

This PUBLIC BILL originated in the HOUSE OF REPRESENTATIVES, and, having this day passed as now printed, is transmitted to the LEGISLATIVE COUNCIL for its concurrence.

House of Representatives,

11th January, 1922.

Hon. Mr. Downie Stewart.

LOCAL BODIES' FINANCE.

ANALYSIS.

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A BILL INTITULED

AN ACT to provide for and limit Borrowing by Local Bodies for Revenue Purposes. Title.

BE IT ENACTED by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:—

1. This Act may be cited as the Local Bodies' Finance Act, 1921. Short Title.

2. In this Act, if not inconsistent with the context,—

“Local authority” includes the Council of a city or borough, the Council of a county, a Harbour Board, a Road Board, a Town Board, a Native Township Board, a Drainage Board, a Water-supply Board, a River Board, a Railway Board, and an Electric-power Board, constituted under any Act relating thereto respectively, and also includes the governing authority of any district constituted under any Act heretofore passed or hereafter to be passed, and having a revenue derivable wholly or in part from rates or dues: Interpretation.

“Revenue” means all moneys receivable by a local authority for any year other than moneys the proceeds of loans raised by or on behalf of such local authority:

“Year” means the financial year of a local authority:

“End of its present financial year” means in the case of each local authority the last day of its financial year current at the date of the passing of this Act.

3. (1.) A local authority may, in anticipation of its revenue, from time to time borrow moneys from its bankers by way of overdraft or from any person or persons. Limitation of power of local authorities to borrow by way of bank overdraft.

(2.) Save as by this Act is provided in respect of moneys owing by a local authority at the end of its present financial year, it shall not be lawful for a local authority—

(a.) To borrow moneys under the power conferred by this section to such extent as that there shall be owing by the local authority at any time a sum exceeding three-fourths of the total revenue for the preceding year : 5

(b.) To borrow moneys under the power conferred by this section to such extent as that there shall be owing by the local authority at any time upon its general account or upon any separate account a sum exceeding three-fourths of its revenue for the preceding year properly payable into that account : 10

(c.) To owe under the authority of this section at the end of any year on its general account or on any separate account any sum greater than such part of the revenue of the year then ended as remains outstanding and unpaid, and properly payable into that account. 15

(3.) Section fifty-three of the Local Bodies' Loans Act, 1913 (relating to illegal borrowing), shall, with the necessary modifications, apply in respect of moneys borrowed by way of overdraft otherwise than in conformity with this section. 20

(4.) So long as the moneys due by a local authority upon overdraft do not exceed the limit prescribed by paragraph (a) of subsection *two* of this section, the bankers of such local authority shall not be liable in any manner in respect of the failure of a local authority to comply with or provide for compliance with the provisions of paragraphs (b) and (c) of that subsection, and nothing in the provisions of the last-mentioned paragraphs shall be interpreted to affect the right of the bankers to be repaid the moneys advanced by the bankers out of the funds of the Corporation of which the local authority is the governing body. 25 30

(5.) In the case of a local authority constituted after the commencement of this Act, the limit of its borrowing-powers under this section in the first year of its existence shall be such as may be approved by the Minister of Internal Affairs. 35

Further limitation of borrowing-powers of local authorities.

4. (1.) It shall not be lawful for a local authority to borrow money from any person or for any purpose, save under the authority of—

(a.) A special Act enabling it in that behalf ; or 40

(b.) The Local Bodies' Loans Act, 1913 ; or

(c.) The Act under which the local authority is constituted ; or

(d.) This Act.

(2.) Section fifty-three of the Local Bodies' Loans Act, 1913 (relating to illegal borrowing), shall, with the necessary modifications, apply in respect of any breach of the provisions of this section. 45

Special provisions as to moneys due by local authorities at end of its present financial year.

5. (1.) In respect of moneys due by a local authority at the end of its present financial year to its bankers on overdraft or to persons from whom such local authority received moneys on deposit the following provisions shall apply. 50

(2.) It shall be the duty of every local authority which at the end of its present financial year owes such moneys to make

and deliver to the Minister of Internal Affairs, within three months after the end of its present financial year, a true and correct statement in writing setting forth specifically—

- 5 (a.) The sums so owing at the end of its present financial year on overdraft at its bankers ;
 (b.) The sums so then owing to persons from whom it had received moneys on deposit ; and
 (c.) The name of the bankers of such local authority.
 10 (3.) The aggregate of all such sums shall in the case of each local authority be the amount hereinafter called the “antecedent liability.”

(4.) If a local authority fails to comply in all respects with the provisions of subsection *two* of this section, every member of such local authority shall be liable to a fine not exceeding *one hundred*
 15 pounds. In case of such failure by a local authority the Controller and Auditor-General is hereby empowered to ascertain the required particulars and to make and deliver to the Minister of Internal Affairs the statement required from such local authority, which statement shall be conclusive to determine the amount of the antecedent
 20 liability of such local authority.

(5.) The Minister of Internal Affairs shall cause to be notified to the bankers of each such local authority the amount of the antecedent liability of such local authority.

6. (1.) Every local authority having an antecedent liability is
 25 hereby empowered to borrow the amount of such antecedent liability, or any part of such amount, in the manner provided by the Local Bodies' Loans Act, 1913, in the same manner as for a public work, without taking the steps described in sections eight to twelve of that Act, and in such case shall apply the sums borrowed in extinction
 30 wholly or in part of such antecedent liability.

Local authorities may borrow for purpose of paying moneys due at end of its present financial year.

(2.) Every local authority having an antecedent liability, and which does not exercise the power to borrow for extinction wholly, or which borrows to extinguish part only of the antecedent liability, shall extinguish such antecedent liability, or the part thereof not so
 35 extinguished, by seven equal payments out of its revenue, one such payment to be made in each year of the period of seven years commencing in the year nineteen hundred and *twenty-three* :

Provided that any such local authority may in any year out of its revenues provide in extinction of its antecedent liability a sum
 40 greater than such seventh part :

Provided also that any local authority which has out of its revenues provided any yearly instalment or instalments in reduction may borrow in the manner provided by subsection *one* hereof the residue of its antecedent liability and shall apply the moneys so
 45 borrowed in extinction of its antecedent liability.

(3.) The antecedent liability of a local authority shall, until extinguished, or as reduced in accordance with the provisions of this section, be in addition to the amount which such local authority is authorized by section *three* of this Act to owe to its bankers at
 50 any time during any year and at the end of the year.

(4.) Every local authority having an antecedent liability shall out of its revenue in each year pay all interest and charges in respect of such antecedent liability, or upon the reduced amount thereof.

(5.) Every local authority having power to make and levy rates for ordinary revenue may, by resolution, make and levy a special rate for the purpose of providing any annual instalment payable under this section in reduction or extinction of its antecedent liability. Such special rate shall be a uniform rate over all rateable property in the district of the local authority. 5

(6.) The power conferred by the *last preceding* subsection to make and levy rates may be exercised from time to time, or any such rate may, pursuant to the tenor of the resolution making the same, be an annually recurring rate, and may be levied year by year without further proceeding by the local authority until its antecedent liability has been extinguished. 10

Minister of Internal Affairs may authorize borrowing under exceptional circumstances.

7. (1.) Where by reason of flood, earthquake, fire, or other accident it becomes necessary for a local authority to provide moneys to an exceptional amount beyond the expenditure estimated by it for the year then current, it shall be lawful for such local authority, with the consent of the Minister of Internal Affairs, to borrow moneys from its bankers or any other person or persons to provide for such emergency. 15

(2.) Moneys borrowed under the authority of this section shall be in addition to the limit prescribed by section *three* hereof. 20

(3.) All the provisions of section *six* hereof shall, with the necessary modification, apply to moneys borrowed under the authority of this section as if such moneys formed part of the antecedent liability of such local authority. 25

Local authorities to provide for ordinary expenditure for any year out of revenue for that year.

8. (1.) Subject to the foregoing provisions of this Act, every local authority shall provide for its ordinary obligations and engagements in any year out of its revenue for that year.

(2.) Where contracts entered into by a local authority are such that the work under such contracts extends over more than a year the local authority shall, so far as possible, estimate the amount required for any such contract in each year thereof, and make provision in each year accordingly. 30

Repeals.

9. The enactments mentioned in the Schedule hereto are hereby repealed, to the extent indicated in that Schedule. 35

Schedule.

SCHEDULE.

ENACTMENTS REPEALED.

Title of Act.	Extent of Repeal.
1908, No. 75.—The Harbours Act, 1908 ...	Section 180.
1908, No. 96.—The Land Drainage Act, 1908 ...	Section 42.
1908, No. 165.—The River Boards Act, 1908 ...	Section 106.
1908, No. 166.—The Road Boards Act, 1908 ...	Section 106.
1908, No. 195.—The Town Boards Act, 1908 ...	Section 40.
1908, No. 249.—The Land Drainage Amendment Act, 1908	Section 2.
1914, No. 32.—The Local Railways Act, 1914 ...	Section 44, subsection (1).
1918, No. 5.—The Electric-power Boards Act, 1918 ...	Section 44, subsection (1).
1920, No. 47.—The Counties Act, 1920 ...	Sections 129, 130.
1920, No. 48.—The Municipal Corporations Act, 1920 ...	Section 99.
1921, No. 5.—The Finance Act, 1921 ...	Section 14.