



# Local Government Act 1974

## 1974 CHAPTER 7

### PART I

#### GRANTS

##### *Rate support grants*

### 1 Rate support grants.

- (1) Subject to the provisions of this Part of this Act, the Secretary of State shall, for the year 1974-75 and each subsequent year, make grants to local authorities in England and Wales in accordance with this section; and any grants made in pursuance of this subsection shall be known as “rate support grants”.
- (2) For the purpose of fixing the estimated aggregate amount of the rate support grants for any year, the Secretary of State shall determine the aggregate amount (in this Part of this Act referred to as “the amount available for grants”) which he estimates is to be available for the payment out of money provided by Parliament of grants, other than housing subsidies and grants under section 8 below [<sup>F1</sup>or section 69 of the <sup>M1</sup>Local Government, Planning and Land Act 1980][<sup>F2</sup>or paragraph 29 of Schedule 32 to that Act], to local authorities in respect of their relevant expenditure for that year, and shall deduct therefrom—
  - (a) the portion of the amount available for grants which he estimates will be allocated to grants in respect of specific services, other than grants under section 8 below [<sup>F3</sup>or section 69 of the <sup>M2</sup>Local Government, Planning and Land Act 1980][<sup>F4</sup>or paragraph 29 of Schedule 32 to that Act]; and
  - (b) the portion of that amount which is prescribed as the aggregate amount of supplementary grants for transport purposes, within the meaning of section 6 below; and
  - (c) the portion of that amount which is prescribed as the aggregate amount of supplementary grants under section 7 below;

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and so much of the amount available for grants as remains after making those deductions shall be the estimated aggregate amount of the rate support grants for that year.

(3) Before determining the amount available for grants and the portions of that amount mentioned in paragraphs (a) to (c) of subsection (2) above, the Secretary of State shall consult with such associations of local authorities as appear to him to be concerned and with any local authority with whom consultation appears to him to be desirable, and shall take into account—

- (a) the latest information available to him as to the rate of relevant expenditure;
- (b) any probable fluctuation in the demand for services giving rise to relevant expenditure, so far as the fluctuation is attributable to circumstances prevailing in England and Wales as a whole which are not under the control of local authorities;
- (c) the need for developing those services and the extent to which, having regard to general economic conditions, it is reasonable to develop those services; and
- (d) the current level of prices, costs and remuneration and any future variation in that level which in the opinion of the Secretary of State will result from decisions which appear to him to be final and which will have the effect of increasing or decreasing any particular prices, costs or remuneration.

(4) Subject to subsection (6) below [<sup>F5</sup>and section 8(3) of the <sup>M3</sup>Lotteries and Amusements Act 1976], in this section “relevant expenditure”, in relation to any year, means the expenditure for that year falling to be defrayed out of the rate fund of a local authority—

- (a) reduced by the amount of any payments of such descriptions as the Secretary of State may determine which fall to be made for that year into the rate fund; and
- (b) exclusive of the items of expenditure specified in subsection (5) below .

(5) The items of expenditure referred to in subsection (4)(b) above are—

- (a) sums falling to be paid to another local authority by virtue of a precept or other instrument;
- (b) expenditure under section 1(1) (awards for university and comparable courses) . . . <sup>F6</sup> of the <sup>M4</sup>Education Act 1962; and
- (c) . . . . . <sup>F7</sup>

(6) The following grants for specific services, namely grants—

- (a) to the Receiver for the Metropolitan Police District under [<sup>F8</sup>section 51 of the <sup>M5</sup>Powers of Criminal Courts Act 1973] (towards the cost of probation services) and under [<sup>F9</sup>section 59 of the <sup>M6</sup>Justices of the Peace Act 1979] (grants for magistrates’ courts purposes), and
- (b) under section 31 of the <sup>M7</sup>Police Act 1964 (police grants), whether made to a committee of a local authority or not,

shall be treated for the purposes of subsection (2) above as grants made to local authorities; and to the extent that, in any year, any expenditure of the Receiver for the Metropolitan Police District or of a combined police authority is met by any such grants, that expenditure shall be treated for the purposes of this section as relevant expenditure in relation to that year.

(7) In this section—

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“housing subsidies” means such grants to local authorities out of money provided by Parliament for housing as may be determined by the Secretary of State to be housing subsidies for the purposes of this section; and

“rate fund”, in relation to the Greater London Council, the Common Council of the City of London and the Council of the Isles of Scilly, means the general fund or general rate, as the case may require, and in relation to any other local authority means the county fund or general rate fund.

(8) ..... **F10**

#### Textual Amendments

- F1** Words inserted by [Local Government, Planning and Land Act 1980 \(c. 65\), s. 69\(3\)](#)
- F2** Words inserted by [Local Government, Planning and Land Act 1980 \(c. 65\), Sch. 32 para. 31](#)
- F3** Words inserted by [Local Government, Planning and Land Act 1980 \(c. 65\), s. 69\(3\)](#)
- F4** Words inserted by [Local Government, Planning and Land Act 1980 \(c. 65\), Sch. 32 para. 31](#)
- F5** Words substituted by [Lotteries and Amusements Act 1976 \(c. 32\), Sch. 4 para. 9](#)
- F6** Words repealed by [Education Act 1975 \(c. 2\), Sch. Pt. I](#)
- F7** [S. 1\(5\)\(c\)](#) repealed by [Housing \(Consequential Provisions\) Act 1985 \(c. 71, SIF 61\), ss. 3, 6, Sch. 1 Pt. I](#)
- F8** Words substituted by virtue of [Powers of Criminal Courts Act 1973 \(c. 62\), Sch. 4 para. 1\(b\)](#)
- F9** Words substituted by [Justices of the Peace Act 1979 \(c. 55\), Sch. 2 para. 28](#)
- F10** [S. 1\(8\)](#) repealed by [Local Government, Planning and Land Act 1980 \(c. 65\), Sch. 34 Pt. XVI](#)

#### Modifications etc. (not altering text)

- C1** [S. 1](#) restricted by [Housing Act 1980 \(c. 51\), s. 117\(3\)\(5\)](#)
- C2** Power to repeal [s. 1\(1\)–\(7\)](#) conferred by [Local Government, Planning and Land Act 1980 \(c. 65\), s. 53\(10\)\(11\)\(c\), Sch. 8](#)
- C3** [S. 1\(2\)\(4\)](#) amended by [Price Commission Act 1977 \(c. 33\), s. 18\(3\)](#)

#### Marginal Citations

- M1** [1980 c. 65.](#)
- M2** [1980 c. 65.](#)
- M3** [1976 c. 32.](#)
- M4** [1962 c. 12.](#)
- M5** [1973 c. 62.](#)
- M6** [1979 c. 55.](#)
- M7** [1964 c. 48.](#)

## 2 Elements of rate support grants.

- (1) The aggregate amount of the rate support grants for any year shall be divided by the Secretary of State into three elements, to be known respectively as “the needs element”, “the domestic element” and “the resources element”, and the aggregate amount of the needs element and of the domestic element and the estimated aggregate amount of the resources element shall be such as may be prescribed.
- (2) Subject to the following provisions of this section, payments in respect of the elements of rate support grant shall be made to a local authority at such times as the Secretary of State may with the consent of the Treasury determine, and shall be made in aid of the revenues of the authority generally; and the provisions of Schedule 2 to this Act

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shall have effect with respect to the determination of the amounts payable to any local authority in respect of those elements for any year.

- (3) Except as provided by subsection (4) below, no payment in respect of the needs element shall be made to the council of a non-metropolitan district and the Secretary of State may by regulations provide that such proportion as may be determined by or under the regulations of the amount which, apart from the regulations, would be payable in respect of the needs element for any year—
- (a) to the council of a London borough or the Common Council of the City of London, or
  - (b) to the council of a metropolitan district,
- shall be payable instead to the Greater London Council or, as the case may be, to the council of the metropolitan county in which the district is situated; and any such regulations may make different provision in relation to different councils.
- (4) The Secretary of State may by regulations provide that such proportion as may be determined by or under the regulations of the amount which, apart from the regulations, would be payable in respect of the needs element for any year to the council of a non-metropolitan county shall, in such cases as may be determined in accordance with the regulations, be payable instead to the councils of districts situated in the county; and any such regulations may make different provision in relation to different councils.
- (5) No payment in respect of either the domestic element or the resources element shall be made to a county council or the Greater London Council.
- (6) Any amounts payable to a local authority in respect of the domestic element shall be taken into account for the purposes of this and any other Act as if they were payable on account of rates.
- (7) Subject to subsection (8) below, the Secretary of State may—
- (a) defray any expenditure incurred in any year in the provision of services for local authorities by any body specified in regulations made by the Secretary of State; and
  - (b) deduct from the aggregate amount of the needs element for that year such amount, not exceeding the total of the expenditure so defrayed, as appears to him to be appropriate.
- (8) Before exercising his powers under subsection (7) above, the Secretary of State shall consult with such associations of local authorities as appear to him to be concerned and with any local authority with whom consultation appears to him to be desirable.

**Modifications etc. (not altering text)**

- C4 Power to repeal s. 2 conferred by [Local Government, Planning and Land Act 1980 \(c. 65\), s. 53\(10\)\(11\)\(c\)](#), [Sch. 8](#)
- C5 [S. 2\(7\)\(a\)](#) amended by [Local Government, Planning and Land Act 1980 \(c. 65\), s. 52\(1\)\(a\)\(2\)](#)

**3 Rate support grant orders.**

- (1) The estimated aggregate amount of the rate support grants fixed in accordance with section 1(2) above for any year and the matters which under this Part of this Act are to be prescribed shall be fixed and prescribed by an order (in this Part of this Act referred

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to as a “rate support grant order”) made by the Secretary of State with the consent of the Treasury and after consultation with such associations of local authorities as appear to the Secretary of State to be concerned and with any local authority with whom consultation appears to him to be desirable.

- (2) Every rate support grant order shall be laid before the Commons House of Parliament and shall not have effect until approved by a resolution of that House.
- (3) Together with any rate support grant order laid before the Commons House of Parliament there shall be laid a report of the considerations leading to the provisions of the order, including the considerations leading to the determination of the amount available for grants and the portions mentioned in paragraphs (a) to (c) of section 1(2) above.
- (4) A separate rate support grant order shall be made in advance for each year.

**Modifications etc. (not altering text)**

C6 Power to repeal s. 3 conferred by [Local Government, Planning and Land Act 1980 \(c. 65\), s. 53\(10\)\(11\)\(c\)](#), [Sch. 8](#)

#### **4 Variation of rate support grant orders.**

- (1) If it appears to the Secretary of State that, after the time when the amount available for grants was determined for any year, the relevant expenditure of local authorities for that year has been or is likely to be substantially increased by reason of—
  - (a) an increase which has taken place in the level of prices, costs or remuneration, or
  - (b) the coming into operation of a provision of an enactment passed after this Act, and that no account was taken of that increase or, as the case may be, the effect of that provision when the amount available for grants was so determined, he may for that year redetermine that amount and the portions which are to be deducted therefrom in accordance with section 1(2) above and, by an order made in the like manner and subject to the like provisions as a rate support grant order, may increase the amounts fixed by the relevant rate support grant order as the estimated aggregate amount of the rate support grants and the aggregate amount of the needs element for that year.
- (2) The provisions of sections 1(3) and 3(3) above relating to consultation and to a report of the considerations leading to a determination under section 1 above shall apply to a redetermination under this section as they apply to a determination under that section.
- (3) In redetermining under this section the amount available for grants and the portions referred to in subsection (1) above, the Secretary of State—
  - (a) shall take into account not only the effect of the increase referred to in paragraph (a) of that subsection or, as the case may be, the provision referred to in paragraph (b) thereof, but also any future variation in the level of prices, costs and remuneration current at the time of the redetermination which in his opinion will result from any such decisions as are referred to in section 1(3) (d) above, and
  - (b) except in the case of a change resulting from the coming into operation of any enactment passed after this Act, shall take no account of any change, as compared with the situation at the time that amount and those portions were determined for the purposes of the relevant rate support grant order,

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in the demand for services giving rise to relevant expenditure, in the need for developing those services, in the extent to which those services have been developed or in the extent to which, having regard to general economic conditions, it is reasonable to develop those services.

- (4) An order made under subsection (1) above in respect of any year shall specify the actual (and not the estimated) aggregate amount of the resources element for that year.
- (5) If, in a case where the Secretary of State proposes to make an order under subsection (1) above in respect of any year, it appears to him that, apart from any provision made by virtue of this subsection, the effect of the order and of any other order under subsection (1) above which he considers likely to be made in respect of that year would be that the ratio between the actual aggregate amount of the resources element for that year and the aggregate amount of the needs element for that year would be significantly different from the ratio (in this subsection referred to as “the expected ratio”) between the estimated aggregate amount of the resources element for that year, as fixed by the relevant rate support grant order, and the aggregate amount of the needs element, as so fixed, he may in the order under subsection (1) above—
- (a) specify as the aggregate amount of the resources element for that year such amount as, in his estimation, will secure that (taking account of the effect of any further orders likely to be made under subsection (1) above in respect of that year) the ratio which the amount so specified will bear to the aggregate amount of the needs element for that year will be the expected ratio; and
  - (b) in order to secure that the total amount paid in respect of the resources element to local authorities entitled to payments in respect of that element does not exceed the amount specified as mentioned in paragraph (a) above, make provision for a corresponding variation in the amount payable to each such authority in respect of that element.
- (6) Except as provided by the preceding provisions of this section, an order under subsection (1) above in respect of any year shall not vary the amount of the elements of the rate support grants for that year but, subject thereto, any such order may, as respects the year to which it relates, vary any matters prescribed by the relevant rate support grant order other than—
- (a) the additional factors prescribed by that order for the purposes of paragraph 1 of Schedule 2 to this Act; and
  - (b) any matter prescribed by that order in relation to the domestic element or the resources element.
- (7) In this section “relevant expenditure” has the same meaning as in section 1 above.

**Modifications etc. (not altering text)**

C7 Power to repeal s. 4 conferred by [Local Government, Planning and Land Act 1980 \(c. 65\), s. 53\(10\)\(11\)\(c\)](#), [Sch. 8](#)

## 5 Reduction of grants in case of default.

- (1) If, in the case of any local authority or joint board, the appropriate Minister—
- (a) is satisfied that the authority or board have failed to achieve or maintain a reasonable standard in the discharge of any of their functions, regard being had to the standards maintained by other authorities and boards, and

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- (b) is of opinion that by reason of the failure a reduction should be made in the amount of any elements of rate support grant payable to the local authority or a constituent authority of the joint board,

he may, after affording to the local or constituent authority in question an opportunity of making representations, make and cause to be laid before Parliament a report stating the amount of and the reasons for the proposed reduction and setting out any representations made by the authority with respect to the proposed reduction; and if the report is approved by a resolution of the Commons House of Parliament the Secretary of State may reduce the elements of the grant accordingly.

(2) ..... F11

(3) Any regulations in force immediately before 1st April 1974 and—

- (a) made under subsection (2) of section 4 of the <sup>M8</sup>Local Government Act 1966 (which in the context of that Act corresponds to subsection (2) above), or  
(b) made under section 3(4) of the <sup>M9</sup>Local Government Act 1958 but, by virtue of subsection (3) of the said section 4, having effect for the purposes of that section as if made under subsection (2) thereof,

shall have effect on and after that date for the purposes of this section as if made under subsection (2) above.

(4) In this section “joint board” includes a joint committee which continues to exist by virtue of section 263(5) of the <sup>M10</sup>Local Government Act 1972.

**Textual Amendments**

F11 S. 5(2) repealed by S.I. 1982/208, art. 2

**Modifications etc. (not altering text)**

C8 Power to repeal s. 5 conferred by Local Government, Planning and Land Act 1980 (c. 65), s. 53(10) (11)(c), Sch. 8

**Marginal Citations**

M8 1966 c. 42.  
M9 1958 c. 55.  
M10 1972 c. 70.

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