

(i.) ENDOWMENTS TO SHIRES.

The Local Government Act, 1906, Part XXIV, provides that the shires shall be divided by a Board or Commission into six classes according to their requirements and ability to help themselves. Thus, endowments are to be granted in—Class I, from nothing to 10s. in the pound of general rates received; Class II, 15s. in the pound of the general rates received; Class III, 20s. in the pound of the general rates received; Class IV, 25s. in the pound of the general rates received; Class V, 30s. in the pound of the general rates received; Class VI, not less than 40s. in the pound of the general rates received, as the Governor may determine. I find that under Class VI as much as 133s. in the pound has been paid to some shires, and less to others, according to their necessities.

The Board or Commission that has made the classifications has hitherto been a non-political one, but it is composed of Government officers.

When the Local Government Act, 1906, was passed it was assumed that these subsidies would amount in all to about £150,000 per annum, and provision was made in the estimates accordingly. The actual result has, however, been quite different, for I find that the subsidies actually paid have far exceeded the original estimate. Thus the actual payments were:—

	£
1907	179,135
1908	162,448
1909	262,146
1910	285,209
1911	314,264
1912	369,583
Total	£1,572,785

The reason for this steadily increasing payment is not far to seek. In the first place, the classification is made once in three years, and when it is made it is on the basis of the rates proposed to be collected in the year in which the classification is made; and, as it is not then known exactly what the actual amount collected will be, the allocation cannot be made mathematically correct so as to divide £150,000 and no more. Consequently, from the very first year (1907) there was an excess. Another reason is that in many cases where the shires found that they were in a class that was entitled to larger endowments, they naturally found themselves in such a condition that it paid them handsomely to levy greater rates in the pound than was originally proposed.

In making the allocation the Commissioners assumed that where a shire proposed to levy less than 1d. in the pound on the unimproved value they were not in want of Government assistance; and so such shires were not allowed to participate in the endowment. I am informed, however, that this practice has not worked quite satisfactorily, for the reason there is no general standard of valuations for the whole State. Each shire employs its own valuer, who adopts his own methods or standards of valuation, and he is, moreover, the servant of the local authority, some of whom prefer to levy a low rate on a high valuation and others prefer a high rate and low valuation. Again, some of the valuations are many years old, and do not take account of the great rise in values of recent years. Consequently, it does not always follow that a shire which levies a three-farthings rate is really helping itself less than another who may levy a penny rate, and this, I think, is a defect in the system which would not prevail in New Zealand, where the Government valuation could no doubt be adopted in all cases.

The Local Government Act, 1906 (New South Wales), requires that the Commissioners, who make the classification, shall in so doing take into consideration the following facts:—

- (a.) The extent of the shire.
- (b.) The probable revenue derived from a rate of 1d. in the pound on unimproved value of property in the shire.
- (c.) The necessary annual expenditure.
- (d.) The extent of the roads to be made and maintained.
- (e.) The difficulty of such construction and maintenance.
- (f.) The facilities to be afforded to vehicular traffic.
- (g.) The extent of public works maintained by Government.
- (h.) The extent of Crown lands for which the Shire Council derives no rates, or which involves the shire in expenditure for roads, &c.

It was not at all clearly seen in New Zealand how the equities arising under some of these headings could be balanced in the minds of the Commissioners against equities arising under some of the other headings, and one principal reason for my mission was to ascertain this.

The difficulty to which I allude was apparently felt in New South Wales also, and the following is the course which has been followed in making the classifications:—

(a.) The particulars furnished by local authorities on forms supplied for the purpose were handed to the Engineer to the Local Government Department, who has a very thorough knowledge of the whole State of New South Wales.

(b.) In each case separately he considered carefully the various works proposed, and those he thought to be unnecessary or not specially urgent he struck out; or, if he thought the estimates for any works were excessive, he reduced them. He then found what was the total amount of the reasonable requirements of the shire for the next year.

(c.) He then found what the rate proposed for that year would be likely to realize. If this total was equal to the total of the works, or only slightly less, the shire was classified in Class I, where it would get nothing, or a small subsidy only.