

SESSION II.
1906.
NEW ZEALAND.

GOVERNMENT ADVANCES TO SETTLERS OFFICE

(REPORT BY THE SUPERINTENDENT OF THE), FOR THE YEAR ENDING 31st MARCH, 1906.

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

TWELFTH ANNUAL REPORT AND BALANCE-SHEET.

THE number of applications for loans received during the last twelve months is the largest since the year ended 31st March, 1897 (which was practically the first full year's operations), whilst the aggregate amount applied for by applicants—almost a million—constitutes a record for the Department since its inception in 1894. The figures are: Applications, 2,288; amount applied for, £949,432. The General Board of the office had, up to the 31st March, 1906, authorised 17,403 advances, amounting to £5,829,290. Applicants to the number of 2,094 declined the grants offered them, amounting to £906,660, so that the net advances authorised to the 31st March, 1906, numbered 15,309, and amounted to £4,922,630. The securities for the net authorised advances were valued at £10,817,184, and those now held by the Department are in most cases enhanced by the expenditure of the money borrowed on additional improvements, and at the same time the liability is being reduced by the instalment repayments of the principal.

Classified according to provincial districts, the advances authorised are as under:—

Provincial District.	Number of Applications.	Amount of Advances authorised. £
Auckland	3,899	1,153,083
Taranaki	2,601	1,065,304
Hawke's Bay	992	279,015
Wellington	4,358	1,468,993
Marlborough	547	205,585
Nelson	227	65,840
Westland	268	60,390
Canterbury	1,392	382,960
Otago and Southland	3,119	1,148,120
Total	17,403	£5,829,290

The advances now outstanding are as follows:—

	Number.	Amount. £ s. d.
Not exceeding £1,000	9,372	2,187,015 13 0
Exceeding £1,000, but not exceeding £2,000	504	681,411 1 2
Exceeding £2,000, but not exceeding £3,000	110	258,560 15 10
Total	9,986	£3,126,987 10 0

The average amount of the advances now outstanding is £313.

	Number.	Amount. £ s. d.
On freeholds	6,199	2,500,387 14 3
On leaseholds	3,636	558,372 6 11
On freeholds and leaseholds (combined)	151	68,227 8 10
Total	9,986	£3,126,987 10 0

The average freehold advance is £403; the average leasehold advance is £153; and the average freehold and leasehold (combined) is £451.

The advances granted during the year ended the 31st March, 1906, are as follows:—

	Number.	Amount. £ s. d.
Not exceeding £500	1,367	283,517 13 6
Exceeding £500, but not exceeding £1,000	225	166,500 0 0
Exceeding £1,000, but not exceeding £2,000	102	147,485 0 0
Exceeding £2,000, but not exceeding £3,000	13	35,950 0 0
Total	1,707	£633,452 13 6

The average amount of the advances granted for the year is £371.

	Number.	Amount. £ s. d.
On freeholds	810	418,781 6 11
On leaseholds	876	205,082 10 8
On freeholds and leaseholds (combined)	21	9,588 15 11
Total	1,707	£633,452 13 6

The average freehold advance is £517; the average leasehold advance is £234; and the average freehold and leasehold (combined) advance is £456.

Eighty per cent. of the advances made during the year was for loans not exceeding £500. These facts show that it is the small pioneer settlers who are receiving the greatest benefits by the Act, and that the special object for which the Act was designed is being effectuated.

The total sum raised by the Government on debentures for investment on mortgage is £3,410,000. 9,986 mortgagors are now indebted to the Department to the extent of £3,126,987 10s. in respect of principal moneys, an increase during the year of 952 mortgagors, amounting to £372,071 10s. 7d.

The gross profits for the year ended the 31st March, 1906, were £38,634 17s. 8d., and the total cost of management and expenses of the Department, £4,438 12s. 9d., being 0·13 per cent., or 2s. 7d. per £100, on the capital employed. (The cost for the previous year was 0·16 per cent., or 3s. 2d. per £100.) The net profits amounted to £34,047 9s. 2d., notwithstanding the additional expenses connected with the concessions granted to mortgagors.

The loan-flotation charges have—after leaving the substantial sum of £50,000 to the credit of the Reserve Fund—been further written down out of accumulated profits by the sum of £111,724 15s. 6d., bringing the extinction of this item within measurable distance.

Advantage has been taken of the authority given to the Department under the Act passed last session to reinvest on mortgage the greater portion of the funds of the office held by the Public Trustee. It is now an established fact that the withdrawal and reinvestment of this money, which has assisted the Department materially, was a move in the right direction. This has enabled the office to meet the growing requirements of settlers during the year practically without recourse to borrowing, and will in the future prove to be a large contributing factor to the yearly profits.

The whole cost of providing cover indemnifying the Department as mortgagee against claims which may arise under "The Workers' Compensation for Accidents Act, 1900," is now borne by the Department. Hitherto the premiums payable in respect of mortgagee's accident indemnity insurance have been a charge against mortgagors. Arrangements have been made by which additional advances are now indorsed on the original mortgage and completed through the simple medium of the Postmasters free of charge to the mortgagor (except the payment to the Deeds Office of a small fee of 10s. for registration) instead of a new mortgage being executed for every additional advance, which is a large saving in law-costs to mortgagors. The fee for the mortgage form is eliminated from solicitors' bill of costs, and the form is now supplied to the mortgagor by the Department free of charge. These concessions, which help to attain the object designed by the Act, cannot be regarded otherwise than eminently satisfactory to borrowers, and the Department has received from settlers letters expressing their appreciation of the great amount of trouble and expense which they have been saved by these important concessions.

Sixteen freehold and five leasehold securities have for various reasons been realised by the Department up to the present time. In most cases fairly good surpluses over and above the advances owing to the Department have been obtained and refunded. In no case has a loss been made, and the Department has at the present time no securities on its hands.

Mortgagors continue to meet their half-yearly payments of interest and principal in a manner creditable to themselves and highly satisfactory to the Department.

P. HEYES, F.S.A.A., Eng.,
Superintendent.

Advances to Settlers Office, Wellington, 8th June, 1906.

ADVANCES TO SETTLERS OFFICE ACCOUNT.

STATEMENT of RECEIPTS and EXPENDITURE for the Year ended 31st March, 1906.

Dr.	Receipts.	£	s	d.	Cr.	Expenditure.	£	s	d.
To Cash in hand and in bank at 31st March, 1905		40,376	10	5	By Accident insurance, "globo" cover		81	13	3
Bills Receivable Account		110	0	0	Advances on mortgage	633,452	13	6	
Consent fees		12	15	0	Advertising		7	0	0
Dishonoured cheques repaid		966	7	3	Assurance Fund investment with Public Trustee	34,255	6	11	
Insurance premiums refunded		296	14	8	Audit Department		200	0	0
Interest on Assurance Fund, Public Trustee		3,215	16	10	Dishonoured cheques		966	7	3
Interest on bank balances		438	16	9	Insurance premiums paid		300	5	2
Interest on mortgages		127,053	12	6	Interest on deposits		64	3	8
Interest on Sinking Fund, Public Trustee		5,059	19	7	Interest on loans	97,200	10	6	
Interest on temporary investments		184	0	0	Post Office services		800	0	0
Mortgages and instalments repaid		261,381	2	11	Printing and stationery		265	0	2
Mortgage forms		130	6	0	Registration and search fees		30	0	0
Production fees		183	18	0	Release fees, &c., refunded		4	6	0
Public Trustee refunds—					Salaries	3,397	19	0	
Assurance Fund		159,980	2	5	Sinking Fund investment with Public Trustee	261,381	2	1	
Debenture Sinking Fund Investment Account		371,381	2	1	Sundries		185	11	
Registration and search fees		19	8	0	Suspense Account	11,681	13	5	
Release fees		223	15	6	Valuation Department—				
Sundries		136	5	7	Fees	2,924	1	7	
Suspense Account		21,636	14	6	Agency work	250	0	0	
Temporary investment—Bank of New Zealand stock realised		4,688	1	3			3,174	1	7
Temporary advances on account of loans		210,000	0	0	Valuation fees refunded		110	12	3
Valuation fees		3,114	13	7	Cash in hand and in bank at 31st March, 1906	163,031	16	5	
		£1,210,590	2	10			£1,210,590	2	10

Government Advances to Settlers Office,
Wellington, 14th May, 1906.

P. HEYES, F.S.A.A., Eng., Superintendent.
W. N. HINCHLIFFE, Accountant.

CERTIFIED in accordance with the provisions of the Public Revenues Act, subject to the following remarks:—

1. This balance-sheet, like the balance-sheet of the previous year, is not, and cannot be certified as, the statutory balance-sheet—that is, as the balance-sheet which the Superintendent is authorised and required by section 50 of "The Government Advances to Settlers Act, 1894," to prepare and lay before Parliament, showing the whole receipts and expenditure of the Advances to Settlers Office Account, of the Management Account, and of the Investment Account.

2. The "Statement of Receipts and Expenditure for the Year" does not correctly show the whole receipts and expenditure which sub-section (1) requires the balance-sheet to show of the Advances to Settlers Office Account. Entered among the receipts are two items, "Interest on Assurance Fund, Public Trustee, £3,215 16s. 10d.," and "Public Trustee Refunds—Assurance Fund, £159,980 2s. 5d." The moneys of the Assurance Fund Account in the Public Trust Office are invested not under the Government Advances to Settlers Act, but under the Public Trust Office Act, and the smaller of the foregoing items is for interest which had been credited by the Public Trustee to such account, but which he had no authority to pay, and did not pay, to the Superintendent, except in accordance with the provisions of section 2 of the Amendment Act of 1905, as moneys for reinvestment on mortgage under the principal Act as part of the Debenture Fund; and it is included in the larger amount which was one of receipts under those provisions. The smaller amount was not an additional receipt.

3. Then, under the head of expenditure is the item "Assurance Fund Investment with Public Trustee, £34,255 6s. 11d." This should be the amount which the Superintendent paid under section 53 of the Act, as the balance standing to the credit of the Management Account on the 31st March, 1906, into the Assurance Fund Account kept by the Public Trustee. The amount of the actual payment was £31,039 10s. 1d., or less by £3,215 16s. 10d. than the item as entered. And so both the receipts and expenditure of the Advances to Settlers Office Account are overstated by this amount of £3,215 16s. 10d.

4. The whole receipts and expenditure which subsection (2) requires the balance-sheet to show of the Management Account are not correctly shown, either in one Management Account credited and charged as prescribed by the Act, or in the substituted Profit and Loss Account embracing a Management Expenses Account and an Interest Account. This Profit and Loss Account has been credited, as "Interest on Assurance Fund, Public Trustee," with the amount not so received of £3,215 16s. 10d., and has, on the other hand, not been charged with the sum of £31,039 10s. 1d. paid out of the Management Account into the Assurance Fund. The overcredit here is thus £34,255 6s. 11d. It has moreover received, in respect of interest overdue and accrued, an addition of £36,317 5s. 6d. to its credit balance. The aggregate result is that the Profit and Loss Account has been given a credit balance exceeding by £70,572 12s. 5d. the credit balance arising from the actual cash receipts and expenditure of the Management Account, thus:—

	£	s.	d.	£	s.	d.
In respect of interest overdue and accrued ...				36,317	5	6
Interest on Assurance Fund, Public Trustee, not received ...	3,215	16	10			
Paid out of Management Account to Assurance Fund with Public Trustee, but not charged to Profit and Loss ...	31,039	10	1			
				34,255	6	11
				£70,572	12	5

Of this amount of £70,572 12s. 5d., £30,000 was in 1902 shown in the balance-sheet, without authority of law, as charged to Profit and Loss Account as for writing down the amount, described as loan-flotation charges, by which the proceeds of the loans fell short of the liability of the Government in respect of them; £36,000 is similarly shown in the present balance-sheet as so charged; £4,417 8s. 6d. is set down in the statement of liabilities and assets as a liability to Profit and Loss Account; and £155 3s. 11d. is the sum by which the payment made to the Assurance Fund with the Public Trustee, as the credit balance of the Management Account, exceeds such balance.

5. The whole receipts and expenditure which subsection (3) requires the balance-sheet to show of the Investment Account—the account to be kept under subsection (2) of section 48 of moneys received for the purposes of the Debenture Fund—are not shown; nor is the balance shown of £150,638 19s. which appears to have stood at the close of the year to the credit of that account.

6. In the statement furnished of liabilities and assets the liabilities of the Government in respect of the loans is entered instead of the Superintendent's liability for the proceeds; and the deficiency of £208,466 3s. in these proceeds has been shown under the head of "Assets" as "loan-flotation charges" written down to £66,741 7s. 6d. in the present statement.

7. Under the head of "Assurance Fund" is entered a liability of only £50,000 instead of £159,980 2s. 5d., the amount of the moneys of the fund received from the Public Trustee. The deficiency of £109,980 2s. 5d. is made up of the following amounts:—

	£	s.	d.	£	s.	d.
Amount applied to writing down the loan- flotation charges ...				75,724	15	6
Amount equal to that not received by Superintendent as for interest on As- surance Fund, Public Trustee ...	3,215	16	10			
Amount equal to that paid into Assurance Fund with Public Trustee, which has not been charged to Profit and Loss Account	31,039	10	1			
				34,255	6	11
				£109,980	2	5

There is nothing in the Act to provide that the balance-sheet may show, as diminished in this way, the Superintendent's liability for moneys received by him for investment on mortgage under the Act as part of the Debenture Fund.

The Sinking Fund of £83,887 10s. 5d. in the Public Trust Office is not an asset of the Superintendent. It is a fund which shall be invested not by the Superintendent under the Government Advances to Settlers Account, but by the Public Trustee under the Public Trust Office Act; which is not in the possession or control of the Superintendent; which the Colonial Treasurer may direct the Public Trustee to pay over to the Superintendent for reinvestment on mortgage under the Act; and of which, pending any such direction, "the capital shall be held and retained by the Public Trustee at the disposal of the Colonial Treasurer towards the redemption of the debentures issued under Part II of the Act."

J. K. WARBURTON,
Controller and Auditor-General.

THE remarks of the Controller and Auditor-General are mostly a repetition of his remarks on last year's balance-sheet in his certificate and evidence given before the Public Accounts Committee. In my reply thereto I gave a complete answer to all the points to which exception was taken, and it would be superfluous for me to repeat what I said last year. Attention may, however, be directed to one or two points:—

1. Interest for the year on "Assurance Fund" in the hands of the Public Trustee, £3,215 16s. 10d. In the Controller and Auditor-General's opinion, the Department is not entitled to take credit for this interest credited by the Public Trustee in the cash statement. It is precisely similar to the interest on the Bank Account of the office. Both have been dealt with in the same manner in this and in previous years, and no exception has previously been taken to either. The whole of the "Assurance Fund," both principal and interest, has been paid over by the Public Trustee to the Superintendent, and these moneys have been reinvested on mortgage by the Superintendent in accordance with the provisions of section 2 of the Amending Act of 1905. The Controller and Auditor-General says the Public Trustee "had no authority to pay, and did not pay to the Superintendent except in accordance with the provisions of section 2 of the Amending Act of 1905," notwithstanding that this section is the authority to pay and under

which the Public Trustee *did* pay these moneys to the Superintendent. Comment on such contradictory statements is superfluous.

2. Referring to the "Sinking Fund," the Controller and Auditor-General says the fund "is not an asset of the Superintendent. It is a fund which shall be invested not by the Superintendent, but the Public Trustee. . . . which the Colonial Treasurer may direct the Public Trustee to pay over to the Superintendent for reinvestment on mortgage, and pending any such direction the fund shall be held and retained by the Public Trustee." The fact is that the Public Trustee, in compliance with the direction of the Colonial Treasurer, *has* paid over the fund to the Superintendent, who *has* invested it on mortgage as provided by subsection (3) of section 55 of the original Act of 1894, and this has been the practice from the origin of the Department and has not been questioned. It is difficult to understand the object of these innuendos and contradictory statements, which appear to be simply a play upon words.

The Controller and Auditor-General's remarks are summed up in paragraph 1 and the last clause of paragraph 7, and these, together with all the details referred to, were completely answered by me last year.

The whole of the receipts and payments of every account are fully and clearly stated in the statement of accounts presented by me.

The balance-sheet has been audited and found correct, and there is no suggestion that the balance-sheet and statements do not present fully and faithfully a true statement of the financial position and the results of the operations of the Department. All authorities in accountancy are agreed that these accounts are in correct form and comply with the requirements of the Act.

P. HEYES, F.S.A.A., Eng.,
Superintendent.

Wellington, 19th July, 1906.

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