

In addition to the above, a total of £30,506 was dealt with during 1938–39, representing applications in respect of the diversion of unexpended loan-moneys under section 47 of the Finance Act, 1929, and £45,290 in respect of the disposal of capital moneys under section 20 of the Finance Act, 1934.

Prior to 1927, when the Loans Board came into being, local authorities were borrowing approximately £5,000,000 per annum, and in a large number of cases inadequate provision was made for the liquidation of the debt incurred; but indiscriminate borrowing has now been effectively checked, and local bodies are compelled to provide for repayment of loans within the effective life of the respective assets created.

Since the coming into operation of the Board the amount of loans sanctioned annually has been consistently below the amount previously raised by local authorities when no effective control was exercised over their borrowing. This has been particularly noticeable during the years immediately following 1927, when an average of £3,000,000 per annum was authorized. During the depression years the applications received by the Loans Board dropped considerably, but with the return of prosperity greater activity in this field has been evident.

Two classes of local bodies whose borrowing has shown abnormal increases over the past two years are Electric-power Boards and Hospital Boards. In the first of these classes the increase has no doubt been caused by the unprecedented demand for electricity due to the more prosperous conditions now ruling throughout the Dominion. As regards Hospital Boards, however, it would seem that modern technique in the administration of hospitals and treatment of patients, together with increases in staff due to the reduction in working hours, has imposed on Hospital Boards the duty of increasing accommodation generally by the erection of up-to-date buildings.

Although additional loan works are being undertaken, the gross local-body debt is steadily declining, accounted for no doubt by the more adequate repayment provisions which are imposed by the Loans Board and the result of the operations of the conversion legislation. The gross debt of local authorities reached its peak in 1931, when it stood at £72,686,036, whereas seven years later it had dropped to £68,061,551. The following table shows the amount of the gross debt outstanding at 31st March in each of the years indicated:—

£			£		
1915	..	24,538,721	1931	..	72,686,036
1920	..	30,187,942	1932	..	72,402,282
1925	..	53,353,466	1933	..	72,476,056
1926	..	59,419,754	1934	..	71,969,387
1927	..	64,012,247	1935	..	71,245,458
1928	..	66,404,172	1936	..	70,400,176
1929	..	69,294,619	1937	..	68,559,750
1930	..	71,207,539	1938	..	68,061,551

Another matter to which reference can well be made in this report is the result of the conversion operations undertaken from 1933 to 1935. There is no doubt that local authorities do not yet, and probably never will, realize to the full the tremendous benefits that have accrued to the people of their constituent districts as a result of the conversion schemes which placed practically the whole of the local-body debt domiciled in the Dominion on a satisfactory basis with regard to the rate of interest, the arrangement of maturity dates, and provision for repayment. The old system of accumulating sinking funds was largely departed from and, as a result of conversion operations, repayment of a large proportion of the local-body debt was placed on the basis of the annual redemption of debentures, while a further substantial amount was placed on the instalment-repayment system. The total of loans arranged on these two bases was approximately £44,000,000.

The balance of approximately £24,000,000 of debt is repayable on fixed maturity dates and represents principally debt domiciled outside the Dominion and not subject to conversion, together with non-convertible debt held in New Zealand.