

should be governed by the rules laid down by the Constitution Act, and be subject to deductions and distributed accordingly.

Viewing the rights of the Provinces as thus far settled, the advances made to them during the currency of the respective financial periods, will of course be adjusted on this principle.

We come now to the practical application of these rules.

The Constitution Act came into force on the 17th of January, 1853. For convenience, we may assume the beginning of the year as the commencement of the first financial period. Up to the 30th September, 1853, the Appropriation Act of 1852 was in force, modified by the provisions of the Constitution Act. The Land Revenue was governed by the regulations of the 4th March, 1853. This will form the 1st Financial period. From that date to the 30th June, 1854, both ordinary and Land Revenue were administered in conformity with Sir George Grey's Regulations of the 8th August, 1853. This will form the 2nd Financial period. From the 1st of July, 1854, to the 30th June, 1855, the revenue was appropriated by the Act of last Session. This will form the 3rd Financial period.

As regards the last period, viz., from the 1st of July, 1854, to the 30th of June, 1855, there is no difficulty in applying the rules laid down by your Committee.

But there is a difficulty in applying the same rules to the previous periods, viz., from the 1st January, 1853, to the 30th June, 1854.

As regards the 1st period, viz., from the 1st of January, 1853, to the 30th September, 1853, it is urged on the one side that, treating the Appropriation Act of 1852 as *pro tanto* a valid appropriation of the Revenue, the rule must be applied of considering the surplus as unappropriated and distributable amongst the Provinces. The amount covered by the Appropriation Act is 41,401*l.* 3*s.* 6*d.*, out of which there were savings on particular services of 7325*l.* 0*s.* 9*d.* The difference, 34,076*l.* 2*s.* 9*d.*, is a legal charge on the Revenue. The unappropriated Revenue subject to the deductions fixed by the Constitution Act goes to the Provinces. During that period there was an excess of expenditure, for which no provision is made, amounting to 17,655*l.* 6*s.* 8*d.*, the particulars of which will be seen on reference to the accounts, and which must form a subject for the consideration of the Legislature.

A contrary view has been taken. It is said the surplus Revenue of this first financial period, over actual authorised expenditure of the same period, is properly chargeable with such actual though unauthorised expenditure, as the General Assembly shall think proper to sanction as reasonable.

As regards the 2nd period, viz., from 1st October, 1853, to 30th of June, 1854, a difference of opinion also exists in your Committee. On the one side it is contended that equity and good faith with the Provinces require that Sir George Grey's regulations of the Revenue, without regard to strict legality, ought to be treated as final; and if necessary, confirmed and effectuated by the General Assembly. According to these Regulations, the charges to be deducted from the Revenue were—the charges of collection and management, the Civil List, the New Zealand Company's fourths, the sums payable for Native land purchases, and such charges as were established by local Ordinances, such as interest on Debentures, etc.

It is to be observed that the Provincial Councils made their appropriations on this basis. Accepting these Regulations as final, it is contended that the surplus ought to be treated as unappropriated, and distributable amongst the Provinces.

On the other hand it is contended that Sir George Grey's regulations were illegal, and cannot now be acted on;—that the General Assembly still has the legal right of appropriating the Revenue of that period, and the Government asks them to exercise that right, by appropriating the same in discharge of payments in excess made during that period, and for which otherwise no provision is made. The amount of such payments in excess is 15,788*l.* 17*s.* 1*d.* The particulars will be seen on reference to the accounts. It is urged that it would be unjust to throw upon the Revenue of future years a charge *bona fi*