

Matakaoa County: About the beginning of the year it was reported to the Department that the Matakaoa County Council was in a serious financial plight. This county which is very small—about 295 square miles in area—is fairly steep hill country and lies between the Waiapu and Opotiki Counties with approximately fifty miles of coast-line extending from the East Cape to a few miles past Cape Runaway. It was constituted in 1920, and comprised the area then contained in the Awatere and Whangaparaoa Ridings of the Waiapu County. There are 307 ratepayers in the county, of which 191 are Natives, occupying about 40 per cent. of the county in area and capital value, and the remainder mostly sheep-farmers. The County Council had loan liabilities amounting to £67,731 (of which £45,000 was borrowed in London, necessitating half-yearly payments of interest in London), a bank overdraft of about £10,000, and other sundry debts of over £4,000. It had practically no assets, and the prevailing depression had affected financially the few ratepayers to such extent that a very small amount of rates was coming in. The Council, unable to obtain finance, could not carry on and thus sought the assistance of the Department.

With the objective of continuing administration in the district and restoring the county to normal working conditions, the Department sought and obtained the assistance of the bank to continue making advances for essential administrative charges, and secured the leniency of other creditors in temporarily refraining from pressing for their accounts. Temporary arrangements were made for payments of the London interest falling due.

Arrangements were also made for the Council to pursue a vigorous campaign of rate-collections, and for this purpose judgments were obtained for a large sum of overdue rates, but the response was very disappointing.

By section 3 of the Local Elections and Polls Amendment Act, 1932, the term of office of the then existing members of the County Council was extended until May, 1935. As the year went on, however, it became increasingly apparent that some other form of control was necessary if a rehabilitation of the county was to be accomplished. For this purpose section 10 of the Local Legislation Act, 1932–33, made provision for the appointment of a Commissioner to control the Matakaoa County in lieu of the County Council. This section also makes special provision regarding the county's overdraft with the bank. Steps toward the appointment of a Commissioner are being taken.

It is proper to point out that this case is an instance of the undesirability of creating small and insufficiently equipped local authorities to carry out work which could readily be administered by a larger and stronger local authority.

Wairoa County: It was also reported to the Department that the Wairoa County Council had failed to meet its obligations to lenders, and that the appointment of a receiver was desired. The matter has now been satisfactorily adjusted and the Council has met its obligations.

Thames Borough: The Thames Borough Council has been financially embarrassed for some time past, and, the position having become acute, it was brought before the Department with the object of some remedial provision being made. The loan indebtedness of the borough was approximately £250,000, involving annual interest and sinking-fund charges of £17,000. Accrued sinking funds amounted to £23,388. The Council was considerably in arrears with the payment of its interest-charges, and the overdraft at the bank was about £14,000. The capital value of the borough was £646,235, the unimproved value £170,306 (Thames rates unimproved), the population 4,750, and the number of ratepayers 1,100. Outstanding rates amounted to nearly £30,000, and as there was little prospect of collecting these arrears the position had become hopelessly involved.

Thames had been built up largely on its mining industry, and in the more prosperous times and with the expectation of retaining a larger population (at one time it was 33,000) the borough loaded itself with heavy liabilities. Later on, mining operations diminished together with other activities on which the borough relied, and the general economic depression came about. The cumulative effect was too great for the borough to stand, and it became increasingly apparent that something in the nature of a "moratorium" was necessary.

The Supervisor of Local Bodies Audit in the Audit Office had previously made a local investigation, and suggested a scheme of settlement for dealing with the financial position which had arisen. Following on this report, the majority of the principal creditors and the Borough Council entered into an agreement to meet the extraordinary position which had arisen and to ultimately stabilize the finances of the borough. On the basis of the scheme of settlement and the agreement, legislation was framed and passed by Parliament under the heading of the "Thames Borough Commissioner Act, 1932." The principal features of the Act are—

- (a) Provision, subject to certain safeguards, for the control of the Thames Borough until May, 1935, by a Commissioner in lieu of a Council;
- (b) Appointment of an Advisory Committee representative of the Borough Council, to advise the Commissioner;
- (c) The Commissioner to act in consultation with the Advisory Committee, but to have supreme power in respect of the making, levying, or recovery of rates. Disputes between the Commissioner and Committee on other than rating matters to be determined by arbitration;
- (d) The rights of the debenture-holders were modified (in accordance with the agreement) by releasing the accrued sinking funds to such debenture-holders in reduction of loans; by capitalizing one year's interest; by providing for a *pro rata* division of the proceeds of special rates and the total amount paid to any debenture-holder on account of any instalment of interest being accepted by him in full satisfaction of such instalment; and by removing the rights of debenture-holders to seek the appointment of a receiver or otherwise proceed to recover their principal or interest: