

SECTION 2.—FINANCE.

The position as regards the Department's appropriations from the Consolidated Fund is as follows:—

							1922-23.	
							Voted.	Expended.
							£	£
Payments	..	..	..	..	..	..	381,221	360,894
Credits	..	..	..	..	..	..	142,985	127,168
Net expenditure							<u>£238,236</u>	<u>£233,726</u>

By the exercise of rigid economy it was found possible to reduce the expenditure below the estimate, though the recoveries were considerably less than estimated, owing chiefly to the falling-off of military patients in our hospitals, for whom we recovered the full cost of treatment from the Defence Department.

The Trentham Military Hospital was closed towards the end of the year, and the time should not be far distant when it may be possible to close the King George V Hospital as an orthopædic institution. An endeavour is being made to induce the Hospital Boards of the North Island to take over the Otaki and Pukeora Sanatoria; and it is considered, further, that it is the function rather of Hospital Boards than of the Department to administer the various St. Helens Hospitals. The policy of the Department is to divest itself as far as possible of the actual administrative functions, more particularly as regards hospitals, and to devote its energies to its more proper function of inspection.

Subsidies.—In regard to the permanent appropriations under the Act for hospital subsidies, the amount voted last year was £425,000, but, owing to the fact that subsidies were claimed more promptly than usual, the result was that the expenditure slightly exceeded the estimate, but there was a much smaller amount of subsidy outstanding at the end of the year than usual. The amount required to be appropriated for the current year for maintenance purposes, it is gratifying to note, again shows a reduction. There is, however, an increase in the capital requirements; but the total requirements should be slightly less than last year.

Capital Requirements.—It is in the capital estimates only that it is possible to make any reduction. The Boards' maintenance requirements must be agreed to unless drastic steps were taken of closing wards in hospitals. The maintenance estimates of each year are the result of the capital appropriations of previous years, and every £100,000 worth of capital expenditure means a permanent annual maintenance expenditure of from £25,000 to £30,000. It is essential, therefore, that Hospital Boards should use the greatest prudence in embarking upon any but absolutely essential capital expenditure, if it be desired to prevent a further increase in the annual cost of hospitals and charitable aid. Furthermore, the fact that there is a slight increase this year in the estimated capital subsidy is little or no guide to the extent of the capital work proposed, as much of the expenditure has to be made out of loan-money, and, further, the repayment of the principal only of such loan is chargeable to capital, the heavier charge of interest being chargeable to maintenance.

Loans.—Taking together the loans proposed this year with existing loans, the interest payments that go to swell the maintenance requirements will be somewhere about £43,000 annually, apart from the ordinary maintenance expenditure resulting from such capital undertakings. The total amount of the proposed works submitted on the Boards' estimates this year amounts to not less than £657,000; and, needless to say, the great majority of these works are proposed to be erected out of loan-money. The loans at present in existence amount to £525,000, and by the time this amount has been paid off £1,000,000 or more will have been paid in capital and interest. The tendency of recent years to postpone the evil day of payment by means of loans, or at least to spread over a number of years the amount required, has no doubt proved an incentive to many Boards to undertake works which they would have hesitated to face if the money had required to be found by the contributory local authorities immediately. It would be ill to criticize those men who devote unselfishly much of their time to the service of the country as members of Hospital Boards, but it can hardly be denied that when the question of the erection of a hospital or the extension of existing accommodation comes under consideration, those responsible therefor often let their hobby run away with them, and it has been the Department's experience that in many instances plans have been submitted altogether too elaborate for the needs of the district. Considerable evidence was advanced by the Department before the Hospital Commission, which recognized the danger likely to occur from the too heavy expenditure which is made possible by long-dated loans, and the Commission recommended that only in the case of buildings in brick and stone should loans be for periods of twenty years, whereas in the case of buildings of more perishable materials the loans should not be for a longer period than ten years. It is hardly going too far to state that no Board should undertake building operations which it cannot see its way to pay off under ten years, having in view the fact that further capital expenditure is bound to arise by or before the end of such period.

In connection with the vexed question of the heavy increasing capital expenditure, it might be asked whether there is no way by which such could be avoided. It is noted that, exclusive of the smaller cottage hospitals, the figures for which might be misleading, the average day's stay in our institutions ranges from nineteen to forty, in the majority of cases being within the vicinity of thirty. An average day's stay of forty for any general hospital is, of course, absurd, and it is