

**CENTRAL CONTROL AND THE EMPLOYMENT OF
EXCHEQUER GRANTS
IN
BRITISH LOCAL GOVERNMENT**

**Thesis presented for the Degree of
Doctor of Philosophy**

**By Lee Hsie-shih, B.A.,
at the
University of Glasgow.**

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P R E F A C E.

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In July, 1946, the Ministry of Education of the Nationalist Government in China held an open competitive examination throughout the country in order to select post-graduate scholars, who were to be sent to various leading countries in the world to study subjects which the Government deemed at that time to be of great importance for the reconstruction of the country. Under this scheme, the author was sent to Great Britain to examine the system of Local Government obtaining there.

The present study was begun in October, 1947, when it was the original intention both of the Ministry of Education and the author to spend at least three years upon the subject. Meanwhile, however the political situation in China deteriorated and the author was obliged to terminate his study in May, 1949, drawing his work to a conclusion before returning to his own country.

The importance of the subject is evident. In Britain, the local authorities have not merely been responsible for most of the internal services which cater directly for the welfare of the people, but, through their independence of the central government, have played a large part in developing and sustaining the fabric of democracy there. The value of this system of local government in the life of the nation, however, has not been due simply to the efforts of the local authorities. Central direction and supervision have had a part to play, and though they clearly carry their own dangers, their influence, on the whole, has been beneficial. This has been largely due to the methods by which the central government has intervened and its restraint in their use.

In this thesis, the author examines the most important of these methods. His main object is to see to what extent the control of government departments has been, and in what manner it ought to be, exercised through the system of grants-in-aid. The theme has been touched upon in several books on local government; but it is mostly accorded a passing and casual treatment and there is still a need for a fuller examination. In this respect, he hopes that the present work may be of some use in filling in the gap.

As a student in the social sciences has not the facility of a laboratory in which to experiment, it is impossible for him to design any device and put it into practice. What he can do is to observe the existing system, compare it with others, and make some proposals for its improvement. Hence, some parts of this work are descriptive and historical, and others critical. In the former, efforts have been made, as far as possible, to bring the matter up to 1948. Here, government papers, Parliamentary statutes, and books written by authorities on the subject have been freely used. As for the critical parts, the author owes much to the Reports and Minutes of Evidence issued by various Royal Commissions and Departmental Committees on Local Taxation and National or Local Expenditure, as well as the opinions expressed by scholars and government officials. He has also consulted personally several officers in the Ministry of Health and the Corporation of the City of Glasgow. Nevertheless, the final evaluation is his own.

In the writing of this thesis, the author has endeavoured to use Scottish facts and incidents to a greater extent than is usual. Books on English local government are plentiful. Scotland, however, is but scantily treated, and an attempt has been made, as far as possible, to maintain a balance.

During the preparation of this thesis, many obligations have been incurred which the author desires to take this opportunity to acknowledge. His grateful thanks are due to his supervisor, Mr. J. H. Warrender, whose helpful criticism and guidance have enabled him to accomplish this work. He also wishes to record a debt of gratitude to Mr. Esslemont, City Chamberlain of the Corporation of the City of Glasgow, who supplied him with information about the practical financial administration of the Corporation, and to the librarians of the Ministry of Health for the facilities they accorded him during the summer vacation of 1948.

Lee Hsio-shih.

May, 1949.

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INTRODUCTION

The question of what relationship ought to exist between the central government and local authorities is an interesting and important one in the field of political institutions. If we make a survey of the more important countries in the world, we can classify them as regards the character of this relationship into three main types. There is, in the first place, what Lord Passfield termed the Bureaucratic System represented by most of the Continental countries, especially the Republic of France whose tradition is 'the building-up of a consolidated and powerful state by means of a great bureaucracy, directed from a single centre, and pursuing a uniform policy'. (1) Here local administration is chiefly entrusted to salaried officials who are sometimes actually appointed, and whose work is closely supervised, by the central authorities. (2) The sole functions of local institutions is, therefore, to fulfil the purposes, and realise the will, of the 'Executive Government'. Locally elected authorities have very imperfect control of internal administration. Their estimates (budget) must be submitted to a higher authority and often to the central government itself for confirmation before action may be taken upon them. (3) The public services which are classified as 'central' in this bureaucratic country are very wide in scope. They include such services as education, sanitary administration, and police, which are administered either solely by central departments or by their territorial delegations and agents sent out to act within prescribed areas. Local authorities have no control over them. What they can take part in are merely those scanty and insignificant 'local' matters specially assigned to them, and even here the mighty hand

(1) P. Ashley, Local and Central Government, 1906, p.5.

(2) In France there is a system of tutelle administrative by means of which the central government retains wide powers of controlling not only the decisions but even the composition of local authorities. See W.F. & W.O. Hart, An Introduction to the Law of Local Government and Administration, 1934, p.304.

(3) A higher authority in France enjoys a system of 'l'inscription d'office', that is to say, it can include in the budget of any local authority any item relating to an obligatory function of that authority which, in its opinion, has been improperly omitted and the local authority becomes consequently obliged to raised money for such a purpose.

of the central authorities is felt. It may be said that in France the power of the central government is exercised to such an extent that it has practically extinguished the opportunity of the people to join in the management of the public affairs of their locality.

At the other extreme may be seen the organization of local government of the United States where the cities and townships are fully independent of the State or the Federal Executive Departments. Some of them under 'municipal home rule' charters are not subject to the interference even of the legislatures. Municipalities, whether of council-mayor or of council-manager type, are autonomous corporations enjoying a wide range of administrative freedom. Each of them has its own system of management in public affairs, and there is 'nothing in the nature of an administrative hierarchy, and nothing in the nature of a national system, whether in education, sanitation, collective provision for the dependent classes, or means of communication'. (1) The local bodies have presented such a remarkable diversity of organisation and complexity in the variety of services they provide that no coordination and adjustment on a national scale is possible. There is an anarchy in municipal administration which, being in need of a wholesome check and beneficial guidance from the superior authorities, is often manipulated by sinister interests to the detriment of the public. Thus neither the French nor the American type of central-local relationship is free from gross disadvantages. To reduce local authorities to the position of mere agencies of the central departments is to kill the vitality of local democracy; while complete autonomy tends to make the internal administration of the country complicated and confused, and the poor and backward authorities are, moreover, deprived of the assistance, financial or otherwise, of superior authorities.

In Great Britain, however, we find a third type of relationship between the central and local authority. Here the paid officials are subordinate to the wishes of the council and its committees. There is no prefect or Minister of the central government with power to suspend or dissolve the council. The local budget does not have to be approved by a central department, nor is it subject to the revision of a higher authority. The appointment and dismissal of the officers is with a few exceptions within the control of the local council. But, on the other hand, local authorities are by no means free to go as they please. So far as the services of national importance are concerned, the central government is

(1) S. Webb, Grant-in-Aid, A Criticism and a Proposal, 1911, pp.4-5.

alert both to restrain and to stimulate. The traditional practice of local self-government is wonderfully mixed up with, and invigorated by, the superior enlightenment of the central departments derived from greater general knowledge, wider experience and more highly-trained intellects. And the result is that, on the one hand, a large measure of independence is left to the local authorities, and on the other hand, a certain standard of uniformity is maintained. The spirit of compromise has smoothed out many of the sources of friction between central departments and local councils; and their cooperation has ensured great improvement in the service as a whole.

The control of the central departments is limited to such services as roads and bridges, police and housing, health and education, which are regarded as predominantly national in character and of general rather than local interest and utility. On the whole, this control has been directed towards securing a certain minimum standard which public opinion demands, and not an arbitrary intermeddling with local initiative and freedom to experiment. The supervision from the centre chiefly takes the form of instruction and inspection. It consists of assistance rather than domination.

The British system, in combining fruitfully the efforts of central and local authorities, owes its success in large part to that invention of British political wisdom, the grant-in-aid. A partial financial subordination of the local to the central authority, a subordination in itself highly repugnant to the traditional British ideas of local autonomy, has, nevertheless, ^{proved} to be a valuable device of local government. By it, the central departments have secured, in a tactful manner, rights of criticism, supervision and inspection. The instinctive resentment of a subordinate self-governing body at external interference has given way to an eagerness to acquire advice from the government department, when the improvement of the service is to be accompanied by a handsome subvention. The central government, on the other hand, having fully recognised the importance of the spirit of local responsibility, seeks in turn to inspire satisfactory local administration rather than to force it, although in regard to many services the power is given to exercise compulsion. (1)

Speaking generally, in the presence of central control exercised through Exchequer grants, local freedom and administrative efficiency have attained an admirable balance. The system gives weight to the directions of the central

(1) In particular the power to withhold the grant, a power which, however, has only been exercised in one or two isolated instances over a long period of years.

departments and brings the local authorities into the ambit of national policy; and thus, apart from administrative advantages, enables Ministers to fulfil their general responsibility to Parliament for the oversight of services entrusted to their care, without creating financial irresponsibility in local authorities, or robbing them entirely of their initiative.

In recent years following the expansion of public services, some localities have felt to an increasing extent that the duties imposed upon them by Parliament are far beyond their financial ability. Partly as a result of these increased burdens and partly in pursuit of a more egalitarian philosophy, there has developed a tendency to adapt the grant in aid to take into account the means and needs of local areas. A block grant, calculated upon a formula weighted for different needs and responsibilities has been devised in order that the rate burdens of different localities might be equalised. It is expected that with this more considerate and generous support from the Exchequer, poor authorities will be able to provide services comparable to those of their rich neighbours.

Central control has hitherto been mild and moderate. There is as yet no deliberate development of national control at the expense of local initiative. Nevertheless, with the improvement of social services on grounds of efficiency, there is a tendency towards an increase of central government regulations in pursuit of uniform administration. The danger of the extension of the power of bureaucracy has been recognised and trumpeted from all parts of the country. Proposals have been made for the widening of locally controlled resources in place of the Exchequer grants. But as a thorough innovation is at present neither practicable nor desirable, the remedy still lies in the manner in which the grant-in-aid is to be employed. Whatever changes are made, the collaboration between central and local government staffs and the division of labour, characteristic of the British system of public administration, should be preserved. The system is preferable to the bureaucratic system of France or the American anarchy of local autonomy; and it has developed, in the past at least, largely around the grant-in-aid.

In the following pages, we attempt, within the wider context of departmental control, to give some account of the development of the grant-in-aid system, of the different forms it has taken, and of the different uses to which it has been put, and, finally, to evaluate the grant-in-aid as a device of government.

PART I

**CENTRAL CONTROL
OVER
LOCAL AUTHORITIES.**

CHAPTER I

LOCAL GOVERNMENT IN TRANSITION

British Local Self-Government

Britain has long been, and still is, praised by students of political science as a paradise of freedom and democracy. Great scholars, both at home and abroad, with different points of view, and from different angles of observation, have mostly arrived at the same conclusion, and showed a considerable degree of appreciation and veneration. Montesquieu, in the middle of the eighteenth century, came to the conclusion that it was the separation of powers, working through a principle of checks and balances between the Crown, the Legislature and the Courts of Law, that helped to safeguard the freedom of the British people. His theory, though based upon a complete misunderstanding of the British Constitution, had, however, secured great applause, and gained great influence in the political world. Blackstone, when writing his famous Commentaries, borrowed his principal idea of the British Constitution from Montesquieu, and indulged in an exposition of the principles behind the organisation of the central political organs from this point of view. From that time on, most of the constitutional lawyers followed, consciously or unconsciously, along the same line. Attention was focussed unanimously upon the outstanding features of the political nucleus in London, while the actual working of British democracy which was carried on silently outside the Metropolis remained completely unnoticed. Indeed, up to the latter part of the nineteenth century, despite all the great events caused by the innovations of poor law relief and public health services, which affected the localities and the life of the nation so much, eminent constitutional lawyers in Britain, such as Bagehot, Anson and Dicey, all concentrated their attention wholly on the Crown, Parliament and the Courts. Local government still found little place in the prevalent textbooks of constitutional law.

It was Rudolf von Gneist, a distinguished German scholar more than a century later than Montesquieu, who first publicised the importance of British local government. Coming to England just after the revolutionary crisis of 1848 had broken out universally in Europe, he was deeply

impressed by the stability of British political society, as forming a sharp contrast to the conflict and chaos of the European world. After a thorough investigation, he concluded that the basis and the true originality of British institutions, lay deep beneath the superficialities of the central structure of political government. It was British local 'self-government', he thought, which marked the keystone of success; and the 'glowing centre' of the Constitution, he argued, was the "administration of localities by unpaid officers belong to the upper and middle classes, according to the laws of the country, through local taxation". (1)

Indeed, the importance of British local self-government, once recognised, is overwhelming. The roots of the whole system of British free political institutions, we are told, lie deep in the past; and they thrive and prosper in every nook and corner in the localities. It is through the management of their own local affairs that British people are trained in the service of the community and in the exercise of authority. And, most important of all, it is partly through the enormous degree of independence they enjoy in adapting their special environment and satisfying their special requirements, that they learn to appreciate and respect the value of freedom and democracy. Sir T. Erskine May had this in mind when he wrote the following passage:- (2)

England alone among the nations of the earth has maintained for centuries a constitutional policy; and her liberties may be ascribed above all things to her free local institutions. Since the days of their Saxon ancestor, her sons have learned at their own gates the duties and responsibilities of citizens.

Local Autonomy in Eighteenth-Century Britain

In Britain, the local self-government which Rudolf von Gneist admired so much began actually with the downfall of the Star Chamber, an instrument of central oppression under the Stuarts. Central administrative control firmly established by the time of Henry VIII disappeared almost by an accident in 1642, when, as a result of the abolition of all the informal supervisory powers of the Central Government by the Long Parliament, local authorities were left entirely free. (3)

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- (1) See Elie Halevy, A Century of Municipal Progress, pp.15-18.
(2) From J.A.R. Marriott, English Political Institutions, 3rd ed., 1925, p.245.
(3) Jennings, Local Government Law, 3rd ed., 1947, p.28.

From that time on, local autonomy developed rapidly, and it became almost complete and unshackled in the eighteenth century. Local administration was then chiefly in the hands of the Justices of the Peace, (1) who served in a voluntary capacity, and were the 'unpaid officers belonging to the upper and middle classes'.

At first the Justices of the Peace were merely judicial officers, appointed under the Great Seal for the various counties, but their duties and their influence increased considerably. (2) Describing this development, Mr. K.B. Smellie writes:- (3)

Since the thirteenth century the powers of the Justices of the Peace had grown steadily. They groaned under a load of statutes. They dealt as they had dealt since the thirteenth century with law and order, but in the eighteenth century that now included the control of liquor, at once the solace of the poor when times were quiet, and a stimulant to riot in periods of unrest. They administered the poor law which the growing tempo of economic change made more harsh. To their Elizabethan responsibility for highways and bridges had been added that of paving, lighting and cleansing the thoroughfares of growing towns. To take a few letters of the alphabet only, they had something to do with Rape, Rates, Recognisances, Records, with Perjury, Piracy, and Playhouses, with Disorderly Houses, Dissenters, Dogs and Drainage.

Though the Justices were as a rule recommended by the Lord Lieutenant of each locality and appointed by the Crown, they were, however, by no means the agents of the central executive. They chose to do what they liked and neglected what they abhorred. They declined to take orders or tolerate interference from superiors in London. Local authorities were capable of pursuing their own way so independently that there was no cooperation between them, and little care was taken over the possibility of affecting one another.

(1) Here, for convenience's sake, I omit the municipal councils of the boroughs, and deal with the counties alone. The reason is that, on the one hand, Britain was, until the end of the 18th century, primarily an agricultural country, and the problem of local government was essentially one of rural government, on the other hand, urban communities which had received royal charters enjoyed special privileges, and thus had an even greater degree of autonomy than their rural neighbours.

Their powers were regulated solely by the rules of the common law and Acts of Parliament, public and private, subject only to the remote possibility of interference from the High Courts of Justice. (4) A central department had not any co-ordinate power of legislation by ordinance. It could not even supplement statutory laws by issuing orders and regulations to direct or influence the activities of local authorities. The Justices of the Courts of Quarter Sessions, therefore, had a completely free hand in managing local affairs so long as their activities did not run counter to the rule of law.

Furthermore, besides the judicial and administrative powers which the Justices held already, they acquired also, within the limit of each of the counties, real legislative powers. This can be illustrated by the case of the so-called 'Speenhamland Act of Parliament' of 1795, which shows how the 'college' of Berkshire Justices, meeting at the Pelican Inn near Newbury, could initiate its own policy of public assistance as if it were a sovereign body. (5) The Court of Quarter Sessions had, at the beginning of the nineteenth century, actually become, according to the Webbs, "an Inchoate County Legislature, formulating new policies in respect of the prevention of crime, the treatment of criminals, the licensing of ale-houses, the relief of destitution, the maintenance of roads and bridges, the assessment of local taxation, and even the permissible habits of life of whole sections of the community. These developments were extra-legal in character; they were neither initiated by Parliament nor sanctioned by it". (6) Local government was completely localised and decentralised.

The Incompetence of the Justices to Cope With Rising Problems

In the local government of eighteenth-century and early nineteenth-century Britain, it is significant that, though the powers of local authorities was predominant, it was by no means democratic. The Justices of the Peace and the municipal councillors were landed gentry and enfranchised burgesses of the locality. Since they were not elected by the people, or, in the case of municipal corporations before 1835, not elected by the general body of urban inhabitants, but by the small number of 'freemen', they were not their representatives in the true sense of the word.

- (2) For the development of the functions of the Justices, see *ibid.*, pp.24-31.
- (3) Smellie, *The History of Local Government*, 1946, pp.17-18.
- (4) The High Courts of Justice could, whenever required, by

It was this aristocratic local autonomy which impressed Gneist deeply. He praised the honorary offices of local government held by the leisured classes, he appreciated the amateur character of the local services financed solely from local rates, and, above all, he admired the parochial freedom and independence which obtained in every locality. The ideal state of local administration which he conceived, however, was one where the essential objects of government were the administration of justice and police, the control of the militia, and the supervision of labourers. It was workable only in a period when the country was predominantly rural in character---a situation when local administration could be handled with little or no difficulty and a highly specialist local governmental machine was not required. It is no wonder that when the irresistible storm of industrialisation and urbanization swept over the country, and new devices had to be planned and carried out to meet the urgent requirements of new conditions, he saw in them an indication of moral breakdown and degradation in the British Constitution. He deplored 'the suppression of the old parish constables by an army corps of gendarmes', and lamented the downfall of British 'self-government' when the administration of the Poor Law was to be conducted by 'a corps of ten thousand bookkeepers and clerks'. He thought that the government of the country had become 'bureaucratic in its main branches' in consequence of the introduction of trained staffs of paid officials into the civil service; that the best forces were withdrawn gradually from municipal life; and that the whole government was 'dependent more and more upon a constantly extending system of Royal Commissions and Ministerial Rescripts'. In a word, every innovation which occurred throughout the 19th century was in his eyes a sign of miserable decadence; and the political institutions of Modern Britain were, as an inevitable result, regarded for the most part as nothing else than products of the decay of all that had been grand and true in the past. (7)

The admiration which Gneist dedicated to the role played by the amateur Justices in the British Constitution of the eighteenth century was excessive. For the 'Great Unpaid' seldom fulfilled their responsibility satisfactorily. Even in

the procedure of Certiorari or Quo Warranto, keep local authorities (and administrative authorities in general) within the bounds of law appointed by the Legislature.

- (5) Sir Earnest Barker, *The Development of the Public Services in Western Europe*, 1944, p.33.
- (6) Webbs, *The Parish and the County*, p.482.
- (7) Redlich & Hirst, *Local Government in England*, Vol.II, p.329.

the days prior to the Industrial Revolution, when local governmental affairs were relatively simple and spasmodic, these country gentry and nobility who did not possess any special knowledge or receive any special training, had already found themselves despairingly bewildered with their multifarious and toilsome duties. "Such an infinite variety of business has been heaped upon them", said Blackstone in 1765, "that few care to undertake and fewer understand the office". As time went on, local affairs swelled and expanded continuously. The more they were required to perform, the worse their situation became. Professor Halevy writes:- (1)

The difficulty was not only that the society which the Justices of the Peace had to administer was more numerous than it had been one century earlier; it was also more complicated. It was not only that a more numerous population wanted more roads, it wanted better roads than a contemporary of William III. and Marlborough could have dreamt of. It was not only that more criminals had to be sent to gaol; modern philanthropy could simply not put up with the rough and careless treatment to which the early eighteenth century was content to submit criminals. Hence, whether it was a problem of building or managing a prison, an amount of technical knowledge was required, which it was absurd to suppose the average Justices of the Peace possessed, unless we assume that the mere fact of being a man of leisure and of having public duties forced upon him, trains a man adequately for the fulfilment of these duties....

The incompetence of the Justices was further accentuated by the fact that they were entirely shut out from the instruction and assistance of the central authorities. Consequently they were even unable to preserve internal security.

The gentry, by reducing the control of the central government to practically nothing, had deprived themselves of its help in suppressing disorder and crime. England was a country with no police, and was apt to be proud of the fact. "They have an admirable police in Paris", wrote John William Ward, "but they pay for it dear enough. I had rather half a dozen people's throats should be cut in Ratcliffe Highways every three or four years than be subject to domiciliary visits, spies, and all the rest of Fouche's contrivances". Perhaps so; but more and more people were beginning to believe that, as the volume and complexity of modern society became greater, something

(1) Halevy, op. cit., pp.24-25.

had to be done to change this state of old-fashioned eighteenth-century anarchy. (1)

It was a great blunder that Gneist should have denounced the efficient police forces established throughout the country under state financial aid after 1856 to take the place of the useless parish constables, and the competent paid staffs appointed by the local councils and boards of guardians, as a constitutional degradation. "To a mind unfettered by formulas and antitheses", writes Dr. Redlich, (2) "it must be plain that a great industrial society of the nineteenth century cannot be governed in the style of the seventeenth or eighteenth. It requires for its public work and enterprises a large, highly trained, and technical staff of officials".

Industrialisation and the Conception of Positive Government

The old-fashioned local governmental machine was, as we have seen, crippled in the face of the increasing mass of duties which it had to undertake. Already in the latter part of the eighteenth century the Justices of the Peace had appeared to be incapable of performing their functions properly. But as industrialisation was then in its preliminary stage, there were not many serious consequences to be faced. At the same time, the contemporary opinion towards the functions of government was still that of a negative one, so the laggardness and the incompetency of some of the local authorities were not by any means regarded as critical. This attitude was seen even in the Victorian Age:-

To the Victorians, municipal government was a negative affair, to be invoked only in the last resort when the community was threatened with some dire evil and the machinery of private enterprise had unaccomutably broken down. There was a tardy and reluctant admission that municipal action was unavoidable in certain utilitarian and financially unprofitable fields; but a strong individualist feeling, epitomized in the social philosophy of Herbert Spencer, denied that local authorities should be allowed to embark upon activities other than those which the exigencies of the time rendered imperatively necessary. (3)

(1) Ibid., p.26.

(2) Redlich & Hirst, op.cit., Vol.II., p.410.

(3) Robson, The Development of Local Government, 1st ed., p.183.

The beginning of the nineteenth century, however, saw a radical change in social and economic conditions of the country. Following the development of the Industrial Revolution, people began to gather round the places where there were factories. New black smoky towns were in rapid formation, and the old ones underwent a mushroom growth. The proliferation of population in congested acres of jerry-built hovels, the primitive method of the disposal of sewage and refuse, the frightful condition of streets and sanitation, all these meant a choice between new administration and nation-wide disease and plague. (1) The occasional riots which arose in some places against factory-owners and the increasing number of outlaws on the highways which threatened the security of life and property called for a more efficient police force than the unpaid constables. The existence of unemployment in the urban areas which was more alarming than the former agricultural vagrancy created a new problem for the Poor Law. Moreover, industrial development required a good transport system, and the making of canals and the improvement of roads had to be undertaken.

A provision of new services to cope with all these new problems was imperative. As these were largely municipal problems, the movement for carrying out such services as the creation of new police forces, the lighting and paving of streets, the disposal of sewage and refuse, the provision of a wholesome water supply and that of medical services and hospitals, came for the most part from the towns. Sometimes the corporations took the initiative. More often it was a group of manufacturers or other residents who saw that there were problems to be solved. Another impetus to the establishment of local services came from a reaction against the social evils of an early industrialism conducted on a laissez-faire philosophy. Already at the end of the eighteenth century and the beginning of the nineteenth, a number of speculative movements aiming at political and social amelioration had generated and spread over the whole country. These movements were chiefly led by writers and propagandists who 'envisaged Utopias which would allow the nation to enjoy the benefits of the Industrial Revolution without its evils'. (2) In response to this opinion, the social services and public utility services began to spring up in some large municipalities. Housing, gas, water, electricity, local street transport, clinics, and welfare centres, etc., entered one after another into the field of local administration. These were attempted, not only

(1) Guy Hunter, The British Way of Local Rule, 1943, p.10.

(2) Lord Snell, The Town Council, See A Century of Municipal Progress, pp.70-71.

to avoid undue monopoly and exploitation by private entrepreneurs, but were also directed towards a desire 'for social justice, for freedom and beauty, and for the better apportionment of all those things that make for a good life'. (1) Following the great advance in the science of preventive medicine and engineering, there was a further drive for social reform---the improvement of the environment and the prevention of disease. Later on, the education of the general public also became one of the main concerns of local authorities. (2) Parliament later adopted most of these experiments so that eventually many social services embodied social measures of national scope such as Old Age Pensions, and health and unemployment insurance.

The success of these municipal movements stimulated enlightened public opinion to realise that public amenities could only be secured when more governmental services were supplied; and that governments should engaged not merely in preventing wrong things from being done, but in bringing it about that right things should be done. (3) At the present time, local authorities are no more regarded as what the Americans term mere 'night-watch dogs', but as 'social welfare agencies'. It is unanimously demanded that the local services for which the ratepayers pay should add to the reasonable amenities of the local area. Every qualified citizen in the locality is entitled to demand that he should receive in return healthy conditions and security up to the full value for his money. He may also inquire whether the local area can extend the range of its activities to the advantage of its inhabitants and of the general good. (4)

With this change in the conception of the proper functions of government, and, in consequence, the expansion of governmental activities, there has been a great innovation in the local administrative machine. The amateur efforts of the unpaid country gentries which proved to be inefficient or even harmful have been replaced by the highly skilled administration of a troop of well-trained staff. In order to meet the thousand-and-one employments which the government of a

-
- (1) J. J. Clarke, *The Local Government of the United Kingdom*, 1945, p.899.
 - (2) 'The purpose of the public elementary school is to form and strengthen the character, and to develop the intelligence of the children entrusted to it'. See Introduction to the Code for English public elementary schools as issued by the Board of Education from 1904 to 1926.
 - (3) Graham Wallas, *Government*. See *Public Administration*, Vol.VI., no.1, Jan., 1928, p.3.
 - (4) Lord Snell, *op. cit.*, p.71.

large modern city involves, a great number of specialists is appointed. Efficiency is essential to fulfil the insatiable requirements of modern life, and government must be positive before it can meet the approval of its citizens.

The Growth of Departmental Control

Industrialisation not only stimulated an increase in local activities in the early nineteenth century, it also gave birth to central administrative control. Though for a short time under the Tudors and earlier Stuarts the national Government attempted to control the activities of county Justices and parish Vestries, it appears that for nearly two hundred years after the civil war, the King's Government at Westminster lost all interest in local administration. There was at that time no such organization as the Local Government Board or the Ministry of Health to take charge of local authorities. Before 1782 there was not even a separate Home Office. Until that date internal affairs were assigned, along with Irish matters and foreign relations with the Southern States of Europe, to the Southern Secretary of State.

(1) Even as late as in 1815, the Home Office only required an establishment of two under-secretaries and eighteen clerks.

(2) Although in those days the executive powers of the State had already been concentrated in a committee of the Privy Council---the Cabinet---a Ministry was not able to do anything beyond the impregnable frontiers of the law as interpreted by an independent judicature. Since there was no central control, the defects of local government went unchecked and unremedied. No civil servants watched for inefficiency, and no Parliamentary representatives drew any attention to that part of the services of the community which affected the condition of the national life so closely and deeply. Progress, therefore, was slow and halting. (3)

(1) Sir E. Barker, op. cit., p.33.

(2) J. E. Jarratt, Changes of Relations Between Local Authorities and Central Departments. See Public Administration, Vol. VIII, No.1, Jan., 1930, p.59. It has been cynically pointed out by Dr. Redlich that central control was politically unnecessary because the class which sat in Parliament was identical with the class which ruled the counties and controlled municipal government.

(3) Jennings, The Municipal Revolution, A Century of Municipal Progress, pp.64-65.

It was only when the civic disaster to which the Industrial Revolution had given rise became apparent that Parliament began to seek for a remedy. Private local legislation was no longer adequate to meet the urgent requirements of the nation. All sorts of general Acts were rushed through Parliament to solve each particular civic problem. Thus the Poor Law Act of 1834 sought to keep down the tremendous cost of poor rates, the Highway Act of 1835 to remedy the appalling condition of the parochial roads; the Public Health Act of 1848 to stem the tide of death and disease caused by the insanitary conditions of life in the crowded industrial centres. But Parliament being a legislative assembly could do nothing more than the laying down of general principles according to which local administration should be directed. It was too busy and in many respects ill-equipped to deal with minor local affairs. Besides, the grave issues caused by industrial problems required quick and constant adjustment. They demanded a more flexible instrument of regulation than Parliamentary statute and judicial ruling. Since 1834, Parliament has entrusted the actual control of local administration to various government departments---a measure which has made for greater efficiency and flexibility of control. The government department possesses the information and technical knowledge necessary to give advice and wholesome supervision respecting local services. (1) Powers may be granted more readily; under some statutory provisions, local authorities can acquire the power to act by the sole permission of the government department concerned; (2) and many of the provisions which formerly had to be incorporated into local Acts may now be incorporated in provisional orders. (3)

- (1) Professor Dicey pointed out that it is futile for Parliament to endeavour to work out the details of large legislative changes. Such an endeavour only results in cumbersome and prolix statutes. See the Law of the Constitution, 8th ed., 1915, p.50. J. S. Mill also thought it true that 'a numerous assembly is as little fitted for the direct business of legislation as for that of administration'. Representative Government, 1861, Chap.V., p.235.
- (2) For instance, every town and country planning scheme, every clearance order or redevelopment order under the Housing Act, 1936, and every compulsory purchase order made under almost any Local Government Act, enables a local authority, with the sanction of the appropriate central department, to acquire new powers.
- (3) Although such orders, made by the appropriate department at the request of the local authorities concerned, are to be scheduled to Provisional Orders Confirmation Bills for the sanction of the House of Commons, they are seldom

In recent years, Parliament has conferred more and more power upon government departments, in the form of delegated legislation, to control local affairs. Services administered by local authorities which are of national importance command the attention of, and receive assistance from, central authorities. Increasingly, Exchequer grants are made to improve these services, especially where local resources are too meagre to meet urgent requirements. Inspectors are sent out to see whether services are properly done, and give advice as to how things can be improved. Regulations and circulars are issued from time to time setting forth the principles and general policy to be observed by local authorities, and suggesting to them the possible way of getting beneficial results. The hand of the central government is felt in practically every subsidised services. It is as a partner, however, and not as a master that the government departments devote themselves to the careful control of local administration.

rejected. Moreover, this process can be even further simplified by means of issuing statutory special orders which become operative after 'lying on the table' for a given number of days. In both these cases, Parliament retains formal control; in the latter case, it is little more than a form. See C. K. Allen, *Bureaucracy Triumphant*, 1931, p.26.

CHAPTER II.

FORMS OF CENTRAL CONTROL.

Autonomous local government in Britain received its first blow under the Poor Law Amendment Act of 1834. Since that time the central government has endeavoured to take part in the internal administration which the local authorities previously monopolized. The co-operation has taken the form of a separation of labour, the actual administration of the services being left to the local authorities, while the function of the central government has been to assist, supervise and control. As the services concerned have tended, increasingly, to be regarded as of national importance, they have attracted greater attention from the Government at Westminster. Of recent years the Government has kept a very firm watch on the proceedings of the local councils. This control has taken several forms, and to estimate how important a role the central departments have played, we must consider their methods of control in some detail.

1. Power to Issue Rules, Orders and Regulations. (1).

The power of central departments to issue rules, orders and regulations was first recommended by the Royal Commission on the Poor Laws in 1834 who thought that the Poor Law Commissioners of the Central Board should "be empowered and directed to frame and enforce regulations for the government of workhouses, and as to the nature and amount of the relief to be given and the labour to be exacted in them", and that such regulations should as far as might be practicable, "be uniform throughout the country" (2). This power to make regulations was subsequently used to the fullest extent by the central authorities in charge of poor relief. By a multitude of rules and orders that defy review, all that concerned outdoor and indoor relief, schools and hospitals and asylums for the poor was regulated in such precise detail that the poor laws themselves sank into comparative insignificance before the poor law orders, so far as the actual work of administration was concerned. There was indeed practically nothing left which was not regulated by orders and instructions. The time of

(1) The terminology of statutes is so chaotic that official names of a departments various activities are difficult to distinguish. It seems best to apply the term 'rule' or 'regulation' to the ordinance which affects a class of local authorities, and the term 'order' to that which affects any one local authority in particular. See Sir John Maud, Local Government in Modern England, 1932, pp.176-7.

(2) *Id.* 2728, p. 273.

rising and retiring of workhouse paupers, the amount of soap given to each person, the preparation of food, the baptism of infants born in the workhouse, and many other minor matters were the subjects which the central department never got tired of dealing with. As a result, the local poor law authorities and their officers were, to use Dr. Redlich's words, 'so overdosed with orders' that almost every act seemed to be performed under a prescription of the central authority.

Although it has often been said that the extensiveness of central administrative control over poor law relief was an exceptional case in the British local government system, nevertheless, considerable powers have also been given to other government departments by Parliamentary statute. Under section 143 of the Public Health Act, 1936, the Minister of Health was empowered to make regulations for the prevention and treatment of infectious diseases. Extensive powers have also been given to central departments to make rules, orders and regulations in respect of education, highways, police, housing and town and country planning.

Such powers have normally been granted in recent years as a result of the expansion in the practice of delegated legislation. Partly due to the growing complexity and technical character of local government and partly to an increase in the business of Parliament as further subjects have been brought within the sphere of State activity, Parliamentary time no longer allows of detailed legislation. Attention is generally confined to matters of principle only, (1) and government departments proceed to fill the legislative skeleton with orders and regulations. With this power in hand, the central authorities are 'no longer content to provide by orders and regulations what shall be done or what may be done', they consider it 'desirable to provide also how it shall be done'. (2).

11. Control over Officers. Speaking generally, a local authority in Britain, especially a municipal corporation, enjoys a great deal of freedom in the creation of administrative machinery. In the formation of a local council by direct or indirect election, no central department can exert any influence whatsoever. A local council cannot be dissolved by any administrative action of the central government, however much it may neglect its duties. Even in the formation of committees, local authorities are still largely free from departmental control. Parliamentary statutes might require that local authorities should appoint such and such committees for certain purposes, e.g. watch, education, allotments, health, planning, etc.; but central departments have no right to interfere, except in some cases where the membership of the committee must depend on a

(1). Sir John Maud, *op. cit.*, p.179.

(2). Jennings, *Local Government Law*, 3rd. ed., 1947, p.223.

scheme subject to its approval. Apart from these statutory committees, however, local councils have complete freedom to appoint whatever committees they like; to co-opt upon any committee persons who are not members of the council, subject only to the limitation that their number must not exceed one third of the whole; and to delegate any of its powers to a committee other than those relating to the raising of rates or the borrowing of money. (1).

Nevertheless, departmental control over certain local officers is more significant; though in general local authorities have complete freedom to appoint such officers, with such qualifications and at such salaries as they think fit; and they hold office only during the pleasure of the employing councils. Even before total financial responsibility for Poor Law services was transferred to the State (2) the central government had extraordinary power to intervene with regard to poor law officers. The appointment of all 'senior poor law officers' (3) and the fixing of their salaries had to be reported to the government department and to get its approval; though in fact it was the local authorities that employed and paid for these officers. The central authority might also define the duties to be performed by officers concerned with the relief of the poor; and the chief officer was required to carry on the whole correspondence in respect of this service, keep the accounts and report to the central authority. Furthermore, the local authorities had no right to dismiss an officer without the consent of the department, (4) which, on the contrary, might dismiss or suspend any officer whom it considered unfit for or incompetent to discharge his duties.

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- (1) G.M.Harris, Local Self-Government in Britain, pp.60-61.
 - (2) By the National Assistance Act, 1948.
 - (3) According to the Public Assistance Order of 1930, the senior poor law officers included the medical officers, masters, matrons, relieving officers, public assistance officers, superintendents, stewards, chaplains and senior nurses.
 - (4) The controlling power of the central department in this matter might be illustrated in *Field v Poplar Borough Council* (1929) 1 K.B. 750, where a borough council had reduced the salary of the senior sanitary inspector with the consent of the Minister, the officer not having been dismissed or resigned or consented to the reduction, and it was held that the council had no power to make the reduction.

If this should happen, it might require the local authority to appoint a fit and proper person in his place; and might itself appoint the officer in default of the poor law authority. Pensions, again, could only be granted if the central authority agreed. Indeed, the powers of the central department regarding poor law officers were so extensive that in certain circumstances they had to do what the central department told them, regardless of the local authorities' instructions.(1). In this manner, the administration of the Poor Law in Britain was brought closely under the control of the central department.

The Public Health Act of 1875 contained a general provision that where any part of the salary of a local health officer was provided out of the moneys voted by Parliament, the qualifications, conditions of appointment, duties, salary and tenure of office, might be regulated by the Local Government Board. (Sect.191.) The Sanitary Officers Order of 1910 provided that all medical officers of health and inspectors of nuisances, one half of whose salaries was paid from central funds, should not be removed from office without the consent of the Local Government Board.(2).

The recent provisions on this subject may be seen in the Local Government Act of 1933 which again stipulated that the clerk of a county council as well as a county medical officer of health should not be dismissed without the consent of the Minister of Health, and that the Minister should have the power to make regulations relating to the mode of appointment, salary, and tenure of office of medical officers of health and sanitary inspectors. The latter powers were extended to medical officers of health and sanitary inspectors of port health districts by the Public Health Act, 1936. It is also to be noted in this connection that the appointment and removal of chief constables are subject to the approval of the Home Secretary; and that the Minister of Transport can intervene in the case of surveyors and engineers if the local authority accepts a proportion of their salaries from the central department. Apart from these, local government officers over whom the central authorities exercise control are the inspectors of weights and measures and the gas meters, and agricultural analysts.(3).

III. Control Through Inspection and Inquiries. A further method by which the central departments have exercised control over local government is by the appointment of inspectors in the case of the poor law, public health, police and education services.

(1) Sir John Maud, op.cit., p.19.

(2) Sir Arthur Newsholme, The Ministry of Health, 1925, p.38.

(3) G.M.Harris, op.cit., p.91.

The principle of 'inspectability' as invented and promoted by Jeremy Bentham has turned out to be one of the most useful and important functions in British public administration. The principle was first adopted by Lord Grey's Government in 1833, and inspectors were sent round the country to see that the Factory Acts were being observed in the manufacturing districts. Inspection was further recommended by the Royal Commission in the following year, which advocated constant supervision of poor law administration by Assistant Commissioners. Following on this recommendation the Poor Law Act, 1834, provided for the appointment of Assistant Commissioners who were sent out to inspect the actual work of local poor relief. Under the enthusiastic stimulus of Edwin Chadwick, they did most useful work. Yet the attempt of the central authority to correlate and control the activities of local authorities provoked a storm of opposition; and the 'three Bashaws of Somerset House', as the Central Board of Poor Law was then nicknamed, were eventually removed in the face of the strong attacks of Toulmin Smith and Benjamin Disraeli. Nevertheless the system of the inspectorate survived. It has since become an extremely valuable method which has helped 'to obtain the advantages of efficiency without the incubus of bureaucracy'. (1).

The inspectors are the eyes and ears and tongues of the central government. Most of them have been honest, capable, and well paid experts. Their close acquaintance with local needs enables them to keep the central departments fully informed of the local conditions as well as the merits or defects of the respective authorities in the administration of their services. They go about to see whether the law and orders issued by the departments are duly and completely carried out, and use their own judgement and experience to aid, advise and warn. In this way, the central department is able to get a firm foothold in local administration, and to take the initiative in improvements.

It has been said that an inspector is 'a collector and distributor of information' who combines 'the technical knowledge of an expert with something of the local knowledge of an inhabitant'; and who can apply 'the experience of one district to the requirements of another, and the merits of one authority to the defects of another'. Moreover, with information from inspections in all parts of the country accumulating in the central offices, the authorities of the respective government departments are better qualified to report to Parliament from time to time upon the conditions of administration, and to propose such amendments to the law as are shown by experience to be necessary or desirable; and at the same time to guide and direct the local authorities along the path marked out by the law. (2).

(1) Redlich & Hirst, op. cit., vol. 11., p. 251.

(2) Ibid., p. 248 et seq.

The inspector may also hold a local inquiry wherever a central department thinks it necessary or desirable to do so in order to enable it to exercise properly its discretion in confirming or refusing the applications of local authorities for loans or other matters. (2). At these inquiries the inspector who presides as the representative of the central department hears the case for and against the local authority. He may summon witnesses, examine them on oath, call for the production of books and papers, and charge the cost to the local authority concerned. (2).

The local inquiries held by inspectors give invaluable assistance to the central authorities. The late Lord Long, who had himself been Parliamentary Secretary and President of the Local Government Board, and in this capacity had seen, and taken decisions upon, a number of reports made by inspectors, gave the Royal Commission on Local Government, (1925), the following summary of his views on the merits of this procedure:-

(3).

'I have always thought---and I have had considerable experience, because I was six years Under-Secretary and five years President---that the inquiries conducted by the inspectors are among the very best forms of inquiry that you can possibly have. The President of the Local Government Board has the power to associate with the ordinary inspector an expert or a barrister, or any one else whom he thinks may assist the inspector if he anticipates exceptional difficulties; and I cannot call to mind at this moment a single case in which the reports made by the inspectors were not remarkable alike for their clearness and their impartiality.'

The extent of the supervisory functions which have been exercised by the inspectors over pauperism and poor relief may serve as an illustration of the great influence inspection may exert upon local government.

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- (1) The central department also holds local inquiries in regard to matters in respect of which it is an appellate authority, e.g. appeals under the Town and County Planning Act, 1947 etc.
 - (2) Section 290 of the Local Government Act, 1933, provided for the holding of inquiries by government departments and the giving of evidence by witnesses at such, and prescribed penalties for failure to attend. The section related to inquiries directed by the Home Secretary, the Minister of Health, the Minister of Transport, or any board of Commissioners.
 - (3) First Report on Local Government, Cmd.2506/1925, pp.171-2.

Before the recent alteration in the Poor Law, (1) Britain was divided into several large districts for the purpose of inspection. There was a general inspector in charge of each district whose work it was, not only to watch local authorities and report their doings to the central department, but also to give them friendly and trustworthy instruction. He could visit and inspect every workhouse or place in which any poor person in receipt of relief was lodged, and could attend any meeting of a county or county borough council or committee or sub-committee held for the relief of the poor, and take part in their deliberations and discussions; but he had no right to vote at the meeting. (2) It was his duty to keep close contact with the public assistance authorities in order to guide them on a policy approved by the central department. Some of his advice might not altogether be acceptable to the authorities. In that case, he had to smooth away unnecessary causes of friction by tactful persuasion. In the last resort, he might make an adverse report to the department when, if necessary, a peremptory order could be used to secure the compliance of the authorities with the wishes of the department. In fact, the opinion and advice of the inspector was frequently sought and followed. Most of the local authorities looked to him for information about successful methods of administration elsewhere in his district. Besides, the public assistance officers often found it helpful to discuss matters informally with the inspector before an official communication was sent to the central department. It was sometimes desirable that the authority should be informed as to the views the central authority were likely to take of any proposal. In this case, the inspector was the proper man for them to consult. This often facilitated the official correspondence between the local council and the central department. (3) The Royal Commission on the Poor Laws and Relief of Distress, which reported in 1909, expressed the view that the control exercised by government departments over public assistance authorities, depended always for its efficiency on the existence of a staff of peripatetic agents of the department who could keep the local administration constantly under observation, help the department to form its judgements and convey to the local authorities the advice and instructions in which the policy of the department was from time to time embodied. It is not inappropriate, that Poor Law inspectors were referred to in the same report by a witness as the 'confidential advisers and friends' of the local authorities.

In spite of the usefulness of the system of inspection, it has not however been extensively used. It has been applied to only

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- (1) See below, pp. 173-4.
 - (2) Section 9, Poor Law Act, 1930.
 - (3) John Mess, the Ministry of Health in Relation to Public Assistance; Journal of Public Administration, vol. XVII, No. 3, July, 1939, p. 242.

two other important local government services, namely, police and education; and in both cases this was due to the necessity of grants in aid. (1).

The Inspectors of Constabulary appointed by the Home Secretary inspect each force annually and make a report. Local authorities have to receive a certificate of efficiency before they qualify for the 50 per cent. grant.

The inspection of education has had a history almost as long as that of the Poor Law services. The powers of the central department in this service are described in the Grant Regulations under the Education Act, 1921. These provided for the inspection of schools in order that the Board of Education might be satisfied that a local authority had performed its duties under the Act, and complied with the regulations and supplied such information and returns as the Board required. Section 77 of the Education Act, 1944, also made it the duty of the Minister of Education "to cause inspections to be made of every educational establishment at such intervals as appear to him to be appropriate, and to cause a special inspection of any such establishment to be made whenever he considers such an inspection to be desirable".

As the functions of His Majesty's Inspectors of Schools are mainly to assist the localities, they have done admirable work for the development of educational services, and so are, as a rule, welcomed by the local authorities.

IV. Confirmation of Schemes and Byelaws. During recent years there has been an extension of the practice of requiring local authorities to submit schemes to the central departments, showing how the local authority intends to carry out its duties under various Acts. This relates to such matters as the schemes for the administration of Public Assistance under the Local Government Act of 1929; the schemes under the Housing Act, 1936, and the Education Act, 1944; and the Town and Country Planning Schemes under the Acts of 1932 and 1947. As the scheme usually imposes additional obligations and confers additional powers on the local authority, it must be confirmed by the central department before it can come into force.

The power of the central authority in sanctioning administrative schemes may be seen best in the Town and Country Planning Act, 1932, and the Housing Act, 1936. In the former case, local

(1) There were, however, also inspectors of the Road Department of the Ministry of Transport who inspected regularly the highways of the country; inspectors of the Board of Trade who ensured that local standards of weights and measures conform with the national standards; and inspectors of the Board of Control who visited mental hospitals frequently and made reports. But these were of minor importance.

authorities were empowered to make schemes 'with the general object of controlling the development of the land comprised in the area to which the schemes applied, of securing proper sanitary conditions, amenity and convenience, and of preserving existing buildings and other objects of architectural, historic, or artistic interest and places of natural interest or beauty and generally of protecting existing amenities whether in urban or rural portions of the area'. The Act required that, before the preparation of a scheme, the local authority concerned should first pass a resolution and acquire the approval of the Minister of Health. When the scheme was drafted, it should be submitted to the Minister for his approval, and he might approve with or without modification. When this was done, the scheme had to be laid before both Houses of Parliament. During the process of confirmation, any person aggrieved was entitled to make representations to the Minister, or make an application to the High Court on the ground that the scheme was ultra vires or that it did not follow the procedure prescribed by the Act. When objections were made to the Minister, he had to hold a local enquiry before he confirmed the scheme.

The same principle applied to the procedure for schemes under the Housing Act of 1936. Ministerial approval had to be acquired in order to secure the enforcement of a housing scheme. This might involve an application for grants for building or the raising of a loan to meet such expenditure. Both the clearance orders and re-development schemes also required the approval of the Minister. Besides, where there was a necessity to purchase land compulsorily for whatever purpose, the local authority might, instead of applying for a provisional order as was the case before, submit a draft compulsory purchase scheme to the Minister, who had power to confirm it and thus gave it legal effect without^{it} being laid before Parliament.

In order to make the administrative schemes of the local authorities comply with the policy of the Government, central departments have sometimes worked out model schemes. If local authorities want to draft a scheme different from the model ones, they have to show good reasons; otherwise they may fail to obtain the necessary confirmation.

Apart from the administrative schemes, there are many occasions when a local authority has to make byelaws under general statutory powers. Of these byelaws, those which are concerned with the public health require the confirmation of the Minister of Health; while those passed in the interest of law and order must be sent to the Home Office, subject to the possibility of being annulled within forty days by an Order in Council. In Scotland the Scottish Office is the confirming authority. The rule of procedure for the making of byelaws requires that a period of at least one month must elapse before

application is made to the confirming authority; and in the interval, notice of the intention must be locally advertised, so that persons who object can make representations to the confirming authority.

Although the powers to make byelaws are usually vested by law in the local authorities as a right, it may be a duty to exercise these powers when the Minister thinks it appropriate. Section 61 (1) of the Public Health Act, 1936, for example, provided that 'every local authority may, and, if required by the Minister, shall make byelaws for certain purposes. If they failed to do so, the Minister had the power to act in default.

Just as in the case of the administrative schemes, government departments have, for most of the purposes for which byelaws can be made, issued models in order to avoid deviations. Local authorities, therefore, are not able to enjoy much freedom and discretion in the matter. They have to consult the central officials during the preparation of a new or revised series of byelaws; and the result always represents a gradual elimination of any proposed deviations. ~~It~~. If they should defy the policy of the central authority, the latter always has power to amend or reject.

The power and influence of government departments in the confirmation and revision of byelaws is significant. Nevertheless, it should be noted that whenever a byelaw is ultra vires or 'unreasonable', the person aggrieved is entitled to appeal to the Court, and that the department's approval is of no avail if a byelaw is held to be illegal.

V. Advisory Control. In addition to the supervisory and coercive functions of the central departments, and their powers of confirmation of local administrative schemes and byelaws, Whitehall takes up a further responsibility, namely, the provision of expert advice on all the problems of local government. The wide knowledge and experience which the central authorities have accumulated are available to local authorities. This is of extreme value to local councillors and officials. A collection is made of the successful experiments in economical or efficient administration which have been worked out by some active authorities; and of statistics relating to the costs of various services in different counties and boroughs. (1). The results of these investigations are put entirely at the disposal of the local authorities by means of circulars and memoranda.

The information and advice provided by these numerous circulars and memoranda cover a host of topics. The communication

(1) Sir John Mand, op. cit., p.193.

may take the form of a summary of a new Act, printed with notes explaining the meaning and policy of the Act and the manner in which it will be applied, so that there shall be no excuse for the local authorities failing to understand its terms or their duties in carrying the new legislation into effect. As statutes and orders have grown rapidly both in complexity and size of recent years, this sort of explanatory matter has become indispensable. Some problems present unusual difficulties, and expert advice is very necessary. How to eradicate bugs from dwelling houses, for example, or how to deal with an unusual disease of Psittacosis or Parrot disease, are questions which have been made the subject of reports issued by the Ministry of Health with great assistance to the people who have to deal with them. The admirable work which the Local Government Board has done for the local authorities in this respect is revealed by Sir Arthur Newsholme in the following passage:- (1)

....In the history of the Board, and especially from 1890 onwards, many printed reports giving the results of sanitary and epidemiological investigations by medical inspectors let light into the dark places, and formed models for local health officers of methods of investigation. The publication of weekly returns of notifiable diseases and the issue of reports, the deliberate object of which was to bring into the limelight districts with excessive mortality, did much to favour reform. Reference may be made for instance to Dr. S. W. Wheaton's report on the Incidence of Enteric Fever in the different sanitary districts of the County of Durham; and to three reports on Infant and Child Mortality and a report on Maternal Mortality in the different sanitary areas of England and Wales which were issued from the Medical Department of the Board and which left backward authorities no excuse for making further default in measures to secure improvement....

In addition to shorter pamphlets and a mass of statistical information, the government departments also publish annual reports stating the general progress which has been made by local authorities all over the country during the year. The observations which are contained in these reports always serve as a good reference for local government officials. It may be found, for instance, from the statistical survey that one authority's refuse at half the cost per head of another. If this is pointed out, the second authority may be able to find out where its system is wasteful, and, in the face of publicity local pride may encourage it to make improvements. So we may say that, although these circulars and memoranda have not the force

(1). The Ministry of Health, 1925, pp. 24-25.

of statutory regulations, the instructions and directions supplied and the expert information made available are of great service to local authorities.

Apart from this means of communication, local government officials can always apply to the appropriate government department for expert advice on any problem. The question raised by the local authority may be one over which the department has no legal control, yet even in this case, they will meet with a courteous response, and an opinion is usually given which will help the authority a great deal. Sometimes local officials may even go to London and discuss difficult problems in a private interview with the senior officials or the expert advisers at Whitehall. "All this," writes Dr. Finer, "improves local administration, adds to the knowledge of the central authorities, evokes the gratitude of the local authorities, and leads them to look to the central departments as benevolently concerned with the improvement of local government".(1).

The advisory function of the central departments is facilitated by certain consultative committees. These committees are a means whereby the departments consult about and investigate the subjects which they are concerned with, and inform themselves of the views and wishes of local authorities. Some of these committees are of a permanent nature. The Ministry of Health, for example, has an Advisory Committee on Water Supply which has in recent years issued several instructive reports. There are also the committees concerned with Insurance and Pensions. The Ministry of Education has also consultative councils which have been given special educational problems to consider and report upon. Of these the Consultative Council for Broadcast Adult Education and that for Broadcasting to the Schools may be mentioned. (2).

VI. Appellate Functions. Government departments are also empowered to hear appeals in certain administrative actions. They can settle or arrange for the settlement of disputes between local authorities or between a local authority and a private individual. These functions of a judicial or a quasi-judicial kind are laid out in the Acts concerned with such matters as education, public health, highways, housing, and town and country planning. Thus, for example, if a dispute were to arise between a local education authority and the manager of a school not provided by the authority, the Board of Education would have to

(1). Herbert Finer, Principles of Local Government Law, Chap. V.
(2). Sir John Maud, op. cit., p.194.

make a decision, usually after holding a local inquiry at which all parties could be heard. The decision so made by the Board would be regarded as final and conclusive. (1). Again, under section 268 of the Public Health Act 1875, it was provided that if a local authority took up responsibility for the upkeep of a road which has previously been private, and then claimed repayment from the people living beside it, the persons affected could address a memorial to the Local Government Board stating the grounds of their complaint. In this case, the department was authorised to make whatever decision it thought equitable, and the order which it issued was binding and conclusive on all parties. Elsewhere, provision has been made that appeals against the refusal of a local authority to allow 'interim development' in any area covered by a town and country planning resolution should go to the Minister of Town and Country Planning; that appeals in respect of ribbon development should go to the Minister of Transport; and, in a most common case, that if the District Auditor disallow some item of expenditure and surcharged it to the responsible member of the local authority, the Minister of Health might be asked to remit the surcharge.

The rapid accumulation of judicial powers by the executive since the beginning of this century has excited much criticism on the ground that it encroaches on the sphere of the courts of law. Attacks have also been directed towards the manner and procedure whereby the departments administer this judicial function. In particular the methods of these departmental tribunals, have been regarded as objectionable on the following grounds:- (i) The departmental tribunals are not necessarily public; they work in the dark and decide legal issues by methods of their own manufacture. (ii) There is often no oral hearing of the parties (iii) The decisions made by the departments are in many cases final and conclusive; there is no possibility of appeal. This not only deprives the subject of an important means of redress, but also removes an effective stimulus to careful judgement. (iv) There are frequently no recorded precedents; the decisions, therefore, lack certainty, uniformity and continuity. (v) No reasons are necessarily given for the decision of the departments, so that there is no means of knowing, as of right, on what evidence the decision has been made. (2).

The cumulative effect of these shortcomings is described in the late Lord Chief Justice's much mentioned book:- (3).

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- (1). Section 29, the Education Act, 1921.
 - (2). C.K. Allen, Bureaucracy Triumphant, 1931, p.7 & pp.64-65.
 - (3). Lord Hewart, The New Despotism, pp.48-49.

" How is it to be expected that a party against whom a decision has been given in a hole-and-corner fashion, and without any grounds being specified, should believe that he has had justice? Even the party in whose favour a dispute has been decided must, in such circumstances, be tempted to look upon the result as a mere piece of luck. Save in one or two instances, none of the departments publishes any reports of its proceedings, or the reasons for its decisions, and as the proceedings themselves, if any, are invariably held in secret, even interested parties have no means of acquiring any knowledge of what has taken place, or what course the department is likely to take in future cases of the same kind that may come before it. A Departmental tribunal is, however, in no way bound, as a Court of Law is, to act in conformity with previous decisions, and this fact is commonly regarded as one of the reasons for the policy of secrecy. Others may think that the Department is afraid to disclose inconsistencies and a want of principle in its decisions. However that may be, the policy is fatal to the placing of any reliance on the impartiality and good faith of the tribunal. It is a queer sort of justice that will not bear the light of publicity."

Nevertheless, in spite of all these criticisms, the appellate function of the central departments is a very useful device for the settlement of administrative disputes. The departmental tribunal has the advantages of cheapness and expedition. In cases where justice can only be done if it is done at a minimum cost, such tribunals may be preferred to the ordinary courts of law. In addition, a special court may be better for the exercise of a special jurisdiction, for, very largely, the question assigned to the departments for decision are concerned with technical matters, and therefore require a special knowledge rarely available either to magistrates or judges, and often demand the interpretation of a government policy rather than the maintenance of a system of rights. With regard to the system of administrative tribunals, Professor Laski sets forth the following argument:- (1).

".... Anyone who compares its results with the unhappy consequences of allowing the ordinary Courts to have jurisdiction over workmen's compensation or the powers of the district auditor will, I suggest, be inclined strongly to the view, ^{that} in the positive state, the ordinary courts of law are rarely suitable for work of this kind. Their canons of statutory interpretation are wholly defective for the purpose of the modern state; and they lack the knowledge necessary for the construction of proper administrative standards. It must be remembered that most of this jurisdiction is concerned

(1) Laski, Parliamentary Government in England, 1938, pp. 354-5.

with questions of 'reasonableness' in policy; and it is difficult to see why a judge's view of 'reasonableness' is more likely to be right than that of a Minister who may have to answer for his view in the House of Commons. If, moreover, every case involving such questions could be transferred to a court of law the process of administration would become impossible, and the courts would be overwhelmed with business....

As a matter of fact, the appellate functions of the departments are not an important element in central control. They may have the advantage of producing uniformity of administration, but they give little effective control over the general policy of local government. (2). Besides, so far as the practical working of the system is concerned, there is no sign of its being abused. While acting as an administrative tribunal, government departments are as a rule scrupulous in the protection of private rights. The Committee on Ministers' Powers emphatically pointed out in their report in 1931 that, they saw nothing to justify any lowering of the country's high opinion of its civil service, or any reflection on its sense of justice, or any ground for a belief that the constitutional machinery was developing in a wrong direction. (3).

VII. Power of Action in Default. Some of the Government departments have been armed by Parliamentary statute with ample powers to deal with local authorities which default in the exercise of their functions. Thus, under section 299 of the Public Health Act, 1875, the Minister was given power to appoint a person to enforce performance of duties by a sanitary authority 'where it had failed to provide sewers or to maintain existing sewers, or to provide an adequate water supply, or where danger arose to the inhabitants by reason of the insufficiency or unwholesomeness of the existing water supply'. (4) The Ministry of Agriculture has been empowered to intervene when a council fails to carry out the provisions of the Diseases of Animals Acts or the Small Holdings and Allotments Acts. Similar provisions may also be found in the Public Health Act, 1936; the Housing Act, 1936; the Rural Water Supplies and Sewerage Act, 1944; The Education Act, 1944; etc., where the

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- (1) Laski, Parliamentary Government in England, 1938, pp. 354-355.
 - (2) Jennings, Local Government Law, 3rd ed., p. 255.
 - (3) Cmd. 4060/1931, p. 7.
 - (4) This section was repealed by the Local Government Act, 1929, sect. 57(4), in respect of district and non-county borough councils; but is now contained in the Public Health Act, 1936, sect. 322.

Minister concerned, after holding a local inquiry when necessary, may make an order directing the defaulting authorities to discharge their proper functions; or, if the default is on the part of the county district councils, transferring their functions to the appropriate county councils or to himself, the expense in either case being thrown on the defaulting authorities. He may even apply for the Mandamus to enforce his directions. Again, under an Order in Council of 1931, the Minister of Health may advance so far as to supersede a local authority altogether if they fail to carry out certain of their duties. In the case of the Boards of Guardians at Poplar, Chester-le-Street and Bedwelty, the Minister has removed them and nominated Commissioners in their place. (2).

Nevertheless, great though such powers seem to be, they are seldom used. The severity of their enforcement is liable to create a very bad relationship between the Minister and the defaulting authorities. "They give", writes Dr. Jennings, "what has been called a 'big stick' with which to threaten to beat the authority. The Minister rarely threatens. Central control would be entirely ineffective if there were antagonism between the central and the local authorities. Far more can be done by suggestions than by threats...." (2).

VIII. Power to Obtain Reports. In the matter of control, it is of the utmost importance that central departments should have the right to receive various reports and financial and statistical returns from local authorities. For, by these the supervising departments are able to test the efficiency or progress of the services administered to the localities.

The best example of this sort of control can be seen in the relation between local authorities and the Ministry of Health. In order to understand what work has been done, and how it is done, the Minister of Health has laid upon the local medical officers a duty to make periodical reports on the sanitary conditions of their districts. The report takes the following form:-

(1) Weekly returns stating the cases of infectious disease notified to them during the preceding week.

(2) Annual reports concerning---

(a) the chief sanitary circumstances as to water supply; river pollution; drainage and sewerage; closet accommodation; scavenging; sanitary inspection of the districts; premises controlled by special ordinances, such as lodging houses,

(1) Sir John Maud, *op. cit.*, p. 189.

(2) Jennings, *op. cit.*, p. 257.

offensive trades, cellar dwellings, slaughter-houses, etc.; food and milk; inspection of workshops, shops, etc.

(b) the sanitary administration, including the work of sanitary inspectors, health visitors, and tuberculosis nurses; administration of special ordinances; and the work in public health laboratories.

(c) the vital statistics of the districts.

(3) Special reports on the prevalence of and control over any case of plague, cholera, or smallpox or of any serious outbreak of epidemic disease in the districts. (1).

With this constant source of detailed information at hand, the Minister not only knows how the laws of public health are being carried out in the different parts of the country; he also has a clear summary of the existing defects not yet remedied, and can tell where to direct his instructions and advice.

IX. Audit. Government audit is another means whereby the central department is able to check the illegal or undesirable activities of local authorities. Under this system local authorities, except borough councils (in the circumstances mentioned later), cannot spend money as freely as they can collect it; they must submit all their accounts each year to the district auditors appointed by the Minister of Health.

The system of the district audit was first applied to the Board of Guardians in 1844, and then to the sanitary districts in 1872, to the county councils in 1888, and to the parish councils and meetings in 1894. All the accounts of these authorities were put within the purview of the system. In the case of borough councils, the situation is rather different. They are for the most part exempt from the obligation of submitting their accounts to the district auditors. (2). Only those accounts of the boroughs which concern housing, education, and police are under their control. For grants are payable only to a local authority whose accounts have been passed in this way. The general accounts of the boroughs are as a rule audited by three amateur auditors: two "elective auditors" elected by the local government electors for the boroughs, and one appointed by the mayor who is known as the "mayor's auditor".

(1) Sir Arthur Newsholme, op. cit., pp. 42-48.
(2) Scottish burghs, however, cannot enjoy the same freedom with regard to system of audit as the English boroughs. The accounts of all Scottish local authorities, including such big towns as Edinburgh and Glasgow, are similarly audited by one or more persons appointed by the Secretary of State for Scotland.

Nevertheless, a borough council may by means of a resolution adopt either the system of district audit or the system of professional audit.

By the Local Government Act of 1933, it was provided that a district auditor has the duty---

- (a) to disallow any items which is contrary to law;
- (b) to surcharge the amount of any expenditure disallowed upon the person responsible for incurring or authorising the expenditure;
- (c) to surcharge any sum which has not been duly brought into account upon the person by whom that sum ought to have been brought into account;
- (d) to surcharge the amount of any loss or deficiency upon any person by whose negligence or misconduct the loss or deficiency has been incurred;
- (e) to certify the amount due from any person upon whom he has made a surcharge; and
- (f) to certify at the conclusion of the audit his allowance of the accounts, subject to any disallowances or surcharges which he may have made.(4).

Under the provision of the Local Authorities (Expenses) Act, 1887, no expenses paid by an authority could be disallowed by the auditor if they had been sanctioned by the Minister of Health.(2). This measure was intended to reduce the number of surcharges. It did not however, mean that Ministerial sanction could legalise illegal expenditure. It only removed it from the jurisdiction of the auditor, leaving the ratepayers still the right to resort to the Courts.(2) Normally the sanction has been given only to expenditure which, though open to objections on technical grounds, was in itself reasonable or even necessary.(3) In using this power, the Minister has been subject to the limitation which was expressed in the report of the old Local Government Board for 1887:-

"The power of sanction is intended to be used in those cases where expenditure is incurred bona fide but in ignorance of the strict letters of the law, or inadvertently without the observance of the requisite formalities, or under such circumstances as make it fair and equitable that the expenditure should not be disallowed by the audit. We do not regard the Act as intended to supply the want of legislative or other authority for particular expenditure or classes of expenditure, and as justifying us in giving prospective sanction to recurring expenditure."

(1) This is later incorporated in the proviso to section 228(1) of the Local Government Act, 1933.

(2) H. J. Warren, English Local Government System, 1946, p. 155.

(3) Report of the Ministry of Health, 1938-39, cmd. 6089, p. 133.

(4) See sect. 228 of the Local Government Act, 1933. But the auditors in Scotland who are paid by local authorities have no powers of surcharge or disallowance, though they must submit a report to the Secretary of State, who decides all questions raised therein.

Moreover, any councillor or officer who has been surcharged by the district auditor has a right of appeal to the High Court or the Minister. (1) In most cases, appeals go to the Minister. Acting as a court of appeal, the Minister has power to decide 'on the merits' of the case. In other words, he may relieve an individual member from personal liability if he is satisfied that the complaint ought to be excused as his action is the result of error of judgement, as distinct from wilful disregard of clear statutory direction, or corrupt intent.

The district auditors are open to receive complaints from ratepayers. Although such complaints seldom occur, the existence of this right on the part of the ratepayer can undoubtedly reduce the possibility of extravagance in administration. Further, if the Minister suspects irregularity or malpractices, he can at any time, subject only to three days notice given to the local authorities, order the auditor to conduct an extraordinary audit. (2)

Although it is true that district auditors are appointed and paid by the Minister of Health, and that their duties and the districts in which they act are also assigned by him, they do not in fact belong to his department. Their function is quasi-judicial, and so they are allowed, at least in theory, to remain independent of the Minister. They do not take orders from him. But whatever their constitutional position may be, they are, in practice, very useful to the Minister. For with the power to disallow or surcharge local expenditure, they can to a great extent do away with corruption, misappropriation and waste, and, at the same time, help the central departments to discourage or prevent local government financial activities, in certain undesirable directions. Moreover, apart from the use of its penal powers, the district audit system exercises a salutary influence upon local authorities through the general annual review of the accounts of the authorities audited, and the criticisms

(1) Where the decision relates to a sum exceeding £500, the appeal lies only to the High Court. It was also decided in the case of the King v. Minister of Health, ex parte Dore (1927), 2 K.B., p. 765, that where an appeal to the High Court has been made, the alternative right to the Minister is lost; and if the Court upholds the decision of the district auditor, the Minister has no power to remit the surcharge. See W. A. Robson, The Development of Local Government, 1st. ed., pp. 341-342.

(2) Jennings, Central Control, op. cit., p. 433.

and suggestions for improvement which are made in the audit reports. In cases of serious criticism, it is the practice of the government departments to communicate with the authorities to ensure that the suggestions are fully considered and that steps are taken to effect improvement. (1) The result is said to be generally satisfactory.

X. Power to Sanction Loans. The power of the central departments to control the borrowing of local authorities is an effective means by which the departments can keep a firm hand on local financial activities. This has been especially true during the last seventy years because of the growing necessity on the part of local authorities to raise loans for the erection of permanent works.

In spite of the warnings by some economists that with increasing demands for capital expenditure, the extent of public debt is liable to cause serious problems in the future, no local authority, as a matter of fact, does finance the whole of its activities solely out of current revenues (4). Public borrowing, though a great mischief if not done with great care and suitable supervision, may, however, be a useful and even indispensable device in the hand of a wise and enterprising local authority. On the one hand, it is impossible for a local authority to overburden the ratepayers of one particular year with the whole expense of some extensive and costly scheme; on the other hand, it will be more equitable and desirable to spread the cost of permanent works over a period that will have the benefit of the expenditure. (2)

Local authorities receive their powers to borrow from certain general statutes and private Acts. In the latter case, no connection with the central department is required, but the power to borrow under general statutes can only be exercised with the consent of the sanctioning authority. (3) This is less

(1) Ministry of Health Report, 1936-37, Cmd. 5516, p. 176.

(2) J.H. Burton, Loans and Borrowing Powers of Local Authorities, 1924, p.5. It is interesting to note that Sir Ernest Benn has emphatically denounced public debt, and considered it a shame for the people to 'live on posterity' by pledging the future to pay for their present delights and necessities. See Benn, Debt, 1938, p. 2.

(3) This is in the case of transport, the Minister of Transport; of electricity, the Electricity Commissioners; of gas, the Board of Trade; and in general and for water supply, the Minister of Health.

(4) Fairlie, Municipal Administration, p. 333.

Sir I.G. Gibben, Borrowing by Local Authorities, Journal of Public Administration, Vol. VI., No.1, Jan. 1928, p.20.

cestdy, more expeditious, and simpler than to promote a private bill, and so is more commonly used. (1) The Local Government Act of 1933, (which directly followed the Public Health Acts of the previous sixty years) empowered local authorities to borrow for the purpose, inter alia, "of acquiring any land which they have power to acquire, for erecting any building which they have power to erect, for executing any permanent work, for providing any plant, or for doing any other thing which they have power to execute, provide or do". It also provided that the sanctioning authority was to determine the period within which the local authority should repay the sum borrowed. Usually, the period within which a loan must be repaid is fixed according to the particular matter for which it is required and is based upon the probable useful life of the work; the maximum is generally sixty years, though in some instances eighty years have been approved. The total sum which may be borrowed by a local authority is left to the Minister of Health to settle in the light of the financial resources of each particular authority. (2)

In making an application for sanction to borrow, the local authority must furnish certain information which must be accompanied by figures showing, inter alia, the population of the district; its rateable and assessable value; the existing debts both as regards the special purpose and as regards the total for all purposes; the amount of the proposed loan; the purpose for which it is required; the suggested period within which the money would be redeemed; and copies of plans, schemes and detailed estimates where the purpose involves the carrying out of works. This should also be followed by a statement of unused borrowing powers and sinking funds or redemption funds in hand---analysed under services and undertakings. (3)

Under the practice of loan sanction, it is customary for the Minister concerned to consider the question of the desirability and reasonableness of the scheme submitted, the general question of the necessity for the proposal, and whether the liability is balanced by an asset, but also in particular, at the same time, to see how the total indebtedness of the local

(1) Altogether only about 10% of the money raised on loan by local authorities obtains sanction from Parliament by means of Local Acts. See E.L. Hasluck, Local Government in England, 1936, p.118.

(2) Barratt, Your Local Authority, p.134, 1946.

(3) Burton, Local Authority Finance, Accounts and Auditing, 2nd and rev. ed., 1932, vol.1.pp.23-24.

authority will be affected by the proposal, so as to avoid the calamities of bankruptcy. It is the duty of the central government to intervene for the preservation of the credit of local authorities in general and for the protection of the ratepayers of the future in the particular area in question. (1) In this respect, there is very close cooperation between the sanctioning department and the Ministry of Health, which has the greatest all-round knowledge of the quality of administration in each locality. The central department must be satisfied that the particular works are well and economically planned and suitable for what is required. Account is also taken of whether there is some other work of more urgent necessity which the local authority should carry out before the particular scheme which is proposed. (2)

With a view to ascertaining the actual necessity or advisability of the scheme proposed by the local authority, the government usually holds a local inquiry before granting the sanction. The ratepayers are consulted; the site of the proposed building or works or apparatus is examined; and private persons and other local authorities are encouraged to give evidence or to produce arguments against the proposal. This may be seen in the case of Hull in 1931, when the city wanted to replace gas lighting in the streets by electricity, and asked for a loan of £67,000 to do it. A local inquiry was held in which the representative of the gas companies had a chance to participate in the argument. He stated reasons for objection to the scheme from the point of view of economy. As a result, the Minister decided that electricity might be used for the main streets, but that gas should be retained for the side streets. (3)

Under modern conditions, where few local authorities are able to fulfil their functions properly without occasional loans, this involves very close control indeed. Every local authority is obliged, even in its normal expenditure, to be prudent and to avoid becoming regarded as extravagant by the central authorities, lest a loan should in future be difficult to secure. Control over loans goes beyond the actual objects for which the loan is required; it is a general control over local financial administration. (4)

(1) J. E. Jarratt, Changes of Relations between Local Authorities and Central Departments, Public Administration, vol. VIII., no. 1, Jan., 1930, p. 62.

(2) Royal Commission on Local Government, Minutes of Evidence, vol. 1, p. 57.

(3) H. Finer, Municipal Trading, 1941, pp. 135-136.

(4) Jennings, Local Government Law, 1947, pp. 248-9.

The power to sanction loans, however, has other purposes than simply to secure administrative efficiency and economy; it may be used to further Government policy. Largely through its effects upon building activity, the power to control local borrowing, plays an important part in policies for controlling the level of employment or the disposal of scarce supplies of raw materials. (1)

XI. Control Through Grants. Apart from the various types of central control which have been described above, there remains probably the most important and effective one, namely, control through grants-in-aid. (2) It is our purpose, below, to examine in some detail the part that has been played by this controlling device in the development of the relationship between central and local government.

As will be seen later, the original purpose of the grant-in-aid was to stimulate the local services which were considered to be of national importance, and to relieve the ratepayers of the poor localities which were overburdened by the growing expenditure in these services. But by and by, on the principle that those who pay the piper call the tune, it served to intensify and enhance the control wielded by the central departments. Today, in nearly all the important local services, Exchequer grants have been so extensively employed that local government would be impossible were they to cease, and local authorities through their dependence upon pecuniary assistance from the Government are inevitably obliged to submit to the direction of the central departments. The Home Office pays half the cost of the local police, for example, but only when one of their Inspectors has certified that the particular body of police is being maintained efficiently in all respects.

(1) See White Paper on Employment Policy, Cmd. 6527.

(2) 'Grant-in-aid' is understood as 'a subvention payable from the Exchequer of the United Kingdom to a Local Governing Authority, in order to assist the authority in execution of some or all of its statutory duties. The subvention may be an isolated payment, but is usually recurrent or annual. It may be a matter of statutory obligation or dependent on the recurring decision of the Minister in charge of a particular department. It may be unconditionally of fixed amount, or variable according to the circumstances of the time. Most important of all, its variable amount may be dependent on the growth of population, or of a particular section of it, on the amount of some particular service, on the number of officers appointed, or the sum of their salaries, on the expenditure of the receiving Authority, on the rateable value of its district, on the efficiency of its work, or on some other condition'. Sydney Webb, op.cit., p. 6.

The large grants administered by the Ministry of Education empower the Minister to penalize a local education authority for any neglect of the conditions which he requires them to fulfil. As a result, he has practically full control of the staffing and building of every publicly maintained school, and the functions of the local education authority are substantially confined to deciding the best methods of carrying out his directions.

The threat of withdrawal in the case of grants has had considerable effect in making the most backward authorities aware of their responsibilities for maintaining and improving their grant-aided services. Pecuniary inducement has proved to be more effective and much less invidious in winning local obedience than legal proceedings or orders of the central executive. (1) "Whether any new branch of the Local Government service", wrote Sydney Webb, "hardens into a stagnant bureaucracy, smothered in red tape and rendering the very minimum of utility to the community; or blossoms and develops into an ever-improving, ubiquitously-serving agency for really accomplishing the object for which it was established, depends very largely on the particular conditions upon which its Grant in Aid is made. In short, if we seek to estimate the real as distinguished from the nominal Constitution of the United Kingdom of the Present day--- if we have regard to the actualities of administration rather than to the items of pageantry---we may come to the unexpected conclusion that the Grant in Aid, mere financial adjustment though it seems to be, is mere and more becoming the pivot on which the machine really works". (2)

(1) H. Hobhouse, *Local Government and State Bureaucracy in Great Britain*. See G.M. Harris, *Problems of Local Government*, 1911, pp.399-400.

(2) Webb, *op. cit.*, pp.2-3.

CHAPTER III.

CENTRAL CONTROL OVER VARIOUS SERVICES

I. Poor Law Administration.

The old system of British local administration, as we have seen, collapsed before the unavoidable demands of industrial development; and it was this collapse which, in the early decades of the nineteenth century, made it necessary to establish central departments with administrative control over local authorities. This practical requirement was first recognised by some eminent thinkers who expounded it on theoretical grounds. The most influential among them was Jeremy Bentham who, after many years of agitation for legal and Parliamentary reform, devoted his old age to designing a comprehensive scheme for a new system of government, based on the principle of utility. He argued that in order to achieve the greatest happiness of the greatest number, the interest of the locality should be subservient to the interest of the nation as a whole, and hence that there should be a close control by the representatives of the whole. Accordingly, some active and powerful departments, inspired by the fullest and most advanced knowledge attainable, should rule over the local authorities and establish a uniform system of local administration, putting the most salutary principles into operation in all parts of the country. (1)

In the realm of practical administration, Benthamism was recommended by the Royal Commission on the Poor Laws in 1834, and was enacted by the Poor Law Amendment Act of the same year. (2) The Act set up the Poor Law Commissioners as the central poor law department, and gave them wide powers of controlling the poor law guardians which it established. The Benthamite system of detailed supervision and control over local authorities was contrary to the British tradition of self-government, but the grave fears then held of national bankruptcy, resulting from the confusion, inefficiency and wild extravagance of poor relief, provided strong motives for the acceptance of the principle. (3)

(1) E.L. Hasluck, Local Government in England, 1936, p.77.

(2) The principle was not extended to municipal corporations.

(3) In 1795, a meeting was held by the Justices of the Peace for Berkshire at Speenhamland, which decided to

The newly established Poor Law Commission was given power to issue to all poor law guardians (1) over the country general orders regulating their duties under the Act. But these orders were subject to several safeguards; they had to meet the approval of the Home Secretary before hand; and had to be laid before Parliament where they might be disallowed. In practice, in order to avoid these inconveniences, the Commission performed its work, as far as possible, by issuing special orders affecting only the individual unions to which they were addressed. The orders had considerable scope; they might direct action of almost any kind, and they covered almost every conceivable subject connected with the management or relief of the poor. (2) According to the Act of 1834, the Commissioners were authorised to make rules and regulations 'for the government of workhouses and the education of the children therein, the management of poor children, the superintendence of children's institutions, the apprenticing of poor children, the guidance and control of guardians and parish officers, the keeping, auditing, and allowing of accounts, the making of contracts, and expenditure on poor relief'. (3) In order to see that these orders and regulations were carried out, and that the work of the guardians was properly done, inspectors were sent out to keep contact with local authorities. They came to every board of guardians and visited all the workhouses. They also attended and spoke at the sittings of the guardians disseminating good advice which the central department had distilled from the failure and success of the various separate authorities it surveyed. (Sect. 21.) The Commissioners had also a right to prescribe the qualifications, duties and salaries of the paid officers of the local boards appointed by the guardians or overseers (Sect. 46.) These officers as well as the masters of workhouses were made subject to the orders of the

adopt a scale of relief to give the recipient the equivalent of a labourer's wages. This lead had been followed in other parts of the country and thus created a tremendous increase in poor relief expenses.

- (1) The local boards of guardians as established by the Act of 1834 were elected bodies. This principle of election which is now the major characteristic of British local government owes its origin to this Act.
- (2) It was said that the order might deal with such matters as the procedure at the meetings of the guardians themselves, the time when the paupers in workhouses should get up in the morning, the kind and amount of food they

Commissioners; they could be removed by them, and could not be dismissed without their consent. (Sect. 48.) This was undoubtedly a very effective means for the Commission to enforce its orders and regulations. (4) The Commission had also special powers of restraint over the sale of land and the making of loans. (Sect. 58.) It was empowered to order the alteration and enlargement of workhouses and, with the consent of the guardians, the building of new workhouses. (Sects. 23 & 25) It could also unite parishes for relief purposes and alter the boundaries of such unions. (Sect. 26 & 32.)

Indeed, the power of the three Commissioners was so great and their control over local poor law services so severe that, in spite of the enormous relief which the system brought to the ratepayers, (5) it provoked attacks from all sides. Popular opinion was set against the highly centralised control of the Commissioners. In electioneering meetings and in the Press they were the target of malignant criticism, and even bitter personal abuse. Disraeli described Chadwick, then Secretary of the Commission, as a 'monster in human shape', and the Times regarded the new poor law as 'worse than Egyptian bondage'. (6) The unpopular principle of 'less eligibility' and the ruthless enthusiasm of Sir Edwin Chadwick even provoked riots in some quarters. People really thought that the purpose of the 'three Kings of Somerset House' was to punish poverty, and proposals for their downfall were widespread. As they were an independent body uncontrolled by any Minister and with no one to defend them in the House of Commons, their position was very difficult. At first they could rely upon some protection from the Whigs who, as the party in

should receive, the conditions under which they might be allowed tobacco, and the places where they might smoke. See Maltbie, op. cit., p.28.

- (3) Jennings, Central Control, op. cit., pp.431-432.
- (4) The power of removal was used often enough in later years to make its existence a reality, and naturally involved a great deal of control over the whole body of local poor law officials. It was estimated that during the 3 years, 1902-1904, there were 115 such removals, and half as many more resignations forced by fear of removal. See A.L. Lowell, The Government of England, 1920, Vol. II., p.286.
- (5) The poor rate which was more than six million pounds in England and Wales alone in 1814, and seven millions in 1832, had ^{been} reduced to 5 millions within 10 years

power, had established them; but presently they were left helpless. In 1847, as an inevitable consequence, the Commission was dissolved, and all its functions were transferred to a Poor Law Board responsible to Parliament through its President, sitting as a Minister of the Crown. The functions of the Board were again transferred, together with those concerning public health services, to the Local Government Board in 1871, and finally to the Ministry of Health in 1919. But all these transferences did not bring about any alteration in the law and practice regarding the powers of the central department and its methods of controlling local poor law authorities. Indeed, the power which the Minister of Health inherited from the early Poor Law Commissioners to control poor relief services was so great and complete that, until the recent reorganization, (1) it was never surpassed. There was no local function which was so closely and meticulously controlled by the central authorities as the Poor Law service.

In spite of the strictness of the control of the central department in this service, however, it seldom invoked any complaints from local authorities. Until public assistance was made a national obligation in 1948, a happy partnership between local authorities and the Ministry of Health was maintained largely through the skill and understanding of the permanent staff of the Ministry in their exercise of control. (2)

What was given to the central government in 1834 for the poor law services has also been indirectly secured for other services with varying degrees of intensiveness during the last hundred years through the development of the grant in aid system.

II. Public Health Services.

In its report issued in 1834, the Royal Commission on the Poor Laws had assumed that the real problem of the poor lay in the numbers of the able-bodied unemployed. But Chadwick as Secretary of the Commission had no sooner set his office working than he discovered that the problem of poverty was in fact chiefly the problem of ill health.

after the establishment of the Poor Law Commission in 1834. See S. Buxton, Finance and Politics, Vol. I., p.31, footnote.

- (6) Sir Arthur Newsholme, The Ministry of Health, 1925, p.4.
(1) Under the National Assistance Act, 1948, out-door relief was transferred to the State.
(2) C. Barratt, Your Local Authority, 1946, p.148.

In order to reduce the poor rates, the prevention of sickness and the improvement of sanitary conditions was of vital importance, for sickness was the major cause of destitution. Chadwick's view was shared by not a few of the leaders of social reform in his day, and Parliament was obliged to implement an inquiry into this significant problem. From 1840 onwards several investigations were made under Parliamentary direction. The 'Report on the Sanitary Conditions of the Labouring Population of Great Britain' chiefly written by Chadwick himself and published in 1842 in three large volumes was an authoritative presentation of the medical aspects of the social life of the people in that period. (1) His proposals as regards the necessary steps to be taken for the betterment of public health were again confirmed by a Royal Commission in its reports in 1844 and 1845.

The agitation for sanitary reform finally gave birth to the first Public Health Act and the Nuisance Removal and Diseases Prevention Act in 1848, which provided a strong measure of central control modelled on the Poor Law system of 1834. A General Board of Health was established with the First Commissioner of Works as chairman. The Board was empowered to appoint inspectors to assist in the superintendence and execution of the Act; its chief functions being:- (2)

- (a) To direct an inspector to hold an inquiry when one-tenth of the inhabitants of a place petitioned for the setting up of a local board of health, and on the basis of its report the Act might be applied either by Order in Council or by Provisional Order.
- (3)
- (b) To receive and determine appeals by surveyors against dismissal by local boards of health.
- (c) To approve the appointment and removal of medical officers of health and to determine their duties.

(1) The Commission's Report pointed out that at that time 'the annual loss of life from filth and bad ventilation are greater than the loss from death or wounds in any wars in which this country has been engaged in modern times'. See Sir George Newman, *The Health of the People, A Century of Municipal Progress*, pp.159-160.

(2) Jennings, *Central Control*, op. cit., pp.438-439.

(3) These local boards were to be responsible for water, drainage, management of the streets, burial grounds, and the regulation of offensive trades.

- (d) To approve the establishment of offensive trades, to hear appeals as to new streets, to approve the creation of public walks and pleasure grounds, etc.
- (e) To give consent to borrowing by local boards.
- (f) To exercise certain compulsory powers when the Privy Council ordered the temporary application of the Nuisances Removal and Diseases Prevention Act during the time of an epidemic.
- (g) To compel the application of the Act to places where the ordinary annual death-rate exceeded 23 per 1,000.

Although the General Board's power of control over local boards was extensive, it was in fact much weaker than that enjoyed by the Poor Law Commissioners. The holders of the important posts of clerk, medical officer of health and inspector of nuisances were to be appointed by the local boards and removed by them. Only in the case of the medical officers of health was the approval of the General Board required. The power to appoint auditors was also left in the hands of the local boards. The weakness of the scheme lay especially in the fact that it gave the central authority much opportunity to irritate local authorities without supplying it with enough power to overcome their active or passive resistance to reform.

Despite the ravages of epidemic cholera which occurred in 1831 and again in 1847, no serious attempt at centralisation to cope with the urgent need for vigorous public health schemes met with acceptance from the public. Public opinion still resisted central control, perhaps as there was not as yet any Exchequer grant in this department to soften the harsh voice of central dictation. The work thus began in a hostile atmosphere. Chadwick and Southwood Smith were both too autocratic and unaccommodating in their official work to make any compromise with local or popular sentiment. Angry opposition was aroused. As a result, the General Board was abolished in 1854 by Parliament through the joint efforts of Disraeli and John Bright, and Chadwick was obliged to relinquish his office. In spite of the disinterested zeal and immense diligence he had devoted to the public service, the nation enjoyed his retirement. "AEsculapius and Chiron, in the forms of Mr. Chadwick and Dr. Southwood Smith", wrote the Times, "have been deposed, and we prefer to take our chance of cholera and the rest than to be bullied into health....England wants to be clean but not to be cleaned by Chadwick....It was a perpetual Saturday night, and Master John Bull was scrubbed and rubbed and small-tooth-combed till the tears ran into his eyes and his teeth chattered, and his fists clenched themselves with worry and pain".

A new Board, which in fact consisted of only a paid president responsible to Parliament, was established with substantially the same power. It too ceased to exist in 1858, with the result that the local government powers which belonged to it were transferred to the Home Office, the scientific and medical functions to the Privy Council, and those concerned with contagious disease to the War Office. (1)

In the meantime the agitation against autocratic control was somewhat appeased. But the problem of public health remained the same or even more acute. Between 1858 and 1871, epidemics of diphtheria, typhus, cerebro-spinal meningitis, cholera, yellow fever and cattle plague broke out here and there intermittently. The nation was again alarmed; and a Royal Sanitary Commission was eventually set up in 1869 which reported in 1871. It recommended that the administration of the laws concerning the public health and the relief of the poor should be vested in one powerful Ministry so that these two closely related services could be run uniformly, economically and efficiently. Such a Ministry should avoid taking to itself the actual work of local government. It should direct and supervise in such a way as not to injure local initiative. "It will have to keep all local authorities and the officers in the active exercise of their own legally imposed and responsible functions"; suggested the Report, "to make itself acquainted with any default and to remedy it; it will have also to discharge to a greater extent its present duties...namely, to direct inquiries, medical or otherwise, to give advice and new plans when required, to sanction some of the larger proceedings of the local authorities, to issue provisional orders subject to Parliamentary confirmation, to receive complaints and appeals, to issue medical regulations in emergencies, and to collect medical reports". (2)

Acting upon these recommendations, Parliament established the Local Government Board in 1871 in which were combined the Medical and Veterinary Department of the Privy Council, the Local Government Act Department of the Home Office (which dealt mainly with loans to municipal corporations and urban areas), the Registrar General's Office, and the Poor Law Board itself. Like most of the other 'boards', the Board was only a board in name. It was for practical purposes a department presided over by a Minister. Its

(1) Smellie, op. cit., pp.60-61.

(2) Jennings, op. cit., pp.440-441.

first permanent secretary was Tom Taylor who, as early as 1857, had advocated that inspection from the centre should be coupled with grants in aid for approved policies; and this idea was so well accepted and proved so beneficial in practice that it played a great part during the next fifty years in helping the development of central control. (1)

An Act of 1872 provided additional power for the Local Government Board, and at the same time amended the constitution and powers of local sanitary authorities. In 1875, all the laws concerning public health were consolidated in a great Public Health Act. Under this Act the Local Government Board was authorised to hear and determine appeals, to approve regulations and byelaws, to act in default of action by a sanitary authority, to give consent to dealing in land, to make provisional orders, to appoint inspectors and hold inquiries, to make numerous orders, to sanction loans, etc. (2) The power of the Board to control public health and local government were again modified by later statutes, especially by the Local Government Acts of 1888 and 1894. Every statute which conferred any power on a local body was apt to contain some provision involving action by the Local Government Board, or at least contemplating its intervention. As a result, the powers of the Board were scattered through innumerable statutes, and were constantly being enlarged. (3)

During the present century there has been an expansion in the field of local public health services by the addition of services for maternity and child welfare, and the treatment of mental deficiency, venereal diseases and tuberculosis. Before 1929 these services received percentage grants from the Exchequer and consequently invited detailed central control. Since then, however, the percentage grants on these services have been replaced by a general block grant.

(1) Smellie, op. cit., p.62.

(2) Jennings, op. cit., p.441.

(3) Of the later statutes which succeeded the Act of 1875 in the last century, the most important from the standpoint of central control were the Rivers Pollution Acts, the Canal Boats Acts, the Housing of the Working Classes Acts, the Public Health (Water) Act, 1878, the Infectious Diseases (Notification) Act, 1889, the Public Health Amendment Act, 1890, the Isolation Hospitals Acts, 1893 and 1901, and the Infectious Disease (Prevention) Act, 1890. Others such as the Factory and Workshop Acts and Petroleum Acts were mainly under the Home Office; and the Animals Diseases Acts and Sale of Food and Drugs Acts were under the Board of Agriculture.

Under this arrangement the Minister of Health seems no longer interested in the detailed control of each particular branch of the public health services, but confines himself to making sure that a reasonable standard of efficiency and progress is being maintained. In order to attain this purpose, he conducts a periodical survey of the health services of each authority. "The object of these surveys", stated the annual report of the Ministry of Health in 1931, "has been to obtain a broad general view of the health performance of the local authority, where it is good as well as where it is defective, and they, therefore, range over a wide field, including not only the services which were formerly grant-aided, but such services as ~~the~~ control and treatment of infectious diseases, lunacy, water supply, sewerage, supervision of the food and milk supplies, and the transferred poor law medical services". It added that, "it is anticipated that these surveys of health services, by the opportunities for consultation and for the pooling of information which they provide, will enable the Minister to be of assistance to local authorities in the discharge of their health functions, without impinging on due local responsibility".

Since the passage of the National Health Service Act in 1946, a large proportion of the former local health services, including the management of hospitals, have been transferred to the State. These transferred services are administered by the newly established Regional Hospital Boards and Local Hospital Management Committees. The new ad hoc bodies as well as the local health authorities are controlled by the Minister of Health and the Scottish Department of Health. It is anticipated that in the interests of the cohesive planning and efficient management of the health services, the central department will continue to collect and supply expert and technical advice.

III. Police.

Although the essential requirement for the maintenance of internal peace and security was realised in Britain in medieval days, there has never been such a thorough central control over the police force as is to be found on the Continent. Towards the end of the 13th century, a voluntary system of 'watch and ward' became established in some boroughs. In the counties, Justices of the Peace as Crown nominees answerable to the Privy Council originated at about the same time. They were empowered,

under the Riot Act, 1328, to appoint a parish constable in every parish, (1) but as the Justices were members of the local gentry, and local services were simple and trivial, there was in fact little or no direct administrative control from the central authority. Such control as did exist was through the judicial process of verdict by the King's judges on those individuals, local authorities, or justices of the peace, who had not carried out their common law or statutory duties. (2)

The gradual urbanisation of the country and serious internal troubles caused by occasional bad harvests and unemployment later brought about the necessity of enlarging and improving the police power. The old parish constable was inadequate and incompetent to cope with the rising problem. To meet the situation, in 1829, Mr. Robert Peel introduced and Parliament passed a Metropolitan Police Bill which placed the new professional full-time police force for London under the direct control of the Home Secretary. (3) Exchequer assistance had been given in respect of this force as early as 1833; and after numerous changes, the amount was fixed in 1878 at the equivalent of a rate of 4d. levied over the Metropolitan Police District. In addition, certain small charges in respect of this force were placed upon the Exchequer from time to time in compensation for the special services of a national character rendered by the force.

Under the Special Constables Act, 1831, the justices were further authorised to appoint special constables to augment the existing forces. These might be enrolled voluntarily or by compulsion, any person who refused being liable to a fine of not more than £5. Nevertheless, the amateur police force proved to be more and more incompatible with the rising needs of modern society. So in 1833 the Lighting and Watching Act was passed which provided that any town with a population of 5,000 or more could appoint paid local watchmen. Under the Municipal Corporations Act, 1835, a Watch Committee was to be elected every year by the town council to take charge of the 'watching' or policing of the borough. This Committee was required to appoint a sufficient

(1) Clarke, County Council, 1941, pp.18-19.

(2) H. Finer, The Police and Public Safety, A Century of Municipal Progress, p.273.

(3) In 1856 the system was changed, and the Metropolitan Police Force was put under the control of Commissioners subordinate to the Home Secretary.

number of paid constables to form a permanent force, and the town council was given authority to make a special borough watch rate in order to meet its cost. The Act contained no provision for any supervision, inspection, audit, control, or grant-in-aid by the central authority, and the corporations were left entirely independent^x as regards both control and financial aid.

From 1835 to 1856, Act after Act was passed in order to establish an efficient constabulary force in every locality of considerable size. According to the County Police Act, 1839, the justices in quarter sessions were empowered to raise and equip a permanent paid constabulary in any county or any division of a county on the model of the Metropolitan and Borough police. The justices were given the general management of the new police force, but certain powers of control and supervision were conferred on the Home Secretary which he had never had with regard to borough police. The justices were required to report to the Secretary of State the number^o of constables appointed and obtain his approval for any subsequent increase or diminution in the number. The Secretary of State was authorised to make rules for the 'government, pay, clothing and accoutrements, and necessaries' of the force; his approval was also necessary 'for the appointment of the chief constable; (1) for the plans of all police stations, strong rooms and lock-ups; and for the fees to be charged in respect of the service of summonses and other special services by the constables'. (2)

The permissive provisions of the 1839 Act, however, did not produce the result intended. County authorities were either negligent in tackling the problem, or afraid that the establishment of such a force would throw additional burdens on the ratepayers. In the meantime, public opinion grew gradually in favour of a general and uniform constabulary force which would ensure more effectively the

(1) In the case of a borough the power of the watch committee to appoint the chief constable is not subject to the approval of the Home Secretary, though in the counties as well as in the boroughs the chief constables can be dismissed without reference or appeal to the central authority. As regards the subordinate policemen, they are paid, promoted and dismissed at pleasure without reference or appeal to the central authority. Besides, in the matter of prosecutions the chief constable has, as a rule, a very free hand. The Home Office seldom, if ever, interferes except in a case of murder. See G. M. Harris, *Municipal Self-Government in Britain*, 1939, pp.226-227.

prevention of crime and security of property. As a result, the County and Borough Police Act was passed in 1856 which made it compulsory upon the justices throughout Britain to appoint a force for all parts of their county not served by a borough force. Government inspectors were appointed, to whom all police authorities in boroughs and counties were required to make an annual report of their work. The inspectors were required to visit and inquire into the state and the efficiency of the police in every borough and county, and to report the same to the Secretary of State. But at that time the champions of centralisation remembering the fate of the first Board of Public Health, were moderate in their demands. So, despite the far-reaching power of inspection which was given to the Home Office, it secured no right to impose its will directly upon any local authority, or to issue orders to any local constabulary. In order to give a practical value to the results of the reports and inspections, a grant of one-quarter of the cost of the pay and clothing of the force was provided by the Exchequer upon a satisfactory report being made by the inspectors. The power to withhold the grant on the ground of lack of efficient administration was also conferred upon the Home Secretary. This has been a powerful instrument both in maintaining a desirable standard in the police force and in encouraging some of the smaller and inefficient police forces to amalgamate with the county force. (3) Under the Act, the local police authorities, for the first time, found their administration subjected to a searching form of central control, with the possibility of losing a substantial grant if their force failed to attain the standard of efficiency required. (4) This soon proved to be a very

(2) Cd.7316, 1914, pp. 242-243. These provisions still remain effective.

(3) Smellie, op. cit., p.106-7.

(4) If a police force obtained the certificate of efficiency, payment of the grant in aid was allowed in respect of such expenditure on pay and clothing as had been authorised by the Secretary of State. Payment was not made in respect of any augmentations to the strength of a force or any alteration in pay or clothing which had not received the approval of the Secretary of State. In this way the machinery of the grant in aid gave the Secretary an almost equal measure of control over the police expenditure of both counties and boroughs. See Cd. 7316, 1914, pp.247-8.

effective method of central control, for though no police authority was compelled to qualify for the grant, in practice, as the amount at stake was substantial, councils dared not refuse the grant lest the rates be increased. Moreover, the refusal of a grant was in itself a condemnation of the efficiency of the local authority, and much could be made of this at local elections. (1)

The grant was increased to one-half the cost of pay and clothing in 1874, and, under the Police Act, 1919, it was enlarged to cover one-half of the whole approved expenditure of the forces.

It should be noted that when the county councils were created in 1888, it was provided by the Local Government Act that the powers and the duties of the county justices with regard to the police should be transferred to a Standing Joint Committee consisting of an equal number of representatives of the county council and of the quarter sessions. At the same time, the direct grant in aid was replaced by the system of assigned revenues, though county and borough police forces remained subject to the inspection by the Inspectors appointed under the Act of 1856, and payment of the Exchequer contribution was still dependent on the certificate of efficiency. (2) The only change was that the old scrutiny of expenditure by the Home Office ceased. (3)

The extent of central control over the police forces was further enlarged by the Police Act, 1919, simultaneously with the increase of the grant in aid. The Home Office was authorised, after consultation with the Police Council, (4) to make regulations for the government, mutual aid, pay, allowances, pensions, clothing expenses, and conditions of service of the police forces. These powers were strengthened by the Police (Appeals) Act, 1927, which provided that any member of a police force was entitled to appeal to the Home

(1) Jennings, Central Control, op. cit., pp.436-7.

(2) If the certificate of efficiency was withheld by the Home Secretary in respect of a county or county borough force, a sum was forfeited to the Exchequer and charged to the Exchequer Contribution Account equivalent to half the cost of pay and clothing. In the case of a non-county borough maintaining a separate police force, a sum equivalent to one-half the cost of pay and clothing of the force was transferred by the county council from the Exchequer Contribution Account and applied to the general purposes of the county, i.e., if a non-county borough was inefficient, the county and not the Exchequer received the benefit of the penalty entailed.

(3) Cd.7316, 1914, p.247.

Secretary if he were dismissed or required to resign. The Police (Appeals) Act, 1943, extended the right to appeal to questions of reduction in rank or rate of pay. (5) So the ultimate, if not the day-to-day, control of personnel was placed in the hands of the central department. Furthermore, all policemen have to take an oath of allegiance to the King, that is, to the Central Government and not the local authority; and the laws which they enforce are for the most part national and not local in origin.

Although the administration of the police is controlled in detail by regulation or order, there is no severe friction between police authorities and the Home Office. This is partly due, no doubt, to the fact that Home Office control is accompanied by an ample grant, and that the inspectors are few in number, and do not inspect very frequently. But as a rule the orders and wishes of the Home Office are accepted, and both the members of the local authority and the chief constables are glad to have the expert advice of the Inspector from the central government. Besides, central control is rendered less apparent by the fact that the police authorities are neither directly responsible nor responsive to the electorate. (6) Some would even remark that police administration is not a local government service at all. (7)

Generally speaking, the system of inspection and the requirement of a certificate of efficiency from the Home Secretary as a condition of receiving the Exchequer contribution are effective in bringing the police forces of the country up to a common standard of efficiency. But the arrangement still has some defects which are often criticised. The system equips the Home Secretary only with the means to inflict the severe penalty of depriving the local authority

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- (4) The Police Council is a body constituted by the Act, on which are representatives of the Police Federation for the lower ranks, and the chief constables of the police authorities.
 - (5) Wade & Phillips, Constitutional Law, 1948, 3rd ed., p.164.
 - (6) In the case of a borough, the police service is administered by the watch committee appointed by the council yet independent of it, subject only to the all-important matter of financial control which enables the council indirectly to impose its will on the watch committee in some directions by withholding sanctions to expenditure. On the other hand, in the county where the standing joint committee is the authority, the county council has even less concern with the constabulary.
 - (7) Barratt, op. cit., p.151.

of the whole of the Exchequer grant by withholding his certificate where there are very grave shortcomings. He has no power to exact some lesser penalty for the purpose of day-to-day administration by withholding such portion of the grant as he thinks fit. (1) It would be desirable, moreover, that, in addition to the grant's depending on expenditure, there should be some other grant in the discretion of the Home Secretary to be applied in cases where the local authorities are required to undertake special duties or to incur increased expenditure at the request of the central authority. Again, according to the provision of the 1856 Act, the certificate required for grants is one which will prove that the force is 'maintained in a state of efficiency in points of numbers and discipline'. The scope of the measurement of efficiency is indeed too limited. The Inspectors can do nothing to improve the forces which, though reasonably efficient in respect of numbers and discipline, are not properly maintained or equipped in other respects which are of no less importance in the discharge of their ordinary local duties as well as of such special services as may be required of them in emergencies.

IV. Highways.

The highways in Britain were, in the earliest times, maintained and repaired, according to the common law, by the inhabitants at large in the area through which the ways passed. As early as 1555, it was provided by a statute that the parishioners were liable to four days (subsequently extended to six days) personal service of eight hours each per annum for this matter; but as such a system worked badly, by 1691, a permanent highway rate was introduced to replace the statutory personal labour of parishioners. This was followed later by the formation, under the Highway Act of 1835, of highway boards and highway districts employing a paid surveyor. (2) Soon experience proved that the parish unit was too small, and the Public Health Act, 1848, made the new Local Boards of Health, as the urban sanitary authorities, the surveyors of highways, thus making the

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- (1) In practice it is most unusual to finally withhold the grant, but it is comparatively common to delay payment of the grant for a few months until a local authority has promised to rectify some defect in administration. W. D. Bushell, Central Control of Local Government; see G. M. Harris, Problems of Local Government, 1911, p.392.
- (2) The Town Improvement Clauses Act, 1847, legalised the

first breach in the ancient parish autonomy. In 1894, highway boards were abolished, and the newly constituted rural district councils were made the highway authorities for parochial highways. Since 1929, rural districts have again been exempted from their duties of highway maintenance. Under the Local Government Act of that year, county borough councils have control over all highways in the county borough, and the county councils are the authorities for classified roads in urban areas and all highways in rural districts, while urban authorities have full control of all unclassified roads and streets.

Although the reform of the highway laws was brought forward just at the time when poor law administration had assumed a very high degree of centralisation, the Highway Act of 1835 did not give any powers of control to the central authority. On the contrary, as the Webbs have pointed out, by reducing the control of the justices over any 'parish, township, tithing, rape, vill, wapentake, division, city, borough, liberty, market town, franchise, hamlet, precinct, or any other place or district maintaining its own highways', it increased the autonomy of all these 'little republics' whose administration, as a result, was practically free from any external supervision, control, or even audit.

(1) In the ensuing thirty years, the efforts of the Home Office were generally directed towards the enlargement of the administrative unit for rural road management and the granting to magistrates in quarter sessions of some general supervising and controlling power. The Home Office did not succeed until the enactment of the Highway Act of 1862 which empowered the justices in quarter sessions to combine, compulsorily, parishes into highway districts under highway boards. Owing to inertia and negligence on the part of the Home Office, however, the Act did not achieve much success. The central authority abdicated voluntarily from leadership, and there was no advice as to policy or administrative direction given to the justices. This naturally led to 'a diversity of action and a confusion of areas' which made local government much more entangled. (2) The attitude of

office of town surveyor, which was confirmed by the Public Health Act, 1848.

(1) Webbs, *The Story of the King's Highway*, 1913, p.204.

(2) Some quarter sessions took action under the statute, and began to form highway districts. Other did nothing. Of those that took action, some adopted the petty sessional division as the unit of area; others chose rather the area of the poor law unions formed under the 1834 Act; whilst others again, constructed brand-new areas

the Home Office and its harmful effects on the highway service are described by the Webbs in the following terms:- "Even if it does as much as send out a circular, it seems to consider it beyond its duty to take any steps to get the local authorities to take action, or to call upon them to report annually what action they are taking, or to supervise, from year to year, how they are administering (or possibly not administering) the powers entrusted to them. Least of all does the Home Office seek to guide the action of the local authorities, or even to bring about any uniformity of policy among them; though in one field after another the lack of such direction has produced disaster". (1) This situation was slightly improved after the enactment of the Public Health Act, 1872, which provided for the union of highway and public health administration, and thus transferred all highway administration to the jurisdiction of the Local Government Board.

As mentioned above, highway construction and repair had suffered greatly from parochial administration. There was no statutory obligation for the parishes to construct new roads, and so, rural areas in particular, were indifferent to the needs of new through traffic which grew rapidly with the expansion of the factory system. Turnpike trusts, therefore, began to spring up and secure statutory authority to build new strong roads as a private commercial enterprise, with toll bars placed across the roads in order to levy tolls from the users. It was usually provided that on the expiration of the trusts, or in the event of default of the trustees, or of a deficiency in the trust funds, these roads should become a charge on the highway rate.

Although the need of the main lines of communication were thus catered for, the inconvenience of the toll bars became a great nuisance to the public. There were protests and disturbances in various parts of the country, particularly the 'Rebecca Riots' in South Wales from 1839 to 1842. Apart from this, there was, again, what Sir James Macadam described as 'the calamity of railways' which caused a decline in the funds of the turnpike trusts. Many turnpike trusts collapsed, and the burden of the maintenance of their through roads fell upon the highway rates. Eventually, Parliament had to take action, and in 1862 provided a sum of £250,000 for the purpose of making grants to highway authorities in the form of a quarter of the cost of maintaining disturnpiked roads. This was reinforced, under the provision of the Highways and Locomotives (Amendment) Act, 1878,

corresponding neither with the poor law union nor the petty sessional division. See *ibid.*, p.209.

(1) *Ibid.*, pp.208-9.

when every disturnpiked road became a 'main' road and one-half of the cost of maintenance was to be paid from county funds to the highway authority if the roads were maintained to the satisfaction of the county surveyor. By the Highway Act, 1882, the Government grant was again increased by one-half, so that only a quarter fell on the district directly. The Local Government Act, 1888, transferred the entire responsibility for main roads to the newly-established county councils; and the existing Exchequer grants for main roads were discontinued under the assigned revenues system. (1)

The decline of main road traffic in the face of competition from the railways, did not last very long, for the growth of bicycle and still more of motor traffic made roads far more important than they formerly were. The consequent demands for improvements to meet modern requirements accentuated the shortcomings of the highway system; it was obviously unreasonable to let the ratepayers of the locality bear the whole charge of these improvements; it was equally clear that in order to obtain an effective national transport system, the central government would have to exercise more control over the actions of highway authorities. Provision was made by the Development and Road Improvement Funds Act, 1909, and the Finance (1909-10) Act, 1910, for giving assistance from a Road Improvement Fund which was created for this purpose. A new central authority, i.e., the Road Board, was set up and empowered to construct and maintain any new roads (including bridges) by itself for facilitating traffic in any part of the United Kingdom, and to make advances, either by way of loan or grant, to county councils or other highway authorities for the construction of new roads or the improvement of existing roads. The fund available for these purposes was, under the latter Act, equal to the net proceeds of the duties on motor spirit and the licences for motor cars.

In spite of the rapid development in the use of highways and the immense amount of money which had been allocated for their improvement, the control of the central authority was still quite insufficient. The Local Government Board had done very little to improve or to standardise local road administration. It did not trouble itself even

(1) Most of the other discontinued grants were charged upon the revenues then assigned to county and county borough councils; but this was not done in the case of the main road grant. However, it has generally been held that the free balances on the Exchequer Contribution Accounts were intended to cover one-half the cost of main roads. See Cd.7315, 1914, p.44.

to collect information regarding the condition of the main roads towards which it payed; it did not send any inspector of roads out to learn the facts; it did not report to Parliament on roads; in fact, it did not even bother to address to the local authorities so much as a circular of enquiry!

(1) As regards the powers and duties of the Road Board, they were also far from being satisfactory. So we find that in 1913 the Webbs were still making severe criticisms of central control in the matter of highway administration. They found that:- (2)

.....The county councils themselves are under no supervision. It is a strange anomaly that the important public service of highways, which costs us out of public funds practically as much as the whole of our payments, private and public, for medical attendance, or as much as the whole cost of our relief of the poor, and not far short of what we spend on public education, is the only public service which may never be mentioned in the House of Commons! No Minister of the Crown, and no Government Department, has any responsibility for the management of even the most important national thoroughfares. It follows, apparently, that the House of Commons has no opportunity of criticising the state of the roads, or of remedying any grievance connected with them. Except now (1913) to the limited extent of the duties of the Road Board, no item on the Estimates permits a discussion; and no question as to the state of the roads is even allowed to be put to the Government in the House of Commons. This is not due merely to the fact that road maintenance is one of the functions of Local Government. With regard to practically every other branch of local administration---police, education, poor relief, sanitation, lunacy, or liquor licensing---any malfeasance or non-feasance can at any rate be made the subject of a question in the House of Commons, so that any administrative scandal or public grievance may be brought to light. With regard to the maintenance of roads, and it seems with regard to this subject alone, the House of Commons, the "Grand Inquest" of the nation, is, inadvertently, by the unforeseen effect of past neglect, and its own red tape, even to this day blind and deaf!

(1) Webbs, op. cit., p.247.

(2) Ibid, pp.244-5.

This criticism was not without its effect. People began to think it necessary that there should be new department of State concerned with Transport as a whole, to secure uniformity in the standard of maintenance for roads. Accordingly, a Ministry of Transport was established, under the Ministry of Transport Act, 1919, to exercise extensive powers over all forms of transport service. (1) The former Road Board was replaced by a Statutory Road Committee. Acting through this Committee, the Minister of Transport could construct and maintain new roads and bridges, and, for this purpose, he might acquire land for the road itself, and also up to 220 yards on each side from the middle of the road, and sell, lease, or manage this land, which might have been improved in value because of the road. If he could not acquire the land on reasonable terms, he might apply to the Development Commissioners, who might make an order, without a Provisional Orders Confirmation Act, authorising compulsory purchase. The Minister was also given power, with the approval of the Treasury, to make advances, by grant or loan, on such terms and conditions as he thought fit, for the construction, improvement or maintenance of roads, bridges or ferries. He might not, however, without the consent of the local authority, or of the Minister of Health, impose conditions which might entail expenditure by a local authority. He was enabled, by agreement with a local authority, to pay half the salary and the establishment charges of their engineer and surveyor, provided the conditions of appointment and service were subject to his approval. (2)

In 1920, the yield of the new licenses on motor vehicles was ordered to be paid into the Road Fund. The amount of these new revenues was so considerable that it was 'raided' again and again by successive Chancellors to meet the urgent needs of other purposes. In addition, under the Local Government Act, 1929, some of the Road Grants were discontinued. In spite of these deprivations, however, the Minister of Transport still had substantial funds to assist road developments. The more the highway service became grant-aided, the stricter was the control of the Minister. As a matter of fact, the all-round control of the highway service had by now become so essential that, even where road

(1) The new Ministry had control over railways; light railways, tramways, canals, waterways, and inland navigation; roads, bridges, and ferries, and vehicles and traffic thereon; and harbours, docks and piers. See Jennings, op. cit., pp.449-450.

(2) Clarke, Local Government of the United Kingdom, 1945, pp.454-455.

grants were reduced under the Act of 1929, a considerable degree of central control was provided. (1)

In general terms, the departmental control of highway maintenance, has, until recent years, been confined to the more important traffic routes or classified roads, and directed towards technical matters concerning the design and layout of main roads and road-making materials. (2)

Now, however, the problem of road transport has emerged from one of simply providing roads to one of regulating road traffic and maintaining the safety of the population. The powers of the central department have been correspondingly expanded. The Road Traffic Act of 1930, for example, enabled the Minister, inter alia, to issue directions for the guidance of users of roads, known as the Highway Code. Again, under the Road Traffic Act, 1934, it was provided that the direction as regards speed limits given by the local authorities should receive the consent of the Minister, and on the other hand, that the Minister should have power to give this direction where the local authority had failed to do so. Similarly, schemes for foot-passenger crossings required the approval of the Minister of Transport. The local authorities were required to execute any works which might be regarded as necessary for road safety, but if they defaulted, the Minister might execute the works and recover the cost from them.

Control of trunk roads has given rise to very little friction between central department and local authority. Where such friction has arisen, it has been usually with regard to traffic safety control. The Minister of Transport has been criticised for an over-bearing attitude in such matters as the provision of street crossings and Belisha beacons and the de-restriction of speed-limits, etc., which could best be judged by people on the spot. Complaints have

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- (1) Section 104 of the Local Government Act, 1929, provided that the Minister of Health might reduce the grant payable to any council by such an amount as he thought fit, if the Minister of Transport certified that he was satisfied that the council had failed to maintain their roads or any part thereof in a satisfactory condition.
- (2) The trunk roads were taken away from the county councils and vested in the Minister of Transport under the Trunk Roads Act of 1936 and 1946. For these the Minister assumed the powers of the highway authorities. The Minister need not undertake the necessary work directly but may arrange for the local highway authority to carry out the work as his agents for a period of two years, the Minister reimbursing the local authority for all the expenses.

been often made that the Minister has asked for the provision of more pedestrian crossings and Belisha beacons than were really necessary, and that he has insisted on having the full number supplied before he gave any grant. The result ~~has~~ ^{was} that local authorities had to waste money and incur traffic disturbances in order to obtain the grant. Nevertheless, whatever the truth of these complaints, (1) it must be conceded that the central department has not acted without local knowledge. Its decisions have been based chiefly upon the reports of the divisional road engineers attached to the regions in question. (2)

V. Education.

In the matter of public education, England lagged far behind Scotland. In Scotland the importance of education had already been recognised at the end of the 15th century; and, after the Reformation, owing to the wisdom and energy of John Knox, every parish in Scotland had its school and its schoolmaster, with statutory obligation upon the heritors, acting together with the kirk sessions, to provide and maintain it. This system of national education was strengthened and made more complete after the passing of the Act of 1696 (C.26). (3) England, however, presented a different case. Prior to 1870, there was no national system for education at all. Education was a matter of private and voluntary effort, provided mainly by charitable or religious zeal. In 1807, Whitbread promoted in the House of Commons a Bill, modelled on the Scottish system, providing for the establishment of a school in every parish the cost of which might be defrayed out of the rates. But it was rejected by the House of Lords. Continuous efforts were made by Brougham and other reformers, but they were doomed to failure as the political theory of laissez-faire was still too firmly entrenched. It was in 1833 that the

(1) G.M. Harris, *Municipal Self-Government in Britain*, 1939, pp.229-230.

(2) Apart from the powers mentioned, the Minister was granted power to settle the disputes arising from the county and the county district councils with regard to the problem of delegation of unclassified roads under the Local Government Act, 1929 (Sect.35). He might, under the Street Playgrounds Act, 1938, hold a local public inquiry so as to revoke or alter the order of a local authority which restricted the use of specified roads by vehicles during stated hours in order to make such roads safer as playgrounds for children.

House of Commons for the first time voted the parsimonious educational grant of £20,000 in favour of the two private associations, the British and Foreign Schools Society and the National Society, for the erection of school houses.

(4) This grant became annual, and by 1839 it increased to £30,000.

But the contribution of such a small amount of money had very little, if any, effect for the betterment of education in the country as a whole. A large proportion of children were still deprived of instruction owing to the insufficient supply of schools. Besides, most of the schools at that time were poorly equipped. The seriousness of the problem was brought to light by the indefatigable inquiries of the Manchester Statistical Society which showed in one of its reports that out of 12,117 children in Manchester, only 252 were in attendance at day schools and 4,680 at Sunday schools. This dreadful situation was much the same in other industrial towns. In Lancashire, for example, it was stated that out of every ten children of school age, four went to no school at all, three went to Sunday schools only, two attended the comparatively worthless dame and common day schools, and one attended schools which, if they won a little praise, were still far from being satisfactory. (5) Something, therefore, had to be done in order to supply cheaper and better education for the people; and popular opinion was in favour of State action.

In 1839, a Special Committee of the Privy Council, presided over by the Lord President, was established by Order in Council to administer the annual grant voted by the House of Commons. (6) The Committee appointed a permanent staff which included two inspectors of schools, and from this time forward education in Britain began to acquire the character of a public service. The work of the Committee was, however, by no means free from difficulties. First of all, it had to secure the cooperation and understanding of the churches by which most of the schools had been maintained. Owing to the traditional freedom which they had acquired in the management of their schools, the two religious societies were suspicious of, and opposed to, any external intervention. The first

(3) G.M.-Harris C. de B. Murray, How Scotland is Governed, 1947, p.180.

(4) The reason why this grant assumed the form of a vote in supply was that it did not require the consent of the Lords. See Graham Balfour, Educational Systems of Great Britain and Ireland, p.2.

(5) Frank Smith, The Nation's Schools, op. cit., pp.223-5.

(6) This was again in order to avoid the opposition of the Lords.

proposal of the Committee to establish a State training college for teachers, accordingly, encountered so much angry attack that the scheme was hurriedly withdrawn; and the Government narrowly escaped defeat when the annual grant for education was discussed in the House of Commons. It was after this capitulation of the Committee that Sir James Kay-Shuttleworth was called in to be the Secretary. Unlike Chadwick's tactlessness in his dealing with the Poor Law and public health, Sir James won his way through by incessant persuasion and compromise. His success was remarkable; for he not only won the support of the chief religious organizations, but also initiated wise principles of State control. He secured the right of inspection in all aided schools, (1) and through his inspectors he gave stimulus and guidance to every part of the country; he established the pupil-teacher system which replaced the very much inferior monitorial system; he made the teaching profession more attractive and raised the standard of the qualifications of teachers; he devised maintenance grants for the schools; he extended State aid to other religious communions; he planned and directed many experiments to demonstrate improved methods of teaching; he even established a training college for teachers at his own expense in Battersea, and made it so successful that the churches which had wrecked the plan of the Government a few years earlier, began to imitate his methods and assure a supply of trained teachers.

(2)

In 1846, the first grants were made in aid of teachers' salaries; and in 1853, capitation grants were introduced to meet expenditure as a whole. These grants increased gradually so that by 1861 they reached a total of £842,000. By that time an Act of Parliament had already been passed (1856) which established the office of Vice-President of the Committee of the Privy Council on Education and made the administration of grants come under the control of a Minister responsible to Parliament, acting under the general authority of the Lord President of the Council. The Vice-President in the year 1861 was Robert Lowe. With a view to producing a better effect by the use of this ample contribution, he formulated the system of payment by results which made the amount of the grant depend upon the efficiency of each school, the test of efficiency being an examination by one of Her

(1) The Committee issued minutes to explain the conditions upon which grants would be given. When the grants increased, the conditions became more strict, and the schools earning grants were compelled to submit to regular inspection.

(2) Frank Smith, op. cit., pp.226-7.

Majesty's inspectors. "If the system will not be cheap", he said, "it will be efficient; and if it will not be efficient, it will be cheap". Bad schools lost their subsidies, and it was reported that in four years the annual grants fell to £636,000. (1)

Another achievement of Robert Lowe's was the publication of a Revised Code of all the Minutes issued by the Education Department, which had been codified for the first time in the preceding year. This Educational Code contained all the rules and regulations set out systematically, which should be observed by the school managers if they were to get their grants. In the provision of capitation grants, for example, the Code required that "the building must satisfy the inspector, the teacher must be certificated, proper registers must be kept, and needlework must be taught to girls. The grants could be reduced for faults of instruction or discipline, for failure to remedy defects or supply adequate apparatus, and for insufficiency of staff, and were not to exceed the amount of school fees and subscriptions, or 15s. per scholar in average attendance. Most important of all, one-third of the sum claimable on attendance was to be forfeited for failure in each of the three subjects, reading, writing and arithmetic". (2)

Thus before assuming any direct responsibility for the provision and maintenance of education, either by the central or the local authorities, Britain had gained governmental inspection of schools and a public code of education through the medium of Exchequer grants.

The most obvious defect of British education at that time was that the schools were still maintained on a voluntary basis. There was as yet no attempt on the part of Parliament to establish a compulsory system. Though a sort of 'attendance grant' had been introduced to encourage local managers of schools to do their best to attract more children, the state of things remained not much improved. There was no means of compelling the children to go to school, (3) or of compelling school managers to provide sufficient accommodation. All that the State could do was to assist and encourage voluntary effort and private initiative in the building of new schools and the maintenance of old ones. The public, however, was meantime becoming more and more aware of the dangers which might result from a deficiency

(1) Graham Balfour, op. cit., pp.17-19.

(2) Frank Smith, History of Elementary Education, pp.255-6.

(3) As a matter of fact, no child need receive any instruction unless it happened to be a pauper, a criminal, or a child of a soldier, or at work in a factory. See Redlich & Hirst, op. cit., Vol.II., p.226.

in national education. The factors behind this movement are revealed in a passage in Frank Smith's essay:- (1)

Events in the 'sixties', both at home and abroad, emphasized the national aspects of education. Industrial rivalry was growing more acute, and manufacturers began to realise that other countries were becoming more successful competitors. Through the Great Exhibition of 1851, and through later continental exhibitions, they saw new evidence of the fruits of technical training, and the application of science to the industrial arts. Wars in other countries also showed that national education might even be a form of national defence: the better educated Northern States of America had defeated the Southern States; the Prussians in 1866 had defeated the Austrians, and the victory was described as the victory of the elementary school teachers, for the schools of Prussia had implanted a new discipline and a new national spirit in the people. But even more significant than these lessons was the realisation that the Reform Act of 1867 had enfranchised a host of uneducated voters in the country, and that a dangerous political experiment was in process. Opponents of a compulsory system were converted to its need, and Robert Lowe's famous phrase, "We must educate our Masters", expressed the view that the State's responsibility could no longer be evaded....

The problem was tackled courageously for the first time in Mr. Gladstone's first administration. W.E. Forster introduced an Elementary Education Act in 1870 which provided that in districts where there were no voluntary schools complying with the requirements of the code, or where the accommodation was insufficient, school boards should be formed to supply the deficiency. The expenses of such boards in the erection and maintenance of public elementary schools, so far as they were not met out of fees and Government grants, were to be charged upon the rates of their respective areas. (2) The boards were also empowered to make byelaws to enforce the attendance of all children between the ages of five and thirteen. (3) If a board failed to do

(1) The Nation's Schools, op. cit., p.231.

(2) If the rating authority failed to pay the amount specified in the precept issued by the school board, the board might, without prejudice to other remedies, appoint an officer with all the powers of a rating authority. Another remedy was by mandamus. Redlich & Hirst, Vol.I., p. 186.

its duty, the Education Department had power to appoint another board to supersede it. The number of members on a given school board was also to be fixed or approved by the Education Department in each case according to population.

(4) Besides, the Department could, with its usual powers, conduct inspections and demand returns; it could sanction the actions of the local boards and superintend the allocation of Parliamentary grants according to the principles of the educational code for the time being in force.

In 1876, an Act was passed to provide all school districts where school boards did not exist with School Attendance Committees in order to enforce attendance at the voluntary schools. The Committees were appointed annually in boroughs by the municipal councils and in other school districts by the Guardians. Moreover, by the Elementary Education Act of 1880, all children from five to ten years of age were compelled to go to schools as 'full-timers'. Since then, the school age has been raised continuously; and by the Abolition of Fees Act, 1891, elementary education was made free as an additional grant of 10s. per scholar in average attendance was provided for all free school accommodation. The effect of this movement was remarkable. A universal and compulsory public elementary education was achieved.

(3) In this place the Act for Scotland was again much more progressive in its principles than its English counterpart. Sect.69 of the former provided that: 'It shall be the duty of every parent to provide elementary education in reading, writing and arithmetic for his children between five and thirteen years of age, and if unable from poverty to pay therefor, to apply to the parochial board of the parish or burgh in which he resides, and it shall be the duty of the said board to pay out of the poor fund the ordinary or reasonable fees for the elementary education of every such child, or such part of such fees as the parent shall be unable to pay, in the event of such board being satisfied of the inability of the parent to pay such fees....' The provision was definitely compulsory. On the other hand, the corresponding section in the English Act made education not compulsory but permissive. 'Every school board', it ran, 'may' (not shall) 'from time to time, with the approval of the Education Department, make byelaws for all or any of the following purpose: (1) Requiring the parents of children of such age, not less than five years nor more than thirteen years, as may be fixed by the byelaws, to cause such children (unless there is some reasonable excuse) to attend school....'

During this time the school boards had made great progress. The aim of the Government was chiefly directed towards improving the equipment of voluntary schools as well as increasing the number of scholars in attendance. Increased grants, moreover, had from time to time been forwarded to them.

In 1899, the central education authority was re-constituted. Under an Act of Parliament of that year, the Board of Education was set up to deal with the education of the country. The Act also extended for the first time the power of central inspection to the secondary and technical schools which were then still in the hands of private organizations.

There was, however, a reaction against the ad hoc form of administration in 1902, and the Education Act of that year made a great effort to absorb the voluntary schools into the national system and to place the financial responsibility for their maintenance on the local education authorities. All the school boards and the school attendance committees were abolished and their functions were transferred to the new authorities. It was provided that, apart from the voluntary schools, higher education should be handled solely by the county and the county borough councils; while elementary education was made the responsibility of the councils of county boroughs, non-county boroughs with a population of over 10,000, urban districts with a population of over 20,000, and the councils of counties for their areas outside those boroughs and urban districts. As the difficulty which previously stood in the way of bringing education into the general scheme of Exchequer subsidies was removed by the Act, central control assumed a more effective form. The Act also provided that the educational expenditure of all the local education authorities should be audited by the Board. So, for the first time in British history the expenditure of voluntary schools and that of boroughs on higher education was brought under the review of independent governmental auditors. (5)

(4) The members of the board, whose number was not to be less than 5 or more than 15 except in the metropolis, might either be male or female, lodger or householder, resident or non-resident. In a municipal district the board was to be elected by the burgesses, elsewhere, and in the metropolis, by the ratepayers, both men and women. In order to safeguard religious minorities, a system of cumulative votes was introduced.

(5) Hitherto borough accounts had been audited by borough auditors. While the accounts of all other local authorities had been audited by the Local Government Board,

From 1902 to 1944 the efforts of Parliament were chiefly directed towards the development of special services in education. In 1906 came the provision of meals, in 1907 the provision of play centres, of school camps and of medical inspection of school children, in 1909 the provision of medical treatment, in 1910 vocational guidance, and in 1913 special treatment for mentally deficient children such as had already been established in 1893 and 1899 for blind, deaf, defective, and epileptic scholars. Efforts were also made to raise the school age and to assist the reconstruction of school buildings and the reorganization of the voluntary schools to meet the needs of advanced education. Exchequer grants were accordingly increased, and the control of the Board of Education became more detailed and strict.

The power of the central authority culminated in the Education Act of 1944 which transformed the Board of Education into a Ministry. The new Minister was effectively authorised 'to promote the education of the people.... and the progressive development of institutions devoted to that purpose, and to secure the effective execution by local authorities, under his control and direction, of the national policy for providing a varied and comprehensive educational service in every area'; and local authorities were required within the twelve months from the 1st April, 1945, to estimate their immediate and prospective requirements in the light of the new developments and to prepare development plans therefor and submit them to the Minister for his approval.

The most important powers which the Minister acquired under the Act were those to partition the areas of counties 'into such divisions as may be conducive to efficient and convenient administration', and to sanction the schemes of the county councils for the purpose of delegating their functions relating to primary and secondary education to 'divisional educational executives' representing one or more county districts. (1) The Minister inter alia could ask the local authorities to submit for his approval schemes for the improvement of secondary education and determine by what stages these schemes should be put into operation. He could appoint the Governors of an auxiliary secondary school,

municipal expenditure had never run the gauntlet of an independent audit.

- (1) But the council of any borough or urban district whose population was not less than 60,000, or whose total children in its elementary schools were not less than 7,000, was allowed to be excepted from any such scheme of divisional administration.

and could by regulations determine how the provision of county colleges should be administered. He was authorised also to make regulations for the payment of grants to persons, other than local education authorities, in respect of expenditure incurred by them for the purpose of educational services or educational research. He might by order require that local education authorities should provide medical inspection and treatment as well as meals and milk to children and young persons attending maintained schools and colleges. He could recognise and certify candidates for the teaching profession, and settle disputes between local education authorities and the managers and governors of the aided schools. Lastly, if the local education authority failed to fulfil any of its duties, the Minister of Education might hold a public inquiry and make such order as he thought necessary which could be enforced by writ of mandamus issuing out of the King's Bench Division of the High Court of Justice.

The power of the Minister to inspect ^{to embrace} was also extended under the Act and subsequent regulations, independent schools which did not receive any financial assistance either directly or indirectly from the State, ~~were embraced~~. If the premises were regarded as unsuitable for a school, or if the instruction given was insufficient, or the proprietor or any teacher was not a proper person to hold such an office, the Minister was enabled to enforce the closing of the school or to disqualify the particular person.

Indeed, the power of the Minister to control the education of the country has grown to such extent that it exceeds anything attained in other local services except Poor Law relief. This has of course been largely the result of the enormous amount of money which has been contributed by the Exchequer in aid of education and the relative incapacity of private and local bodies to meet the expanding costs of such a service. In a recent regulation issued by the Government, it was provided that the payment of an education grant was to be conditional upon the Minister's being satisfied that the authority had complied with the requirements imposed upon it by the Education Act and had supplied punctually the information and returns required by the Minister. If the Minister is not satisfied on any of these points, he may withhold or make a reduction from the grant.

(1) Such a regulation cannot be lightly ignored.

The education grant is in practice made up of a

(1) See the Education (Local Education Authorities) Grant Regulations for England and Wales, 1948, No.334 and the Education Authorities (Scotland) Grant Regulations, 1948, No.961 (S.69), p.4.

very large number of small grants each paid in respect of a specified item of service in education. These small grants are all conditional upon the schools being maintained efficiently, and, for the most part, made to vary roughly with the amount of work done. They are made either dependent on the number of children in average attendance, or on special welfare services being provided in schools, or on the provision of schools without fees, or of schools for special classes, or of instruction in special subjects, or else on the building of new schools, training colleges, hostels, etc. How these services are to be made available is set out in the code, in some cases in great detail. (1) If the inspector of the central government reports any item of service to be not in compliance with these conditions, the central department withholds or reduces the grant in respect of that particular item. In this way in ensuring more effective control, the Minister of Education need not be driven, like the central department of police, to a bare choice between making and withholding the grant. There is some measure of elasticity and variation with which he may impose a punishment.

Although the Ministry of Education is more concerned with the routine of administrative detail than other departments which deal with branches of local government, it does not appear that this has met with any strong objection, so far, on the part of the local authorities. In spite of the fact that the legal position would allow of considerable domination on the part of the Minister, from the outset the relationship between them has, in general, been most efficiently and tactfully handled. The central department has, in practice, regarded its relationship with local education authorities as being a partnership. This sense of partnership has been shown by the Minister's readiness to set up expert committees on particular aspects of education, to give the local experts and administrators ample chance to appear and discuss before him, and to allow local experiments where national policy was not at stake. It is because of this that the visits of the inspectors have been generally welcomed in spite of their enthusiasm in carrying out their duties. The goodwill which they have shown and

(1) If, for instance, the local authorities proposed to teach cookery to children in elementary schools, it was said that they should, at each class, conform to 30 or 40 separate regulations which not only prescribed the qualifications of the teacher, but limited the size of the classes and the number of hours, instruction, and so forth. See Bushell, op. cit., p.388.

the assistance which they have offered have unconsciously strengthened the hand of the central department without creating any opposition from the local authorities. (1)

Despite an absence of friction, in general, between the central and the local authorities, certain minor disagreements have, however, emerged. In the first place, the Acts and Regulations relating to educational administration are too numerous and complicated, demanding a considerable amount of office work. For the purpose of claiming the grants many forms have to be filled up, and particulars checked, and consequently a very large staff of civil servants has to be maintained both at the offices of local authorities and at the office of the central department with consequent inefficiency and delay. Complaints, for example, have been generally made against the severe delay in obtaining approval of plans for new schools which the local education authorities have promoted. (2) In Scotland regret has also been frequently shown concerning the strictness of the conditions which the Scottish Education Department has laid down as regards the plans and designs for all new school buildings if the grants are to be obtained. As these plans and designs are to be submitted to and approved by the Department, the architect which the Department employs may alter or disapprove them as he thinks fit. The result is that there is 'a deplorable tendency to repeat the same type of school building all over the country, in defiance, or at least disregard, of all local variations whether of architecture, available materials or even climate'. (3) There is something too in the charge that because of the excessive detail required in stipulations for grants there is inevitably a tendency for the governors and managers of schools and local education authorities to ignore true educational aims, and to consider rather how, within the wording of the Regulations, the highest money grants may be obtained. (4)

VI. Housing.

Prior to the first world war housing was not a public service, although local authorities in Britain took responsibility long ago for the sanitation and quality of houses. It was only towards the end of the last century that the shortage of houses for the poorer workers began to force itself upon public attention; and the problem was tackled for the first time on national lines by the Royal Commission on the Housing of the Working Classes, 1884, and the passing

(1) Barratt, op. cit., p.149. (2) Harris, op. cit., p.163.

of the Housing of the Working Classes Act, 1890. Very similar to the subsequent housing legislation, the Act dealt with (i) the demolition of individual unhealthy dwelling houses, (ii) the clearance of unhealthy areas, and (iii) the provision of new dwellings for the working classes. The Act also provided for periodical inspections of the district with a view to ascertaining whether any dwelling house therein was in a state so dangerous or injurious to health as to be unfit for human habitation.

The problem, however, was not solved by the mere passing of the Act. No strenuous effort was made by the local authorities to cope with housing requirements, owing to the considerable expenditure involved. At the same time the increased cost of building, higher rates of interest, and more stringent building regulations issued by the Local Government Board, (1) militated further against the provision of houses. The outcome was that houses could not be provided with a charge which the average person could pay. From 1910 onwards up to the outbreak of the 1914-18 war, the number of houses built by private enterprise decreased rapidly, and the shortage, especially of the houses for the lower paid workers, began to become acute. A Land Enquiry Committee reported in 1914 that there was a shortage of housing accommodation in most towns; that most urban workmen lived in congested areas, and that 5 to 10 per cent lived in slums. The Committee therefore recommended that in order to effect reforms an obligation should be imposed upon every local authority to make a complete survey of housing conditions and to prepare a scheme with a view to raising the standard. They also proposed an annual block grant in aid of local rates to facilitate this undertaking.

The situation became more serious still owing to the cessation of building during the 1914-18 war. In 1919 returns from local authorities indicated a minimum need of 400,000 houses. The country could not afford to wait for the slow grinding of the laws of supply and demand any more; State interference became inevitable. So the Housing, Town

(3) C. de B. Murray, op. cit., pp.130-131.

(4) Bushell, op. cit., p.388.

(1) In former days the miserable houses that were being built had one merit: cheapness. As the public authorities interfered and gradually forced up the standard of housing by means of byelaws, they also forced up the cost of the house, and therefore the rent. The result was that the supply of cheap houses was actually diminishing while the number of families who could not afford an economic rent for a decent house was increasing.

Planning, etc. Act was passed in that year as an emergency measure. Every local authority was asked to survey the housing needs of its district and prepare and carry out a housing scheme, subject to the approval of the Ministry of Health, providing for the whole of working-class needs so far as they were not likely to be met by other agencies; the State indulging for the first time in financial co-operation with local authorities, and undertaking to bear any burden in excess of a local rate of 1d. in the £. Lump-sum grants were also offered to private builders under the Housing (Additional Powers) Act, 1919. A Housing Advisory Council and a Commission on Standardization were appointed, and arrangements were made for the supply of materials through the Building Materials Department (closed down in 1921). Thereafter Act after Act was passed providing for different types and amounts of housing grants. ~~(1)~~ The law was consolidated in 1925, but this Act was in its turn repealed and reenacted with amendments in the Housing Act of 1936.

While Exchequer subsidies had their various effects on the building and re-conditioning of houses, according to the policy of the Government at the time, (1) they also served to extend the power of the central department. This can best be seen in the stipulations of the Housing Act of 1936.

On the whole, the Minister was enabled to act in a directive and advisory capacity and dealt solely with local housing authorities which were, under the Act, chiefly responsible for the housing administration. As regards the provisions for securing the repair, maintenance and sanitary condition of houses, for example, the Minister might issue a 'Manual on Unfit Houses' or other regulations from time to time indicating a standard of fitness which was to be regarded as a minimum for a habitable house, and which every local authority was obliged to apply. The local authority had the power to declare any area to be a clearance area. In doing so they were to transmit to the Minister a report whereupon they might, after Ministerial confirmation, either order the demolition of the buildings in the

(1) The 1919, 1923, 1924 and 1926 Acts were directed mainly towards the encouragement of the building of new houses for working classes; the 1926 Act dealt chiefly with the reconditioning of cottages for rural inhabitants; the 1930, 1933 and 1938 Acts with clearance areas (in which case all buildings were to be demolished) and improvement areas (in which case some houses could be demolished and others would be repaired and overcrowding

area, or purchase the land comprised in the area and undertake themselves the demolition of the buildings thereon. In the former case, the owner affected might make an objection to the Minister so as to secure a remedy. The Minister, while exercising his quasi-judicial functions, was to do so in accordance with the rule of natural justice, (that is to say, he should hear the case with both sides present,) and could hold a public inquiry in order to consider the condition of the area.

The local authority was also empowered to pass a resolution declaring an area to be a redevelopment area, (2) and to define it on a map. A copy of the resolution and the map were to be sent to the Minister. Within six months after the passing of the resolution, or within such extended period as the Minister might allow, a Re-development Plan was to be prepared and submitted to him. If no objections were made, the Minister might approve the plan with or without modifications. Otherwise he should cause a public local inquiry to be held. (Sect.35.)

In respect of the abatement of over-crowding, the Minister had considerable power to supervise and direct. It was provided that every local authority should cause an inspection of its district with a view to ascertaining what dwelling-houses therein were over-crowded, and to prepare and submit to the Minister a report showing the result of the inspection and the number of new houses required in order to abate overcrowding. The local authority was required further to submit to the Minister its proposals and building schemes, and, for this purpose, might acquire by agreement land, subject to conditions imposed by the Minister. (Sect.73.) The Minister had, inter alia, power to revoke unreasonable byelaws with respect to new streets or buildings which were in force. He might also give directions to the authority for the protection of the beauty and amenities of the locality. (Sect.142.) If differences were to

would be abated by special byelaws); and the 1935 and 1938 Acts with the gross evil of overcrowding.

- (2) A re-development area was an area in which the following conditions existed, viz.,
- (a) that the area contained 50 or more working-class houses;
 - (b) that at least 1/3 of the working-class houses in the area were: (i) overcrowded; or (ii) unfit for human habitation; or (iii) so arranged as to be congested;
 - (c) that the industrial and social conditions of the district were such that the area should be used to

arise between two authorities in relation to the provision of houses, the matter might be referred by either authority to the Minister whose decision was to be final and binding on the authorities. (Sect.82.)

Apart from the general power to approve and direct, and to settle disputes in his quasi-judicial capacity, examples of which have been outlined, the Minister could also exercise his default powers should a local authority prove obdurate. If a council failed to exercise its powers, it was within the competence of the Minister to order it to perform its duties, and even in the last resort to make an order rendering any of the relevant powers exercisable by himself. (Sect.170.)

Generally speaking, the power granted to the Minister of Health over local housing services was not very great. Most of his powers as stipulated in the Act were passive powers; he was authorised to check and supervise, but he did not enjoy much discretionary power in issuing orders and regulations, and could hardly compel local authorities to do what he thought fit. The duties which the local authorities were obliged to perform, and the manner in which they should be done, were, in the main, prescribed by statutory provisions in some detail, leaving little room for the Minister's advice. It was only in the slum clearance procedure that the Minister really enjoyed a substantial power, but even that power was quasi-judicial in character and not administrative. His decision was by no means final. The fact that Ministerial decision could be brought before the High Court was in any event a sufficient guarantee against arbitrary rulings. Even with respect to the Minister's default powers, there was no sign of strong administrative control. It has often been said that the machinery was slow and cumbrous, and in practice the power was seldom exercised. The fact that the Minister had to deal with 1716 separate authorities was in itself an administrative defect. It was an arrangement hardly conducive to economy and efficiency. (1)

Nevertheless, to say that the housing administration was not closely and minutely governed by the central department is by no means an assertion that central control was ineffective; for after all the Minister still had the power of financial control. If he was satisfied that a local authority had failed to perform any of its duties under

a substantial extent for housing the working classes; and

- (d) that it was expedient in connection with the provision of housing accommodation for the working classes that the area should be re-developed as

the Housing Acts, or failed to observe any condition attached to the payment of grants, he might at any time withhold the whole or any part of a contribution which he had undertaken to make to that authority. (Sect.113.)

This legislation is still, with very minor modifications, in operation, and determines the present position of the local authorities.

VII. Town and Country Planning.

It is only of recent years, in Britain, that town and country planning has been regarded, independently, as a service of national importance, though some steps have long been taken along this line under the Public Health Acts dealing with sanitary conditions in towns. The control of water-supply, the making of sewers, the paving of streets, the prevention of obnoxious trades, the regulation of new structures, etc., being the important items of public health service, have no doubt done immeasurable good to the normal development of the towns at the same time. But the real difficulty of the Public Health Acts was that they did not go far enough to affect a fundamental reorganization of the municipalities. They might have prevented the building of a house which was injurious to the health of its inhabitants, but had no concern with the amenities and beauty of the country as a whole. They only regulated minor defects; they did not change them. Bad layout of buildings existed long before the passing of the Public Health Acts, for the Industrial Revolution had already done its worst. The system which was fundamentally unsound could only be improved when a far-sighted, wholesome development had been planned. "Public Health law came a century too late", writes Dr. Jennings, "It shut the door stable after the horse had escaped....It has enabled local authorities, so far as they were willing, to control the developments which have taken place since 1870. The real harm had been begun one hundred years before". (2) What is more, house building had for a long time been a matter of private enterprise. The motives behind, and the chief considerations for, the erection of a house were the making of a profit. Little attention had been paid to its future

a whole. (Sect.34.)

- (1) L. R. Connor, Urban Housing in England and Wales, Journal of the Royal Statistical Society, Part I., 1936, p.33.
- (2) Law Relating to Town and Country Planning, 1st ed., p.3.

social effect. The public health authority only determined, in relation to the land used and the rest of the built-up area, whether it was desirable in the public interest that these things should be done. They did not 'proceed themselves to develop this land', nor had they 'established any plan for general development by private persons'. The planning of new developments, or the modification of the existing system in accordance with plans, therefore, could only be done effectively by separate enactments.

As town planning is chiefly concerned with the reconditioning and the redevelopment of house building, its idea may be said to have originated in the early Housing Acts. Provisions for rudimentary civil planning may be found in the Housing of the Working Classes Act, 1885. They were consolidated and amended in the Housing of the Working Classes Act, 1890, which conferred upon local health authorities the powers to compel the repair of property unfit for human habitation. The Housing, Town Planning, etc., Acts of 1909 and 1919 both extended powers of town planning in the interest of local authorities. The latter Act even provided for a 50 per cent grant to encourage them in the work of slum clearance. In 1925, a separate Town Planning Act was passed, (1) and it was again consolidated in the Town and Country Planning Act, 1932. According to these Acts, local authorities were left with ample room for discretion and initiative. On the one hand, no Exchequer money was involved, and, on the other, the powers under the Acts were so wide that there was practically no limit to the amount of control which a local authority could impose on land if they were prepared to pay for it. (2) According to the Town Planning sections of the 1919 Act, for example, local authorities were given great powers and facilitated procedure to prepare or adopt a scheme without the necessity for them to obtain the approval of the Minister of Health; and, under the 1932 Act, there were no compulsory duties on local authorities to prepare schemes, unless the Minister required them to do so. (3) As a matter of fact, the powers of the local authorities under these Acts were not effectively exercised except where there were Exchequer subsidies for such services as slum clearance and the abatement of overcrowding.

Following on the publication of the Barlow Report in 1940 and both the Scott and the Uthwatt Reports in 1942, an Act was passed in 1943 setting up the Ministry of Town

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- (1) This Act did not apply to Scotland.
(2) G. M. Harris, op. cit., pp.155-6.
(3) Clarke, op. cit., p.378.

and Country Planning to deal exclusively with this important problem. But it was not until the passing of the Town and Country Planning Act in 1944 that the first grant in aid of this service was made. From that time onwards, the controlling power of the central department has been strengthened in proportion to the increase of the grants; and it culminated in the Town and Country Planning Act of 1947.

Under this Act the Minister is empowered, first of all, to establish a Central Land Board whose personnel is totally under his control. (1) He may give directions of a general character to the Board as to how their functions should be performed, (Sect.3.) and the Board are required to make to him a report each year on the exercise and performance by them of their functions during the year. (Sect. 2.) The Minister may also, with the consent of the local authorities concerned, or otherwise after holding a local inquiry, make an order establishing a joint board as the local planning authority for the areas of any two or more county or county district councils, or for any parts of those areas. (2)

Under the Act, every local planning authority has a duty to carry out a survey of their area and to submit to the Minister a report of the survey together with a development plan, indicating the manner in which they propose that land in that area should be used and the stages by which any development should be carried out. The Minister may approve any development plan either with or without modification, and if any development plan, report or proposal for alterations or additions is not done to his satisfaction, he may, after carrying out any survey which appears to him to be expedient, make a development plan, or amend it to his liking. He may even authorise the planning authority for any neighbouring area, or any other local planning authority, to submit a plan to him for his approval. (Sect.7.)

The power of the Minister to make regulations and orders is very extensive. He can prescribe not only the form of any notice, order or other document to be issued by any local authority, but also anything in particular which would be good for the purpose of the Act. (Sect.111.)

- (1) The Minister might determine the number of the members of the Board (not exceeding 9) to be appointed and the tenure and vacation of their office. The appointment of the secretary and other officers and servants by the Board should be done with his approval. (Sect.2.)
- (2) This Order should be laid before Parliament and could only be effective if either House did not pass a resolution to annul it within a period of 40 days.

He may give directions to any local planning authority, requiring that any application for permission to develop land, shall be referred to him instead of being dealt with by the local planning authority. The decision of the Minister on any application referred to him is final. (Sect. 15.) On the other hand, where application is made to a local planning authority for permission to develop land, and refused, the applicant may appeal to the Minister, who has the power to allow or dismiss the appeal. Where any land is designated by a development plan as subject to compulsory acquisition by the appropriate local authority, then if the Minister is satisfied that the land is required, he may authorise the council to acquire the land compulsorily.

It should be noted that the default power of the Minister under the 1947 Act is also very great. If he is satisfied, after holding a local inquiry,---(a) that the council of any county borough or county district has failed to take steps for the acquisition of any land which in his opinion ought to be acquired to carry out the development plan, or (b) that any local authority has failed to carry out, on land acquired by them, any development which in his opinion ought to be carried out; he may by order require the council or authority to take such steps as might be specified for acquiring the land or carrying^{out} the development, as the case may be. (Sect. 1000)

In order to help authorities to carry out their work effectively, the Minister is empowered to make regulations, with the consent of the Treasury, for the payment of grants to these authorities. The grants are payable only when the local authorities fulfil such conditions as are prescribed in the regulations, or comply with such requirements as the Minister may from time to time make. (Sect.95).

CHAPTER IV.

RECENT TRENDS IN CENTRAL CONTROL.

I. The Intensification of Departmental Control. From the short review in the preceding chapter, Control exercised by various government departments over several important local government services, it is apparent that the hand of Whitehall has been growing stronger steadily in the course of the last hundred years. The gradual intensification of departmental pressure was first seen in those services which received percentage grants from central authorities. This is especially true in the case of the public health services prior to the Local Government Act of 1929. The Minister wielded considerable power to give or to withhold the various percentage grants for special health services and assumed great influence over local authorities in their administration of these services. Complaints were already being made from various parts of the country that the increase in central supervision in these services was liable to undermine the initiative of local authorities. But in spite of this attack the controlling power of Whitehall continued to expand, owing to the increasing dependance of the local authorities upon the central government for financial assistance.

All the percentage grants for public health services were discontinued by the 1929 Act. This, however, did not mean the abolition or diminution of central supervision. quite the contrary, the Minister was equipped with much greater power. He might reduce the sum payable to any local authority under the block grant scheme, by whatever amounts he thought just, if he were satisfied that the councils had failed to achieve or maintain a reasonable standard of efficiency and progress in the discharge of their functions. (1) That is to say, the controlling power of the Minister was enlarged to cover the whole field of public health instead of the specified branches of the service as was the case formerly. Similar power was given by the same act to the Minister of Transport so that he could also reduce the grant if he were satisfied that the councils had failed to maintain their roads or any part of them in a satisfactory condition. But further, and what is more important, the Minister of Health was empowered also to exercise his power of reducing grants if he were satisfied that the expenditure of the councils had been excessive and unreasonable, having regard to their

(1) Sect. 104 of the Local Government Act, 1929.

financial resources and other relevant circumstances. In other words, the Minister had indirectly obtained the means of controlling every part of local government which might involve expenditure.

The fact that the central departments have become more inclined in recent years to regard local authorities as little more than their agents can also be seen in the tone of the language which they use to the latter. Traditionally, local authorities were the masters of internal administration. They had provided, for a long time, many important services in which the central government played no part. When the Government started in the middle of the last century to join in the work of the local authorities, they were extremely careful not to go so far as to invoke antipathy or objection. Instead of commanding arbitrarily, they chose the way of persuasion and monetary inducement. Apart from the Poor Law administration which has been a special case in the British system of central-local relationships, government departments were always modest in their attitude towards local authorities. But the voice of Whitehall grew harsher as local authorities were reduced more and more into the condition of beggars for Exchequer grants. In the explanation of this phenomenon, a passage from Professor Robson's newly revised book is instructive:- (1)

In the so-called financial crisis of 1931 the central government exercised a dominating influence of an unprecedented kind over local authorities. In the course of the panic measures, which were taken by the Government to reduce public expenditure at the very time when it should have been increasing, the then Chancellor of the Exchequer instructed the associations of local authorities that in order to 'lighten the heavy burden at present borne by the community' they were to review the whole field of local expenditure in order to effect reductions at the earliest possible moment. At the same time the Minister of Health, using language without precedent in the history of his department, announced in a circular that as regards salary reductions His Majesty's Government did not think it practicable to impose any hard-and-fast rule on local authorities. "impose" was a new word for the central government to employ towards the ancient counties and proud cities of Britain. Yet it was one to which they were soon to become accustomed, for the National Economy Act, 1931, enabled the Government to make Orders in Council

(1) W. A. Robson, *The Development of Local Government*, Revised and Enlarged 2nd ed., 1948, p. 32.

for the purpose of effecting economies in regard to education, police, roads, etc., and also "for imposing duties on local authorities in connection with the administration of any such service...

The power of central departments to subjugate local authorities is not merely a momentary phenomenon belonging to a state of emergency; it is a part of a long term trend. The existence of a power to withhold a grant has become nothing but a restriction of local authorities to a bare choice between doing a thing in their own way at the expense of their ratepayers, and doing it in the way thought best by a government department at the partial expense of the Exchequer. Local authorities are more likely to subject themselves to the dictates of the central power especially as their financial condition becomes weaker every day, due to the incessant expansion of their expenditure without any corresponding increase in the resources which they themselves can control. This movement can be seen in the recent procedure for obtaining grants on local surveyor's salaries. A generation ago, in accordance with the Ministry of Transport's Circular 162 (Roads), 1922, the Minister might pay half the salary of the surveyor, provided only that the conditions of appointment and service were subject to his approval. But under the system which was stipulated in their circular 604 (1947), each appointment was to be advertised, and the Minister required that the names and qualifications of the unsuccessful candidates, as well as the application and testimonials of the person appointed, should be supplied ~~be supplied~~ to him. "It is not unfair to conclude", writes Mr. J.M. Hawksworth, "that the Ministry are thus seeking to provide themselves in each case with information which would enable them to review the local authority's choice between competing candidates as well as to approve the person selected".

Yet, this is simply trivial compared with the power of control which the Education Act of 1944 has conferred upon the Minister of Education. Section 1 (i) of the Act declared that the newly-established Minister should have the duty "to promote the education of the people...and progressive development of institutions devoted to that purpose, and to secure the effective execution by local authorities, under his control and direction, of the national policy for providing a varied and comprehensive educational service in every area". This pronounces a new relationship between the government department and local authorities. In the past they were

(1) Some developments in Local Government, 1944-48; the Journal of Public Administration, vol. XXVI, no. 4, Winter No., 1948, p. 268.

referred to as partners in education, and the same polite language is now still prevalent. But the Act provided for 'control and direction' which is the language of a principal and agent. (1) Moreover, apart from this enormous power to control and direct, the Act also equipped the Minister with an extraordinary power to prevent the unreasonable exercise of their functions by local education authorities, which is an idea entirely new to the administration of education. Section 68 of the same Act reads as follows:-

If the Minister is satisfied either on complaint by any person or otherwise, that any local education authority or the managers or governors of any county or voluntary school have acted or are proposing to act unreasonably with respect to the exercise of any power conferred or the performance of any duty imposed by or under this Act, he may, notwithstanding any enactment rendering the exercise of the power or the performance of the duty contingent upon the opinion of the authority or of the managers or governors, give such directions as to the exercise of the power or the performance of the duty as appear to him to be expedient.

This means that the local education authorities are no longer regarded as capable of exercising freely the powers which they derive from the law, within the limits laid down by legislation, or regulations made under statutory authority. Their discretionary power is challenged; and the Minister can overrule them on his own initiative at any time without the need of waiting for a complaint in order to act. "Parliament confers powers on local authorities", writes Professor Robson, "and the Courts are available to see that they are not exceeded or abused. But henceforth the Minister is deemed to be the final repository of reason and his decision cannot be challenged either in the Courts or directly in Parliament. His opinion, moreover, is placed above the views of the local electors." (2)

(1) The relation of partnership also existed in other services of national importance except the Poor Law which had never recovered from the absolute subordination of local authorities to the central power laid down in the Poor Law Act, 1834. Professor Robson had pointed out that the Poor Law also used the same language, 'control and direction' to describe the relationship between the central department and the local authorities as the Education Act, 1944. Op. cit., p. 33.

(2) Ibid., p. 34.

Though this is essentially a description of the legal situation—a situation mitigated in practice by the personal restraint of the people concerned, this far-reaching and absolute control is bound to permeate and influence the relationship between the Ministry of Education and local education authorities. (1)

The tendency is apparent. The principle of what Mr. Hawksworth called 'the doctrine of legislative precedent' may have a great part to play in other fields of local government services. He pointed out that once a particular type of provision has received Parliamentary sanction, it becomes easier to insert a similarly drafted provision in a subsequent statute, and still easier with each repetition. This has already been revealed in the Children and the National Assistance Acts of 1948. Under these Acts, the powers and discretions of local authorities are expressly to be exercised under the 'general guidance' of the appropriate Minister. If such a change becomes general, its effect will inevitably be 'the complete abdication by the local authorities of the right to think and act for themselves'; and 'their transformation into mere receptacles for Government policy. (2)

(1) During the two years after the passing of the Education Act, 1944, the Minister of Education issued 120 circulars, 170 administrative memoranda and numerous pamphlets with draft statutory rules and orders. H.M. Inspectors have also started to play a more important role in this movement towards 'centralization'. They keep an eye on every trivial matter. Even if a head teacher wishes to send a party of children on an educational visit to a local works or an educational film, he must give seven days' notice to the inspector and obtain his approval: See:- Alderman J. W. F. Hill, address to the Conference of the Association of Municipal Corporations, October, 1946. Local Government Chronicle, Oct. 12, 1946, p. 845.

(2) W. A. Robson, The Central Domination of Local Government; Political Quarterly, January-March, 1933, vol. 1V., no. 1.

II. The Nationalisation of Local Services. The other conspicuous tendency in recent years, affecting the relationship between the central and local authorities, has been the nationalisation and transference to public boards of certain local services. This has been due partly to the growing importance of the service, which has called for centralised management, and partly to the increasing financial difficulties on the part of the local authorities in maintaining such services. The loss of these local functions and responsibilities to central authorities has undoubtedly weakened and impaired some of the vigour of local government.

Licensing Passenger Road Service. Under the provisions of the Road Traffic Act, 1930, the licensing of passenger road services was taken away from local authorities and given to the Area Traffic Commissioners set up in 12 large regions. The chairman of each body of Commissioners is a whole-time official and is appointed for 7 years by the Minister of Transport. The other two part-time Commissioners are selected by the Minister from panels prepared by the county councils and the urban authorities in the particular area. The Commissioners are empowered to issue all licences, and regulate all routes and services, and are subject to the Minister's general directions. A Commissioner appointed from one of the panels may continue to serve after he has ceased to be a member of the local authority which appointed him; and he is in any event in no way responsible to the local authority for the decisions of the Traffic Commission.

Trunk Roads. The Trunk Roads Act, 1936, transferred from the county councils to the Minister of Transport the full responsibility for the maintenance and improvement of some 4,500 miles of the more important roads, used largely for through traffic and described as 'trunk roads'. (1,

The system was further extended, by the addition of 3,685 miles of important highways under the Trunk Roads Act, 1946. The Act, at the same time, authorised the Minister to direct by order that any existing road should be deemed a trunk road ^{provision} which was applicable to the main highways in the county boroughs, (and large burghs in Scotland) and the County of London (excluding those in the City of London). Though, the Minister was empowered to delegate functions in respect of the national routes to county borough or urban district councils, this did not, however, affect the basic

(1) This change, however, did not affect roads within the County of London or within any county borough or large burghs in Scotland.

fact that responsibility for the trunk roads had passed from local authorities to the central government.

Civil Airfields. In 1945, a White Paper on British Air Services announced that all the locally owned transport airfields, required for scheduled air services, would be acquired and managed by the Ministry of Civil Aviation. Under the policy of the Government, about half the municipal aerodromes serving important centres of population were to be transferred to the central authority. It was said that the transfer of this service would prevent a loss to the local authorities which would result from its heavy capital and maintenance expenditure; and that many of these privately-owned and municipal airfields had during the war been requisitioned by the State and developed at the expense of public funds, and so acquisition by the State would be an economical and simple solution, of the problems of de-requisitioning. (1)

Hospitals. The Minister of Health was authorised to take over all the locally-owned hospitals under the National Health Service Act, 1946. Local authorities thus lost one of their most important and promising services. The only contact which local authorities, henceforth, could have with this part of the national health service was that the Regional Hospital Boards were to include among their members persons appointed after consultation with the local health authorities in the area. These persons would form only one out of four categories of persons who were to be included on the Boards. They would not serve in a representative capacity, and were to be appointed by the Minister.

The Boards being the agents of the Minister were to be his strategic planners. Subject to his general approval of their plans and his financial control, they were given as much freedom as possible, and it was their duty to assess the hospital requirements of their area. They had to review and organise to the best advantage all existing resources, to analyse the need for improvements and developments and generally to secure a proper and sufficient service. They would be responsible for administering the whole service, largely through the Hospital Management Committees appointed by them.

Public Assistance. Under the Unemployment Act, 1934, the responsibility for the care of the able-bodied unemployed, who had exhausted their rights to unemployment insurance, was transferred from local public assistance authorities to an Assistance Board.

(1) Cmd. 6712/1945, para.19.

(1)

This was followed in 1940, by a similar transference of responsibility for granting additional assistance to old age pensioners and widow pensioners over 60. The comprehensive scheme of social security embodied in the National Assistance Act, 1948, continued the movement, in conferring the duty of making cash payments, whether by way of insurance benefit or by way of assistance, on the newly established National Assistance Board.

The Act placed a liability on county and county borough councils to provide residential accommodation for the old and infirm who needed care and attention, and temporary accommodation for people in urgent need of it owing to unforeseen circumstances, such as fire, flood or eviction. It also gave those councils powers---which the Minister might convert into duties---to make arrangements for the welfare of handicapped people, such as the blind and the crippled. Under the Act, users of the councils' homes pay for their board and lodging and other amenities---which may include clothing, tobacco and sweets, books and other recreations. The charge varies between the full cost and a minimum of 2s. a week, according to the resident's ability to pay. (2) Those who cannot afford to pay the minimum charge and at the same time have 5s. left as pocket money are helped by the National Assistance Board.

Passenger Road Transport Service. In 1934, the London Passenger Transport Board was set up to take over not only the underground railways and motor-bus services owned by commercial companies, but also numerous tramways and trolley-bus undertakings owned and operated by the London County Council and other local authorities in the Metropolitan region. This movement has since become general. The Transport Act, 1947, provided that the British Transport Commission might prepare for any area, approved by the Minister of Transport, a scheme for the co-ordination of passenger transport services serving the area, whether by road or rail; and for the provision of adequate, suitable and efficient passenger road transport services. The scheme might involve the transfer of railway and canal undertakings to State ownership and specify the categories of road motor carriers which should be nationalised.

Electricity Undertakings. Under the Electricity Act, 1947, the generation and distribution of electricity was transferred from the control of local authorities to a central body, the British Electricity Authority, and 14 Area Electricity Boards.

(2) See Ministry of Health Circular, 87/1948.

(1) Old Age and Widows' Pension Act.

The British Electricity Authority consists of 12 members, while each area board consists of 9 members, all appointed by the Minister of Fuel and Power. The North of Scotland Hydro-Electric Board exercises generation and distribution functions. On each area board other than the North of Scotland Hydro-Electric Board is imposed the duty of acquiring, from the British Electricity Authority, bulk supplies of electricity and of carrying out an efficient and economical distribution of supplies to persons in their area.

In addition to specific responsibility for generation and mains transmission the Central Authority also has general responsibility for co-ordination of distribution of electricity by the Area Boards, and a general control of policy and finance. This provides one of the major advantages of a national system, in giving an opportunity to view the situation as a whole, to keep the combined organisation in step within the overriding requirements of the national economic situation, and to ensure that limited resources are used to the best advantage. (1)

Nevertheless in this nationalisation scheme, local authorities are more heavily involved than in those previously mentioned; for 340 out of 448 undertakings were theirs before the service was transferred, and they have had to lose trading profits which relieved local rates a great deal.

Gas Supply. The Gas Act, 1948, was designed to implement the policy of the Government to nationalise the Gas Industry. Under the Act it was provided that the gas undertakings of (inter alia) local authorities should be transferred to the appropriate area boards. There were to be 12 area boards for the United Kingdom, including one for Scotland and one for Wales and Monmouthshire. These boards were to consist of not less than 6 nor more than 8 members to be appointed by the Minister.

The powers and duties of the area gas boards include:- (a) The manufacture, or purchase in bulk, of gas; (b) the distribution of gas; (c) the manufacture of coke, by-products, etc.; and (d) the supply, on hire or otherwise, of gas fittings, etc.

Section 2 of the Act provided for the establishment of a Gas Council, charged with the duty of advising the Minister on questions affecting the gas industry and promoting the efficient performance by area boards of their functions.

(1) Municipal Journal and Local Government Administration, Vol.56, No.2890, July 2, 1948, p.1284.

The Gas Council were to comprise:- (a) a chairman and deputy chairman appointed by the Minister and (b) the remaining members who were to be the persons for the time being holding office as chairmen of area boards.

The Act also required the appointment of a Gas Consultative Council for the area of each area board. These councils were to consist of a chairman and not less than 20 nor more than 30 other members appointed by the Minister, of whom not less than one-half nor more than three-quarters were to be appointed from a panel of persons, nominated from amongst members of local authorities. The gas consultative council for each area is required to consider any matter affecting the supply of gas in the area, including the variation of tariffs and the provision of new or improved services, and to report thereon to the area board.

The Minister may give to the area boards, or to the gas council, such directions of a general character as appear to him to be necessary in the national interest. Before giving any general direction the Minister must consult the Gas Council, and before giving any direction to a particular area board, the Minister must consult that board. Every area gas board and the gas council are required to make an annual report to the Minister on their operations during the year; and the Minister is required to lay before each House of Parliament a copy of these reports.(1)

Such are the main schemes which affect local authorities. It would appear that the competence of local authorities will be greatly affected in the future by the present tendency towards the nationalisation of important industries and services. The nationalisation movement, in theory, is not, itself, directed specifically against local government initiative, but against private enterprise and a profit motive that disregards social obligations.

In the debate upon the Transport Act (1947), for example, the Lord President considered that the case for public ownership rested in part on the alleged inability of the competitive system to "guarantee that the transport needs of a less remunerative kind would be met". (2)

It has been suggested, too, that private enterprise can no longer supply the capital required for the development necessary in modern times in the key services.

(1) Local Government Chronicle, No. 4269, 1948, p. 1012.

(2) Hansard, Vol. 431, col. 2080.

in so far as the nationalisation thesis is based upon a claim for the superiority of public over private enterprise with regard to greater financial resources or greater social responsibility, there is clearly no essential quarrel with the local authority. Its merits are also those of municipal service, as indeed are some of its disadvantages, the chief being, that public service offers to the personnel, operating it, perhaps, too small a reward for virtue and too mild a penalty for incompetence.

The nationalisation project, has, however, had, in practice, a centralizing tendency. The advantages of central control for the purpose of making a national plan and for spreading costs over the whole population, have led to a treatment of local public initiative that has differed little from that accorded to private concerns.

In the debate upon the Transport Act (1947), for example, the Minister of Transport argued that only through a "unified system, in which the cost (could) be spread over the whole system (could) rural and sparsely populated areas" get the transport facilities they needed. (1).

The advantages of centralized direction, allowing of the most rational disposition of scarce national resources and an equitable distribution of rewards and demands over the whole population, may well prove too much for traditional local government to withstand. A national plan for production, employment or welfare can hardly be implemented without some loss of status to the local authority, unless very special consideration is given to preserving it.

Quite apart, however, from the local government issue, centralization has been regarded by some observers as a very mixed blessing. It has been suggested that a concern as large as the British Railways, for example, cannot really be managed, efficiently and economically from a central headquarters in London; that a centralized over-bureaucratic system will fail to have the the elasticity and adaptability for effective commercial management, and that modern nationalisation should only be a step to something better.

(1) Hansard, Vol. 431, col. 1623.

(2) See:- Gilbert Walker, The Transport Act, 1947, also the Economic Journal, March, 1948, Vol. LVIII., No. 229, pp. 14-16.

This danger is no doubt significant, and is in fact, in part, being realized. Its remedy, however, may not necessarily be found in restoring the status of local government. In so far as the problem is being met, at the present time, it is being met by a form of administrative decentralization, - by the establishment of area and regional boards which are but localized representatives of a central authority. Though these boards have in some cases a local discretion, they have no democratic reference and do not correspond with any unit suitable for self-government. There would appear to be a danger that, should the present movement continue, the administrative region and board may progressively replace the local authority.

Such are the recent trends in government as they affect local authorities. Certain theoretical considerations arising from this movement are examined below. (1).

(1) See:- Chapter V.

CHAPTER V.

LOCAL AUTONOMY versus CENTRAL CONTROL.

From the outline presented above, it is apparent that free and admirable as it is still, British local government has undergone a significant change during the last hundred years. This change, though in large part a necessary product of changing social, economic and political conditions, has given rise to great controversy among students of government, - a controversy, at its extremes, between the advocates of local autonomy and those of departmental control.

It has often been said that British people are different from their continental neighbours in their 'instinctive scepticism about bureaucratic wisdom'. By comparison, they have been, and largely still are, free from the interference of central administrative authorities in their local affairs. This local autonomy has had valuable consequences in a political sense, in providing an education in participation in government in the localities, and at the same time in stimulating local pride in civic achievement. The mass of citizens, in a system of genuine local government, can be brought into intimate contact with the persons responsible for decisions, and public opinion can play an effective role in the formulation of local policy. People are always interested in the things closely connected with their daily life, and if these matters can be brought under the influence of their own decision and management, they feel responsible for their success or failure. The mere thought that they have rights and duties to ask about things which happen in their neighbourhood and to consider the welfare of the local community is, in itself, of great value in supplying the raw material for democratic government. This educational purpose can never be attained under a system of government from without. Unless there is a minimum provision for self-help and for responsiveness to opinion, people find that politics are too remote from them and become frustrated and inert. The policy of the governing machine may be well meant in conception, and efficient in application, but unless it can arouse an eagerness to participate in the mind of the citizen, it is of an inferior order.

Failure to get ordinary citizens into close touch with public affairs has two opposite dangers. On the one hand, there is a danger that the control of the citizens generally over their government will become slack and ineffective, and will thus invite corruption and sinister privilege in the State. On the other hand, owing to the lack of a generally diffused knowledge of the real nature of government business, the citizens are liable to burst into occasional gusts of discontent and excitement, causing unreasonable demands to be made. It is only through an intimate relationship with the persons responsible for government that the citizens can truly understand the conditions and limitations under which public affairs are carried on. The success of representative government, therefore, largely depends upon the maintenance of local democratic institutions.

Independently of the great educational value of a system of local autonomy, it must also be recognised that the local inhabitants must be best acquainted with the immediate circumstances of the neighbourhood, and ought to have the best knowledge as to the means of doing what is wanted. If public affairs are to be done in greater efficiency and in greater economy, it is imperative that the governing body should have the great advantage of discussion directly or indirectly with the governed from time to time. Moreover, in determining what is requisite for the health and comfort of a population, its density and its wealth, its industrial character and occupation, varieties of soil and climate, and the habits of the people, must all be taken into account. It is, consequently, in the interests of government that a degree of elasticity and adaptability to special requirements should be preserved. Accordingly, government functions which affect solely or mainly the inhabitants of a locality should, wherever possible, be placed under the special control of this locality in order that the suggestion and criticism of its inhabitants, backed by a power of appointment and dismissal, may bring about an adaptation of administrative activities to its peculiar needs. These advantages, are absent in a centralised government. In the words of Professor Laski:- (1).

...We cannot realise the full benefit of democratic government unless we begin by the admission that all problems are not central problems, and that the results

(1) Laski, Grammar of Politics, 2nd ed., 1931, pp.411-2.

of problems not central in their incidence require decision at the place, and by the persons, where and by whom the incidence is most deeply felt. Among the inhabitants of some given area, that is to say, there is a consciousness of common purposes and common needs by which they are differentiated from the inhabitants of other areas.... Administration from without lacks the vitalising ability to be responsive to local opinion. It is bound, in the nature of things, to miss shades and expressions of thought and sentiment the perception of which are in a real degree urgent to the success of administration. And such government is bound, almost inevitably, to aim, not at variety, but at uniformity. It will seek to meet, not the special wants of Liverpool, but those wants which are similar to wants just met in Hereford or Leicester. It cannot grasp, in other words, the genius of place....

Among the other merits of local autonomy, we should take into account its ability to lessen the pressure of local affairs upon the central government. As the functions of government become increasingly extensive and complex day after day, care has to be taken that central authorities are not overloaded with work. Moreover, since those who control administration under a system of local autonomy have to provide for its cost, they are the best guarantees of economy in administration. (1).

One of the greatest values which attaches, to the system of local autonomy, however, lies in its being capable of providing the means for important experiment in social matters. It encourages local authorities to plan for themselves what steps they should take in coping with special problems. These experiments, when successful, can be enacted in general law and applied to other places. Many of the most useful provisions of the Public Health Acts for example, have been based on experiments first carried out in special areas; some of the most fruitful methods of technical instruction and higher education have also first been tried by enterprising local authorities. Such experiments have the great advantage of being made on a comparatively small scale under widely different circumstances. These help to restrict the danger which may be inherent in their failure, and so are liable to minimize the cost involved. (2).

(1) See Mr. Leonard Courtney's answer to the Royal Commission on Local Taxation, C--9528, 1899, p.88.

(2) H. Hobhouse, op. cit., p.401.

Central direction as a rule means one plan, and one method of dealing with the problem involved. And this one plan may easily fail to be the right one. Politics rarely present us with problems to which, beforehand, we know definite correct answers, and it is consistent with the modesty of our knowledge and the frailty of the human agent to follow J.S. Mill in a belief that 'while mankind are imperfect -- there should be different experiments of living.'

These advantages of local self-government may easily be lost through the development of central administrative control. As Mr. Murray writes:- 'Bureaucracy stifles initiative, freedom invites it. Bureaucracy means uniformity, one pattern everywhere; freedom allows diversity, the individual expression of ideas and designs'. (1) At the same time, however, it is equally true that complete autonomy in the localities is, under modern conditions, impractical and harmful. In the first place, to leave

local authorities in complete freedom to pursue their own way is to encourage chaos in administration and danger of insecurity. For, undoubtedly, great variety in local administration often leads to anomalies and complications and their inconveniences. Thus, for example, it would be intolerable if the regulations for bicycles, motor cars and locomotives varied in every district. It would also create tremendous confusion if the standard of weights and measures were different from place to place. Uniformity in such matters can, as a rule, be secured partly by making the law general throughout the country and partly by requiring the sanction of a central department to the regulations of each local authority.

Secondly, if local authorities were left entirely free from interference, then the laggard, backward and poor authorities would invariably fail to undertake any toilsome enterprise. They may even give up services which are of vital importance to the security and comfort of communal life. They may, for example, be negligent in the prevention of disease or the maintenance of roads; or may be reluctant to provide wholesome water supplies or adequate street lighting. They may refuse to establish any public library and remain adamant against the endowment of education to their children. In other words, a backward authority may be hostile to every proposal except one for reducing the cost of its services to itself. In order to provide adequate services, it requires stimulation, advice, moral encouragement and financial assistance from the central departments.

(1) C. de B. Murray, How Scotland is Governed, 1947, pp. 210-11.

Lastly, it is urged by many critics that free local government is liable to be attended by petty jobbery or corruption and is often manipulated by sinister interests in the locality, - a shortcoming which can only be checked by a system of audit by impartial Government officials.

The problem of local government has to be discussed in the light of the fact that the pursuit of the common good of the community, and the preservation of a minimum standard of welfare on a national scale have now become possible and, at the same time, mandatory objectives of government. With the development of modern transport and communications, localities are no longer self-sufficient or isolated, and the maladministration of one area has a rapid effect on its neighbours. There exist means of co-ordination and correction and these must be employed. Similarly, quite apart from the control necessary to deal with occasional corrupt practices and matters where uniformity throughout the country is essential, central direction is indispensable in preventing all important local services from falling below a certain level. For, although it is true that different localities have different needs to be satisfied, yet there remains a requirement in common, namely, that a minimum standard of decency and amenities for all citizens should be achieved and maintained. It is because of these requirements that the central departments have to assume, in some measure, the position of superintendent and adviser to the local authorities.

The same position is reflected in the legal framework of local government. Whatever views may be held regarding the origin of local institutions, or what they should be in an ideal state, the authority of every minor governmental organ in Britain to-day is an artificial entity created by the state, or at least recognised by it. A local authority exists generally as a corporate body by the favour of, and in accordance with, the law, having duties towards the general community and holding its rights from it -- rights which have been granted for the common weal. (1). So it is natural that, for the fulfilment of this purpose, it has to give up the claim to an entire freedom to act.

There is, however, a large variety of gradations between autonomy and subservience. The control of the central authority may be more or less extensive, taking within its scope
various

(1) Sir G. L. Gomme, Principles of Local Government, 1897, p. 1.

sections of local activity; it may be a complete statutory power to command or merely a power to help and advise.

Broadly speaking, the ways in which a central department can help a local authority are intellectual and financial. The intellectual help would appear to be a pure gain. It has often been said that, with a staff equipped with greater knowledge and greater capacity, central authorities are able to give wholesome instructions to local authorities. J.S. Mill, for instance, was of the opinion that in the details of management, the local authority will generally have the advantage; but in comprehension of the principles even of purely local management, the superiority of the central government is prodigious. In his celebrated book on Representative Government he gave one of the axioms of public administration:-(1)

The authority which is most conversant with principles should be supreme over principles, while that which is most competent in details should have the details left to it. The principal business of the central authority should be to give instructions, of the local authority to apply them. Power may be localised, but knowledge to be most useful must be centralised.

With a view to fulfilling this duty of disseminating experience and knowledge, it is desirable that the central departments should have the right to inspect and to acquire information from local authorities. It must avail itself of the advice of local government officers whose practical experience is of particular value in relation to the services which are locally administered. Without the help of the local officers it is often difficult to assess the probable effect of schemes which are conceived in the central departments.

The central departments may also criticise the merits and demerits of the administration of local authorities and make proposals for new undertakings. When they proceed to compare methods and suggest experiments, they are able to do so from an ampler view than the vast majority of local bodies. Consequently, they will, as a rule, be more discriminating and less partisan in their interpretation of the results they encounter.

(1) Chapter XV. et seq.

Central administrative control of an advisory character can be invaluable when it is used in a moderate and healthy way. Local self-government in Britain has always been praised as being able to serve as a social and political education of its citizens. But 'it is a poor schooling', writes Dr. Redlich, 'which leaves the children to grope along in ignorance. The true education is that which provides the means of making ignorance aware of itself and able to profit by knowledge. A system of local government without such an ideal department as Mill conceives, would resemble a school in which there is no schoolmaster but only pupil teachers who have never themselves been taught'.
(1).

Local authorities may also derive assistance from central departments through financial measures. Financial help of various types has become a considerable and indispensable feature of the relationship between central and local government. But, unlike the educative function, it has proved a two-handed instrument from the point of view of the localities. Several types of financial assistance and influence have been discussed in general terms above. A particular form, the Exchequer Grant-in-Aid, is
(2)
the central subject of study in what is to follow.

(1) Redlich and Hirst, Local Government in England, 1903, Vol. 1., pp. 183-4.

(2) See above, Chapter II, Sections IX, XI.

PART II.

THE DEVELOPMENT OF THE
SYSTEM OF EXCHEQUER GRANTS.

CHAPTER VI.

EXCHEQUER GRANTS IN LOCAL GOVERNMENT FINANCE.

In the Middle Ages, many of the most expensive and most important institutions now maintained by local government in Great Britain had no existence. Even as late as the 15th century, citizens were not required to pay for compulsory education, purification of sewage, street lighting or police. Public welfare in the localities depended mainly upon voluntary contributions, local government finance being practically negligible. (1).

It was only when the problem of poor relief became so critical in Britain in the latter half of the 16th century that the levying of a poor rate was made a legal obligation upon the local inhabitants. The Act passed by the Scots Parliament in 1579 and the English statutes of 1599 and 1601 both mark the genesis of the local rating system. (2). Afterwards, the contributions of the inhabitants in each local community to the expenses incurred in common purposes expanded year after year, until at the time when Rudolf von Gneist paid his visit to Britain, half-way through the 19th century, the expenditure of local government in this country was financed predominantly out of rates, - a provision which he thought chiefly responsible for the merits of local self-government. Since then, however, there has been, again, a considerable change.

(1) As to the situation of that time, the description by Professor Cannan is of interest:- 'The cost of public works was to some extent defrayed by the benevolence of private individuals and religious houses. Testators bequeathed property for building or maintaining bridges, as in the case of the Bridge House estates of the City of London. Monks improved the roads in the neighbourhood of their convent; an excellent half-mile of road across the floodlands of the Thames still testifies to the energy of the monks of Abingdon. The preamble of an Act of 1554 (1 Mar., St., 3, C.6.) tells us not only that the road between Gloucester and Bristol, one of the most important cross-roads in the Kingdom, had so fallen into decay that many passengers had lost their lives on it, but also that it had been formerly 'well repaired by the devotion of divers good people.' The History of Local Rates in England, 1896, p.7.

(2) 39 Eliz. C.3. and 43 Eliz. C.2.

At the present time, rates are by no means the only source of local fevenue; nor are they the chief source. This is particularly true with the poorer areas where the rateable value per head of inhabitant is low. Besides the rates, the revenue needed by a local authority can be derived from three other sources, namely, (a) income from corporate property and estate; (b) trading revenues and other income from charges for services not wholly borne by rates; and (c) grants and subsidies by the State. (1).

It is the last mentioned source of local revenue that is our chief concern. But before entering into this subject, a brief account of the general character of local incomes will help to indicate its significance.

The income a local authority derives from corporate property and estate, forms, as a rule, only a minor part of local revenue. There are cases where lands and buildings have belonged to local communities for years and produce revenue in the form of direct payments from their tenants. But though some authorities are wealthy in such properties, (2) most of them gain hardly anything more than a trivial sum out of them.

The trading revenues and income from charges for services not wholly borne by rates, occupy a more significant place in local finance. At the same time, however, the expenditure on the establishment and maintenance of these trading services is also very high. Although some local authorities have run successful enterprises and have used the profit as a means of reducing rates, the view is gradually gaining ground that trading enterprises should aim at balancing income with expenditure. With some services there is even a strong inducement to supply at a loss. (3). Where there is a gain, the tendency is to apply surpluses to the relief of the consumer and to build up revenues for further improvement and development. (4)

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- (1) J.H. Warren, English Local Government System, 1946, p. 62. Loans are excluded because in the strict sense of the word they are not a type of local income. The ratepayers of future years are responsible for repayment together with loan charges.
 - (2) In Scotland local authorities have traditionally owned more property than in England. The income from the Common Good in some places is a substantial supplement to rates.
 - (3) The fact that Parliamentary legislation often compels local authorities to provide water and cemeteries despite the heavy cost in certain areas is an example of this.
 - (4) H. Finer, Municipal Trading, 1941, London, p. 153.

Only a very small portion of the profit is used for relief of the rate burden.

It is estimated that in 1938 only £16 mn. of the total income of local authorities in Britain was derived from interest on the investment of reserves and pensions funds, and from rents on municipal estates, together with a further £10 mn. from the profits of trading services. (1) In comparison with an income of £191.4 mn. from rates and £140.2 mn. from Exchequer grants in England and Wales alone for the same year, (2) these sums are not very considerable.

As for the two principal sources of local revenue, namely, rates and Exchequer grants, a more detailed consideration is required. A century ago local government services were sufficiently simple and cheap to require a relatively small rate and for there to be little need for external support. Increasing industrialisation during the 19th century, however, called for greater responsibility on the part of local authorities to provide services for the security and welfare of the public. More services meant more expenditure, but the resources of local taxation remained much the same. In meeting the situation, local authorities fell into a miserable and distressed condition with their ratepayers subject to heavy tax burdens. (3)

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- (1) U.K. Hicks, Public Finance, 1947, London, pp. 93-94.
 (2) Ministry of Health Report, Cmd. 6468/1943.
 (3) The table illustrates the increasing amount of the average local rate per head in England and Wales from 1884 to 1935.

Year	1884-5	1894-5	1904-5	1914-15	1924-25	1934-35
Amount £ s d	0 19 1	1 2 6	1 13 4	1 19 11	3 13 3	3 15 10

See:- Sir Gwilym Gibbon, The Expenditure and Revenue of Local Authorities, Journal of the Royal Statistical Society, Vol. XCIX, 1936, Table VII., Appendix, p. 500.

The problem was further intensified by the fact that the burden of local taxation fell exclusively on the owners and occupiers of real property. This meant that one section of the community, those who owned lands and estates, chiefly of the agricultural class, were obliged to pay for services which were of benefit to the whole community. The unfairness of this sort of local taxation clearly needed correction, and early in the 19th century, the agitation of the agricultural class for relief began to gather strength. It was in response to this agitation that the grant-in-aid system came into being - a system which was to have a history of expanding functions and increasing importance, until it came to play the leading role in local government finance.

From being a device used to redress the grievances of agricultural interests, the grant-in-aid has been developed as an instrument to provide substantial assistance to local authorities for services of national importance and of latter years to produce a more equitable distribution of rate burdens in the localities. (1) This development has been accompanied by a great increase in the sums of money involved. (2) It has been estimated that in 1830 the aggregate amount of the 'historical survivals' of grants did not exceed £100,000, and by 1840 £500,000. But by 1860 it reached £1,000,000, and doubled again by 1870, until at the end of the last century, when Lord Farrer estimated that the subventions to local authorities reached 24% of the national revenue, it reached £12,000,000.

(1) Sir Edward Hamilton in his Memorandum on Imperial Relief of Local Burdens, prepared for the Royal Commission on Local Taxation appointed in 1896, points out the situation at that time, as follows: 'In order to keep pace with the growth of local needs all over the country - such as better drainage and water supply, improved lighting and policing, better roads and streets, new municipal buildings, more efficient administration of the poor law and care of pauper lunatics, better primary education and housing of working classes - there has been a constant increasing expenditure to be met by local authorities, and, as a result thereof, a constantly increasing demand on their part for relief from the pressure of rates incidental to property, out of the public and common purse to which the whole community contributes'. See C. 9528/1899, p. 11.

(2) During the earlier stages not a few of the great statesman, including Gladstone, were vehemently opposed to the use of grant. Even nowadays champions of local autonomy still watch with regret, but helplessly, the increasing use of grant-in-aid.

The development had been so great that Sidney Webb, when publishing his celebrated book on the Grant in Aid, in 1911, found it most reasonable to predict that 'by 1920, when the total revenue of the national Government will probably exceed £200,000,000, the Chancellor of the Exchequer of the day will find himself paying away to the local authorities as much as a quarter of all he receives, or £50,000,000 sterling'. His prediction of the total national revenue was, as a matter of fact, far below the actual amount, owing to war loan expenditure, pensions, etc. But his forecast as regards Exchequer grants was well-nigh correct. For the grants for England and Wales in 1919-20 were £48,000,000 and in 1920-21 nearly £62,000,000. (1). After 1929, owing to the complete derating of agricultural land and the derating of three-fourths of industrial and freight-transport undertakings by the Local Government Act, the amount of central aid increased by leaps and bounds, the amount for 1929-30, for instance, being £107,800,000. By the year 1943-44, the latest year for which statistics are available, it amounted to £204,100,000. (2). The same striking tendency can also be seen in the case of the single local authority. To take at random the Borough of Southgate as an example, Government grants received, amounted in 1941 to £98,751; in 1945, to £284,387; and in 1946, they reached £452,911. (3).

The increasing use of Exchequer grants as a means for meeting local needs has been so outstanding that in recent years the importance which they occupy in local government finance outweighs that of the rates. The transition is indicated in the following table:- (4)

	Sums provided from		Percentage from	
	Rates	Grants	Rates	Grants
	£m.	£m.		
1884-5	25.7	3.6	87.6	12.4
1904-5	56.0	19.6	74.1	25.9
1913-14	71.3	22.5	76.1	23.9
1927-28	166.7	86.2	65.9	34.1
1932-33	146.3	120.5	54.8	45.2
1938-39	191.4	140.2	57.7	42.3
1939-40	201.3	181.9	52.5	47.5
1940-41	203.9	226.0	47.5	52.5
1941-42	198.9	278.3	41.7	58.3
1942-43	200.4	248.1	44.7	55.3
1943-44	204.1	228.4	47.2	52.8

(1) Sir Josiah Stamp, The Finance of Municipal Government, See Laski, etc., A Century of Municipal Progress, 1935, pp. 382-3.

(2) Ministry of Health Report, cmd. 7441/1947, p. & Cd. 6089/1939, p. 268.

(3) See the Municipal Journal, Vol. 56. No. 2881, April 30, 1948. p. 799.

It will be seen that out of the total provided from rates and grants, the percentage from rates fell from 87.6 in 1884-85 to 47.2 in 1943-44, the lowest being 41.7 in 1941-42, while that from ~~the~~ grants rose from just over twelve to nearly 53. Thus, considering rates and grants alone, the Exchequer bears a heavier responsibility than the ratepayers in local government finance.

British local self-government has been possible in the past through the fact that the money which local authorities have spent has been taken chiefly from local ratepayers to whom those authorities owed political responsibility. Now, the balance has been shifted, largely through the growth of the system of Exchequer Grants. We shall examine in more detail the growth of that system, its functions and its value.

(4) Statistics prior to 1905, see Sir Gwilym Gibbon, *op.cit.*, p. 484; those after 1913, produced according to Ministry of Health Reports: Cmd. 6089/1939; Cmd. 6468/1943; Cmd. 6562/1944; Cmd. 7119/1946; and Cmd. 7441/1947.

CHAPTER VII.

EARLY GRANTS IN AID TO LOCAL AUTHORITIES.

I: Early Subventions towards Local Services of
National Importance.

Although most of the powers of central control exercised from Whitehall have been the result of Exchequer grants in aid of local services, paradoxically, the first effort of the Central Government to acquire such control in the last century was not accompanied by a grant. The Poor Law Amendment Act in 1834 equipped for the first time the Poor Law Commissioners with full powers of control over the elected local boards of guardians, but no relief was granted towards Poor Law expenses from the Exchequer. The Poor Law Commission which was appointed in 1832 by Lord Brougham had, in fact, in its report, considered the advantages which were thought likely to be secured if the Poor Law administration could be made a national instead of a local charge. "Considerable sums would be saved in litigation and removals", the Report runs, "and a still larger sum might be saved by substituting the systematic management of contractors and removable officers for the careless and often corrupt jobbing of uneducated, unpaid, and irresponsible individuals." (1) Yet, while the opinion of the Commissioners was generally in favour of making the relief of destitution a national charge, they did not formally recommend it. They did not even deem it fit and proper to propose a special grant in aid of the local Poor Law services.

The first Exchequer grant was, however, made in 1833 for the purpose of building new schools in England and Wales. It was a mere pittance of £20,000, and was administered in accordance with the suggestions of two religious organizations---the British and Foreign School Society and the National School Society---which, by their voluntary efforts, did most of the educational work then carried on in England for the children of the poor. The grant was forwarded annually, but with little

(1) First Report Poor Law Commissioners, pp.148 et. sq.

improvement. For the first five years ending 1838, the total sum was but £104,955. (1) Nevertheless, the scope of the grant was enlarged gradually. In addition to assistance towards the cost of building new schools, the Government later gave grants to enlarge, repair, and furnish the old ones, and to make some meagre equipment available. In 1839, a Committee of the Privy Council was set up to take charge of their allocation, and the Central Government became a partner in the work of providing elementary education for poor children.

Meantime, towards the close of Lord Grey's Government in March, 1834, the question of the burdensome nature of local rates was seriously engaging the attention of Parliament. Lord Althorp, then Chancellor of the Exchequer, moved the appointment of a Select Committee to inquire into the county rates in England and Wales, and to report what regulations might be adopted to diminish the pressure of local burdens on owners and occupiers of land.

(2)

After a thorough investigation, the Committee pointed out in its report that certain charges heretofore borne on local rates, such as those connected with prisons, criminal prosecutions, and inland communications, "were charges of national importance and general utility", and proposed that some portion of such charges might properly be placed on national funds. (3) The direct effect of these recommendations was that, in the following year, 1835, provision was made by Lord Melbourne's Government for £80,000 to be paid out of public revenue in order to meet half the expense of prosecutions at assizes and quarter sessions, and £30,000 to meet the cost of removing convicted prisoners from local prisons to the convict depots and hulks.

Proposals for a further grant were made by a Royal Commission, appointed in 1836 to consider the best means of establishing an efficient police force in the counties of England and Wales. In 1839, a Report was published suggesting that, in order to secure a more effective organization for maintaining public order and security, a quarter of the cost of the contemplated constabulary force should be defrayed out of the public central funds. The legislation which followed upon this Report

(1) J.W. Grice, National and Local Finance, 1910, p.14.

(2) As the reform of the Poor Law was then under consideration, poor rates were excluded from the purview of the inquiry.

(3) Memorandum by Sir E.W. Hamilton in C.9528 (1899) p.11.

however, made no provision for a State contribution towards such a force, but merely authorized the justices of the quarter sessions to increase county rates for the purpose of establishing county and district police forces. The metropolitan police force, however, was in a special position. Since 1829, the Central Authority had made a grant of £60,000 towards its cost and the force was placed under the direct control of a commissioner dependent solely upon the Home Secretary. The grant was increased in 1839 as a result of the extension of the original police district, and by 1842 the sum had arisen to £98,567. (1)

II. The Repeal of the Corn Laws and its Effect on Local Rate Relief.

So far, Exchequer grants had been regarded as a means of contributing on a national scale towards services of national importance. Now, they were to be considered more particularly as an instrument for the relief of the agricultural interest. By 1845, after four years of Sir Robert Peel's second administration with its policy of tariff reform, although high duties on imported corn still remained, many duties upon agricultural produce had been reduced or swept away, and the agricultural interest was already clamouring for compensation. In this year, a member of Parliament, Mr. Miles, moved that, in the disposal of the budget surplus, due regard should be had to the claims of the agricultural interest, and proposed that the State should not only bear the whole cost of assize prosecutions, and of the maintenance as well as the conveyance of committed prisoners, but should also contribute half the cost of county prisons and coroner's inquests, and the whole cost of the registration of voters. These charges for England and Scotland he computed at £350,000.

Sir James Graham, then Home Secretary, objected, firstly, on the ground that, the burden of poor relief which constituted a first charge on land had been appreciably diminished since the amendment of the Poor Laws; secondly, because land had no right to claim exemption from burdens, so long as it enjoyed a protective tariff, which had been imposed in consideration of those burdens.

(1) J.W. Grice, *Ibid*, p.20.

Sir Robert Peel added a further, and somewhat doubtful, argument against the motion: the proposed transfer of local burdens to the Consolidated Fund would not really benefit the agricultural interest; for the cost of the services would certainly increase, and the more that was imposed on that fund the more would ratepayers, who were also taxpayers, have to contribute to it.

No step was taken by the Government until, in 1846, Sir Robert Peel proposed in the House of Commons to repeal the Corn Laws, with its immediate consequence that the agricultural industry was to lose the benefit of Protection. The proposal aroused great agitation in both Houses. Many of Peel's old followers representing agricultural interests were on the point of turning against him, and it was in a desire to win back their support, that he agreed to transfer a part of the local burdens from the rates to the Exchequer. The State was in future to pay the whole cost of assize prosecutions, and the maintenance as well as conveyance of convicted prisoners; to pay half the cost of medical relief in England and Scotland; to provide salaries in Poor Law schools and those of Union auditors; and also to undertake the whole cost of the Irish constabulary. The amount of all these concessions was estimated at £341,000; (1) and Sir Robert Peel pointed out in justification that in almost every case the grant would result in more economical and efficient administration and increased central control. These proposals were approved by a Select Committee appointed by the Lords; and they were carried into effect by the succeeding Ministry.

The Protectionist Party, however, was by no means satisfied with this arrangement. They maintained that 'the whole of the local taxation of the country for national purposes fell mainly, if not exclusively, on real property, and bore with undue severity on the occupiers of land, in a manner injurious to the agricultural interests of the country, and otherwise highly impolitic and unjust'. (2) This argument was brought forth in a long debate initiated by Mr. Disraeli in 1849. He maintained that the poor rate, the highways rate and the county rate were all applied to national purposes and therefore should be borne by the Consolidated Fund. But these proposals were eventually defeated.

(1) C. 9528 (1899) p.12.

(2) Disraeli's motion, March 1, 1849, 3 Hansard, vol.103, p.11.

Early in 1850, however, Mr. Disraeli launched a second attack by moving for a Committee to consider the Poor Laws with a view to mitigating agricultural distress. (1) He made some modifications in his proposals this time with more restricted claims for relief.

His motion was again rejected, but by a majority of only 21.

This favourable situation in the Commons was soon followed by a Select Committee set up in the Lords to inquire into the grievances of ratepayers. It was presided over by Lord Portman; and after hearing a large number of authoritative witnesses, it came to the following conclusions:

- (a) That poor relief was a national object to which every description of property ought justly to be called upon to contribute; but, until some means could be found of defining 'stock in trade' with sufficient accuracy for assessment purposes, it would be necessary to continue to exempt it from its legal liability.
- (b) That, although several items of union and county expenditure were charged, and others might conveniently be charged, on the Consolidated Fund, it was not expedient to provide out of that fund for the general maintenance of the poor; and
- (c) That any plan for assessing personal property in aid of the rates would have to be considered in minute detail, especially as to the allocation of money so raised. (2)

The agitation for further grants towards poor relief was thus temporarily reduced.

III. A Solution of the Problem of Local Tax Burdens in Police, Highways and Poor Relief Services.

After the lapse of a period of more than ten years, the permissive system for rural police provided by the Act of 1839 proved to be a complete failure. Some of the Counties and boroughs failed to adopt the Act simply because of the opposition of the justices; others through the refusals of the people to increase rates. In those places where the constabulary forces had been established, the

requirements as regards numbers, training, quality, and discipline were far from being satisfactory. In 1853 a Select Committee was appointed by the House of Commons to suggest means of improvement. It strongly recommended that in order to put an end to a chaotic situation, uniformity of arrangement was required throughout Great Britain, and declared itself in favour of financial aid from the Exchequer without detriment to local management.

A Bill was accordingly introduced by Sir George Grey, the Home Secretary in Lord Palmerston's first Ministry, in 1856, to give effect to these recommendations. It made it compulsory upon the justices to appoint a force for all parts of their county not served by a borough force. Government inspection was introduced; and an Exchequer grant of a quarter of the cost of police pay and clothing (3) was provided, upon satisfactory reports being made by the inspectors. This Bill passed to become the famous County and Borough Police Act (19 & 20 Vict. c. 69.), and marked a distinctive turning point in British police history.

As in the case of poor relief, the Central Government at first did not undertake to relieve local burdens in highway administration by Exchequer grant. It planned for the economy of the administration; but still made local highway authorities responsible for all the expenses. In 1864, the question of turnpike trusts and tolls, which had engaged the attention of a Select Committee 28 years before (1836), (4) called for a further investigation. By this time the financial condition of the trusts and the burdens of the ratepayers were getting badly in need of attention. Owing to the spread of railways, traffic on the roads was principally local with the result that the tolls levied at turnpikes were mostly paid by neighbouring ratepayers. The levies were highly inconvenient to the public and harmful to local business. The Select Committee appointed by Lord Palmerston's Cabinet to inquire into this subject expressed exactly the same opinion as its predecessor to the effect that the system of tolls was

(1) 3 Hansard, vol.108, p.1026.

(2) C. 9528 (1899), p.13.

(3) The Police (Expenses) Act, 1874, increased the proportion of the police grant to one-half of the cost of pay and clothing; and the Police Act, 1919, made the amount of grant equivalent to one-half of the net expenditure (approved) of police authorities.

(4) House of Commons Paper, No.547 of 1836.

both costly and injurious. The expenses of management were enormous and wasteful, and the costs of collection were heavy, and, in consequence, the Committee were strongly of the opinion that the turnpike trusts should be abolished.

As a result of these recommendations, the turnpikes gradually disappeared throughout the country, and the maintenance of the roads became a charge on the rates and was administered under the supervision of the rate-payers. The area of local liability was enlarged by the Act of 1878 (41 & 42 Vict. c.77.) which provided that half the cost of main roads was to be defrayed out of county rates. The burden of the districts and the parishes was thus greatly diminished.

Side by side with the extension of the area of financial responsibility in highway administration, the same development was forced upon the working of the new Poor Law. The Poor Law Amendment Act of 1834 had made compulsory the formation of a common fund in each Poor Law Union to pay the establishment charges. This fund was established out of contributions from each composite parish, not in proportion to its rateable value, but according to its actual expenditure on poor relief with the result that poorer parishes were obliged to assume heavier responsibilities. The situation was rendered even more severe by the harsh provisions of the time-honoured law of settlement. (1) In 1848, however, an Act was passed to redress this grievance by imposing the whole cost of the maintenance of the irremovables upon the Union. Union, therefore, instead of parish, was to be the financial unit of poor relief.

With regard to the Metropolis, a more advanced step was taken to solve the problem. Hitherto the unequal pressure of poor relief charges in the metropolitan parishes had revealed the defect of the system more clearly than elsewhere. Low valuations and extraordinarily high expenditure in the poorer unions called for an urgent and effective remedy. To meet the case, the Metropolitan Poor Act of 1867 provided for the establishment

(1) By the Irremovable Poor Act of 1847, it was provided that persons who had lived 5 years, instead of the former practice of 3 years, in any one parish, should not be removed therefrom, but should become chargeable to it so long as residence therein continued.

of a Metropolitan Common Poor Fund, to be supplied from levies over the whole metropolitan area on the basis of rateable value. Out of this fund were to be paid the particular charges which were not supposed to vary to any considerable extent according to efficiency of administration. (1)

IV. Plans for Rate Relief in the Sixties and the Early Seventies.

After the passage of the County and Borough Police Act of 1856, the improvement of the police administration in the counties and boroughs was considered highly satisfactory and Exchequer grants began to be regarded as a convenient device for securing central control, avoiding friction, and increasing the efficiency of administration. But it was, after all, a device to be used sparingly, and Parliament was reluctant to extend its application. In the sixties and the early seventies, a somewhat mistrustful legislature was confronted with all manner of plans for rate relief, favouring this or that section of the community. Sir Massey Lope's various motions on behalf of the owners of agricultural land, and Mr. Goschen's proposals which were chiefly in favour of the occupying tenants in urban areas, led to several passionate discussions in Parliament in the years from 1868 to 1870. Finally, a Select Committee presided over by Mr. Goschen was appointed in 1870 to inquire into 'the progressive increase of local taxation, with special reference to the proportion of local and imperial burdens borne by the different classes of real property in the United Kingdom as compared with the burdens imposed upon the same classes of property in other European countries'.

(1) These were: (1) Pauper Lunatics; (2) fever or small-pox patients in asylums; (3) medicine and medical and surgical appliances supplied to those in receipt of relief; (4) all salaries and cost of rations of officers, managers, and dispensers, provided that their appointment is sanctioned by Poor Law Board; (5) compensation to dismissed medical officers; (6) fees for registration of births and deaths; (7) vaccination fees; (8) maintenance of children in district, separate, certified and licensed schools; (9) relief of destitute persons certified by the auditors, and provision of casual wards under the Houseless Poor Acts of 1864-65.

The famous report of this Committee addressed by Mr. Goschen to the Treasury in March 1871 (1) showed that in about 30 years rates in England and Wales had risen from £8,000,000 to £16,000,000. The Committee suggested a division of the rates between owners and occupiers, and thought it better to carry out a reform which would harmonise with the two great principles of local taxation, namely, contribution according to benefit and contribution according to ability. Their investigation had proved that 'while house property was heavily taxed, the burdens on land, which for the most part were hereditary, were not heavier than they had been on past occasions and were less heavy than in most foreign countries'; and that the real grievances of local finance in Britain were grievances not of the agricultural landowners, but of the urban occupiers who bore the whole burden of an increased expenditure which benefited the urban landlords and raised urban rents.

In 1871 two Bills were, accordingly, introduced by Mr. Goschen which provided that the Inhabited House Duties should be levied by, and paid to, local authorities, and that the payment of half the rates should be transferred from occupiers to owners. These Bills, however, were not favoured by those who advocated relief of local burdens in the interests of landowners. They were dropped eventually, having served no other purpose than to cool the ardour of Sir Massey Lopes and the squires.

In the following year, Sir Massey Lopes came forward in the House of Commons demanding the recognition of poor relief as a national liability. In this he failed, but persisted with another resolution to the effect that the Government should bear the whole cost of administering justices, half the cost of police, and half the cost of pauper lunatics, because, to use his own words, 'the expenditure for such purposes was almost entirely independent of local control'. He estimated that, to carry out this suggestion, an increased charge on the Consolidated Fund of just over 2 million pounds would be required. (2)

(1) Reprinted in 1893 as House of Commons Paper No.201 of 1893. £

(2) Viz:-In England.....	1,626,000
In Scotland.....	245,000
In Ireland (where the whole cost of police was already met out of public fund).....	166,000
Total.....	£2,037,000

In spite of the opposition of the Government, this resolution was carried by a majority of 100. (1) Mr. Gladstone, however, neglected to act upon this decided expression of opinion on the part of the House of Commons. Nothing was done except in 1873 a special grant of £100,000 was voted to meet half the salaries of medical officers of health and inspectors of nuisances. There was an ample surplus in the Exchequer at Mr. Gladstone's disposal; but instead of offering it to the local authorities in the form of grants-in-aid, he preferred to continue the reduction of the sugar duties and of the income tax.

V. Disraeli's Government and an Extensive Use of Exchequer Grants.

In 1874, Mr. Disraeli, whose principle it was to offer relief in local taxation, was installed in Downing Street. In his first budget, the new Chancellor of the Exchequer, Sir Stafford Northcote, agreed to the use of the huge surplus bequeathed to him by his predecessor, Mr. Gladstone, for the relief of the ~~taxpayers~~ ratepayers. He increased the grant in aid of police in England and Scotland from a quarter to a half of the cost of the pay and clothing. He provided for a grant-in-aid of 4s. weekly per head for pauper lunatics, and contributed a compensation in respect of rates to all parishes which contained Government property. These additional subventions amounted at the time to £1,250,000.

These proposals were favourably accepted by Parliament. They did not, however, meet with Mr. Gladstone's approval. He pointed out that they contained no safeguard against local extravagance and no guarantees of improved administration. Besides, they meant 'a transfer from a fund supported by property to a fund supported by property and labour jointly'. Indeed, the budget of 1874 has not found favour in the eyes of some students of government. Dr. Redlich even condemned it as the starting point in a record of degeneration. "The earlier grants-in-aid", he wrote in 1903, "were for national purposes, and were intended to secure efficiency. The later grants assume more and more the character of mere doles to relieve some favoured class out of the purse of the general taxpayer". (2)

(1) C.9528, 1899, pp.16-17.

(2) Redlich & Hirst, Local Government in England, 1903, Vol.I., p.161.

Following the grants for police and pauper lunatics of 1874, Mr. Disraeli's Government proceeded three years later to relieve still further the local authorities, in this case from the obligation of providing prison accommodation in counties and boroughs for prisoners awaiting trial and serving short-sentences. (1) An Act of that year (40 & 41 Vict. C.21.) provided that all prisons belonging to any local prison authority were to be transferred to the Home Office, and the expenses of maintaining both prisons and prisoners were thenceforth made a national charge. Similar provisions for Scottish and Irish prisons were made in separate Acts of the same session.

VI. The Intensification of Rate Distress.

This piecemeal remedy, however, did not solve the problem. (2) The situation was rendered even more serious, owing, to a general decline in agricultural prosperity, coupled with a rise in urban expenditure resulting from the new costs of education (3) and sanitation.

- (1) Convict prisoners' maintenance and penal establishments had long been provided by the Central Exchequer.
- (2) During this period, in addition to the grants mentioned, a sum of £250,000 was voted in 1882 and subsequent years to enable the Government to further its assistance for the disturnpiked and main roads in England and Scotland. A further grant was made for these roads in 1887, when Mr. Goschen in his first Budget gave another £250,000 to the county authorities, and thus relieved them of half of the liabilities, which had been thrown upon them by the Highways and Locomotives Amendment Act of 1878.
- (3) The greatest development of education came after 1870. In that year elementary education was made a local government obligation. School Boards were set up to administer it, and substantial education grants were introduced. See Maureen Schulz: The Development of the Grant System, in Essays in Local Government, 1948, p.116.

From 1883 to 1885, there was constant contention in Parliament over the question of the readjustment of local burdens. The problem was raised by Mr. Pell who moved 'that no further delay should be allowed in granting adequate relief to ratepayers in counties and boroughs in respect of national services required of local authorities'. He denied that an increase in the subventions would lead to increased extravagance; and contended that the Exchequer grants which had been provided in 1874 in aid of local authorities were no longer sufficient, more especially so because of the growing expense on education. (1)

Against this view, there were those, such as Sir Charles Dilke, then President of the Local Government Board, who opposed the further transference of local charges to the national purse, and argued that the subventions of 1874 had only served the purpose of accelerating the increase of expenditure on police and pauper lunatics. (2) Mr. Gladstone also thought that the subventions had allowed of the local authorities being 'pressed or forced to much augmentation of expenses'; and that they led to waste and over centralisation. He did not deny the injustice of laying the supply of local wants exclusively on visible property, but he protested against remedying one injustice by the perpetuation of others. "Every time we place a grant in aid upon the Consolidated Fund", he argued, "we commit the offence of laying upon labour a very large proportion of the charge heretofore borne by property". (3) He, therefore, satisfied himself in declaring that no further relief should be given by way of Exchequer grant until a complete scheme had been entered upon for the reform of local government.

Pell's motion was rejected, and in its place an amendment moved by Mr. Albert Grey and supported by the Government advocating the view that relief to ratepayers 'should be by the transfer to local authorities of the revenue proceeding from particular taxes or portion of taxes', (4) was carried by a majority of 13. This, however, was followed, a few days later, by a memorial pre-

(1) 3 Hansard, Vol.278, p.437.

(2) 3 Hansard, Vol.278, p.486. He showed that in 1871 the expenditure of police in counties was only £784,000, but in 1877 it arose to £1,000,000; while in boroughs, the corresponding figures were: 1871, £503,000; 1877, £733,000. The lunacy grants had risen from £337,000 in 1876, to £412,000 in 1881.

sented by 31 members of Parliament stating that their support of the Government 'had only been given on the understanding that the amendment implied an intention to deal promptly with the question'. (5)

In 1884, seeing that the government had, meanwhile, shown no sign of performing its promise, Mr. Pell renewed his attack and succeeded in carrying a resolution which deprecated 'the postponement of further measures of relief, acknowledged to be due to ratepayers in respect of local charges imposed on them for national services'. (6)

In spite of these repeated warnings, the Liberal Government still took no steps for relieving local taxation---an omission which caused great dissatisfaction on the part of the ratepaying interests. Finally, in 1885 when a Budget Bill was put forward which proposed an alteration in the Death Duties, affecting real as well as personal property, Sir Michael Hicks-Beach moved an amendment to it on the ground that no fresh taxation on real property should be sanctioned until ~~EFFECT~~ effect had been given to the two resolutions concerning measures of relief to the local ratepayers. (7) This amendment was passed, and the Liberal Government accordingly resigned.

During the next year, ~~when~~ the political turmoil which resulted from the fall and accession of two Governments and another dissolution of Parliament did not allow the question of local taxation to receive attention, except for the passage OF a resolution, moved by Mr. Thorold Rogers, and aimed at a readjustment of local taxation between owners and occupiers, so that the former should bear at least one-half of the burden.

In January 1887, Mr. Goschen succeeded Lord Randolph Churchill as the Chancellor of the Exchequer in Lord Salisbury's second administration. Mr. Goschen had long been mindful of the problem of local burdens, but, in his first Budget, he confined himself to making two minor concessions in favour of the agricultural interest, while preserving the bulk of his proposals for relieving local taxation to be dealt with in his contemplated plan of local government reform. One of these concessions, as we

- (3) 3 Hansard, Vol.278, p.522.
- (4) 3 Hansard, Vol. 278, p.454.
- (5) C.9528, p.18.
- (6) 3 Hansard, Vol. 286, p.1023.
- (7) 3 Hansard, Vol.295, p.1421.

have seen above, (1) was to double the existing grant in aid of disturnpikes and main roads to the counties, while Ireland was to receive an analogous grant for the promotion of arterial drainage. The other conceded to farmers the choice of being assessed for income tax on their actual profits instead of on the arbitrary basis of one-third of the rent. (2)

(1) See ante. p. 116.

(2) Or, previous to 1894, one-half.

CHAPTER VIII.

MR. GOSCHEN'S SCHEME OF ASSIGNED REVENUES.

The year 1888 marked a great event in British local government history. On the one hand, county councils were brought into existence by an Act forwarded by the President of the Local Government Board, Mr. Ritchie; on the other hand, Mr. Goschen devoted himself to the first serious attempt to deal with the question of the relationship between ratepayers and taxpayers in a comprehensive manner.

There were two cardinal purposes in Mr. Goschen's financial proposals: (a) to simplify the chaos of imperial and local finance by discontinuing the greater part of grants-in-aid, and substituting other revenues of a local character in their place; and (b) to make the substituted revenue larger than the revenue surrendered, and so provide relief to ratepayers from sources which, as far as possible, should be local in origin and expansive in character.

The grants-in-aid which Mr. Goschen proposed to discontinue were as follows:-

1. In England and Wales---	
Disturnpiked and main roads....	250,000
Poor Law grants.....	290,000
Criminal prosecutions.....	145,000
Police (London, counties and boroughs).....	1,430,000
Pauper lunatics.....	485,000
Total.....	£2,600,000
2. In Scotland---	
Roads.....	35,000
Medical relief.....	20,000
Police.....	155,000
Pauper lunatics.....	90,000
Total.....	£300,000
3. Ireland---Nil.	
Total... ..	<u>£2,900,000</u>

In lieu of these discontinued grants-in-aid, Mr. Goschen proposed to assign the following revenues as compensation:-

- (1) To hand over the bulk of the Excise licences, which he regarded as "to a considerable extent local in their nature" to the local authorities

in England and Scotland. They were termed Local Taxation Licences, and yielded about £2,900,000 at the time. (1)

- (2) To impose new licence duties on horses and racehorses, carts and wheels.
- (3) To assign half the probate duty to local authorities. (2)

The second proposal provoked such opposition in Parliament that it was finally withdrawn. The first was carried, and benefited local authorities to the extent of £400,000 in England, and £18,000 in Scotland. Ireland, whose grants-in-aid remained untouched, got no benefit from this arrangement, but a sum of £40,000 each year out of the Consolidated Fund was voted in Parliament in favour of Ireland so that she might, be under no disadvantage as compared with the other two countries.

Mr. Goschen's third proposal was also carried. His reason for choosing the probate duty as a tax to be partially applied in relief of local burdens was that it was the only tax which fell exclusively on realised personalty; and he thought that by handing over one-half the proceeds of the probate duty to the local authorities, it would serve 'as a contribution from personalty in aid of local rates. It was, moreover, a growing tax, and, as the burdens of the ratepayers were growing, it was hoped that the automatic increase of this assigned tax 'would enable the local authorities to meet their heavier burdens without having constant recourse to agitation for more extensive drafts from the Exchequer'. The probate duty yielded in 1888 about £5½ millions, with the consequence that the additional relief given to the local authorities under the new scheme amounted to about £2½ millions. (3)

The probate duty grants in Scotland and Ireland were allocated by an Act of Parliament (51 & 52 Vict. c. 60) to specific purposes, but in England and Wales, no such arrangement was made. It was in this respect that Mr. Goschen's financial scheme was specially notorious, in that, in the latter case, it allowed the grants to go

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- (1) All excise licences referred to in the Act of 1888 were specified in the First Schedule of the Act. The main part of this revenue was derived from licences for the sale of alcoholic liquors, for killing game, for keeping dogs and guns, establishment licences, etc.
 - (2) The rate of probate duties at that time was 3%.

in relief of rates generally, and thus put an end to the principle which Sir Robert Peel had wisely suggested, that imperial grants to local authorities should be earmarked for specific purposes, and should depend upon the efficiency of the services rendered. The only question that attracted the attention of Parliament was how the grant should be distributed among the various local authorities. (4) For this purpose, three methods of distribution at first presented themselves, the choice appearing to lie between schemes based on population, rateable value, or indoor pauperism, as affording the best basis for ensuring that relief should be given where it was most required, but after several passionate debates in Parliament, this was discarded. (5) The basis ultimately adopted was the easiest but least equitable one. It was determined that the probate grant 'shall, until Parliament otherwise determine, be distributed among the several counties in England and Wales in proportion to the share which they received during the financial year ending March 1888, out of the grants paid in that year from the Exchequer in aid of local rates'. This arrangement was well-nigh absurd. It took particularity as a basis of generalisation, for, as such grants fluctuated from year to year, they constituted a basis which was liable to become at any time obsolete and inequitable. (6) "To elevate the actual distribution of State grants in 1888 into a canon for succeeding years",

- (3) In 1894, the probate duties assigned to local authorities were abolished by an Act of Parliament (57 & 58 Vict. c.30). Instead of ~~the~~^{them}, a grant of an equivalent amount was assigned to the Local Taxation Accounts out of the new 'Estate Duty' derived from personal property.
- (4) The proportions assigned to the three kingdoms were:- England 80%, Scotland 11%, and Ireland 9%---i.e., the proportions in which they were then believed to contribute to the public revenue as a whole.
- (5) The reason of its withdrawal was that, in carrying it out, those parts of the country where relief outside the workhouse was predominant would receive an unduly small share of assistance.
- (6) In his contention, Mr. Goschen pointed out that 'nothing could be more unjust' than such a scheme of allocation. 'You must rather look', he said, 'to see where the shoe pinches most'. See Hansard, Mar. 26, 1888, cccxxiv, 295.

commented Dr. Redlich, "was a strange confusion of financial ineptitude and a striking testimony to the tyranny exercised in England by established facts over the theories, systems, and principles of weak statesmen and watery parties". (1)

As stated above, the new licence duties on horses, carts and wheels, which Mr. Goschen proposed to levy in 1888 for the benefit of local authorities, were abandoned finally owing to violent opposition in Parliament. In order to provide some substitute for these, Mr. Goschen undertook to impose in 1890 an extra tax of 3d. per barrel of beer, and 6d. per gallon on spirits for the further relief of local taxation, and to meet the demand which had meantime arisen for police superannuation. These surtaxes or additional duties were calculated to produce £1,304,000 annually, and the proportions of their distribution among the three kingdoms being the same as for the probate duty, England and Wales received £1,043,000; Scotland £143,000; and Ireland £110,800, respectively. (2)

The settlement embodied in the Acts of 1888 and 1890, resulted in the transference of a considerable sum from the Exchequer fund in relief of rates. It was reported that in 1889-90, £4,805,940 was produced from licences, probate, and beer and spirit surtax; (3) while

(1) Redlich & Hirst, op. cit., Vol. II., p.95.

(2) The allocation of these new revenues as provided by the Local Taxation (Customs and Excise) Act, 1890, (53 & 54 Vict. c.60) was as follows:-

(A) England and Wales---	£
Police superannuation.....	300,000
In relief of rates or for technical instruction.....	743,000
Total.....	£1,043,000
(B) Scotland---	
Police superannuation.....	40,000
In relief of rates or for technical instruction	48,000
.....	48,000
School fees.....	40,000
Medical, &c. officers.....	15,000
Total.....	£143,000
(C) Ireland---	
National school teachers.....	78,000
Intermediate education.....	40,000
Total.....	£110,800

(3) Of this, £4,968,239 was from licences and probate, and £1, 040,376 from beer and spirit surtaxes.

in 1891-92, it amounted to £6,429,079. (1)

On account of the expansive nature of the assigned revenues, it was generally thought, at the time, that the sums they yielded would at least keep pace with the increasing expenditure of local administration. This proved, in the event, however, to be too optimistic a view. Within a decade of the institution of the scheme, further instalments of relief had to be conceded to the agricultural interest (2) and movements were developing in every locality for further Exchequer contributions. Apparently, the primary purpose of the Goschen System, to check further raids by local authorities upon the national exchequer, was not being fulfilled.

In 1896, a Royal Commission, presided over by Lord Balfour of Burleigh was appointed to consider the whole system of Imperial and local taxation, in order to suggest alterations in the law which would make real and personal property contribute equitably to the funds raised for local purposes. Its final report, published in 1901 (Cd.638), contained a Majority Report and a Minority Report.

The commissioners all agreed that something should be done towards the relief of the ratepayers. According to their unanimous opinion, services carried out by local authorities should be divided into two classes--- 'national or onerous' and 'local or beneficial'. The cost of services which belong to the former class, such as poor relief, police, criminal prosecution, education, and the maintenance of main roads, should not fall entirely upon local resources, but should be imposed preponderantly on the national exchequer; because, on the one hand, 'such administration does not confer special benefit on special places', and, on the other hand, 'the State insists on its being carried out, and on a certain standard of efficiency being reached'. (3)

As to the manner in which Exchequer subventions were to be made, the two reports differed. The Majority Report advocated the retention of the system of assigned revenues in a modified form. It suggested that in addition to the estate duty grant, the beer and spirit sur-

(1) House of Commons Paper, 168 of 1893, p.xlv.

(2) Under the Agricultural Rates Act (1896) and the Tithe Rentcharge (Rates) Act (1899). See:- below, pp.133-34.

(3) Cd.638, 1901, p.12.

taxes, and the local taxation licence duties, certain stamp duties and the inhabited house duty should be appropriated in relief of rates. These revenues were to be paid to the Local Taxation Account as usual; but instead of that fund being distributed to counties and COUNTY boroughs, grants were to be made direct for "national" services to the administering authorities.

The Minority, represented by Sir Edward Hamilton and Sir George Murray, on the other hand, adopted the separate recommendations of the Chairman to the effect that each of the "national" services ought to be the subject of a "block grant", that is, a grant in respect of the whole of the service, not of certain branches of it. (1) The basis, advised for the grant to each service was the annual expenditure, and the total of the grant for the country was to be about half of the total expenditure. As for the method of distributing the grants, a "formula" was devised to modify the amount received by each local authority according to the amount actually spent by the local council, the number of the population, and the rateable value of the area. But the last factor was to operate, not as in the Goschen scheme to give more to the wealthier areas, but to give more to the poorer areas. All grants were to be charged on the Consolidated Fund and paid as required to the executive authorities.

(2)

The Commissioners, however, were again in general agreement that all grants should be paid direct to the spending authority, (3) that there should be proper guarantees for efficiency and economy, and that agricultural land should be assessed at one-half of its value for onerous services. (4)

(1) This was then a new idea alien to the Majority's conception. Taking the poor law as an example, while the Majority favoured grants in respect of Union officers' salaries, pauper lunatics, epileptics, maintenance and education of Poor Law children, sick and infirm in infirmaries and workhouse wards, teachers in Poor Law schools, and school fees of pauper children, the Minority recommended that the whole field of Poor Law administration should be taken together in determining the grant.

(2) Cd. 7315, 1914, pp. 3-4.

(3) It will be seen that the Commission unanimously recommended a return to the system of direct grants; and that, while recognising elementary education as a "national service", they left it outside the arrangements which they recommended.

To realise their respective schemes, the net increase of Government subventions was estimated at £2,570,000 by the Majority, (5) and £1,525,000 by the Minority. (6) None of the recommendations made by the Royal Commission in favour of a return to the system of direct grants, however, was explicitly accepted. But, in the meantime, a modification in the original system of assigned revenues took place through a series of enactments which stereotyped the yield payable to local authorities from some of the taxes involved.

Under the Finance Act of 1907 (7 Edw.7, c.13) it was provided that in the event of an increase in the rate of any duty belonging to the assigned revenues (other than beer and spirit surtaxes), the amount payable to local authorities should be calculated at the rate in force at the commencement of the Act, and that any increase in the yield of the revenues was to be diverted from the local authorities to the Exchequer. This provision was repealed in the case of certain licences in the following year (7), but the trend continued, for by the Finance Act of 1910 and the Revenue Act of 1911, it was laid down that the sum payable to the Local Taxation Account in respect of the duties on carriage licences (including motor licences); the duties on intoxicating liquor licences; and the Local Taxation (Customs and Excise) Duties, should be equivalent to the sum produced by the relative duties in the financial year 1908-09.

The effect of stereotyping the amount payable to the Local Taxation Account in this way, thus precluded the local authorities from receiving, in future, the advantage from the natural expansion of these duties anticipated when the Goschen Scheme was introduced in 1888 ---an expansion which had then been expected to keep pace with the increasing expenditure of the services requiring national subventions.

Ten years elapsed after the publication of the Report of the Balfour Commission, with no direct action on the part of the Government to implement its proposals. In April, 1911, however, a departmental committee was appointed by Mr. Lloyd George, then Chancellor of the Exchequer, 'to inquire into the changes which (had) taken

(5) Cd.638, 1901, p.32.
(6) Ibid., p.141.
(7) Finance Act, 1908.

place in the relations between national and local taxation since the Report of the Royal Commission on Local Taxation in 1901; to examine the several proposals made in the Reports of that Commission, and to make recommendations on the subject for the consideration of His Majesty's Government, with a view to the introduction of legislation at an early date'.

The Committee, under the Chairmanship of Sir John A. Kempe, issued their report in 1914, making recommendations, inter alia, on the subject of State subventions to the following effect:-

- (a) That, having regard to the changes which had taken place since the introduction of the Assigned Revenues System in 1888, a considerable increase in the amount of State subventions to local authorities was justifiable and necessary.
- (b) That the Assigned Revenues System, under which a large proportion of the existing subventions were paid, should be abolished, and that in future all State assistance to local authorities should take the form of direct grants from the Exchequer.
- (c) That such grants should only be made in respect of 'semi-national' services, i.e., services which, though administered locally, yet partook of the characteristics of services administered by the State.
- (d) That the more important services to be included in the category of semi-national services should be education, poor relief, police, main roads, public health, criminal prosecutions, and mental deficiency. (1)
- (e) That all grants be conditional on the efficient administration of the service in respect of which they were to be given, and be made subject to a general power of reduction and regulation on the part of the supervising Government Department. (2)

It was the intention of the Government to act upon the recommendations of the Committee. Accordingly the Finance Bill of 1914 was drafted to revise the system of grants and to pay direct to the spending authorities grants ~~made-upon~~ based upon these recommendations. But

(1) Cd.7315, 1914, p.100.
(2) Ibid., p.102.

the War broke out, and the Bill was withdrawn.

The assigned revenues system, as it had been originally conceived, however, was in any case moribund. Even at the time of its inception, it had never been comprehensively adequate for all the services receiving exchequer support, (1) and alongside the assigned revenues there was growing, persistently, a system of supplementary grants from the exchequer to finance new services, usually on the basis of a percentage of their cost to the local authority. (2) Most of the revenues, moreover, had been stereotyped into fixed grants by this time, which had essentially altered their character. Nevertheless, the system of assigned revenues persisted, until it was finally interred under the Local Government Act of 1929.

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- (1) C.f. The education service. See below. Ch.IX, Sect.1.
(2) The additional grants in aid of major services are described in the subsequent chapter. ~~The minor grants, which should be mentioned here, are set out in the Appendix.~~

CHAPTER IX.

EXCHEQUER GRANTS BETWEEN THE TWO GREAT FINANCIAL REFORMS (1888-1929)

In the period between the two great financial reorganizations of 1888 and 1929, a considerable expansion in State-aided local services took place. Their development was piecemeal and uncoordinated, and gave rise to an improvised and varied system of exchequer contributions. Alongside the system of assigned revenues, there grew up other types of financial assistance, in some cases based upon the units of service supplied by the local authorities---a sum for each pupil in school, or for each house built---, but more often, in this period, based upon a percentage of the costs incurred in the localities. An outline is presented of the development of the system of grants in the more important services during this time. ~~(1)~~

I. Exchequer Grants and Educational Development.

Goschen's Act of 1888 had no influence on the education grant. While other grants were mostly abolished, and replaced by the new system of assigned revenues, the grant in aid of elementary education and for the maintenance of industrial and reformatory schools remained untouched. The grant in this service originated in 1833, but the amount and scope of the assistance was increased from time to time, notably in 1846 and 1862. In the former case, a payment was first made out of the Education Vote towards the erection of normal and training schools for teachers in England; in the latter, a type of capitation grant was provided, based mainly on the results of attendance at schools and the results of individual examination of the children in reading, writing, and arithmetic. This sort of Merit Grant, however, had the unsatisfactory effect of restricting the development of teaching in higher subjects, and a Royal Commission was, accordingly, appointed in 1886 to inquire into the matter and making suggestions for reform. The Report

~~(1) For the minor services, see the Appendix.~~

of the Cross Commission, issued two years later, recommended a new code which consolidated former grants in a single block grant known as the "annual grant". (1)

In the period between the Report of the Cross Commission and the end of the century, several beneficial measures were adopted. In 1891, a Fee Grant of 10s. a year for every child, over three and under fifteen years of age, was made under the Elementary Education Act for the purpose of inducing the managers of schools to forego fees, so that the compulsory attendance principle would be rendered practicable. (2) In 1892, the system of payment by results was entirely abolished. In the following year and in 1899, special grants were made to assist schools for blind and deaf children and for defective and epileptic children respectively. Meanwhile the Elementary Education Act of 1897 provided an increased aid grant for scholars in necessitous areas, and the Voluntary Schools Act of the same year contributed a sum of 5s. per child attending voluntary schools and relieved those schools of the obligation to pay local rates.

- (1) This grant was based on the average attendance of all scholars whose attendance were recognised by the Board of Education. The rate of grant was 22s. for each unit of average attendance, except in the Infants' Department, or an Infants' Division in which the average attendance exceeded 20; in this case the grant was at the rate of 17s. per scholar. Thus the local education authorities had a direct pecuniary interest, not only in getting as many children to school as possible, but also in getting them to attend as regularly as possible.
- (2) The receipt of the Fee Grant imposed certain restrictions on the charging of fees, and a few schools, therefore, declined the grant, preferring to charge a substantial fee. In most of the schools receiving the grant, no fees at all were charged; but where fees were charged, the grant might be subject to deduction of the total amount of the fees so charged had exceeded a certain limit.
- (3) Councils of non-county boroughs with a population of over 10,000, and of all urban districts with a population of over 20,000, were constituted the local education authorities for elementary education within the their respective districts, unless they relinquished these powers to the county council.

In the opening years of this century, the most important development as regards national services administered by local authorities was, perhaps, the passing of the Education Act of 1902 (2 Edw.7, c.42). Under the provisions of this Act the old school boards and school attendance committees were dissolved, and the county and county borough councils were constituted local education authorities, charged with financial responsibility for educational purposes. (3) The whole service of education was brought under municipal and county administration, local authorities being also charged with the control of non-provided schools and the provision of facilities for higher education.

As for the expenses incurred under this arrangement, the Act provided that the whole proceeds of the residue of the beer and spirit taxes, which hitherto had been applicable either to technical education or in relief of rates, at the option of the local authorities, should now be definitely allocated to higher education; and a new aid grant, calculated upon the relation in each area between the number of elementary scholars and the assessable value, was introduced. (4) Local authorities were also given extended rating powers for this purpose.

The improvement in the education service in Great Britain after 1902 was considerable. It was not, moreover, confined to the purely academic aspect. The Education (Provision of Meals) Act, 1906, authorised local education authorities to supply meals, in necessary cases, for children attending school; while the Education (Administrative Provisions) Act, 1907, provided for the medical inspection of school children, and gave powers for attending to their health and physical condition. Under the latter Act, education authorities were

(4) Under Sect. 10 of the Act of 1902, the new Aid Grant consisted of two parts: (a) a fixed grant of 4s. per scholar in average attendance; and (b) a variable grant of 1½d. per scholar for every 2d. by which the produce of a 1d. rate fell short of 10s. per scholar. Thus the grant depended partly on the average attendance and partly on the produce of a 1d. rate; and the rate of grant per scholar was higher or lower according as the sum found by dividing the produce of a 1d. rate by the number of scholars was lower or higher.

also authorised, inter alia, to provide scholarships, vacation schools, vacation classes, play centres and other means of recreation during holidays and at other times. For some years after these services were introduced, no State subvention was supplied, until, in 1912-13, under Regulations of the Board of Education, provision was made for grants of one-half of net expenditure incurred. (1)

The complicated system of education grants was greatly revised in 1918. After the Education Act of that year, the method of payment was left primarily to regulations issued by the Board of Education, under which an annual consolidated grant for elementary education was used instead of the former grants. The new grant was made payable according to the Fisher Formula, which, subject to certain exceptions, (2) was as follows:-

- (a) Thirty-six shillings each unit of average attendance in public elementary schools.
- (b) Three-fifths of the expenditure on teachers' salaries in these schools.
- (c) One-half of the net expenditure on special services, namely, school medical services, provision of meals, schools for the blind, deaf and defective children, etc.
- (d) One-fifth of the remaining net expenditure on elementary education.
- (e) Less product of a rate of 7d. in the £.

The old grants for higher education were continued under the regulations, except that a change might be made, when necessary, to provide a deficiency grant so as to bring the grants up to 50% of the net approved expenditure. These separate grants for higher education were, however, replaced by a consolidated grant of 50% of net expenditure from the 1st. April, 1921.

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- (1) In addition to these, there were some minor improvements in this period which are worth mentioning. In 1906, a new Necessitous Area Grant for educational purposes was introduced. Three-fourths of the sum expended was to be relieved in cases where the net cost to the rates in these areas exceeded 1s. 6d. in the £. In 1907, a block grant of £100,000 was provided by the Appropriation Act for grants in aid of building new council schools.
 - (2) The grant had a maximum and a minimum limit; and there were increased grants for highly rated areas.

II. Measures to Relieve Agricultural Distress.

In 1893, Mr. Henry Fowler, the President of the Local Government Board, presented a report to the Treasury on the subject of local taxation, "with special reference to the proportion of local burdens borne by urban and rural ratepayers, and by different classes of real property in England and Wales". In this report, which was chiefly a continuation of Mr. Goschen's report of 1871, there were outlined the following conclusions:-

- (1) The increase of the rates during the last 20 years was largely due to the additional expenditure in education and sanitation, especially after the Education Act of 1870 and the Public Health Act of 1875.
- (2) The increase in Exchequer contributions since 1888 was to a great extent offset by the abolition of turnpike tolls and of the London coal and wine duties, etc.
- (3) As the grant in aid had gone mainly towards the relief of hereditary burdens on land, it was the occupiers, and not the landowners, who were overburdened by the rates. (1)

The conclusion of Sir Henry's report was strengthened by the recommendations of a Royal Commission on Agriculture advocating the relief of agricultural distress. In response to this cumulative encouragement, an Agricultural Rates Act was passed in 1896 to ease the burden of the rural ratepayers by diverting into the Local Taxation Account another sum from the yield of the Estate Duty on personal property. This sum, amounting for England to about £1,330,000, was to be paid directly to all spending authorities, (2) in order to enable them to tax the occupiers of agricultural land within their districts at one half only of its rateable value, without incurring any loss of revenue. Similar Acts were passed to make proportionately 'equivalent grants' to local

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- (1) See House of Commons Paper, 168 of 1893, p.11: "As far as local taxation was concerned, the position of landowners had improved since 1888, while the burdens on occupiers of houses had greatly increased".
 - (2) Chiefly county councils, county boroughs, boards of guardians, and rural district councils.

purposes in Scotland and Ireland. (1)

The defects of this arrangement (2) were notable. It was not directed as a relief on account of national services, but was granted for half of all rural rates, irrespective of origin or destination. As the sum was fixed, moreover, it could not meet increases in charges; and wherever an increase occurred, the grant from the Local Taxation Account proved insufficient to redress the deficiency caused by the exemption of agricultural land from half the burden of the rates. Finally, though these grants might have done something to redress the inequalities of the agriculturalist and his manufacturing, trading or residential neighbour in the same rating area, they did nothing to rectify the disparity of rates in different rating areas.

The occupiers of agricultural land enjoyed a further exemption in rates under the Agricultural Rates Act of 1923, when the abatement of one-half made under the Act of 1896 was increased to three-fourths the poundage

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- (1) Act 59 & 60 Vict. c.37 for Scotland and Act 59 & 60 Vict. c.41 for Ireland. The Act for Scotland differed in some respects from its English analogue. In England, the whole of the rates to which the Agricultural Rates Act, 1896, applied, were paid by the occupiers, and the Act provided for their exemption to the extent of one-half of those rates, but confined the exemption to the land, leaving the buildings connected with the land assessable at their full annual value. In Scotland, however, where the rates to which the Agricultural Rates, &c. (Scotland) Act, 1896, applied, were divided between owners and occupiers, the exemption was confined to the occupiers' share of the rates, but the amount of the exemption was fixed at $\frac{5}{8}$ of the occupiers' rates, and was given not only in respect of the land, but of the buildings also. See also:- Final Report of Departmental Committee on Local Taxation, 1914, Cd.7315, p. 56; and Alban, Lamb & Imrie, Scottish Local Government Finance and the Law Relating Thereto, 5th ed., 1924, p.109.
- (2) The Tithe Rentcharge (Rates) Act, 1899 (62 & 63 Vict. c.17), extended to the owners of tithe rentcharge attached to benefices, an exemption similar to that granted to the occupiers of agricultural land by the Agricultural Rates Act.

of other occupiers. In view of the deficit in the produce of rates arising from this reduction, a grant was made from the National Exchequer, but whereas the grant made under the earlier Act had been fixed according to the ~~low~~ loss in the initial year, now, a variable grant was provided based upon the actual loss. (1)

These grants were discontinued under the Local Government Act of 1929, which completely derated agricultural lands and buildings.

III. Financial Aid towards Highway Administration.

The Development and Road Improvement Funds Act, 1909 (9 Edw.7, c.47.), set up a new central authority, the Road Board, with large powers for the construction and improvement of roads. A revenue consisting of the proceeds of the new petrol tax and of the surplus proceeds of the duties on motor car and carriage licences after paying the stereotyped amounts to the local authorities were assigned under its control for the betterment of highway facilities. This revenue was directed to be paid into a Road Improvement Fund, out of which the Road Board was authorised to make grants and loans to local highway authorities.

After the outbreak of war in 1914, however, all revenues formerly assigned to the Road Improvement Fund were diverted to the Exchequer. The Road Board itself was abolished under the Ministry of Transport Act, 1919, and a Road Advisory Committee set up for consultation with the Minister of Transport. The Minister was now empowered to make advances by way of grant or loan to any local authority for the construction, improvement, or maintenance of railways, roads, bridges, etc. With a view to securing the appointment of a better qualified type of road officer, he might also defray half the salary of the engineer and surveyor of a local authority responsible for the maintenance of roads, and half the establishment charges in respect of his department, on condition that the appointment, retention and dismissal of these officers and the amount of the charges were

(1) In Scotland, where the rates were paid by both agricultural owners and occupiers, a special arrangement was necessary. See:- Memorandum on the Financial Resolution, Cmd.3031/1928, p.3. Also:- The Rating (Scotland) Act, 1926.

subject to his approval. Under the provisions of the Roads Act, 1920, county and county borough councils were made responsible for the licensing and registration of mechanically propelled road vehicles, but the whole cost of administration was made payable by the Exchequer. All proceeds from the sale of these licences were paid into a Motor Tax Account from which the Road Fund was financed, to be drawn upon by the Minister of Transport for grants to highway authorities. (1) For the loss of fees and charges previously received by the local authorities for licensing mechanically propelled hackney carriages, a compensatory grant was provided.

In a circular dated 22nd May, 1922, it was intimated that the grants towards improvements or maintenance of classified roads and bridges would be 50% of the actual expenditure upon estimates approved by the Minister in the case of Class I roads and bridges, and 25% in respect of Class II roads. This was later increased to 60% for Class I and 50% for Class II, in addition to which the roads formerly scheduled as district roads were also admitted for grants at 25%.

The scope of road expenditure qualifying for grants was enlarged by the Road Improvement Act in 1925, when the cost for pedestrian crossings, light signals, acquisition of toll roads, planting trees on highways, etc., was all admitted as qualifying for contributions from the Exchequer.

(1) But the Road Fund was constantly 'raided' by the Treasury. In 1927, a sum of £7,000,000 was transferred to the Exchequer and one-third of the annual proceeds equivalent to £5,000,000 per annum earmarked for transfer to the Exchequer as representing the taxation of 'luxury' expenditure as contrasted with road taxation. In 1928, a further sum of £12,000,000 was transferred to the Exchequer. In April, 1935, the Chancellor appropriated for his budget the Road Fund Balance of £4,470,000. The Finance Act, 1936, provided for the moneys previously paid into the Road Fund to be paid to the Exchequer, and for the Road Fund to be financed out of money provided by Parliament, thus giving Parliament annual control over the amount of the expenditure out of the Fund. See J.J. Clarke, op. cit. p.656.

IV. Public Health Under State Subvention.

A serious attempt was made, with the passage of the National Insurance Act, 1911, (1 & 2 Geo. 5, c.55) to deal with the problem of the improvement of health and provision for unemployment among the working classes. It was thought that this attempt would help to diminish the operation of two leading causes of destitution, and thus tend to reduce the charge upon the poor rate.

The Act directed a general campaign against tuberculosis, conferring sanatorium benefit upon insured persons. This entailed further expenditure by local authorities, but, towards meeting the cost, a sum of £1,500,000 was provided by the Finance Act, 1911, for capital grants to assist the erection of sanatoria and dispensaries in the United Kingdom. In addition, an Exchequer grant, equal to one-half of the net expenditure (including loan charges) on the treatment of the disease, was given to the local authorities in 1912. (1)

Under the Mental deficiency Act, 1913, the duty of providing for the care of mental defectives was imposed upon local authorities towards the cost of which an Exchequer grant of not more than £150,000 annually was provided for distribution in such a manner as the Home Secretary with the approval of the Treasury recommended. After the first World War, more ample provision was made (2) with a grant of 50% of the approved net expenditure in respect of obligatory duties payable to the local authorities concerned. The grant was originally administered by the Home Secretary, but with the transfer of the Board of Control to the Ministry of Health in 1920, the administration was transferred to the Minister. This percentage grant was discontinued under the Local Government Act of 1929.

Several special-services health services were also catered for. The importance of maternity and child welfare work impressed the Government from an early date. At the beginning of the present century, efforts were made to reduce infant mortality, and the appointment of female health visitors was not uncommon. On the 30th

(1) The payment of sanatorium benefits ceased in 1920; and under the Public Health (Tuberculosis) Act, 1921, county and county borough councils were made responsible for the treatment of the diseases. A block grant, based upon the amount previously received from

July, 1914, a circular was issued by the Local Government Board, intimating that "an estimate had been laid before Parliament for a grant to be distributed by the Board in aid of the expenditure of local authorities and voluntary agencies in respect of institutions or other provision for maternity and child welfare". The purpose of this grant was to stimulate more extended and systematic action on the part of local authorities, and county councils and sanitary authorities were invited to submit schemes. (3)

The Notification of Births Act, passed in 1907, was extended and made compulsory in all areas in 1915. This increased the possibilities of child welfare work greatly. According to the revised Act, the birth of each infant had to be notified to the medical officer of health within thirty-six hours of its birth. In this way it became possible for the authorities to make early and repeated visits to the parent, for the giving of counsel on the health of the mother and her child.

Another circular dated 29th July, 1915, intimated that the Government had agreed to provide annual grants of one-half the cost of the whole or any part of approved maternity and child welfare schemes. The scope of this service was further enlarged, in 1918, by the Maternity and Child Welfare Act of that year. (4)

A grant was provided in 1919 to encourage local education authorities in the work of midwifery training. The grant was at first £8 10s. for each trainee, but later it was increased to the amount of £35 for a full course, and £20 for a course of less than one year. As for practising midwives attending approved courses, grants of £20 per trainee for a long course, and £1 per week for a short course, were payable. Under the provision of Memorandum No. 101 issued by the Ministry of Health in 1925, grants were also made for the institutions recognised by the Department for training health visitors. This grant was fixed at £20 per successful trainee.

national insurance funds, was provided. This was again discontinued under the Local Government Act of 1929.

- (2) By the Mental Deficiency and Lunacy (Amendment) Act, 1919, Sect.1.
- (3) The whole circular and the required elements to be comprised in the scheme can be seen in Sir Arthur Newsholme's celebrated book: The Ministry of Health, 1925, London, pp.209-212.

Following on the issue of the Report of the Royal Commission on Venereal Diseases which sat from November, 1913, to February, 1916, the Local Government Board issued regulations and a medical memorandum on the 13th July, 1916, giving practical effect to the most important recommendations of the Commission. In accordance with the regulations, the responsibility of providing means for the prevention and treatment of venereal diseases was imposed upon local authorities; and a grant of 75% of the approved net expenditure incurred was given by the Government. As a result of this large contribution, provision of facilities for treatment of the diseases was rapidly obtained throughout the country.

Prior to 1920, the welfare of the blind was provided chiefly by voluntary charitable agencies. The Blind Persons Act of that year, however, imposed upon the county and county borough councils the responsibility of improving blind welfare. Grants from the Ministry of Health were made for certain approved items, namely,

<u>Items</u>	<u>Amount per person per year</u>
Augmentation of wages of Workshop Employees.....	£20
Augmentation of Earnings of Home Workers... ..	£20
Towards salaries of Home Teachers.....	£78
Expenses of Homes for the Blind.....	£5
Book production, 2s.6d. per volume; Magazines, 2d. per copy.	

These grants, also, were discontinued under the Local Government Act of 1929.

V. The Genesis of the Housing Grants.

Another important service which, in this period, joined the rank of the grant-aided activities of local authorities was housing. Prior to 1919, the cost of providing housing accommodation by local authorities had been entirely a local charge. But in view of the severe housing shortage due to the first World War, the Housing and Town Planning Act, 1919, imposed upon local authorities the responsibility of preparing and submitting schemes for the provision of houses where the necessity existed. Under the provisions of the Act, the Government, entering

(4) For detailed provisions of the regulations, see *ibid.* pp.213-214. Except for the training of midwives and health visitors, grants for maternity and child welfare were discontinued under the L.G.A., 1929.

for the first time into a housing partnership with local authorities, undertook to provide, on the one hand, for an Exchequer contribution equal to the annual cost on housing schemes approved by the Minister of Health, in excess of a local rate of 1d. in the £, and, on the other, for a 50% grant in respect of the expenditure on approved slum clearance schemes.

Both these bases proved to be so expensive to the National Exchequer, that in 1923 the former was abandoned in favour of a relatively small grant of £6 per house per annum for twenty years, (1) but this arrangement failed to provide a sufficient number of houses for letting, and so the rate of grant was again increased to £9 and the period to 40 years by an Act passed in 1924 with a still higher rate of £12 10s. for houses in agricultural parishes. (2) The rate of grant was slightly reduced in 1927, and it was discontinued by the Housing (Financial Provisions) Act, 1933. (3)

For the owners of premises in rural areas, moreover, a grant was provided, under the Housing (Rural Workers) Act, 1926, towards expenditure on reconditioning cottages to make satisfactory housing accommodation for rural workers or persons of the same economic condition. The grants were administered by the county and county borough councils, (4) with a 50% contribution from the Ministry of Health of the estimated loan charges which would have to be borne by the local authority if loans for twenty years were raised for the purpose. The Act was originally passed for five years, but it has been extended by subsequent Acts.

VI. The Geddes and the Meston Committees, and their Proposals on Exchequer Grants.

The slump which followed the short-lived post-war boom, and the great increase in national expenditure

(1) Housing Act, 1923.

(2) Housing (Financial Provisions) Act, 1924.

(3) In 1927, the grant was reduced, for houses completed after the 1st. October of that year, to £7 10s. per annum; those in agricultural parishes £11. Under the Act of 1933, an exception was provided for those houses which were in schemes submitted or substantially ready to be submitted to the Minister of Health before the 7th December, 1932, and completed by the

after 1919, aroused a wave of public opinion in favour of economy. This led to the appointment by Sir Robert Horne, then Chancellor of the Exchequer, of a committee under the Chairmanship of Sir Eric Geddes, to make "recommendations for effecting forthwith all possible reductions in the national expenditure on Supply services". The final report of the committee, presented on 21st February, 1922, made a fierce attack on the percentage grant system (1) "The advantage claimed for the percentage grant system", the Report runs, "is that it provides a stimulus to authorities to improve the efficiency of their services; in fact, it is a money-spending device." (2) The Committee therefore suggested that fixed grants, or grants based on some definite unit, should be adopted in order to "increase the incentive to local authorities to economise". Proposals were made also for the reduction of education grants by £18,000,000, public health grants by £2,500,000, and police grants by over £1,500,000. (3) These recommendations were, however, to use Mr. Clarke's words, too 'drastic' and too 'unscientific', and the Government took no step to put them into operation.

Following the report of the Geddes Committee, another Departmental Committee, presided over by Lord Meston, was appointed in 1922 to inquire into the system for payment of local grants once more and to make recommendations as to alternative methods. The Committee heard considerable evidence upon the subject, and a draft report was prepared, but not published. (4)

30th June, 1934.

- (4) The grant made by the local authorities in this concern might not exceed either two-thirds of the cost of the works or £100 per house.
- (1) According to the result of their inquiry, the total cost of social services had risen from £86,500,000 in 1913-14 to £243,500,000 in 1921-22. "Various causes have contributed to these enormous increasesbut there is one factor of administration which, in our opinion, has materially affected the cost to the taxpayer, and that is the development of the percentage grant system." See First Interim Report of the Committee on National Expenditure, Cd.1581/1922, p.105.
- (2) Ibid., p.105.
- (3) J.J. Clarke, op. cit., p.675.
- (4) One of the main reasons for the non-publication of the report was the fact that the bulk of the evidence

So far as the grant-in-aid system was concerned, it is now known that most of the evidence favoured the retention of a percentage system, with minor improvements and safeguards. (5) Though it was generally recognised that percentage grants would inevitably lead to close central control, and that they were based upon expenditure irrelevant of the needs of special areas, they were still regarded as preferable to the assigned revenues system which was established on a basis rendered obsolete long ago by changed conditions.

submitted to the Committee bore against the policy which the Government and the Chancellor of the Exchequer, Mr. Churchill, with backing from the Treasury, had determined to pursue, namely, the introduction of a block grant designed to limit the commitments of the Exchequer over a period of years. See C. H. Wilson, *Essays in Local Government*, 1948, p.129.

- (5) The Committee thought that some standard of efficiency should be adopted to relate services and grants and that the utilization of figures of 'normal' cost might provide such a standard. "We (i.e. members of the Meston Committee) have drawn attention to the very great variation in the price which is paid for services in different localities. Undeniably there is certain inefficiency in the percentage system as it now operates, and we have argued that if we could adopt a different method, by arriving at a unit of cost, which would give us an effective comparison area by area, we should then find out not only how we could get a far better return for the money but how we could make the service much more efficient than in many cases it now is"---Hansard 196, C.291. See Mr. William Graham's attack on block grant policy in the debate on Finance Bill, 1926.

CHAPTER X.

THE FINANCIAL REORGANIZATION OF 1929 and THE BLOCK GRANT SYSTEM.

It might have been due to the British aversion to making too drastic a change that, after having the reports of a Royal Commission in 1901 and a Departmental Committee in 1914, both advocating considerable changes, nothing was done to carry any wholesale reforms into effect until 1929. Perhaps innovation would have been postponed still longer had it not been that the Government was forced to pay attention to the means of compensating local authorities in consequence of a derating policy, the discussion of which led to a review of the whole system of grants-in-aid. The result was seen in the Local Government Act of 1929, which dealt in great detail with an entirely new system of subsidisation based upon the main suggestions of the Minority Report of 1901 and the Kempe Committee in 1914. (1)

In June, 1928, a Government White Paper, containing 'proposals for reform in local government and in the financial relations between the Exchequer and local authorities', was issued by the Ministry of Health.

(2) The Government declared that, in order to further the revival of agricultural and the basic industries, which were then in a difficult position, they intended to derate agricultural, industrial, and transport properties. It was intimated that from the 1st. October, 1929, agricultural land and agricultural buildings would cease to be rated; and industrial and freight transport hereditaments would be rated at only one-quarter of their net annual value, as defined by the existing laws.

(3) As this derating policy would cause a great loss on the part of the local authorities, it was, in consequence, necessary to make a considerable increase in the amounts to be distributed as Exchequer grants.

The financial relations between the central and the local authorities had been for a long time the subject of controversy. The Geddes Committee on National

(1) See above pp. 124-25.

(2) A corresponding White Paper was issued by the Scottish Office at the same time: Cmd.3135.

(3) Cmd.3134/1928, pp.3-4. It was estimated in the

Expenditure in 1922 had condemned the percentage grant system as 'a money-spending device, but not an economical system', (1) and the Government had also found that the percentage grants for health services, and the maintenance of roads, incurred excessively close supervision by the Central Department of the work of the local authorities to whom they were paid. (2) It was pointed out that these grants were not related closely to the needs of local authorities, but to their expenditure, so that the Treasury really had very little control over the amount for which it was liable, and those areas which were poorest, and least could least afford to maintain an adequate standard, were just those which received the least assistance from national funds. To the other forms of grant, it was objected that, the assigned revenues were related neither to the needs nor even to the expenditure of the local authorities; while the grants under the Agricultural Rates Acts, again were not related to the need for public services, but only to expenditure. (3)

The Government, therefore, came to the conclusion that a necessary accompaniment of the derating scheme was a modification of the basis and method of Government contribution to local services, including arrangements to meet the case of the 'necessitous areas' and those authorities whose finances were on too narrow a basis. (4) A proper system for distributing Exchequer grants, the Government agreed, should be based on the principle that a fair contribution should be made from the Exchequer towards the cost of local services, but that local authorities should retain complete financial interest in their administration. Such a system should, moreover, be adapted to the special needs of the areas concerned, permitting the greatest freedom of local initiative, while, at the same time, providing for sufficient control and advice from the Central Department to

White Paper that had the derating proposals been in operation in the year 1926-27, the loss of rates in England and Wales would have amounted in round figures to £24,000,000 for the year.

{1} Cmd.1581/1922, p.107.

{2} Cmd.3134/1928, p.12.

{3} The Minister of Health pointed out, when dealing with the proposals embodied in the Local Government Act,

ensure a reasonable standard of efficiency. (5)

With the intention of putting an end to the indefinite and chaotic system of Exchequer grants, with its many defects, the Government proposed to abolish, as from the 1st. April, 1930, the following Exchequer grants:-

- (i) The assigned revenues grant; (6)
- (ii) The grants under the Agricultural Rates Acts, 1896 and 1923.
- (iii) The percentage grants in aid of health services: (7) Tuberculosis, Maternity and Child
- ~~(iv)~~ Welfare, Welfare of the Blind, Venereal Diseases, and Mental Deficiency;
- (iv) The classification grants for Class I and Class II roads in London and county boroughs (large burghs in Scotland), and the grants for the maintenance of scheduled roads in county districts. (8)

1929, that the system of percentage grant impairs the independence and vigour of local authorities, since what is assisted item by item must be scrutinised in detail by the assisting authority. See R. Sutcliffe's Presidential Address before the Conference of I.M.T.A. in June, 1946. Reprinted in Local Government Chronicle, 1946, p.626.

(4) Cmd.3134, p.5, "If the case of necessitous areas is to be met, a new method of distribution of Government grants and reorganization of administrative arrangements are both requisite. Change in the areas of functions of some Authorities is the only way in which a remedy can properly be found for the difficulties of those authorities whose resources would be inadequate to enable them to meet their needs under the new conditions".

(5) Ibid., pp.12-13.

(6) The portions of the Assigned Revenue Grants formerly applied to education and police services, amounting to about £3,800,000 in England and Wales, and £700,000 in Scotland, were to be abolished just the same; but, it was decided that the equivalent of the grants applied to these services was to be paid by the Board of Education and Home Office out of voted moneys. Cmd.3134/1928, p.13. Moreover, it was decided that in making such arrangements, the Local Taxation Licence Duties levied by the county and county borough councils in England and Wales which did not pass through

The derating scheme and the proposals for grant reform were crystallised in the Local Government Act of 1929, (9) when a central fund or pool was formed, known as the "General Exchequer Contribution", out of which new block grants were to be made.

The fund was divided into two parts: the one was devoted to making up the losses which the local authorities suffered from the derating provisions of the Act and through the discontinuation of certain previous grants; and the other was a sum of money which was voted by Parliament to cover any further growth in local government services generally, and which was to be allocated on a complicated formula designed to meet the need of the poorer areas. This formula became known as the "weighted population" formula.

In this case, the weighted population of a county or county borough was determined by adding to the population of the area, further figures based on the following factors:-

- (i) the number of children under five years of age,
- (ii) the rateable value of the area,
- (iii) the number of unemployed persons, and
- (iv) (in case of counties only) the number of persons per mile of road (the 'sparsity' factor).

The employment of this imaginary figure ensured that the shares of grant for those areas suffering from the disadvantages of these factors would be proportionately increased. (10) These factors in particular, were adopted for reckoning the share of grant for several reasons. The rateable value denoted directly the financial capacity of the area; the number of children under school age affected the cost of child welfare services; the number of unemployed was related to the burden of public assistance, and possibly of health services, and also affected the recoverability of rates levied; while the sparsity of population had an important bearing on the cost of road maintenance, street lighting and sewerage. (11)

the Local Taxation Account, such as licences to deal in game, licences to kill game, licences for dogs, guns, armorial bearings and male servants, amounting in 1928-29 to about £1,400,000, would remain leviable by these authorities, and would be retained by them; while the Local Taxation Licence Grants for Scotland were discontinued.

The amount of the block grant was to be fixed for definite periods---three years in the first period, four years in the second, and five years thereafter--- a general review being made at the end of each period so as to revise the grant both in total and for each authority, and to allocate more money to meet the expanding costs of local services. In order not to make too violent a break with the past, and cause a disturbance in local finance, however, the application of the formula was designed to be gradual. For the first two fixed grant periods, ending by 1937, the charge on the grant was to cover 75% of the loss of income due to de-rating and discontinued grants, the remainder being distributed according to the formula. From 1937 to 1942 only one-half of the 'losses' were to be made good, all the balance of the pool available going into the formula. For 1942-47 a quarter of this loss was to be made; and from 1947 onward, when the transition was completed, the whole of the fund would be distributed according to the formula.

Thus it is quite clear that the main purpose of the block grant system as worked out by the Act of 1929 was to relieve necessitous local authorities from their heavy burden of rates and to help them to accomplish more satisfactorily the important services required of them.

- (7) The grants in aid of port sanitary services and of training of midwives and health visitors, as well as the Highlands and Islands (Medical Service) Grants for Scotland, were to be continued on the same basis as used at that time.
- (8) Cmd.3134, p.12.
- (9) See Parts V & VI of the L.G.A., 1929, for England and Wales, and Parts II & III of the L.G. (Scotland) Act, 1929, for Scotland.
- (10) As to the more detailed explanation of the method by which the weighted population was calculated, see E.L. Hasluck, Local Government in England, 1936, Cambridge, pp.243-6. Also R.E. Carlson, British Block Grants and Central-Local Finance, 1947, pp.37-54.
- (11) "In deciding what characteristics should be adopted (in the formula) and what weight should be given to each, the aim has been so to adjust the distribution of this new revenue as to make the assistance vary with the need for local government services in any

The total sum to be distributed annually as the new grant in aid for the first fixed grant period was made up of the following amounts:-

- (i) The total loss of rates on the part of the local authorities due to derating, calculated according to the 'Standard Year'. (1) This was estimated at £22 millions.
- (ii) The total of the discontinued grants, amounted to approximately £16 millions.
- (iii) Besides these, a new sum of money amounting to £5 millions for England and Wales and £750,000 for Scotland was added to make a General Exchequer Contribution of £43½ millions. (2)

For subsequent fixed grant periods the General Exchequer Contribution was revised in order to maintain its ratio with the expenditure of local authorities otherwise falling on rates. As a result of this arrangement the Contribution was increased to £44 millions for the second fixed grant period, (3) which commenced in 1933, and, after certain adjustments, to £46 mns. per annum for the third period, which was due to end in 1942 but was extended owing to the war. From that time onwards, the Exchequer's liability under the 1929 Act remained, (subject to a relatively small amount, payable in additional and supplementary grants), fixed at £46 mns. per annum until the recent innovation in the grant system by the Local Government Act, 1948.

area in relation to the ability of the area to meet the cost'. See Government Paper, Cmd.3134/1928, p. 14.

- (1) The year 1928-29 was taken for the purposes of the scheme as the Standard Year. The amount of loss due to derating was calculated as if it would have been incurred by all local authorities in that year on the assumption that the proposed local government charges had been in operation at that time, and that the valuation list in force on the 1st of October, 1929, had also been in force at that time.
- (2) The operation of the 1929 Act inevitably led to some loss or disadvantage on the part of some authorities. In these few, particular cases, the Act provided, in addition, supplementary grants for their compensation.
- (3) An additional amount of £350,000 was provided by the L.G. (General Exchequer Contributions) Act, 1933.

The distribution of the General Exchequer Contribution was made in the first place between county and county borough councils. When once the county boroughs had received their share, there was no need for any further calculations, and they were able to apply their share immediately in aid of the general fund. But the sum allocated to the counties had to be divided between the county councils and their constituent units---municipal boroughs, urban districts and rural districts. In this case, the duties placed upon the county councils had been increased by the Act of 1929 (1) to such an extent that a full half of the county grant was allotted to the county councils; the other half being distributed amongst the smaller units.

The sharing between county districts in general, was done simply on the basis of actual population, as the activities of the county districts were mainly confined to public health services, the costs of which were chiefly dependent on population alone. But, within this system, as between urban and rural areas, it was estimated that expenditure on public health in densely populated districts was higher than in the country. Moreover, under the 1929 Act, rural districts were relieved of all responsibility for maintaining their highways, the full burden of which had been transferred to the county councils.

- (1) The important alterations made in the 1929 Act which increased the duties of the county councils were:-
- (a) Boards of Guardians in England and Wales and Parish councils in Scotland were abolished and the administration of the poor law was transferred to the councils of counties and county boroughs (in Scotland---large burghs) as from 1st April, 1930, in England and Wales and 16th May, 1930, in Scotland.
 - (b) The administration of all highways in rural districts and of certain highways in boroughs and other urban districts forming part of administrative counties (other than London) (in Scotland---small burghs) was transferred to the county councils as from the same dates.
 - (c) In Scotland the administration of education was transferred at the same time from ad hoc authorities to the councils of counties and large burghs, and there was a large measure of consolidation of public health activities of minor authorities in the hands of these councils.

In consequence, it was provided that municipal boroughs and urban districts were to receive in proportion to their populations five times the amount given to rural districts. (2) These grants were paid directly from Whitehall to the spending authorities just as was the case before the operation of the Goschen scheme.

Although under this arrangement all the percentage grants for public health services were abolished, and the control of the Ministry of Health through these grants simultaneously terminated, local authorities were by no means freed from central supervision. On the one hand, grants in aid of specific services, such as police, education, housing, highways and bridges, still remained unaffected by the Act; on the other hand, the Act also gave the Minister of Health ample power to reduce the block grant itself to any local authority under certain conditions.

According to Section 104 of the Act, it was provided that:

"The Minister may reduce the grant payable in respect of any year under this Part of this Act to any council by such amount as he thinks just, if---

"(a) he is satisfied, either upon representations made to him by any association or other body of persons experienced or interested in matters relating to public health, or without any such representations, that the council have failed to achieve or maintain a reasonable standard of efficiency and progress in the discharge of their functions relating to public health services, regard being had to the standards maintained in other areas whose financial resources and other relevant circumstances are substantially similar, and that the health or welfare of the inhabitants of the area of the council or some of them has been or is likely to be thereby endangered; or

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- (2) The calculation of the block grant for county districts was as follows: one half of the total apportionments of all counties divided by the aggregate estimated population of all counties provided a standard figure in pence per head (12s.6d. for the first fixed grant period, 12s.2d. for the second) which, when multiplied by the unweighted population of the district, gave the apportionment of the general exchequer grant for each borough and urban district. In the case of rural districts, one-fifth of the standard sum for the urban areas (2s.6d. for the first

"(b) he is satisfied that the expenditure of the council has been excessive and unreasonable, regard being had to the financial resources and other relevant circumstances of the area; or

"(c) the Minister of Transport certifies that he is satisfied that the council have failed to maintain their roads or any part thereof in a satisfactory condition;

"Provided that, whenever the Minister make such a reduction, he shall make and cause to be laid before Parliament a report stating the amount of the reduction, and the reasons thereof".

It is important to note that the reduction stated above did not depend upon the arbitrary will of the Minister. Such a measure had to result from administrative inefficiency or financial wastefulness on the part of the local authority; and the criterion used to measure and judge the efficiency of a council was the average standard of similar local authorities. In practice, moreover, the Minister seldom exercised this power of reduction owing to the wide scope which the block grant covered, which meant that sanctions could not be used as freely and definitely as in the case of the percentage grant.

The block-grant system, however, had its merits. It gave local authorities considerable freedom from meticulous control from Whitehall and they gained more autonomy in the execution of their services as a result. In addition, whereas reductions in the case of the percentage grant invariably meant that the punishment fell on one particular section of the ratepayers, and that perhaps the most innocent and most necessitous, a reduction under the block grant system inflicted a loss that was evenly shared by the whole body of ratepayers. It seems, therefore, to have been more justifiable to reduce the block grant than the percentage grant. (1)

The system was subject to periodical review. In accordance with Sect. 110 of the Local Government Act, 1929, the Minister was required, in consultation with representatives of local authorities, to order an investigation to be made before the 31st March, 1937, into the

fixed grant period and 2s.5 1/5d. for the second) was the figure taken to be multiplied by the unweighted population of a rural district to provide the amount of the grant. See Clarke, op.cit., p.683.

system for distributing the General Exchequer Contribution, and to cause a report on the investigation to be laid before Parliament. The investigation was accordingly completed in 1936; and a report was presented (H. C. 42).

The subject of investigation fell into two main parts, viz., (a) the method of apportionment of the General Exchequer Contribution in so far as it was made on the basis of the formula of weighted population; and (b) the method of allocation within each county of the amount apportioned to it.

In The first main part of the investigation, an examination was made of the distribution of the block grant in the first and second grant periods with a view to ascertaining the extent to which the original intention of the Act of 1929 was being attained. The general conclusions on this point were to the effect that while the distribution of the grant had substantially accorded with the original purpose of the Act, some modification of the formula was necessary to check tendencies which would in the third grant period operate to the disadvantage of needy areas. (2) Various suggested additional factors for the formula were examined, such as the number of old age pensioners, the number of children of school age, and the number of persons in receipt of out-relief; but it was not found practicable to secure a wholly satisfactory distribution by such means. It was therefore finally recommended that the formula should remain unchanged in its basis, but that increased weight should be given to the unemployment and sparsity factors.

As regards the second main part of the investigation, the method of grant allocation within each of the counties, it was found that each of the suggested new methods created anomalies and difficulties of its own, and did not produced better results than the existing method. In these circumstances it was recommended that no change should be made in this part of the grant distribution scheme. (3)

(1) G.M. Harris, *Municipal Self-Government in Britain*, pp.207-9.

(2) The aim of the 'block' grant was to relieve poor authorities at the expense of those which were well-off. But as a matter of fact, the difference brought about was not very great by 1937. In Glamorgan, for instance, although in several areas there was a 7s. drop

Effect was given to the recommendations contained in the report, by the Local Government (Financial Provisions) Act, 1937, which introduced a revised formula of block grant distribution, (4) and increased the annual amount of the General Exchequer Contribution for the third grant period by £2½ millions. The effect of this adjustment was to give considerably increased assistance to the poorer areas. It was calculated that the necessitous counties and county boroughs would receive a sum equal to about 50% of the total additional assistance afforded to local authorities generally, whereas the expenditure of these areas and their population both represented only 17% of the whole. (5)

The General Exchequer Contribution was to have come up again for revision on 1st April, 1942, the appointed date for the fourth fixed grant period to begin. (6) Owing to the war-time situation, the revision was postponed and the block grant stabilised under the Local Government (Financial Provisions) Act, 1941. In the meantime, the expenditure of local authorities was increasing so rapidly that the proportion of grant to rate-borne expenditure, originally very adequate, was becoming insufficient. As a temporary measure pending the recalculation of the main grant, an Interim Supplementary Exchequer Contribution payable for the three years commencing on 1st April, 1945, was introduced, (7) in addition to the normal stabilized grant of 1941. The total amount of this Interim Supplementary Contribution was £10 mns. for 1945-6, £11 mns. for 1946-7 and £12 mns. for 1947-8.

in rates between 1928-29 and 1936-37 (as against a national average fall of 11d.), 12 out of the 24 rating authorities still had rates exceeding 20s. See Labour Party: Local Government Handbook, 1946, pp. 101-102.

- (3) Ministry of Health Report, Cmd.5516/1936-37, pp.166-7.
- (4) The 'super-weighting' for unemployment as introduced by this Act benefited necessitous county boroughs greatly, while the strengthening of the density factor chiefly favoured needy counties.
- (5) Cmd.5516, pp.168-9.
- (6) Under the Local Government Act, 1929, as amended by the Local Government (Financial Provisions) Act, 1937.
- (7) In the Local Government (Financial Provisions) Act, 1946.

The apportionment of this sum amongst counties and county boroughs for the year 1945-46 was to take place in two stages. In the first place, the new grant of £10 mns. was to be added to the produce of a rate of 8d. in the £ over the whole country. The total amount thus obtained would be approximately £19.280 mns. This sum would then be apportioned among the counties and county boroughs in proportion to their expenditure in 1942-43 out of rates, block grant, and any sum advanced to local authorities in financial difficulties as a result of air-raids or other war conditions. The second step was to deduct from this apportioned sum the amount of the produce of a rate of 8d. in the £ (in 1942-43) in each locality. This distribution formula thus took into account total expenditure as a measure of need and the produce of a rate in the £ as a measure of financial resources, and its result was greatly in favour of the poorer areas where the produce of an 8d. rate was proportionately low. (1)

For the next two years when the sums of £11mns. and £12 mns. would be available, the rates in the £ entering into the calculation were to be 9d. and 10d. respectively, and the total expenditures those for 1943-44 and 1944-45.

The grants which county councils had to pay to county districts were, like the capitation grants under the 1929 Act, a fixed national sum per head of unweighted population based on the Registrar General's estimate of population for 1936. The sum per head in non-county boroughs and urban districts was 24d., 27d., and 30d. for the three years, with 1/3 of those sums, i.e., 8d., 9d., and 10d. respectively in rural districts.

(1) If the £10 mns. had been distributed evenly it would have brought a reduction of about 8½ d. in the rates, but under the system of weighted distribution mentioned above, it resulted in Merthyr Tydfil (rates 29s.) receiving 2s.9d., West Ham (rates 21s.6d.) receiving 1s.9d., and Carmarthen (average county rate 19s.1d.) receiving 2s.1d.. On the other hand, Bournemouth (rates 9s.) received ½d. benefit, Blackpool (rates 11s.), 1½d. benefit, and Surrey (average county rate 11s.2d.), 3d. benefit. See H. Townshend-Rose and H. R. Page, Local Government Up to Date, 1939-45, 1946, pp.21-22.

Where the sum allocated to the county was not sufficient to do this, the county council was required to pay the balance out of its share.

C H A P T E R X I .
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GRANTS SUBSEQUENT TO THE LOCAL GOVERNMENT ACT OF 1929.

1. NEW ARRANGEMENTS FOR EDUCATION. The derating scheme embodied in the 1929 Act had no effect upon the special percentage grant for education. Since 1918 the grant for elementary education had been paid in accordance with the Fisher formula, with some minor exceptions designed for the benefit of the needy areas, or to meet special requirements. (1) Owing to the Great Depression which spread all over the world in 1930 and 1931, however, special measures were taken, which merit a short digression. The House of Commons passed by 468 votes to 21 a resolution----

"That this House consider that, having regard to the present burden of Taxation in restricting industry and employment, the Government should at once appoint a small and independent Committee to make recommendations to the Chancellor of the Exchequer for effecting forthwith all practicable and legitimate reductions in the national expenditure consistent with efficiency."

Following the passing of this resolution, a Committee headed by Sir Earnest May was appointed on the 17th March, 1931, after consultation between all parties, with the following terms of reference:-

"To make recommendations to the Chancellor of the Exchequer for effecting forthwith all possible reductions in the National Expenditure on Supply Services, having regard especially to the present^{and} prospective position of the revenue... and to indicate the economies which might be affected if particular policies were either adopted, abandoned or modified."

The Committee made a profound investigation of the expenditure of grant services administered by local authorities as well as that of services directly administered by the Government. In their Report, published in July, 1931, (2) they pointed out that

(1) See above, p.132.
(2) Cd. 3920/1931.

the total grants spent in the current year throughout Britain were as follows:-

Exchequer Contributions to Local Revenues (including grants for poor law, health and mental deficiency.....)	1931 Estimates £
Education.....	46,400,000
Roads.....	56,800,000
Housing.....	33,000,000
Police.....	14,500,000
Agriculture (including Forestry Development Fund and Meat Sugar subsidy)	12,000,000
Grants and Loans for Unemployment works..	5,400,000
Miscellaneous.....	3,600,000
	900,000
	<u>£172,600,000</u>

This represented an increase of nearly £70,000,000 over expenditure in 1924, although they agreed that £26,000,000 of this increase was due to the effect of the derating scheme. This was, however, a great burden to the Exchequer, and the Committee recommended a universal reduction in all the separate Exchequer grants other than the block grant. (1) Their proposals were chiefly enacted in the Economy Act, 1931, which required (inter alia) changes in the Education Grants.

Following the passing of the Act, several Orders in Council were issued for the alteration of factors in the Fisher Formula to meet the situation. Accordingly, the grant for teachers' salaries was reduced by a 10 per cent economy cut, the deficiency grant for elementary education was abolished, and the increase in the grant for reorganization and development was withdrawn. (2) This, however, did not last long. For the Budget of 1934 soon restored half of the cut and that of 1935 the other half.

After the restoration of the economy cuts, there was little significant change in the system until, with the outbreak of World War II, on the 3rd September, 1939, the Board of Education decided to simplify its grant system, by stabilizing the

(1) For further details see Clarke, op. cit. p.677.

(2) In 1929 the grant percentage payable in respect of the expenditure incurred on reorganization and development had temporarily been increased from 20% to 50%

proportion between Exchequer grants and the net recognised expenditure of local authorities for educational purposes. It was, accordingly, provided in the Elementary Grant Provisional Regulations, 1939, that the grants payable for any year thereafter would bear the same proportion to the net recognised expenditure for that year as the grant for 1937-38 bore to the net recognised expenditure for that year.

Special provisions were made for feeding schoolchildren. From the 1st July, 1940, an increase in the grant was made to facilitate the provision of free meals in schools, the percentage grant applying to the whole expenditure being raised by 20 per cent. As a result the grants varied between 50 per cent and 92 per cent of the whole expense. In the following year, the percentage was again increased, now to 30 per cent more than the standard percentage, with a minimum of 70 per cent and a maximum of 95 per cent. In addition, the whole cost of the provision of milk in schools was made a State charge. From the 1st January, 1942, a subsidy of 3d. per meal in secondary schools was provided; and, from the 1st May, 1943, the whole cost of capital expenditure for providing school canteens was borne by the State. (1).

Still during the war period, a White Paper was issued (July, 1943, Cmd. 6458) presenting a scheme for educational reconstruction, regarded as capable of enabling Britain to 'possess a system of education superior to that existing in any country in the world at present and beyond the wildest dreams of the pioneers of education' (2). In spite of the difficulties of the time, an important Education Act was passed in the succeeding year, to carry this scheme into effect.

Great improvements were envisaged, the principles of which may be briefly described as follows:-

(a) Free medical service was given, under the Act to all pupils in attendance at County Schools and to senior pupils in attendance at any other educational establishment maintained by the authority.

(1) It is a happy thought that, at the same time, even in the stress of war, grants at a rate of 50 per cent of the cost of acquisition and establishment for museums and art galleries were also made available by the Minister of Education.

(2) Words spoken by Earl of Selborne in the House of Lords on 5th August, 1943.

(b) The school-leaving age was raised to 15, and it was to be raised to 16 as soon as the Minister thought it desirable.

(c) All schools for children below the age of 11 were to be called Primary Schools, and the maximum size of classes in these schools was fixed temporarily at 40; it was ultimately to be reduced to 30 for all schools.

(d) All schools for children over the age of 11 were to be Secondary Schools. These schools were also to (1) be free to pupils if the schools received money from the rates.

(e) The administration of both primary and secondary and education was to be concentrated solely in the hands of county and county borough councils.

(f) The scholarship examination at the age of 11 was abolished, and all children were to be educated in the secondary schools according to their aptitude and ability.

(g) Local authorities were obliged to provide nursery schools for children from the age of 2 upwards; they had also the duty to provide special education for pupils who suffered from disability of mind or body.

(h) Responsibility was imposed upon local education authorities to provide milk and meals for all children in schools. (2).

(i) The authorities might provide board and lodging, where necessary, to allow a pupil to receive the benefit of any school or county college, or might provide transport or pay travelling expenses for a pupil. They might also provide a necessitous pupil with clothing.

It was estimated that the total cost of carrying out these reforms for England and Wales alone would ultimately reach an annual figure of £79,750,000 greater than that before the war. Moreover, an additional amount of £18,000,000 had to be defrayed under the new Burnham salary scales. Of these, the Exchequer would meet nearly 2/3 of the total sum, leaving an amount of some £35½ mns. to be raised by local authorities. (3).

The new grant regulations to finance the scheme, comprised four kinds of grant, termed main grant, additional grant, milk and meals grant, and teachers' training grant. As the administration of both primary and secondary education services was made entirely the concern of the county and county boroughs, the grants for these two branches were now combined.

(1) The direct grant grammar schools might still charge fees. But local education authorities would meet the fees of the children they selected for the 25% 'free places' and 25% 'reserved places'. Parents of boys admitted to 'residency places' would pay fees on a scale graduated according to their means, with the Exchequer meeting the balance.

(2) Labour Party, Local Government Handbook, 1946, 2nd. ed., pp. 68-9.

(3) Ibid. p. 72.

The main education grant was calculated on the net recognisable expenditure after excluding expenditure ranking for one of the other branches of the education grant mentioned above. After 1st April, 1945, when the Education Act, 1944, came into operation, the main grant was fixed for each authority at the percentage which its grant bore to expenditure in 1938-39, increased by adding 5%. (1). This arrangement resulted in a variation in the proportion of grant awarded, according to the needs of the several authorities. The proportions used for the main grants for counties in 1946-47, for example, ranged from 44.0599% for East Sussex to 64.2456% for Durham County and 64.7116% for Glamorgan. The difference between the grants for county boroughs was still greater. These ranged from 33.9833% for Bournemouth to 65.4579% in St. Helens and 68.2759% in Merthyr Tydfil, the highest percentage being more than twice the lowest figure. (2).

An additional grant was payable also to authorities of the poorer and more sparsely-populated areas, (3) provided that, added to the main grant it should not bring the total grant to more than 75 per cent of the authority's net recognisable expenditure; nor leave as a charge on the rates an amount below the product of a 54d. rate for the year. In the event, only thirty to forty of the poorest authorities qualified for a share of the additional grant, which amounted to nearly £2,000,000 in 1946-47.

For expenditure incurred by local education authorities on the provision of milk and on establishing and equipping premises and transport facilities for the provision of meals, a 100 per cent grant was made available. As for other expenditure on meals, the grant was fixed at 30% above the standard percentage laid down for the year 1937-38, with a minimum of 70 per cent and a maximum of 95 per cent. But from 1st, April,

(1) The average percentage of the Standard Year (1938-39), for the whole country was about 49% which, increased by 5, became 54%.

(2) See the First Schedule to the Education (Local Education Authorities) Grant Regulations, 1946.

(3) The 1946 Regulations provided for the following two specified conditions under which an authority was capable of receiving the grant.

(a) A grant of 2s. in respect of each pupil included in the average number on the registers for the educational year 1945-46 for each unit by which that average number divided by the road-mileage fell short of 15; or

(b) A grant of 6s. in respect of each pupil for each penny by which the product of a penny rate for the year commencing 1st April, 1946, divided by the average number aforesaid fell short of 36d.

1947, free mid-day dinners were given in schools in addition to free milk, the grant for these meals becoming 100 per cent.

Training colleges were maintained only by a minority of local education authorities. As all other authorities benefited from their services, it was provided that the whole expenditure upon them should be reimbursed in full to the authorities which incurred it, and then covered by contributions from all education authorities.

The formula governing the distribution of the main education grant to local authorities under the regulations of 1939 and 1945 was replaced from 1st April, 1948, by a new formula, (1) devised with regard to the following considerations:

(a) The old complicated formula based upon prewar factors was to be replaced by a simple formula which related the grant to the current number of children to be educated in the area and the current capacity of the area to pay for their education.

(b) Since the expenditure of authorities was rising to meet the cost of educational reforms, the new formula was to include a higher rate of grant on net recognisable expenditure than in the previous case.

(c) A rate-deducting factor was to be used to secure a more equitable share of the total grant for the poorer authorities. (2).

In furtherance of this policy, the new main grant was distributed in accordance with the following formula:-

£6 for each unit of the average number of primary and secondary school pupils on the register in the area of the authority for the year, plus 60 per cent of the net recognisable expenditure, less the product of a rate of 30d. for the year for which the main grant was payable. (3).

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- (1) For Scotland: The Education Authorities (Scotland) Grant Regulations, 1948, No. 961(S.69). The Education (Local Education Authorities) Grant Regulations, 1948 (No. 334) deals with England and Wales.
- (2) Ministry of Education Circular, No. 156, 1947.
- (3) In Scotland, it was intimated in the Scottish Education Circular No. 130 (11th May, 1948) that the amount of the rate deduction in the formula for the year 1948-49 was to be the product of a rate of 21d. It was provided that the Secretary of State for Scotland had the power to vary this amount of rate deduction for the calculation of the main grant in order that the total amount of the grants payable in any year ^{might be} adjusted, as nearly as possible, to the estimated resources of the Education (Scotland) Fund in that year.

The additional grant payable under the old Regulations was to be discontinued with the introduction of the new Exchequer Equalisation Grant which was designed to provide comprehensively for the special needs of poorer areas by bringing rateable value per head of weighted population in each such area up to the average for the whole country. (1).

(1) In addition to the main grant to be distributed in accordance with the above formula, authorities continued to receive the following grants at rates and under conditions similar to those which applied previously: School Milk and School Meals Grant, Training College Grant, Emergency and Special Training Grant, Air Raid Shelter (Removal) Grant, Temporary Defence Works (Removal) Grant, and School Contributions Grant (in Scotland).

II HIGHWAY GRANTS AND THEIR RECENT DEVELOPMENT. Under the Local Government Act of 1929, the maintenance grants for classified roads and bridges in London and county boroughs and the maintenance grants for unclassified roads in counties were all discontinued. ~~(1)~~ County councils, however, were still able to receive percentage grants for the maintenance of their classified roads and the improvement of their unclassified roads, and grants were still payable out of the Road Fund to county and county borough councils for new constructions and major improvements in roads and bridges, including the establishment of traffic signals. Upon this arrangement there was subsequently superimposed a series of measures, extending the system of highway subventions, normally on the bases of providing a percentage of the relevant expenses incurred by the local authorities.

Even at the time of the 1929 Act, toll charges were still an embarrassment to road users. In January, 1934, however, the Minister of Transport declared (2) that special grants of 75 per cent were to be paid on the cost of freeing privately owned toll bridges and of reconstructing weak private bridges on classified roads when done by local authorities. The Minister was also to pay a grant of 60 per cent on the costs of freeing Class I roads, and 50 per cent for Class II roads, from toll charges. (1)

This was followed by measures to further road safety. In 1935, a grant of 60 per cent was paid towards approved expenditure on the installation and maintenance of traffic light signals and on the provision, maintenance, and lighting of speed limit signals by local authorities other than the (3) Corporation of London, metropolitan boroughs and county boroughs.

(1) In the Ministry of Transport Circular 606, 1947, the Ministry again asked highway authorities to cooperate with him in a new drive to free toll roads and bridges. It was reported that in 1947 there remained four bridges subject to toll on trunk roads. These were at Conway, Selby, Durham and Old Shoreham, and there was one length of trunk road subject to toll, the Port Madoc-Minffordd embankment, between Caernarvon and Merionethshire. The Minister was prepared to make grants for this purpose at the normal rates of 75, 60 or 50 per cent, according to the classification of the road or bridge.

(2) Circular 591 (Road).

(3) Circular 416 (Roads).

In addition (Circular 420, 1935) it was intimated that a grant at a rate of 60 per cent would be made to county and county borough councils in respect of pedestrian crossing-places and speed limit signs constructed within a stated time.

Road improvement was aided, in July, 1935, when the Minister of Transport declared that an increase of grant by 75 to 85 per cent for the improvement of trunk roads and bridges, and by 60 to 75 per cent for the provision of dual carriageways and cycle tracks would be available for highway authorities. (1).

In 1936, also, under the Trunk Roads Act, the basis of grants for major improvements and construction of new roads and bridges, in built up areas, was revised. In this adjustment 50 per cent of the cost of road works including land and buildings was to be paid by the Minister in the case of Class I roads, and 33 and 1/3 per cent in other cases.

Finally highway grants were handsomely improved by a general increase made available from 1st April, 1946. For expenditure on highway maintenance (in counties), and for improvements and the other items of grant aided expenditure described above, a grant of 75 per cent was provided for Class I roads, 60 per cent for Class II, and 50 per cent for a new Class III; while expenditure on trunk roads was to be met wholly from national funds.

(1) At the same time, for the provision of snow ploughs, a grant of 50 per cent of the net expenditure was provided. The Restriction of Ribbon Development Act, 1935, also provided grants to compensate local authorities for the costs of road improvement as a result of the adoption of standard widths.

III. HOUSING UNDER STATE SUBVENTION. A fresh attack was made on the slum clearance problem in 1930. (1) Under the Housing Act of that year, Exchequer contributions were made available in the form of annual payments for 40 years, towards expenses incurred by a local authority in dealing with unhealthy areas, or in causing the demolition of insanitary houses, or in providing and maintaining housing accommodation rendered necessary by this action. The basis of the grants was no longer fixed as an amount per house, as under previous Acts, but as an amount per person displaced, for whom alternative housing accommodation was provided. (2) This was amplified, in 1935, by the introduction of a new grant for the abatement of overcrowding, based on the number of flats or houses supplied. (3)

Grants for slum clearance and overcrowding abatement under previous Acts, however, were consolidated in the Housing (Financial Provisions) Act, 1938, when the unit per person basis was discarded, and a new subsidy of £5 10s. per house for 40 years was used, (Subject to certain adjustments.) (4)

(1) ~~Note~~ For earlier attempts, see previous page, 139.

(2) The normal grant was £2 5s. per person, and in agricultural parishes £2 10s. As for rehousing accommodation provided in tenement buildings of more than three storeys built on the site of a cleared area or on other sites the cost of which exceeded £3,000 per acre, a special high rate of grant at £3 10s. per person was provided.

(3) Details of which, were as follows:- (note: Clarke ^{of cit.} p. 666)

"(a) In blocks of flats of not less than three storeys, on expensive sites, a contribution payable for forty years, upon a scale graduated according to the cost of the developed site, commencing at £6 a year per flat where such cost ^{was} between £1,500 and £4,000 per acre and increasing by £1 for each £1,000 increase in site costs up to £6,000 and thereafter by £1 for each £2,000 increase or part of £2,000. Building after 1st February, 1935, qualified for the grant.

(b) In new houses or flats otherwise than on sites of high value a contribution not exceeding £5 per year for a period not exceeding 20 years, subject to the Minister's satisfaction that the expense incurred would otherwise impose an undue burden on the district.

(c) In houses for members of the agricultural population a contribution of not less than £2 or more than £8 payable annually for 40 years. ~~The grants~~

Under this system of Governmental assistance, the drive in house building was remarkably successful. From 1935 onwards, output reached the target of over 1,000 houses per day, and it was claimed that the shortage incurred by World War I had to a great extent been made good on the eve of World War II. This bright prospect, however, was ruined by the second war, which not only brought house building to a standstill, but subjected over 4½ million houses to damage from enemy action. Half a million families were rendered homeless and four million families sustained some damage to their homes, (1) a situation made more acute through a post-war shortage of labour and housing materials. (2).

With the intention of stimulating local authorities to tackle the post-war housing problem with the utmost vigour, the Government made great concessions in Exchequer grants under the Housing Act of 1946. (3). The new Act provided for a much higher rate of national subsidies than those available under the former Acts; and the subsidy period, moreover, was extended from 40 to 60 years.

(4) The grants payable under this Act were prolonged until 1st October 1947, for all new accommodation, by the Housing (Temporary Provisions) Act, 1944.

(1) J.H. Wright, The Present Housing Situation, see Local Government Chronicle, No. 4196, May 1948, p. 484.

(2) In 1939 the total labour force for house building was 900,000, of which less than one half was engaged upon the erection of working-class houses. The rest were spread over every other form of building. But after the war, even in 1947, the total building strength was only 600,000 men to cover all forms of building work.

Ibid., p. 484.

(3) The Government's Housing programme in 1946 contemplated the building of 4 million houses by local authorities and private enterprise over the next 10 years, and the Minister of Health laid down, as a general guide to local authorities for the time being, that 4 houses should be provided by the authority for every one which they permitted by licence

In making up the standard amount of subsidy it was estimated that the annual deficit over 60 years on a standard three-bedroomed house of 900 square feet would be £22. Of this amount, £16 10s. was to be borne by the State and £5 10s was to come from the rates, a ratio of 3 to 1 which was applied also to a sliding scale of subsidies for flats. These subsidies were, in this case, payable in respect of dwellings provided for general housing, as well as of houses and flats provided for slum clearance, and the relief of overcrowding. (1)

With a view to meeting the special problem arising from the low earnings and low rents of the agricultural population, a special standard amount of Exchequer contribution of £25 10s. per annum was payable for each house provided by a county district council for this section of the population, while the rate fund contribution was only £3. (2)

For flats on expensive sites the standard amount of the Exchequer grant was higher still. It ranged from £28 10s. per flat where the cost per acre of the site as developed was between £1,500 and £4,000 up to £35 5s. where the cost was between £10,000 and £12,000 per acre, with an additional £1 10s for each further £2,000 in the cost per acre, the annual rate fund contribution by the local authorities being 1/3 of the Exchequer grant. (3)

(3) (cont'd from previous page) license to be provided by or on behalf of private owners. See Local Government Chronicle, May 25, 1946, No. 4145, p. 447.

(1) J.P. Macey: Post-war Housing Finance. See Public Administration, Autumn issue, 1946, pp. 166-7.

(2) Similar considerations arose in certain urban and rural districts where the rent-paying capacity of the tenants was abnormally low. In such districts where further high expenditure on housing would impose an undue burden upon the rates, the special standard amount, referred to above, might be payable at the discretion of the Minister.

(3) Where a block of flats included at least 4 storeys and lifts had to be installed, an additional £7 per flat was payable annually and there was an additional £3 10s. in the rate contribution. The 'flat' rate of grant was also payable for a house provided on an expensive site on which blocks of flats were also erected.

In any of these cases, the rate contribution payable by a local authority might be reduced up to one-half of the standard amount if the Minister was satisfied that the local authority was one which levied both a high general rate and a high housing rate. Where the Minister used his discretion to grant this relief, there would be a corresponding increase in the Exchequer contribution.

After the passage of the Act, house building in Britain was carried on with speed. According to the Ministry of Health's official returns, the number of houses completed was rising from month to month. It was estimated at 31st March, 1948, that since the end of the war some 396,000 houses, both permanent and temporary, had been built, and there were another 239,709 houses under construction. Between October, 1947, and February, 1948, the monthly figure fluctuated between 15,000 and 17,000; but in March the total was 20,357, and if temporary houses were added, the figure was 23,319. (1).

In the meantime, however, there was a universal complaint that the subsidies given by the Government had not been able to keep pace with the rising of building expenditure. It was pointed out that when the cost of a house as estimated under the Act of 1946 was compared with the actual costs of 1948, there was left a gap somewhere in the region of £300. (2) Government, therefore, was asked to offer a more generous contribution in order to make good the deficit; it was expected that a new scale of housing grants would be made to meet this urgent requirement in the near future.

(1) Municipal Journal, Vol. LVI., No. 2883, May 14th, 1948, p. 875.

(2) M. A. R. Kerrell-Vaughan, a paper read before the Regional Conference held by the National Housing and Town Planning Council at Cambridge in the Spring of 1948.

IV. GRANTS IN AID OF RURAL WATER SUPPLY. Following the lessons of the drought which took place in 1933, the Minister of Health was empowered in 1934 to make grants in aid of local authorities to provide or improve supplies of water in rural areas. The grant was limited to £1,000,000 for England and Wales, and it was to be used only when the authority concerned was in urgent need of help after considering the reasonable charges on consumers and contributions from the county council and rural district council. The grants were normally lump sum payments towards capital costs, but in some special cases annual payments for a period of not more than 20 years could be made.

Exchequer aid for this purpose was increased, however, under the Rural Water Supplies and Sewerage Act, 1944, when the Minister of Health was empowered to make grants towards local authorities for their expenditure on approved works in providing piped water supplies in rural areas and in improving sewage disposal. The contribution was to be made in the form of a lump sum payment in order to reduce the capital sum needed by local authorities. The total amount of the grant reserved by the Government to be distributed was £15 millions, and there was no fixed rate of grant. With a view to implementing the Act, local authorities were asked to submit schemes for these purposes so that they could be carried out after the war if they acquired Ministerial approval. (1)

V. TOWN AND COUNTRY PLANNING. The publication of the Report of the Barlow Commission on the Geographical Distribution of Industrial Population in 1940 aroused a nation-wide interest in the problem of town and country planning. There had been frequent complaints that the housing problems in Britain were mainly the result of a "casual haphazard and unplanned development of centres of population carried out in the past". In order to avoid

(1) To a question put by Mr. Turton in the House of Commons on 27th May, 1948, Mr. Bevan, the Minister of Health, replied that at that time 656 rural water supply schemes for 3,052 parishes at an estimated cost of £23,457,000 were under consideration. In addition, 1,061 schemes relating to 2,146 parishes at an estimated cost of £12,221,000 had been approved since July, 1945. He had information of 350 completed schemes for 609 parishes at an estimated cost of £1,619,000; the amount of Exchequer grant in respect of those schemes was £46,000. See Local Government Chronicle, No. 4290, June 5, 1948, p. 523.

a continuance of this kind of "sprawling and uncontrolled development", it was clear that some sort of intelligent and constructive planning should be made.(1). The report made recommendations for the redevelopment of congested areas, for the decentralization of industry and population from the larger cities, and for the provision of a reasonable balance of industrial employment throughout the country. It also showed that the problem was incapable of solution unless a central machinery with initiative and control for national planning were set up.(2) This conception was further intensified and developed by the Scott Report on Land Utilization in Rural Areas (1942), and the Uthwatt Report on Compensation and Betterment (1942). In consequence of their proposals, the Minister of Town and Country Planning Act was passed in 1943, and the old planning functions of the Ministry of Health were transferred to a newly established Ministry of Town and Country Planning which had the power to secure "consistency and continuity in the framing and execution of a national policy with respect to the use and development of land". This was soon followed by a provision making development everywhere subject to planning approval.(3)

For the immediate future, the most important measure was the Town and Country Planning Act, 1944, which was more particularly concerned with 'blitzed' areas (i.e., areas suffering from extensive war damage), 'blighted' areas (i.e., areas suffering from bad layout and obsolete development) and 'overspill' areas (i.e., areas which a local authority develops for housing purposes outside its own boundaries). To facilitate the redevelopment of such areas, including the relocation of population and industry, the Act empowered local planning authorities, with the

(1) Prior to this Report there were a series of Parliamentary statutes concerning this problem, viz., the Housing, Town Planning, etc., Acts, 1909 to 1923, which were consolidated in the Town Planning Act, 1925, and in turn reincorporated in the Town and Country Planning Act, 1932.

(2) K.B.Smellie, A History of Local Government, 1946, London. p. 109.

(3) The Town and Country Planning (Interim Development) Act, 1943.

consent of the Minister, to acquire land by compulsory purchase, at the same time providing grants towards the cost of acquisition and clearing of land for dealing with war damage. In respect of expenditure on the purchasing and clearing of land with the aim of relocating population in industry, or replacing open space, the grant was to be the amount of the total loan charges for the first two years, and half the loan charges for the second two years. The period for grant purposes could be extended to **10** or 15 years if the Minister found it necessary.(1)

It should be noted that the payment of an Exchequer grant in this respect was by no means a free contribution. Local planning authorities were obliged, as a condition of the grant, to furnish the Minister with full information as to the probable financial outcome of proposed development. It was further provided that there was to be a review every five years of the financial effect of redevelopment, in order to ascertain whether repayment of the grant to the Treasury should be required in virtue of a net gain in consequence of development.(2)

(1) It was also provided that local planning authorities might make contributions towards expenses incurred by highway authorities under the Act, and an Exchequer grant was available in respect of such contributions.

(2) A modification in this system of grants was introduced under the Town and Country Planning Act of 1947, when the Minister was empowered to make a grant to local authorities to compensate them for expenditure incurred in the acquisition and clearing of land for the re-development of areas of extensive war damage, or areas of bad layout or obsolete development. The grant was to be paid over a 60-year period, instead of the 10 or 15 years laid down in the Town and Country Planning Act, 1944. For details see: Local Government Chronicle, no.4197, June, 1947, p.501.

VI. STATE RESPONSIBILITIES IN PUBLIC HEALTH AND OUT-RELIEF.

Following the conviction that " a person ought to be able to receive medical and hospital help without being involved in financial anxiety", (1) the National Health Service Act, designed to establish in Britain a comprehensive health service, was passed in 1946 and came into operation on the 5th July, 1948.

Under the Act, health services were to be divided into two parts, the one being under the control of the Minister of Health, and the other provided by local authorities. Central administration was instituted for the management of hospitals, including the necessary medical, nursing and specialist services. Central departments were also made responsible for the provision of a general medical service of family doctors, and the provision of medicines, dental treatment, and ophthalmic services. The Minister was authorized to take over all the hospitals formerly administered by local authorities, and also the voluntary hospitals, (2) with the exception of teaching hospitals, they were to be administered on his behalf by Regional Hospital Boards.

The Health services to be provided by local health authorities under the Act were as follows:-

- (a) Provision of Health Centres where doctors and dentists might practice, and information made available on health matters.
- (b) The care of expectant and nursing mothers and of children under school age.
- (c) The provision of midwifery services.
- (d) Health visitors.
- (e) Provision for home nursing when required.
- (f) Arrangements for vaccination against smallpox and immunisation against diphtheria.
- (g) Provision of ambulance services.
- (h) Arrangements for the prevention of illness, the care of persons suffering from illness and their after-care.
- (i) Provision of domestic help for needy households. (3)

(1) Mr. Aneurin Bevan's statement in the House of Commons when moving for the 2nd reading of the National Health Service Bill on 30th April, 1946.

(2) Hospitals for this purposes included any institution for the reception and treatment of persons who were ill or mentally defective, maternity houses, sanatoria, and places where treatment during convalescence was given and included clinics, dispensaries or out-patient departments other than school health service clinics, maternity and child welfare clinics or clinics in the general practitioner and non-specialist class. See Lo. Go. Chronicle 1947. p.1045.

The local health authorities under this Act were county and county borough councils. Though the county councils lost their hospitals to the Ministry of Health, they took over services which were formerly provided by the county district councils such as health visiting and ambulances, and in some areas care of mothers and young children, midwifery and domestic help.

Generally speaking, there were to be no fees or charges payable by the patient at the time of treatment except in certain circumstances particularly prescribed in the Act. The cost of this National Health Service scheme was to be financed from three principal sources, namely, (a) National funds, (b) Local rates with the help of Exchequer grants, and (c) The annual sum of £32,000,000 from money paid by insured persons and their employers under the general National Insurance Scheme.

The whole cost of the hospital management and central health administration, the specialist and other centrally organised services; the cost of the family practitioner services; and half the cost of the local health authority services were to be borne by the National Exchequer. Local rates were only to bear half of the cost of the local health services. (1)

Another historic statute was the National Assistance Act., brought into force on 5th July, 1948, which marked the end of the Poor Law with its life of nearly 400 years. This constituted the final step in a comprehensive scheme of assistance and welfare services by which the Labour Government planned to increase social amenity and security. (2)

(3) (Previous page) A duty was imposed upon the local health authority to provide the first 7 of these services; in the last case, the service was optional; and in the last but one it was optional except where the Minister might make it obligatory.

(1) T.S. Newman, Guide to the National Health Service Act, 1948, 2nd., ed., London, p.9.

(2) The earlier steps in this framework of social legislation were the Family Allowances Act, National Insurance (Industrial Injuries) Act, National Insurance Act and the National Health Service Act.

It was decided that the central government should take over all the following services:-

- (a) Unemployment Assistance paid by the former Assistance Board to unemployed persons normally engaged in insurable occupations and not qualified for unemployment benefit, paid also to those drawing unemployment benefit who found the amount insufficient for their needs.
- (b) Supplementary pensions paid by the former Assistance Board to old age pensioners and also to widow pensioners, if they were over 60 or their pensions included an allowance in respect of a child.
- (c) Blind domiciliary assistance paid by local authorities to registered blind persons.
- (d) Tuberculosis treatment allowances paid by local authorities (at the cost of the Exchequer) to certain persons suffering from pulmonary tuberculosis.
- (e) Outdoor relief under the Poor Law, paid by the counties and county boroughs to those in need, who could not be assisted under any of the other four schemes.(1)

By this arrangement the costs of former Poor Law services were, thus, made entirely a national charge. Those who were in need, and whose needs were not met by national insurance or from some other source, would receive financial aid from the National Exchequer.

While relieving their financial burdens in Poor Law services, the Act at the same time placed a duty upon county and county borough councils to provide residential accommodation for persons who, by reason of age, infirmity or any other circumstances, were in need of care and attention they could not otherwise get, and temporary accommodation for people in urgent need of it owing to unforeseen circumstances, such as fire, flood or eviction. It also gave these councils powers, which the Minister of Health could convert into duties, to provide specialised welfare services for blind, deaf, dumb and other handicapped persons.(2)

Users of the councils' homes would pay for their board and lodging and other amenities which might include clothing, tobacco and sweets, books and other recreations. The charge would vary between the full cost and a minimum of 2ls. a week, according to the resident's ability to pay(3). Those who could not afford the minimum charge and (such was the new philosophy) at the same time have 5s. per week left as pocket money would be helped from central funds by the newly established National Assistance Board.

(1) Local Government Chronicle, no. 4220, Nov, 15, 1947, p. 1011.

(2) Cmd. 7248/1947.

(3) Ministry of Health Circular, no. 87, 1948.

CHAPTER XII.

THE LOCAL GOVERNMENT ACT, 1948, AND THE EQUALIZATION GRANT.

From as far back as June, 1946, the Minister of Health had repeatedly announced that the Block Grant system, as laid down in the Local Government Act, 1929; and amended and re-adjusted by various subsequent Acts, had proved to be completely outmoded, and that a new Equalization Grant was to take its place, with Government assistance in the future to be used in such a way as to wipe out inequalities between local authorities. (1) A good opportunity for the introduction of the policy of the Government presented itself when the National Health Service Act of 1946, and the National Assistance Act, of 1948 had to be brought into operation, as, providing as they did for the transfer of hospitals and health services and the termination of the Poor Law, they inevitably called for a major rearrangement of central and local financial relationships.(2).

Accordingly, the Local Government Act of 1948 was passed for an entire alteration of the Exchequer grant system. It was provided that after 1st April of the same year, in England and Wales, and 16th May in Scotland, the block grants should be replaced by an equalization grant, subject to transitional provisions covering the period up to 5th July, 1948, when hospitals and outdoor relief were to be transferred from local authorities.

It was the intention of the Government that the new grant should serve as an equalizer of rates, so that it would be possible to bring about a greater measure of uniformity in services rendered by local government, without

(1) The Minister for the first time declared the Government's intent^{ion} to alter the block grant system at the Institute of Municipal Treasurers and Accountants Conference in Torquay. (June, 1946)

(2) It was estimated that after the transfer of the cost of out relief and hospitals to the State, Local authorities in England and Wales alone would be relieved of an annual expenditure of £63 mn. which was more than the block grants and the supplementary grants of £57 mn. in 1946-47. See Cmd. 7253/1947.

imposing excessive burdens upon the inhabitants of the poorer areas. Under the provisions of the Act, the Exchequer grant was made available only to those local authorities whose rateable value per head of weighted population was below the average for the whole country. This average was to be determined by reference to the average rateable value per head of weighted population in England and Wales, (1) the weighting being achieved by adding to the actual figure for total population and further figure of the children under 15 years of age in the areas concerned. (2) All local authorities which fell below the average would qualify for the grant to make up the deficiency; while richer areas with rateable value above the average would receive nothing at all, although they would enjoy a financial benefit where the saving in respect of hospital and Poor Law services exceeded their share of the discontinued block grant.

As a corollary to the great importance put upon the rateable value of each area in the calculation of these new equalisation grants, it was necessary that valuations should be done in such a fashion as to bring about equality between different local authorities. The Act, therefore, also provided for central valuation in order to secure reliable rateable values as a measure of local resources.

It is also worthy of note that under the Act the former system of fixed grants, as revised at 5 year intervals was abolished, and an annual revision substituted. It was estimated that if the changes had operated in the year 1946-47, the total of the equalisation grant for England and Wales would have been about £33 millions in place of the £57 millions payable under the block grant

(1) In Scotland, the rateable value to be credited to each county and large burgh was the amount necessary to give an average rateable value per head of weighted population equal to the average rateable value per head of weighted population in England and Wales, increased by 25% to allow for the difference in the valuation levels in the two countries. See Cmd. 7256/1947.

(2) In the case of a county, where the population per mile of road was less than 70, there was added a further figure of one third of the additional population needed in order that the population divided by the mileage of roads should be 70. The actual population was to be calculated in accordance with the Registrar-General's estimated population for 1945; the number of children under 15 with his estimates for mid-1945; and road mileage with figures as in 1936. See Cmd. 7256/1947. p. 4.

and supplementary grants. Taking the transfer of hospitals and out-relief into consideration, however, there would have been, in spite of the reduction, an estimated net saving of rates, based on 1946-47 figures, of about £39 millions a year. (1).

For the first five years of the scheme commencing 1st April, 1948, the Act provided also for transitional grants. The transitional grant in the first year would be such as to ensure to each county as a whole and to each county borough in England and Wales a gain equivalent to a rate of 6d, (2) after taking into account the transfer of the cost of hospital and Poor Law services, the new equalisation grants, and the new education grant adopted by the Minister of Education. Transitional grants were to be of the order of £900,000 in England and Wales and £267,000 in Scotland for the first year, and then scaled down by one-fifth each year until they finally disappeared in the fifth year. (2)

While equalisation and transitional grants were not to be paid to county district councils directly from the Ministry of Health, the Act provided that each county council in Great Britain, outside London, (4) should make annual payments to each of its county district councils. These grants would continue to be paid on a capitation basis, the rate of capitation grant for municipal boroughs and urban districts being obtained by dividing the total of the equalisation grants paid to counties (outside London) by twice the population in those counties; while that for rural districts was to be one-half of that for the other districts.

As indicated above, it was estimated that, (3) if the new scheme for the Exchequer equalisation grant to

(1) Local Government Chronicle, No. 4219, Nov. 8, 1947, p. 988.

(2) The Times, Oct. 28, 1947, p. 4.

(3) In Scotland, the gain will be equivalent to a rate of 4/ 4/5d.

(4) There will be a special arrangement for London made by the Minister of Health after consultation with the authorities concerned. As no Exchequer equalisation grant is payable to London, it is proposed that the L.C.C. shall distribute a certain proportion of its net gain accruing from the transfer of the L.C.C. hospitals to the State, in subvention of the metropolitan boroughs.

(5) In the White Papers entitled Financial Relations between the Exchequer and Local Authorities, England and Wales (Cmd. 7253/1947) and Scotland (Cmd. 7256/1947).

local authorities and the other proposed financial and administrative changes had operated in 1946-47, the total grant in England and Wales would have been £33,212,121. Of this, counties would have received £26,511,186 and county boroughs £6,700,935; while the corresponding amount in Scotland would have been £5,175,134, of which the counties' share would have been £4,072,691, and the large burghs' share £1,102,443.

The average rate levied for the whole of England and Wales in 1946-47 was 15s.5d., whereas had the changes operated, the amount would have been 12s.9d., thus achieving a net saving of 2s.8d. In Scotland, the average rate levied in 1946-47 was 13s.7d. Under new conditions it would have been 10s.7d., with a net saving of 3s.0d.

Areas which would have received large sums in equalisation grants are as follows:-

England and Wales.

<u>England and Wales.</u>	
Counties.	County Boroughs.
West Riding £2,689,490	Birmingham £611,078
Durham £2,134,832	Kingston-upon-Hull £396,057
Glamorgan £2,009,229	Sheffield £362,264
Lancaster £2,009,191	Stoke-on-Trent £319,359
Stafford £1,552,467	Sunderland £269,004
	Gateshead £232,233
	St. Helens £228,153
	Middlesbrough £219,016
	Merthyr Tydfil £208,142.

Scotland.

<u>Scotland.</u>	
Counties	Large Burghs.
Lanark £567,338	Paisley £120,632
Ayr £476,457	Greenock £113,507
Aberdeen £346,634	Motherwell & W. £106,794
Fife £339,730	Coatbridge £ 95,319
Stirling £200,051	Dundee £ 75,809
Argyll £158,628	Airdrie £ 72,789
Ross & Crom. £154,556	Hamilton £ 66,895
W. Lothian £149,293	Kirkcaldy £ 54,677

If changes in expenditure and grants had been effective in 1946-47, local authorities which would have been able to reduce their rates by 7s or more in England and Wales and 4s. or more in Scotland are shown in the following tables:- (1)

England and Wales.

Counties		County Boroughs.	
Cardigan	13s. 6d.	Merthyr Tydfil	15s. 8d.
Monmouth	9s. 10d.	Walsall	9s. 3d.
Glamorgan	9s. 2d.	West Bromwich	9s. 2d.
Pembroke	8s. 9d.	Stoke-on-Trent	8s. 9d.
Montgomery	8s. 7d.	Gateshead	8s. 8d.
Carmarthen	8s. 4d.	Kingston-upon-	
Isle of Ely	7s. 9d.	Hull	7s. 11d.
Holland (Lincs)	7s. 5d.	Barnsley	7s. 7d.

Scotland.

Counties		Large Burghs.	
Sutherland	14s. 7d.	Airdrie	8s. 10d.
Lanark	6s. 5d.	Hamilton	8s. 1d.
Orkney	6s. 5d.	Coatbridge	8s. 1d.
Banff	6s. 4d.	Arbroath	4s. 8d.
Aberdeen	5s. 9d.	Dumbarton	4s. 7d.
Berwick	5s. 8d.	Paisley	4s. 2d.
Wigtown	5s. 4d.	Glasgow	4s. 0.
Zetland	5s. 1d.		
Ross & Cromarty	4s. 11d.		
Clackmannan	5s. 3d.		
Caithness	4s. 9d.		
Argyll	4s. 7d.		
Inverness	4s. 7d.		
Ayr	4s. 2d.		

(1) Under the new arrangement, no exchequer equalisation grant was payable to Glasgow and Edinburgh, but these two towns would be relieved of the transferred burdens of £4,084,100 and £739,100 respectively, thus still achieving a rate deduction of 4s.0d. for Glasgow and 5d. for Edinburgh.

P A R T I I I .

THE EMPLOYMENT OF EXCHEQUER GRANTS.

C H A P T E R XIII.

THE FUNCTIONS OF EXCHEQUER GRANTS.

People are apt to regard Exchequer grants merely as 'doles' used by the Government to relieve ratepayers at the expense of taxpayers. Mr. Gladstone, for instance, was one of the great statesmen in British history who could never appreciate the device of national subvention. He denounced it because he thought it unwise to transfer the burden of local expenditure from a fund supported by property to a fund supported by property and labour jointly. In his address to the Midlothian electors in September, 1885, he emphasized that in the reform of local government, one of the first objects to be aimed at was to put an end to the 'gross injustice' of charging upon labour, through the medium of the Consolidated Fund, local burdens which the laws have always 'wisely' treated as incidental to property.(1). Although we should admit that there is an element of truth in Mr. Gladstone's statement, he had, however, missed the main point.

The driving force of the great agitation for grants-in-aid in 19th century Britain, did not spring from selfishness on the part of the ratepayers who should, but failed to, satisfy themselves with the burdens which the laws had 'wisely' imposed upon them. Quite the contrary, it was the injustice of levying local rates solely out of real property which formed the impetus of the movement. Statesmen were reluctant to use the 'doles'; but the grievances of the agricultural interest were so great that they could not avoid it. Thus throughout the 19th century the grant system 'developed primarily as a means for appeasing the agricultural interest, which not only lost heavily through the repeal of the Corn Laws, but also had to pay large increases in rates to provide public health services to meet the new urban development.(2).

Although it is true that the generation and development of the grant system was chiefly a result of the political agitation of the landed interest; it is, however, equally true that the grants were not just doles contributed without any

(1) The Times, 19th September, 1885.

(2) W.I. Jennings, Principles of Local Government Law, 3rd ed., 1947, London, p.199.

further purpose. There were in fact other motives behind the making of grants which turned out to be of vital importance to the British system of government and administration. It was by means of national subvention, that the Central Government in London was given a chance to keep an eye on local administration - a matter of nation-wide significance, and yet vested by tradition solely in the hands of the local authorities. In order that some of the services in this internal administration should be maintained at a satisfactory standard, the grant system was needed, to serve as a stimulus to local authorities in their exertions for improvement, and as a measure of control to compel them to improve.

Briefly, the objects of the grant-in-aid system may be summarised as follows:-

- (1) To assist local authorities financially in their administration of services of a national or semi-national character.
- (2) To correct, as far as possible, inequalities in the local taxation system, both those existing between individuals and between districts.
- (3) To secure to the Central Government a degree of supervision and control over the administration of the national or semi-national services with the idea of inducing a national minimum of efficiency.
- (4) To enable the Government to disseminate its accumulated experience amongst local bodies administering the services with a view to raising the general standard of efficiency and economy, and
- (5) To encourage local authorities to carry out effectively particular policies of the Government, such as to provide work for unemployment relief, etc. (1)

"In fact, judged by actual day-by-day results", wrote Sydney Webb some forty years ago, "the grant-in-aid, whether we like it or not, has become a governmental instrument of extraordinary potency for good or ill, of greater actual importance in the lives of the people than parts of the Constitution to which more attention is directed". (2) If this was true at that time, how true is it in these days when local ratepayers depend more and more on the National Exchequer for the relief of their excessive burdens?

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- (1) See J. H. Burton, Local Authority Finance, Accounts and Auditing, 2nd rev. ed., 1932, Vol. II., pp. 684-5. Also Final Report of the Departmental Committee on Local Taxation, 1914, Cmd. 7315, p. 19.
 - (2) Sydney Webb, Grants-in-Aid, 1911, London, p. 2.

I. Grants as a Means of Assisting Local Services of National Importance. Local government has long since ceased to be a mere matter of local inhabitants providing benefits for themselves, as isolated units exercising their rights. It is now more and more to be regarded as an artificial entity created by the State for the administration of community services, and exists, so to speak, as a corporate body by the favour of, and in accordance with, the law, having its rights and duties orientated towards the attainment of the common weal. (1) Local authorities may exercise only the specified powers fixed by Parliament. They can do only what the State allows them, and have to do what the State requires of them.

In the scope of local affairs, since there are not a few services which tend to affect directly or indirectly the common well-being of the whole nation, these services have become more or less obligatory, and Parliament has required local authorities to undertake them, and demanded that a certain standard of efficiency in them should be obtained. For the performance of these services, nevertheless, local authorities have had to meet the greater part of the local expense, which has expanded year after year in consequence of ever-increasing duties.

The education service (as an example of a national service, locally administered) has shown great increases of expenditure in the last sixty years. It was estimated that in 1884-5 the educational expenditure in England and Wales averaged only 2s11d per head of population; in 1904-5, it was 13s.2d.; in 1932-3 it reached 41s1d., over 14 times as much as in 1884-5. (2)

It should be pointed out that these increases were due mainly to the various Acts passed by Parliament which attempted to improve educational facilities and efficiency. Thus the increase in 1904-5 was due to the Education Act of 1902 and in particular to the new charge on local funds for voluntary schools; and that in 1932-3 was chiefly a result of the progressive measures required of local authorities after the enactment of the Education (Provision of Meals) Act, 1906, and the Education (Administrative Provisions) Act, 1907. The figure has no doubt swollen enormously in

(1) J.W. Grice, National and Local Finance, 1910, pp. 6-7.

(2) Sir Gwilym Gibbon, The Expenditure and Revenue of Local Authorities. See Journal of the Royal Statistical Society, Vol. XCIX., Part III, 1936, pp. 462-463

in recent years following the enforcement of the Education Act of 1944. (1)

It has been much the same in the case of other national services. Thus in 1904-5, the expenditure per head of population on the public health service was 6s.; in 1924-25, 16s.11d.; and in 1932-3 it became 22s.11d. The corresponding figures on highway undertakings were: in 1884-5, 4s.11d.; in 1904-5 8s.1d.; and in 1932-3, 23s.3d, while those on police were: in 1884-5, 2s.7d.; in 1914-5, 4s.5d.; in 1924-5, 9s.10d.; and in 1932-3, 10s.8d. (2)

Here, the offer of Exchequer grants is appropriate. Apart from the fact that this enormous increase in expenditure has proceeded entirely beyond the resources of the local ratepayers, there is the weightier reason of justice. Without assistance ratepayers would be unduly burdened by these services---services which are carried out in the interests of the community at large rather than that of any particular locality, and which are indistinguishable in principle from many of the services which the Central Government administers, and of which the national Exchequer bears the entire cost. If they are not suitable, for political, administrative, or other reasons, to be taken over by the Central Government, then it is only right that the expenses of such services should be wholly defrayed, or defrayed to a large extent, from national sources. (3)

Services such as police, education, and main roads, as well as public health and poor relief, are national or semi-national in character. Education is really a national service because children are the citizens of the future, and it is to the benefit of the nation that its citizens should be well-educated. The expenditure on main roads is rightly a national charge, because the principal communication lines which link up every part of the country are indispensable for the social facility and economic prosperity of the whole nation. The police forces are provided, just as the army

(1) During the period from 1938-9 to 1947-8, the net expenditure of local education authorities rose from £93 mns. to £189 mns. See Ministry of Education Annual Report, 1947.

(2) Sir Gwilym Gibbon, *ibid.*, pp.463-470.

(3) *Cd.* 638/1901, p.111.

and navy, chiefly to protect the people from violence and loss of property from external and internal enemies. As the expenditure on the latter is supported wholly by national funds, there is no reason why the support of the former should be placed as a special burden on the local holders of real property. (1)

Thus in all these services, serious deficiencies in any particular local area may react unfavourably on the condition of the nation as a whole, and there is, moreover, a legal obligation on the part of the local authorities, enforceable by the Central Government, to maintain a minimum efficiency. It is therefore for the benefit of the community at large that national funds should be used in the form of Exchequer grants to assist these services of national importance.

II. Grants as a Means of Remedying Local Rate Grievances. Inherent defects of the British local taxation system are the inequality of rate burdens among inhabitants of the same locality and the disparity in rate poundage as between different areas. The original aim in employing Exchequer grants was to remedy these defects.

It is always a matter of complaint by the ratepayers that under the present system of local taxation, it is only one class of property, namely, the immovable property, which bears the burden of local rates, an arrangement which is only remotely related to ability to pay. Occupation of real property might have been a reliable guide to wealth in the days when the rating system first came into being, but it is by no means the case nowadays.

If we observe the matter from the point of view of the owners, the grievance is indeed apparent. Properties from which people may be able to gain profits are multifarious in variety. To single the owners of rateable property out for taxation, to the exclusion of owners of other properties, is a deviation from the principle of equality and justice. Thus we often see that a man who derives a large income from capital invested in movable property is taxed ~~from~~ for local purposes at a much less amount than his near neighbour who derives a small income from capital invested in immovable

(1) E. L. Hasluck, Local Government in England, 1936, Cambridge, p. 216.

property. The system was especially unjust before the enforcement of the derating scheme under the Local Government Act, 1929, when ratepayers who had an interest in farming, or were engaged in certain industrial undertakings, bore an undue share of local burdens, simply because they had to use an amount of real or immovable property very large in proportion to their profits. Compared with other affluent profit-makers who had no need to own or occupy any rateable property except a house in which to live, they seemed definitely at a disadvantage.

On the other hand, from the point of view of an occupier, the grievance is even greater. AS the existing system of local finance takes no account of anything but the 'consumable commodity called a house' or of the rateable value of the premises on which people carry out their business, it possesses a notorious characteristic of bad taxation in that it bears heaviest on those least able to pay. It operates with special unfairness on the wage-earning and lower middle classes, and this is especially true with the ratepayers who have large families and are obliged to live in big houses. Although rich people as a general rule do live in magnificent and highly assessed houses, it can hardly be said that the type of residence really bears any relation to the wealth of its occupant. "A millionaire", writes Mr. Hasluck, "who retires to a peaceful country life in a tiny rural cottage pays less in rates than many labourers who inhabit the mean houses adjoining the factories in which they work". (1,

The proportion of the expenditure defrayed by the wage-earning classes on house accommodation to their total income is much greater than that of the wealthier classes. It is worthy of mention that some investigation has been done in London, Southampton and Sheffield on this subject, and the conclusion is that before World War II, a person who earned £150 a year paid over 5 per cent of it in rates, whereas a person with an income of £10,000 a year paid less than 2 per cent. (2) This figure represents a serious inequality in rate burdens. In the absence of a minimum standard which qualifies for exemption from

(1) E.L. Hasluck, op.cit., p. 218.

(2) Labour Party, Local Government Handbook, 2nd ed. ¹⁹⁴⁶ p. 98.

contributions in the rating system, the tenants, no matter how poor they might be, have to pay their share.' It is true that ample steps have been taken to reduce the percentage of levy to a very small amount in the case of the smallest and cheapest type of dwelling, but the fact remains that 'a man who is living at bare subsistence level will find the imposition of even a few shillings of rates a disaster'.¹

The services provided by local authorities are enjoyed in common by all the local inhabitants, irrespective of whether they are owners or renters or lodgers. The amenities of public parks, libraries, municipal orchestras, etc., are a pleasure to everyone in the locality. The convenience of street lighting and a clean and smooth road surface is a benefit to people of all classes. Yet it is only the people in possession of rateable property who are charged with the burden of local taxation. In this case grants from the national funds, which are levied upon a very wide basis of taxation on all kinds of property, are a wise method of adjustment in the absence of a complete change in the local taxation system.

Apart from the inequality of rate burdens in each local area, the burdens also vary enormously between different parts of the country and between different authorities. This is due in some cases to the manner in which the authorities spend their money. Some authorities spend more on local government services than others, and the extravagance or parsimony they show, determines in part, the scale of local finance. In other cases it is due to the disparity in the relative wealth of the different localities concerned. A locality in which there is a large amount of valuable property can raise the same amount of money by levying a much lower rate in the pound than is necessary in a place where the property is of a poorer type. In Britain, a general standard of local government is normally required by the Central Authority irrespective of the wealth of the area, and local authorities are left with little choice in the mode of their expenditure. In consequence the second factor, that of relative wealth, is of far more importance than the first.

If a similar standard of local services is to be attained, 'even with administration of equal strictness, equal honesty and equal economy', the wealthier area can reach it without strain, while the poorer one must levy a

(1) ~~Charles Barratt, Your Local Authority, 1946. p. 128.~~
E. L. Hasluck, op. cit. p. 217.

high rate to manage it. (1) For example, the large burghs of Airdrie and Dumfries in Scotland have almost an equal population, (in both cases about 26 thousand) but whereas the rateable value of Airdrie is only £172,641, that of Dumfries is £229,501. (2) A penny rate in Airdrie brings in only £719, while in Dumfries it realizes £956. If a scheme costing £10,000 is to be carried out in both burghs, the former town has to raise the money by levying a 1s. 2d. rate, while the latter needs only to levy a 10d. rate. This difference, however, is not great enough to show the true extent of the difficulty. Better examples can be found in England and Wales. Thus the populations of Merthyr Tydfil and Carlisle are of about the same size. But as the rateable value of Carlisle practically doubles that of Merthyr Tydfil, the rate burden of each inhabitant in the latter also doubles that of the former. (3) A much more acute difference exists between Bournemouth and Middlesbrough where the populations are also of equal size. (4) The rateable value of the former is £1,984,349, whilst that of the latter only amounts to £763,686. Hence, with the same number of people to provide for, the two county borough councils have a very unequal amount of wealth to draw upon for their services.

The distressed situation of the poorer areas in collecting money for their administration has been aggravated in the past by the fact that they have normally had more services to provide than their richer neighbours. Wealth is actually in inverse relation to needs. The result has been that where the income or accumulated wealth of the inhabitants has been low, the cost of local administration per head has been correspondingly high. Professor and Mrs. Hicks have made it plain that there was one particular service, namely, the domiciliary Poor Law relief, which imposed the greatest relative burden on the poorer areas. They discovered that in the localities where expenditure on domiciliary relief was low, the rates were also low; whilst high rates

(1) Charles Barratt, Your Local Authority, 1946, p. 128.

(2) The Scottish Municipal Annual, 1948, p. 4 & p. 31.

(3) The corresponding figures of population, rateable value and rates for 1947-8 of the two county boroughs are as follows:- Carlisle: 60,250; £463,461; 16/6. Merthyr Tydfil: 60,340; £235,532; 30/---. See The Municipal Year Book, 1948. p. 588 and p. 692.

(4) 137,000 in Bournemouth and 139,500 in Middlesbrough.

were inevitably a result of heavy relief expenditure. "Domiciliary poor relief", they write, "is sheer expenditure on poverty; and expenditure on poverty, locally financed falls on the poor". (1) In the case of Merthyr Tydfil for example, in 1936-37 the rate equivalent for the net expenditure on this service was 14s.9d, which was more than the average total rate for all county boroughs in England and Wales for that year. (2)

The problem is cumulative. Where the local authority allows its rates to become abnormally high, there is a tendency to emigrate and thus present the remaining residents with greater difficulties. Moreover, industry avoids this area, so that there then develops a more severe question of unemployment, causing an unavoidable increase in the cost of social services, and a corresponding decrease in local income.

Under these circumstances, the relatively poor areas would in a general case, have local services far behind the current standard. This would be in many ways undesirable and the Government has made it a duty of these authorities to provide and maintain their services to a prescribed standard despite the fact that, without assistance, this would mean that some localities would have to incur a rate ten or even twenty times as great as others, (3) and far beyond their capacity. The solution appears to be either to convert the charge into a national one, as adopted in the case of the recent national health and national assistance services, or to equalise the burden on ratepayers in different areas by the use of Exchequer grants. In view of the instinctive scepticism on the part of the British people towards bureaucracy, the Central Authority has done more in accordance with the latter device than with the former. Exchequer grants have been used liberally to meet the needs of the poorer areas, especially through the General Exchequer

(1) J.R. & U.K. Hicks, op.cit.p.40.

(2) Labour Party, op. cit. p.98. Bearing this in mind, it is not difficult to understand why in their attempt to equalise local rate burdens by Exchequer grants in 1948, the Government had to nationalise the Poor Law service at the same time.

(3) Sydney Webb, op. cit., pp.16-17.

Grant and the Equalisation Grant prescribed in the Local Government Acts of 1929 and 1948 respectively.(1)

III. Grants as Securing a National Minimum of Efficiency in Local Services. The third object of Exchequer grants is to bring all the important local services throughout the community up to a national minimum of efficiency. There are a few local authorities who are too indolent or inefficient to provide adequate services for their localities. There are many more who, in spite of their willingness to achieve better administration, find themselves too poor to cope with their urgent requirements. Exchequer grants, therefore, are necessary to serve as a spur to the former and a stay to the latter. They are, moreover, an effective means by which the Government can proceed to supervise and control local affairs, otherwise entirely outside their influence. With the assistance of grants and the constant threat of their withdrawal, local authorities in Britain are placed in a situation where they must perform, and perform well.

In the days when Britain was overwhelmingly a rural community, each local area was almost independent and isolated from the outside world. Local services were then sheerly of local concern and, generally speaking, the common object of local authorities was to keep the rates as low as possible. Bad services might be of great inconvenience to the inhabitants of the locality, but few people grumbled about them. It was only when Government Departments began to realize the importance of internal administration, and thought it necessary to put pressure on local authorities to raise their services to a minimum standard, so that there would be an equal opportunity for all to have a healthy body and educated mind, that financial assistance towards local authorities was found indispensable.

The relation of each locality to the nation as a whole has become closer and closer. At the present time as Lord Passfield asserts:- (2)

....We cannot afford to let the inhabitants of Little Padlington suffer the penalties of their own ignorance or their own parsimony, because

(1) See Above pp. 146-55; 175-79.
(2) Sydney Webb, op.cit.p.23.

the consequences fall, not on them alone, but also upon the neighbouring districts, upon everyone who passes through their benighted area, upon all those who have intercourse with them, even upon the community as a whole, whose future citizens they are producing. We see this clearly enough when it is a question of infectious disease. We cannot allow Little Padlington to be free, if it chooses, to have as much small-pox and enteric fever---not to say cholera and bubonic plague---as its inhabitants choose to submit to, rather than taking preventive measures which they dislike. We have equally no reason to put up with the horribly bad roads which are all they may wish to pay for. If they are permitted to bring up their children in ignorance, to let them be enfeebled by neglected ailments, and to suffer them to be demoralised by evil courses, it is not the Little Padlingtonites alone who will have to bear the inevitable cost of the destitution and criminality thus produced. Hence, modern administrative science is forced to recognise that we are all, in the plainest sense, 'members one of another'."

Local autonomy is desirable in that it tends to improve the quality of democracy. But when the common good of the nation is threatened by the maladministration of a particular locality, the freedom of local inhabitants 'to do what they like with their own' must be restricted in order to safeguard or promote national security. In modern times, local democracy can be sustained only on condition that at least a national minimum of efficiency in local administration has been achieved throughout the whole community, and a national minimum cannot in practice be enforced without a grant-in-aid. It is quite natural that in a backward region there is a reluctance to tackle the more complicated or the more costly services, and, if it is required, for the sake of the whole nation, 'to undertake preventive measures which its inhabitants dislike, to make roads of better quality than they think necessary, to provide schools and care of the children in excess of what is locally considered sufficient', there must be an inducement or a compensation.

Through the grants, local authorities are automatically brought under the supervision and control of the Government Departments concerned. Their action in the grant-aided services are subject to the criticism and direction of the aiding Authorities. If services are

successfully done, they receive the stimulus of financial encouragement; if omitted, there is a penalty in the reduction or withdrawal of grants. The power and the effectiveness of the grant-in-aid system can be seen in a comparison between the county constabulary and the infant welfare services at the beginning of the century. The police service had by that time reached a satisfactory condition, simply because the Home Office had the weapon of Exchequer grants to stimulate local authorities to attain the prescribed standard; while the Children Act of 1908, owing to its lack of connection with any grant-in-aid, remained, like all its predecessors, for a long time a dead letter. "During the last hundred years" writes Professor Robson "the central government has literally bought the right to inspect, to criticise, to suggest, to audit, and to regulate particular services operated by local authorities. Police, education, housing, highways, and public health could never have risen to their present levels without the imposition of national minimum standards by the central departments, enforced very largely through the persuasive power of the purse". (1)

IV Grants as Serving to Disseminate the Experience of Central Departments. In many affairs, central departments possess a breadth of view, and a variety of experience beyond that to be acquired by the administrators of any locality; and the problem is to bring all these qualities to bear upon local administration, without offending local autonomy or curtailing local initiative. (2) J.S. Mill, with this in mind, expounded the desirability of central control in his great essay 'On Liberty', maintaining that:-

"there should be a central superintendence, forming a branch of the general government, which should have a right to know all that is done, and its special duty should be that of making the knowledge acquired in one place available for others. Emancipated from the petty prejudices and narrow views of a locality by its elevated position and comprehensive sphere of observation, its advice would naturally carry more authority, but its actual power as a permanent institution should... be limited to compelling the local officers to obey the laws laid down for their guidance".

(1) W. A. Robson, *The British System of Government*, 2nd. ed, 1945, p36
(2) Sydney Webb, *op. cit.*, p. 21.

A store of information on questions of local government is available to the central departments from many sources. They receive a great mass of reports from Government inspectors which often serve as a good guide to the merits and demerits of different types of management. Whitehall itself abounds in highly skilled specialists, whose advice is invaluable in their respective lines. There are, moreover, the detailed returns and statistics forwarded to Whitehall by the Local authorities, and, from time to time, the findings of special inquiries. (1)

With this great ^{reservoir} ~~power~~ of information, central departments can do much to help local authorities. This help, however is not always very well received, for the local authorities are jealous of their traditional rights of administrative freedom, and are often prejudiced against any external suggestion or criticism, no matter how benevolent the intention might be. It is not uncommon for the civil servants who keep sending orders and hints and circulars of advice to be thought of by many of the local authorities as 'a body of fussy, meddlesome armchair critics' who know nothing but how to create 'high-faluting theories' and prescribe 'impossible standards' for local experts 'who have all the real knowledge'. There have even been some councils, it is said, where it was the custom to order the clerk to throw all the departmental circulars, into the waste-paper basket, as soon as they arrived. (2)

This attitude is hardly defensible. The opinion of the central authority, though by no means always right, can at least serve as a reference worthy of serious contemplation by the local authorities. "...the local authorities," writes Mr. Hasluck, "that regards the Departments as so many obnoxious enemies, whose orders are resented and whose advice is scoffed at, is--- to use a well-established but highly illogical phrase---'cutting off its nose to spite its face'. Whitehall has much of value to offer to the local administrator. Wealthy municipalities---may be able to afford to employ experts who can talk on equal terms with the specialists of Whitehall, but in the case of the vast majority of local authorities, it is obvious that the array of talent at the disposal of the Departments must have many things to teach the local officers, however capable and efficient they may

(1) See:- Hasluck, op.cit.p.127.

(2) Ibid.p.129.

prove themselves to be in dealing with routine problems.... Harmonious co-operation between the local authority and Whitehall is not difficult, it can lead to very little harm, and in the great majority of cases, it leads to a considerable amount of good".(1)

Thus, if efficiency and economy are to be promoted in the lesser localities where there is a lack of qualified specialists, some measure must be adopted in order to get rid of local obstinacy and prejudice. As complete local autonomy in Britain has always been accompanied by complete financial independence, the only thing that can be done to enforce Departmental instruction, without invoking strong local antipathy and indignation, is to 'bribe'. It is by grants-in-aid alone that the extended wisdom attributed to the central departments can be put successfully at the disposal of local authorities.

V. Grants as a Means of Enforcing Particular Government Policies. Apart from the possibility that central administrative wisdom is higher than that of a small locality, there is another reason for the use of Exchequer grants, namely, to guide local administration in a desired direction. Services undertaken by local authorities may be either of an immediate benefit or of a distant interest. There is, however, as a rule, an inclination in the localities to lay special stress on the former at the expense of the latter. Even if the departmental direction has made it clear that some sort of expenditure is preferable to another, it is a fact that 'some local authorities will at all times be backward in discarding the worse and adopting the better alternative'.(2) It is, therefore, the responsibility of the central departments to prevent those larger or more distant interests from being hampered by too much injudicious or detrimental local expenditure on affairs of minor importance. With the help of a financial inducement, they may lead the local authorities to take up the more important task which they might otherwise overlook, for, according to the rule that those who pay the piper may have a right to call the tune, the policy of the local authority may well be changed where there is a grant-in-aid.

(1) Ibid. p. 131.

(2) S. Webb, op. cit., p. 21.

With such an effective weapon in their hands, the central departments can successfully encourage and direct services in a manner they think desirable for the well-being of the community.

In the first decade of this century, for example, when the Government paid special attention to the improvement of the Poor Law medical services in Scotland, a large proportion of the total grant-in-aid to the Scottish parish councils was directed towards this end. It was estimated that for the year 1911 the Lunacy Grant and the Medical Relief Grant alone, which amounted to £115,500 and £20,000 respectively, constituted more than half of the total sum of £244,000 allocated for the whole parochial services.(1) The result was that throughout Scotland a number of schools for training Poor Law nurses were set up immediately and a system of trained sick nursing established. The administration of Poor Law medical relief, both indoor and outdoor, thus gained an immediate and lasting improvement such as had never been seen in Scotland before.

Central departments may also use Exchequer grants as a means of solving the problem of unemployment. As far back as 1920, an Unemployment Grants Committee was appointed to make grants towards works of public utility carried out by local authorities. The committee had a right to select the schemes to be assisted and the amount of help to be given. There was also a time limit within which the grant-aided works were to be accomplished.

This scheme helped to provide a great deal of work for the unemployed, and at the same time led local expenditure towards a desired end. It was later extended, on several occasions, with grants made more and more generous in order to cope generally with an increasing problem of unemployment, and in particular with the transference of surplus labour from the depressed areas.(2) The campaign culminated in the year 1930-31, when the world-wide economic crisis, following upon the prolonged depression of the post-war years, overwhelmed Britain. Thousands of

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(1) Ibid, pp. 57-59. The grant for medical relief was made to each parish council directly in proportion to its actual expenditure, with an extra bonus for the provision of trained sick nursing in the Poor Houses.

(2) Report of the Committee on National Expenditure, 1931, Cmd. 3920, pp. 136-7.

workers were driven out of employment, and the Government, in an attempt to mitigate the evil appealed to local authorities to cooperate with them in a vigorous effort to provide as much work as possible. There were, however, some special necessitous areas whose resources were so depleted that it was very difficult for them to undertake further commitments, even for necessary services, without, an enormous grant from the Treasury. Hence, in July, 1930, a vote of £500,000 was granted by Parliament to be used for meeting the whole cost of schemes of work for relieving unemployment in these areas during the winter. Of this amount, £400,000 was distributed by the Minister of Health to local authorities in selected necessitous areas in England and Wales, and £60,000 was allocated to Scotland.

It is interesting to note that even in this situation, the grants were used only to assist works of public necessity which were of a non-revenue-producing character; and they were liable to be withdrawn if the works were not properly executed. In order to encourage economy, the Government also decided that, in carrying out the schemes, any excess expenditure over the approved estimate had to be borne by the local authority, and any saving was to be retained by them.(1)

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Throughout the history of the subject, the question of state intervention in local taxation has been regarded as predominantly a question of the national relief of local burdens. Parliament and successive Governments have unanimously concentrated their attention upon the extent to which, and the manner in which, the ratepayers are to be assisted by the taxpayers. Consequently, the Exchequer contributions towards local expenses have been, as a rule, considered mainly as a device by which the burden of realities could be balanced by that of personalties. Until recently the administrative significance of these financial arrangements was generally ignored. It should not, however, be overlooked, for it is chiefly by means of the grant-in-aid system that the central departments are able to exercise their power of control effectively.

(1) Ministry of Health Report, 1930, - 31.Cmd. 3939 pp.171-73

C H A P T E R X I V .
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SERVICES SUITABLE FOR EXCHEQUER GRANTS. No large State can administer all its services solely through its central political mechanism. Economical and efficient administration, demand some sort of devolution in the management of public affairs, and these necessitate some division of labour between central and local government. In consequence an important problem arises, as to how the burdens of administration and finance may be most advantageously apportioned between the two.

Generally speaking, it would appear that services which are of national importance should, on principle, be put under the control of the central government, while those of merely local interest should be made a local responsibility. There is, also, the financial corollary that, from the point of view of the local authority, the 'onerous' expenditure, that is the expenditure on services which are performed in the interest of the community at large and do not as a rule confer any direct benefit upon the individual ratepayer and taxpayer in a particular locality, should be met from money levied upon the whole nation. On the other hand, the 'beneficial' expenditure, i.e. expenditure on services locally administered which are directly beneficial either to the individual ratepayer or to his immediate neighbourhood, should properly be defrayed out of the fund contributed by the local inhabitants.(1) In other words, the desiderata as between national and local finance, as Lord Farrer pointed out fifty years ago, are: that national receipts and national expenditure should, so far as possible, be kept distinct from local receipts and local expenditure; and that the authority which receives taxes should be responsible for their expenditure, and, per contra, that the authority which administers the expenditure should collect and have control of the taxes out of which it is paid.(2)

(1) Cf. Report by Sir E. Hamilton and Sir G. Murray, Cd. 638/1901, p. 123.

(2) C. 9528/1899, p. 69. The Royal Commission of 1869 also formulated the same philosophy in words which have become classic: "Public expenditure should be chiefly controlled by those who contribute to it. Whatever concerns the whole nation must be dealt with nationally while whatever concerns only a district must be dealt with by the district". Quoted by Sir George Newman, *The Health of the People, A Century in Municipal Progress*, pp. 164-165.

In this way the most economical and equitable distribution of capital over the country can be secured, and the relation of central and local finance most readily simplified.

On these principles, it is right that the great national services such as the management of foreign policy, the maintenance of the armed forces, the postal service, the central administration of justice, and other functions of a like national character, should be administered by the national government and financed out of general taxes paid by the whole nation; and that, on the other hand, services such as paving and lighting the streets, water supplies, cemeteries, markets, baths, parks, libraries and museums, etc., which are mainly of local interest, should be discharged by local bodies and paid for by rates levied on the local inhabitants.

All cases, however, are not so easily dealt with. Taking the whole range of public services into consideration, it is very difficult, if not entirely impossible, to draw any logical and precise line between the appropriate objects of national and local expenditure. Between the two classes of administrative action indicated above, there is a great variety of subjects which are partly national and partly local, and which it is impossible to fit into either of the above groups. The sanitary state of any district, for example, is of great importance to the health of the group of persons inhabiting the district, and yet it is also a matter of serious concern to their neighbours or even the whole community, owing to the tendency of many diseases to spread. Similarly, in the case of the police service, the inhabitants of a locality have obviously a special interest in the repression and detection of crime within their locality, but it is also a matter of great concern to the whole community that no place in the country should harbour law breakers or allow facilities for their operations.(1)

Apart from the difficulty of classification in the case of services of an intermediate character, moreover, opinion as to the nature of the services themselves changes as a result of altered social, political and economic conditions. Modern means of communication, for instance, together with the increasing mobility of the people have brought it

(1) See Prof. Sidgwick's answers to the questions put by the Royal Commission on Local Taxation, C. 9528/1899, p. 106.

about that some services which were formerly regarded as typically local have gradually become national or semi-national in character. Thus in the 17th and 18th centuries, when intercourse between people of different parts of the community was difficult and rare, all the services administered by local authorities in Britain were practically regarded, not inappropriately, as merely local concerns. Poor relief and public health services, now considered as predominantly of national importance, were then the sole care of parochial overseers and paid for out of parochial funds. It was only when people realized that a deficiency in certain services in any locality could threaten the security and welfare of the whole community that the public opinion began to regard them as national or semi-national services. Similarly, the services which are now deemed to be beneficial only to particular localities may, in due course of time, also claim the right to be grant-aided because of their ever-growing importance. The following extract from a current writer serves as a comment on this point. (1)

....Even in such a matter as street lighting, though the major part of the benefit goes to residents in the immediate vicinity, it may be taken as true that an Englishman expects to find adequate lighting in the thoroughfares of every urban centre that he has to visit for purposes of business or pleasure. It is, in fact, rather hard to find much in the way of activities that is ^{of} purely local interest and concern. Perhaps the most definitely localised of municipal activities are those connected with merely pleasureable amenities---the provision of ornamental parks, concerts and entertainments, and tennis-courts, bowling greens, and bathing pools. But even here it may be argued that the provision of facilities for sports and games, musical and dramatic culture, and even such relaxation as is afforded by the offer of beautiful flower-gardens and seaside concert-parties, is a matter of national interest.

(1) E. L. Hasluck, op. cit., pp. 216-7.

Thus, many of the services administered by local authorities have a tendency to become increasingly of national concern, and may even, finally, be transferred to the care of the Central Government. Meanwhile, during the process of slow and gradual transition, the local authorities face a complicated situation. They have to be responsible for various kinds of services--some administered at their own discretion, and some required and, in a certain degree, controlled by the Government. "Local authorities", writes Professor Cannan, "perform some services, e.g., refuse and sewage removal, the benefit of which is almost confined to the locality. They perform other services e.g., the provision of police, which is of primary benefit to the locality, but is also of great benefit to the rest of the country and world. They perform a third set of services, e.g., the provision of a night's board and lodging for vagrants, which are of no special benefit to the locality, but are of benefit to the community at large". (1)

In the performance of services in which a predominant share of the benefit can be directly traced to persons interested in a particular area, the local authority is itself, the master. It is obliged to pay for these services entirely from local funds, and thus left free to manage them according to its own discretion and initiative. On the other hand, in the performance of services of national or semi-national importance such as education, police, etc., a local authority is a 'quasi contractor with the State' (2) and The Government has a right to insist on their being carried out with a certain standard of efficiency. But as the requirements of the Government often cause substantial increases in expenditure, it would be grossly inequitable to finance them entirely out of local funds. The State should contribute the whole or a part of the cost of the services in accordance with the degree of their importance to the nation and with the need of the locality.

(1) C. 9528/1899, p. 174.

(2) Final Report of the Departmental Committee on Local Taxation, Cd. 7315/1914, p. 11.

Thus, the class of services suitable for Exchequer grants is one intermediate between the services which are carried out and controlled almost entirely by local authorities in the interests of their respective localities and the services which are carried out entirely by the State in the interests of the nation as a whole. These services are characterized by the fact that while they are administered by local authorities, the State has at the same time a sufficient interest in their efficiency to justify a claim to supervise their administration.

In view of the considerations outlined above, it is difficult to enumerate with precision which services, now in the hands of local authorities, ought to belong to this class. For the time being, as long as public opinion is still against too much central intervention, it is fairly safe to say that the grant-aided services should not be extended too fast. It should not be overlooked that the local rate is the only source of revenue which a local authority can claim as its own, and that control of revenue is a vital element in determining the extent of its financial and administrative freedom. In making beneficial expenditure entirely a local charge, local authorities can at least preserve a completely free administration in these self-supported services. No Exchequer subvention is desirable in this realm of local government so long as its absence does not impose too great a burden on the rate-payers. In consequence, taking into consideration financial equity and ability on the one hand, and administrative freedom on the other, it would appear that the services which at present should be regarded as most suitable for liberal assistance from the Exchequer are as follows:-

- (a) Police;
- (b) Education---(all branches)
- (c) Main Roads;
- (d) Housing for poorer workers and in backward regions;
- (e) Town and Country Planning; and
- (f) That part of the public health services which is still operated by local authorities.

PART IV.

EXCERPTS GRANTS CONSIDERED.

C H A P T E R XV.

DIFFERENT FORMS OF GRANT COMPARED.

The grants-in-aid, employed in the last hundred years as outlined above, have been both extensive in scope and rich in variety, and have been subject to constant revision and adjustment in accordance with the needs and expediences of the time. In spite of their ~~in~~ considerable complexity, however, there are several main forms into which the grants may be classified. Some of the systems may be excellent theoretically but bad in practice. Others may be useful to serve one end, yet undesirable when applied to the other. There are, moreover, accompanying the operation of each system, a great number of difficulties ^{to} expected by its advocates. It may, therefore, be profitable to consider some of the advantages and disadvantages of the various forms, taken by the British grant-in-aid.

I. The Percentage Grant System. The percentage grant system operates through a grant to the Local Authority equivalent to a specified percentage of its net approved expenditure upon the particular service under consideration. This system has, in the past, been most popularly used and regarded as comparatively satisfactory in practice. It has covered a very broad field of local government services. Before the passage of the 1929 Act, almost the whole of the public health services provided by local authorities were grant-aided on a percentage basis. At present, it is liberally used, inter alia in road maintenance and road improvement. The chart below shows ~~how~~ this system is still in ample use. (1)

<u>Control Authority</u>	<u>Grant-aided Service</u>	<u>Percentage.</u>
Ministry of Education.	Physical training & recreation	50
	Museums for exhibits	50
	Provision of milk & meals	100
	Establishment & equipment of premises & transport facilities for the provision of meals	100
	Emergency training for teachers	100
	Removal of air-raid shelters & temporary defence works	100

(1) Chiefly based on Clarke, Outlines of Local Government of the United Kingdom, 16th ed., 1949.

Control Authority	Grant-aided Service	Percentage.
Ministry of Health	Post Health Expenses	50
	Rural reconditioning	50
	Building society losses	50
	Rural water supplies	variable
	Local health services under National Health Service Act, 1946.	50 (2)
Ministry of Agriculture and fisheries	Cost of administration of County Agricultural Committees	100
	Small Holdings	Pre 1926 schemes, 100% annual loss Post 1926 schemes, 75% annual loss.
	Agricultural education--	
	Capital cost	75
	Annual expenses	66 2/3
	Compensation for slaughter of tuberculosis cattle	75
	Land drainage works	Up to 33-1/3% cost of approved works.
Ministry of Labour	Juvenile employment centres	75
Home Office	Police & Pensions	50
	Training probation officers	100
	Other probation expenditure	47 1/2 to 48 3/4
	Approved schools	50
Treasury	Register of electors	50
Development Commissioners	Development of economic resources	variable 100
Ministry of Transport	Road fund licences & registration	100
	Roads and bridges--- County maintenance;	
	Class I	75
	Class II	60
	Class III	50
	Construction & improvement	33 to 85
	Dual carriageways and cycle tracks	60 - 75
Reconstructing private bridges	75	

(2) See above Ch. XI sect, VI. (3) See appendix.

Control Authority	Grant-aided Service	Percentage.
Ministry of Transport (cont'd),	Freeing toll bridges	75
	Weighing machines---	
	Capital cost	25
	Maintenance	50
	Portable weighbridges (counties only,	60
	Traffic signals (cost & maintenance	50
	Pedestrian crossings	60
	Freeing tolls:	
	Class I	75
	Class II	60
	Class III	50
	Major road ahead signs (except county boroughs)	75
	Class I	
	Class II	60
	Class III	50
	Speed limit signs (except county boroughs)	60
	Snowploughs & adaptation of vehicles therefor	50
	Salary & travelling expenses of highway surveyors	50
	Registration & Licensing of vehicles	100
	Ministry of Town & Country Planning	Expenditure on acquisition & Clearing of land for re-development under 1947 Act

Some advantages of this system are obvious. As it is a type of direct grant earmarked in each case for a specified service, the government departments can adjust it, with great discrimination, in such a way as to encourage the development of the service in any desired direction. They can stimulate a particular locality to carry out a special service, and can even enforce a desirable reform which would not otherwise be realised. Thus, at one time they may afford special financial facilities for slum clearance, whilst at another the sewerage and the sewage disposal may require special attention. Under this system of grants, moreover, though the necessity for approval of expenditure, the central departments are able to supervise effectively the services which they subsidise, and require that a certain standard of efficiency should be maintained. In a word, the Percentage Grant System is particularly useful for securing effective control over the administration of vital services, and for encouraging local experiments in the interest of the community.

(4) See above, Ch. XI Sect V.

At the same time, the system has the advantage of enabling go-ahead authorities to plan their main services boldly without having to bear a crippling financial burden. Where the enormous cost of a great and important undertaking is beyond the powers of ordinary local authorities, the offer of a high percentage grant is of great value. With a certain fixed proportion of the expenditure borne by the State, the local authorities are able to estimate the net financial effect upon the local rates of any new scheme, and, as they are aided on a cost basis, they tend to provide the specified service as adequately and efficiently as possible in order to gain a greater subsidy. As a result, the Percentage Grant System is really the most powerful means by which the Government can enforce a satisfactory performance of their policy in local administration.

There is a further advantage involved in this method of making grants. It tends to increase Parliamentary control over the Government departments which make the grants and indirectly over local government in general. Local authorities often argue that Parliament does not control local expenditure as it always does in the case of the centrally administered services. In respect of the expenditure of the central administration, Parliament insists on the requirement that the Minister of the Crown concerned shall be responsible for all proposals for increased charges, as well as detailed estimates. But a Bill imposing charges on the rates may be promoted by a private member, and passed without any estimate of the expense involved being submitted; and expenditure may be forced upon a local authority by a government department without Parliament's knowing anything of the matter. Here the use of the percentage grant which requires the annual vote of the House of Commons enables Parliament to exercise a control over the action of government departments in regard to the local services affected, and over the local expenditure on these services generally. (1)

In spite of the merits stated above, the percentage grant system is, nevertheless, open to criticism. It may induce the local authorities to administer their services with the object of earning as much grant as possible rather than of promoting the best interest of the service. At least, the system has been a contributory cause of the willingness of local authorities to embark on expensive projects.

The Geddes Committee on National Expenditure (2) unanimously asserted in 1922 that it was the development of the

(1) Final Report of the Departmental Committee on Local Taxation; Cd. 7315/1914, p. 22.

(2) See above, pp. 140-42.

percentage grant system which had materially affected the burden of the taxpayer during the period between 1913 and 1922. They condemned it as a money-spending device. "The vice of the percentage grant system", they alleged, "is that the local authority, which alone can really practice economy in those services, loses much of its incentive to reduce expenditure, especially when the larger proportion is paid by the taxpayer through the Exchequer". (1)

The system was also said to be liable to weaken the control of government departments over the commitments of local authorities on grant-aided services, as the deciding voice as to how much money should be spent was that of the local authorities, not that of the Government or Parliament. It was therefore difficult for the Government to frame their estimates of expenditure in the grant-aided services owing to the fact that these were based on anticipations not of what the department itself would do, but of what hundreds of local authorities might do. (2)

(1) Cd. 1581/1922, p. 105.

(2) During the second reading of the Economy (Miscellaneous Provisions) Bill, March 18th, 1926, Mr. Churchill, then Chancellor of the Exchequer, condemned the percentage grant system and expressed the Government's intention to adopt a block grant system as follows: "...the grants are, as I say, mostly based upon the percentage system. More than half the money is supplied by the Treasury in accordance with Acts of Parliament. Nearly the whole administration is in the hands of the local authorities, subject to Government regulations, inspection, audit, etc. In consequence, the expenditure apart from legislation to alter the scale of grants is largely uncontrollable. The local authorities call the tune and it only remains to calculate the percentage upon which the Exchequer pays the piper. I think I am justified in saying it is a very unsatisfactory field. It is the considered policy of His Majesty's Government to convert the system of percentage grants into a system of block grants, that is to say, to pay definite sums instead of percentages to the local authorities to give those authorities increased discretionary powers, to make them responsible for any extravagance or any unduly bold enterprise to which they may commit themselves, and to give them 100 per cent of any economies they may themselves be able to effect....the only aim which the Government have is to protect the Exchequer from an indefinite and an uncontrolled increase in the future in this sphere...." See Hansard 193, c. 285.

Another objection frequently raised against the percentage grant system is that, as most of the grants are based on approved expenditure, it is liable to entail detailed supervision on the part of government departments. A detailed scrutiny of local government accounts and a careful examination of all new expenditure would tend to overload the central machine and diminish substantially the sense of responsibility of the local authorities. There would also be an enormous increase in the administrative costs besides those resulting from the mere relief of local burdens.

The system, being based simply on expenditure, bears no relationship to the needs of the locality. Poor areas which are hampered by meagre local resources receive less grant than their rich neighbours merely because they are incapable of spending large sums. It thus creates a tendency for the place where assistance is badly needed to be doomed to poor services, whilst wealthy areas are, perhaps, encouraged to spend their money extravagantly.

These are, however, in many cases, dangers attendant upon a careless use of the system rather than inescapable defects. The charges which the Geddes Committee made against percentage grants were overstated. (1) The increase of the cost of the social services during the period they reviewed, (2) was not entirely due to financial irresponsibility on the part of the local authorities under this system. The improvement of the services both in quality and quantity, the depreciation of the value of the pound sterling owing to the war, and other causes, made a great contribution towards the swollen figure. In fact, local authorities will rarely risk their own purse in irresponsible ventures, and wherever there is such a danger, the Government always has every means to check it. "Provided", observed the Departmental Committee on Local Taxation in 1914, "that a sufficient share of the cost of each service is left to be borne locally, we do not anticipate that such increases will approximate to extravagance". (3) We can assume that if the system did play a part in causing enormous increases in the cost of social services, it was chiefly the intention of the Government that this should be so. (4) Grants-in-aid can be used to retard expenditure as well as to encourage it. It is the Government who must seek to control the device, and not to be controlled by it.

(2) The total cost of the social services had, according to their estimate, risen from £86,500,000 in 1913-4 to £243,500,000 in 1921-22.

(2) See above p. 141.

(3) Cd. 7315/1914, p. 22.

(4) Central supervision and the stipulation that expenditure had to be 'approved' to qualify for grants served to prevent any serious extravagance.

Again, though it is natural that local services which are largely fed by Exchequer grants proportionate to expenditure upon them, should be controlled by the Government, there is no reason why the control should be meticulous. It is only the broader issues of principle and policy that should concern the central departments, and not the detailed supervision of every trivial item.

In general, percentage grants of necessity continue to be paid in respect of costly services where the maintenance of an adequate standard of service is imperative, as they are the best means by which an efficient administration can be promoted. It should be the object of such grants, however, if properly arranged, not merely to reduce the burden of these services to a level within the capacity of local resources, but also to achieve a considerable degree of equalization of the rate burden of these services as between one area and another. The 'weighted' percentage grant in aid of education seems to have been designed to serve this double purpose. But this was still not adequate. It would be an improvement if some discretionary power were given to central departments to increase the grants according to needs within certain prescribed limits, so that they could bring each service under adequate consideration. Then, under their special assistance, it would be more easy for the heavily-rated areas to carry out necessary reforms and improvements.

II. The Unit Grant System. Under this system, the grant is fixed as a uniform amount per unit of service, chosen as a basis for calculation, (e.g. £8 10s. per trainee under the Midwives Training Regulations, 1919; £9 per house for 40 years in respect of the housing schemes under the Housing (Financial Provisions) Act, 1924; etc.) This method of assistance is simple and easy to calculate, and the grant paid has a direct connection with the service supplied, making difficult for local extravagance to increase the burden of the taxpayer. There is, moreover, less need of Government supervision than in the case of the percentage grants. (1) The Unit Grant would, in fact, be an ideal service, did it not carry, in addition, certain inherent defects.

In the first place, to arrive at a suitable basis in regard to any particular service is by no means an easy task. There are plenty of services which can hardly be calculated appropriately by units. The unit chosen to form the basis for grants should

(1) J. H. Burton, Local Authority Finance, Accounts and Auditing, 2nd & rev. ed., 1932, vol. II., p. 687.

be more or less stable by nature and of such a character that its significance represents the importance of the service as a whole. It is only when the basis adopted can fulfil these two requirements satisfactorily that the unit grant system can be expected to work well.

Secondly, the cost of public services will, as a rule, change from time to time. If the unit-grant system is used, it is apparent that if Exchequer contributions towards local services are to keep pace with changing expenditure, the amount of the grant per unit will have to be revised frequently. And frequent revision inevitably causes a great deal of administrative trouble and financial chaos.

The system is, moreover, open to criticism in that the expenditure per unit is liable to be affected by many factors other than the competence of the local authority concerned, and that it varies from place to place within very wide limits. To use the average expenditure as a common basis would thus incur great injustice. A different locality has a different environment. Conditions in an industrial area usually bear no resemblance to those in a residential or an agricultural area; and in respect of each area, there are important variations of requirements. It would require, therefore, many adjustments in the use of this system, for exceptional and changing circumstances to be met. The adjustments necessary could easily make the system so complicated that it might in fact become unworkable or inequitable.

"It must not be forgotten", reported the Departmental Committee on Local Taxation in 1914, "that this system has long prevailed in connection with education, and has taken strong root there. Even there, however, the figures which have been laid before us of the different rates of expenditure per child in attendance in the areas of the various education authorities suggest very strongly that a more elastic system would lead to a more generous policy and a higher standard of efficiency in not a few cases". (1)

III. The Assigned Revenues System. In 1888 the system of assigned revenues was introduced by Mr. (afterwards Lord) Goschen, under which the proceeds of certain government taxes, mainly consisting of the bulk of the Excise Licenses, one-half of the Probate Duties, and the extra surtaxes on beer and spirits, were allocated to local authorities in place of the older percentage grants. (2) For this

(1) Cd. 7315/1914, p. 22.

(2) For a detailed account of the scheme, see above Chap. VIII.

purpose a fund, known as the Local Taxation Account, was established, containing all the proceeds of the assigned revenues, out of which payments were to be made, through the instrumentality of county and county borough councils, in aid of particular services. The Local Taxation Account was to be kept separate from the Treasury account so that State and local finance could be distinguished clearly. Apart from a simplification in the method of accounting, Mr. Goschen also contemplated that, under this scheme, there would be the advantage that the resources of local authorities would grow automatically as a result of the natural increase in the yield of the assigned revenues so that they could meet the expanding needs of local services and could thus obviate the necessity for increased drafts on the Exchequer.

The chief advantage of this system was that, if the proceeds of such revenues were able to cover continuously an equitable proportion of the cost of services, it probably would provide the best basis for a real partnership between the central and the local authorities in the administration of the national services. As the accounts of the appropriated revenues were to be kept apart and the amount of their proceeds was not to be subject to any external control or limitation, [and at the same time] there was a true basis for local independence, no necessity for the preparation and checking of the various forms and returns required in connection with applications for grants based upon actual expenditure.

It was possible, moreover, provided that the assigned revenues were clearly defined, for the interested taxpayer to ascertain the extent to which he as a taxpayer was supplementing his contributions, as a ratepayer, in the sense that he would know the ultimate destination of the charges he had to meet in the way of national taxation. (1)

In spite of all these advantages, however, the system of assigned revenues has been a failure in the course of its operation. The main defect of this system is that it is difficult to secure a kind of revenue whose proceeds will continue to be adequate to meet the requirements of local services without the necessity of making frequent extra charges to cope with changing demands. The revenues assigned under the Act of 1888 failed to keep pace with the increased expenditure ^{resulting} from the normal development of the services concerned, and within a very short

(1) F. Ogden Whitely, Contributions from the Central Authority towards the Cost of Local Administrative Services; Journal of Public Administration, Oct. issue, 1923, p. 273.

period of time, it was necessary to find other means to fill the gap. (1)

The system of assigned revenues is also open to criticism in that there is no guarantee of its safety and stability. Experience has shown that as these revenues are sources of income formerly belonging to the Exchequer, the Government is inclined to alter them without hesitation whenever the exigencies of national taxation demand it. The conversion of approximately one-half of the assigned revenues into fixed grants, under the Finance (1909-10) Act, 1910, and the Revenue Act, 1911, in order to preserve to the Exchequer the proceeds of the increased duties was perhaps an inevitable tendency, but it constituted a radical departure from the original principles of the system. (2)

Furthermore, except in the case of the police and some minor sanitary services, where the allocation might be withheld, the distribution of the revenues was free from central control. This had its difficulties, as well as advantages. It meant that "it deprives the community as a whole of parts of its public resources without securing to the national government, in return, any practical means of enforcing upon the local authorities that minimum of efficiency which the interest of the community requires, and without giving to the national government that---- effective strengthening of its counsel and advice, without which it is powerless to check local extravagance and local waste". (3)

"In the administration of national services", said Lord Balfour of Burleigh, "it is of the utmost importance that the Central Authority should endeavour to secure uniformity, efficiency, and economy; and with this object, I am of the opinion that it should be invested with extensive powers of control. Such powers may be most effectively exercised if accompanied by a system of grants in-aid. Those in force before 1888 were no doubt a powerful lever in the hands of the Central Authority, and were in most cases devised with a view to guiding local administration in the desired direction, e.g., in the case of police and sanitary

(1) There had been in 1890, upwards of a million a year granted by the additional Beer and Spirit Duties, chiefly for police ~~super-annuation~~ ; and a few years later, there were again the grants made under the Agricultural Rates Act, 1896 and the Voluntary Schools Act, 1897, for various local purposes.

(2) See above, chap. VIII.

(3) Sydney Webb, op.cit., p.85.

officers. A system of assigned revenues, distributed without regard to service, rendered it prima facie hardly compatible with such objects". (1)

In the formation of the assigned revenues system, it was thought that so far as concerned the large amount granted out of Probate (after 1894, Estate) Duty, it would have fulfilled the purpose of relieving local rates with the one tax which fell exclusively on realised personalty; and that this would help to mitigate the inequity of a local taxation system which was based chiefly on realty. But this was a mere delusion. The assignment of half the Probate Duty to the relief of rates under the 1888 Act was no step towards the fulfilment of this objective.

It does not matter what duty the sum assigned is derived from, unless the sum is obtained by raising that duty. As the probate duty remained unaltered, the relief to local rates fell upon the Consolidated Fund. It was only as a matter of account that the relief thus given to local rates came out of personalty. On this point, the parable of Lord Farrar is apposite, "If you draw from one supply pipe of a cistern", he wrote, "you exhaust the cistern just as much as if you draw from the cistern itself; and if the cistern has to be kept at a certain level, you must increase its other supplies by as much as you draw off". (2) Since the probate duty was not increased, the sum granted was not drawn from the probate duty; it was taken from the aggregate sum arising from national taxation.

Finally, the assigned revenues had little connection with the requirements of the localities. The larger proportion of the revenues assigned in 1888, and subsequently, were allocated to the areas in which the duties were collected, and no special arrangement was made for those areas in which requirements exceeded the average. This defect became glaringly acute as a result of the development of local services, especially in the field of public health and education, before the passage of the Local Government Act of 1929.

(1) Cd. 638/1901, p.82.

(2) C--9528, 1899, p.75.

IV. The Old Block Grant or the General Exchequer Grant System.
In 1929, following the derating of industrial property and agricultural land, a system of block grants was introduced, to be fixed at a certain annual amount for a number of years. The block grant, being based on a specially devised 'weighted population' formula, was intended to have regard to the needs of an area rather than simply to the amount of expenditure on any particular service. (1) It was, to use Mr. Smellie's words, more a general irrigation than a special watering of some grant plant. (2)

The chief advantage of the block grant system is that it facilitates national as well as local budgeting. The National Government can calculate in definite terms what sum it will spend in aid of local services without its commitments being affected by fluctuating local expenditure; and the local authorities, similarly, knowing what assistance they will receive for several years ahead, are able to plan out a scheme for the maintenance and development of their respective services.

It also helps to impose a responsibility on local authorities to achieve economy. For it obliges those who administer services to raise, at their own cost, all expenses in excess of the fixed sum. "The fixity of the grant", wrote Sir Edward Hamilton and Sir George Murray, "would, we believe, effectively counteract any tendency to wastefulness which is not unfrequently alleged against State subventions; for, it would bring home to all local authorities the full responsibility for raising every penny in excess of their share of the annual grant. Moreover, it appears to us to be most desirable that the central authority and every local authority should know exactly how they stand as regards resources". (3)

Further, the system is flexible in operation, and compared with the percentage grant which aims at a particular service, it gives local authorities a free hand in managing local affairs. Central control, indeed, is not entirely removed, but the central departments cease to be concerned with expenditure in such detail.

(1) For details, see chap. X.

(2) K. B. Smellie, *A History of Local Government*, 1946, p. 117.

(3) Cd. 638, p. 143.

As noted above, one of the merits of the percentage grant system is that it is capable of encouraging local authorities to spend more money, and it is the best device for expanding local government services rapidly. Since the block grant on the other hand is fixed for a number of years, it tends, in theory, to restrict large-scale development. It would appear that percentage grants and block grants both have very good uses, and may well be used simultaneously or separately according to different environments or different stages in the development of local services. The Government may apply percentage grants to some special services which it particularly hopes to improve, and yet adopt a block grant system in respect of general local services. It may also use a percentage grant system exclusively in one period so as to encourage the development of all the vital services; but, after a generally satisfactory standard in these services has been achieved, turn to use the block grant system in order to suit the complex circumstances of local administration. (1) Sir Frederick Alban, in addressing the Conference of the Institute of Municipal Treasurers and Accountants at Torquay in May 1947, made the following comment:-(2)

It seemed inevitable that, as a complement to the specific grants---including of course weighted percentage grants---the block grant must continue as an essential element in the grant distribution system....

Some might take the view that future Exchequer assistance should be in the form of specific grants rather than a block grant. It was, however, manifest that a block grant permitted of a greater measure of autonomy being left with the local authorities than would be possible under an extension of the specific grant system.

To the block grant system, however, there are some serious objections. One of its chief defects is said to be the difficulty of arriving at a basis of computation which

(1) "Both percentage and block grants have firmly established themselves. The experiments in abolishing or reducing percentage grants have foundered on this fact that they are much too potent an instrument for developing and maintaining local services at the requisite standard to be relinquished. The percentage element which is of importance in initiating a new service, however, has tended to give way to equalising elements which are more important once the service is established and parity in standards between different areas becomes a prime consideration. In this development the block grant, which it was hoped would supersede the percentage grant, has served as a model". See C. H. Wilson, Essays in Local Government, 1948. p. 160.

(2) Local Government Chronicle, No. 4203, July, 1947, p. 632.

will be equitable throughout the country. A formula, the basis of which comprises population, rateable value, mileage of road, the number of children under 5, etc., may, in theory, be sound; but in practice, it is very misleading. Each local area has its own special conditions. The only equitable and justifiable way of settling the problem is, therefore, to provide for the separate needs of the authorities with regard to some particular services, and not to apply to them a formula whose deciding factors may, in the main, be irrelevant to their actual requirements.

The system suffers, also, from the disadvantage that the grant, being reviewed only periodically, is unable to cope with changing conditions (1) and the ever-expanding expenditure of local services, with the result that in the meantime any extension has to take place at a cost met solely from rates. It was calculated that between 1930-31 and 1938-39, the formula grant increased by only £4,000,000, whereas the total expenditure of local authorities increased by nearly £100,000,000. Over the same period, embracing as it did the 'economy cuts' of 1931, (which removed inter alia the 50 per cent minimum in the education grant,) the proportion of total grants to total revenue fell from 29 per cent to 26 per cent and the proportion of rates rose from 33 per cent to 35 per cent. (2) The situation became even worse when the formula grant was stereotyped in 1941 owing to the war.

The block grant is further subject to criticism for its complexity, especially as regards the formula; for the inconvenience of having to make adjustments when the time comes for its revision; for being inhibitive of the active interest of the local ratepayer; and for not giving enough encouragement to careful administration. (3)

Suffice it to say, the General Exchequer Grant system, being an outcome of the Local Government Act of 1929, and an accompaniment of the derating schemes, was devised to serve two purposes at the same time. It was planned, in the first place, to make industries profitable and the depressed areas more prosperous; and, secondly, to lower the general level of rate poundage and to mitigate the disparity of rate burden between different localities. Nevertheless, owing to the

(1) Coventry, for example, was said to have expanded from a population of 185,000 to 220,000 between 1934 and 1938---an increase in the region of 19%.

(2) Labour Party, Local Government Handbook, 1946, p. 102.

(3) Sir Josiah Stamp, The Finance of Municipal Government, A Century of Municipal Progress, 1935, p. 386.

countervailing forces which prevailed during the time of its operation, namely, the Great Depression in the thirties and the World War II., the claims of its protagonists were regretably not fulfilled. It tried, as Mrs. Hicks has said, to kill two birds with one stone; but in fact fell between two stools.

Although the system was not very successful, and called for a new arrangement to meet the distressed situation, yet, it did something, for the good of the local authorities. "To demonstrate", writes Mrs. Hicks, "that derating and the formula grant were not sufficient to re-establish industrial prosperity in the depression, or to cure the disparity in rate poundage, is not to prove that either measure was useless. The poorer authorities were better off with a small grant distributed in a way that gave them some help than they would have been without it. They were also better off with their derating compensation than they would have been with their unnarrowed rate basis, because their rateable value shrank, while the compensation remained fixed..."(1)

V. The New Block Grant or the Equalisation Grant System. It was originally hoped and expected that the operation of the block grant based on the weighted population formula under the 1929 Act would give substantial assistance to needy areas where (2) rate poundages were high; but, this objective was not realised. It was thought, therefore, that if rate poundages were to be made more uniform by means of a scheme of Exchequer grants, considerable weight would have to be given to the element of rateable value per head of population. For, it had been known for a long time that the heavy rates levied in the poorer areas were generally due not so much to differences in the level or standard of expenditure as to differences in the rateable value available. And, to the extent that local authorities had to assume a responsibility for providing and maintaining services of national importance, it should follow that the burden on ratepayers in different areas should be approximately equal.

(1) U.K. Hicks, Review on Arthur Abel, W.O. Atkinson & C.H. Pollard; Derating. See the Journal of Public Adm., Spring, 1946, p60
(2) For example, in the County Borough of Merthyr Tydfil, the rate in the £ levied in the year 1929-30 was 27s., whereas in Bournemouth it was only 7s. After the operation of the General Exchequer Grant in the year 1931-32, however, when the rate in Bournemouth was still 7s. in the £, the rate in Merthyr Tydfil was as high as 25s.4d. Even in 1947, when the Interim Supplementary Grant had been operated, the range between these two county boroughs was from 10s. to 30s. See Local Gov't Chronicle, no. 4220, Nov. 1947, p. 1021.

"If local authorities," said Sir Frederick Alban, "were to be regarded as local instruments for the implementation of the policy of the central government and for the maintenance of a more or less uniform standard of service throughout the country, it was difficult to justify ^{any more} under which Authority A found it necessary to levy a rate of say 25s. in the £, whereas Authority B, for the same range and standard of services, could manage on a rate of 15s. in the £". (1)

It was chiefly in order to do away with the existing disparity of rate poundages among different localities and, thus, to make two citizens of equal substance in different parts of the country contribute equally for the same local services (2) that the Government introduced the Equalisation Grant. In dealing with the new grant system, Mr. Hugh Dalton, then Chancellor of the Exchequer, made the following statement in Bishop Auckland on 18th May, 1947: (3)

....we intend that the poorer authorities shall get substantially more help from the new block grant than from the old, and that the richer authorities shall, in future, get no block grant at all, though they will all benefit, of course, by the transfer of hospitals and out-relief.

The effect of the new arrangements will be that there shall be a fall in the rates next year in practically every local authority area throughout the country. The ratepayers, practically everywhere, will be relieved of heavy burdens.

The greatest benefits will come where they are most needed, that is to say in the development areas and in a number of the poorer rural areas. Not only will heavily burdened ratepayers benefit from lower rates, but the resources of the poorer authorities will be so much increased that they will be able for the first time to undertake developments and improvements in their local services which would previously have been beyond their powers, without imposing a crushing burden on their citizens".

(1) Ibid., p. 632.

(2) Mr. Bevan's statement during the second reading of the Local Government Bill on 18th Nov., 1947.

(3) Ibid., p. 500.

Again, in the debate on the third reading of the Local Government Bill, 1948, Mr. Aneurin Bevan, The Minister of Health, gave a review of the general points involved in the new grant system. He declared that for the first time in the history of local government, the Exchequer had become as it were, a ratepayer. Under the new scheme, the local authority would levy rates not only upon its own ratepayers, but upon the Exchequer itself to the extent that the rateable value in its area fell below the average for the country as a whole. Poor local authorities would be in a position to build up their local government services to the same degree as those who were better off. There was a further advantage that the local authority's revenue could be obtained from the central funds year by year instead of having a block grant fixed at the beginning of a quinquennial period which might get out of date very quickly. (1)

The outlook for the new grant system seems full of promise, supported as it is by the transfer of the administration of hospitals and out-relief to the State. The Times even said that it has 'prepared the way for a new and perhaps lasting financial partnership between central and local authorities'. As it has now been in force for only a few months, it is still too early to see its proper result. What we can say at the moment is that, as a block grant it possesses most of the merits and some of the defects attributed to the system with which we have dealt in the preceding section. It is better than the former block grant in that it is based upon a simpler formula which is much more easy to calculate and that the allocation of the grant is to be revised every year.

Like the General Exchequer Grant, this equalising grant is based on some objective measure of needs. It is available for general purposes, and is fixed annually at a definite amount. So, there is little possibility that it will lead to irresponsible spending as is more likely to happen in the case of percentage grants. The natural reaction of central departments to the danger of irresponsible spending is to attempt to check it by increasing control. But the fixity of the amount of grant in the new block grant system enables this danger to be avoided and thus allows of a greater degree of local autonomy.

Since the percentage grants have been extensively used in the past to the great advantage of the richer authorities, without any reasonable check and adjustment according to the individual needs of specified services in different areas, the

(1) The Local Government Chronicle, No. 4236, Mar. 6, 1948, p. 217.

standard of services diverges markedly from place to place. A striking instance of this was seen in the inadequacy and backwardness of tuberculosis services in Wales. (1) Such an anomaly can be removed only by means of an equalisation grant which is intended to help the needy rather than the well-off authorities.

In spite of the outstanding merits claimed by the advocates of the system, however, there are, not a few criticisms directed against it. It is said, first of all, that the new system, aiming at equalising the rate burden, fails to encourage competent and progressive authorities. This was the opinion held by Sir W. Darling, M.P. when he made an attack on the Bill which introduced the system:-(2)

....One cause of the disequality in rates, which was rarely mentioned, was the extravagance and incompetence of some authorities, and not the much-trumpeted arguments of poverty, unemployment, and the like. The long record of successful business administration of Edinburgh was now penalized by the Bill. Economy was declared a crime and good administration a mockery....

The system is said to be quite unfair because it serves to strike a double blow at the authorities termed 'the richer'. Not only will their Exchequer grant be reduced or terminated, but they will suffer entirely the loss of rate income which they have hitherto received for the derating of industrial, freight transport and agricultural hereditaments, for the Local Government Act of 1948 did not consider at all the question of compensation for this loss. The new scheme, moreover, does not take enough account of the future expenditure of local authorities and fails to remedy the weakness of the system of local taxation. Mr. Walker-Smith, M.P., for example, was of the opinion that the 'much trumpeted' direct financial advantages to the local authorities were illusory. He believed that rates were likely to rise and that so far as the new system did not provide adequate means to restrain such a rise, the rate reliefs proudly proclaimed in the White Paper were at their best transitory and fortuitous. (3)

While it is commonly recognised that the new scheme has served to make a redistribution of Exchequer assistance which

(1) U.K. Hicks, Public Finance, 1947, p. 280.

(2) The Times, Nov, 20, 1947, p. 2. Mr. James Lythgoe, City Treasurer of Manchester, while delivering his presidential address at the I.M.T.A. Conference in July, 1948, also raised the question: "What incentive does it give to economy in administration (except such as is centrally imposed) to those authorities who receive assistance in the form of recoupment of their full rate poundage in respect of a proportion of their rateable value?".

(3) The Times, Nov. 20, 1947. (3), .

favours local authorities weak in financial resources, there are a number of observers, especially among local government officials, who are apprehensive that certain aspects of the scheme may prove in the long run to be inimical to the best interests of the local government. In this connection the Report of the Council of the I.R.F.A. submitted to the Annual General Meeting at Scarborough in June, 1948, contained the following remarks:-(1)

....'The Exchequer becomes a rate-payer' in varying degree to most local authorities, and this means that in many cases a substantial part of local expenditure on all services is borne directly by the Exchequer. This condition may result in a further extension of central control and direction of local authorities, not only in services of a national or semi-national character, but also those that are purely local in character; and there is some misgiving in some quarters that local independence may be prejudiced.

Dealing with the estimated effects of the operation of the new formula grant in 1948-49, a paper entitled County Rates and the Equalisation Grant (2) contained a comparative survey of the counties of Worcester, Warwick, Gloucester, Hereford, Salop and Staffs. The paper made it clear that every county in receipt of the grant would enjoy a better position than it would have done had no change taken place. Nevertheless, it was also apparent, from this review, that the formula still needed to be improved. Although the formula under the new scheme includes a weighting of the population for sparsity, its effects, according to the paper, is extremely small except in a few Welsh counties. It suggested, therefore, that something should be done for the 'rural' county, either by increased road grants, some form of 'agricultural' grant, or by a more generous weighting of the sparsity factor in the equalisation grant.

Furthermore, as the rateable value has become so important in the new distribution of the Exchequer grant, it is essential that the valuation of properties should no longer remain in the hands of local authorities. Mr. Bevan has remarked with humour that "it was more than human nature could stand to allow them to determine the size of the spoon with which they would scoop up the Exchequer money". A centralised system for the valuation of rates is, therefore, to be instituted to bring

(1) Local Government Chronicle, No. 4252, June 26, 1948., p. 598.
(2) Published in No. 4246 of the Local Government Chronicle, 1948.

forth uniformity in the standard of valuation throughout the country. This being done, there is, however, every reason for the local authorities to fear that the central authority 'which is now to determine rateable value may, by increasing the level of assessments, reduce the size of the spoon'.(1)

The use of the population figures in the new system is also open to the objection that they are mostly out of date. There has been no census since 1931. In view of the wide movements of population which occurred during the war, the former estimation is no longer reliable. It is apparent, therefore, that a new census must be held as soon as possible, if the equalisation grant is to be distributed equitably.

(1) Alderman James Park's paper 'The Block Grant' submitted to the Annual Conference of the Association of Municipal Corporations, 1947.

CONCLUSION.

THE DESIRABILITY OF CONTROL THROUGH GRANTS. Much has been said about the functions of the grant-paid system. (1) It helps to flatten out the most serious inequalities in the burden of providing important services entrusted to local authorities; it affords a practicable means for the central departments to disseminate their higher administrative wisdom among local authorities in order to secure greater economy and efficiency; it serves to stimulate and assist backward authorities to provide services which are of more than local interest up to a minimum standard; and lastly, but most important of all, it gives weight to the criticisms, suggestions and instructions of central departments, and thus brings all the local authorities, which are administratively independent by tradition, under their effective control. With the inducement of grants, and the constant threat of their withdrawal, Ministers are able to fulfil their general responsibility to Parliament for the supervision of services entrusted to their care.

The sanctions provided by grants and the threat of their removal are highly significant in virtue of the peculiar legal position of the British local authority. In Britain, local authorities are restricted by the principle of ultra vires. They are not allowed to do anything which is not authorised by law. But, on the other hand, where powers are conferred by the law, there is, legally speaking, no effective method for compelling a council to exercise them. Even where a function has been imposed as a duty, and not merely ^{given} as a give power, the only practical remedy for the failure of its being carried out is a criminal prosecution or civil proceedings initiated by a private individual in a court of law. Even in this case, it is often held that a local authority is only liable for misfeasance but not for non-feasance---that is, that it is liable for negligently doing an act, but not for negligently failing to do an act. (2) In the last resort, of course, the Government can proceed by way of mandamus to compel a local authority to carry out its statutory duties; but this severe procedure will inevitably incur bad feelings and antipathy from the peccant authority; so it is rarely used.

(1) See above, Ch. XIII. passim.

(2) Jennings, Local Government Law, 1947, p. 283.

The Grant-in-aid, therefore, is valuable as a means by which the central departments can induce local authorities to exercise their powers and fulfil their duties without the necessity of resorting to the unaccommodating measure of legal procedure. The old idea that judicial authorities could provide adequate control for administrative bodies is now entirely out-of-date, for a control which depends upon the haphazard action of a private individual can not satisfy modern requirements. With the weapon of Exchequer grants, the Government can now compel local authorities to carry out their duties even though no specific individual is injured by the authority's failure to act.

Grants are not, however, the only means of central control. Other methods have been described and examined elsewhere (1) whereby government departments are able to supervise various aspects of local administration. Thus by means of rules, orders and regulations they are able to lay down the general principles or the detailed directions with which local administration has to conform; by means of control over local officers, they can cause their requirements to be more faithfully observed in the localities; by means of inspection, inquiries, returns, statistics, etc., they can keep themselves informed of the working of the system. They can bring all local activities into the ambit of law and Governmental policy by district audit and the sanctioning of local schemes, byelaws and loans, they can also indicate what is the most effective way of working by issuing circulars and pamphlets, and they can set up departmental tribunals to settle administrative disputes.

All these devices are admirable when they can ^{be} successfully ~~be~~ applied. The effectiveness of their use, however, depends to a great extent upon whether financial advantages accompany them. Local authorities are inclined to be subservient to central dictation only when some pecuniary element is involved. Rules, orders and regulations issued by the central departments are not so faithfully considered and obeyed if there is no financial contribution. Government inspection is graciously welcomed only ~~in~~ those services which receive an annual grant out of Government funds. The powers of Government to control appointment and dismissal are limited to these officers whose salaries are partly paid out of the

(1) See above, ch. II. passim.

Exchequer. The other forms of control are similarly conditioned. (1) In other words it is the grant-in-aid which helps to make other measures effective and which is the pivot of central control.

As we have argued in more detail elsewhere, there are some qualities in local self-government, which have a strong claim to be preserved wherever possible. At the same time, however, some measure of central control is, perhaps, unavoidable in modern conditions. Local autonomy in an extreme form, at the present time, would produce administrative anarchy and inefficiency and would not allow a national minimum of social amenities to be established in localities where ignorance and poverty are prevalent. (2) It is a merit of the grant-in-aid that it has made possible a compromise between central and local direction that has gone far to preserve the benefits of both.

In general, central departments have not joined in the practical work of the grant-aided services; but merely watched that the work has been properly and efficiently done. They have tried to encourage and advise, sometimes, indeed, in rather strong terms, but have seldom made direct interventions.

The power of the Government to withhold the grant has been exercised occasionally in the past, at the time when local authorities were still failing to provide services in conformity with the requirements of the central departments. More recently, however, this power has been but rarely used, owing partly to the fact that most of the grant-aided services have now reached a suitable standard, and partly to the increased willingness of the local authorities to pay attention to the directions and instructions of the central authorities. The removal of the grant, therefore, has come to be regarded as a potential threat rather than a weapon to be used in practice. This is especially true under the old block grant and the new equalization grant systems. For

(1) The only exception, where central control was fully exercised without the offer of a grant-in-aid, was the case of the poor law services. There was, however, an extraordinary situation owing to the anticipations of national bankruptcy. Even so, it aroused strong antipathy and fierce opposition from local authorities.

(2) See Above, Ch. V. passim.

according to the arrangement of both these systems, the primary aim of the Government is to relieve the necessitous areas from the pressure of exorbitant rates so that they can provide the same services as their rich neighbours. These grants may still be reduced or withheld when the local authorities have proved that they are unable to maintain a reasonable standard of efficiency and progress, or that their expenditure has been excessive or unreasonable. But as the withdrawal of a block grant will have a very serious effect upon local rates, it is not likely that the Minister will put it into practice very often. It can only be used in the most serious cases of a local authority shamefully neglecting its duties or obstinately rejecting central control. Outside general national policy determined directly by the Government, therefore the control, which in theory exists on account of the conditions on which the block grants are made, has not in fact been generally exercised in a way which could be said to undermine local initiative.

The development of the police service, for example, shows the compromise in fruitful operation. With the grant-in-aid, the Home Secretary is able to stimulate local authorities to perform their statutory duties up to the degree requisite. He is able, by this financial inducement, to superintend local police forces, and gradually to raise the general standard of efficiency without arousing the antipathy, a state police would produce. Yet it is significant that although he can apply this powerful but indirect stimulus, he can not be regarded as a supreme police authority in the Continental sense. He has no right to give orders to the local police; nor has he any power of interference in the concrete police administration of counties and boroughs. What the law really gives to the central authority is power to fix a standard of efficiency for the whole country, and to determine whether the police machinery is in good order and fully adequate to the performance of its duties imposed by statutes or arising from local emergencies. If the Secretary is not satisfied with the numbers and efficiency of a certain force, he can simply withhold the grant and make the defaulting authority suffer a great financial loss. (1) Thus there is, at the same time, provision for central criticism, and an avoidance

(1) The Home Office, until recently, often threatened to use this power. Thus in 1899, it was said that both Glasgow and Manchester, then the second and fourth largest cities in Britain, were in danger of losing their grant through inefficiency. See Redlich and Hirst, op.cit., vol. 1, p. 346.

of those central police departments that have harassed European politics.

The British system of central control, exercised as it is essentially through grants, has the characteristic that its positive proposals are advisory and that its coercive instruments are negative and indirect. In this way, it has been able to make allowance for an initiative that comes mainly from the localities and to preserve an adaptability to local conditions, consistently with a reasonable safeguard against inefficiency. A century ago, distinguished people like Edwin Chadwick and Toulmin Smith quarrelled about the fundamental issue of administrative efficiency versus local autonomy in rigid terms.

It is largely through the development we have outlined that there has been avoided the awkward dilemma of a bare choice between strict central control and full local autonomy.

The future prospects of the system, however, are not quite so reassuring. The compromise, which has hitherto made a choice between the extremes unnecessary, has been based upon a delicate and complex balance that may not be capable of being indefinitely sustained. At the present time, local self-government may be said to be still in action, but already there have appeared certain tendencies which may in future undermine its basis. These tendencies derive, not so much from any conscious attempt to alter the arrangement, as from the pressure of events.

The enormous expense of the welfare state, has completely outstripped local financial resources. In consequence, state subventions and the extent of the national interest have been built up to the point where the terms of the partnership between central and local authority may be drastically altered. An increased grant means more control, and though the local authority has not been generally restricted, this tendency is apparent in some services. "The diminished independence of local authorities" writes Professor Robson, is a reflection of, and is in turn reflected by, the diminished role of local sources of revenue. Any student of Government could foretell that if the Treasury were asked to find more money for the local councils than their own Rating and Assessment Committees, the voices of Whitehall would speak more often and with greater insistence".(1)

(1) The Development of Local Government, 2nd ed., 1948, p. 37.

The complexity of modern political and economic affairs, moreover, requires the help of bureaucracy. In this situation, demands for technical efficiency and for the integrations of the nation's economy, may push local initiative into the background as an antiquated luxury.

Partly from these demands, and partly as a result of the increased burden on the resources of local authorities, a considerable number of services have in recent years been removed from local control. Municipal aerodromes have been transferred to the Ministry of Civil Aviation; hospitals and allied services to the Ministry of Health; trunk roads to the Ministry of Transport; gas and electricity is to be controlled by the Ministry of Fuel and Power; outdoor relief is to be governed by the National Assistance Board; and valuation for rating will in the near future also become the Government's responsibility. This tendency towards centralisation or nationalisation is still in process.

The movement is usually defended on the grounds of technical efficiency. "Local administration," writes Mrs. Hicks, "does not, however, necessarily imply local control of the executive officers. With modern communications and the development of the administrative machine it is possible--- at any rate in a small country like Britain---for a decentralised national administration to pay just as much attention to personal and local needs as one that is locally controlled". "In the inter-war period," she continues, "this was conclusively demonstrated by the success of the Assistance Board. The discovery has largely cut the ground from under the argument that in Britain social services require local control. Indeed there is an a priori case for supposing that the local branches of a central department will be more successful in providing uniformly good services than semi-independent local authorities". (1) Even on the grounds of efficiency, however, it would appear that this movement has proceeded as far as it can safely go at the moment. Those who have had most experience in the administration of public affairs are of the opinion that there is too great a tendency already towards centralisation and that the State has, as things are, more than enough responsibility to bear. In present conditions additional strain upon the official machinery may even involve the risk of a breakdown:- (2)

(1) U. K. Hicks, Public Finance, 1947, London, p. 264.

(2) D. N. Chester, The Efficiency of the Central Government, published in the Spring issue of the Public Administration, 1948. See Local Government Chronicle, No. 4237, p. 247.

Few civil servants of seniority and experience can be altogether happy about the efficiency of the central government at the moment. Even those who watch Whitehall from afar can see that all is not well with the machine. Certainly one does not find the same pride among one's friends in the permanent civil service about the accomplishments of the central departments that one found, say, three years ago.

Actually it would be remarkable if the central machine had maintained its hitherto high level of efficiency. It is obvious that the machine is grossly overloaded....

....One of the main ill effects of the tiredness of senior civil servants is that by the time they have completed their day-to-day work they have not the extra ounce of energy to consider problems of long-term policy or which are not immediately urgent....

Thus it is imperative that in order to lighten the burdens of central government, if for no other reason, the present drive towards centralisation should be checked and the greatest possible measure of public administration should be left to the management of the local authorities.

The problem of local autonomy, cannot, however, be discussed merely in terms of administrative expediency. The increased status of the central element may upset a partnership in local affairs that has preserved local variety and experiment, and a pattern of democratic values, as well as efficient government.(1) Even Mrs. Hicks herself could not deny that local administration traditionally had a deeper justification than mere technical convenience.(2)

"The convincing argument", she writes, "for the preservation of local autonomy---and hence for something like the present British local government set-up---is now almost wholly political. Recent history strongly suggests that the power of local initiative is a sine qua non of the successful and stable democracy. The reason for this is that the live local government ensures an active connection between the citizen and the executive. Complexity

(1) This point is discussed in detail above, See Ch.V, passim.

(2) Op.cit., pp.265-7.

of political structure is actually a virtue because it multiplies the contacts between the governed and the governing. The danger of destroying these additional contacts was tragically demonstrated in France in 1940. To obliterate all traces of them has been a leading aim in the authoritarian states."

All these admirable advantages of local direction, however, will be sacrificed if the major services which have belonged to the local authorities are to be assigned separately to various technical boards in London or in other regions.⁽¹⁾ The problem is, therefore, how to continue to sustain and improve administrative efficiency under present conditions without impairing the advantages of local autonomy.

As the extension of the power of ^{central} control has chiefly been the result of the weakness of local finance, the most effective means by which local self-government can continue to be preserved would appear to be through a reform of the present rate system or an increase in the sources of revenue at the disposal of local authorities.⁽²⁾ Such a project, however, meets considerable difficulties.

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- (1) The possibility of the danger of over-centralization is already recognised, and enlightened opinion, both of scholars and administrators, is frequently asserting that the principle of local self-government must be carefully guarded. So the extension of central control is, on the other hand, matched by a tendency to devolve as much power upon local government as it can possibly be expected profitably to exercise. For example, the fire service, nationalised during the war, has been returned to appropriate local authorities; new responsibilities for the health centres and the care of the aged have been placed on them; and the war experiment of civic restaurants has been put on a permanent basis. On balance, however, it must be admitted that some of the most interesting and important work of local government has been taken from it.
- (2) A constitutional reform that would widen the field of local activities, (but whose effectiveness presupposes adequate financial resources in local control) is discussed in the Appendix.

The local rate is levied upon such a narrow basis that a large increase could hardly be justified. A local income tax, instead, offers little chance of success as it would be almost impossible to collect it on a fair basis. In the case of the businessman who earns his income in Glasgow but lives outside the city boundaries in Stirling, for example, which local authority would receive the local income tax? Again, how would the tax be allocated in the case of railway companies, warehouses, banks, insurance offices and many others, whose income is not all earned in one place. The mobility of persons and financial interests complicates sufficiently the collection of the national income tax; on a local scale the problem would be practically insuperable.

Professor Robson has suggested that in order to preserve their dignity and freedom, local authorities should no longer pursue the one idea of extracting more money from the Exchequer. They should, according to his opinion, find out, inter alia, the possible methods of assisting necessitous authorities by spreading the charge for certain services over wider local government areas, or of pooling the proceeds of a nation-wide rate for distribution among local authorities in accordance with an agreed formula of need. (1) He has maintained that if the rich and the poor districts were once placed, so far as possible, upon the same footing, their demands upon the State would be less frequent and persistent, and, in consequence, central control would be greatly relaxed. The idea is valuable; but it is doubtful whether the money derived from rates even under this system would be sufficient to meet the requirements of increasing local government expenditure. Even if the total local expenses were to be stereotyped at the present amount, double the sum of local rates as they now stand would have to be levied in the absence of the Exchequer grants. Apart from the fact that it would be inequitable that all this expenditure should fall solely upon the realities, it would probably be impossible to levy such high rates.

In theory, a simpler and more workable method for widening the source of local revenue, which would at the same time further local autonomy is, perhaps, a system of assigned revenues. Local bodies could be furnished with the proceeds of additional specific taxes, raised for local purposes and

(1) Robson, The Development of Local Government, 2nd ed., 1948, p. 37.

out of local resources. A large amount of discretion both as to their amount and their application could be given so as to throw the responsibility and the benefit on the same shoulders. With these additional sources of locally controlled revenue, local authorities could hope to free themselves from central supervision. Yet, as the failure of Mr. Goschen's scheme has not been forgotten, it is hardly possible that this would be tried again. Even if this device were to be adopted, there would remain the great problem that the poor and backward localities, without external financial help, would be obliged to provide poor services and would lose the benefit of advice and supervision from the Government.

Thus, there would appear to be no method which can with advantage take the place of the grant-in-aid. It is consequently, to an improved use of grants that we must look, in the main, for a solution to the difficulties. It has been suggested, elsewhere, that the most successful system of grants in the past has been a mixture of percentage and block grants. (1) This system could be retained with some changes of emphasis.

As local services in Britain have now generally reached a satisfactory minimum standard, the employment of grants should be principally directed, not towards the encouragement of more and better services in the rich localities, but towards the assistance of exceptional and needy areas. In view of this, it would appear that there should be more block grants on the formula basis of need, and less percentage grants. This system could also be improved by the establishment of specific subsidies, fixed according to the need of a particular service in a particular area. The block grant should be applied to general services over which local authorities should have a great measure of discretion, the percentage grant should be used in those few services which are in general not yet up to a suitable standard; and the specific subsidies may be granted to individual needy areas to enable them to provide particular services beyond their own financial ability. In the case of the bulk of the block grant services, the Government should do nothing more than lay down broad principles for the local authorities to pursue. When Whitehall had satisfied itself that local authorities are performing their duties with vigour and intelligence, it should abstain

(1) See above, Ch. XV.

from interference of any kind except for urgent ~~cases~~. In the case of the services which receive percentage grants or specific subsidies, a closer control may be required. But even here the general line to be followed should still be to allow as much responsibility and independence as is compatible with the best interests of the services. Where the services are badly done or administered in defiance of the general direction and advice of the Government, the appropriate department at Westminster may specify faults in administration which must be removed, and may in the last resort withhold or reduce the grant.

Owing to the great diversity of character shown by local authorities, and the great difference in their circumstances, the same degree of control is not necessary in all cases. For the most enlightened local authorities, the chief work of the central department should be to help them to profit from ^{the} experiences of one another. It should be remembered that progress in internal administration over the last hundred and fifty years has mainly begun in the localities and almost all the admirable services which are now provided in this field were originally pioneered by some enterprising and progressive towns. For these authorities, then, the utmost freedom to experiment must be preserved. The more backward and the poorer areas, will inevitably require more pressure or more financial assistance from the state in order to encourage them to reach the level of the rest of the country, though even here the less there is of detailed interference, the better will be the quality of local effort. Such a control, exercised with discrimination and restraint will do more good than harm to local administration.

Thus, if properly ^{devised, and} used in the right spirit, the grant-in-aid is still capable of providing for a good partnership between the central government and the local authorities, and there is no better means of securing the maximum benefit of the community than their joint administration. The combination of the central department with its accumulated range of information and expert knowledge and the local body of councillors and officials with their life-long knowledge of facts is an influence for the common good. The ideal cooperation between these two elements is described by Mr. C.W.G. Eady; and his account may fittingly close out examination of the subject. (1)

(1) C.W.G. Eady, *The Principles which should Determine whether a Service Requiring Local Organization is Best Administered by a Central Government Department or By a Local Authority.* See *Public Administration*, vol. III, No. 4., Oct, 1925. pp. 377-8.

"... We have taken our good where we found it, and have used it. We found in local government direct personal interest, initiative, variety, and the proper and widely extended outlet of an instinct for practical affairs. We found in central government a greater experience due to a wider range, power to enforce, and perhaps most important, power to provide money on a larger scale. To transfer a service wholly to local government means the loss of financial support, for it is unlikely that Parliament would sanction the provision of money for a service free entirely from central control, and it means the loss of such a wider experience as central departments ought always to be willing to put at the disposal of their colleagues in local authorities. To break the tradition of local association with a service may be to break a contact between Government and the governed that will react at once upon the quality of the service, for all the skill in the world will not preserve a central department from a detachment. There is another argument, and a practical one. Administration is becoming terribly difficult owing to its complexity. Parliament rushes through legislation, and administration has often little time for anything but the establishment of the machinery to carry out legislation. The machinery is all very well and necessary, but it can never be anything more than machinery. It must be guided and controlled by life. In local authorities, especially on the elective principle, there does appear to be the best governor for official mechanism.

If, therefore, the antithesis in today's theme implies a direct alternative, I think the antithesis is a false one. I suggest that in all services where there is a local organization, there is a place for local authority and a place for central authority, that the principle of the grant-in-aid affords a ready means of adjusting this relation, for so long as local authorities contribute anything to the cost of a service they are entitled to the widest proportionate autonomy, and so long as central government contributes, it is entitled to the minimum of inspection and supervision, and that the direction of our joint efforts should be towards consolidating and strengthening the power and the efficiency of local government with such aid, financial and otherwise, from central government as may be needed and possible."

A P P E N D I X.

A Proposed Constitutional Reform for the Widening of the Field of Local Activities. The constitutional system in Britain is dominated throughout by the principle that no power can be exercised by any administrative organ unless it has been conferred by law; and in the exercise of that power, it must obey the rule of law which, in the event of dispute, will be interpreted by the ordinary courts of the country. (1) In accordance with this principle, the activities of local authorities are strictly limited. They can do nothing at all unless there exists a specific warranty in statute. In other words, they are not entitled to experiment freely with whatever municipal trading ventures or social services they please. They are allowed to spend money from the rate fund only on such activities as are expressly or impliedly authorised by their individual Charters of Incorporation, or are sanctioned directly or indirectly by Parliament. (2)

As we have seen, for the last hundred and fifty years, progress in internal administration has mainly begun in the localities. Almost all the services which are now provided in urban and rural communities were at the beginning pioneered by some progressive town, which obtained its power to do so by means of promoting Private Bills. It was only when these services had become popular and obviously desirable, that Parliament undertook to provide general legislation for their universal application. As the process of private local legislation is both toilsome and expensive, and every local experiment outside the range of statutes involves a fresh application to the legislature, it means a tremendous waste of time and money. For example, it was estimated that in the five years from 1901, the twenty eight London boroughs spent over £70,000 on legislation; and in the three years from 1903, the London County Council itself spent, in promoting and opposing Bills, more than £100,000. (3) This has been a cause of universal complaint. For larger and wealthier authorities are thus hampered in their endeavour to achieve a local social reform; while smaller and poorer ones have neither the courage nor the ability to try at all.

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- (1) Edward Jenks, Problems of Local Government, p.204.
 - (2) Charles Barratt, Your Local Authority, 1946, pp.3-4.
 - (3) H. J. Laski, A Grammar of Politics, 1931, 2nd ed., p.419.

Efforts have from time to time, however, been made by Parliament to remove the necessity for local councils to promote private bills in some cases where general legislation has not yet been enacted. A means of shortening the process of local legislation by the formulation of a number of 'Model Clauses' into 'Clauses Acts' was adopted. If a local authority chooses to make use of this model and insert it in a Bill, there is seldom any difficulty in securing the passage of the Bill through Parliament. This has made local legislation a much simpler matter; but local authorities have still to promote the Bill. A further device has been established, however, in order to relieve local councils of the need for promoting a Bill. When Parliament legislates generally about local government, it often inserts provisions which make it possible for local authorities of a specified type to adopt the whole or certain parts of the relevant Acts. These are, popularly known as the 'Adoptive Acts'. When several clauses are made adoptive, any authority of that specified type is entitled to use them if a simple majority of that council resolves to do so. (1) The procedure is a very simple one. The council needs only to notify publicly the fact that it has adopted them. From that time on, it is bound by the adopted law exactly as if the Act had applied automatically in the first instance. (2)

The devices of 'Clauses Acts' and 'Adoptive Acts' have not, ^{never} ~~been~~ widely used, for they have been applied only, on a limited scale, in the field of public health services. Private Bill legislation, therefore, is still an important means for the acquisition of the right to experiment. In recent years, there has been a popular feeling that local authorities, especially the larger towns, should have a wider field of activities so that they can look boldly ahead and anticipate their future needs in a more liberal way. There have, in consequence, been demands that they should have more chance to experiment freely without proceeding through the troublesome and expensive processes of promoting private Bills.

It is often suggested that in cases of comparatively trivial matters, local authorities should be able to take action even if they do not obtain a specific authority to do

(1) But rural district councils can only adopt an Act when it obtains the sanction of the Minister of Health.

(2) Sir John Maud, Local Government in Modern England, 1932, p. 471.

so by a statute. It is also thought desirable that there should be an enabling power with regard to certain matters of great importance, especially those relating to culture and amenities and the acquisition of land for other than existing statutory purposes. (1) Some scholars even go so far as to suggest that the rule of ultra vires should be reversed so that 'instead of local authorities being empowered to do only what Parliament expressly sanctions, they should be empowered to do anything except that which Parliament expressly prohibits'. (2) Professor Laski, for example, is of the opinion that a better way to build the relationship between local and central government in Britain is on the model of the relation between the States and Washington in the American Union, i.e., 'the reserved powers belong to the Federal authorities and the residuary powers are within the ambit of State control'. Under this arrangement, then, 'powers not specifically forbidden to a local authority might be exercised by them'. He argues that to bestow the residual powers upon local authorities, with some modifications 'is by no means a leap in the dark'; for 'it has been for the last fifty years the secret of the success which has attended municipal efforts in Germany'. (3)

In order to afford adequate safeguards against abuse of these powers, Professor Laski suggests that one of the following devices should be used:-

- (1) There might be a provision for a local referendum;
- (2) All schemes might well assume the character of provisional orders which have been submitted to the legislative assembly and become inoperative if the latter, by resolution, indicates its disapproval of the scheme proposed; or
- (3) It might well be made the duty of the appropriate department to accompany the laying of the provisional order upon the table of the legislature by a memorandum in which the proposal, especially on its financial side, is critically explained.

The first device proposed by Professor Laski has been frequently used in some of the States of the American Union. It claims the advantage of an ability to inspire the interest of local inhabitants in local affairs and to assist in promoting direct democracy. This method might be preferable in

(1) G. M. Harris, *Municipal Self-Government in Britain*, p. 298.
(2) H. Warren, *op. cit.*, p. 152.
(3) Laski, *op. cit.*, pp. 420-421.

a relatively small community, but it is probably of little use in a locality where the population is large and where the schemes or problems involved are complicated or technical in character. Moreover, the referendum itself is a very toilsome and expensive device. It might even be more expensive and troublesome than to promote a private Bill.

The second device is simple and good if Parliament really has enough time and knowledge to consider the various schemes proposed by the local authorities. Parliament, however, is already overburdened with major problems and has practically no time to spend on the control of local matters. Even before the recent war, according to the analysis of Sir Stafford Cripps, the House of Commons was so busy that it had in fact no real control even of delegated legislation. "In the whole year (in 1937-1938)", writes Sir Stafford, "only 17 hours was so spent which means of course that more than 90 per cent. of the Orders in Council were never reviewed at all, indeed it is extremely doubtful whether the vast majority of members ever knew of their existence." (1) If Parliament has no time to consider Orders in Council, how can it pay adequate attention to the numerous local schemes which are to be submitted for its sanction?

It is, I think, only the third device proposed by Professor Laskin which is really practicable. It allows local authorities ample chance to initiate and perform new experiments without running a great risk of suffering from their own ignorance. Government departments may have powers to suggest, criticise and advise as regards what local authorities should do, and yet under the control of Parliament, they will not be able to abuse their power and become partners to a 'new despotism'. It is in this way alone that local self government can thrive and flourish. It should, however, be noted here that even were this admirable device adopted, it would not be satisfactory and successful unless local authorities had enough financial resources which they themselves could control. Freedom is worthwhile only when local authorities are financially capable of carrying out their beneficial schemes.

(1) Democracy Up-to-Date, 2nd & rev. ed., 1944, p.60.

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