer to employment in other districts or into industries to which they were suited. Those men who vacated farms to enable this scheme to proceed were provided with suitable housing accommodation in other localities if they required it. It was necessary also to have the pensions of some of the ex-soldiers reviewed. In addition, in suitable cases a cash grant was paid to the outgoing occupier in consideration of the surrender of his interest in the improvements or stock on the mortgage security. The mortgage debts were adjusted where necessary to enable settlers remaining on the land to recommence farming on the larger areas on an economic basis. The total amount of mortgage debts written off under this scheme was £38,934, and payments made to the mortgagors vacating their property amounted to £22,358. The majority of the cases where adjustments have been made have now been working on the amended basis for over twelve months, and it is satisfactory to record that all these men are now able to meet their commitments in full and are making satisfactory progress with their new holdings. This policy of amalgamating uneconomic areas will be continued and further cases dealt with as they are brought under notice.

9. *Rehabilitation of ex-Servicemen of the Present War.*—The Corporation has been entrusted with the administration of an important phase of rehabilitation of ex-servicemen who are discharged from the Forces—namely, loans to assist them in becoming re-established on farms, in homes, and in civilian employment. Prior to the passing of the Rehabilitation Act, 1941, and pending the appointment of the Rehabilitation Board the Government publicly announced its loans policy and authorized the Corporation to make advances for various purposes, which may be briefly summarized hereunder:—

(*a*) Loans for tools of trade: Up to £50, free of interest.

(*b*) Loans for the purchase of furniture: Up to £100, free of interest.

(*c*) Loans for the purchase of businesses: Up to £500, with interest at $4\frac{1}{8}$ per cent., with a reduction to 2 per cent. for the first year.

(*d*) Loans for the purchase of farms and stock: Up to £3,000 for land and £1,250 for stock, with a right to increase land loans to £3,500 and stock loans to £1,500 in special cases; interest on land loans to be at the rate of $4\frac{1}{8}$ per cent., with a reduction to 2 per cent. for the first year and to 3 per cent. for the two subsequent years, and on stock loans at the rate of 5 per cent., with a reduction to $2\frac{1}{2}$ per cent. for the first year. It subsequently became clear to the Corporation that the limits imposed on loans for farms would be too conservative if economic holdings were to be provided for those desiring to take up sheep-farming, and on the recommendation of the Board the Government has decided that in special circumstances the maximum loan for a sheep-farm may in suitable cases be extended to £6,250 for land and stock.

(*e*) Loans for the purchase or erection of houses: Up to £1,500, with interest at the rate of $4\frac{1}{8}$ per cent., reducible to 2 per cent. for the first year.

The recent experience of the Corporation in handling loan applications for the purchase of farms and houses discloses a definite hardening of the market, and prices asked by vendors are frequently much in excess of value. In such cases the applicants are advised to select another property, as it is not the intention of the Board to contribute to the inflation of property values by encouraging ex-servicemen to enter into contracts unrepresented by fair value. Advances up to 100 per cent. of value are granted in approved cases, and as a large proportion of the applications already dealt with have come within this category there is need for maintaining a close control on the prices paid.

The loans granted by the Corporation for the purchase or erection of houses or for the purchase of farms and stock are being made from the Corporation's account and the loans for the other purposes are being provided by Treasury from the War Expenses Account.

Following the appointment of the Rehabilitation Board, the authority given to the Corporation was confirmed, and with a view to co-ordinating the policy of the Corporation with that of the Rehabilitation Board arrangements were made for one of its members to attend meetings of the Board of Management of the Corporation when applications from ex-servicemen were under consideration. This has enabled a ready clarification of points of policy as they have arisen. In addition to this, the Joint Managing Directors have on occasions been in conference with the Rehabilitation Board, and this has had beneficial results. There is a further advantage in having the Secretary to the Treasury as a member of both the Corporation and the Rehabilitation Boards. The Lands Department is interested in another phase of the land-settlement scheme for ex-servicemen, and co-operation between the Department and the Corporation has been assured by the appointment of Mr. R. G. Macmorran, Under-Secretary for Lands, as a member of this Board, and by one of our Board members representing the Corporation on the Land Settlement Board.

The Corporation has also arranged for its Branch Managers throughout the Dominion to keep in close touch with Local Rehabilitation Committees regarding applications for loans from discharged servicemen. The Corporation's branch organization, which now extends to twenty-one district centres, will enable the early investigation of ex-servicemen's applications for loans, and our experienced field staff will be in a position to assist applicants with expert advice on matters such as selection of farms and houses. The administration of the loans when granted will be conducted at the branch offices, and the borrowers will have access to the controlling officers for advice and assistance should the need arise.

With a view to helping ex-servicemen in the purchase of either farms or dwellings, the Corporation has established at each of its branch offices a Property Register for the purpose of recording details of suitable properties which the owners are desirous of selling to returned men, and it is anticipated that the advantages of this service will be appreciated by both vendors and purchasers.

The following is a summary of the loans approved by the Corporation up to the 31st March, 1943:—

	Number.	Amount.
		£
Farms	53	128,060
Houses	192	185,900
Businesses	42	13,610
Furniture	577	48,794
Tools of trade	36	824
Total	900	£377,188

Instalments payable in reduction of these loans have in most cases been met promptly, but at the close of the period seventy-nine borrowers were in arrear in classes (*c*), (*d*), and (*e*) above, the total amount overdue being £550.

10. *Agencies under Section 40 of the State Advances Corporation Act, 1936.*—In terms of the above section the Corporation is undertaking administration work on behalf of other Departments, and the following is a summary of the business under control at the close of the year:—

Agency.	Number of Accounts.	Amount invested.
		£
Agriculture (E.P.) Act loans	11	34,551
Financing increased production	496	121,371
P.W.D. huts supplied to farmers and factories	1,145	253,877

11. *Contingent Liability to the Crown: Final Settlement.*—When the Corporation was established in 1935 and the investments of the State Advances Department and the discharged soldiers' settlement loans, previously managed by the Lands Department, were transferred to the Corporation, payment for these assets was arranged partly by the issue of stock on behalf of the Corporation, the unpaid balance being left on open account as a contingent liability to the Crown. As soon as practicable after the appointment of a suitable field staff, steps were taken to value the whole of the securities for the loans transferred. Having regard to the fact that there were altogether some sixty-nine thousand accounts involved, it was anticipated that this review would take a considerable period, but, notwithstanding the serious depletion of our field staff by war conditions, it is pleasing to report that the review of all the securities was completed prior to the 31st March, 1943, and this enabled the Board of Management to negotiate with the Treasury for a final settlement of the contingent liability. A survey of the assessments made by the valuers disclosed that, although a large majority of the Corporation's mortgage investments were in a reasonably sound position, it was inevitable that losses would be sustained in respect of some of the older investments where depreciation or deterioration had taken place and the mortgagors would apparently be unable to meet their liabilities in full. Included in these investments are some three thousand residential securities which had been abandoned by the mortgagors and which are now administered by the Corporation as mortgagee in possession, and in numbers of these cases the loan liability is considerably above the value of the security. After a full review of the facts Minister of Finance agreed that a further £2,000,000 should be accepted in *final* settlement of the Corporation's contingent liability to the Crown, and stock has accordingly been issued for that amount, to take effect from the 1st April, 1942.

12. *Balance-sheet and Revenue Accounts.—Balance-sheet:* A review of the balance-sheet as at the 31st March, 1943, discloses several changes of a major nature. Firstly it is noted that the amount of stock issued by the Corporation has increased to £47,302,450, this being approximately £2,000,000 greater than it was at the close of the previous year; and secondly, whereas in the 1942 balance-sheet there appeared an item of £4,430,178 Contingent Liability to the Crown, it is not repeated in the current year's statement. The explanation of these two items is set out in the preceding paragraph.

On the assets side of the balance-sheet it is apparent that the amount invested on mortgage securities as at the close of the period has dropped by approximately £2,000,000 since the previous balance date. This is the result of the Corporation's restricted lending policy, the new loans granted being less than the amount of repayments made by existing mortgagors. In addition to the fact that the bulk of the mortgage loans are on a table repayment basis, there has been an acceleration in repayment in quite a large number of cases. The surplus receipts arising from this adjustment are in the meantime invested in Government securities so that funds may be readily available for rehabilitation purposes as required.

There is a reduction of approximately £70,000 in the amount owing on current account, this being mainly due to the favourable position of our farmer borrowers, who are gradually reducing their stock loans.

Local-body investments show a reduction of approximately £300,000, which is accounted for by the normal repayment under the amortization system on which the bulk of the loans are arranged, but the total invested under the heading of "Government and local-body securities" shows a net increase of approximately £2,500,000, the additional amount representing the investment of surplus funds in Government securities pending the time that they will be required for rehabilitation advances.

13. *Revenue Accounts.*—The adjustments in the Corporation's assets and liabilities which are referred to in the previous paragraph have the effect of varying to some considerable degree both the receipts and expenditure items in the Revenue Account. The reduction in mortgage investments and the increase in Government securities proportionately affects interest receipts in these two accounts, and as the rate of interest received on the present investments is lower than that previously earned by these funds, there is a net reduction in revenue of approximately £65,000.

On the payments side the issue of an additional £2,000,000 stock has increased the amount of interest payable by the Corporation by approximately £60,000, and the net result of all the adjustments is a reduction in gross profit of approximately £130,000. Savings in management expenses, however, improves the position, and the net profit at £214,177 is approximately £70,000 below the previous year's figure. Taxation has been provided for at ruling rates.

14. *Board.*—During the year Mr. R. G. Macmorran, Under-Secretary for Lands, was appointed as an additional member of the Board, and the reappointments of existing members have been approved as under:—

Messrs. A. D. Park and T. N. Smallwood: Reappointed as Joint Managing Directors for seven years from 1st July, 1942.
Mr. D. Barnes: Reappointed for two years from 1st January, 1943.

15. *Staff.*—The requirements of the military Forces have further reduced the male staff, but we are pleased to acknowledge that, notwithstanding the additional duties thus thrown upon the remaining officers, essential services are being satisfactorily maintained, and the Board is appreciative of the loyal co-operation and service rendered by administrative officers and permanent and temporary staff.

A. D. Park, Chairman of Directors.
T. N. Smallwood, Deputy Chairman of Directors.
B. C. Ashwin
D. Barnes } Directors.
R. G. Macmorran

Revenue Accounts for the Year ended 31st March, 1943

Interest Account

Dr.	£	*Cr.*	£
Interest on stock and debentures	1,622,347	Interest on mortgage and current accounts	1,991,650
Interest on General Reserve Fund investments—		Interest on Government and local-body securities and temporary investments	260,943
Payable on State's contribution	105,808		
Credited to General Reserve Fund	37,707		
Gross profit, transferred to Profit and Loss Account	486,731		
	£2,252,593		£2,252,593

Profit and Loss Account

Dr.	£	*Cr.*	£	£
Management expenses	170,735	Gross profit, transferred from Interest Account		486,731
Administration of rehabilitation advances from War Expenses Account	4,943	Rentals: Properties acquired	7,202	
War-damage insurance	50,692	Less miscellaneous expenses thereon	2,937	
Reserve for losses: New business	50,451			4,265
Net profit, transferred to Profit and Loss Appropriation Account	214,177	Sundries		2
	£490,998			£490,998

Profit and Loss Appropriation Account

Dr.	£	*Cr.*	£
Reserve for taxes	145,000	Net profit, transferred from Profit and Loss Account	214,177
Balance: Profits payable to Treasury	69,177		
	£214,177		£214,177

Balance-sheet as at 31st March, 1943

Liabilities.	£	£
Authorized capital		1,000,000
Stock and debentures	48,072,090	
Accrued interest	313,944	
		48,386,034
General Reserve, including £2,753,164 1s. 11d. repayable to the State under section 35 of the State Advances Corporation Act, 1934–35		3,776,233
Specific reserves—		
Reserve for losses—		
On final adjustment of contingent liability to the Crown	2,329,240	
New business	250,000	
Investment Fluctuation Reserve	120,000	
Reserve for taxes	151,123	
		2,850,363
Sundry creditors		61,472
Liability to the Crown—		
Surplus for year	69,177	
Interest payable on State's contribution to General Reserve	105,808	
		174,985
		£56,249,087

Assets.	£	£
Mortgages and accrued interest		45,817,760
Securities in course of realization		401,742
Advances on Current Account and accrued interest		310,372
Government and local-body securities and accrued interest		8,348,023
Fixed assets, at cost, less provision for depreciation: Office furniture, equipment, and motor-vehicles		22,806
Current assets—		
Sundry debtors	52,429	
Temporary investments, including accrued interest	1,002,384	
Lodgments in transit, cash in bank and on hand	293,571	
		1,348,384
		£56,249,087

R. Robertson, Chief Accountant.

A. D. Park, F.I.A.N.Z., F.R.A.N.Z.
T. N. Smallwood
} Managing Directors.

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., 19th May, 1943.

R. C. Burgess, F.P.A.N.Z.
G. D. Stewart, F.P.A.N.Z.
} Auditors.

PART II.—HOUSING ACCOUNT

Report of Director of Housing Construction

"I have pleasure in submitting the following report on the activities and operations of the Department of Housing Construction for the year ended 31st March, 1943.

"1. *Curtailment of Housing Construction.*—Drastic restrictions have necessarily been imposed upon the Department's activities as a consequence of war conditions, and, as pointed out in my last annual report, it has been necessary to make available for defence work all of the man-power of the Housing Department and to curtail all private and unessential building not directly connected with the war effort.

"2. *Purchase of Land.*—Notwithstanding the aforesaid difficulties, however, the Department has continued to purchase land suitable for housing purposes so that when the necessity has passed for actual war works construction there will be ample land available for an accentuated and vigorous building programme. During the past year 7,412 building-sites have been purchased, this bringing the number of sites acquired to date up to a total of 35,784.

"The number of serviced sections available for purchase is, naturally, limited, and the Department considers that it should not unduly deplete it if private building is to make its contribution in overcoming the housing shortage.

"In order to be prepared for the post-war building programme we should have on hand enough land for at least two years' requirements, say, thirty thousand sections. The policy of purchasing land two years ahead of building requirements is necessary in order to allow time for surveying and planning of subdivisions, and also the construction of the roads and the installation of all services before house construction can efficiently commence.

"3. *Architectural.*—With the curtailment of normal housing contracts, the architectural staff has been fully engaged on the provision of accommodation for the various war services and munition workers in buildings adapted from ordinary standard multi-unit types, which will be convertible for civilian housing at the conclusion of the war.

"Extensive experiments have also been carried out in prefabrication, and the satisfactory results achieved encourage us to expect that, as soon as war requirements have been met, this form of construction will materially assist in the Department's post-war programme.

"4. *Standards.*—The high standards of accommodation and construction adopted at the inception of the scheme have been adhered to. The intention of the Department in adopting these standards was to make a useful and substantial contribution towards the improvement of the living-conditions of the community and also to provide an enduring asset for the State. The popularity of the State Rental Housing Scheme leaves no doubt as to the success of the methods adopted.

"5. *Housing Improvement.*—The Dominion has not as yet reached the stage where slum conditions have become a major problem, but in some of our cities badly planned areas, with buildings of a poor type, are causing municipal and Health authorities some concern.

"It is hoped that the post-war housing programme will include measures designed to remove or improve all structures that do not conform to certain minimum standards. The Department has already carried out investigations on this phase of the Dominion's housing problem, and if legislation is necessary to carry these proposals into effect, this will doubtless have the early attention of the Government.

"6. *Manpower.*—In viewing rehabilitation from another angle, it is obvious that building, among all the industries, is probably best able to absorb quickly a large number of employees, and the expanded housing programme will provide secure employment on work which will become a national asset.

"A proportion of the returned men will be experienced building tradesmen, but the majority will be unskilled. While a considerable amount of unskilled labour will be necessary, particularly in the initial stages, preparations must be made for the training of men for various trades allied to the building industry, as any successful scheme for rehabilitation will depend largely on an adequate system of training for civilian occupations. The carpenters' training schools set up by the Department of Labour working in conjunction with this Department have produced excellent results, and they provide a pattern on which similar establishments could be set up. Training schools could, with advantage, be set up in all the main centres for any trades that are likely to offer employment for ex-servicemen in reasonably large numbers. In the past, delay on building jobs has been due more often to shortage of bricklayers, plumbers, painters, and electricians than of carpenters. To maintain maximum production and stability in the industry, the numerical strength of the various trades should be well balanced, and also the ratio of artisans to unskilled men should be correct.

"7. *Expenditure.*—Up to the 31st March, 1943, the total net payments in respect of the purchase of land, provision of services, erection of joinery-factories, erection of houses, and all administrative charges amounted to £22,008,825. Liabilities and commitments as at that date amounted to £958,830. The net expenditure for the year under review was £1,654,338.

"*Administrative Costs.*—The total cost of administration of the Department of Housing Construction, exclusive of interest charges, from its inauguration to the 31st March, 1943, was £611,769, of which £54,898 represents the expenditure for the financial year 1942–43.

"The administrative charge covering the whole period of the Department's operations since its inception has been a remarkably low one, representing only 2·89 per cent. of construction costs.

"8. *Statistics.*—The progress of the Department since its inception as at the 31st March is as follows:—

	1937–38. Units.	1938–39. Units.	1939–40. Units.	1940–41. Units.	1941–42. Units.	1942–43. Units.	Total.
"1. Houses advertised ..	3,172	3,526	4,373	3,013	2,945	414	17,443
"2. Contracts let	2,507	3.681	4,165	3,294	2,875	277	16,799
"3. Houses under construction	1,560	2,326	2,847	2,444	2,033	1,209	
"4. Houses completed and handed over to State Advances Corporation and Depts. ..	399	2,665	3,395	3,966	3,208	1,259	14,892*
"5. Towns and localities work conducted in	Towns. 70	Towns. 106	Towns. 121	Towns. 129	Towns. 142	Towns. 146	

* This total includes 273 house units for other Departments.

"19. *Staff.*—The past year has again been a particularly difficult one for all branches of the Department owing to the large number of trained personnel released for military service. Altogether 128 officers of a total of 444 have joined the Forces.

"There has also been a heavy falling off in the number of men employed. In 1940 the total number, including staff, was 5,594, and in March, 1943, only 1,089 were employed.

"Despite the heavy reduction in man-power due to the war, it is pleasing to note that the total number of units completed this financial year was 1,259.

"In conclusion, I desire to place on record my appreciation of the efficient and loyal service rendered the Department by all members of the staff.

"G. ALBERTSON,
"Director of Housing Construction."

REPORT ON HOUSING ACCOUNT

It will be seen from the above report furnished by the Director of Housing Construction and from a perusal of the annual balance-sheet of the Housing Account that the assets for which the Corporation is responsible are as under:—

(*a*) Amounts owing under agreements for sale and purchase of residential property.
(*b*) Advances to employers under Part III of the Housing Act, 1919.
(*c*) Advances to local authorities under Part V of the Housing Act, 1919; loans to local authorities under the Rural Housing Act, 1939.
(*d*) Administration of land purchased for housing pending the time when it is required by the Construction Department.
(*e*) Management of rental properties erected under the supervision of the Housing Construction Department or acquired by the Corporation for letting to tenants.

There has been limited activity under items (*a*) to (*d*), and there is nothing worthy of special mention in this report relating to those assets. The administration of the rental houses is, however, becoming more important as the number of houses increases. Up to the close of the past financial year, 14,619 State rental house units had been handed over by the Construction Department, and, adding the other houses which are held for letting, there is now a total of 15,563 State rental tenancies under the Corporation's control. The number of new houses coming forward during the past year has been on a considerably reduced scale owing to the need for utilizing material and labour on defence works, but maintenance of the existing dwellings is engaging the Corporation's field staff to a greater extent than in the early stages of the scheme, particularly as the time has arrived when the first houses erected under the present scheme require repainting. Notwithstanding the difficult labour position, satisfactory progress has already been made with this work, and painting contracts are being arranged in sizes to suit both small and large firms.

The selection of tenants for the new houses becoming available and for those that are vacated by existing tenants presents greater difficulties under present conditions, as the slow delivery of the new dwellings due to war conditions has caused an accumulation of applications, many of which call for urgent attention. The policy of the allocation committees which deal with these applications in the various centres is to give priority to those applicants whose need is the greatest, subject, however, to the applicants of earlier date being given first consideration, provided their circumstances justify this. During the past year it was decided by the Government that special consideration should be given to the applications of ex-servicemen discharged after their return from overseas, and it was agreed that 25 per cent. of all the houses becoming available should be reserved for men in this class. To date 573 houses have been allocated to ex-servicemen, and there are on hand a further 619 applications from families eligible for preference under this special arrangement. In view of the increasing number of this class of applicant, the Government has again reviewed the matter, and it has been decided that the percentage reserved for them should be increased to 50 per cent. It has also been decided that as the housing of ex-servicemen is a matter over which the Rehabilitation Board should have some jurisdiction, the selection of tenants in this class should be placed under the general control of the Rehabilitation Board. The management of the tenancies will, of course, continue with the Corporation.

Applications from civilians which have not yet been satisfied now number 23,630. As soon as staff conditions become normal it is proposed to re-investigate the unsatisfied applications, when it will no doubt be discovered that owing to changes in circumstances a percentage of them will have lapsed.

Balance-sheet and Accounts.—The Revenue Accounts are presented in the usual form, which enables the result of the various sections of the Housing Act to be readily ascertained. It will be observed that the rented properties (new) represent the greatest portion of the capital invested, and the result of the year's trading in that section is a profit of £6,256. Under each section provision has been made for the various cost items, some of which—*e.g.*, maintenance and insurance—are calculated on the estimated annual accruing cost. This has been done with a view to stabilizing the expenditure over the life of the various assets. The combined Profit and Loss Account results in a net profit of £15,972. With the approval of the Minister of Finance a residue of interest charges amounting to £113,346, which accumulated over the period from 1919 to 1942 in respect of loan-moneys provided for housing schemes inaugurated prior to 1935, has now been written off. The inability of the Housing Account to meet the full interest accruing on these loan-moneys has arisen from the fact that the net revenue derived from the relative assets has been insufficient to cover the annual charge at the rate fixed. This has now been adjusted. The credit balance carried forward in the Profit and Loss Account is £17,933.

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

		£
(1)	Amount expended for the year ended 31st March, 1943, on—	
	(*a*) Erection of dwellings, including administration and supervision	1,001,047
	(*b*) Acquisition of land and preparation of same for dwellings	489,738
(2)	(*a*) Payments received during the year	1,243,269
	(*b*) Amount of arrears outstanding at the end of the year	46,308

A. D. PARK, Chairman of Directors.
T. N. SMALLWOOD, Deputy Chairman of Directors.
B. C. ASHWIN
D. BARNES Directors.
R. G. MACMORRAN

HOUSING ACCOUNT

Tabulated Revenue and Expenditure Account for Year ended 31st March, 1943

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.		Rented Properties (Old) erected prior to 31st March, 1937.		Rented Properties (New) erected under New Housing Scheme.		Factories and Plant		Combined Revenue and Expenditure Account.	
	Dr.	*Cr.*	*Dr.*	*Cr.*	*Dr.*	*Cr.*	*Dr.*	*Cr.*	*Dr.*	*Cr.*	*Dr.*	*Cr.*	*Dr.*	*Cr.*	*Dr.*	*Cr.*
Revenue.	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Interest	..	4,710	..	12,962	..	239	..	5,050	..	..	..	..	..	..	..	22,961
Rent	..	..	..	..	..	..	..	..	..	46,587	..	974,802	..	..	..	1,021,389
Lease	..	..	..	..	..	..	..	..	..	..	..	..	..	6,020	..	6,020
Excess of expenditure over revenue, transferred to Profit and Loss Account	..	..	..	..	..	..	..	..	..	1,032	..	..	..	..	..	..
Expenditure (including allocations to Reserve marked *)																
Interest	1,578	..	6,412	..	118	..	2,496	..	8,966	..	257,236	..	561	..	277,367	..
Management expenses	961	..	87	..	14	..	148	..	4,251	..	60,376	..	50	..	65,887	..
Depreciation	..	..	..	..	..	..	..	..	12,605*	..	174,812*	..	2,789*	..	190,206	..
Insurance (including war-damage insurance)	167	..	..	..	5	..	..	..	2,718*	..	83,424*	..	1,049*	..	87,363	..
Rates	..	..	..	..	..	..	..	..	8,199	..	135,399*	..	387	..	143,985	..
Maintenance	..	..	..	..	..	..	..	..	10,880	..	208,559*	..	176	..	219,615	..
Losses and vacant tenancies ..	227	..	..	..	..	..	..	..	..	..	48,740*	..	..	..	48,967	..
Rent	..	..	..	..	..	..	..	..	..	..	..	..	553	..	553	..
Excess of revenue over expenditure, transferred to—																
Construction Administration Account	..	..	..	..	..	..	..	..	..	..	..	..	455	..	455	..
Profit and Loss Account	1,777	..	6,463	..	102	..	2,406	..	..	..	6,256	..	..	..	15,972	..
Totals	4,710	4,710	12,962	12,962	239	239	5,050	5,050	47,619	47,619	974,802	974,802	6,020	6,020	1,050,370	1,050,370

HOUSING ACCOUNT—*continued*

Profit and Loss Account for the Year ended 31st March, 1943

Dr.	£
Balance, 1st April, 1942	110,135
Cost of administration of Termites Act, 1940	1,250
Balance, 1st April, 1943	17,933
	£129,318

Cr.	£
Arrears of interest on loan liability written back	*113,346
Profit for the year (see combined Revenue and Expenditure Account)	15,972
	£129,318
	£
Balance, 1st April, 1943	17,933

* An explanation of this item appears in the accompanying report.

Balance-sheet as at 31st March, 1943

Liabilities	£	£
Loan liability		21,743,300
Interest on loan liability overdue and payable		325
Sundry creditors—		
Deposits on contracts	17,818	
Tenancy deposits	14,721	
Rent paid in advance	10,598	
Departmental	21,764	
Miscellaneous	8,414	
		73,315
Insurance Reserve		228,056
Bad Debts Reserve: Rented properties (old)		903
Reserves: Rented properties (new) (rates, maintenance, bad debts, and vacant tenancies)		673,761
Profit and Loss Account		17,933
		£22,737,593

Assets.	£	£
Principal owing under agreements for sale and purchase	98,845	
Advances under—		
Part III, Housing Act, 1919 (loans to employers)	7,749	
Part V, Housing Act, 1919 (local authorities: Urban housing)	423,689	
Rural Housing Act, 1939	165,901	
	696,184	
Instalments of principal overdue	4,562	
Interest receivable—		
Overdue	2,684	
Accrued	2,209	
Recoverable expenditure	110	
	705,749	
Less amount in hand unallocated	3,816	
		701,933
Rented properties (old)	638,600	
Less Depreciation Reserve	66,292	
		572,308
Rented properties (new)	19,663,972	
Less Depreciation Reserve	459,128	
		19,204,844
Dwellings in course of construction under new housing scheme	..	665,822
Freehold land	..	1,282,156
Factories and plant: Capital Account	..	35,253
Plant, tools, and machinery	..	4,882
Stores	..	15,701
Motor-vehicles	..	695
Furniture and equipment	..	8,655
Construction Branch preliminary expenses in respect of dwellings in course of construction	..	29,717
Rent receivable—	£	
Overdue	42,393	
Postponed	376	
Accrued	8,769	
		51,538
Insurance Reserve investment (Government stock) and accrued interest	..	9,859
Sundry debtors—		
Departmental	58,126	
Miscellaneous	20,086	
		78,212
Writings-off Suspense	..	2,296
Cash in bank	..	73,722
		£22,737,593

R. Robertson, Chief Accountant.

A. D. Park, F.I.A.N.Z., F.R.A.N.Z.
T. N. Smallwood
Joint 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. The following comment is appended: In the opinion of Audit Office statutory authority is required to give legal effect to the writing-back of arrears of interest on loan liability due to the Consolidated Fund.—Cyril G. Collins, Controller and Auditor-General.

Approximate Cost of Paper.—Preparation, not given; printing (612 copies), £20.

By Authority: E. V. Paul, Government Printer, Wellington.—1943.

Price 6d.