

SESSION II.
1912.
NEW ZEALAND.

SYSTEM UNDER WHICH SUBSIDIES ARE PAID TO LOCAL GOVERNING BODIES IN NEW SOUTH WALES

(PARTICULARS OF), PREPARED BY THE LOCAL GOVERNMENT BOARD OF THAT STATE
AT THE REQUEST OF THE NEW ZEALAND GOVERNMENT.

Presented to both Houses of the General Assembly by leave.

ENDOWMENT OF LOCAL AUTHORITIES IN NEW SOUTH WALES.

THE local-government areas in this State are divided into two classes—viz., shires and municipalities. At the present time there are 134 shires and 189 municipalities.

MUNICIPALITIES AND SHIRES.

Municipalities consist primarily of the large towns and cities. A few of them were, before the new system came into operation, constituted by the inclusion of orchard country in some cases, and grazing or agricultural country in other cases, but these are exceptions. Shires consist of large stretches of grazing, dairying, or agricultural country, together with the many small towns and villages dotted therein. In a number of cases shires surround municipalities; but there is no connection between the management of the two different authorities. Roughly, then, municipalities are towns; shires are country districts. Roughly also, though endowment is given to both municipalities and shires, the endowment primarily for road purposes is given to shires only.

ENDOWMENT OF MUNICIPALITIES.

Old Rights continued.

Under the old municipal law (see section 157, Municipalities Act, 1897) a municipality was entitled to endowment for a period of fifteen years after its incorporation, and thereafter the endowment ceased. That endowment was based simply upon the amount of general rates collected,* and had no reference to the abilities or disabilities of the Council with respect to the construction of roads. That system was abolished by the Local Government Act, 1906, except in so far as it affected those Councils whose fifteen years' term of endowment had not run out. The fifteen years' endowment provision does not apply to any new municipality incorporated after the coming into force of the 1906 Act—i.e. after the 1st January, 1907.

Added Areas.

When the Shires Act, 1905, came into force the whole of the Eastern and Central Divisions of New South Wales (except the municipalities therein) was divided into new local-government areas called "shires"; but in the course of this work several small tracks of territory were found not to fit well into the scheme of shire division, and they were therefore added to various adjoining municipalities, to which they naturally belonged. Under subsection (2) of section 162 of the Local Government Act, 1906, it was provided that, where an addition was made to a municipality under the Shires

* First five years, 20s. in the pound on general rates collected; second five years, 10s. in the pound on general rates collected; third five years, 5s. in the pound on general rates collected.

Act, "such municipality may, at the discretion of the Minister, be granted an endowment in respect of such added area." It will be seen that the principle was adopted of making the endowment subject to the discretion of the Minister, not a fixed rate in the pound upon the general rates collected. There was only a very small number of municipalities to which additions were made under the Shires Act, and therefore this provision applies to but few Councils. The practice which has been followed has been this: The question of giving endowment to a Council in respect of an "added area" is not even considered by the Department unless the Council first makes application, and states its case in full, giving reasons in detail why it considers that it should be granted endowment. It must furnish information as to the length of roads in the added area and in the rest of the municipality, the expenditure in each, the land-values in each, the rates derived from each, the population in each, and other similar information. In some cases an engineer is sent to inspect the municipality, especially with regard to the condition of the roads. A factor which is also taken into consideration in dealing with the matter is that, at the inception of the new local government, the central Government ceased to collect State land-tax on the lands included in shire or municipal areas. The 1d. in the pound land-tax remitted is therefore also taken into account, and allowed for in any calculation of the equities of the case. On the information thus obtained the Minister has given a number of endowments to Councils under this subsection; but in all cases the amounts have been very small (seldom more than £150), and the endowments have been given for one year only at a time. Each year the case is reconsidered. If the land-values have risen, so that the Council obtains more revenue from the added area, this is allowed for in the following year's estimate of the necessities of the case. The result of this policy will be that within a few years all of the endowments under this particular provision will cease.

Necessitous Municipalities.

Under section 162 (3) of the Local Government Act, 1906, there is a provision under which any municipality shall be entitled to receive an endowment not exceeding 3s. 4d. in the pound upon the general rates collected. To this, however, several conditions apply. A Council which is receiving endowment by virtue of the continuance of its rights under the old law cannot receive endowment under this subsection. The endowment will not be payable unless the funds are voted by Parliament. It is not, therefore, a statutory endowment, as is the case with the shires, to be discussed later. The amounts are at the discretion of the Minister, but must not exceed a certain limit. These amounts are to be based upon the result of investigations which the Governor may cause to be made into the administration and financial necessities of the municipality. No endowment may be paid in cases where the revenues of the Councils under the Act are sufficient in the opinion of the Minister to meet the reasonable requirements *under proper management*.

On perusal of the foregoing it will be seen that very few municipalities will receive endowment under this provision. In the first place, the question of giving endowment is not considered unless a special application is made. Here again the onus is cast upon the Council of proving that it ought to receive an endowment—not upon the Department of showing that it ought not. The Council, therefore, is required to furnish full detailed information in regard to its works, its resources, and its management. The Governor appoints an officer (usually one with engineering knowledge in addition to knowledge of the Local Government Act and administration) to make an inspection and hold an inquiry. The Council must show that the maximum rate under the Act is insufficient for the reasonable requirements of the municipality *under proper management*. Very few Councils are in such a position in New South Wales to-day, largely because of the higher limit of rating allowed under the new law, largely because of the upward tendency of land-values all over the State, and largely because the great majority of the municipalities are excellently managed, and therefore do not need to make application for endowment under this subsection, and thus could not do so with any reasonable prospect of succeeding.

TRANSFERRED WORKS AND LAND-TAX.

Before the new local-government system came into force the whole of the roads, bridges, wharves, ferries, and other public works and local services within municipalities were not all maintained by the local Municipal Councils. Some of the roads, bridges, wharves, and other works and services were maintained by the central Government, while others were maintained by the Councils. Under the new Act the responsibility of practically all local works was cast upon the Councils. The works which thus passed from the control of the central Government to that of the Councils are known for convenience as "transferred works."

By subsection (4) of section 162 of the Act it is provided that when the Minister, or any person appointed by him in that behalf, has certified that the estimated responsibility for expenditure transferred to a municipality from the Government by this Act exceeds the amount of the land-tax suspended, the Minister may, in his discretion, grant to such municipality an endowment exceeding the amount of 3s. 4d. in the pound referred to in subsection (3), but not greater than the excess of transferred expenditure.

The "responsibility for expenditure transferred to a municipality" is the cost of maintenance of the transferred works. The suspension of the land-tax has been referred to in a preceding paragraph of this memorandum. If the land-tax remitted exceeds the expenditure transferred, the Council receives no endowment. If the land-tax remitted is less than the expenditure transferred, the Minister usually grants an endowment equal to the difference. The number of Councils which receive endowment under this subsection is very small.

GENERAL.

From the above it will be seen that it is not the general policy to grant endowments to municipalities, but simply that provision has been made to pay endowment in exceptional cases. The general policy is to discourage applications from municipalities for endowment, and to discontinue the present endowments as soon as possible. The endowments of municipalities also have no special reference to the upkeep of roads, though this is one of the factors which are taken into consideration.

SHIRES AND MUNICIPALITIES.

National Roads, Bridges, Ferries.

All bridges which cost to construct £2,000 or over, whether situated in shires or municipalities, are declared to be "national works" under section 128, and are directly maintained by the central Government's District Engineers at Government expense. Similarly, several large and important wharves, and eleven large steam- or oil-driven ferry-punts have been declared "national" works. One road, that up Mount Kosciuszko, which serves no other purpose than that of tourist traffic, and is therefore of no special benefit to the local people, while costly to maintain, is also a "national" work. With these exceptions the whole of the roads, bridges, and ferries are maintained, managed, and administered by the Shire and Municipal Councils.

Shire Endowments.

There are 134 shires, covering an aggregate area of 114,643,200 acres; and ranging from 20,480 acres, the smallest, to 3,644,800 acres, the largest. The average size of the shires is 855,546 acres. The shires were designed, roughly, to be of such size that they should, as nearly as possible, embrace land which would yield an income of not less than £3,000 from a general rate of 1d. in the pound on the unimproved capital value of all rateable land. (Many other considerations entered into the question of delimiting the boundaries; but this of finance was one of the most important.)

The functions of the Shire Councils are not limited to the care of roads and bridges, but (see sections 73, 110, 109, and 6, in this order) comprise many others, chief among which are usually to be found care of public health, noxious-weeds destruction, public wharves, bush-fire prevention, flood-prevention, and the provision of water for travelling-cattle on the great overland stock routes, and on the routes from cattle stations to railways (known as public watering-places).

The Government endowment of shires under the Local Government Act is granted for general purposes, and therefore may be used for any of the abovementioned functions of a Council.

Section 161 of the Act provides that the Government shall set aside each year not less than £150,000 for endowment of shires. In actual fact the first year the Government set aside £180,000, the second year £210,000, the third year £250,176, the fourth year £263,000, the fifth year £305,000, and for the sixth year (1912) £335,000.

By section 161 the Governor is required to arrange the whole of the shires in six classes once every three years, and in determining the class of each shire the following matters must be taken into consideration:—

- (a.) The extent of the shire;
- (b.) The probable annual revenue derivable from a rate of 1d. in the pound on the unimproved capital value of rateable land in the shire;
- (c.) The necessary annual expenditure;
- (d.) The extent of the roads to be made and maintained;
- (e.) The difficulty of construction and maintenance of roads and other public works;
- (f.) The facilities to be afforded to vehicular traffic;
- (g.) The extent of public works maintained by the Government;
- (h.) The extent of Crown lands (other than parks or reserves for public recreation) from which the Council will receive no rates, and the existence of which in the shire involves expenditure by the Council on road-construction, or in other ways.

The method of classification adopted was to appoint a special Committee consisting of officers who have special knowledge of the whole of the country. The last Committee appointed consisted of the Under-Secretary for Public Works (a gentleman who, having previously been Commissioner for Roads, has special knowledge of the shires, particularly as to roads, bridges, and ferries), the Chief Inspector of Lands Department (who has special knowledge of the character of the land and class of settlement in every shire), an officer of the Crown Law Department (to give legal advice), and the Engineer attached to the Local Government Office (who, as a one-time Inspecting Roads Engineer, before the introduction of local government, has special knowledge of the shires and their works).

This Committee has before it the accounts of each of the Shire Councils for the three preceding years, giving particulars of income and expenditure in detail, together with a further detailed list of the expenditure on each road separately. The form in which these accounts were furnished is laid down in Regulation No. 6, Schedule XXVII. The Committee also had returns from some of the shires for the same periods giving the expenditure of the shires classified in a different way, for the better information of the Roads Engineers on the Committee. This form is to be found in Schedule 1 of Regulation 9. The majority of the Shire Councils raise difficulties as to furnishing this return, however, as their Engineers say they have not records from which to compile it; and, owing to the fact that it was not received from all the Councils, the utility of the information which was received was much impaired.

A further return, which is not included in the regulation, was asked for by the Committee, to give information as to the Councils' estimates of their annual requirements for the next three years' expenditure upon roads, bridges, public watering-places, ferries, wharves, administration, and pounds. They were also asked for their estimate of revenue for the next three years : and for information as to the unimproved capital value of all rateable lands in the shires. A specimen of one of these returns is attached (Lyndhurst Shire).

The information obtained in these returns was digested by clerks under the direction of the Local Government Engineer, and the results were laid before the Committee, together with a draft classification for consideration.

Many of the Councils asked for large sums to be given in endowment, and specified large amounts of road and other work as necessary, appearing to forget that the State is but a young newly settled country, and that it cannot be expected that practically all the road-construction work which is necessary shall be done within one, two, or three years. The Committee, therefore, had to use their knowledge of the country, of its needs, and where closer settlement is progressing by leaps and bounds, of where progress is slow, of where black-soil plains and absence of stone makes road-construction and maintenance difficult and very costly, and of where the handiness of road-metal and the easiness of grades makes roadwork cheap, and so on. Applying their knowledge to the case of each of the shires, the Committee produced a classification ranging the whole of the shires into the six classes required by section 161 of the Act.

Before the Local Government Act came into operation there was a Government tax of 1d. in the pound on the unimproved capital value of all alienated land (with certain exemptions). When the Shire Councils were formed and empowered to levy rates on the unimproved capital value of land, the Government land-tax was suspended.

The Committee was therefore required by section 161 to take 1d. in the pound as a sort of standard rate. Accordingly, where they found that the reasonable requirements of a Council could be met by a less rate than 1d., they put that shire in the first class and recommended no endowment. Other shires, where 1d., though not quite, was almost sufficient, were put in the first class and granted low rates of endowment such as 2s., 3s., and so on. Others, according to their necessities, were grouped in the higher classes, with the endowments fixed by section 161.

The classes and endowments of each class as fixed by law are,—

First class	..	..	..	..	from nothing up to 10s. in the pound.
Second class	..	..	..	..	15s. in the pound.
Third class	..	..	..	..	20s. "
Fourth class	..	..	..	..	25s. "
Fifth class	..	..	..	..	30s. "
Sixth class	..	..	..	..	40s. or any higher rate in the pound.

These endowments are all paid at so much in the pound upon the actual proceeds of the general rate collected by the Council in the year preceding the year of payment. Though the standard rate is 1d. in the pound, and most of the Committee's calculations had to be based on that, yet if a shire levies 1½d. or 2d. in the pound (the limit is 2d.) the endowment is paid on the actual collections.

It will be seen that the sixth class is 40s. or over in the pound. As a matter of fact, several shires are classified at much higher rates than 40s. : Thus, some receive 100s. in the pound, one 113s., and one 133s. in the pound. In these cases there are exceptional circumstances, such as wild mountainous country where roadmaking is costly ; heavy rainfall, which washes the roads away ; heavy traffic ; and very vigorous closer settlement, rendering a large amount of construction necessary.

The difficulty of making such a classification is not small, and it cannot in any circumstances be expected to give universal satisfaction. So far, two classifications have been made under the New South Wales Act, in 1906 and 1909 ; and the Department has been gratified at the surprisingly small amount of dissatisfaction expressed. Speaking from memory, I do not think we have received ten complaints against the 1909 classification.

A suggestion was made by the Shires Association that that body should have some representation on the Classification Committee, but it was not deemed advisable to grant the request.

The system adopted in New South Wales may, on the whole, be considered as working very satisfactorily, but it is not without its faults. It makes a great deal of work once in three years—though probably this is less than the system adopted in other States of dealing throughout those three years with the individual requests by letter, deputation, and personal interview for special grants for this or for that. It has this defect, that no single man or body of men can know the circumstances of every one of our 134 shires, the class of settlement, the condition of the roads, the bridges, and so on. The taking of a 1d. rate as standard (*vide* section 161) is another defect which causes some difficulty : and it is proposed, in any future Amendment Bill, to neutralize the effect of this. These defects in the system, however, do not, it is thought, outweigh its many advantages.

4th June, 1912.

J. GARLICK,
Officer in Charge, Local Government.

LYNDHURST SHIRE.

Blayney, 23rd September, 1909.

SIR,—

Circular No. 262.

I have the honour to acknowledge receipt of yours of the 10th instant, and, as requested, to furnish the information hereunder:—

First, with respect to expenditure:—

1. Length in miles of roads actually in the control of the Council and on which expenditure will be made during the next three years, giving the amount of necessary average expenditure for one year, to include any culvert up to 20 ft. clear span		335 miles
		£
(a.) For one year's maintenance (wages and material)	2,500	
(b.) For construction	1,200	
		£3,700
2. Number of bridges with their length—Annual expenditure—		
Number of bridges	19	
(a.) Maintenance	£100	
(b.) Renewals	£900	
		£1,000
3. Number of public watering-places—Annual expenditure—		
(a.) Maintenance	Nil.	
(b.) Working cost	Nil.	
4. Number of ferries—Annual expenditure—		
(a.) Maintenance	Nil.	
(b.) Renewals, &c.	Nil.	
5. Number of wharves—Annual expenditure—		
(a.) Maintenance	Nil.	
(b.) Renewals	Nil.	
6. Administration—Annual cost—		£
President and Council	130	
Engineer and Clerk	558	
Sanitary Inspector	26	
Valuer (estimate for 1910)	150	
Incidentals	250	
		£1,114
7. Pounds—Net cost annually to the Council—		
Approximate cost of renewal of fencing (£15) one-third	£5	

Secondly, with respect to revenue:—

(a.) Unimproved capital value for *each* riding—allowance to be made for any change likely to occur during 1910, 1911, or 1912—

Riding A—		£	£	s.	d.
Alienated lands, including C.P.	131,350				
Leased Crown lands	10,821				
Mines	1,179				
Police lands and public schools	898				
		144,248	0	0	
Riding B—					
Alienated lands, including C.P.	114,899				
Leased Crown lands	13,994				
Mines	860				
Public-schools lands	130				
		129,856	0	0	
Riding C—					
Alienated land, including C.P.	160,481				
Leased Crown lands	9,324				
Mines	1,334				
Police lands and public schools	223				
		171,362	0	0	
Total		£445,466	0	0	

(b). 1909 general rate levy, 1½d. in the pound, and total amount same will produce, if all be collected	£	s.	d.
	2,364	9	9
(c.) Fees or licenses received per annum and for which no special expenditure will be incurred		22	0 0
(d.) Estimated revenue that may be obtained from dues on wharves when same shall have been proclaimed "legal wharves"			Nil.

I hereby certify that the information contained on this and the preceding page is correct to the best of my knowledge and belief.

GEORGE STREATFIELD, President.

The Under-Secretary, Department of Public Works, Sydney.

Approximate Cost of Paper.—Preparation, not given; printing (1,500 copies), £4 10s.

By Authority: JOHN MACKAY, Government Printer, Wellington.—1912

Price 6d.]