Some years ago lenders were loath to provide loan-moneys for long terms, and many loans were raised at $3\frac{1}{2}$ per cent. for a term of ten years. Those loans are now maturing, and in the majority of cases a renewal loan for a further ten years at $3\frac{1}{8}$ per cent. is arranged. Many local authorities are therefore redeeming loan liabilities in twenty years, although a longer term might have been sanctioned originally.

As the local authority elections were held in November, 1947, the Board was asked to consider more than the usual number of loan proposals involving a poll of the ratepayers as required by the Local Bodies' Loans Act, 1926. It is significant that when loan polls are held in conjunction with elections polling is heavy, but that in other instances the percentage who vote is very low. The figures range from 6 per cent. to 90 per cent., with an over-all average over the past few years of 30 per cent.

Interest payable by local authorities continues at rates varying from 3 per cent. to $3\frac{1}{4}$ per cent. In view of these continued low rates and their effect on the earning-power of sinking-fund investments, the Board reviewed its requirements as to the annual payment to new sinking funds. The Board now bases the annual contribution to a sinking fund on an assumed earning-power of the capital of 3 per cent. in lieu of the former $3\frac{1}{4}$ per cent. This results in slightly higher annual charges, but helps to ensure that on maturity of the loan the sinking fund is sufficient to effect redemption without recourse to further borrowing.

The majority of loans are, however, now raised on the preferable basis of annual repayments, thus avoiding the necessity for establishing a sinking fund.

The Board again desires to place on record the extent to which local authorities have co-operated with it in the handling of loan proposals. It also expresses its appreciation of the assistance received from the Government Departments which submit reports for its information.

E. L. Greensmith, for Chairman.

The Treasury, Wellington, New Zealand, 28th May, 1948.

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