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Local Government Finance in Ireland

A Preliminary Survey

by

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INTRODUCTORY

The Institute began to carry out research into the economic aspects of the finance of Local Authorities in September, 1961. The present Paper represents the first fruits of this work and is very much a Preliminary Survey; it is concerned with only a part of the whole field and even in the part chosen for examination it is recognised that the analysis is incomplete. Indeed, the Paper does little more than sketch the general background to the research and indicate some of the problems that are being examined. In view of the present public interest in the subject it was thought useful to make available this " Preliminary Survey " at the present time rather than wait for the full results of the work now being done.

The scope of the Paper is limited in many ways. First, and most obviously there is no discussion of the very extensive spending on Loan Account of Local Authorities which amounted to £8·7 million in 1960/61 and which was as much as £17·7 million in 1953/54, or with the way in which such expenditures are financed. The Paper is concerned only with the expenditure and income on Revenue Account of Local Authorities, which are taken to be those Authorities whose accounts are summarised in the *Returns of Local Taxation* which is published each year by the Department of Local Government. The Authorities dealt with in these Returns include the County Councils, County Borough Councils, Borough and Urban District Councils, Town Commissioners, separate Public Health Authorities, Joint Mental Health Boards, Joint Burial Boards and sundry other joint bodies. Secondly, the Paper avoids historical and administrative and legal matters. In an introductory Paper this hardly needs defence; for it is so easy in this field not to see key economic and public finance points because they are hidden behind a great mass of other material. For similar reasons detailed descriptive material concerning such matters as the different sorts of grant which are made available from the Central Government to the Local Authorities and concerning the large number of exemptions and remissions granted to particular types of ratepayer has been avoided. Thirdly, discussion and argument in the Paper is, on the whole, carried out on the assumption that the present structure of Local Government continues to exist and that Local Authorities continue to perform the services that they are now performing. It is recognised that an examination of such fundamental issues as whether the number of administrative counties should be reduced, or whether particular services at present provided by local Authorities would not be better carried out by other government bodies, or whether Local Authorities should be asked to shoulder new responsibilities is needed, but these problems are too basic and important to be dealt with in a Section of a Preliminary Survey.

I. EXPENDITURE

The Local Authorities spend each year very considerable sums of money on Revenue Account. In the Financial Year 1959/60, about £53·3 million was spent and in 1960/61 about £55·5 million. Central Government expenditure in the same years on Current Account was £128·7 million and £139·6 million respectively. There is, however, an element of double counting if we directly compare Local Authority expenditure with Central Government expenditure in that part of the expenditure of the latter is a grant to the Local Authorities and thus goes to finance part of their expenditure. These grants amounted to £22·9 million in 1959/60

[1]The writer wishes to acknowledge the help and advice he has received by way of comments on earlier drafts from many people. Needless to say these friends bear no responsibility for the errors and imperfections that may remain or for the opinions expressed.

and £23·1 million in 1960/61. Thus Central Government expenditure excluding grants to the Local Authorities amounted to £105·8 million in 1959/60 and £116·5 million in 1960/61 and these are the figures which should be used if it is desired to compare Local Authority Revenue expenditure figures with Central Government Revenue expenditure figures. Local Authority expenditures in 1959/60 and 1960/61, therefore, amounted to about 50% of net Central Government Revenue expenditure.

To avoid confusion it may be useful to state that these figures do not tally exactly with the figures of Central Government grants to Local Authorities and Local Authority expenditure published in the annual *Tables in connection with the Financial Statement*. This is because the *Tables* include the grants and the expenditure of various bodies whose accounts are not summarised in the *Returns of Local Taxation* such as Vocational Education Committees, Committees of Agriculture and Harbour Authorities and, as stated earlier, the Paper is confined to Local Authorities narrowly defined as those whose accounts are summarised in *Returns of Local Taxation*.

In 1950/51 the Local Authorities spent £29·0 million and the net expenditures of the Central Government amounted to about £72·4 million. Thus Local Authority expenditures were about 40% of Central Government expenditure. In 1938/39 Central Government net expenditures were about £28·4 million and at £12·0 million Local Authority expenditures amounted to slightly less than 42% of this total. The proportion, therefore, is higher to-day than it was before the war and has increased quite steeply during the last ten years. At the present time Local Authority expenditure is running at about £21 per capita and constituting some 8·5% of the Gross National Product.

TABLE 1: REVENUE EXPENDITURE OF RATING AUTHORITIES, 1959/60, £m.

	Roads	Public Assistance	Mental Health	Health	Sanitary Services	Housing	General Purposes	Total
County Councils ...	10·5	0·8	3·3	10·4	1·5	3·7	3·9	34·2
County Borough Councils ...	0·8	0·2	0·9	4·0	2·1	4·4	2·4	14·8
U.D. and Borough Councils ...	0·3				0·7	1·4	1·8	4·3
TOTAL ...	11·6	1·0	4·2	14·4	4·3	9·5	8·1	53·2
%	22%	2%	8%	27%	8%	18%	15%	100

NOTES ON TABLE 1

1. *Source: Returns of Local Taxation*, 1959/60.

2. Included in the General Purposes heading is expenditure on items such as Fire Brigades, Tourist Development, Public Libraries, Rate Collection and the provision of University and Secondary School Scholarships. It also includes the Grants which Local Authorities make to Vocational Education Committees and Committees of Agriculture.

3. The County Borough Councils (which number four) are responsible in their areas for the provision of all Local Authority services with the exception of Health and Public Assistance services which are administered by Joint (County and County Borough) Health Authorities. The County Councils (27 Authorities) are responsible in all the parts of the county which are not designated Urban Districts or Boroughs for all services. In the urban areas the Urban District Councils and the Borough Councils (56 Authorities in all, including the seven Borough Councils) take responsibility for roads other than main roads, which remain the responsibility of the County Council, and for sanitary services, housing services, and most of the items which fall under general purpose expenditures. The County Councils, however, remain responsible for the main roads and also for health, mental health and public assistance. It is because of this overlap as between the Urban District Councils and the County Councils that it is convenient and, indeed, necessary in many comparisons of expenditure, rateable value, and revenue to add together the expenditures, etc., of the County Councils and the Urban District Councils of the particular county. This is done in a number of the comparisons made later in the Paper.

Table 1 indicates the expenditure pattern of the three types of Rating Authority. These Authorities accounted for over 95% of the expenditure recorded in *Returns of Local Taxation.*[2] The Table also indicates the relative importance of the three main types of Authority. It is also clear that the Local Authorities are responsible for many important services notably in the fields of health, housing, and the provision of roads. Table 2 indicates the pattern and growth of the expenditures of the Local Authorities as a whole, during the past twelve years.

TABLE 2: PATTERN AND GROWTH OF LOCAL AUTHORITY REVENUE EXPENDITURE, 1948/9–1960/61

	1948/9		1951/2		1955/6		1959/60		1960/61		1960/61 as % of 1948/9
	£m.	%	£m.	%	£m.	%	£m.	%	£m.	%	
Roads	7·8	30	7·1	21	11·6	25	11·6	22	12·1	22	155
Public Assistance ...	4·7	18	6·3	19	1·1	2	1·1	2	1·2	2	26
Mental Health ...	2·3	9	3·0	9	3·7	8	4·5	8	4·8	9	209
Health	2·3	9	4·1	12	12·5	27	15·0	28	15·2	27	661
Aggregate of Public Assistance, Mental Health and Health	9·3	36	13·4	40	17·3	37	20·6	38	21·2	38	228
Sanitary Services ...	2·0	8	2·5	8	3·4	7	4·4	8	4·7	8	235
Housing	3·0	11	4·3	13	7·1	15	9·6	18	9·9	18	330
General Purposes ...	3·9	15	6·2	18	7·0	15	7·0	13	7·6	14	195
TOTAL ...	26·0	100	33·5	100	46·4	100	53·3	100	55·5	100	213

NOTES ON TABLE 2

1. *Source: Returns of Local Taxation.*

2. In considering the Health and Public Assistance figures for 1948/49 and 1951/52 on the one hand and the remaining years on the other it should be noted that the Public Assistance figures for the two early years include certain expenditures on the provision of medical care which in the later years are included under the Health heading. Since July, 1960, the Mental Health Services have been administered as part of the general Health Services. Because of these two happenings aggregate figures for the three services have been included and for many purposes it is best to concentrate attention on the aggregate rather than the individual figures.

The expenditure of Local Authorities is large and has been growing. It seems likely that expenditure will continue to rise for there is considerable need and pressure for improvements in connection with many of the services provided. If—as is believed—there are certain unsatisfactory features of the financial position of Local Authorities then the expected growth in their expenditure will lead to those features becoming more marked and burdensome; a review of the field at this stage is, therefore, timely.

II. SOME GENERAL ARGUMENTS AND ASSUMPTIONS

(a) Independence

Local Authorities are subsidiary and subordinate bodies. They derive their powers, ability to act, functions and duties from decisions of the Central Government and Acts of the Oireachtas. Local Authorities cannot undertake services without legislative authorisation and—perhaps more importantly—they can be compelled to develop whatever services the government and the Oireachtas may call upon them to undertake without the Central Government having to make any special financial provision. These two characteristics follow, of course, from the fact that Ireland is a unitary and not a federal State. There is no residual sovereignty whatsoever in the Local Authorities.

[2]Excluded is the expenditure of Town Commissioners amounting to less than £125,000 and that of certain other Local Authority bodies such as separate Public Assistance Authorities and Joint Mental Health Boards, etc., but contributions to these bodies by the various Rating Authorities are included. 1959/60 is the last year for which full statistics are available. Since that financial year there has been a number of changes in the system of organising the various services, notably an amalgamation of the Health and Mental Health Services.

Even in a unitary State, however, there can be differences in the effective independence of Local Authorities or—looking at it from the other side—in the degree of Central Government control and influence. At one extreme a position can exist in which Local Authorities are little more than executive agencies of the Central Government, possessing little discretion as regards the level and broad pattern of their expenditure, little financial independence, and hardly any freedom as regards the appointment or terms of service of their officials. On the other hand it is possible to have Local Authorities with considerable autonomy and freedom of choice as regards the level and pattern of their expenditure, with independent sources of revenue, and with the ability to choose staff and fix salaries.

In considering financial matters the degree of independence that Local Authorities have with respect to the Central Government and the extent to which it is desired that they should be fairly independent is of considerable importance. This is so for three main reasons.

In the first place if the Local Authorities of a country are, in essence, merely agencies for the execution of Central Government policy then it should follow that the standard of service provided by the various Authorities should be fairly similar and that if some finance has to be provided from local sources the burden of such local taxation should be roughly equal from one Authority to another. If, on the other hand, Local Authorities are fairly independent bodies with considerable freedom and there exists permissive legislation enabling them to operate in many fields then there is no particular reason why levels of service or levels of taxation should be similar; one Authority may choose to have a high level of public consumption and a correspondingly high level of local taxation; another may take the opposite view.

The second point concerns Central Government financial support for Local Authorities. If the Local Authorities are regarded as executive agencies then clearly the Central Government must keep the same control over their expenditure as over the expenditure of government departments. Money will be made available to them only in connection with schemes which have been approved and Central Government auditors and inspectors will need to see that the moneys have been spent in accordance with the approved requests. If, on the other hand, Local Authorities are regarded as responsible bodies then the Central Government should be more willing to make "block grants" and leave it to the financial staff of the Local Authorities and the watchfulness of elected councillors to ensure that there is no extravagance, unwise spending, or fraud.

The third point relates to the financial resources at the disposal of Local Authorities. Regarded as agencies of the Central Government Local Authorities do not need to have independent sources of revenue. If, however, Local Authorities are to be responsible bodies with, at any rate, some power to do things which the Central Government is not too keen they should do then it is desirable and probably necessary that they should have some financial independence; should have taxes under their control which would enable them to finance a good deal of expenditure.

It is not easy to fit the Irish system of Local Authorities into either of the two rather extreme categories we have distinguished. There is much to suggest that the Irish system is close to the "agency" model. From an historical point of view Local Authorities in Ireland are, on the whole, fairly recent creations of the Central Government and they were formed to do certain tasks. This short history and rather subordinate role contrasts with the position in England where many of the Local Authorities have a long history and a considerable tradition of independence with respect to the Central Government. Then again the powers of the Central Government are very considerable. As well as having powers of inspection and audit the Minister may dissolve Councils and remove officials. Local Authorities also have limited powers with respect to the appointment of key members of staff and over their salaries and conditions of employment—though they do have to approve general increases in salaries arising, for example, out of a change in the cost of living. The fact that Central Government financial help to Local Authorities is in the form of grants tied closely to specific services and items of expenditure is also indicative of the desire and power of the Central Government to control. Finally, and perhaps most important, there is no doubt that in certain very important spheres of activity the Central Government has deliberately chosen the Local Authorities to be the chosen instrument through which public aid will be directed. The construction and maintenance of the main roads of the State is in the hands of the Local Authorities; the Central Government has laid upon the Local Authorities the definite responsibility of providing important medical services; in housing, too, the Local Authorities are the Central Government's chosen instruments. To help the Local Authorities in these tasks the Central Government does, of course, make available to them considerable financial assistance. This, in turn, is evidence of the view it is desired to stress here, namely that in these important spheres—and expenditure on health, main roads, and housing constitutes considerably more than 50% of Local Authority Revenue expenditures—the Local Authorities are engaged in implementing the decision of the Central Government that the Local Authorities should be the instrument or machine through which government action or help in these spheres will flow, and the more basic decision that there should be public action in these fields. And Ministers are likely to be taken to task in the Dáil for the action or inaction of Local Authorities in implementing these decisions.

So far our arguments have suggested that Local Authorities in Ireland have little independence from the Central Government. There are a number of points, however, which can be made in support of the opposite view. First, and most important, is the fact that Authorities do from time to time refuse to do what the relevant Minister would like them to do and do things which he would rather they did not do. Many Councillors and County Managers are very independently minded! In this connection it is important to note that with some services the power of the Central Government is much stronger than with respect to others. In the case of health, for instance, the Minister has the statutory power to ensure that the Local Authorities do provide a certain minimum level of service; in the case of housing, on the other hand, the Minister does not have such power and can only try to get things done by persuasion. A second point is that—as we shall see—Local Authorities do have their own independent sources of revenue which at the present time finance over 50% of their expenditures.

In the light of these considerations it is hardly possible to regard Irish Local Authorities purely as agencies of the Central Government and the existence of elected councils as a mere façade. On the other hand there is no denying the power of the Central Government and the fact that in certain important spheres the Local Authorities are the Central Government's chosen instrument.

Faced with these considerations it is tempting to meet the dilemma by arguing that Local Authority expenditure is of two types. That part is expenditure done at the command, request or instigation of the Central Government and that with respect to this "national" expenditure the various points we made above concerning "agency" expenditure should apply. And that the rest of expenditure is "local" or "voluntary" and that with respect to this the "independent" or "autonomy" points should apply. This sort of distinction, however, is not really very useful. For in a very real sense most of the expenditure of Local Authorities is both "national" and "local". "Local" in that though—as in the case of main roads—expenditures may benefit people outside the particular area in which it is incurred, there is no doubt that Local Authority expenditures as a whole are mainly of benefit to the local populations. On the other hand most of the expenditure is also "national" in that it is a reflection of the Central Government's decision that Local Authorities are its chosen instrument for action in certain fields.

What seems desirable in the Irish setting is to try to avoid making sharp distinctions. Local Authorities *do* have some independence but they operate within a framework set by legislation, by the decisions of the Central Government as to the fields in which Local Authorities are to operate and have a responsibility, by the grants which the Central Government offers in support of particular forms of expenditure, and by the various pressures of Ministers. It is not profitable to discuss whether a particular piece of expenditure or a particular service is "national" or "local". Almost always it will be both. What is profitable is a discussion as to the sort of services which should be operated by Local Authorities and how they should be financed; and some considerations relevant to this are discussed in the next Section.

On the broad question of "independence" and "autonomy" it has been suggested that at present Local Authorities in Ireland have a certain freedom of action and should certainly not be regarded purely as agencies of the Central Government. It seems likely that this state of affairs will continue. For the rest of the Paper, at any rate, it will be *assumed* that a fairly independent system of Local Authorities is likely to continue and some of the implications and requirements for the effective and equitable working of such a system will be explored.

(b) Expenditure and Revenue

An important general issue is the extent to which Local Authorities should be responsible for providing services and for spending large sums of money; in particular the extent to which *they* should provide services and spend money rather than some other public body, such as a Department of the Central Government or a Public Board.

Perhaps the main criterion to have in mind in considering this question is the extent to which it is administratively cheaper and more efficient to have a service supplied by a Local Authority rather than having it supplied directly by the Central Government or by some other public body. If it is cheaper this will constitute a *prima facie* case in favour of the Local Authority. Local Authority control may often be cheaper as advantage can be taken of an existing structure and the addition of a new responsibility may, by enabling overhead expenses to be spread over a larger total expenditure, permit a new service to be provided at a lower cost than would be required if a completely new organisation had to be created. On the other hand there may sometimes be certain economies in providing a service centrally. What is important in connection with this criterion is that estimates should be made from time to time of the cost of alternative ways of providing various services, and the result of such calculations should be given weight in determining which services should be operated by Local Authorities and which by other bodies.

A number of services seem to merit examination. Within the Local Authority framework the Health Services are an obvious case. From a cost point of view it seems quite possible that economies—in the sense of getting as good a service with less money or a better service with the same money—might follow the creation of a national or regional organisation. Outside the present Local Authority field it would seem that a number of services at present provided in other ways might be provided more cheaply if operated by the Local Authorities. Two examples may indicate what is in mind. At the present time the Electricity Supply Board is concerned with two rather separate businesses: the production and generation of electricity on the one hand and the selling of electricity to the consumer on the other. Now in a number of countries these two operations are kept fairly distinct. In the case of England, for example, there is a Central Board responsible for generation and a series of separate Boards responsible for sales. A *possibility* for Ireland might be a central Board for the generation of electricity and the Local Authorities having the responsibility for selling to the consumer. This might permit various economies as regards the provision of office accommodation, office machines, and clerical staff for there may well be a certain duplication at the moment; the E.S.B. for example, operating over a hundred "sales and service" establishments across the State. The second example relates to the Employment Exchanges and other offices operated by the Department of Social Welfare throughout the country. Again, it seems *possible* that economies might be secured by having the Local Authorities acting as agents of the Central Government and taking over the work done by these offices.

It is perhaps worth emphasising that in no sense is it being suggested that the Health Services *should* be taken from the Local Authorities or that the selling of electricity and the operation of the Social Welfare schemes *should* be taken over by the Local Authorities. All that is being suggested is that there is need to be continuously asking the question whether the existing distribution of services as between the Central Government and the Local Authorities is the right one and in the light of the criterion we have been considering so far—namely economy—this involves cost comparisons that are difficult but nevertheless worth making or attempting.

The second criterion relates to those services in which there is considerable scope for local variety and initiative such as in the field of housing and in the provision of library services, public parks, swimming pools and amenity services generally. If public funds are to be devoted to these fields there is a great deal to be said for Local Authorities being the body which disposes of them. Similarly, those services which are extremely important from a local point of view and which need to be tailored to suit particular local requirements such as the provision of fire brigades, water, waste disposal services, street lighting, etc., are suitable services to be run by Local Authorities. Broadly speaking then it is suggested in this context that services which touch the citizen fairly directly, and in connection with which it is important that he should not feel they are operated by some remote Authority outside his influence and control, should be operated by Local Authorities.

One of the great advantages of the Local Authority system is that the ordinary citizen can contact fairly easily his councillor and make his views known, and on the whole elected councils are made aware of what the local population want and—though with certain lags—are responsive to this knowledge of what the public wants and what it won't stand.

Thirdly, and linked with the preceding argument, there are the rather tenuous arguments in favour of Local Authority control which emphasise that Local Authority work provides an opportunity for the practice of democratic government both for councillors and the ordinary citizen in his capacity as voter and critic. Belief in the value of having effective democratic control of government activity, will, on the whole, tend to make one favour having Local Authorities operating services which have a definite impact on citizens in the areas in which they live rather than having them operated by public corporations, or by branches of a Central Government Department, the operations of which it is difficult to influence through local action.

One additional point needs to be stressed. If Local Authorities are to do their work efficiently they probably need to be operating on a fairly large scale. Not only are there likely to be administrative economies arising from size but officials of ability will not be willing to serve nor will sufficient numbers of able councillors be willing to offer themselves for election unless an Authority is of a certain minimum size, in the sense of its level of expenditure. On the assumption that the number of Local Authorities remains as it is at present this implies for Ireland that the Local Authorities must be responsible for a good number of services. Given that it is desired to have Local Authorities operating some services then they probably have to operate a good number!

Clearly a good deal of research is needed before one could demonstrate whether in the light of the above criteria Local Authorities are operating too many or too few services and, if the balance is not the appropriate one, which services should be taken over or released. Such research needs to be done but it has *not* yet been done. For the present Paper, therefore, it is proposed to proceed on the basis of an *assumption*—which, however, represents the writer's present conviction—namely that Local Authorities are *not* operating too many services or spending too much money in relation to other government agencies, though there may well be some services at present performed by Local Authorities which might be better done in other ways and *vice versa.*

So far we have not mentioned income or revenue. This has been quite deliberate. It is considered that the various criteria that we have been discussing are the important factors in considering the size and scope of Local Authority spending. But, of course, these decisions having been made revenue has to be found!

There are many ways in which Local Authorities may be financed. At one extreme they could receive all their revenue in the form of grants from the Central Government. At the other they could be expected to finance all their expenditures from their own resources. In between, there could be various combinations of Central Government help and self-finance.

The great advantage of the first method is that it breaks the connection between the level of services that are provided in an area and its wealth or taxable capacity. For the country as a whole this means that the total amount of revenue required—for both local and Central Government purposes—can be raised without paying any particular attention to the locality in which the various taxpayers reside. If in a State the broad principle is accepted of levying taxation in accordance with the ability to pay or taxable capacity of the tax payers the financing of Local Authorities from State funds enables this principle to be applied right across the State. In these circumstances a person with the same taxable capacity will tend to pay the same amount in taxation no matter where he lives. Such a system also enables Local Authority expenditure to be much more a reflection of the needs of the various areas than of their relative wealth.

There is thus a great deal to be said for this type of financial arrangement. Two types of objection, however, can be made. First, there is the argument that it makes for inefficiency in administration in that the Local Authorities are involved in spending money which they have no responsibility for collecting. It is argued that the unwillingness to increase local taxes—because of the political unpopularity of such action—provides an important incentive to economy in administration and that if this pressure is removed—as it would be if all revenue was provided by the State—there would be a tendency for standards of efficiency to decline and wasteful or extravagant expenditure to become common. It is difficult to accept this view. If it were true it would imply that many individual departments of the Central Government and many departments of large business organisations are inefficient, for these bodies are not responsible for raising their own revenue. In fact accounting and budgetary procedures have been devised and are in operation in most large scale organisations to ensure that waste, extravagance, and inefficiency do not occur; and if they do occur it is the operation of these systems and the people manning them that is at fault and not the absence of some fairly close and direct link between the raising and spending of funds. And in the case of Local Authorities it would be possible for the Central Government to make continuing studies of the relative costs of providing the various services in the different Local Authorities; and in this way both check the performance of the Local Authorities and provide them with some guidance as to the appropriate level of costs for particular services.

The second broad objection relates to the problem of the allocation of funds between the various Local Authorities. This could take place in a number of different ways.

One approach would be for the Central Government, having determined in broad terms the total amount of money available for the Local Authorities, to allocate this total on—say—a population basis between the various Authorities, thus making available to each of them a large "block grant" and leaving them with freedom to spend it as they wished within the framework of the existing legislation and the instructions and declared wishes of the Central Government. Such a method would give Local Authorities a great opportunity for the exercise of local initiative and enterprise. There are, however, two main disadvantages of such an arrangement.

First, is the fact that needs may vary greatly from area to area and that a population basis might be an unfair way of allocating the available funds: one authority might have many miles of roads to maintain; another relatively few: one might have many houses in a decrepit condition whereas another might have few; one area might be poor and its people unable to afford to pay for medical attention and thus require public support on this count, whereas another might have relatively few citizens requiring such help. Many of these objections could, of course, be met by making the formula for the allocation of funds a much more complicated one to take account of the various needs of the different areas and, so long as good statistical information was available with respect to the position in different parts of the country, this could probably be done.

The second objection to the "block grant" approach is that it greatly reduces the ability of the Central Government to influence, persuade, or control Local Authorities and a Central Government may well be unwilling to give up its powers in this way if the Local Authorities, as its agents, are charged with the duty of performing important services affecting the general public.

An alternative way of organising a hundred per cent. State support system is for the State to invite Local Authorities to put in fairly detailed requests for money for particular services or projects and if the application is granted for the Local Authority to be kept in its spending pretty closely to the details of the approved application. This keeps a considerable amount of power in the hands of the Central Government and, of course, correspondingly reduces the effective freedom of the Local Authorities. A major difficulty of this arrangement, however, concerns the criteria the Central Government is going to use in determining the allocation of funds. There is likely to be a tendency for funds to flow to the Authority that puts up the best prepared schemes rather than to those where the need is greatest, though it should be possible to avoid some of the worst dangers of this. The real problem is that Local Authorities will have every incentive in such a situation to put up a very large number of schemes since, on the one hand, no costs fall upon the Authority, or, directly, upon the local people and—on the other hand—the local people will benefit from and the Local Authority obtain credit for a high level of local services. With this sort of arrangement the Central Government can never be sure just how much importance the Local Authority attaches to a particular scheme.

Various devices to help the Central Government make a rational choice such as requesting Local Authorities to put up their projects in order of priority can be used, but they are by no means completely foolproof. A great advantage of a system in which local resources have to bear at least some part of the cost of a project is that in such cases when the Local Authority makes an application for State assistance the State does know that the Local Authority attaches importance to the project, for in making an application it has indicated its willingness to back its request with hard cash.

Clearly it would be possible to have a compromise hundred per cent. grant system in which part of the State help to Local Authorities is in the form of a "block grant", given on the basis of either a "simple" or "complicated" formula, and part given on the basis of application with respect to specific projects. To help meet the point we have just discussed it would be possible to insist that in making application for a "specific" grant the Local Authority must agree to bear part of the cost of the project out of its "block grant". By the use of this and other methods of administrative control it would probably be possible to make a hundred per cent. grant system work fairly effectively and for a considerable amount of Local Authority independence and freedom to be maintained—if one condition was satisfied. Such a system could *only* operate if the Central Government, believing in the importance of the autonomy of Local Authorities, was prepared to operate a self-denying ordinance with respect to the amount of control it exercised. It is doubtful if many Central Governments would really be prepared to exercise such self-restraint when providing all the funds—though the U.K. system of university finance almost provides an example. For this reason it seems doubtful if the full hundred per cent. system is a really practicable proposition in a country which wishes Local Authorities to have a good deal of independence.

We must now consider the case for hundred per cent. self-financing. The main argument in favour of such a method is that Local Authorities are completely independent of the Central Government from a financial point of view. This has obvious attractions for believers in the importance of having an autonomous system of Local Authorities but the disadvantages of such an arrangement seem overwhelming. In the first place Central Government influence and control is reduced to a minimum, and this is inappropriate in a unitary State unless the Local Authorities are only expected to spend fairly small sums of money and be responsible for a few services.

It is, in fact, probable that if Local Authorities had to finance their activities from their own resources they would only be able to operate on a fairly low level. The reason for this is that the taxation resources which it is practicable and desirable to leave in the hands of Local Authorities are not likely to be sufficient to raise substantial sums of money. In Ireland, for example, Local Authorities have but one form of taxation at their disposal—the local rate. In a later Section of the Paper we will be looking at this tax in some detail but at the moment the point it is desired to stress is that there would be strong arguments against increasing by any very considerable amount the yield of this tax, and yet at the moment it only finances about 40% of local expenditures. It would seem that if Local Authorities in Ireland had to depend upon their own resources their level of expenditure would have to be reduced, and in the light of our earlier discussions this would be undesirable.

An important question here is to what extent there are other possible local taxes. There is scope for a good deal of research into this question but a first examination of the problem suggests that prospects are not really good. On the whole almost all the existing Central Government taxes that bring in large sums of money are much better organised centrally—in the sense of keeping the cost of the collection low. It is possible that Local Authorities might be able to raise some revenue by imposing a licence duty on bicycles, or a tax on entertainments, or on expenditure in hotels, but it is not thought that the amount of revenue likely to be collected in these ways would be large.[3]

The third argument against hundred per cent. self-financing is that there may be substantial differences in wealth between the various Authorities. In such circumstances an effect of this method of finance will be for there either to be a lower level of service in the poorer areas with the same level of taxation, or the same level of services with a higher level of taxation—or a combination of these two extremes, namely the existence in the poorer areas of both a somewhat lower level of services and a higher level of taxation than in the better off areas.

Now if the differences in wealth between the various Authorities are not great and if the Central Government is not expecting Local Authorities to carry out many important services then such differences would not matter very much. But in the case of Ireland the Local Authorities are, as we have seen, expected to carry out important duties and—as will be suggested below—it is believed there are important differences of wealth as between the various Rating Authorities.

We have reached—by elimination as it were—the conclusion that it is probably useful that the Local Authorities should be financed both from resources under their own control and by the State Grants. In the next Section we consider the ways in which State support might be given and indicate in broad terms some of the factors that are important in considering how the revenue burden might be allocated. In this discussion it will be assumed: first, that there are differences in wealth between the various parts of the State; second, that Local Authorities are expected to provide important services likely to cost substantial sums of money; and third, that the taxable capacity of even the better off Local Authorities is inadequate in the light of the work they are expected to do.

(c) Grants

It is useful to distinguish three main types of grant which a Central Government might make to a Local Authority or, to put it in different terms, three

[3]It is interesting to note that a very powerful committee set up by the Royal Institute of Public Administration to consider new sources of local revenue for the U.K. came to the conclusion "having reviewed the whole field of other potential local taxes" that only three could be recommended for the U.K.—a local income tax, a local entertainment tax, and driving licences. See *New Sources of Local Revenue*, Allen and Unwin, London, 1956. All these recommendations and suggestions were rejected pretty emphatically by the U.K. government (see the U.K. White Paper, *Local Government Finance*, Cmnd., 209, 1957). In Irish conditions it is doubtful if a local income tax would be very suitable because of the existence of large numbers of farmers who do not pay State Income Tax on their actual incomes but only on a notional income. Consequently no estimates of actual taxable income arising in an area could be made available to a Local Authority by the Revenue Commissioners and thus it would not be possible for a Local Authority to operate a proper local Income Tax system unless an expensive new assessing machinery was established. This would almost certainly be quite impracticable.

main ways in which Central Government financial support might be given to Local Authorities.

First, there are what we may call percentage grants. These are grants made either with respect to expenditure on a particular service or with respect to expenditure as a whole, the amount of the grant depending on how much a Local Authority proposes to spend from its own resources. A Central Government may, for example, agree to pay 50%—or some other percentage—of the total expenditure on a particular project. Or again, it could agree to pay a given percentage of expenditure above a certain figure. Grants of this type are particularly useful to a Central Government wishing to " persuade or control " Local Authorities. They " persuade " because these grants, particularly if the percentage is fairly high, encourage Local Authorities to embark on expenditure in the fields in which grants are given, for each pound from a Local Authority's own resources attracts further financial support. This type of grant also assists the Central Government to " control " because the grant is usually given only in connection with " approved expenditure ", and it is the Central Government which lays down what will and what will not be approved. A disadvantage of this sort of grant is that it does not particularly help the relatively poor Authorities ; indeed their general tendency is in the opposite direction. Those Authorities that can afford to spend most receive most by way of grant.

A second form of grant is an " equalisation " or " redistributive " grant. The object of such a grant is to make more even the resources available to the Local Authorities by giving financial help to those Authorities which, because they cover relatively poor areas, are less well off than others. The advantage of such support to the Authorities who receive it is obvious. An advantage to the Central Government is, knowing that the resources of the weaker Local Authorities have been strengthened, it may feel freer to ask Local Authorities to operate certain services which in its opinion are better operated by Local Authorities but in the absence of such a grant would not have been suitable for Local Authority operation because of the too heavy burden they would have imposed on the poorer Authorities. An obvious difficulty in the administration of such grants is the need for reliable and accurate statistical information concerning the relative income or wealth or taxable capacity of the various areas in order that there should be a satisfactory basis for the allocation of the grant.

The third type of grant we may call a " general " or "neutral" grant. It may be thought of as designed to meet the problem of the general lack of taxable capacity at the disposal of the Local Authorities—even the richest ones—in the light of the obligations laid on them by the State. Such a grant is made available to Local Authorities on the basis of some fairly objective criterion such as population, though more complicated formulae can be devised to take account of the relative needs of an area. It should be noted, however, that in our terminology the incorporation into the grant formula of any attempt to take account of the different needs of the various Authorities has the effect of making the grant a " redistributive " rather than a " neutral " one.[4]

It is considered that there is a place in Ireland for all three types of grant : percentage grants so that the Central Government has the ability to persuade and control in those spheres where it holds very strong views and is certain of the action it wishes Local Authorities to take ; redistributive grants so as to build up the resources of the poorer Authorities in order that the citizens of such Authorities should not receive a lower level of service or suffer a higher burden of local taxation than those living in more fortunate parts of the State ; and neutral grants because it is believed the financial resources of even the richer Authorities are too low given the range of services they are expected to provide and the taxation resources at their disposal.

The case for " neutral " grants probably needs a little more explanation. The case rests essentially upon the relation between the expenditure necessary to carry out the obligations of Local Authorities and particularly the services which the Central Government expects them to perform and the revenues which it is appropriate they should raise themselves. Given that the Local Authorities in Ireland have only one tax at their disposal—and that as we shall see in the next part of the Paper one which has many imperfections—it is probable that at the present time even the better off Authorities should probably not be raising in Local Taxation much more than the 40% of their present level of expenditure which is what they raise at the moment, and this level of expenditure is judged not to be too high. The gap has to be filled by government grants. The particular case for neutral grants arises out of the need to

[4]Indeed, in the last analysis grants really fall into two main categories ; specific grants, i.e., those related to a particular service or activity and non-specific or block grants which are not so linked. However, it is felt that for our present purposes the threefold distinction is a useful classification. It should, perhaps, be recognised that from certain points of view the concept of a " neutral " grant may be slightly misleading, in that if two Authorities, one rich and one poor, receive equal *per capita* grants then the effective value of the grant may be greater to the poorer area than to the richer. Similarly an equal *per capita* grant to an area with a large population may be of greater real benefit than the same *per capita* grant to an area with a small population. Considerations of this sort are ignored in our conception of a " neutral " grant.

maintain a reasonably independent system of Local Authorities. Percentage grants though they may not formally limit their freedom—grants can be rejected—do have a considerable persuasive influence and if it is desired to have Local Authorities making up their own minds as to how expenditure should be allocated then there is a case for having the percentage rate rather low, which in the Irish case implies the need for additional "neutral" grants.

The conclusion here is not very precise. It has been suggested that there is a case for the expenditure of Local Authorities being financed in part from local taxation and also that there is a need for percentage grants, redistributive grants, and neutral grants. We have argued against both a hundred per cent. grant system and hundred per cent. self-financing. It is difficult to go much beyond these rather general and qualitative statements with respect to local finance generally for so much depends upon a detailed consideration of the expenditure and the revenue position of the Local Authorities with which one is concerned. As regards Irish Local Authorities it will be better to postpone further discussion till, in the next parts of the Paper, we have looked in some little detail at their revenue and expenditure pattern.

(d) An Alternative View

Earlier in this part of the Paper and also in the next two main parts a particular attitude is taken with respect to the broad principles that should govern the raising and spending of government funds. On the whole it is taken for granted that government revenue should be collected in accordance with the ability to pay or taxable capacity of the citizens—though it is appreciated that this broad objective is open to a variety of interpretations. On the expenditure side it is accepted that in so far as there are benefits which are available to individuals the guiding principle should be either their general availability to all citizens or their availability on some assessment of need. These two principles or assumptions—of taxation being levied in accordance with ability to pay and services being available in accordance with needs—underlie the whole Paper.

Now in accepting this approach an alternative view has been implicitly rejected, namely the view that the benefits of government expenditure should be enjoyed in proportion to the amount a person contributes to the State and, similarly, that taxes should be paid in relation to the benefits derived from State activity. This "alternative view" would hardly be maintained anywhere to-day in relation to the expenditure and taxation position of Central Governments but it is sometimes argued that it should be the relevant approach to Local Authorities. The supporters of the view maintain that the activities of Local Authorities are much more like the activities of a business than the activities of a government; and that in connection with the provision of such services as sewerage, water supply, garbage collection, street lighting, fire brigades, etc., it is reasonable that people should contribute to Local Authorities not in proportion to their ability to pay but in proportion to the extent to which they make use of such facilities. It is appreciated that it is not easy to charge directly for such services and that it will normally be necessary to charge indirectly and determine an individual's taxation responsibility with respect to some fairly rough and ready indicator of "use of services" such as the size or value of properties occupied—on the assumption that the larger the property occupied by a person the greater the use made of the various local services. This indirect approach somewhat blurs the issue: nevertheless there is a fundamental difference between the "cost and benefit" and the "need and ability to pay" approach.

It is believed that the "alternative view" though not necessarily inappropriate with respect to the activities of Local Authorities in many countries cannot be accepted as particularly relevant in Irish conditions. The approach might be useful if Local Authorities were more or less completely independent of the Central Government and were engaged solely in operating services of the business type mentioned above. But if, as in Ireland, Local Authorities are in part operating services on behalf of the Central Government and providing such services as main roads and medical services, a cost/benefit approach is hardly appropriate.

There may, of course, be scope for charging in whole or in part for *some* services. At the present time the Local Authorities for instance raise over £10 million by way of Fees, Charges, Licences, Rents, etc., and it is possible that more should be raised in this way. What is objected to is not the levying of charges for certain Local Authority services but the general acceptance of a complete "cost and benefit" approach.

III. REVENUE

(a) General

The revenue of Irish Local Authorities is derived from three sources: rates, grants from the Central Government and miscellaneous receipts such as rents received for houses, water rents, and contributions by patients towards the cost of institutional services in hospitals. Table 3 below sets out the relative contributions of these three sources of revenue in recent years and Table 4 shows the trends with respect to Rates in the three main types of Authority during the past ten years.

TABLE 3: INCOME ON REVENUE ACCOUNT OF LOCAL AUTHORITIES, 1938/9–1960/61

	1938/9		1950/51		1959/60		1960/61		1960/61 as % of		1959/60 as % of 1950/51
	£m.	%	£m.	%	£m.	%	£m.	%	1938/9	1950/1	
Rates*	6·3	50	11·6	40	21·4	40	22·3	40	354	192	184
State Grants ...	4·7	37	12·9	45	22·9	43	23·1	41	491	179	177
Other Receipts	1·7	13	4·1	14	9·5	18	10·7	19	629	261	231
TOTAL ...	12·6	100	28·7	100	53·8	100	56·1	100	445	195	187
Rates as % of Grants ...	134		90		93		96				
Rates as % of G.N.P. ...	3·4		2·9		3·4		3·4				
Grants as % of G.N.P. ...	2·5		3·2		3·7		3·6				

Source : Returns of Local Taxation and the *Statistical Abstract.*
* Includes increases in rents of small dwellings owned by rating authorities which are in effect the rates paid by tenants of Local Authority houses.

TABLE 4: RATES COLLECTED BY VARIOUS AUTHORITIES, 1950/1 AND 1959/60

	A	B	C	D
	Rates Collected £m.	Agricultural Grant* £m.	A+B £m.	Total Expenditure £m.
County Councils :				
1950/1	6·1	3·9	10·1	19·3
1959/60	11·7	5·5	17·2	34·2
1959/60 as % of 1950/1 ...	192%	141%	170%	177%
County Borough Councils :				
1950/1	3·6		3·6	7·4
1959/60	6·2		6·2	14·8
1959/60 as % of 1950/1 ...	172%		172%	200%
Urban District and Borough Councils :				
1950/1	1·3		1·3	2·3
1959/60	2·0		2·0	4·3
1959/60 as % of 1950/1 ...	161%		161%	187%
All Three Authorities :				
1950/1	11·0	3·9	15·0	29·0
1959/60	19·9	5·5	25·4	53·3
1959/60 as % of 1950/1 ...	181%	141%	169%	184%

Source : Returns of Local Taxation.
* Urban Districts and County Boroughs received negligible sums by way of the Agricultural Grant : these have been ignored.

At this level of aggregation the following broad trends can be distinguished. First, that during the period 1938/39 to 1950/51 grants from the Central Government increased considerably in importance relatively to Rates. Since that time Rates have maintained their position having increased at roughly the same rate as Total Expenditure and Total Revenue; during the period 1950/51—1959/60 Total Expenditure of Rating Authorities went up by 184%, Income by 187% and Total Rates collected by 181%. Since 1950/51 Grants have declined in importance relatively to miscellaneous receipts and have not kept up with increases in expenditure.

The second trend—and this is reflected in Table 4—is that though the level of County Council expenditure went up by a lower percentage than the expenditures of County Boroughs or Urban District Councils the rate burden went up by a significantly higher percentage. Such a change is, of course, the product of a number of forces but a key element has been the relatively small percentage increase in the Agricultural Grant. Comparing 1950/51 with 1959/60 the Agricultural Grant declined from being 64% of the rates collected to being 47% and from 20% of the County Council level of expenditure to 16%. If the Agricultural Grant had remained at the level of 20% of expenditure it would have amounted to £6·8 million in 1959/60 and if the same combined total of Rates and Agricultural Grant had been required only some £10·4 million would have been needed in Rates, which would have reduced to 171% (from 192%) the ratio of rates collected in 1959/60 to rates collected in 1950/51. This would have been roughly equivalent to the County Borough and Urban District Council ratios.

In the next sections of the Paper the two main elements on the income side—Rates and Grants—are considered in a little detail. It is appreciated that other receipts bring in nearly 20% of the total revenue, that this source of finance has been growing rapidly during the last twenty years, and that there is probably scope for raising even more revenue under this heading by adjusting various fees, charges, costs, rents and—possibly—by undertaking more "trading activities". Even a first examination of this very complicated field, however, must be deferred to a later stage.

(b) Rates : Valuations

Rates are a tax levied on certain kinds of fixed property (including certain rights, e.g., fisheries) which have been declared by law to be taxable in this way. The rateable value of fixed property which is the basis on which the tax is levied is in theory equal to the yearly rent which would be acceptable to both landlord and tenant on the assumption that the former pays for insurance and external repairs to the property and the latter pays the rates.

The exact liability depends, of course, not only on the rateable value but also on the rate in the pound charged by the Local Authorities. If, for example, the rateable value in a particular area is one million pounds and an expenditure of one and a half million pounds has to be financed from Rates then a rate poundage of thirty shillings is required. It follows that a man occupying property valued at £20 would have to pay £30 in rates.

The valuation of rateable property is carried out by the Commissioner of Valuation and his Department who are Central Government officials acting under the general control of the Minister for Finance. This has the great advantage in theory of ensuring that valuations throughout the State are carried out on a similar and consistent basis.

The basic law covering valuation is the Valuation (Ireland) Act of 1852.[5] In essence the Act laid down that all immovable property was to be valued for the purposes of rating, i.e., buildings, land, mines, fisheries, canals, railways, etc., and that the basis of valuation was to be the net annual value. As regards land the net annual value was to be ascertained by reference to a fixed scale of prices which were laid down in the Act for the various agricultural products and was to take into account the quality of the land, proximity to market, etc.[6]

A general valuation under the 1852 Act was completed in 1865. The valuation of lands has not been altered since that time except to reallocate them where holdings have been divided or amalgamated and except in the cities of Dublin and Waterford where revaluations took place in 1916 and 1926 respectively. During the last hundred years some of the land has deteriorated by neglect or flooding whereas other parts have by good husbandry, drainage and care been much improved. New crops have been introduced and new sets of

[5]For an excellent discussion of the history and problems of valuation in Ireland see: C. C. McElligott, "The Problem of Revaluation", *Journal of the Statistical and Social Inquiry Society of Ireland*, 1954/55. See also, H. Lisney, "Rating and Valuation", *Journal of the Statistical and Social Inquiry Society of Ireland*, 1938/39.

[6]The prices taken were in general the average of the prices in forty Irish Market Towns during the period 1849/1851. This was a period of considerable agricultural depression. The chosen prices were (per cwt.): Wheat, 7/6; Oats, 4/10; Barley, 5/6; Flax, 49/–; Butter, 65/4; Beef, 35/6; Mutton, 41/–; and Pork, 32/–.

prices have led to changes in the composition of output. The building of railways and roads and the arrival of motor cars, tractors and farm machinery as well as the changes in recent years in methods of husbandry, use of fertilisers etc., have had great effects on farming throughout the State.

Almost from the time the First Valuation was completed there was concern about its adequacy. It soon became clear that though valuations within counties probably reflected fairly well the relative productivity of the various parts[7] there were discrepancies when it came to making comparisons between Counties. One important reason for this was that though the valuation began in 1852 it was not completed until 1865. It commenced in the South in the earlier year, when conditions as regards property were at a pretty low ebb, and finished in 1865 in the North when conditions had improved. Hence there was inequality in the valuations as between the North and the South, valuations in the North being relatively higher than those in the South. As early as 1869 the Commissioner of Valuation was of the opinion that a number of the Counties needed their valuations increased by between 2/6 and 5/– an acre in order to bring them in line with the valuations of such Northern Counties as Cavan, Donegal and Monaghan. These proposed increases were substantial as the average valuation per acre in the country as a whole was about 8/–.

In 1902 the Royal Commission on Local Government Taxation recommended that there should be a general revaluation. In 1931 the Committee of Enquiry into Derating was of the opinion that the valuations (absolute and relative) of Agricultural Land were not in accordance with contemporary relative values. All the recommendations and criticisms have been of no avail, however, and land valuations to-day roughly remain as they were a hundred years ago.

The position as regards buildings is more complicated. The cities of Dublin and Waterford were revalued in 1916 and 1926. The valuations of the Urban Districts of Galway and Buncrana were revised between 1947 and 1950. With these exceptions there has been no general revision of the valuations of buildings. This, of course, does not mean that there have been no changes in the total value of hereditaments since 1865. Each year new buildings are completed and occupied and are valued for rating purposes. Each year, too, additions and modifications and extensions are made to existing buildings and when this happens the valuation is often (though not always) revised.

The procedure as regards such revisions is as follows. Under the law rate collectors are required each year to make out a list of all rateable properties in their districts which require revision. Such lists are sent to the Commissioner of Valuation through the relevant Local Authority who have the right to give their opinion as to whether the revisions are necessary—though an omission to do this or a recommendation that it is not needed does not affect the right of the Commissioner to revise. In addition, any ratepayer in the district may make out a similar list, and the properties need not be his own.

In practice, however, the system works imperfectly and many properties have not had their valuations revised since 1865, including many properties which have been improved. And many properties built after 1865 have only had their single, original valuation.

The 1852 Act laid down that the basis of valuation would be the net rent at which the landlord could reasonably be expected to let a property at the time of valuation. This has not been followed since the initial valuation. Valuations have always been fixed at lower figures than those represented by the values current at the time of fixing in order to preserve some uniformity with the existing valuations. Recent practice as regards buildings has been to fix valuations in the case of rented property at about one-third of the current net reasonable rental value and, in the case of properties not rented, at one-third of four per cent. of their capital values when occupied for trade or professional purposes and one-third of three per cent. when occupied for residential or farm purposes. In this way an attempt has been made to ensure that there is some semblance of comparability with properties valued in earlier years.

It is sometimes argued that the fact that the valuations do not represent contemporary values is of little importance from a rating point of view for all it means is that poundages are higher, the real burden of rates not being affected. This is true in a very broad way. But the point which is of crucial importance is that there is no reason to suppose that the present values even if adjusted to take account of changes in the value of money would be fair and

[7]The valuing was done with very great care. The method was later described as follows (*Report of Royal Commission on Local Taxation*, 1902): "For the purpose of the valuation the whole of Ireland was divided into districts, each district was then divided into 'quality lots', i.e., areas in which the land was of equal value throughout, and the valuation of the separate holdings in each of these areas, the particulars of the soil and sub soil, underlying rock and climate as affected by altitude, etc., were taken into account. Regard was also paid to facilities for getting seaweed and bog for manure and fuel and proximity to market towns".

equitable. It seems most doubtful if they would reflect contemporary relativities. The best factual evidence for this view is the results of the revision of valuations in Galway and Buncrana; for relative valuations were drastically altered.[8]

Nor should this surprise us. Over a long period of years relative values are bound to get out of line unless there are systematic revaluations. We have noticed what happens in connection with land. It is similar in connection with other hereditaments. Properties get altered and some of these get revalued and others do not. Some of the properties which are never altered greatly improve in value because of the building of roads or parks or because some areas just do become fashionable. Others fall in value for similar sorts of reasons. Some property owners are quick to appeal against their valuations others are either lethargic or ignorant as to how to proceed. Finally there is the great difficulty of carrying out valuations on an artificial basis. It is difficult enough valuing a piece of property at contemporary values without having, as valuers had to do as late as 1945 for example, to value at 1860 rental values.

If rates brought in small sums of money it would not matter too much if the valuation system was not completely equitable. But—as we have seen—rates bring in large sums of money, over £21 m. in 1959/60.[9] An occupier of premises in an area with a 40/– rate poundage suffers an excess rate burden of £10 if the valuation of his property has an upward error of £5 and there must be many errors of this sort of order of magnitude.

Many reasons account for the present valuation position. Probably the most important is that the Commissioner of Valuation has no initiative or independent power with respect to revising valuations. He can only act if invited to act.

In addition to the provisions for General Revaluations which now seem moribund[10] the procedure of the annual revision which we noted above (p. 14) could be used to secure a revision of valuations other than land. Rate Collectors could submit to the Commissioner of Valuation through the relevant Local Authority (and in fact at its instigation) a list with all the properties in the area on it with a request that valuations be revised. This is what happened in Galway and Buncrana. No other Local Authority has acted in this way.

They have not asked for a number of reasons. First, because it would affect the income tax position. Though the aggregate rate burden might not be affected by a revaluation the amount of income tax paid by residents would go up unless special legislation was introduced.[11] In the case of rating a revision of valuations would increase the rate liability of some but would reduce the rate liability of others. In the case of income tax all would lose and none would gain. This constitutes a powerful objection in any area against a revision. Then again in the case of a single Urban District the effect of a revision would be to increase its valuation relatively to other parts of the county. In the case of services which the County Council runs for the whole county the cost is usually spread over the county in accordance with net effective rateable values. In the absence of special treatment a revision of valuations in one area would, therefore, increase the contribution it had to make towards the county services. Thirdly, there is the problem of land which particularly affects the County Councils. Under this procedure land valuations cannot be revised. If a revision of hereditaments other than land took place an important effect would be that there would be a redistribution of the rate burden from occupiers of land to occupiers of other hereditaments. Finally, there is the general lethargy in many Local Authorities and belief in the policy of "letting sleeping dogs lie".

On a number of occasions legislation has been before the Dáil (notably in 1938) to bring about a reform of the present situation but—for a variety of reasons—no new law emerged. This is unfortunate as even at best there are certain objectionable features of rates as a tax.

(c) Rates and Ability to Pay

It is generally agreed to-day that the taxation demands on the citizen should be in relation to his ability to bear the burden and that there are two main elements that determine this taxable capacity. First, the size of the taxpayer's income and, second, the number of dependents that he has to support out of his income. It would also be generally agreed that given the number of dependents the tax system, as a whole, should be progressive, i.e., that

[8]See C. C. McElligott, *op. cit.*, pp. 106–107.

[9]It is, perhaps, interesting to note by way of comparison that the Net Receipts from Income Tax in 1959/60 at £22·3 million were only very slightly more than the proceeds of the Local Rates.

[10]Section 34 of the 1852 Valuation Act empowers County Councils to request a General Revaluation but as the County concerned has to meet the full cost it is not, perhaps, surprising that a request has never been made. Section 65 of the 1898 Local Government (Ireland) Act gives the same powers to County Borough Councils and it was under this legislation that the revaluations of Dublin and Waterford took place.

[11]Since Schedule A tax liability is linked to the valuations, an increase in such valuations would increase the taxpayer's taxable income and thus tend to increase his tax liability.

the percentage of a taxpayer's income going in taxation should rise as his income rises. Beyond these relatively simple propositions it would probably be difficult to get general agreement. Views as to the relief at different income levels that a taxpayer should enjoy per dependent tend to differ as do views as to the extent to which the tax system should be progressive; even if all are agreed that a £1,000 a year man should pay 15% of income in taxation there would be considerable disagreement as to whether the £2,500 a year man should pay 20%, 25%, 35%, or more.

Now when we talk of the tax burden on individual taxpayers we are, of course, referring to the total tax burden; the combination of income tax, the various expenditure taxes, motor vehicle duties and local rates. It is quite unrealistic and misleading in this context to examine the effect of any single tax in isolation from the effects of others. What is important to a taxpayer is his aggregate tax burden and not the amount he pays with respect to any single tax. This point is particularly important with respect to local rates. It is often argued that local rates are a regressive tax—that, in broad terms, tax payers with higher incomes tend to pay a lower percentage of their income in rates—and that because they are not levied in accordance with the ability to pay doctrine they should be condemned and perhaps abolished. Now this sort of argument cannot be accepted for—as we have argued above—what is important is the aggregate tax position and not the position with respect to individual taxes. If the rate burden on individuals is regressive and the overall tax burden is progressive the regressiveness of the rates or of any other tax is of no great importance.[12]

This does not mean, of course, that the effects of a single tax on a particular class of persons may not be so heavy as to produce an overall regressive effect. The total tax burden on heavy smokers considered as a class may well be regressive over a considerable income range because of the heavy taxation on this commodity. A heavy smoker earning £500 a year may smoke as much as a heavy smoker earning £700 a year or £1,000 a year and the tax liability arising from this activity may be so great as to offset the "progressive" effects of other taxes. Thus due to the operation of the tobacco tax the tax burden, as a whole, may be regressive over certain income ranges with respect to this particular class of taxpayers (heavy smokers) and from the "ability to pay criterion" this must be judged to be inequitable.

Another effect of a particularly heavy rate of tax on a commodity, the consumption of which can vary widely, is that horizontal relationships get out of line. Two men with the same taxable capacity—one a non-smoker who spends much money on chocolates, the other a heavy spender on cigarettes—will contribute very different amounts to the Revenue.

Clearly there will always be some anomalies and apparent inequities in any tax system which is not composed entirely of income taxes and, perhaps, general sales taxes. What is important is to ensure that the inequities and burdens of individual taxes do not become too great.

In our present context we have to consider what inequities or anomalies are likely to arise with local rates. It is believed there are a number of ways in which rates may cause particular classes of taxpayers to have specially heavy total or overall tax burdens relatively to other taxpayers with similar taxable capacities.

A broad class of taxpayers which may be affected in this way might be people who have just retired from active work but who quite naturally continue to live in the house they occupied when working. Their income is reduced and with it their income tax, and as their expenditure drops their contribution by way of consumption taxes also falls. But their liability to rates continues unaltered and may constitute a very heavy drain. These people may be forced by this heavy rate burden to leave their houses, but so long as they remain the liability is real and onerous.

Another class of persons may be farmers. Agricultural land and buildings are rated but unlike many businesses land and buildings constitute a substantial proportion of a farmer's capital and a tax which is levied on these forms of capital and none other tends to affect agriculture more than other businesses.

Clearly this argument applies less strongly to those farmers whose occupation of land is small relatively to their output. On the other hand it applies with special force to farmers with a large family for—unlike income tax—the single man and the family man pay the same amount of rates.

[12]In any complete analysis it is also necessary to take into account the effects of government expenditure and consider the total impact of the whole taxation and expenditure system on citizens in different income categories. In the case of Ireland, for example, any overall study of the effects of the public finance system would have to take note of the fact that individuals earning less than £800 a year and farmers with properties valued at less than £50 may qualify for free medical services whereas those with larger incomes or properties do not. It would also be desirable to take into account the effect on net incomes of other forms of State activity such as protective duties, quota restrictions, or other import prohibitions. The present Paper has left all these aspects on one side and has concentrated on the narrow problem of the revenue aspects of the finance of Local Authorities.

That farmers have special problems with respect to this type of tax has been long recognised: in Ireland by the existence of the Agricultural Grant and in the U.K., for example, by the complete derating of agricultural land.

Another general class affected may be the whole body of ratepayers in a poor district where heavy rate burdens (with respect to incomes) may be imposed in the hope of raising enough revenue to provide services at a level not too much below that of richer areas in the State. In such circumstances individuals with similar taxable capacities will be making different total taxation contributions; the taxpayer in the relatively richer area paying less than his opposite number in the relatively poor areas.

There are other objections to rates. In recent years there has been a great increase in the range and variety of movable property that is on the market and which to a very substantial extent competes for the citizens' expenditure with immovable property. People *do* compare and assess the relative benefits that accrue from the acquisition and occupation of real property—housing—with the corresponding benefits that follow the purchase of different types of motor car, television set, washing machine or refrigerator and—to some extent—against the benefits that flow from such service expenditure as foreign travel. With respect to the taxable capacity of the ordinary citizen a tax base confined to real property excluding movable or personal capital seems rather unreal.

Similar trends have taken place over the years with respect to businesses—including farms. Most business enterprises are using a good deal more capital now than they were twenty years ago. There are more tractors on the farms, more transport equipment in the form of trucks and motor cars and generally more capital in industry and commerce. Almost certainly the increase in non-rateable property has been far in excess of the increase in rateable or fixed capital. Given that there has to be a property tax a tax base linked to total rather than to fixed capital would be much more equitable—though much more difficult to administer.

Finally there is the fact that a relatively well off man can limit his liability to rates by living in a small house (though the same argument can be applied to any other outlay tax—a man can always limit his liability to the tobacco tax for example by reducing his consumption of tobacco) and the fact that the family man needs greater accommodation than the single man with the same taxable capacity and will thus suffer a heavier burden from rates. In this latter case, however, it is important not to neglect the effects of other taxes; they, particularly the income tax, may already have operated to equalise the relevant taxable capacity—that with respect to post-tax income. However at the lower income levels when the income tax is not an effective tax this is unlikely to happen.

One other point should perhaps be made in this context. Though—as mentioned in the introduction—no attempt is being made in the Paper to consider the various reliefs and remissions that are in existence with respect to rates (except for a limited discussion in the next section of the role of the Agricultural Grant) a brief mention of some of them is desirable here. There are a very large number of reliefs and remissions which—with the exception of the reliefs which are paid for out of the Agricultural Grant financed from State sources—have to be paid for by increasing the rate burden on other properties. Some of the main concessions are as follows: any increase in value arising from the erection or improvement of farm buildings is free of rates for twenty years; a similar concession to that just mentioned exists with respect to all dwelling houses built in the Gaeltacht; houses which have been built with assistance under the Housing Acts 1932–1960 do not attract full rates till they have been up for ten years; under the Undeveloped Areas Act premises put up for industrial purposes (as certified by An Foras Tionscal) in undeveloped areas can qualify for a two-thirds rebate on rates for ten years; Electricity Supply Board premises used for generating and transmission purposes are exempt from rates; hereditaments occupied by charitable and religious organisations are exempt from rates and this is interpreted very broadly. No estimate is available of the total cost of these concessions but in total they must amount to a very considerable sum.

Some of the concessions are, of course, only of a temporary nature and it may be argued that in the long run because of the encouragement given to building through these various remissions the rate position of the Local Authorities will be improved. It must also be remembered that a main purpose of many of these remissions was to encourage building and economic activity generally rather than reallocate the rate burden. However, the concessions do reduce the income which is at the disposal of the various Local Authorities and in view of the pressure which exists upon their resources this is to be regretted. Since the "remission legislation" is the work of the Central Government there is surely a case for the Central Government making special grants available to the Local Authorities in compensation for their loss of rate income. In doing this the Central Government would be but following the practice that has been followed in connection with the rate remission judged desirable for farmers, the State in this case making a payment direct to the Local Authorities through the Agricultural Grant.

The remissions also have the effect of reducing the total tax obligations of the ratepayers who get the concessions, relatively to other ratepayers, with the same overall taxable capacity, who do not.

(d) Rates: Conclusion

In discussing the burden of rates on the public we are hampered by the lack of reliable statistics. We do not know how the burden of taxation generally or rates in particular vary from income group to income group, or between ~~farmers~~ and industrial workers, or between persons in the same occupation with the same income in different parts of the State.[13] Due to the efforts of those responsible for the National Farm Survey and the work of the farmers' organisations a good deal more is known about the agricultural sector than about the position of other members of the community—though even here the picture is not entirely clear.[14]

In due course it is hoped that the work now in progress at the Institute will throw considerable light on the relative burdens of rates in different areas and on different economic sectors. But this work is by no means complete.

But though the material at present available is not adequate to support any very firm conclusions there are some sources which it is believed can be used to illustrate the orders of magnitude of certain aspects of the problem. To emphasise the fact that the material is not really sufficiently full or reliable to permit generalisations to be drawn, discussion of it has been put in an Appendix. From the arguments and statistics there deployed the following *very tentative* conclusions are suggested :—

(1) That rates are a progressive tax on farmers and that the burden on the larger farms seems to be very heavy.

(2) That the burden of rates on farming income as a whole seems to be roughly twice as high as that on the income of the rest of the community.[15]

(3) That, broadly speaking, rates are a proportional tax with respect to the non-farming community.

Rates have many advantages as a revenue raising instrument for Local Authorities. They are easy to administer and relatively cheap to collect ; they do not give rise to any demarcation problems ; their yield is relatively stable with respect to short period fluctuations in the level of economic activity ; and, perhaps most important of all, people have become used to them if not reconciled to their existence. Yet it is clear from the previous section that a formidable case can be built up against them on grounds of equity and when—as in Ireland—there is added to all these defects a completely out-of-date system of valuation as the foundation of the whole system the making of a worthwhile defence of the rating system becomes exceptionally difficult. It would, of course, be unrealistic to think of the abolition of the local rates or even of drastic changes in their scope. Local rates produce considerable sums of money and governments cannot easily give up completely important revenue raisers. Two suggestions, however, seem appropriate.

First, if local rates are to continue to bring in large sums of money then it is important that hereditaments be revalued so as to ensure equity on this count as between one ratepayer and another.

The second suggestion is less fundamental but perhaps more important. Even after a revaluation there would be—as we have seen—imperfections in rates as with so many other taxes. They are inflexible with respect to changes in income ; do not take account of family responsibilities ; and hit hard consumers who prefer to spend their money on housing rather than in other directions and businesses which need a high proportion of rated to non-rated capital. The existence of these imperfections suggests the need to keep the level of rates reasonably low.

Many taxes hit certain sections of the community particularly hard. A good tax system, therefore, needs to be composed of a number of taxes so that in total rough justice will be done to all. In such a complex of taxes local rates have their part

[13]An heroic attempt to produce a picture of the overall tax burden in relation to particular income levels was made in a Paper read to the *Statistical and Social Inquiry Society* in March, 1961 : L. Reason ; "Estimates of the Distribution of Non-Agricultural Income and Incidence of Certain Taxes." This useful Paper will be published in the 1960/61 Volume of the Society's *Proceedings*.

[14]For some interesting illustrations of the burden of rates and taxation generally on farmers see the *Fourth Report of the Commission on Income Taxation*, Pr. 5731, especially pp. 81–100. It will be clear from this publication that even with respect to agriculture—the best documented sector of the economy—there is still scope for disagreement at the level of measurement as well as at the level of interpretation.

[15]It has, of course, to be remembered that this is the burden of one tax only and that at the higher incomes farmers may benefit in comparison with other members of the community with similar incomes in that due to the way the income tax is administered they are more or less relieved of such liability.

to play—if only for their particularly desirable features as a tax for *Local* Authorities. But a corollary is that the tax must not be pressed too hard just because it is the only tax that the Local Authorities have.

The key question here which has to be faced in Ireland is this. Given the various imperfections which exist with respect to local rates is their weight now too heavy? As already stated a good deal more research needs to be done before a confident answer could be given to this question. It is suspected, however, that some classes of persons—for example, medium sized farmers with large families—are being hit fairly severely and this, it is suggested, implies the need—in the absence of special measures to relieve this particular class of ratepayer—to keep the general burden of rates under very close review in the hope of finding ways to limit any increases and perhaps to find ways of bringing about a reduction.[16]

(e) Grants: General

We noted above how important contributions from the Central Government are in the finance of Local Authorities; in 1959/60 grants amounted to £22·9 m. or 43% of the total revenue. In the same year the most important single grant amounting to over £6·5 m. was made towards the cost of the health service expenditure of Local Authorities under the authority of the Health Services (Financial Provision) Act 1947. The Agricultural Grant amounted to over £5·5 m. and about £5 m. was paid out to help the Local Authorities with their expenditures on roads. Other important grants were those of £1·9 m. towards the cost of running the mental hospitals and about £2 m. towards the costs of the Local Authority Housing Programmes.

Though the detailed provisions of the Acts under which the various grants are authorised vary to a considerable extent, from our rather broad point of view, almost all of them with the exception of the agricultural grant, whose effects we examine in some detail below, fall fairly clearly into the "percentage" category we distinguished above.[17]

A few examples may illustrate the position. In the case of the very large grant towards the cost of the Health Services the amount granted to each Authority amounts to 50% of its expenditure on recognised Health Services. In the case of roads there are a number of different sorts of grant[18] but amongst them is the main road upkeep grant which amounts to 40% of approved expenditure on main roads. In connection with their housing schemes Local Authorities may receive a grant amounting to up to two-thirds of the annual loan charges relating to money borrowed in connection with slum clearance schemes, the relief of overcrowding schemes, or schemes for re-housing people living in unfit or condemned dwellings. For houses built for more general letting the grant is one-third of the relevant annual loan charges. A similar type of grant, i.e., one related to the annual loan charges on money borrowed is made available in connection with expenditure on the various sanitary services.

[16]It is sometimes argued that there is no need to be worried about the burden of rates as with respect to the G.N.P. the burden is no greater than it was before the war. It must be remembered, however, that other taxes are now much more important and this increases the effective burden of Rates; also that the burden in some areas has increased more than the average; and that due to the imperfections in the present rating system certain groups of ratepayers may be hit very severely. In considering the problem of the rate burden being too heavy there is the corresponding question—which is indeed really the same one—as to the way in which the short fall in revenue is to be made up if the yield of rates is reduced and the need, in such circumstances, to be able to show that the new combination of taxes is superior to the old.

[17]*See* pp. 10–11 above.

[18]Including, for example, large sums of money granted as one hundred per cent. grants for road improvement schemes. One hundred per cent. grants have certain special characteristics. Clearly they are a very powerful guiding and persuading instrument. On the other hand it might be thought that they do not suffer from one of the other characteristics of percentage grants namely serving to help those who can help themselves. However, in many cases they do, as the hundred per cent. grants are really in the nature of capital grants and an Authority's ability to use such grants does depend to some extent at any rate upon its ability in the future to afford the higher level of maintenance charges which will normally—though not always—be associated with new capital projects.

TABLE 5: DISTRIBUTION OF GRANTS (PERCENTAGE TYPE), 1959–60.

£000

	Roads	Public Assistance	Mental Hospitals	Health	Sanitary Services	Housing	General Purposes	Total Grants
County Councils ...	4,954·4 (39·7%)	53·4 (0·4%)	1,509·3 (12·1%)	4,741·8 (38·0%)	202·1 (1·6%)	780·4 (6·2%)	238·4 (1·9%)	12,479·8 (100·0)
Urban District Councils	105·5				71·4	379·9	65·7	622·5
County Councils plus U.D. Councils	5,059·9 (38·6%)	53·4 (0·4%)	1,509·3 (11·5%)	4,741·8 (36·2%)	273·5 (2·1%)	1,160·3 (8·9%)	304·1 (2·3%)	13,102·3 (100·0)
County Borough Councils	319·2 (8·7%)	10·5 (0·3%)	364·6 (9·9%)	1,773·9 (48·1%)	66·3 (1·8%)	954·6 (25·9%)	196·9 (5·3%)	3,685·9 (100·0)
Total ...	5,379·1 (32·0%)	63·9 (0·4%)	1,873·9 (11·2%)	6,515·7 (38·8%)	339·8 (2·0%)	2,114·9 (12·6%)	501·0 (3·0%)	16,788·3 (100·0)

TABLE 6: GRANTS (PERCENTAGE TYPE) AND REVENUE EXPENDITURE, 1959/60

£ million

	Roads	Public Assistance	Mental Health	Health	Sanitary Services	Housing	General Purposes	Total
County Councils :								
Expenditure	10·5	0·8	3·3	10·4	1·5	3·7	3·9	34·2
Grants	4·9	0·1	1·5	4·7	0·2	0·8	0·2	12·5
Net Expenditure ...	5·6	0·7	1·8	5·7	1·3	2·9	3·7	21·7
Grants as % of Expenditure	46%	12%	45%	45%	13%	22%	5%	36%
% Distribution of Net Expenditure ...	26%	3%	8%	26%	6%	13%	17%	100%
County Councils plus U.D. Councils :								
Expenditure	10·8	0·8	3·3	10·4	2·2	5·1	5·7	38·5
Grants	5·1	0·1	1·5	4·7	0·3	1·2	0·3	13·1
Net Expenditure ...	5·7	0·7	1·8	5·7	1·9	3·9	5·4	25·4
Grants as % of Expenditure	47%	12%	45%	45%	14%	23%	5%	34%
% Distribution of Net Expenditure ...	22%	3%	7%	22%	7%	15%	21%	100%
County Borough Councils :								
Expenditure	0·8	0·2	0·9	4·0	2·1	4·4	2·4	14·8
Grants	0·3	0·0	0·4	1·8	0·1	0·9	0·2	3·7
Net Expenditure ...	0·5	0·2	0·5	2·2	2·0	3·5	2·2	11·1
Grants as % of Expenditure	37%		44%	45%	5%	20%	8%	25%
% Distribution of Net Expenditure ...	4%	2%	4%	20%	18%	32%	20%	100%
All Authorities :								
Expenditure	11·6	1·0	4·2	14·4	4·3	9·5	8·1	53·2
Grants	5·4	0·1	1·9	6·5	0·3	2·1	0·5	16·8
Net Expenditure ...	6·2	0·9	2·3	7·9	4·0	7·4	7·6	36·4
Grants as % of Expenditure	46%	10%	45%	45%	7%	22%	6%	32%
% Distribution of Net Expenditure ...	17%	2%	6%	22%	11%	20%	21%	100%

TABLE 7: DISTRIBUTION ETC. OF TOTAL GRANTS, 1959–60

£000

	Percentage Grants	Agricultural Grant	Other Grants	Total Grants	Percentage Grants as % of Total Expenditure	Total Grants as % of Expenditure	Percentage Grants as % of Rate Income	Total Grants as % of Rate Income
County Councils ...	12,479·8 (68·5%)	5,544·7 (30·4%)	185·8 (1·0%)	18,210·3 (100·0)	36·5%	53·3%	104·5%	152·4%
Urban District Councils	622·5		43·8	666·3	14·5%	15·6%	26·1%	27·9%
County Councils plus Urban District Councils	13,102·3 (69·4%)	5,544·7 (29·4%)	229·6 (1·2%)	18,876·6 (100·0)	34·1%	49·1%	91·4%	131·7%
County Borough Councils	3,686·9 (94·0%)	6·2 (0·2%)	227·0 (5·8%)	3,920·1 (100·0)	24·9%	26·5%	52·1%	55·4%
Total ...	16,789·2 (73·6%)	5,550·9 (24·4%)	456·6 (2·0%)	22,796·7 (100·0)	31·5%	42·8%	78·4%	106·5%

NOTES ON TABLES 5, 6 AND 7

1. *Source : Returns of Local Taxation.*
2. Other Grants in Table 7 are State Contributions in lieu of Rates.
3. The Rate Income base on which the final column in Table 7 is calculated includes Increases in Rents of small dwellings.
4. The total of grants in Table 7 at £22·8 million is less than the £22·9 million in Table 3 as the latter figure includes the grant of £101,502 made to the Separate Public Assistance Authorities for Health (*see* Table XXXIX of *Returns of Local Taxation*, 1959/60) and various other small grants such as that of £16,931 to various Mental Hospital Boards (*see* Table XLII of *Returns of Local Taxation*).

Table 5 shows the allocation of percentage type grants to the various Local Authorities and how they were divided as between the various services. Table 6 shows the importance of these grants with respect to the level of expenditure on various services by the different Authorities. Table 7 shows the importance of grants as a whole (percentage grants plus the Agricultural Grant) with respect to the level of expenditure and the level of rate income of Local Authorities.

On the whole the tables tell their own story but it is desired to emphasise two points.

Table 6 indicates the different degrees of support which the State gives to various Local Authority services. It is clear that in the case of Roads, Mental Health and Health State support is heavy being about 45 per cent. of total revenue expenditure in each case. In the case of housing, too, there is a considerable degree of help amounting to some 20 per cent. of Revenue Expenditures. What is, perhaps, surprising is the small support given with respect to General Purposes Expenditures.[19]

To some extent, however, this is misleading. Two large items under this heading are Local Authority grants to Vocational Education Committees and to Committees of Agriculture. In 1959/60 such grants amounted to £0·7 million and £0·3 million respectively. In addition to these Local Authority grants the Committees received State grants in 1959/60 amounting to £1·2 million in the case of Vocational Education and £0·3 million in the case of Committees of Agriculture. These State grants do not appear in the statistics set out in Tables 5, 6 and 7 as, technically, Vocational Education Committees and Committees of Agriculture are not part of the normal Local Authority system. It is, however, desirable to note the effect of this administrative factor. This can be done in two ways. If the direct State grants are taken into account (i.e., if we think of Vocational Education Committees and Committees of Agriculture as being part of the Local Authority system) then the ratio grants as a percentage of total expenditure for all Authorities in Table 6 would increase in the case of General Purposes Expenditure from 6 per cent. to 21 per cent. If, on the other hand, we completely exclude the two items (i.e., ignore completely the grants which Local Authorities make) then the ratio rises from 6 per cent. to 7 per cent.

For services other than Vocational Education and the work of Committees of Agriculture the point remains: State support is not great and this must tend to reduce the expenditure which Local Authorities feel able to allocate to them from their own resources.

The second point relates particularly to Tables 6 and 7. In Table 7 it is shown that in the case of the County Councils (including U.D. Councils) some 34 per cent. of total expenditure is financed by percentage grants and some 49 per cent. by Central Government Grants as a whole. In the case of County Boroughs, however, the corresponding percentages are 25 per cent. and 26·5 per cent. Now the main reason for the difference in the overall figure is, of course, the fact that the County Boroughs hardly receive any support through the Agricultural Grant. But even when it is excluded there is still the difference as between the relative importance of percentage grants. Table 6 indicates the reason for this. It arises mainly out of the high level of County Council expenditure on roads and the fact that a good proportion of this expenditure is financed by 100 per cent. grants.[20] This expenditure attracts a large grant income which pushes up the average for County Councils as a whole. The end result is primarily a reflection of the different expenditure patterns; whereas County Councils devoted over a third of their "Gross" expenditure to roads, County Boroughs devoted about five per cent.

(f) The Agricultural Grant[21]

The Agricultural Grant is paid to County Councils to enable them without loss to themselves to reduce the rate burden on the occupiers of agricultural land. At the present time the total grant amounts to the sum needed to give relief of rates on (*a*) three-fifths of the general rate in the pound on land valuations up to £20 and on the first £20 of valuations over that figure—this is known as the Primary Allowance—and (*b*) to provide an Employment Allowance of £17 in respect of each qualified workman subject to the limit that the total of employment allowances should not exceed the rates on land values over £20.

[19]See Note 2 to Table 1 for a list of some of the items of expenditure included under this heading

[20]See footnote 18 above.

[21]This section is not intended to be a comprehensive study of the effects of the agricultural grant. Here we are only interested in the more or less direct effects it has on the level of rates and no attempt is made to consider such important aspects of the agricultural grant as the justification for subsidising employment. No attempt is made to trace the various changes that have been made in the grant since it was first introduced under section 48 of the Local Government (Ireland) Act 1898. Nor is there any discussion of some of the problems which are faced in administering the grant.

The County Councils are authorised by State legislation to make these concessions which amounted to over £5·5 million in 1959/60 and they are eventually reimbursed for them by the State. Some 80 per cent. of the total agricultural grant in 1959/60 was made available as Primary Allowances.

The Primary Allowance

In considering how the Primary Allowance works it will be convenient to see, first, how it operates within a given Local Authority area and then to look at some of the factors that are important in bringing about the allocation as between counties.

Within each county the Primary Allowance operates in a very straightforward way as illustrated in Table 8 below.

suggested that the impact of rates on the medium and large farmers was probably excessive relatively to other ratepayers and that this might justify some special relief. It is doubtful if the Primary Allowance can be regarded as meeting this need as its assistance to this class of farmers is not great; farms with rateable values of £75 only getting their net rate obligations reduced by 16 per cent.—in our Table example—and those with rateable values of £100 by 12 per cent.

The points we have just made with respect to the Primary Allowance apply to every County taken separately. No matter what the rate poundage the percentages in the final column of Table 8 would be the same for farms of the same rateable value. Thus within each County the Allowance may be regarded as a proportional 60 per cent. sub-

TABLE 8: OPERATION OF THE PRIMARY ALLOWANCE.

(A 40/– Rate Poundage is assumed.)

Rateable Value of Farm	Gross Rate Obligation £	Agricultural Grant £	Net Rates Payable £	Net Rates as % of Gross Rates
£ 10 R.V. ...	20	12	8	40%
£ 15 R.V. ...	30	18	12	40%
£ 20 R.V. ...	40	24	16	40%
£ 30 R.V. ...	60	24	36	60%
£ 50 R.V. ...	100	24	76	76%
£ 75 R.V. ...	150	24	126	84%
£100 R.V. ...	200	24	176	88%
£150 R.V. ...	300	24	276	92%
£200 R.V. ...	400	24	376	94%

Farms of up to £20 rateable value obtain relief with respect to their total rate obligations; receiving through the Allowance 60 per cent. of their gross rate obligations. Farms with valuations more than £20 only receive by way of the Allowance 60 per cent. of gross rates on £20 rateable value which, with the assumed rate poundage in the table, amounts to a relief of £24. Thus as the size of farms (by rateable value) increases the ratio of net rates payable to gross rates goes up.

It is clear that the Primary Allowance is mainly of benefit to the smaller farmer in the sense of its leading to a substantial percentage reduction in the gross rates payable. However, all farmers—even the largest and richest in the State—benefit by the relief on £20 of rateable value. On the assumption that the object of the Allowance is to help the small farmer this must be regarded as an anomaly.

In our discussion earlier in the Paper it was

sidy of the rates payable with respect to farms having a valuation of up to £20 and a declining percentage subsidy of the rates payable with respect to farms with rateable values above that figure. This amounts to saying that the burden of rates on farms of up to £20 valuation is reduced proportionately: an equal percentage gain accrues to the £10 rateable value and the £20 rateable value farm. There is thus no redistributive or equalisation element with this group of farms. With farms with valuations above £20 there is a redistributive element as the effect of the allowance is to increase the degree of progressiveness in the Gross Rates position by providing a declining percentage contribution by way of relief; the larger and richer farmers gaining a much lower percentage relief on his gross rates than the smaller and poorer farmers.

An examination of the factors affecting the distribution of the Primary Allowance as between

Counties is less straightforward. Four rather different considerations have their effect.

In the first place it is obvious that an important factor is the distribution of land holdings. If the land was distributed in such a way that no holding was valued at more than £20 rateable value all land in the State would qualify for relief from rates through the Primary Allowance. If, however, some land is held in holdings of more than £20 rateable value then a part of the land of the State and of a County will not qualify for relief, the proportion depending on the particular distribution of land (measured by valuation).

Now there are big differences in this respect from one county to another; at one extreme there is Mayo where in 1960 90 per cent. of total holdings had a valuation of less than £20 rateable value and at the other Kilkenny with only 53 per cent. of holdings having a valuation of less than £20. Columns 1 and 2 of Table 9 set out some information with respect to the distribution of land measured by rateable value.

TABLE 9: DISTRIBUTION OF HOLDINGS AND AGRICULTURAL GRANT, ETC.

County	% of Holdings under £20 R.V.	Holdings above £100 R.V.		Distribution of Primary Allowance £000	Distribution of Employment Allowance £000
		No.	%		
1. Carlow ...	60	312	6	58·0	28·0
2. Cavan ...	69	106	1	203·7	22·8
3 Clare ...	68	268	2	209·6	31·0
4. Cork	62	1,438	4	478·2	161·1
5. Donegal ...	86	274	1	234·8	27·9
6. Dublin ...	63	723	9	59·8	38·5
7. Galway ...	75	233	1	438·7	38·0
8. Kerry ...	81	104	*	271·0	28·3
9. Kildare ...	64	729	9	91·2	50·3
10. Kilkenny ...	53	667	7	115·3	62·2
11. Laoighis ...	58	384	5	102·0	37·4
12. Leitrim ...	86	23	*	129·6	6·1
13. Limerick ...	62	769	5	181·7	75·5
14. Longford ...	70	157	2	111·7	15·7
15. Louth ...	65	398	6	69·0	30·2
16. Mayo	90	83	*	324·3	14·3
17. Meath ...	54	1,206	9	126·3	69·0
18. Monaghan ...	62	149	1	147·7	22·4
19. Offaly ...	59	302	4	118·7	33·1
20. Roscommon	70	185	1	233·8	19·2
21. Sligo	77	81	1	150·9	13·1
22. Tipperary N.R.	55	1,073	5	130·3	42·4
23. Tipperary S.R.				125·5	55·9
24. Waterford ...	61	556	7	100·1	41·4
25. Westmeath ...	58	564	6	120·8	31·8
26. Wexford ...	61	582	5	138·0	73·9
27. Wicklow ...	63	439	6	76·6	31·0
TOTAL ...	69	11,805	3	4,547·7	1,100·7

*Less than 0·5%.

NOTES ON TABLE 9

1. *Sources: Holdings.* Statistics for 1960 have been supplied by the Department of Local Government. The latest year for which information has been published is 1950 (*see* Table 81 of 1960 *Statistical Abstract*).

Agricultural Grant. Statistics for 1960/61 have been supplied by the Department of Local Government. The latest year for which information has been published is 1958/59 (*see* Appendix II of 1958/59 *Report of Department of Local Government*).

2. A *Holding* is defined as all land used wholly or partly for agricultural purposes that is operated as a single holding or property.

3. *Valuations* in the table include land *and* agricultural buildings. The buildings tend to have a very low valuation.

4. The percentage distribution of the Agricultural Grant is shown in Table 18.

Other things being equal a county will receive a bigger share of the Primary Allowance the higher the proportion of its total land valuation that qualifies for the grant. Broadly speaking, therefore, a county of small farmers benefits more than a county of large farmers.

The second factor which is important is the amount of money which an Authority wishes to spend. Consider two counties A and B alike in all respects except that B has a high level of expenditure and, therefore, a higher rate poundage. Table 10 sets out the problems.

TABLE 10: THE PRIMARY ALLOWANCE IN TWO COUNTIES (A AND B).

Rateable Value of Farm	Rate Poundage		Gross Rates £		Primary Allowance £		Net Rates £		Net Rates as % of Gross Rates	
	A	B	A	B	A	B	A	B	A	B
£15 R.V.	40/-	50/-	30	37·5	18	22·5	12	15	40	40
£20 R.V.	40/-	50/-	40	50	24	30	16	20	40	40
£30 R.V.	40/-	50/-	60	75	24	30	36	45	60	60
£50 R.V.	40/-	50/-	100	125	24	30	76	95	76	76
£100 R.V.	40/-	50/-	200	250	24	30	176	220	88	88
TOTAL ...	40/-	50/-	430	537·5	114	142·5	316·0	395	73·5	73·5

As expected from our earlier discussion the ratios in the final columns of the table are equal. What is different and important is that B gets a bigger Primary Allowance; £142·5 instead of £114·0; an increase of 25 per cent. in line with the increase in rate poundage. B will, therefore, get a bigger share of the total available funds than A.

Looking at it from the point of view of the individual farm no real objection can be taken to the farms in B getting the same percentage relief as the farms in A. Yet it is doubtful if the overall result is entirely satisfactory. The citizens of B have decided to tax themselves more heavily than the citizens of A in order (in our example) to have a higher level of services. This is entirely the concern of B. But the result of the decision is that B receives a higher grant than A, i.e., that the citizens of B receive greater support from the State than the citizens of A, who are, after all, probably making the same contribution by way of general taxation to the State as the citizens of B.

Other things being equal, therefore, the more a Local Authority chooses to tax its residents the more that area will receive through the operation of the Primary Allowance—both absolutely and as a share of the available funds.

The third factor concerns the valuation of an area. Earlier in the Paper reasons were given why it is likely that relative valuations as between counties are now out of line. This can affect the distribution of the Primary Allowance.

Consider two counties A and C. Let A have the same characteristics as A in our previous example. Let C be equivalent in all respects—size and number of farms, quality of land, etc.—except that for historical reasons valuations (for identical farms) are lower than in A by 20 per cent. Let us assume—quite reasonably—that C wishes to have the same expenditure and raise the same revenue as A. Conscious of the fact that her rateable value is only 80 per cent. that of A, C levies the higher rate poundage necessary to bring in the same gross rate income; a rate poundage 25 per cent. higher than in A, i.e., 50/-. Table 11 indicates the end result.

TABLE 11: PRIMARY ALLOWANCE IN TWO COUNTIES (A AND C).

Rateable Value of Farm £		Rate Poundage		Gross Rates £		Primary Allowance £		Net Rates £		Net Rates as % of Gross Rates	
A	C	A	C	A	C	A	C	A	C	A	C
15	12	40/-	50/-	30	30	18	18	12	12	40	40
20	16	40/-	50/-	40	40	24	24	16	16	40	40
30	24	40/-	50/-	60	60	24	30	36	30	60	50
50	40	40/-	50/-	100	100	24	30	76	70	76	70
100	80	40/-	50/-	200	200	24	30	176	170	88	85
215	172	40/-	50/-	430	430	114	132	316	298	73·5	69·3

What is important is the difference in the Primary Allowance and Net Rates columns. C receives a higher Primary Allowance and this, of course, reduces the Net Rates payable. This effect is caused by the lower valuations in C enabling a higher proportion of the total valuation to qualify for the allowance. It follows that the lower the valuation that is put on land of a *given quality* the greater the gain to an area through the Primary Allowance; moreover the benefit does not accrue to the smallest farms.

The fact that the allocation of the Primary Allowance is influenced in this way underlines again the need for a revaluation of hereditaments.

The fourth factor concerns the role of the Primary Allowance in helping to even out differences in wealth or income between two Local Authorities. Consider County A again and in addition D which is assumed to have only 80 per cent. of the rateable value of A, the same number of inhabitants and farms, and with its land distributed in the same broad fashion.[22] Now if D applies the same rate poundage as A (Columns D[1] in Table 12) gross rate income will be £344 which is—as in A—200 per cent. of total rateable value[23], Net Rates will be £238·4 or 139 per cent. of rateable value compared with 147 per cent· in A and the Primary Allowance will be £105·6 or 61 per cent. of rateable value compared with 53 per cent. in A.

[22]In this example it is assumed that relative rateable values *do* represent real relative values.

[23]On the assumption that rateable values do represent real differences in quality comparisons of the relationship between rates and rateable values may be used as a reasonably good indicator of the relative burden of rates.

TABLE 12 (*a*): ALTERNATIVE POSSIBILITIES FOR COUNTY D.

Rateable Value of Farms £	Rate Poundage		Gross Rates £		Primary Allowance £		Net Rates £		Net Rates as % of Gross Rates	
	D′ As in A	D″ To raise same income as A	D′	D″	D′	D″	D′	D″	D′	D″
12	40/–	50/–	24	30	14·4	18	9·6	12	40	40
16	40/–	50/–	32	40	19·2	24	12·8	16	40	40
24	40/–	50/–	48	60	24	30	24	30	50	50
40	40/–	50/–	80	100	24	30	56	70	70	70
80	40/–	50/–	160	200	24	30	136	170	85	85
TOTAL 172	40/–	50/–	344	430	105·6	132	238·4	298	69·3	69·3

TABLE 12 (*b*): A COMPARISON OF A AND D

	A	D′	D″
Total Rateable Value	£215	£172	£172
Rate Poundage	40/–	40/–	50/–
Gross Rates	£430	£344	£430
Primary Allowance	£114	£105·6	£132
Net Rates	£316	£238·4	£298
Net Rates as % of Gross Rates	73·5	69·3	69·3
Gross Rates as % of R.V. ...	200	200	250
Net Rates as % of R.V. ...	147	139	173
Primary Allowance as % of R.V.	53	61	77

These figures might seem to suggest that the Primary Allowance is having a redistributive effect for the Allowance in D—the assumed poorer county—is a higher proportion of rateable value and of gross rates than in A. It is believed that this would not be a completely fair interpretation of the statistics. For as the total level of Income in D—and presumably the level of expenditure—is lower than in A the comparison is not really justifiable. It should also be noted that the total allowance—and, therefore, in our example allowance per farm and *per capita*—is lower in D than in A.

The Columns headed D″ (in Table 12 (*a*)) show the position when D's income is the same as in A and Table 12 (*b*) shows the summary position for A, D′ and D″. To obtain the same income as A, D must levy a poundage of 50/–. This leads to net rates of £298 or 173 per cent. of rateable value and a Primary Allowance of £132 or 77 per. cent of rateable value.

A comparison of A with D″ is the right comparison to make in considering the extent to which the Primary Allowance has a general redistributive element.

The grant *is* redistributive in the sense that a higher total grant goes to the poorer Authority. Other things being equal, therefore, the poorer county will get the bigger grant. But there is a cost involved. To get the bigger grant the poorer area has to impose a higher rate of taxation—D″ Net Rates on average are 173 per cent. of rateable value whereas in A they are 147 per cent. The Primary Allowance is not sufficiently redistributive to bring about an equalisation of rate burdens at the same level of incomes. And, as we saw in connection with D′, if a poor Local Authority felt it could only impose the same burden of rates on its residents as in A[24] then not only would its level of expenditure be less but it would receive a smaller absolute amount and percentage share of the available funds.

In the above discussion we have isolated four rather different factors affecting the distribution of the Primary Allowance. The allocation that emerges—which is set out in Table 9—is the resultant of their various pressures. By no means do they all operate in the same direction: Mayo and Donegal, for instance, may 'gain' through the operation of Factor 1 but lose through the operation of Factor 4; Kerry may gain under Factor 3 but lose under 4; Waterford may gain under 2 but lose under 1—and so on. Indeed, some of the rather odd features of the distribution—which we will be looking at in more detail in the next Section of the Paper—are probably explained by the complex of causes operating to bring it about.

[24]That is to say the same ratio of gross rates to rateable value.

The Employment Allowance

The Employment Allowance is best regarded as a direct offset to rates. For every man employed the rates payable are reduced by £17 so long as this does not reduce the rates payable on the first £20 of valuation. To qualify for the allowance a farmer must have employed a workman on his holding during the whole of the preceding calendar year. Indeed, the main purpose of the allowance is to persuade the farmer to keep his workers on for the whole year and not dispense with them during the winter months. To discuss the broad economic arguments for and against attempting to do this would take us too far from the main theme of the present Paper. It seems doubtful, however, if a payment of £17 as a subsidy in relief of rates per person employed a whole year is likely to be a particularly powerful inducement for a farmer to keep on someone he would not have kept on anyway.

TABLE 13: THE EMPLOYMENT ALLOWANCE: SOME EXAMPLES.

Type of Holding	Rate Poundage	Gross Rates £	Primary Allowance £	Employment Allowance £	Employment Allowance as % of Gross Rates	Net Rates £	Net as % of Gross Rates
£100 R.V.							
No employees ...	20/–	100	12			88	88
1 employee ...	20/–	100	12	17	17	71	71
2 employees ...	20/–	100	12	34	17	54	54
£100 R.V.							
No employees ...	40/–	200	24			176	88
1 employee ...	40/–	200	24	17	8·5	159	79
2 employees ...	40/–	200	24	34	17	142	71
£150 R.V.							
No employees ...	20/–	150	12			138	92
1 employee ...	20/–	150	12	17	11·3	121	81
2 employees ...	20/–	150	12	34	22·7	104	69
3 employees ...	20/–	150	12	51	34	87	58
£150 R.V.							
No employees ...	40/–	300	24			276	92
1 employee ...	40/–	300	24	17	5·7	259	86
2 employees ...	40/–	300	24	34	11·3	242	81
3 employees ...	40/–	300	24	51	17	225	75

Table 13 indicates how the employment allowance works. In all cases, no matter what the rate poundage, rateable value or the number of workers employed, the relief per man employed is the same.[25] Since the allowance is a given sum of money it follows that the percentage benefit per man is less the greater the gross rates payable. In the Table, for example, the ratio net to gross rates is higher for farms of the same size when the rate poundage is higher and higher for farms which are larger when the rate poundage is the same. Thus considering those farmers that benefit from the allowance it is probably redistributive. On the other hand those farmers who receive it at all are probably better off than those who do not qualify and in this sense, the more important sense, the allowance is the opposite of redistributory.[26]

It is probable, too, that the areas in which agricultural employment is centred are richer areas than those where one man farming is the rule, and from this side also the element of redistribution in the employment allowance is slight.

(g) Conclusion on Grants

It is not easy to know where exactly to put the agricultural grant into our classification of percentage, equalisation and general grants. It is not an equalisation grant, though it does have some redistributive features. It has, however, attributes of both a general and a percentage grant. As regards the former type it is not linked to expenditure on any specific service and it is in part—though only in part—determined by objective factors such as the number of persons employed in agriculture, and the proportion of agricultural holdings which are under £20 rateable value. On the other hand there are attributes which one would normally associate with percentage grants. For, as we have seen, the amount of the grant does tend to vary with the level of expenditure of the Authority. Thus the more that is raised in gross rates the more is received by way of agricultural grant.

Having looked at the grant system generally it is clear that it does not contain our "ideal" combination of general or neutral grants, redistributive or equalisation grants, and percentage grants. On the contrary percentage grants dominate the scene, moreover percentage grants on the whole at a high rate and on a relatively narrow range of services. This structure of grants must have a tendency to limit the effective freedom of action of Local Authorities and their willingness to spend money on the large number of possible items of local expenditure for which grants are not available. It must also involve the relevant Departments of the Central Government in a good deal of supervisory, inspecting and approving activity. Finally—but of great importance—the lack of any system of redistributive grants must tend to penalise those citizens living in the poorer parts of the State.

IV. PATTERNS OF REVENUE AND EXPENDITURE

Tables 14 to 20 which are placed at the end of this section illustrate the income and expenditure position of the various Local Authorities.[27] The following are some of the key points which seem to emerge from the statistics.

Average expenditure per head in the four County Boroughs was £21·4 *per capita* with a range of £21·6 in Dublin to £18·5 in Waterford. As regards the counties (including the Urban Districts) the average *per capita* expenditure was £17·6 with a range of £22·3 in Waterford to £13·3 in Mayo[28]. Thus, expenditure per head in the County Boroughs was higher than expenditure in the counties. But a more significant point is the wide difference existing between the counties. On a *per capita* expenditure basis the top five counties from an expenditure point of view were Waterford £22·3, Longford £20·7, Westmeath £20·4, South Tipperary £19·5 and Roscommon £19·4. The bottom five were Mayo £13·3, Kerry £14·8, Donegal £15·1, Wexford £15·6 and Sligo £16·4. These are very substantial differences. In Mayo, for example, if her expenditure per head had been up to the average expenditure per head of £17·6—let alone the level of some of the freer spending counties—this would have added nearly half a million pounds to her total expenditure and increased it by some 30 per cent.

Table 15 showing the *per capita* expenditure on a variety of different services suggests that low

[25] So long, of course, as the operation of the allowance is not limited by the constraint that the ratepayer must pay an amount in rates equal to the rates on the first £20 of rateable value—reduced, of course, by the operation of the primary allowance.

[26] It might be argued that though the allowance in the first instance goes to better off farmers it is passed on in the form of wages to poorer members of the community and thus *is* really redistributive. This argument seems *too* ingenious.

[27] Though a great deal of statistical material is included, the tables are by no means exhaustive. In particular an attempt has been made to avoid repetition by not always repeating in precisely the same form tables for counties inclusive and exclusive of the Urban Districts—even though, ideally, this should be done.

[28] These latter (county) figures are taken from column 5 of Table 14. They refer therefore to averages with respect to the combined total of the County Councils and the Urban District Councils.

aggregate figures carry with them below average *per capita* performance in most types of expenditure, though the association is by no means complete.

It is considered that statistics of *per capita* expenditure may be taken as indicating in a very broad way the level of service being obtained by the inhabitants of an area; a high *per capita* figure indicating a better provision of services than a low *per capita* figure. It is appreciated that many objections can be made to this approach; rates of wages vary from area to area; productivity varies; and costs of raw materials vary. So, too, do the needs of areas: some Authorities, for example, have many more miles of road per person to maintain or have more residents needing re-housing than others.

It is hoped eventually to build up real indicators of the level of services in the different parts of the State and this will be a much better way of doing the job than looking at statistics of *per capita* expenditure. Nevertheless with all their imperfections it is considered that the *per capita* figures do indicate the right orders of magnitude.

What is being suggested on the basis of the *per capita* expenditure figures deployed in Tables 14 and 15 is, therefore, that the level of services provided by the different Local Authorities varies across the State.

If we examine the income side the position is not too dissimilar. Rate income of County Councils averaged (Table 16) £6·8 *per capita* with a range from Waterford with £10·9 *per capita*, Westmeath with £9·3 and Meath with £9·0 on the one hand to Donegal with £5·1, Kerry £5·0, Leitrim £4·9 and Mayo £4·2. Examining the figures in Tables 14, 16 and 17 it would seem that in very broad terms expenditure per head and rate income per head move together.

This poses an extremely important question. If those counties which have relatively low *per capita* expenditures and rate incomes have chosen to tax themselves relatively lightly and have a relatively low level of expenditure then this is no doubt interesting but if we believe in a considerable degree of local autonomy and freedom there is little more to be said. If the elected representatives of the people have chosen to have a relatively low level of public consumption and a relatively high level of private consumption this is a matter for the electors in the relevant areas and for no one else.

Another possibility, however, is that those areas with low expenditures and low rate incomes are poor areas. In such circumstances it could be that the level of taxation which exists in these areas is high relatively to the level of income or wealth in the area but that nevertheless because of their poverty the level of rate income per head and expenditure per head is low. It is extremely important to know whether this is or is not the case. At the moment the information available with respect to the income and wealth position of the individual counties is not sufficient to allow a firm opinion to be formed on the matter.[29] However, the evidence that is available tends to suggest that this latter possibility is probably correct.

In the first place levels of rate poundage tend to be high in those areas where the level of *per capita* expenditure is low which indicates, at any rate to some extent, that the Councils are *trying* to provide a reasonably high level of service. It will be clear from Table 16 that the counties with the highest rate poundages were Kerry with 51/–, Donegal with 48/3d., Galway with 47/4d, Longford with 46/- and Mayo with 45/–. On the other hand the counties with the lowest rate poundages were Meath with 25/–, Monaghan with 33/–, South Tipperary with 33/4d., Wexford with 32/– and Kilkenny with 31/8d. It may be noted that three of the five counties with the lowest *per capita* expenditures are three of the counties with the highest rate poundages and that four of the five counties with the lowest rate poundages have *per capita* expenditures above the average.

This evidence is, of course, not conclusive for in view of the state of the valuation system it is not certain that valuations in the various counties reflect from a relative point of view the income/wealth position. It follows that one cannot really directly compare the rate poundages and use them as evidence of the relative burden of taxation.

However, there is some interest in comparing the valuation position and some relevant statistics are set out in Tables 16 and 17. In the counties as is indicated in Table 16 average *per capita* valuation was £5·4. The counties with the highest *per capita* valuations were Meath with £9·8, Waterford with £7·2, South Tipperary with £7·8 and Westmeath with £7·4. At the bottom were Mayo with £3·3, Donegal with £3·2 and Kerry with £3·3. If we accept the average valuation figures for the counties as an indicator of their relative income/wealth position then it would seem that the low expenditures and rate income position of some of the counties is a reflection of their poverty.

Another comparison which emphasises this particular point is made in the final column of Table 17. Average expenditure as a percentage of rateable value is about 340 per cent. The three counties

[29]A study which, it is hoped, will throw light on this problem is being undertaken at the Institute.

with the lowest expenditure *per capita* figures have high expenditure to rateable value ratios, namely, Kerry, Mayo and Donegal. Sligo and Galway, too, which have low *per capita* expenditures and high rate poundages have high ratios of expenditure to rateable value. All this is suggestive that they are holding back their expenditures because of lack of resources rather than because of deliberate desire. At the other extreme a good number of the higher *per capita* expenditure and low rate poundage counties have a below average ratio of expenditure to rateable value.

A similar picture is shown by comparing columns five and six of Table 17. To a substantial extent those counties that have below average *per capita* income figures have above average ratios of income to rateable value.

It is interesting to note the distribution of State grants. In Table 18 the percentage distribution of the agricultural grant is shown by counties and also the percentage distribution of a number of other related statistics. It is particularly interesting to examine the Table with respect to Mayo and Donegal—the two counties with the lowest *per capita* expenditure and rateable values. With respect to the value indicators—rate income, expenditure and valuations—and to the distribution of acreages Mayo and Donegal get a higher proportion of the Agricultural Grant than that to which—on that count—they are "entitled". On the other hand, with respect to population and labour employed in Agriculture they get a lower percentage.

Table 19 (*a*) shows the *per capita* distribution of the Agricultural Grant. It will be noted that our two "low expenditure" counties get below average *per capita* support from the Grant.

Tables 19 and 20 show the distribution of grants as a whole to the Local Authorities. No very clear positive picture emerges from the statistics but the negative conclusion—that there is no real evidence to show greater State support for the counties which are probably poorer—seems to be clear.

Of the five County Councils with the lowest rateable values per head, Donegal, Mayo, Kerry, Galway and Leitrim (Table 16), three of them, Donegal, Mayo and Kerry, receive *per capita* grants less than the average and the other two more than the average (Table 19 (*a*)). Of the five counties with the highest *per capita* rateable values, Meath, South Tipperary, Waterford, Westmeath and Kilkenny (Table 16), all receive *per capita* grants greater than the average (Table 19 (*a*)).

A similar conclusion is suggested by looking at the figures of expenditure in relation to grants. We noted earlier that the five counties with the lowest *per capita* expenditure figures (Table 14) were Mayo, Donegal, Kerry, Wexford and Sligo. Four of these received less than average *per capita* Grants (Table 20). On the other hand of the five counties with the highest *per capita* expenditures, Waterford, Longford, Westmeath, South Tipperary and Roscommon, four of them received grants greater than the *per capita* average—Longford, Waterford, Westmeath and Roscommon.

There is a much "better" association between grants with respect to rate income in the sense that the ratio tends to be bigger the lower the *per capita* rate income. (See Tables 19 (*a*), 19 (*b*) and 20.) This appearance of a redistributive effect is, however, somewhat spurious, for two reasons. In the first place since levels of *per capita* expenditures are different it is doubtful what real meaning can be given to the association. If County A receives a higher proportional State grant with respect to her level of expenditure than B but even with this assistance is still spending much less *per capita* than B and receiving less *per capita* by way of State Grants it seems very doubtful if it is legitimate to argue that the State is helping A more than B. The second reason is that the burden of local taxation is heavier with respect to rateable values in those areas which have a high ratio of grants to total expenditure.

Clearly these (poorer) Authorities are being helped to some extent. They are better off than they would be if the total money available for grants was allocated simply in proportion to expenditure. (We have already seen that there is an element of redistribution with the Agricultural Grant.) Nevertheless in the light of the two points made above it seems doubtful if the 'fact' that Authorities with low rate income *per capita* figures have a higher proportion of their expenditure financed by grants should be taken as implying that the Grant system is effectively distributive, i.e., serves to even out differences in the wealth of the various areas so as to enable comparable services to be provided at a similar local tax burden.

Though the basic material is hardly strong enough to support any very firm conclusions[30] it is believed the position could be put as follows :—

1. The level of Local Government services provided varies widely across the State.

[30] This needs to be emphasised particularly with respect to (2), (4) and (5) below. Until the work referred to in footnote 29 has been done statements referring to the relative wealth of counties, and therefore to their taxation burden and to whether or not grants go to the counties that need the most must be treated with extreme caution.

2. The burden of local taxation also varies considerably across the State when looked at in connection with rateable value.
3. There seems to be some evidence that the burden of local taxation was often higher in those areas where the level of services was lower.
4. As measured by *per capita* rateable values the level of wealth varied considerably in the State from one Local Authority to another.
5. There is no evidence that the grants from the Central Government particularly help the poorer areas more than the richer areas.

TABLE 14: LOCAL AUTHORITY EXPENDITURE 1959/60.

County	County Councils		County Councils and U.D.C.'s		County Boroughs	
	Total £000	*Per Capita* £	Total £000	*Per Capita* £	Total £000	*Per Capita* £
1. Carlow	509·5	19·9	580·5	17·4	—	—
2. Cavan	1,031·5	19·3	1,059·5	18·7	—	—
3. Clare	1,243·8	19·1	1,304·2	17·7	—	—
4. Cork	4,282·1	19·3	4,446·3	17·6	1,651·5	21·2
5. Donegal	1,669·5	15·9	1,722·5	15·1	—	—
6. Dublin	2,551·2	19·2	3,236·8	17·9	1,548	21·6
7. Galway	2,394·7	19·6	2,503·4	16.7	—	—
8. Kerry	1,599·3	16·7	1,726·5	14·8	—	—
9. Kildare	1,082·3	19·2	1,147·2	17·8	—	—
10. Kilkenny	1,085·3	21·1	1,183·2	19·1	—	—
11. Laoighis	824·1	18·3	824·1	18·3	—	—
12. Leitrim	610·0	18·2	610·0	18·2	—	—
13. Limerick	1,409·8	17·1	1,409·8	17·1	1,067·3	21·1
14. Longford	602·5	22·2	631·9	20·7	—	—
15. Louth	858·9	28·2	1,263·2	18·8	—	—
16. Mayo	1,551·1	14·3	1,642·4	13·3	—	—
17. Meath	1,196·9	20.8	1,261·5	19·4	—	—
18. Monaghan	846·7	23·0	909·6	19·3	—	—
19. Offaly	828·7	19·7	890·7	17·3	—	—
20. Roscommon ...	1,146·5	19·4	1,146·5	19·4	—	—
21. Sligo	782·1	19·4	878·8	16·4	—	—
22. Tipperary N.R. ...	887·2	21·5	965·8	18·0	—	—
23. Tipperary S.R. ...	1,173·0	24·8	1,367·4	19·5	—	—
24. Waterford	926·6	24·4	964·0	22·3	518·7	18·5
25. Westmeath ...	994·7	23·1	1,075·2	20·4	—	—
26. Wexford	1,139·7	18·1	1,302·5	15·6	—	—
27. Wicklow	929·3	24·3	1,108·1	19·0	—	—
All Authorities	34,157·2	19·4	37,261·4	17·6	14,785·7	21·4

Sources: *Returns of Local Taxation* for year ended 31/3/1960. Pr. 5859.
Preliminary Report on 1961 *Census*. Pr. 6134.

NOTES ON TABLE 14

1. The *per capita* figures have been obtained by dividing the 1959/60 expenditure figures by the April 1961 Census results. This introduces an overall upward bias in the statistics as the population of the State was higher in 1959/60 than in 1961. Nor is the bias the same for all areas for in some Counties the population was falling more rapidly than in others; indeed in some Local Authority areas notably County Dublin and some of the Urban Districts the population probably increased between 1960 and 1961. However, the errors are not likely to be large and are certainly not important with respect to the sort of comparison we are making.

2. The Urban Districts made available in 1959/60 some £1·2 million to the County Councils as a contribution towards County Council expenditures. In arriving at the combined totals in the Table the transfers have been eliminated to avoid double counting.

3. In this Table and in the ones that follow totals may not add up exactly owing to rounding.

TABLE 15: EXPENDITURE PER HEAD ON VARIOUS SERVICES BY COUNTIES.

(County Councils and Urban District Councils.)

£.

County	Roads	Health	Housing	Mental Hospitals	Sanitary Services	General Purposes, Public Assistance and miscel.
1. Carlow	3·8	4·9	3·4	1·6	1·2	2·5
2. Cavan	6·3	5·5	1·7	2·0	0·8	2·5
3. Clare	5·4	5·2	1·7	2·3	0·7	2·4
4. Cork	5·7	4·9	2·5	1·0	1·2	2·2
5. Donegal	5·5	4·0	1·5	1·4	1·0	1·7
6. Dublin	2·9	3·8	6·0	0·6	2·3	2·3
7. Galway	5·1	5·4	1·4	2·3	0·9	2·2
8. Kerry	4·3	4·5	1·6	1·7	0·7	2·1
9. Kildare	4·9	4·8	2·9	1·1	1·4	2·7
10. Kilkenny	5·2	5·5	2·6	2·1	0·8	2·9
11. Laoighis	6·0	5·4	1·8	1·3	1·0	2·8
12. Leitrim	8·0	4·1	0·8	2·3	0·5	2·4
13. Limerick	4·8	5·4	2·0	1·4	0·9	2·5
14. Longford ...	5·5	5·8	2·7	1·9	1·5	3·2
15. Louth	3·7	5·0	3·7	1·5	1·6	3·3
16. Mayo	4·3	4·1	1·0	1·6	0·5	1·8
17. Meath	5·8	5·9	2·9	1·1	0·7	2·9
18. Monaghan ...	6·6	6·0	1·7	1·8	0·5	2·7
19. Offaly	4·7	4·9	2·5	1·3	0·9	3·0
20. Roscommon ...	6·6	5·0	1·5	2·9	0·7	2·7
21. Sligo	5·0	4·5	1·6	2·1	0·6	2·5
22. Tipperary N.R. ...	5·3	5·0	2·3	1·3	0·9	3·2
23. Tipperary S.R. ...	5·0	5·7	2·6	1·5	0·8	3·9
24. Waterford ...	6·5	6·3	2·5	2·0	1·4	3·6
25. Westmeath ...	5·4	6·1	2·9	1·6	1·2	3·3
26. Wexford	4·5	4·3	1·9	1·6	0·7	2·5
27. Wicklow	5·4	5·0	3·0	1·5	1·3	2·9
Total	5·1	4·9	2·4	1·5	1·1	2·5

Sources: as in Table 14.

Table 16: RATE INCOME ETC. OF COUNTY COUNCILS 1959/60.

County	Rateable Value		Rate Income		Rate Poundage	Agricultural Grant Income	
	Total £000	*Per Capita* £	Total £000	*Per Capita* £	shs. in £	Total £000	*Per Capita* £
1. Carlow ...	166·7	6·51	196·4	7·67	33/6·0	82·6	3·23
2. Cavan ...	284·1	5·32	317·0	5·94	39/0·0	230·3	4·31
3. Clare ...	339·7	5·21	422·7	6·48	39/8·9	243·8	3·74
4. Cork	1,177·9	5·30	1,659·0	7·47	40/8·8	659·4	2·97
5. Donegal ...	338·2	3·21	531·3	5·05	48/3·0	268·8	2·56
6. Dublin ...	705·1	5·30	934·6	7·03	34/0·0	110·6	·83
7. Galway ...	497·9	4·08	676·8	5·54	47/4·5	469·1	3·84
8. Kerry ...	316·6	3·30	483·0	5·03	51/0·5	288·8	3·01
9. Kildare ...	332·8	5·89	434·8	7·70	35/0·0	188·3	3·33
10. Kilkenny ...	356·3	6·91	383·4	7·44	31/8·6	179·2	3·48
11. Laoighis ...	260·6	5·78	315·9	7·00	35/1·7	148·7	3·30
12. Leitrim ...	147·8	4·41	164·0	4·90	40/8·0	134·5	4·01
13. Limerick ...	491·1	5·95	544·6	6·60	33/0·0	249·0	3·02
14. Longford ...	150·3	5·55	219·0	8·08	46/0·0	128·9	4·76
15. Louth ...	200·1	6·56	263·8	8·65	36/0·5	100·1	3·28
16. Mayo	356·7	3·28	454·1	4·17	45/0·0	323·3	2·97
17. Meath ...	561·5	9·77	519·3	9·03	25/8·7	194·5	3·38
18. Monaghan ...	251·2	6·81	231·6	6·28	33/9·0	171·1	4·64
19. Offaly ...	240·0	5·70	300·3	7·13	37/9·0	149·9	3·56
20. Roscommon	322·0	5·44	374·6	6·33	39/8·5	255·0	4·31
21. Sligo	204·0	5·05	218·1	5·40	38/2·0	162·5	4·02
22. Tipperary N.R.	267·4	6·49	334·1	8·11	38/4·0	171·4	4·16
23. Tipperary S.R.	370·0	7·81	433·8	9·15	33/4·2	185·6	3·92
24. Waterford ...	274·6	7·23	413·3	10·88	40/9·0	144·8	3·81
25. Westmeath ...	319·5	7·41	403·1	9·35	35/0·0	153·1	3·55
26. Wexford ...	370·9	5·89	388·8	6·17	32/9·0	208·4	3·31
27. Wicklow ...	256·7	6·70	329·4	8·60	35/8·4	128·5	3·36
Total ...	9,560·9	5·42	11,947·1	6·77	—	5,730·5	3·25

Sources: As in Table 14.

NOTES ON TABLE 16

1. *Per capita* figures have been derived as in Table 14.

2. Rate Income includes Increases in Rents of small Dwellings amounting in total to just over a quarter of a million pounds.

3. Agricultural Grant Income includes the contributions paid by the State in respect of property which because it is used by the State is exempt from Rates. This amounted to about £186,000.

TABLE 17: RATE INCOME AND EXPENDITURE WITH RESPECT TO RATEABLE VALUE BY COUNTIES, 1959/60.

(Aggregate of County and Urban District Councils.)

County	Rateable Value		Rate plus Agricultural Grant Income			Total Expenditure As % of Rateable Value
	Total £000	*Per Capita* £	Total £000	*Per Capita* £	As % of Rateable Value	
1. Carlow	188·1	5·7	324·5	9·7	172·5	308·6
2. Cavan	295·3	5·2	565·8	10·0	191·6	358·8
3. Clare	365·5	5·0	716·3	9·7	196·0	356·8
4. Cork	1,283·8	5·1	2,491·0	9·9	194·0	346·3
5. Donegal	368·7	3·2	861·1	7·6	233·6	467·2
6. Dublin	999·3	5·5	1,535·9	8·5	153·7	323·9
7. Galway	606·8	4·1	1,383·9	9·2	228·1	412·6
8. Kerry	377·4	3·2	901·5	7·7	238·9	457·5
9. Kildare	360·4	5·6	667·9	10·4	185·3	318·3
10. Kilkenny	388·5	6·3	630·2	10·2	162·2	304·5
11. Laoighis	260·6	5·8	464·6	10·3	178·3	316·2
12. Leitrim	147·8	4·4	298·5	8·9	202·0	412·7
13. Limerick	491·1	6·0	793·6	9·6	161·6	287·1
14. Longford ...	162·1	5·3	372·2	12·2	229·6	389·8
15. Louth	320·6	4·8	602·5	9·0	187·9	394·1
16. Mayo	398·3	3·2	864·8	7·0	217·1	412·3
17. Meath	585·5	9·0	751·8	11·6	128·4	215·5
18. Monaghan ...	287·1	6·1	460·9	9·8	160·5	316·8
19. Offaly	271·2	5·3	502·1	9·7	185·1	328·4
20. Roscommon ...	323·0	5·5	629·6	10·6	194·9	355·0
21. Sligo	245·0	4·6	461·7	8·6	188·4	358·7
22. Tipperary N.R. ...	306·3	5·7	573·7	10·7	187·3	315·3
23. Tipperary S.R.	435·9	6·2	734·2	10·5	168·4	313·7
24. Waterford ...	291·0	6·7	589·5	13·7	202·6	331·3
25. Westmeath ...	346·0	6·6	614·7	11·6	177·7	310·7
26. Wexford	429·2	5·2	715·8	8·6	166·8	303·5
27. Wicklow	339·9	5·8	602·0	10·3	177·1	326·0
Total	10,875·2	5·1	20,110·2	9·5	184·9	342·6

Sources: As in Table 14.

NOTES ON TABLE 17

1. *Per capita* Statistics are derived as in Table 14.

2. Rate Income includes the increase of rents of small dwellings; and the Agricultural Grant Income includes the State Grant paid in lieu of rates.

3. Statistics are the aggregate of County Councils and Urban District Councils. I give on page 34 the figures for the County Boroughs of Cork, Dublin, Limerick and Waterford.

(*Notes on Table 17 continued on next page.*)

(*Notes on Table 17 continued from previous page.*)

RATE INCOME, ETC., FOR COUNTY BOROUGHS, 1959/60.

County Boroughs	Rateable Value £000	Rateable Value Per Capita £	Rate Plus Agricultural Grant Income £000	Rate Plus Agricultural Grant Income Per Capita £	Rate Plus Agricultural Grant Income As % of Rateable Value	Rate Poundage	Total Expenditure As % of Rateable Value
Cork	331·4	4·3	794·3	10·2	239·7	50/6	498·3
Dublin ...	3,139·4	5·9	5,866·1	11·0	186·8	39/4	367·8
Limerick ...	180·1	3·6	405·0	8·0	225·4	48/9	592·6
Waterford ...	110·1	3·9	242·8	8·6	220·5	46/10	471·1
Total ...	3,761·1	5·4	7,309·1	10·6	194·3	—	393·1

TABLE 18: STATISTICS RELATING TO THE DISTRIBUTION OF THE AGRICULTURAL GRANT: COUNTY COUNCILS.

	% Distribution by Counties of: Acreage of crops and Pastures	Land Valuations	Population	Agri-cultural Grant	Males Engaged in Agriculture	Rate Income	Total Expen-diture
1. Carlow ...	1·6	1·9	1·5	1·4	1·5	1·6	1·5
2. Cavan ...	3·4	3·2	3·0	4·0	3·9	2·6	3·0
3. Clare ...	4·8	3·9	3·7	4·3	4·3	3·5	3·6
4. Cork	11·6	11·2	12·6	11·5	10·4	13·9	12·5
5. Donegal ...	3·6	3·2	6·0	4·7	6·3	4·4	4·9
6. Dublin ...	1·5	2·8	7·5	1·9	1·9	7·8	7·5
7. Galway ...	7·0	5·4	6·9	8·2	8·2	5·7	7·0
8. Kerry ...	4·8	3·1	5·4	5·0	5·9	4·0	4·7
9. Kildare ...	2·9	3·5	3·2	3·3	2·3	3·6	3·2
10. Kilkenny ...	3·8	4·1	2·9	3·1	3·0	3·2	3·2
11. Laoighis ...	2·8	2·9	2·6	2·6	2·3	2·6	2·4
12. Leitrim ...	2·3	1·6	1·9	2·4	2·5	1·4	1·8
13. Limerick ...	5·0	5·7	4·7	4·4	4·8	4·6	4·1
14. Longford ...	1·8	1·8	1·5	2·3	1·9	1·8	1·8
15. Louth ...	1·5	2·1	1·7	1·8	1·6	2·2	2·5
16 Mayo ...	5·0	3·7	6·2	5·6	8·2	3·8	4·5
17. Meath ...	4·6	6·9	3·3	3·4	3·4	4·3	3·5
18. Monaghan ...	2·4	2·9	2·1	3·0	2·7	1·9	2·5
19. Offaly ...	3·0	2·8	2·4	2·6	2·4	2·5	2·4
20. Roscommon	4·1	3·6	3·4	4·5	4·1	3·1	3·4
21. Sligo ...	2·5	2·4	2·3	2·8	3·1	1·8	2·3
22. Tipperary N.R.	{7·3}	3·1	2·3	3·0	{5·7}	2·8	2·6
23. Tipperary S.R.		4·5	2·7	3·2		3·6	3·4
24. Waterford ...	2·6	3·0	2·2	2·5	2·0	3·5	2·7
25. Westmeath ...	3·1	3·7	2·4	2·7	2·3	3·4	2·9
26. Wexford ...	4·3	4·2	3·6	3·6	3·8	3·2	3·3
27 Wicklow ...	2·2	2·5	2·2	2·2	1·7	2·8	2·7

Sources: As in Table 14 and the *Statistical Abstract*.

TABLE 19 (*a*): GRANTS TO COUNTY COUNCILS, 1959-60.

County	Agricultural Grant		Percentage Grants		Total Grants	
	Amount £000	*Per Capita* £	Amount £000	*Per Capita* £	Amount £000	*Per Capita* £
1. Carlow	82	3·2	171	6·7	254	9·9
2. Cavan	225	4·2	396	7·4	626	11·7
3. Clare	240	3·7	544	8·3	788	12·1
4. Cork	637	2·9	1,549	7·0	2,209	9·9
5. Donegal	262	2·5	762	7·2	1,031	9·8
6. Dublin	100	0·7	614	4·6	725	5·4
7. Galway	456	3·7	897	7·3	1,367	11·2
8. Kerry	285	3·0	636	6·6	925	9·6
9. Kildare	137	2·4	387	6·8	575	10·2
10. Kilkenny	175	3·4	386	7·5	565	11·0
11. Laoighis	140	3·1	290	6·4	439	9·7
12. Leitrim	132	3·9	276	8·2	411	12·3
13. Limerick	247	3·0	480	5·8	729	8·8
14. Longford	126	4·6	202	7·4	331	12·2
15. Louth	100	3·3	309	10·1	410	13·4
16. Mayo	323	3·0	673	6·2	996	9·2
17. Meath	194	3·4	460	8·0	654	11·4
18. Monaghan	168	4·5	302	8·2	473	12·8
19. Offaly	147	3·5	269	6·4	419	9·9
20. Roscommon	252	4·3	388	6·5	643	10·9
21. Sligo	160	4·0	340	8·4	502	12·4
22. Tipperary N.R.	170	4·1	303	7·3	474	11·5
23. Tipperary S.R.	182	3·8	389	8·2	574	12·1
24. Waterford	138	3·6	361	9·5	505	13·3
25. Westmeath	148	3·4	320	7·4	473	11·0
26. Wexford	208	3·3	412	6·5	620	9·8
27. Wicklow	110	2·9	364	9·5	493	12·9
Total	5,545	3·1	12,480	7·1	18,211	10·3

Sources: As for Table 14.

TABLE 19 (b): GRANTS TO COUNTY COUNCILS, 1959/60.

County	% Distribution of		Total Grants as % of		
	Total Grants	Population	Expenditure	Rate Income	Rateable Value
1. Carlow	1·4	1·5	50	130	152
2. Cavan	3·4	3·0	61	197	220
3. Clare	4·3	3·7	63	186	232
4. Cork	12·1	12·6	52	133	187
5. Donegal	5·7	6·0	62	194	305
6. Dublin	4·0	7·5	28	78	103
7. Galway	7·5	6·9	57	202	275
8. Kerry	5·1	5·4	58	191	291
9. Kildare	3·1	3·2	53	132	173
10. Kilkenny	3·1	2·9	52	147	159
11. Laoighis	2·4	2·6	53	168	139
12. Leitrim	2·2	1·9	67	250	278
13. Limerick	4·0	4·7	52	134	148
14. Longford	1·8	1·5	55	151	221
15. Louth	2·2	1·7	48	155	205
16. Mayo	5·5	6·2	64	219	279
17. Meath	3·6	3·3	54	126	117
18. Monaghan	2·6	2·1	56	204	188
19. Offaly	2·3	2·4	50	140	175
20. Roscommon	3·5	3·4	56	171	200
21. Sligo	2·7	2·3	64	230	246
22. Tipperary N.R.	2·6	2·3	53	142	177
23. Tipperary S.R.	3·1	2·7	49	132	155
24. Waterford	2·8	2·2	54	122	184
25. Westmeath	2·6	2·4	47	117	148
26. Wexford	3·4	3·6	54	159	167
27. Wicklow	2·7	2·2	53	150	193
Total	100	100	53	152	190

Sources: As in Table 14.

TABLE 20: GRANTS TO COUNTY AND URBAN DISTRICT COUNCILS, 1959-60.

County	Total Grants		Grants as % of	
	Amount £000	*Per Capita* £	Expenditure	Rateable Value
1. Carlow	274	8·3	47	145·7
2. Cavan	630	11·1	59	213·5
3. Clare	802	10·8	61	219·7
4. Cork	2,242	8·9	50	162·0
5. Donegal	1,040	9·1	60	281·8
6. Dublin	844	4·7	26	84·5
7. Galway	1,420	9·5	57	233·9
8. Kerry	960	8·2	56	254·6
9. Kildare	590	9·2	51	163·9
10. Kilkenny	589	9·5	50	151·8
11. Laoighis	439	9·7	53	168·2
12. Leitrim	411	12·3	67	277·7
13. Limerick	729	8·8	52	148·5
14. Longford	336	11·0	53	207·4
15. Louth	494	7·3	39	153·9
16. Mayo	1,016	8·2	62	255·3
17. Meath	668	10·3	53	114·2
18. Monaghan	485	10·3	53	193·2
19. Offaly	436	8·5	49	160·9
20. Roscommon	643	10·9	56	199·1
21. Sligo	524	9·8	60	213·9
22. Tipperary N.R.	497	9·2	51	162·4
23. Tipperary S.R.	614	8·7	45	140·8
24. Waterford	515	11·9	53	177·0
25. Westmeath	492	9·3	46	142·2
26. Wexford	657	7·9	50	153·1
27. Wicklow	530	9·1	48	155·9
Total	18,877	8·9	51	173·6

Sources: As in Table 14.

NOTES ON TABLE 20

The statistics in the Table relate to total grants received by County Councils and Urban District Councils. Some statistics for the four County Boroughs for 1959/60 are given below.

County Borough	Total Grants		Grants as % of	
	Amount £000	*Per Capita* £	Expenditure	Rateable Value
Cork	498	6·4	30·2	150·4
Dublin	3,000	5·6	26·0	95·6
Limerick	274	5·4	25·7	152·0
Waterford	147	5·2	28·3	133·5
Total ...	3,919	5·7	26·5	104·2

V. CONCLUDING NOTE

(a) Summary

After indicating the many aspects of the financial position of Local Authorities that would not be looked at in this Preliminary Survey (p. 1) and stressing the large and growing sums of money being spent by Local Authorities (pp. 1–3) certain general arguments relating to Local Authority finance were considered and the following points were made :—

(*a*) That Local Authorities in Ireland are much more than "executive agencies" of the Central Government (pp. 3–5).

(*b*) That there were certain principles which could be applied so as to help assess which of the public services should be operated by Local Authorities (pp. 5–7).

(*c*) That it was desirable that the Local Authorities should be financed both from resources under their own control and from Central Government Grants (pp. 7–9).

(*d*) Three main types of grant were distinguished and it was argued that there was a need in Ireland for all three types—percentage, redistributive and general grants (pp. 9–11).

The next sections of the Paper were concerned with the revenue of Local Authorities. After discussing the main trends during recent years (pp. 11–13) there was a fairly detailed discussion of the two main forms of revenue—Rates and Grants.

On rates it was suggested :—

(*a*) That the present system of valuation for rating is out of date and inadequate (pp. 13–15).

(*b*) That in certain instances the Local Rate is an inequitable tax in the sense that it can so affect the overall tax burden as to bring about a conflict with the acceptable principle that taxes should be levied in accordance with ability to pay (pp. 15–18).

(*c*) That though there was a place for the Local Rate in the overall tax system it should not—because of the various imperfections associated with it—be allowed to become too important a revenue raiser (pp. 18–19).

In examining the system of State support it was pointed out that percentage grants dominate the scene (p. 19) and their importance with respect to the expenditure on various services by the different types of Authority was noted (pp. 20–21). The likely effects of the lack of any proper form of redistributive or general grants were pointed out (p. 27). The Agricultural Grant was looked at in some detail and it was suggested :—

(*a*) That the Primary Allowance within a given Authority's area has some redistributive effect (pp. 21–22).

(*b*) That there were four factors affecting the allocation of the Primary Allowance as between counties and that very often these factors would be in conflict with each other (pp. 23–26).

(*c*) That the Employment Allowance had little redistributive effect (pp. 26–27).

In the last main part of the Paper a good number of statistics were deployed relating to the Revenue and Expenditure Patterns of Local Authorities and it was suggested that the following conclusions seemed to emerge :—

(*a*) That the level of services provided varied considerably from one Authority to another.

(*b*) That the burden of local taxation also seemed to vary from one Authority to another.

(*c*) That a high level of services seemed to be associated with a relatively low burden of taxation and vice versa.

(*d*) That as measured by rateable values the level of wealth varied considerably from one Local Authority area to another.

(*e*) That it did not seem that State support particularly helped the poorer counties more than the better off ones.

(b) Conclusions

Most of the conclusions of the Paper are clearly mentioned in the Summary above. In this final Section it is desired to refer to two general matters.

A main conclusion of the work underlying this Preliminary Survey is the need for a great deal more research—even on the topics covered by the Paper—before it is possible to establish a clear view of the main problems and possible solutions. In the Paper specific reference has been made to the following gaps in our knowledge :—

(*a*) The costs of operating services by different types of public authority (pp. 5–7).

(*b*) The rate and taxation burden on individuals in different income ranges, occupations and parts of the State (pp. 18–19).

(*c*) The need for estimates of the aggregate and *per capita* income and wealth position of the various Local Authorities (p. 27).

At the present time the Institute is trying to help meet this lack of knowledge by concentrating its attention on (*b*) and (*c*) of the items listed above.

Finally it is desired to emphasise the broad implication of some of the points made separately in the Paper and recorded in the Summary. In total it is believed that the points made in this Preliminary Survey with respect to Rates and Grants establish the need for a re-consideration of the way in which Local Authorities should be financed, particularly when it seems likely that Local Authority Expenditure will continue to rise.

Important aspects of the Local Government Finance system should be much clearer when the research mentioned above is completed but even now at least two issues seem to invite discussion. First, should expenditure levels and local tax levels be reasonably equal throughout the State? And if the answer is in the affirmative what sort of equalisation grant structure (or alternative remedy) should be introduced? It also seems timely that there should be discussion of the case for a general grant—possibly offset by a reduction in the various percentage grants—and of the purpose in detail the Agricultural Grant is supposed to serve. The second issue concerns the rating system. Is it equitable to raise the large sums of money that are now being raised through local rates when the basis of the tax is out of date and when there are so many imperfections connected with it?

APPENDIX

1. As pointed out in the text the basic statistics that are available, at the moment, are not sufficient to enable many statements to be made concerning the impact of rates. Two publications do, however, provide some data that can be used as illustrative material: The Reports of the National Farm Survey[1] and the Report of the Household Budget Inquiry, 1951/2.[2]

2. *National Farm Survey.* Full details as to how the sample of farms included in The Survey was determined, the method of classification, and the principles lying behind the definitions used for farm revenue, costs and income can be found in the Reports. Table A below shows in summary form the relation between rates and family income with respect to the various sizes and types of farms included in the Survey. As stated above these figures should be regarded as illustrative only. In particular it should be remembered that they relate only to averages and clearly there will be some farms upon which the burden of rates falls much more severely and some much more lightly than is indicated in the Table.

[1]All published as Supplements to the *Irish Trade Journal and Statistical Bulletin.* In this Appendix material from the summary publication has been used; National Farm Survey 1955/56—1957/58: Financial Results for Farms included Throughout the Three Years, Supplement to the December 1959 issue of the *Irish Trade Journal.*

[2]*Household Budget Inquiry,* 1951–52. Compiled by the Central Statistical Office pr. 2520, 1954. This source was used by Reason in the Paper cited in footnote 13 in the main body of the paper.

TABLE A: RATES AS % OF FARM INCOME: AVERAGE OF 1955/56–1957/58.

Item	Size of Farm			
	15–30 Acres	30–50 Acres	50–100 Acres	100–200 Acres
Dairying : No Cash Crops				
Number of Farms in Survey ...	43	55	73	29
Family income	£370	£480	£694	£919
Rates as % of				
(*a*) Family Income	3·2	3·7	4·7	7·2
(*b*) Cash Income	4·4	4·8	5·7	8·6
Dairying : With Cash Crops				
Number of Farms in Survey ...		49	74	55
Family Income		£642	£881	£1,367
Rates as % of				
(*a*) Family Income		4·4	5·8	8·3
(*b*) Cash Income		5·1	6·6	9·2

Item	Size of Farm			
	15–30 Acres	30–50 Acres	50–100 Acres	100–200 Acres
Mixed Crops				
Number of Farms in Survey ...	43	39	51	33
Family Income	£409	£579	£803	£1,163
Rates as % of				
(*a*) Family Income	3·4	3·7	4·9	7·9
(*b*) Cash Income	4·7	4·7	5·8	9·1
Cattle : Mixed				
Number of Farms in Survey ...	71	85	61	27
Family Income	£360	£438	£576	£916
Rates as % of				
(*a*) Family Income	3·9	5·0	6·6	12·2
(*b*) Cash Income	5·9	7·1	8·6	14·3
			5–15 Acre Farms	
Subsistence				
Number of Farms in Survey ...	62	31	60	
Family Income	£186	£190	£136	
Rates as % of				
(*a*) Family Income	4·8	6·8	5·1	
(*b*) Cash Income	9·7	13·8	12·7	

NOTES ON TABLE A

1. *Source: National Farm Survey.* 1955/6–1957/8, *Supplement to Irish Trade Journal,* December 1959. Detailed definitions, etc. will be found therein.
2. Family Income is taken inclusive of Rates.
3. The difference between Family Income and Cash Income represents the value (at ex-farm prices) of the agricultural production consumed by the Farm Family.

3. Two points may be made with respect to the Table. First, that with respect to farmers rates seem to be a progressive tax. The second point is to emphasise the very heavy burden of rates as a percentage of incomes on the larger farms. It will be noted that for the hundred to two hundred acre size group the burden of rates with respect to total income varies from 7·2 per cent. to 12·2 per cent. and with respect to cash income from 8·6 per cent. to 14·3 per cent. This is a very substantial burden.[3]

4. The statistics in Table A refer to the period 1955/56 to 1957/8. Comparing this period with 1959/60 rates had increased by some 13 per cent. in the Counties whereas farm income had remained constant. Thus the burden of rates with respect to income had increased. For example, in connection with " cattle : mixed farms " the burden of rates instead of being 12·2 per cent. with respect to family income and 14·3 per cent. with respect to cash income would have become about 14 per cent. with respect to family income and 16 per cent. with respect to cash income.

5. *Household Budget Inquiry.* In 1951/52 an extensive inquiry was carried out into the expenditure pattern of households in non-rural Ireland. As part of this work householders were asked to state their expenditures on rents (inclusive or rates) in the case of tenants and their expenditure on rates if they were owner occupiers. Out of the great mass of statistical information made available in the official Report of this investigation the following Table has been constructed which indicates the burden of rates in relation to total

[3]It is appreciated that this is the burden of one tax only and that what is important is the overall burden of taxation. It is also appreciated that at the higher incomes farmers may benefit in comparison with other members of the community with similar incomes in that due to the way in which the Income Tax is administered with respect to farmers they are to all extent and purposes relieved of such liability.

expenditure by households classified by size and by *per capita* incomes. Again, it must be emphasised that this material should be regarded as purely illustrative.[4]

7. Between 1951/52 and 1959/60 total personal expenditure went up by about 38 per cent. and total rate payments went up by about 67 per cent. It is probable, therefore, that on average all the rate

TABLE B: RATES AS % OF EXPENDITURE: OWNER OCCUPIERS ONLY: 1951/52.

Size of Household	Weekly Income *Per capita*			
	Under 30/–	30/– to 50/–	50/– to 80/–	80/– and over
One or two persons	10·7	3·8	2·8	3·7
Weekly Expenditure (shillings) ...	(44·9)	(75·4)	(124·6)	(229·9)
Three or four persons	5·4	2·2	3·3	3·3
Weekly Expenditure (shillings) ...	(92·1)	(146·5)	(227·1)	(358·3)
Five or six persons	1·8	3·1	4·4	2·9
Weekly Expenditure (shillings) ...	(135·3)	(218·4)	(331·2)	(490·1)
Seven or more persons	2·0	1·5	2·1	2·4
Weekly Expenditure (shillings) ...	(175·3)	(305·4)	(468·2)	(749·1)

NOTES ON TABLE B

1. *Source : Household Budget Inquiry*, 1951–52, Pr. 2520, Dublin, 1954.

2. In the material as published there is not a special breakdown showing the expenditure pattern of owner occupiers as distinct from tenants. We are, however, told the proportion of owner occupiers in each Income Group though not also with respect to size of Household: some 10·4 per cent. of Households in the below 30/– Income Group, 16·4 per cent. in the 30/– to 50/– Group, 27·2 per cent. in the 50/– to 80/– Group and 37·9 per cent. in the Group with average incomes greater than 80/– (Table X of the *Report*). To obtain the figures given in Table B the expenditure on Rates given in Table 6A of the *Report* has been grossed up by coefficients corresponding to the proportion of owner occupiers in each income group. This is a *very* crude method but the material does not permit any other approach.

6. There is little evidence of progressiveness in the Table. The best broad interpretation would be that rates are proportional to expenditure rather than either regressive or progressive. The second point to notice and particularly when bearing in mind the figures with respect to farms that we noticed above is the relatively low proportion of expenditure going in rates with these nonrural households, particularly at the higher levels. A third point to notice is the vertical comparison. It is often said in theoretical terms that the relative burden of rates increases with the size of family. It is, of course, true that averages of this type may conceal important instances of this but there is no evidence of this in the material.

[4]The figures should indeed be treated with extreme caution and used only as indicators of the broad order of magnitude: *see* Notes to Table B.

burdens set out in Table B should be revised upwards in order to get at approximate figures of the rate burden in 1959/60; doing this for the final column of the Table we get, reading downwards, the following percentages: 4·5 per cent., 4·0 per cent., 3·5 per cent., and 2·7 per cent.

8. Table C below sets out the relationships between expenditure and rents (inclusive of rates) for tenants in a similar way as Table B set out the rate burden with respect to expenditure for owner occupiers. If, as is probable, there is a fairly good relationship between gross rents payable and rates payable the position as regards progressiveness revealed in Table C is very similar to that revealed in Table B.

TABLE C: RENTS (INCLUSIVE OF RATES) AS % OF EXPENDITURE: TENANTS ONLY.

Size of Household	Weekly Income *Per Capita*			
	Under 30/-	30/- to 50/-	50/- to 80/-	80/- and over
One or two persons	10·1	9·8	9·3	9·4
Three or four persons	6·9	6·7	6·6	5·6
Five or six persons.	6·1	4·7	4·1	3·7
Seven or eight persons	5·2	4·0	3·3	3·8

Notes with respect to Table B all apply.

9. One final comparison. At the aggregate level it is possible to make some very broad comparisons using National Accounting Material. In 1959/60 it is probable that about £8·6 million was contributed in the form of rates by farmers.[5] The national income figure for the gross profits and wages in the agricultural, forestry and fishing sector averaged about £130 million in 1959 and 1960. Thus about 6·3 per cent of gross farming income (before deduction of rates) went in payment of rates.[6]

[5] An official estimate for 1958/59 gave £8 million as the rate burden on farmers (*Dail Reports*, 10/2/1960, Vol. 179, Cols. 54–56). Applying the appropriate multiplier to the 1959/60 figures would give an estimate of £8·6 million.

[6] The agriculture percentage of 6·3 is with respect to Total Income. If subsistence non-cash income is excluded the burden with respect to agricultural cash income becomes about 9 per cent. National Accounting data is taken from *National Income and Expenditure*, 1960, Pr. 6230, 1961. The 6·3 and 9·0 percentages mentioned above slightly underestimate the burden on farmers as the National Accounting data used as the denominator in the ratios includes a small amount of income attributable to fishing and forestry.

10. As regards the rest of the economy rates amounted to £12·6 million. It is not easy to be certain what is the exact figure with which this should be compared as part of the burden falls on business and part—by far the bigger part—falls on the ordinary citizen in his capacity of householder. If we relate the £12·6 million to the total domestic income arising outside the agricultural sector then the burden of rates is about 3·4 per cent. This, however, may be too small. If we relate it not to the total domestic product but to wages and profits only we get a figure of about 3·6 per cent. The point it is desired to bring out is the difference between the average burden falling on agricultural income and the burden with respect to the rest of the economy. Broadly speaking it would seem that agricultural income bears a burden over 50 per cent, higher than non-farming income; and average farming incomes were a good deal below those of the non-farming sector.

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