

cases the operations of the mortgagor are closely supervised and inspections of the security are made by the Farm Inspectors as often as is necessary. As a result of this oversight the position of many mortgagors who have been in difficulties has been greatly improved, and in many cases such mortgagors have been saved from financial disaster through the advice and supervision of the Public Trust Office.

In other cases, where it has been clear that the mortgagor has not the necessary financial resources to enable him to carry on successfully, the Office has co-operated with him in an endeavour to dispose of the property to advantage and to save whatever equity there might be in the security for the owner.

LOANS TO LOCAL BODIES.

92. A feature of the operations during the past year has been the marked decline in the amount advanced to local authorities by the Office, the amount being £540,568, as compared with the sum of £906,590 advanced during the previous year. It is evident that local authorities generally are pursuing a cautious policy in regard to capital expenditure, and that the raising of loans is being restricted as much as possible. A contributing factor in this connection has been the passing of the Local Government Loans Board Act of 1926, which has constituted a Local Government Loans Board from which approval must be obtained before any sums are raised by local bodies for capital expenditure. It is clear that the control by the Board has had a restrictive effect on local-body borrowing; but apart from this feature there has been a widespread feeling amongst ratepayers in many parts of the Dominion, especially those in rural districts, that the existing rates constitute a heavy burden on properties, and that it is essential that at present every effort should be made to avoid any substantial increase in this burden.

As in past years, the Public Trustee has made funds available to practically every class of local authority which comes within the terms of the Public Trust Office Acts authorizing the investment of Common Fund moneys.

SPECIAL LEGISLATION AFFECTING LOANS TO LOCAL BODIES.

93. During the last session of Parliament several legislative enactments were passed which affected, either directly or indirectly, the local-body-loans work of the Public Trust Office.

The operation of the Local Authorities Empowering (Relief of Unemployment) Act, 1926, under which local authorities were authorized to dispense with certain formalities in connection with loans raised for the relief of unemployment, was extended to the 30th June, 1928. The Public Trustee has made funds available to a number of local bodies for use in affording relief of unemployment.

Section 16 of the Finance Act, 1927, was passed with the object of remedying a difficulty which had arisen in connection with loans proposed to be raised from the Public Trust Office. A local body, with the authority of its ratepayers, raised several loans from the Public Trustee. It subsequently found that the amounts raised were insufficient to complete the respective works for which the loans were authorized; but instead of proceeding to raise the statutory 10 per cent. additional amounts allowed under section 19 of the Local Bodies' Loans Act, 1926, it paid the cost of the works by cheques drawn on the County Fund Account, which was then heavily in overdraft. On the local body applying to the Public Trustee at a later date for the supplementary amounts, doubts were expressed whether the loans could now legally be raised, seeing that in the meantime subsequent payments into the County Fund Account had (in accordance with the rule in *Clayton's case*) liquidated the overdraft so far as it consisted of a debt incurred for the works in question. In order to remove these doubts, section 16 of the Finance Act, 1927, was passed, making it clear that where a special loan has been authorized, and between the time of the authorizing and of the raising of the loan the local body has applied other funds for progress-payments on the work, the power of the local body to raise the loan (and also the additional 10 per cent. in terms of section 19 of the Local Bodies' Loans Act, 1926) is not thereby impaired.

A further matter of doubt was disposed of by the passing of section 17 of the Finance Act, 1927, which makes it clear that where any local authority has raised a