

GOVERNMENT SINKING FUNDS.

The Local Bodies' Loans Act, 1908, Sinking Fund.

The Government Loans to Local Bodies Act of 1886, section 45, made provision for the creation of a sinking fund which should be placed under the control of the Commissioners of the Public Debt Sinking Fund. The instalments of the fund were to be of such amounts as might be appropriated from time to time by Parliament, not exceeding 2 per cent. of the debentures received by the Treasury from the local authorities in accordance with that Act.

This section of the 1886 Act was repealed by an amending Act of 1892, which placed the fund under the control of the Public Trustee. By this Act the Colonial Treasurer was directed to pay into the fund instalments at the rate of £1 10s. per cent. on the amount of debentures issued under authority of the Act. The Public Trustee was authorized to transfer from the Land Assurance Fund a further 10s. per cent. on the amount of those debentures.

During the year ending 31st March, 1893, the sum of £21,015 was credited to this sinking fund in pursuance of the Act of 1892, which enacted that all amounts so credited should be invested by the Public Trustee in such of the securities sanctioned by section 10 of the Public Trust Office Amendment Act, 1891, as would yield the highest rates of interest.

By the Local Bodies' Loans Act, 1901, the rates of instalments payable to the Public Trustee as Sinking Fund Commissioner were varied with regard to the several classes of loans, but the rate at which the amount was to be transferred from the Land Assurance Fund remained at 10s. per cent. in all cases.

The Local Bodies' Loans Act Amendment Act of 1906 repealed the former provision for the transference by the Public Trustee from the Land Assurance Fund. The instalments at the rates provided by the Act of 1901 were henceforth to be paid by the Treasury.

The payment of instalments into this sinking fund ceased as a result of section 12 of the Public Debt Extinction Act of 1910. The capital funds in the hands of the Public Trustee at the time of the passing of this Act are held pending the entire repayment of the public debt. When that debt is repaid those funds are to be paid to the Public Account at such times and in such amounts as the Minister of Finance shall direct. The interest on these capital funds is paid during each financial year into the Consolidated Fund, as provided by the Act.

The amount of capital funds held by the Public Trustee is £799,600.

War and Defence Loans Sinking Fund.

For the purpose of providing a sinking fund for the repayment of loans, amounting to £3,995,500, raised prior to 1906 for war and defence purposes, the Colonial Treasurer was directed, by section 4 of the New Zealand Loans Act Amendment Act of 1906, to pay over each year to the Public Trustee out of the Consolidated Fund instalments equal to 1 per cent. of the amount of those loans.

Section 4 (3) of that Act directed that the moneys held by the Public Trustee at the credit of this sinking fund should be retained by him until the year 1945, when they are to be disposed of as the Colonial Treasurer shall direct.

Section 12, subsection (1), of the Public Debt Extinction Act of 1910 directed that the payment to the Public Trustee of the annual instalments above referred to should cease. The provisions of that Act with regard to the capital funds then in the hands of the Public Trustee, and with regard to the income earned by those funds, are as already stated in connection with the Local Bodies' Loans Act, 1908, Sinking Fund.

The amount of capital funds held by the Public Trustee on the 31st March, 1922, was £192,690.

State Advances Sinking Funds.

Numerous sinking funds are held by the Public Trustee in connection with loans raised by the State Advances Department.

In 1906 a sinking fund was established in connection with loans raised under the Land for Settlements Acts. The Public Trustee was appointed Sinking Fund Commissioner, and the Colonial Treasurer was directed to pay to him during each financial year instalments of 1 per cent. of the securities outstanding in connection with the Acts referred to.

The New Zealand State-guaranteed Advances Act of 1909 established a sinking fund in connection with each branch of the Advances Department, and the Public Trustee was by that Act appointed Sinking Fund Commissioner. Annual instalments equal to 1 per cent. of the loans raised by each separate branch and then outstanding were directed to be paid by the branch concerned. By the same statute the balance at credit of the sinking fund established in connection with the Land for Settlements Act was directed to be transferred to the credit of the fund established in connection with the Land for Settlements Branch of the State Advances Office.

The sinking funds created in respect of the State Advances Department were to be applied by the Public Trustee, as and when the Minister should direct, in repaying the capital moneys in respect of which they were a security.

The above statutory provisions were considerably modified by section 26 of the State Advances Act, 1913, which provided that all loans raised under section 18 thereof should be deemed to be portions of the public debt of New Zealand, and that accordingly they should be subject to the provisions of the Public Debt Extinction Act, 1910. As a consequence, with the exceptions referred to later, the payment of annual instalments defined by the Act of 1909 ceased.

Subsection (6) of section 26 of the 1913 Act provided that, with respect to loans raised prior to the passing of that Act for the purposes of the Guaranteed Mining Advances Branch, the Land for Settlements Branch, and the Native Land Settlement Branch respectively, the following provisions should apply:—

(a.) The provisions of the Public Debt Extinction Act should apply to all such loans as have been raised from Government Departments. From the passing of the Act the annual instalments in