

Local Government Finance and Central Control

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The local government systems of England and Northern Ireland are alike in essentials, and their structure and financial basis both date from the last decades of the nineteenth century. In those days, as now, local authorities operated within the limits of powers conferred by Parliament, but in doing so they were answerable primarily to their own locality. This degree of local responsibility rested mainly on the elective basis of the authorities—a major contribution of the nineteenth century reforms—and on the existence of the rating system, which gave them an independent power of taxation. In this way, local government decentralised both administration and political responsibility. The local councils were regarded as responsible bodies, sharing political power with the organs of central government.

By contrast, few would deny that—in both communities—this century has witnessed a steady shift of political responsibility away from the local authorities to the centre. In fact, a recent conference of English local authorities was told that this loss of effective power had gone so far that local government was in danger of ceasing to be government at all, and was becoming—“ simply a system of local administration of national policies.”¹

At a time when views like this are being expressed, the British Government has initiated legislation² which will affect the structure, functions and financial basis of English local authorities, in an attempt to “ ensure a strong and independent local government system ” as a “ safeguard that we should treasure against the excessive use of central power.”³ Although this paper will deal solely with the financial proposals, it is important to remember that they are part of a wider approach, which it is hoped will increase the element of local responsibility in English local government.

By comparison, the Government at Stormont has not publicly reviewed or discussed the future of local government as a whole, and its only recent action in this field was the appointment, early in 1955, of a committee under Sir Roland Nugent to consider the finances of local authorities in the province. Therefore whilst comparison will be made between the financial proposals of the British Government and those contained in the report of the Nugent Committee,⁴ it must be emphasised that no Government policy has been announced in relation to the latter, and that the report itself has not so far been discussed in the Northern Ireland House of Commons.

Local Financial Resources

Some of a local authority's current income derives from payments made for services provided—such as housing or home helps. In the

past, profits from trading undertakings also benefited the ratepayers in some areas, but this no longer applies.⁵ For the purpose of the present discussion, the main interest centres on the remaining sources of income—grants from the central government and the local rate revenue. The changing relationship between these two, over the past thirty years or so, can be seen from the following figures :

	<i>England and Wales</i>		<i>Northern Ireland</i>	
	<i>Rates</i>	<i>Grants</i>	<i>Rates</i>	<i>Grants</i>
	<i>£m.</i>	<i>£m.</i>	<i>£m.</i>	<i>£m.</i>
1923-4 ..	143·3	78·3	2·1	1·5
1933-4 ..	148·6	125·2	1·8	2·0
1945-6 ..	222·6	238·1	3·0	2·8
1947-8 ..	283·3	280·6	3·9	4·1
1950-1 ..	291·7	313·4	4·1	6·1
1953-4 ..	376·7	433·6	5·4	8·7

The conclusions to be drawn from these figures are obvious and well known. Although the level of local expenditure has greatly increased over the period, the proportion of it borne by the local rate has steadily declined. In England, grants now slightly exceed rate income, and if the present trend continues, may well draw closer to the dominant position they already occupy in Northern Ireland.

The future pattern in England

The financial proposals of the British Government are designed to “increase the independence of local authorities in the raising and spending of their money, in so far as it is practicable to do so.”⁶ This could be done by strengthening the present system of local taxation, and so make it more able to bear a larger share of total local government expenditure. On this count, the Government’s proposals are disappointing.

For reasons discussed later, they firmly refuse to give the local authorities any new sources of local tax revenue. Nor do they do much to eradicate those defects of the rating system which have made local authorities reluctant to increase rate levels *pari passu* with expenditure, but willing—not to say anxious—to secure government grants instead.

One such defect is de-rating, which means that the rate burden is unevenly distributed between different types of property. When the English Bill becomes law, industrial and freight transport properties will be rated at 50% of their net annual value, instead of only 25% as now,⁷ and at present rate levels, this would increase local rate income by some £30m. or 7%. However, as half of this will be at the expense of the Exchequer, because the higher rate payments will reduce income tax liability, the government’s grants to the local authorities will be adjusted to reduce their net gain to some £10m. a year. As the rate liability of industry is to be only partially restored, and no mention at all is made of any change in agricultural de-rating,⁸ the rate will remain open to criticism as being uneven in its incidence.

A subsidiary reason for the unpopularity of the rate may be that it

is usually demanded in yearly or half-yearly instalments. For many, it is the largest single tax payment they have to make, and therefore it is possibly the most noticeably painful one. The White Paper commends payments by instalments, and if this advice is generally followed, it may reduce local opposition to any increase in the rate-borne share of local expenditure.⁹

With no new local taxes and only limited improvements in the rate as a tax, government grants will still be as important a source of income as rates. Consequently, the Government's proposals concentrate very much on the grant system, and substantial changes are to be made which are designed to give more local freedom in allocating the grants between local needs.

The present grants can be divided into two very broad categories. First, those which are intended to assist in the provision of a specific service, e.g., education, health, housing, etc., so that the amount paid is in some way related to the level and extent of service provided. Second, those which are paid to assist in the general expenditure of the authority and are not related, in their amount or distribution, to specific services. The former—i.e., "specific"—grants are generally criticised as leading to a greater degree of detailed central control over the authority than do the latter.

Using these categories, the £452m. paid to English local authorities in 1954/5 can be analysed as follows:—

	£	
Specific	385m.	85%
Unallocated	67m.	15%

The main specific grants for that year were—

	£m.	% of all specific grants
Education	236	61·3
Housing	42	10·9
Police	34	8·8
Highways	21	5·5
Personal Health	21	5·5
Child Care	8	2·1
Fire service	4	1

The £67m. of unallocated grants consisted almost entirely of Exchequer Equalisation Grants, paid in general aid of revenues to those local authorities whose rateable resources fell below the national average.¹⁰

Under the new proposals, the specific grants for police, highways, housing, school milk and meals will continue. Those for education, health, child care, fire service, and other minor ones will come to an end, and will be replaced by a single "unallocated" grant. This will substantially alter the pattern between specific and unallocated grants, and will also have a major impact on the financing of education, which at present accounts for over 60% of the specific grant money. If the new scheme had been operating in 1954-5, the change in the grant pattern would have been as follows:—

	<i>Present grant system</i>		<i>Proposed grant system</i>	
	£m.	%	£m.	%
specific ..	385	85	152	34
unallocated ..	67	15	300*	56
	*Exchequer equalisation		67	
	New block grant		233	

The total size of the new general grant and its method of distribution are both important. The amount of the grant will be fixed for periods of two or three years at a time—the first one to run from 1959–1961. The proposals recognise that the local services affected by the changes are not static, and that the new grant must allow for their necessary development. Therefore, in determining the total grant for any period, the following factors will be taken into consideration—¹¹

- (a) the latest information available of the rate of “relevant expenditure”¹² and the current level of prices, costs and remuneration¹³ together with any future variations in that level which can be foreseen:
- (b) any probable fluctuation in the demand for the services giving rise to relevant expenditure, so far as the fluctuation is attributable to circumstances prevailing in England and Wales as a whole, which are not under the control of local authorities:
- (c) the need for developing those services and the extent to which, having regard to general economic conditions, it is reasonable to develop those services.

Although these factors will determine the total size of the new grant, the share of each particular county and county borough—to whom it will be paid—will be determined by a new distribution formula, reflecting the size and composition of its population and its rateable resources.

Will these changes increase local financial responsibility as the Government claims?

Freedom to spend

Three substantial arguments are put forward in support of the new grant as an encouragement to local responsibility. These are—

- (1) A specific grant, and especially one based on a percentage of actual expenditure, means more detailed control than any other type. Therefore, by reducing the proportion of this type of grant, the degree of administrative control will also fall.
- (2) The new grant will bring about a “greater local responsibility for what is to be spent or saved.”¹¹
- (3) Although the national total of the new grant will be determined by factors affecting certain local government services, i.e., those for which the specific grants have been discontinued, the individual local authority will be free to allocate the grant between its own services, as it thinks fit.

How valid are these arguments ?

(1) On the relationship between the percentage grant and the degree of control, there seems to be an open clash between the Minister's views and those of a recent research group set up by the Institute of Municipal Treasurers and Accountants. The latter argue that the degree of control is little affected by the type of grant, and that the control associated with the percentage grant has been much exaggerated. The group based its conclusions largely on a detailed examination of the experience of six English county boroughs, and gained the general impression that Ministerial enquiries arising from grant claims were not unreasonable and that little inconvenience was caused by answering them.¹⁵ The Minister dismissed this view in the Commons debate by saying that, because spending by a local authority also commits the Exchequer, then the Departments have to keep "tabs" on each authority's activity. Whether they will watch the authority any less closely in its spending of the new general grant is, so far, an unanswered question. Much will depend on the strength of the demands of the *national* electorate for rising standards and equal treatment in services like education and health.

(2) Will the new grant increase local responsibility for spending and saving ?

The total grant will be fixed in relation to a national level of service which the Government thinks both desirable and possible. Ministers will possess powers of control to see that this level is reached by each individual authority.¹⁶ If any local authority can reduce its costs, but not its standards, the ratepayers will benefit to the full extent, because its grant will remain unchanged. This should be a spur to securing the most economical use of resources to achieve a given end.¹⁷

Similarly, the impact of spending decisions will be more localised. Suppose a local authority wants to provide a service in excess of the Government's standards, e.g., a higher book allowance for schools—it will be perfectly free to do so, but its decision will not increase its grant income.

If we believe in increasing local responsibility, it seems difficult to deny the merits of this argument. On the other hand, if we believe in—say—education more than local government, we may have our hesitations. For there seems little doubt that, at present, many Whitehall Departments are not too rigid over the levels of expenditure they allow for grant purposes. They permit a local authority to go a little faster than the average without immediately withdrawing the grant. Under the new grant, the local authority must still maintain the Government's minimum standards, but in any decision to exceed these, the grant remains neutral and gives no encouragement.

(3) Finally, there is the claim that a grant without "strings" gives greater local choice in deciding between the claims of local services.

Again, the argument seems sound on the surface. Although specific grants are paid into the authority's general account, they are based on the expenditure of a specific service, and are normally allocated to that service. In fact, most committee estimates show "net" expenditure, i.e., gross expenditure, less the grant for that particular service and other income. By contrast, the local authority's block grant will

not have been fixed in relation to any particular expenditure, but will be a contribution to the total expenditure of the authority. No committee can say that, because its expenditure earns a 60% grant, it has a stronger claim to the income of the authority than has some other committee which is non-grant earning. Each committee will have to establish its claims on their own merits, and the local authority—on the recommendation of the Finance Committee (whose prestige will be enhanced)—will decide on its own local priorities.

At first sight, this is a convincing argument, which appears to increase local power to allocate the grant according to a *local* assessment of needs. However, in the context in which the grant change is proposed, this freedom may be more apparent than real.

The total amount of the grant is to be related to the national requirements of the services previously aided by the discontinued specific grants. It will take no account of the level of local government expenditure *in general*, but will reflect the Government's policy for certain services, nearly *all* of which are to be subject to considerable control as to local standards. Therefore, the prospect of much local flexibility in allocating the grant amongst the whole range of local services are limited. There seem to be four possible circumstances in which there may be some "free" funds for distribution—

- (i) If the method of distributing the grant gives some local authorities more than they need to maintain the agreed standards in the controlled services :
- (ii) If a local authority has spent at a high rate on—say—education in the past, and is already well ahead of the general level :
- (iii) If the controls themselves are relaxed :
- (iv) If the various Departments are prepared to allow a particular local authority to "expand" at a rate lower than that allowed for in the general grant calculation.

If possibility (i) occurs it is tantamount to a criticism of the distribution formula, and can hardly be claimed as an advantage of the grant. Neither (iii) nor (iv) seem very likely if the Minister has had to struggle within the Cabinet for funds to make an agreed standard possible, and is still to be held answerable to Parliament for achieving it. Nevertheless, in practice, some margin may emerge under all or any of these possible headings, whether intentionally or not. If this happens, then it clearly increases the element of local discretion in the use of financial resources. For example, education must argue it out with parks and cemeteries, through the finance committee and the council. Lord Hailsham, when Minister of Education, put this viewpoint with force, when trying to assuage the fears of educationists that the new method was an act of desertion on the part of him and his Ministry. Speaking at the 1957 Conference of the English Association of Education Committees he said—" We must trust to our own powers of persuasion to make a case we believe to be right before our colleagues and the public opinion which they represent and it is really hopeless to funk the issue by trying to cling to the percentage grant, however acceptable it has been in the past." ¹⁸

Everyone realises that the competing claims of services have to be

reconciled, but not everyone thinks that the element of local decision in this argument should be increased. For example, in the debate at Westminster, Mr. G. R. Mitchison opened the Opposition's reply to the Minister's speech and an illuminating inter-change took place between him and Mr. Gresham Cooke, a Government back-bencher :

Mr. Mitchison : What is going to happen if this block grant goes through ? The battle will be transferred from a battle between the right hon. gentleman and the Treasury . . . to a battle conducted on the floor of the council chamber itself, where the chairman of the finance committee—chairmen of finance committees usually welcome this sort of thing—will find a great accession of power. Those who are interested in education, or the fire service, in the health service or in child care, will have to battle for what they can get out of the general grant. I believe that to be fundamentally wrong.

Mr. Gresham Cooke : That is democracy.

Mr. Mitchison : It is not democracy.¹⁹

Does it follow that those who object to the new grant are reluctant to trust the local authorities with even the limited amount of additional discretion it could bring ? And is this the reason for the firm rejection by the Nugent Committee of any similar change for Northern Ireland?²⁰

Although this preference for centralised decision is part of the reason for resistance to the block grant, in both communities there are wider issues which require analysis. In England, the Government's proposals are rightly interpreted as being as much part of their general economic policy as an effort to enhance the financial freedom of local authorities. In Northern Ireland, the Nugent Committee, discussing local government in a community with unemployed resources and an acknowledged lee-way to be made good in many services, views local authorities very much as part of a single process of government, moving towards agreed ends which the grant system must serve.

Local finance and economic policy

Neither Westminster nor Stormont can *directly* determine the level of current expenditure in local government. This applies even to expenditure on the grant-aided services, because the local authority can go beyond the government's grant limits—provided it keeps within legal ones—if it is prepared to meet the additional cost from the rates.²¹ However, if the central government cannot determine the level of local expenditure, it can greatly influence it by the size and type of its grants. In this context, the fiscal possibilities of a change from specific—and especially percentage—grants to a general grant, are considerable.

As has been pointed out by Dr. D. S. Lees,²² in a time of inflation, percentage grants are a convenience to the local authorities and an embarrassment to the central government. Such grants maintain their real purchasing power, because they rise with expenditure. For example, in the seven years up to 1956–57, education costs in England rose from £210m. to £420m. Of this increase £120m. was due to increased prices

and not to expansion : but 60% of it was automatically borne by the central government. Although changes in the price level are to be considered when the new grant is determined, the new arrangement may still discourage expenditure in a time of inflation. With a percentage grant, the local authority knows that increased costs due to price rises will earn the agreed percentage grant, and it knows this at the time it decides to spend the money. With the block grant, its present rate of grant is fixed, and it can only *hope* that the effect of to-day's increased prices will be taken account of when the grant is reviewed. Moreover, an individual authority's share of the block grant will not depend on its expenditure but on the distribution formula. Therefore, even if the total grant is revised upwards to offset price rises, the share of "x" local authority will not bear a known relationship to its current expenditure.

Secondly, although the need for expanding services will be allowed for in fixing the grant, it is to take into account "the general state of the economy." This seems a clear indication that the Government intend to use the grant as a fiscal weapon. In fact, the Minister of Housing and Local Government obviously thinks it will be a more efficient weapon than the present grants—

"As a matter of fact, the new system will provide a much more orderly way of assessing and determining the amount of development to be planned."²³

This seems to imply that the local authorities will have less chance of receiving grant on expenditure deviating from the approved overall level than they have under the present percentage grant system : an impression confirmed later in the Westminster debate by the Parliamentary Secretary to the Ministry of Education :

"So far as individual authorities may have to deal with circumstances beyond their own control, for example an increase in the population, this should be covered by the formula, but if a local authority embarks upon a deliberate expansion of the education service as an act of local policy it is the deliberate intention of the Government, and it is inherent in their proposals, that this should in future be the local authority's own affair, in the matter of finance."²⁴

It is clear that, even with regular reviews of the block grant, there will be a strong tendency for some of the cost of inflation and expansion to move from central taxes to the local rate. In this connection, it must be remembered that little is to be done to render the rate a more buoyant tax, and that there is to be no additional source of revenue, such as a local income tax.

The most recent and thorough discussion of the case for a local income tax is to be found in the report of a Study Group of the Royal Institute of Public Administration.²⁵ A study of local government finance in thirteen other countries showed that, in general, local tax revenues were weakest in relation to both total tax revenue and local expenditure when the local authorities relied solely on a single property tax. Against this, of the countries levying a local income tax, only in Denmark does the proportion of local taxation to local revenue fall

below 60%. In these countries also, local taxation accounts for a much higher proportion of total taxation—over 20%.²⁶ Influenced by this, the Group recommended that English local authorities be empowered to levy a local income tax up to 3d. in the £. In the debate at Westminster, the Minister said that, much as the Government would like to accept this proposal, they could not. He emphasised the technical and administrative difficulties involved—although the Study Group present a convincing case that these can be overcome—and then went on to say:

“The suggestion was that it should be limited to 3d. in the £, but the House knows what can happen to an income tax once it is started.”²⁷

This seems to ignore the fact that Parliament itself would completely determine the maximum rate which local authorities might levy, but it certainly suggests that the real reason for refusing the idea was its inflationary potential. The decision can only be understood against the Government's general responsibility for the economic situation, and its reluctance to share—even to a small extent—such a valuable fiscal weapon as the income tax. Understandable though this may be, when added to the continued existence of de-rating, it lays the Government open to the charge—even from friendly critics—that it is attempting to increase local responsibility with a rating system which “is poorly equipped to bear the large burden the Government rightly want it to assume.”²⁸

The role of local government in Northern Ireland

The Report of the Nugent Committee is an exhaustive and detailed survey of the financial basis of local authorities in Northern Ireland. It is clear from the figures already given that local authorities in the province are more financially dependent on the central government than those in England and Wales. For example, for every £1 received from the ratepayers in 1954–5 more than 30/- was received from the Exchequer.²⁹

During the year 1953–4, local authorities received grants totalling £8.8m. and of this sum £5.6m. was paid in grants for specific services and £3.2m. was the “General Exchequer Contribution” or an “unallocated” grant.

The Committee itself emphasises that “grants for specific purposes necessarily give rise to strict control by the grant aiding authority,” and this is very true of grant aided services in the province, where the degree of detailed central control tends to be greater than that over comparable services in England. In addition to control attached to specific grants, the General Exchequer Contribution is paid only on “approved expenditure” and, to qualify for payments, each local authority must submit detailed annual estimates of its proposed expenditure in *all* services—whether specifically grant aided or not.³⁰ This enables the Ministry of Health and Local Government to exclude, for the purposes of assessing the General Exchequer Contribution, *any* item of proposed expenditure, and submits the whole range of the local authority's activities to detailed scrutiny in a way which has no parallel in England.³¹ When this proposal was being discussed at

Stormont in 1948, several back-bench members drew attention to this considerable extension of detailed central control. For example, it was alleged that—

“ In Belfast, there is growing up an apprehension that the reference we have to . . . approved expenditure means that the . . . question of approved expenditure rests finally with the Ministry and may cut across the rights . . . of democratic local government ”³²

In spite of this awareness of the problem and the danger, the point was dismissed in three sentences in the Government's reply, and the clause passed through the committee stage without debate.

Similarly, although the Nugent Committee stress that “ the continued existence of an independent source of income is . . . the most effective means of preserving a healthy measure of local autonomy ” and “ the best safeguard of the *existing* position and a salutary check on undue centralisation ”³³ they are unable to suggest changes which would either strengthen this local source of income, or reduce the degree of control attached to the present grant system.

As to possible additional tax revenue, they were precluded from discussing a local income tax, as this would not be “ within the legislative competence of the Parliament of Northern Ireland.”³⁴ Further, they were in agreement with the findings of an earlier British committee in rejecting the rating of site values.³⁵

Can more revenue be obtained from the rates in Northern Ireland ? On this question, the level of rates in Northern Ireland can be compared with those in England—

	1954-5	
	<i>England and Wales</i>	<i>Northern Ireland</i>
Rateable value per head . .	£8·09	£4·7
Rate per £ on total valuation . .	22/8d.	17/4d.

Therefore, the general level of both rates and assessments tend to be lower in Northern Ireland than in England. In addition, the Nugent Committee point out that, whilst the value of the £ fell by 50% between 1939 and 1953, many Northern Ireland rates were less than twice their pre-war level and therefore gave the local authorities less purchasing power than they had before the war. The Committee express no opinion on these comparisons, but they clearly weaken any argument that the rate contribution has reached an absolute limit.

Perhaps more important than the prospects of increasing revenue from existing rateable resources is the future of de-rating. The Northern Ireland Government may, or may not, decide to increase the rate burden of industry in line with the English proposal. Even if it does, this will do little to strengthen the financial independence of many local authorities in the province. The need to compensate for de-rating losses is one of the main reasons for the larger grant contributions to local government, and it is a loss which is unevenly spread. It represents just under a 10% loss in urban areas, over 50% in rural ones and is over 75% in the rural areas of County Fermanagh.³⁶ In spite of the admittedly weak financial position of many individual local authorities,

there is little prospect of improvement through the re-rating of agricultural property. The British Government are silent, and the Nugent Committee concludes, that, even if such property was to be rated again in England, the Northern Ireland position would have to be assessed separately, because agriculture is the backbone of the Northern Ireland economy and is unfavourably placed in relation to its principal markets.³⁷

As for the grant system, the major changes recommended by the Nugent Committee cover the method of calculating and distributing the General Exchequer Contribution, and are not likely to reduce the overall degree of dependence on central finance or the general central-local relationship. In fact, the Committee clearly accept the considerable degree of integration between Stormont and the local authorities and, in a significant paragraph, express the view that "we may well be witnessing the evolution of a new pattern of relationships between the local bodies and Government Departments, peculiar perhaps to Northern Ireland, but none the less adapted to our special needs."³⁸ This implies a pattern based on close working relationships rather than on a formal delimitation of spheres of responsibility. In an area the size of Northern Ireland, personal contacts between members and officials of local authorities and Ministers and their civil servants are easier to build up than in England. The relationship is less institutionalised and the Departments tend to become more closely involved in the proposals of individual local authorities at the early stages.

In England, the central-local relationship was reviewed after the war, by the Local Government Manpower Committee—representing both sides—and their general approach was defined in a well known passage in their First Report :

"To recognise that the local authorities are responsible bodies competent to discharge their own functions and that, though they may be the statutory bodies through which Government policy is given effect and operate to a large extent with Government money, they exercise their responsibilities in their own right, not ordinarily as agents of Government Departments. It follows that the objective should be to leave as much as possible of the detailed management of a scheme or service to the local authority and to concentrate the Department's control at the key points where it can most effectively discharge its responsibilities for Government policy and financial administration."³⁹

Moreover, a further review of central controls is promised in the present British proposals.⁴⁰ These are attempts to contain the role of the Government and its Departments to the minimum necessary, and also to define as clearly as possible the spheres of responsibility. By contrast, the existing closer relationship in Northern Ireland is not questioned by the Nugent Committee, who feel that the nature of the area and the need to raise standards in the public services require not only a financial relationship which provides a "means of direct incentive"⁴¹ but also a high degree of administrative integration between the Ministries and local authorities in most of their activities.

References.

¹Sir John Wolfenden addressing the 1957 Conference of the Association of Municipal Corporations: reported in *Local Government Chronicle*, Sept. 28th, 1957.

²Local Government Bill, 1957, embodying proposals contained in three earlier White Papers—*Areas and Status of Local Authorities in England and Wales* (Cmd. 9831), *Functions of County Councils and County District Councils* (Cmd. 161), *Local Government Finance* (Cmd. 209).

³Statement by Mr. Henry Brooke, Minister of Housing and Local Government in a Commons Debate on the White Papers: 574 H.C. Deb. 912.

⁴*Report of the Committee on the Finances of Local Authorities* (Cmd. 369 (N.I.))

⁵See *New Sources of Local Revenue* published by the Royal Institute of Public Administration at p. 70; and Nugent Report—para. 60.

⁶Cmd. 209, p. 4.

⁷Local Government Bill, 1957: clause 9.

⁸Agricultural land and buildings are at present completely exempt from the payment of rates, both in England and Northern Ireland.

⁹Cmd. 209: para. 10. See also similar suggestion in the Nugent Report, para 173.

¹⁰See *Local Government Financial Statistics for England and Wales, 1954-55*, at pp. 8 and 10 for detailed figures.

¹¹Local Government Bill, 1957: clause 2.

¹²"Relevant expenditure" is defined in the First Schedule to the Bill, and means expenditure on services previously aided by the discontinued specific grants and *not* the total expenditure of local authorities.

¹³A proviso is added to permit the Minister to review the total grant during a grant period, if it appears to him that "any unforeseen change has taken place in the level of prices, costs or remuneration" and that its effect is of "such magnitude that it ought not to fall entirely on local authorities."

¹⁴Minister of Housing and Local Government: 574 H.C. Deb., 913.

¹⁵"Local Expenditure and Exchequer Grants," p. 167.

¹⁶The 1957 Bill provides that local authorities which fail to achieve or maintain reasonable standards in their services "regard being had to the standards maintained in other areas" may have their grants reduced. And any "appropriate Minister" for example, the Minister of Education, will have power to make regulations prescribing standards and general requirements.

¹⁷See for example, speech of the Minister of Housing and Local Government to the Annual Conference of Municipal Corporations, advocating more use of scientific management by local authorities. (*Local Government Chronicle*, 21st September, 1957.)

¹⁸*Local Government Chronicle*: 29th June, 1957, p. 423.

¹⁹574 H.C. Deb., 954.

²⁰Nugent Report, para. 180.

²¹In both systems, the District Auditor can disallow expenditure in accounts subject to his audit, even if it is spent on a "lawful purpose, but is excessive in amount and, to the extent of the excess, unlawful." (See C. R. Hurlé Hobbs "The Law Relating to District Audit," p. 69 *et seq.*, for an interpretation of the Auditor's powers—an interpretation which seems to be equally applied in Northern Ireland.) Although this power of disallowance exists, and is used, in both systems the auditors are regarded as "quasi-judicial" officers, and not as instruments of government policy—either social or economic.

²²Local Government Finance: August and September, 1957 (Dr. Lees was chairman of the I.M.T.A. Research Group referred to earlier).

²³574 H.C. Deb., 931.

²⁴*Ibid.*, 1024.

²⁵*New Sources of Local Revenue (R. I. P. A., 1956) Chapter 7.*

²⁶*Ibid* at p. 41 *et seq.* In the United Kingdom in 1953-54, local taxation, accounted for only 9% of total taxation.

²⁷574 H.C. Deb. 927.

²⁸"*Times*" Comment on the Local Government Bill, 21 November, 1957.

²⁹Nugent Report, para. 127.

³⁰Local Government Finance Act (N.I.), 1948: s. 9.

³¹Although the English Exchequer Equalisation grant varies with the expenditure level of the authority receiving it, detailed estimates are not required. The English Minister has power to reduce a grant if the local authority's general

standards of service are inefficient or unreasonably excessive (Local Government Act, 1948, s. 8). A similar general power is included in the Northern Ireland Act, in addition to the prior approval of detailed estimates (s. 10).

³²22 H.C. Deb. 1685 (N.I.). Speech by Mr. H. Midgley.

³³Nugent Report, para. 142.

³⁴*Ibid.*, para. 130.

³⁵*Ibid.*, para. 154—discussing report of the Committee of Enquiry on the rating of Site Values (1952).

³⁶Nugent Report, para. 158: for example, the rural ratepayers in County Fermanagh met only 8.8% of the cost of county services provided for them by the county council in 1956-57.

³⁷*Ibid.*, para. 160.

³⁸Nugent Report, para. 230.

³⁹First Report of the Local Government Manpower Committee: Cmd. 7870, p. 6.

⁴⁰Cmd. 209, para. 5.

⁴¹Nugent Report, para. 180.