

8. It will be readily appreciated that operations of this nature involve expenditure for repairs and painting in the upkeep of these assets. It is found that most securities of which possession has been obtained require expenditure before they can be let to tenants. The mortgagors have not had the means to undertake the maintenance-work and have held possession as long as it has been possible to do so. The properties are reconditioned by the Department as rapidly as possible so as to place them in a tenantable condition and earn rental revenue. Experience has shown that the Department is in a better position to command good tenants where the properties are in a reasonable tenantable state, but only necessary and unavoidable work is undertaken. The expenditure is strictly controlled and competitive prices obtained for any amount over £3. Tenders are called for work involving an expenditure of £12 or over. The work done is supervised and the relative accounts not passed for payment till the specifications have been complied with. The expenditure for repair and/or painting of these reversions in the year ended 31st March, 1935, is shown in three-monthly periods as follows:—

	£	s.	d.
1934—June quarter	6,493	7	11
September quarter	7,102	14	6
December quarter	8,205	19	6
1935—March quarter	6,153	9	6
	<u>£27,955</u>	<u>11</u>	<u>5</u>

9. The Department is required in its own interests to assist in some cases where the mortgagors are still in possession. Lack of means has prevented the proper maintenance by painting and further delay eventually would re-act against the Department. As the more urgent work has been completed on the “rental” properties opportunity is being taken to extend the Department’s operations to those securities still in the possession of mortgagors but requiring to be painted to prevent rapid deterioration. This undertaking was commenced in November last and will be brought under the notice of the Mortgage Corporation for consideration in the coming spring. In the few months available ninety properties were painted for a total expenditure of £818 12s. 4d. It is obviously necessary to limit an expenditure of this nature, and the policy followed by the Office ensures to it a reasonable protection. The same supervision and control of expenditure is exercised as in the “rental” cases and the following limits are prescribed in administration:—

Applications for loans from present Office mortgagors for painting or repairs are considered by the State Advances Office Board on their receipt. The grant of any loan of this nature, however, is subject to the terms of the State Advances Act, and a valuation at the applicant’s expense is required in the usual way. A margin of security satisfactory to the Office Board is required as in the case of all investment loans.

Where it is evident without valuation or after valuation that there is no margin of security the cases are dealt with under the following headings:—

- (a) If the mortgagor is in a position to attend to the upkeep of his security the Department, like any other mortgagee, requires its security to be kept in a proper condition of repair.
- (b) If the mortgagor is not in a position to provide the money to meet painting and repairs, the Department assists the mortgagor by postponing the principal part of his instalment, where legally in a position to do so, on his application for a sufficient period to enable payment of the cost of the work to be made by him out of the deferred principal payment.
- (c) If the mortgagor is not in a position to provide the money to meet the cost of painting and repairs and the Department is so satisfied, then, provided the Department’s security is in need of salvage, having regard to the amount owing thereon, the Department, with the mortgagor’s consent, has essential painting and repair work undertaken and completed. The cost is charged against the security.