MANAGEMENT OF LOCAL- GOVERNMENT FINANCE IN NIGERIA

BY

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D E C L A R A T I O N

I hereby declare that this Thesis has been composed by myself and that it is a record of my own research work. It has not been accepted in any previous application for a higher degree. All quotations are distinguished by quotation marks and the sources of information are specifically acknowledged by means of references.

JULIUS ADEBAYO EJISUN

JUNE, 1982

A B S T R A C T

This study examines the level of elasticity and buoyancy of existing internal revenue sources of Kahuna Local Government and considers the effect of community tax abolition on the financial position of the Local Government as well as the escalating overhead costs in collecting such miscellaneous items of revenue as market fees and hawkers' permit fees. Our findings revealed that the internal revenue base of the Local Government is so deplorable that the Local Government is now at the brink of financial insolvency. The much acclaimed statutory allocation of funds from both the Federal and State Governments is not enough to pay the salaries of primary school teachers, let alone financing other developmental or social programmes of the local government.

In order to rescue the local government from total financial bankruptcy and in order to place it in a position where it will be able to finance its projects, we recommend for adoption a new method of property rate collection which is so simple that its implementation will not require any sophisticated valuation mechanisms and so its adoption cannot be handicapped by lack of sufficient valuation officers in the labour market. The new formula, if properly implemented, will fetch the local government an extra revenue of over nine million Naira per annum. If this

money is at the disposal of the local government, it will in a position to effectively provide basic social services for the inhabitants of Kaduna Metropolis.

One of the other major findings of the study is the inability of the local government officials to balance the accounts of the local government for the past seven years. To remedy this situation, the study recommends that an independent body be set up by the Ministry for Local Government to assist in bringing the accounts up to date.

Dedication

DEDICATED TO MY LOVING WIFE AND CHILDREN

P R E F A C E

This study examines the theory of local government finance and its practical application with a view to assessing its efficiency and effectiveness, using Kaduna Local Government as a case study. The work centres, primarily, on Kaduna Local Government by examining the causes of its inefficient financial management and recommending specific measures for improvement. It also suggests practical means of expanding the internal revenue base of the local government with a view to minimizing its dependence on external grants.

Our approach is empirical and our methodology is analytical. The data for the work are collected from the following sources: Financial Records as maintained in Kaduna Local Government Treasury, State and Federal Governments' Financial Circulars, Financial Memoranda, Development Plans, Estimates, Laws and Edicts on Local government, Answers to Questionnaire, Council Minutes, Oral interviews and Textbooks.

Given the prescribed length limit of the thesis in terms of the number of words, deliberate efforts have been made to be as brief as possible but not at the expense of clarity and comprehension.

THESIS SUBMITTED IN JUNE 1982

J. A. EJISUN
(1980/81 SESSION)

A C K N O W L E D G E M E N T S

For the successful execution of this project, I wish to register my deep appreciation and gratitude to all those whose contributions I can hardly reciprocate sufficiently.

First my gratitude goes to my original project supervisor, Dr. A. Birkelback, Jnr., for his useful suggestions and guidance.

Second, I am grateful to the following people whose contributions academically, administratively or on friendly basis had helped me in the writing of this thesis: Mr. S. A. Oladosu, Dean, School of Administrative and Social Studies, Kaduna Polytechnic, Professor A. Y. Aliyu, Director, Institute of Administration, A.B.U., Zaria, Mr. E. A. O. Oyeyipo, Head, Department of Local Government Studies, A.B.U., Zaria, Dr. Isa Hashim, Dr. E. A. Ikoiwak, Chief J. B. Adewumi, Dr. A. Fabiyi, Dr. S. B. Oni and late Dr. A. Adeogun, all of the Institute of Administration, Ahmadu Bello University, Zaria, Mr. J. O. T. Oshadumo of Advanced Teachers College, Zaria who hosted me throughout the course, Mr. S. A. Dada of Kaduna Polytechnic, staff members of both the Ministry for Local Government Kaduna and Kaduna Local Government.

God will bless and reward you all.

JUNE, 1982 JULIUS ADEBAYO EJISUN

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CHAPTER 1

I N T R O D U C T I O N

1.1 Purpose of Study

I have chosen this topic: "Management of Local Government Finance in Nigeria: A Case Study of Kaduna Local Government" because of my curiosity to find out whether or not the management of local finance in Kaduna Local Government can be said to be efficient and effective and if not, to seek to identify the cause(s) of such inefficiency or ineffectiveness or both and to advance suggestions for solution.

It is hoped that this project, will be a challenge to financial managers who are directly or indirectly involved in financial management at the local level in Nigeria generally but in Kaduna Local Government in particular. It is hoped that the findings of this study will spur them into action to revolutionize the drive and desire towards financial efficiency and effectiveness.

In the past (and in some cases even now) a false assumption had dominated the minds of local financial managers that the success or failure of a local government is best measured by going through its accounts and estimates in order to know whether the actual expenditure was within the limit of the vote allocated and to some certain degree the amount of reserve funds which the Local Government was able to show at the end of the financial year in its

Surplus and Deficit Statement as well as Assets and Liabilities - that is, the Balance Sheet. Even as at now the external financial inspectors e.g. State Government Auditors who are charged with the responsibility of auditing local government accounts limit their reports only to this monetary unit of measuring financial effectiveness in local government. Whilst these details in monetary terms provide a very useful measuring rod of the various operations of a local government and the progress made towards achieving various objectives, this financial information as a measuring yardstick has limitations. This is so because the 'money' unit of measurement will simply show how much has been received or spent on various operations: for example how much has been spent on Health Services or on Education or how much has been received as market fees or as property rate. What the unit does not show, however, is what has been achieved for this expenditure, or for example whether the collections on property rating are what one would expect having regard to the increase or decrease in the number and value of landed properties in the local government area.

Assumptions or conclusions drawn solely from the 'money' unit of measurement may prove to be misleading and fallacious. For example, high expenditure does not necessarily indicate more extensive development or improved

standards; nor does lower expenditure indicative of deterioration in standards or curtailment of development. On the contrary, high expenditure may result from mismanagement and inefficiency and low expenditure may be due to a high level of efficiency and in fact produce higher expenditure. Experience has shown that in the annual budgetary cycle which is the principal instrument of financial control in local government, spending in excess of the approved vote on any subhead is strictly prohibited. A department which sees the need for spending more than is allowed in the budget must return to the Council and ask for a supplementary estimate. But underspending has no immediate reward, it is even likely to result in a cut in the amount approved for spending in the subsequent period. All the incentives in this process encourage the administrators to build safety margins into their budget bids and to spend their approved budget up completely. The system promotes waste and unnecessary spending of public money - the exact opposite of the purpose of a financial control system.

Although this study focuses greater attention on the revenue aspect of Kaduna Local Government, this does not mean that the spending pattern of the local government will not be critically examined. There are two broad questions which are crucial in this study. These are:

1. Are the existing sources of internal revenue

of Kaduna Local Government efficiently tapped and are there any other sources of internal revenue that can be generated?

2. Are money collected efficiently and effectively utilised and records made available to this effect?

These major questions and many other auxiliary ones will form the core of the six chapters of this thesis.

In this chapter, we begin by defining certain key words in the topic of our study. This is necessary in order to provide a clear meaning of these words and terms used. The chapter also highlights the historical background of Kaduna Local Government and its financial relationship with Kaduna State Government.

In Chapter Two, we examine the roles and responsibilities of local financial managers generally with a view to ensuring an accurate assessment to be made as to whether or not such officers in Kaduna Local Government can be individually or collectively held responsible for the findings in the ensuing chapters three and four.

Chapter Three is highly figurative, in that, it provides basic data on the recurrent revenue and expenditure patterns of the local government in certain financial years. It also gives special treatment to property rating in the local government and recommend a new formula for property evaluation. Finally, the chapter lays emphasis on revenue shortfalls and examines the causes of such shortfalls.

Chapter Four is devoted to the study of the Local Government's latest Five Year Development Plan i.e. 1976-80. While the intention is not to question the rationale behind the priority classification of projects in the development plan, there will be a critical look at the desirability (economic-wise) of white-elephant projects. Also, the extent to which the execution of developmental programmes had been handicap-ped as a result of lack of sufficient funds or qualified manpower or both is examined.

Chapter Five throws light on the areas of conflict between Kaduna Local Government and Kaduna Capital Development Board (KCDB) and recommends that the relationship between the two organizations should be characterised by a corporate approach in the interest of the inhabitants of Kaduna Metropolis.

Chapter Six is the summary and conclusion of the issues raised in the preceding chapters. In this chapter, suggestions for solving the various problems that have been identified in the financial operations of Kaduna Local Government are presented.

1.2 Definition of Words: For clarity, a few operational definitions of key words and phrases are necessary.

a) Management: Definitions of management abound. It is sufficient to say that the study of "management" is the

systematic examination of the ways in which group of people organize themselves to achieve goals by co-operative action. The purpose of this examination is to try to develop ideas and suggestions for improving the efficiency and effectiveness of such co-operative activity, whether it be the running of a Central, State or Local Government. I cannot agree more with JOHN BOURN who says that "Management is particularly vulnerable to the temptation to look at methods that have been successful in one organization, and to apply them to other organizations without considering carefully enough whether they can be transplanted successfully".[1] It is therefore not wise to say that management techniques, either administrative or financial, used in Lagos City Council will automatically succeed if used in Kaduna Local Government because the political, social and economic environments of the two areas differ.

b) Local Finance: The word "Local" means a place or district but need not necessarily be given the popular connotation of a place that is rural or suburdan. In this paper it is used to qualify a level of government which is below the State, in the sense in which local government is used to describe the government of a city, urban or rural area. The second word "finance" can be

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1. John Bourn, (1979), Management in Central and Local Government (Bath, England: Pitman Press, 1979), p. 1.

given three closely related meanings. Ordinarily, it means money, especially of a government or a business company. Secondly, it can be used to refer to the science of the management of money, also especially of public money. Finally 'finance' means providing money for a scheme or a project. While it can be seen that these three meanings are closely related, I regard the third as being the most relevant meaning of the word in this study. When the two words are used as a phrase i.e. 'local finance', it means the financial resources available for carrying out the functions and responsibilities of a local government. According to the Report of the National Conference on Local Government held at Ife University in 1969, the Conference emphatically stressed that "the success or failure and the effectiveness or ineffectiveness of local government must, in the final analysis, depend on the financial resources available to the individual local authorities and the way those resources are utilised".[1]

c) Local Government: Local Government according to A.H. Mardhall has three essential characteristics. These are:

i) Operating in a restricted geographical area within a nation or state;

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1. The Report of the National Conference on Local Government held at Ife University in 1969. Ife University Press, p. 44.

ii) Local election or selection; and

iii) the enjoyment of a measure of autonomy including the power of taxation".[1]

We can see from the above definition that it is possible to define functions that are purely local in character and which therefore should concern only those living in the locality. Thus the very object of having local representation is to ensure that those who have an interest in common which they do not share with the general body of their country-men may manage that joint interest by themselves. It is true that no national/state government can cope with everything in a Federal System of Government. This is the most concrete of the justifications of local government. This is what is referred to by J. S. Mill as:

"the sewage without tears value of local government".[2]

The other key words to be defined are "efficiency" and "affectiveness". The word "efficiency" according to Dr. A. Birkelbach, Jr., can be defined as the "optimal utilization of resources" while "effectiveness" is the ability to produce ends which meet the needs which were

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1. A. H. Marshall, Financial Administration in Local Government (London: George Allen & Unwin Ltd., 1965), chap. 1.

2. J. S. Mill, Utilitarianism, on Liberty, and Considerations on Representative Government (London: Aldine Press, 1972), pp. 175-202.

to be met from the beginning.[1] It is necessary that a local government should be effective because it is through an effective local government system that the human and material resources could be mobilised for local development.[2] Katz and Kahn defined effectiveness as follows: "Effectiveness means the extent to which all forms of energic return to the organization are maximized".[3]

1.3 Historical background of Kaduna Local Government:

Following the nation-wide local government reform of 1976, Kaduna State Government enacted an Edict titled "Local Government Edict No. 1 of 1977" which was deemed to have come into operation on the 1st day of October 1976.[4]

The name Kaduna was derived from River Kaduna, known as "Kogin Kaddune" in hausa. Kaduna means 'Kadda' - that is crocodiles, because in those days River Kaduna was full of crocodiles.[1] prior to the 1976 nation wide Local

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1. A. Birkelback Jr., Unpublished lecture notes for the 1980/81 M.P.A. (L.G) students, A.B.U. Zaria.

2. Federal Government of Nigeria Guidelines for Local Government Reform in Nigeria. (Kaduna: Government Printer, Kaduna, 1976), Forward Note.

3. D. Katz and R. L. Kahn, The Social Psychology of Organizations. New York, John Wiley and Sons, Inc. Press, 1965), chap. 6.

4. Kaduna State Government. Local Government Edict No. 1, 1977, (Kaduna: Government Printer, 1977), p. 1.

5. Oral interview with the District Head of Doka Alhaji Garba Mohammed. Doka District means the Sabongari area of Kaduna surrounding the Administrator's Office,

Government Reform and even prior to the enactment of the Kaduna Capital Law of 1956, Kaduna was a Second Class Township, while the surrounding villages were run as a District of Zaria Native Authority under the control of District Head known as the "Magajin Gari". By the coming into operation of the 1956 Kaduna Capital Territory Law, Kaduna and its adjacent Districts were carved out from Zaria Province under the control of the Governor-in-Council acting through an Administrator. In April 1962, Kaduna Capital Law of 1956 was amended to make Kaduna Capital Territory a Native Authority. Consequent to this structural change, most of the powers of the Administrator were abolished and the affairs of the Native Authority run in accordance with the provisions of the Native Authority Law No. 4 of 1954.[1] In 1973, members were nominated to the Native Authority Council under the chairmanship of Alhaji Nuhu Bamalli. The first election to Kaduna Local Government Council was held in December, 1976. The council consisted of 34 members out of which 75% were elected. Its chairman by then was Alhaji Yusufu Dantsoho. As at 31st December, 1980, i.e. the period covered by this

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extending to River Kaduna in the South and up to Hospital Road in the North.

1. The Native Authority Law of 1954 (No. 4 of 1954) Printed by Government Printer, Kaduna, Northern Nigeria, 1961. Chapters 1 and 2.

study, Kaduna Local Government consisted of five Districts; namely, Gabasawa, Kawo, Tudun-Wada, Doka and Makera. Based on 7% cumulative annual increase over the 1963 census figures of 149,910, the projected population of Kaduna by 1980 was 473,266.[1]

1.4 Financial Relationship between Kaduna State Government and Kaduna Local Government

Since it is impossible for any local government to perform its statutory functions without the necessary finance, one of the main objectives of the various States' Local Government Edicts, therefore, is to define the sources of revenue of local governments. This is particularly necessary because the general status of any local government system depends on its financial standing in relation to the state authority and especially on the proportion of local government revenue that derive from the State Government. Also by defining the revenue powers of local governments, the states are helping these councils to stabilize their finances and financial administration generally; it removes uncertainty and enhances financial planning. With the modifications introduced by the various local governments in the states, and especially the adjustment of the proportions of the state governments'

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1. 1976-80 projections by the Ministry of Economic Development, statistical Division, Kaduna State, the whole report.

revenue and statutory allocations out of the general revenue of Federal Account accruing to local governments themselves, the question of lack of finance is expected to be a thing of the past. Another aim of financial control is to facilitate routine accountability on the part of the local governments and their staff in order to maintain probity in financial management.

Section 103 of Kaduna State Local Government Edict[1] spells out the main sources of revenue of local governments while section 104 explains to what use the revenues shall be exercised. Section 7 (1) of the 1979 Constitution of Nigeria also specifically charged each State Government to enact a law that will provide for the finances of local governments.[2] Control is therefore expected to be exercised through the annual estimates of revenue and expenditure prepared by local governments. Section 113(1) of Kaduna State Local Government Edict enjoins ~~every~~ local government to cause to be prepared, in accordance with any general directives made in that behalf by the Executive Council, a detailed estimate of the revenue and expenditure for the next financial year. Section 113 (1)(c) also

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1. Kaduna State Government. Local Government Edict No. 1 of 1977. Government Printer, Kaduna 1977, section 103.

2. Federal Republic of Nigeria. The Nigerian Constitution of 1979. Lagos, Government Press, 1979, p. 119.

enjoins the local government to submit to the Executive Council within such time and in such manner as may be directed by the Exec tive Council a copy of the Estimates approved by the local government. Section 113 (2) empowers the Executive Council to consider an annual estimates submitted by a Local Government in order to ensure that it is not inconsistent with the general budgetary measures. This is another element of State control. Section 114 states that supplementary estimates should be submitted to the Executive Council for approval in the same way as the main estimates.

Section 116 (1) empowers the local government to write-off any irrecoverable arrears of revenue but, subsection 3 says that the Executive Council's approval must be obtained if such irrecoverable debt exceeds Five Hundred Naira. The Commissioner for Local Government is empowered under Section 112 (1) of the Edict to issue written instructions (to be called Financial Memoranda), for the better control and management of the financial business of local governments in the State and for the regulation of the procedure of Finance and General Purposes Committees; and such shall be observed and obeyed by the Local Governments to whom they are addressed.

The Local Government may in accordance with the directive issued by the Executive Council through the

Ministry for Local Government impose a special rate for or towards defraying the expenses or executing any special work or service where such work would be of particular benefit to its community. Section 126 (1) further empowers the Commissioner to make provision for the method of assessment of rates upon tenement while section 127 empowers the Commissioner to appoint persons to be appraisers for the purpose of this Edict. The last area of financial control of the State Government is contained in section 110 which requires every local government to render annual accounts of its financial activities and to submit such accounts to be audited by an auditor appointed by the State Government. The Local Government is expected to render to the Executive Council an annual financial statement and to publish such annual statement and the report of the Auditor (Section 172).

I have spent time in explaining the financial relationship between Kaduna State Government and Local Governments in the State so that my readers may have enough background information at their disposal. There are many schools of thought on the desirability or otherwise of State's control over local government finances. Many have recommended for the partnership approach rather than the master versus servant approach; and some have gone to the extent of advocating for the total insulation

of local governments from any slightest State control. The merits and defects of each school of thought will be shown in the subsequent chapters.

CHAPTER II

ACTORS IN LOCAL GOVERNMENT FINANCIAL MANAGEMENT

2.1 The Council and The Finance Committee

Local Governments are required by law to conduct their financial affairs in a prudent and responsible fashion. This in effect means that certain group of people or individuals in the local government will either be collectively or individually assigned with certain duties and responsibilities. This chapter will highlight such functionaries with a view to ascertaining whether or not they could be charged for ommission, negligence, inefficiency or dishonesty as might be revealed in the subsequent chapters of this thesis. I am to stress here that itiis necessary to treat this topic as a chapter because the actors of local financial management are not the owners of the resources which they are holding in custody and anyone who has in his hands, resources which belong to others, is in a position of stewardship.

In Nigeria today, a large proportion of the transactions in resources are decided upon and carried out by stewards and not by the owners of these resources. Company directors use resources entrusted to them by shareholders; they themselves entrust some of these resources to managers, further delegation takes place down the line of authority within the business. Federal and State and Local Governments are managing resources entrusted to them by the citizens through the National Assembly, State Assembly

and Local Government Councils respectively and they in turn delegate resource allocation and decision-making powers to civil servants and local government officers. Every steward is held accountable to the person or body which entrusted resources to him, whether the latter is a 'superior steward' or the ultimate owner. Accountability places two obligations upon a steward; he must render an 'account' of his dealings with the stewardship resources, and then he must submit to an examination (usually known as an 'audit') of that account by or on behalf of the person or body to whom he is accountable. This means that he must not only allow the audit to take place, but that he must provide the evidence from which the auditor can verify the account rendered. This double duty of stewards, including an audit, has a long and continuous history.
A. C. Littleton says that 'the need for independent checks or control (inspection or audit) lies deep in human nature'.[1]

I have taken time to emphasis on accountability here because in Nigeria Local Government, the word steward can apply to both the executive and the legislative arms of of the system. For instance at the Federal and State levels

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1. A. C. Littleton, Accounting Evolution to 1900, 2nd Edition, (England: Russell and Russell Press, 1966), p. 296.

the Executive is quite distinct from the legislature and no one person can at the same time belong to the two arms. As far as Local Government is concerned however, those who make financial policies are the same person implementing them just like the Cabinet system of Government which Nigeria adopted in the First Republic. In a nutshell, local government councils in Nigeria formulate financial policies and the implementation of such policies are entrusted in the hands of Executive Committees comprised of Portfolio or Supervisory Councillors and Local Government officials. These Portfolio or Supervisory Councillors are members of the Local Government Council. The strongest and mandatory committee charged with the responsibility of executing local government financial policies is known as the 'Finance and General Purposes Committee'. Suffice it to say now that in view of this portfolio/ supervisory councillor system which we adopted in Nigerian local government, the working conditions of both councillors and officials of local government must be close and confident. Although ideologically councillors are responsible for local government financial policy formulation while officials are responsible for execution, yet the two cannot work independently i.e. there is no operative dichotomy. In reality, both financial policy formulation and execution elements in local government

management are likely to be present at every stage of the management process. Mr. G. W. Jones in his own contribution on this issue says:

> "that process can be seen as a scale or continuum; with the setting of objectives and the allocation of major resources at the one end, moving through the designing of programmes and plans, to the execution of those plans at the other end. As one moves through that management scale, the balance between the two elements changes from member control with officer advice at the "policy" end, to officer control with member advice at the 'execution' end".[1]

In Nigerian local government, we can categorically say that besides the local government council that has an overall responsibility for the proper management of the local government area both administratively and financially, there are three categories of people that can be pinned down as ACTORS in local government financial management. These are:

1. The members of the Finance and General Purposes Committee;
2. The Secretary and the Treasurer;
3. Other Heads of Departments who are designated "Officers' Controlling Votes".

Under Section 43 of Kaduna State Edict, each of these bodies is to be charged with specific duties and responsibilities. I will briefly detail out such duties and

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1. G. W. Jones, "Problems of City Government", Journal of Public Administration Overseas, Volume XIV, No. 4, October, 1975, p. 225.

responsibilities so that subsequent findings in this study with regards to inefficiency, ineffectiveness, dishonesty etc. may be blamed on these functioneries:

1. Finance and General Purposes Committee

This Committee is responsible, subject to any policy laid down by the Local Government, for the regulation and control of the finances of the local government. Within the general framework set by the Local Government Council, the Committee has the following responsibilities:

a) to make recommendations as it considers necessary to the Local Government Council concerning the policy to guide its operations to be adopted by the Departments in the framing of estimate proposals for the next financial year;

b) to receive and consider the annual estimate proposals of all Spending Committees and Departments, as collated by the Treasurer, and to direct the Treasury in the preparation of the Draft of the annual estimate of revenue and expenditure of the Local Government;

c) to accept or amend the draft estimates submitted by the Treasurer and to submit the agreed draft annual estimates for the consideration of the Local Government Council;

d) to examine proposals and to submit recommendations to the Local Government Council, as and when necessary,

in regard to:

i) the amendment of revenue-earning bye-laws or rules or the promulgation of new bye-laws or rules providing for the raising of revenue;

ii) the level of a local tax or rate, to be levied;

iii) the raising of a loan; and

iv) the manner in which investments should be made.

Other duties of the Finance Committee include the examination of all applications for supplementary estimates or the re-allocation of funds and as may be appropriate, approved or recommended, to the Local Government Council. The Committee considers and awards contracts in accordance with the relevant Standing Orders, subject to such upper levels as are prescribed in the Financial Memoranda. It also considers reports received from the Auditor or the Local Government Inspector and recommend to the Local Government Council any action required arising from such reports. If a Local Government official is inefficient in the performance of his duties, it is the duty of the Finance Committee to recommend necessary disciplinary action against such official. The Finance and General Purposes Committee is also responsible for carrying out such tests and checks as are necessary to satisfy itself that the local government revenues are being promptly collected and accounted for and its funds properly disbursed.

Financial Memoranda Section 7C, states that "Finance Committee shall be established for each Local Government Treasury. It will meet at least once in the course of each month to consider the following topics, on which it will receive reports from the Local Treasurer:-

1) The Monthly Reconciliation (LGT. 78), in respect of the previous month.
2) The Revenue Collectors' Chart.
3) The progress of the collection of Personal and Other Taxes or Rates.
4) The repayment of Advance Accounts.
5) The progress on outstanding matters raised by the Director of Audit (including reports from the local Government Inspectors of Accounts).
6) New Applications to Incur Supplementary Expenditure.
7) New Applications for personal advances.
8) Details of over expenditure of votes and allocations, and failure to reconcile Departmental Records with those of the Treasury.
9) Any other business referred to it by the Local Government or Councillor for Finance."[1]

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1. Financial Memoranda for use in LG Treasuries, issued by direction of the Minister for Local Government, Northern Nigeria, 1966. Printed by Government Printer, Kaduna, 1966, p. 3.

In considering local government estimates, the Finance Committee is expected to focus its attention on the broad allocation of funds to various Departments and must seek to ensure that estimate proposals reflect a proper financial economy in achieving local government objectives and contain no wasteful or excessive expenditure. In regard to financial matters, the Finance and General Purposes Committee is the watchdog of the local Government Council and although it may properly inquire into proposals made by the Spending Committees and call for reports if it suspect such things as waste or overspending, it must not assume the role of a tribunal.

Financial Soundness: When Estimates are not sound, it is the duty of the Finance and General Purposes Committee to take the following steps:-

a) to consider whether, in order to eliminate the excess of expenditure to be financed from recurrent revenue over the amount of such revenue, the Departments of the Local Government should be asked to recnnsider their estimate proposals with a view to effecting reductions. Where the Committee resolves to proceed on this basis, it shall issue guidelines to the departments indicating the extent of the economics it considers essential to achieve. Such guidelines may refer to a percentage reduction in total estimated departmental expenditure or, alternatively, some aspects of estimated departmental expenditure, or may

indicate the estimated total amount by which it is proposed that estimated departmental expenditure should be reduced;

b) Whether, in order to remedy a shortfall in recurrent revenue, to recommend to the Council that steps should be taken to raise additional revenue and, if so, to prepare the Committee's proposals in this regard for approval by the Council;

c) whether to proceed on the basis of both (a) and (b) above.

In its Circular No. MLG.4555/10 of October, 1966[1], the Ministry for Local Government, Northern Region, specifically charged all Native Authorities to establish a Finance Committee with appropriate Standing Orders which will be forwarded by the Ministry. The Standing Order was expected to contain instructions which will make it mandatory for the Finance Committee to take appropriate measures that will arrest any deplorable financial position of local governments. The circular states:

> "I am directed by the Minister to refer to Secretary to the Premier's secret Circular No. PM/64/S.4/129 of 23rd October, 1961, and to inform you that Government views with the gravest concern the rapidly declining standards in Native Treasuries and has given instructions that immediate steps be taken to rectify the situation."

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1. Policy Circulars issued by the Ministry for Local Government Northern Nigeria, Kaduna, between 1st January 1958 and 31st December 1965. Printed by the Government Printer, Kaduna, 1966, p. 24.

2. Duties and Responsibilities of the Secretary:

As far as financial management is concerned, the Secretary should ensure that there is a strict compliance with the provisions of the Financial Memoranda throughout the local government organisation. The treasurer is directly responsible to the Secretary, hence the Secretary should monitor the activities of the Treasurer with a view to seeing that the treasurer and other accounting officers perform their duties honestly and efficiently. The Secretary is the pivot between the local government council and the treasurer/other accounting officers. He (the Secretary) is expected to see that all instructions or directives of the Ministry for Local Government with regards to the efficient and effective management of Local government finances are strictly adhered to by the Treasurer and all other Accounting Officers of the local government. In most cases, the Secretary is the Secretary to the Finance and General Purposes Committee, therefore, he is expected to guide the proceedings of the committee with a view to seeing that financial regulations with regards to the award of contracts, jobbing orders, issuing of Local Purchase Orders etc. are not flouted. He should promote a spirit of cost-consciousness throughout the local government organisation in order to ensure that proper value is obtained for money spent. He is also responsible for making proposals for the review (where necessary) of

existing rules and regulations and recommend for the revisions of rates and fees to catch up with the rate of inflation and general economic growth,

3. Duties and Responsibilities of the Treasurer:

The role of the Treasurer with regards to local government financial management is so crucial that it will be appropriate at this stage to re-iterate it as laid down in the Financial Memoranda. Financial Memoranda Chapter one, section 13 states that the treasurer will be responsible for ensuring that:

> "There is strict compliance with the Financial Memoranda in the Treasury and other Departments of the Local Government. He should maintain an up-to-date accounts and records of money received and disbursed. He should ensure that advances are recovered in accordance with the conditions under which they were granted. Payment vouchers not duly authorised by Officers controlling Votes should not be approved by the Treasurer. Using the Monthly and Daily Abstracts of Expenditure, the treasurer will be able to guide against over expenditure of votes. He is expected to carry out a monthly check of the Treasury Cash Book transactions and to ensure that bank reconciliations are carried out regularly. The Treasurer is responsible for the preparation of Local Government Revenue Estimates and for the co-ordination of Expenditure Estimates of all the Departments in the Local Government. By the nature of his training, he is expected to guide the Finance Committee on how to produce a sound budget. Where there is no provisions for the post of Development Secretary in the Local Government Estimates, the Treasurer is expected to collate developmental programmes submitted by Heads of Departments. The Ministry for Local Government can easily measure the efficiency of a local treasurer if he submits his Monthly Reconciliation of Accounts promptly and accurately. The sequence of Estimates preparation is expected to be strictly adhered to by the Treasurer so as to facilitate the early scrutiny of

> local government estimates by the Ministry for Local Government. On the Revenue aspects of the local government, the treasurer is expected to pursue the early payment of grants to local governments by Federal and State Governments as well as by other Statutory Bodies."[1]

4. Other Accounting Officers (Officers Controlling Votes)

An officer controlling a vote is an official of the local government who has received through delegation in writing from the Local Government the power to incur expenditure. He is responsible for the maintenance of the Departmental Vote Account an-d will be held personally and pecuniarily liable for any payment authorised by him which are in excess of the approved funds or which are unnecessary or extravagant. He should keep himself informed of the amount of money spent on the vote in order that he may in good time apply for an application to incur supplementary expenditure if the funds approved will not be sufficient. Any Officer Controlling Vote is expected to keep a Departmental Vote Account Book to ensure that Payment Vouchers authorised by him are entered against the money allocated thus enabling him to know the funds available for further expenditure. Similarly liabilities arising from the issue of Local Purchase Orders, Contracts, Jobbing Orders and AIEE are reflected in the Department Vote Account Book

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1. New Financial Memoranda issued by the Federal Government of Nigeria for use in all Local Government Treasuries, 1979. Printed by Government Printer Kaduna, 1979, Chapter 1.

so as to deflate the funds available for further expenditure.

An untrue perception of the extent of one's actual power may lead to friction, bitterness and unnecessary rivalry, thus leading to inefficiency. The Secretary to Local Government is the Chief Executive Officer normally responsible for the supervision and control of all employees of the Local Government and for the co-ordination of all departmental activities. Yet there are Departmental Heads (Officers-Controlling-Votes) who, while being under the general direction and control of the Secretary in matters relating to the employees and internal control of the Departments, are also subject to ghe general political direction of a Supervisory Councillor. The point here is that the difference between the allegiance of the Head of Department to the Supervisory Councillor and his loyalty to the Secretary cannot be structured into two water-tight compartments. The situation in practice is frought with dangers and may lead to ineffectiveness. The Head of Department is therefore expected to be tact-ful and diplomatic in his attempt to marry the political views of the Councillor with the administrative directives of the Secretary.

CHAPTER III

PATTERNS OF RECURRENT REVENUE AND EXPENDITURE

IN KADUNA LOCAL GOVERNMENT BETWEEN 1977 AND 1980

3.1 Actual versus Estimated Figures of Revenue

Budgeting in local government is an annual event. It expresses in financial terms, the revenue sources, expenditure commitments of the local government for a given year. In essence, therefore, the estimates (budget) is the monetary anticipation of the council's earnings and expenses. Before going into details however, I must quickly say that local government budgets are basically classified into two groups; namely, "recurrent" and "capital". Where a local government spends money on something which will serve the area for many years, it finances the project from capital budget. New schools, libraries, roads are common instances. But where money is being spent on something which is valuable only in the short term, payment is made from recurrent budget: these are salaries of staff, the cost of running certain essential services like purchase of drugs for medical services, maintenance of roads, buildings, vehicles etc.

In this chapter, attention will be focussed on recurrent revenue and expenditure while chapter four will be devoted to capital budgeting. To this end, the actual money received will be compared with the estimated figures and the shortfall in revenue or overcollection established. This is shown in Table I of the next page.

TABLE I

MAJOR RECURRENT REVENUE SUBHEADS OF KADUNA LOCAL GOVERNMENT ESTIMATES: ACTUAL COLLECTION VERSUS ESTIMATED FIGURES

(rounded to the nearest Naira)

SUBHEAD TITLE AND FINANCIAL YEAR	ESTIMATED REVENUE ₦	ACTUAL REVENUE ₦	OVER-COLLECTION ₦	UNDER-COLLECTION ₦
Community Tax				
1976/77	64564	80282	13718	-
1977/78	100000	111983	11983	-
1978/79	150000	155232	5232	-
1979/80	248248	100530	-	147718
Property Rates				
1976/77	320000	105151	-	214849
1977/78	370000	72695	-	297305
1978/79	370000	134567	-	235433
1979/80	250000	158170	-	91830
Advertisement Fees				
1976/77	9000	8115	-	885
1977/78	10000	9249	-	751
1978/79	12000	16177	4177	-
1979/80	15000	5983	-	9017
Drumming Fees/ Begger Licences				
1976/77	1500	785	-	715
1977/78	1500	807	-	693
1978/79	1500	473	-	1027
1979/80	1500	660	-	840
Bicycle Licences				
1976/77	12000	8335	-	3665
1977/78	10000	5473	-	4527
1978/79	10000	7137	-	2863
1979/80	12000	2120	-	9880

SUBHEAD TITLE AND FINANCIAL YEAR	ESTIMATED REVENUE ₦	ACTUAL REVENUE ₦	OVER-COLLECTION ₦	UNDER-COLLECTION ₦
Certificate of Occupancy				
1976/77	8000	1090	-	6910
1977/78	8000	2143	-	5857
1978/79	10000	39512	29512	-
1979/80	40000	6090	-	33910
Statutory Allocation from Federal And State Governments				
1976/77	559093	671873	112780	-
1977/78	4383935	2396285	-	1987650
1978/79 (Federal)	1393677	416967	-	976710
(State)	754225	1105058	350833	-
(Fed. Edu.)	4364858	2299260	-	2064598
1979/80 (Federal)	1146088	319016	-	827072
(State)	754225	34896	-	719329
(Fed. Edu.)	5536840	346488	-	5190352

1. Figures in this Table are extracted from the Vote Serivice Ledgers (VSL) of Kaduna Local Government.

2. I have separated Education Grant from the Federal Government's statutory allocation to local government, so that we can have a thorough knowledge of how much was actually received from the Federal Government on Education. It would be recalled that the Federal Government in 1976 accepted full financial responsibility for Primary Education throughout the country. Refer to a book titled "Foundation of Educational Thought" (UPE) published in 1976 by Longman Nigeria Ltd., Ikeja by the authority of the Federal Ministry of Education.

From the figures obtained in the table of the preceeding pages, one is apt to ask many questions. For example, how could the local government escape financial bankruptcy, insolvency and social disorder during the four financial years covered by this report? The total sum of money which the Local Government was unable to collect during the four year period is well over twelve million Naira (₦12 million). For instance education grant from the Federal Government in 1979/80 was put at ₦5,536,840 out of which the Local Government received only ₦346,488. leaving a balance of ₦519,032 which constitutes 84.8% of the total estimated revenue. Even if the local government has got some justification for the poor collection on Certificate of Occupancy, what can one say about bicycle licences where the local government estimated to collect ₦12,000 in 1979/80 but merely collected ₦2,120. The under-collection of ₦9,880 on this subhead constitutes 82.3% of the estimated figure.

The question to be asked is whose inefficiency, dishonesty or both made the local government to suffer this huge loss of revenue? This and many other related questions is what we shall address ourselves to in section 5 of this chapter.

3.2 Percentage Allocation to Recurrent Expenditure

All expenses which are, of necessity, repeated each year e.g. salaries, allowances, maintenance charge for

existing services are classified as recurrent expenditure. In studying the recurrent expenditure pattern of Kaduna Local Covernment, one has to look at the background philosophy of creating local governments. One of the cardinal principles for creating local governments is to promote development at the local level.

The word "development" is used here to mean the provision of social amenities like good roads, efficient and sufficient medical and health services, environmental sanitation, drinking water and many others as listed in the Fourth Schedule of the 1979 Nigeria Constitution.[1] It is on the basis of this general philosophy that Local Governments' Financial Memoranda clearly lays down the percentage allocation that should be allowed for 'Personal Emoluments' 'Other Charges' and 'Surplus Funds for Capital Projects' out of the total ordinary revenue of local governments.[2]

These are:

Personal Emoluments	.....	45%
Other Charges	.....	45%
Surplus funds for Capital Development	.....	10%

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1. Federal Republic of Nigeria. The Nigeria Constitution of 1979, Lagos, Government Press, 1979, p. 119.

2. Financial Memoranda issued by the Northern Nigeria Government in 1966, p. 19. Government Printer, Kaduna, 1966, p. 34.

This proviso excludes capital projects which are supposed to be financed through the accumulated reserve funds of the local government (i.e. investments) or those to be financed through grants or loans. We shall consider this in detail in Chapter IV. Our primary concern here is to see the percentage allocation allowed for Personal Emoluments and Other Charges by the Kaduna Local Government in its Ordinary Revenue budget for two financial years. To what extent has the local government flouted the authority of the Financial Memoranda? Table II below is an extract from the local government's approved estimates for two financial years.[1]

TABLE II

FINANCIAL YEAR	TOTAL ORDINARY REVENUE ₦	AMOUNT ALLOCATED TO P.E. & O.C. ₦	SURPLUS FOR CAPITAL DEVELOPMENT ₦	DEFICIT ₦
1978/79	7,294,630	7,304,264	-	
1979/80	7,699,326	9,382,149	-	1,682,823

1. Kaduna Local Government Approved Estimates, 1978/79 and 1979/80, Government Printer, Kaduna, as contained in the 1979/80 Approved Estimates, p. 3.

In these two financial years, the local government produced deficit budgets which in effect meant that it was unable to procure any surplus funds which could be used as reserve funds for the purpose of financing capital development projects. The adverse effect of this deficit budgeting will be examined in chapter IV.

3.3 Effect of the abolition of Community Tax

In view of the fact that this system of taxation has been abolished (at least in Kaduna State), our reference to it is necessarily brief. Another reason for brevity is due to the fact that this research work concentrates more on property rate and grants (statutory allocations from the Federal and State Governments). In any case, it will be a serious omission to leave out community tax in an exercise of this nature especially considering the fact that it was a system of taxation in Nigeria for well over eighty years. History indicated that community tax had been in existence in Northern Nigeria prior to the advent of colonial administration in 1900. In a nutshell, community tax (poll-tax) is a system of taxation that makes no attempt either to spread the burden between ratepayers in proportion to financial means as in the case of income rate, or, in so far as this can be said to be possible in accordance with benefits derived, as in the case of property rate. Community tax sacrifices all other considerations in the interest of simplicity (because

records of income are in most cases not available) and merely imposes on each and every rate-payer, irrespective of his means or the use of the services provided, a per-capita rate of a uniform amount.

One major defect of this system of taxation is 'inequity', because the burden is not spread in proportion to wealth or benefit from usage. Another defect is that the method cannot be said to be a correct means of tapping the financial potential of the local community.

In abolishing community tax in Kaduna State, the former Executive Governor of the State, Alhaji Abdulkadir Balarabe Musa at his inauguration on Tuesday 2nd October, 1979 said:

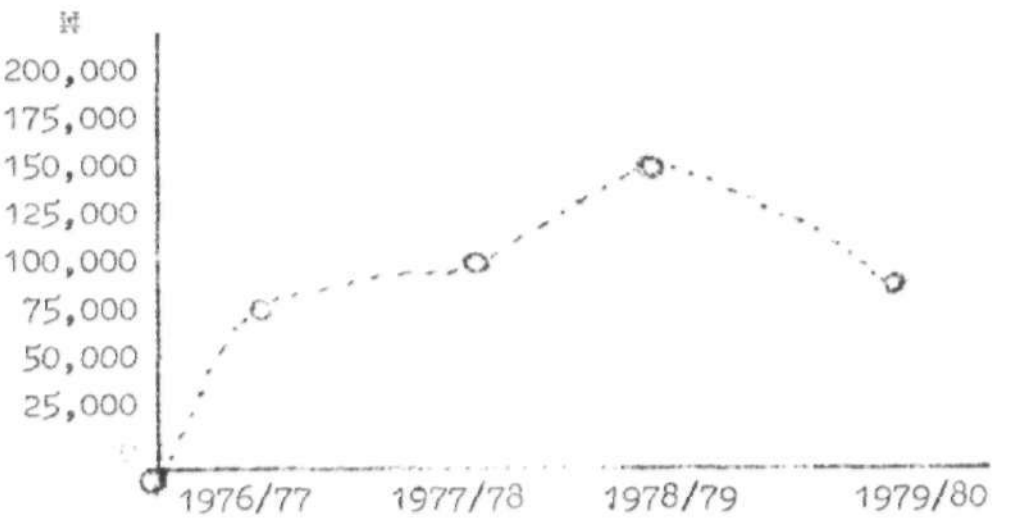
> "None of these policies intended to lift heavy burdens from our shoulders will be really meaningful without lifting one of the heaviest of these burdens. This is the annual payment of community tax (Haraji) and cattle tax (Jangali). Our government has decided to abolish the payment of community tax in this State beginning immediately with the cancellation of the 1979/80 levy of eight Naira per tax-payer. The income rate of eight Naira under the pay-as-you-earn scheme is also abolished. Our government shall never levy HARAJI or JANGALI because these taxes are unjust. While the poor and the needy have to pay the HARAJI others in both the urban and rural areas pay little or nothing at all.
>
> In fact, the revenue derived from community tax is an insignificant proportion of the revenue of the local government councils. We intend to raise far greater revenue for the local and state governments by taxing those who can really afford to pay. The large scale evasion of tax by taxable individuals shall be stopped. A revenue board directly under the Governor shall be established. The payment of property rates on buildings in the

> urban areas is going to be introduced. On this alone, revenue far in excess of what is lost from the abolition of community tax shall be raised. However, all existing legitimate taxes, fees, and rates shall continue to be paid. I want all of you to pay and obtain receipts."[1]

Consequent upon the above statement, community tax was abolished in Kaduna State. Other States that followed suit immediately are Kano, Bauchi, Kwara, Niger and Sokoto. But before we sweep this topic under the carpet, its numerous disadvantages notwithstanding, we need to see what Kaduna Local Government is losing annually as a result of the abolition of community tax and find out whether the loss has been effectively compensated by property rate as intended by the Governor in his policy statement. The actual collections on community tax from 1976-80 is reflected in the graph shown below as Figure I.

FIG. I

COMMUNITY TAX IN KADUNA LOCAL GOVERNMENT
ACTUAL COLLECTIONS FROM 1976-80



1. Towards a new social order: policy statement of the Governor of Kaduna State, Alhaji Abdulkadir Balarabe Musa

Surely, if we consider the social evils, injustice, inequity and atrocities that associate with community tax collection in Nigeria, we may be forced to conclude that the sum of ₦155,232 p.a. (the highest ever collected by Kaduna Local Government) is negligible when compared with the Local Government's annual expenditure budget of ₦9,382,149.[1] Again the total amount collected on community tax is negligible if compared with what the local government could derive from property rate if properly tapped.

The bone of contention here however is whether or not the local government has been able to tap property rate to its maximum and if not, what adverse effect has the abolition of community tax on the various services being provided for the people living in Kaduna? These two questions will be answered in the sections dealing with property rate and the chapter dealing with capital development projects.

3.4 Property Rate:

3.4.1 General Concept: Applicability and Buoyancy

Property Rate in whatever form it is introduced, is better designed than income rating to cope with problems of evasion. When the rate collector appears upon the scene,

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at his inauguration on Tuesday 2nd October, 1979. Printed by the Government Printer, Kaduna, whole pamphlet.

1. Kaduna Local Government Approved Estimates 1979/80, p. 1.

an intending defaulter may easily hide himself and his money, but he cannot hide his immovable property, his house, his shop or his store. This makes evasion of the payment of property rates more difficult, although it can be argued that the intending defaulter can nevertheless disappear when called upon to pay, whether the amount due is based on his assessed income or the valuation of his property. But there is a strong argument that a property owner is most unlikely to default on the payment of his rates, because of his fears that such an omission on his part might bring into question his rights of ownership to the property. Perhaps the former Governor of Kaduna State Alhaji Balarabe Musa realised the potential of property rate as a very bouyant source of revenue for local governments before he abolished community tax.

Property Rate is not new in Nigeria, it has been for many years the main source of local revenue for some Local Authorities in the South e.g. Lagos and Ibadan City Councils. Up in the North here, however, it is a new source of revenue for Local Governments. Although one may view the action of the former Governor of Kaduna State as being too radical, he was optimistic that if the machinery for property rating was put into operation, local governments would have an independent internal source of revenue that could sustain their financial obligations. Even before the Governor made his policy statement in 1979,

the Federal Government had, as far back as 1976, emphasised the need for all local governments in the country to introduce property rate and make it operational. In the 1976 Local Government Reform Guidelines, the Federal Government remarked as follows:

> It must be recognised that if meaningful local government is to be expected in Nigeria much larger financial resources are needed. In respect of local resources the only one which can be made to yield really large sums is Property Rating, the use of which should be extended to all local governments progressively beginning with the urban areas. If it is applied to any urban area it should be applied to the whole of it - not to selected zones only. For example it should not apply in 'stranger settlement' suburbs of traditional cities only excluding the inner cities themselves.[1]

Property Rating, if carefully and properly introduced, has a very high and predictable yield for the local government. Besides the merits which I mentioned in the preceeding paragraph, other advantages of property rating are that there can be few jurisdictional disputes between rating authorities. Also Local Governments can make long term policy financial commitments because of its certainty which will not be disrupted as in the case of reliance on community tax or grants from Federal or State Governments.

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1. Federal Republic of Nigeria, 1976 Guidelines for Local Government Reform in Nigeria, Kaduna, Government Printer, 1976, paragraph 45.

3.4.2 Property Rating Problems: Rating system is not free of problems. It is relevant here to highlight some of the problems inherent in the system. These are:

a) The disparity between the resources of local governments in relation to their needs. Resources measured in terms of rateable value per head of population vary considerably as between one local government and another.

b) Valuation for rating is a tricky and complex problem.

c) Since rates are a tax on the occupation of property, they increase the cost of housing accommodation and may bring about over-crowding, the full burden of the rates may fall on the tenants.

d) Ownership of land in general constitutes a problem in Nigeria. In the rural areas, land may be owned by the whole community or by a family. The situation helps to complicate the rating system.

3.4.3 Valuation Principles

As earlier mentioned, valuation of property for rating purposes is a somewhat complicated process. If the burden of the rate is to be distributed as fairly as possible among the ratepayers, the valuations made must be based on accepted formula which can be uniformly applied.

The formulae normally in use all over the world are designed to facilitate the determination of either the capital value or the annual value of properties as may be required. Capital Value is taken to be the price which the owner of a property could expect to receive for out-right sale in the open market. Annual value is taken to be a figure equivalent to the amount of rent per annum which the owner would likely receive if he let the property. The application of valuation principles present a number of problems which are capable of solution by trained valuers. In reaching their conclusions, valuers will be required to take into consideration the following factors:

a) the size of the property to be valued;

b) the materials of which it has been constructed (to be quantified in money terms);

c) the purpose for which it is used;

d) its situation.

The importance of the forgoing factors in a valuation exercise and their relationship to one another, can perhaps be illustrated by comparing the values for rating purposes of the premises of a prominent wrist-watch dealer with that of a whole-sale cement trader. The latter in all probability requires considerable storage space and his premises may therefore be much larger than that of the wrist-watch dealer, but that does not necessarily imply

that the rateable value of the wrist-watch dealer's shop must therefore be lesser of the two. The nature of the wrist-watch dealer's trade does not normally require him to maintain extensive premises: on the other hand, to attract business he seeks premises which face on to a busy thoroughfare and his reputation is enhanced if his shop is constructed of fine materials. Thus it can be seen that although his premises may be comparatively small they are nevertheless valuable. The position of the cement trader is altogether different. He requires a considerable storage space. But because of the nature of what he sells he can afford to carry on his business in less fashionable surroundings and in buildings less well built. The ability to weigh these several factors one against the other (quantitatively) to produce a sound valuation for rating purposes is the measure of the skill of the valuation officer. Suffice to say that even the four factors mentioned above are not the only factors to be taken into consideration in proper valuation. From the foregoing, it will be appreciated that the valuation exercise is not an easy task.

A local government wishing to adopt this method must therefore be prepared to meet the cost of maintaining a large rating organization employing highly skilled personnel. Even in those cases where local governments have the will and the financial resources to enable them to embark upon

Group 2 ..... All dwelling houses built of sandcrete and shops, stores etc. built with mud walls

Group 3 ..... All shops, stores etc. built of sandcrete, cement block etc.

The local government could then zone the area for rating purposes on something like the following formula:

Weighting		Zone	
3	.....	A	..... Commercial Centre
2	.....	B	..... High Density residential areas
1	.....	C	..... All other areas

It may also be found necessary in the calculation to apply a simple factor that will distinguish between properties of one or more storeys. Using the foregoing formula, we can calculate the rateable value of a property thus:

$$\text{Rateable Value in Naira} = \frac{\text{Floor Space (in sq. metre) X Number of Floors X Zone Factor X Group Factor}}{100}$$

For example let us take the case of a shop of two storeys built of concrete blocks which has a floor of 60m x 30m (1800 sq.m.) assuming that the building is in Zone A and the grouping is 2. The rateable value of this property would then be:

$$\frac{(\text{sq. metre})^{1800} \times (\text{no. of storeys})^{2} \times (\text{Group})^{2} \times (\text{Zone})^{3}}{100}$$

It is therefore $\frac{1800 \times 2 \times 2 \times 3}{100}$ = ₦216.00 (rateable value per annum)

If the rateable value is ₦216.00 per annum, then the charging of 10% as taxation will give a total yield of ₦21.60 to the local government annually on that property.

Whereas if a similar two storey building of the same sq. metre is located in Zone C and classified under group 1, the rateable value per annum will be:

$$\frac{1800 \times 2 \times 1 \times 1}{100} = ₦36.00 \text{ per annum.}$$

Thus a 10% charge on ₦36.00 will give a total tax payable of ₦3.60 per annum. It should be noted that 10% is used in this example because Kaduna State as at the moment has a 10% levy on the annual rental value of properties under their jurisdiction. This zoning and weighting system, though different in operation and design, is similar to the method being used in Israel where property rate assessment is determined according to the number of rooms and the situational zone in the case of dwelling houses, and according to the zone and the internal total area in the case of buildings other than dwelling houses.[1]

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1. International Union of Local Authorities. The Management of Development Finance and Credit Institutions. The Hague, Netherlands, October, 1972. IULA Publications, Autumn, 1972, p. 25.

The rationale for the use of the simple method propounded here are three fold:

First: It is simple to understand, hence the local government will not be compelled to procure the services of highly trained valuation officers. At present the local government has estimated to employ five valuation officers as shown in its 1980 expenditure estimates.[1]

Although the local government should normally aim at employing qualified staff of this category, but in the absence of such personnel being available in the labour market, the local government should make do with its existing staff by using the simple method suggested here. In addition to the existing local government staff in the land section of the Works Department, the local government could also negotiate with the Kaduna Polytechnic Authorities for a helping hand in the operation of this simple method. No doubt the Higher National Diploma students in the Departments of Estate Management, Quantity Surveying, Land Economy as well as their lecturers would be interested in choosing a particular zone or zones in Kaduna for research purposes in this direction.

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1. 1980 Approved Estimate of Kaduna Local Government, p. 57.

Second: The Local Government Reform Guidelines did specifically warn against the application of property rating in one part of a town without extending it to cover the whole town. The much talked need for equity in taxation has been taken care of by the simple method introduced in this section in view of the fact that a person who is having a two storey building, built of mud in a densely populated residential area is only called upon to pay ₦3.60 per annum while the owner of another two storey building of the same size is asked to pay ₦21.60 per annum because of the grouping and zone location of the latter.

Third: The local government is at the moment losing alot in terms of property rating because of its flimsy excuse of lack of qualified valuers. Even with the token estimated revenue which the local government earmarked to collect in the past four financial years, a large proportion of the estimated figures were not collected as could be seen in the table below:

TABLE III

Financial Year	Estimated Revenue ₦	Actual Collection ₦	Shortfall ₦	Percentage of Shortfall
1976/77	320,000	105,151	214,849	67%
1977/78	370,000	72,695	297,305	80%
1978/79	370,000	134,567	235,433	64%
1979/80	250,000	158,170	91,830	37%

Present Machinery and its shortcomings

Kaduna Local Government is still relying on the 1969 Property Valuation exercise for the purpose of its property rate assessment (Page 2 of the Report of the Committee appointed to review existing Local Government Revenue Rates and Fees in Kaduna State refers).[1] An extract from the Revenue Register (Property Rate) of the Local Government shows that five hundred and fifty (550) houses were valuated in 1969 (only in Government Residential Area).[2] Judging from the fact that the local government comprises of five districts as mentioned in chapter one, this study will not be limited to the Government Residential Area alone. It is even more obvious obvious now that this exercise cannot be confined to G.R.A. in view of the fact that the Federal Government has directed that property rate should not affect only one section of the community.[3] Based on this argument, we can as well say that each of the five districts of Kaduna Local Government had equal (if not more) number of houses in 1969 as the G.R.A. Therefore, the probable number of houses in Kaduna by 1969 would be 550 x 6 = 3300. Looking at it

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1. File No. FIN/TRE.R/80 maintained by the Kaduna Local Government Treasury.

2. Revenue Register of the Revenue Division of the Local Government Treasury.

3. Guidelines on Local Government Reform 1976, p. 13.

from the population growth of Kaduna and the high rate at which new buildings are springing up in the metropolis, we can compute the probable number of houses in Kaduna as follows:-

In 1969, Kaduna would be having a population of 224,973 if the 1963 figure of 149,910 is projected at 7% as recommended by the Ministry of Economic Planning Kaduna State.[1] Using the same formula , if by 1969, Kaduna had 3300 houses to accommodate 224973 people, then in 1980 with a population of 4,733,266, the number of houses would be:

	POPULATION	NUMBER OF HOUSES
1969	224973	3300
1980	4733266	?

$$\text{Therefore} - \frac{4733266}{224973} \times \frac{3300}{1} = 69{,}429 \quad \begin{array}{r} 69{,}429 \\ 550 \\ \hline 68{,}879 \end{array}$$

From the above simple calculation, we can see that the Local Government is at present not collecting a penny or kobo on about 68,879 houses. Even the few houses in its register were last valuated in 1969 and certainly, the value of most of the houses must have appreciated

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1. 1976-80 projections by the Ministry of Economic Development, Kaduna State, Statistical Division.

considerably. For example, the building of Bata Shoe Company at Ahmadu Bello Way on Certificate of Occupancy No. 4846 was at 1969 valued at £1450 (₦2900) (See Appendix I). Certainly the building will be worth thrice that value by now.

Assuming that we even ignore the fact that houses do appreciate in value and merely use the 1969 valuation figures, still we can work out the estimated amount of revenue which the local government is losing annually. For example, in 1980 the local government collected ₦318,168 (nearest Naira) on 550 houses. If therefore we have to use the estimated number of houses as shown in the preceeding paragraphs i.e. 69429, then the local government would have been able to collect a sizable amount of revenue based on the following calculations:

550 houses yielded ₦318,168

69429 houses will yield ....?

Workings

i) $\frac{69429}{550} \times 318168 =$ ₦40,163,791.00

**ii) ₦40163791.00 ÷ 4 = ₦10,040,947.75

** I have divided ₦40,163,791.00 by FOUR because of the fact that not all the houses in the high density areas can be valued as high as those in government residential area.

This however should not make us loose sight of the fact that decent buildings of a higher value than those in the G.R.A. are now in abundance in the new layouts of Tudun-Wada, Kakuri, Barnawa and Kawo areas. This fact can be ascertained by driving through the bye-pass road in Tudun Wada. Nevertheless, I deliberately wanted to be conservative in my projections, hence I have devalued houses in the non-G.R.A. by 75%.

From the foregoing, it would be clearly seen that the local government is losing about ₦9722779.75 annually on property rate alone. If this figure is compared with what the local government was able to collect on community tax in 1978/79 i.e. ₦155,232.00 one can safely say that the local government would not have felt the pinch of community tax abolition if property tax were to be fully tapped.

3.4.5 Causes of Revenue Shortfall

The "Actual" versus "Estimated" figures at section 3.1.1 shows that the local government lost the followings as uncollected revenue from the following items of revenue between 1976 and 1980:

		₦
1.	Community Tax	147,718
2.	Property Rate	839,417
3.	Advertisement Fees	10,653
4.	Drumming Fees, etc.	3,275

5.	Bicycle Licences, etc.	20,935
6.	Certificate of Occupancy	46,677
7.	Statutory Grants	11,765,711
	TOTAL	₦12,834,391

The main cause of this substantial shortfall in revenue collections cannot be attributed to laxity on the part of the revenue collectors but the blame rests squarely on the part of those preparing the annual budget of the Local Government. In preparing local government estimates, the Treasurer and the Finance and General Purposes Committee should normally take into consideration the following factors:

A - Pattern of Actual Collection on a particular sub-head for at least three preceeding financial years.

B - Revised Collections in the current year.

From the figures obtained in (a) and (b) above, the estimated figure for the ensuing financial year will be arrived at. If this principle were to be followed, then there was no justification for allowing estimated revenue on property rate to stand at ₦320,000; ₦370,000; ₦370,000 in 1976/77, 1977/78 and 1978/79 respectively when actual collections for the three financial years

stood at ₦105,151; ₦72,694.98 and ₦134,567.43 respectively.[1]

Similarly estimated figure on Begger Minstrel Licences for four years running (1976 - 1980 financial years) remained at ₦1500 a year while the highest amount collected during any of the years was only ₦807.50.[2]

The unrealistic estimated revenue figures which the local government was preparing annually are clear evidence that the local government was merely looking for a false financial soundness on paper. Such unrealistic and fabricated estimates should not have been prepared if the Secretary, the Finance and General Purposes Committee, the Treasurer and other Heads of Departments were to attach sufficient importance and seriousness of purpose to their duties and responsibilities as enumerated in chapter two of this thesis. To butress our stand, the 1981 Annual Estimates submissions of the local government is used as an example of an estimate that has been grossly and recklessly inflated merely in an attempt to produce a false financial soundness.

In its 1981 Estimates submission, the local government made provision for a total recurrent revenue of ₦21,316,750.00 and an estimated recurrent expenditures of

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1. Kaduna Local Government Annual Printed Estimates and Vote Service Ledgers maintained in the Local Government Treasury for the financial years involved.

2. Ibid.

₦16,407,416.00 thus portraying a surplus of ₦4,909,334.00. In going through the estimates however, a serious rape of financial management was discovered. In its letter No. MLG/F/EST/8/C.10 of 23rd July, 1981, the Ministry for Local Government, Kaduna pointed out the following anomalies in the estimates.

a) that in the Ministry's call circular No. S/MLG/126/T/5 of 3rd April, 1981, the Ministry actually indicated that out of the ₦90 million estimated grant from the Federal Government for all local governments in Kaduna State, Kaduna Local Government would get ₦6,158,159.90 and similarly out of the ₦20 million State Allocation, Kaduna Local Government would get ₦1,368,479.95 BUT in submitting its estimates, the local government showed ₦9,158,159.90 and ₦3,368,479.95 as Federal and State grants respectively, thus giving an unrealistic increase of revenue of five million Naira (₦5,000,000.00);

b) that even with the abolition of community tax, the local government went ahead in putting an estimated revenue of ₦1,500,000.00 under this subhead on the pretext that if community tax were not abolished, their local government would have been able to collect such an amount from

that particular subhead. To this end therefore, the local government argued that the State Government should be able to compensate the local government for the total loss on community tax. This was just an assumption which was never promised by the Ministry;

c) that the local government had also increased property rate figure by ₦812,500.00 over the 1980 approved figure of ₦187,500.00 thus putting the estimated figure for 1981 at ₦1,000,000.00. But judging from the handicaps which the local government is facing on property valuation as discussed in 3.2 of this study, there was no justification for such an unrealistic increase when no positive measure had been taken with regards to proper valuation.

As if the anomalies mentioned above are not enough, the local government had clearly demonstrated its utter disregard for the provisions of the Financial Memoranda with regards to Estimates preparations, when it went ahead to increase the revenue figure under Head III Licences etc. by ₦1,222,452.00. In order to cover this up, the local government created new revenue subheads knowing very well that necessary subsidiary legislations to enforce their collections were not yet drafted, let

CHAPTER IV

CAPITAL BUDGETING

4.1 Capital Finance - through Surplus Funds, Grants & Loans

Expenditure which is incurred on major projects, such as the construction of large buildings or roads, is normally referred to as "capital expenditure". But before expenditure is incurred on any capital project, a decision must have been taken authorising the execution of the project. In a local government setting, it will be worthwhile to ask ourselves the following questions:

a) Who decides on the projects to be executed or who makes major financial policy decisions in local government?

b) What are the criteria used in the preparation of Capital Expenditure Estimates in local government?

Decisions on capital expenditure are, quite often, irreversible, because there is little or no second hand market for many kinds of capital projects (e.g. roads). Local Governments are therefore obliged to prepare a plan that will cover quite a number of years to allow for the convenient phasing out of each project within the plan period especially projects that cannot be completed in one financial year. It is for this reason that local governments are often required to prepare a four or Five Year Development Plan. The Revised 1977-80 Plan of Kaduna Local Government which is a revision of its 1975-80

Plan is shown as an appendix in this study. The Plan contains, in an explicit form, a list of capital projects to be executed during the plan period. The detailed preparation of the plan is usually carried out at departmental level while a co-ordination exercise is undertaken at committee level. The power of ratification lies with the local government council and once the power is exercised, a financial policy has been firmly established.

The preparation, co-ordination and ratification of a piece of development plan as mentioned above cannot be successfully done unless certain guiding principles are followed. These are:

a) Identification of Needs, Aggregation and Priority Allocation - the immediate and long-term requirements of the local inhabitants must be identified and aggregated. This will be followed by a carefully knited priority classification to be determined by the degree of urgency attached to each requirement.

b) Finance - There should be a thorough and convincing explanation of how individual projects in the plan will be financed. Sometimes this could be through the surplus funds of the local government, loans, contribution from other bodies or special levy.

c) Executive Capacity - Sometimes lack of technical/professional manpower may be a handicap in the timely execution of some of local governments' development projects. If this be the case, the extent to which State or Federal Governments could assist must be determined before such projects are included in the development plan.

d) Maintenance of projects - Annual expenditure as phased out in the plan must take into account the recurrent costs that would be generated by each project.

The above-mentioned four cardinal principles will be used as we study Kaduna Local Government's Development Plan. First we have to consider two important points while trying to identify the needs of the community. These two points are:

a) the effective diagnosis of the society's needs;

b) the political/administrative capacity to implement various alternatives.

We can say the first is addressed to a conclusion in terms of what is believed ought to be done and the second is an estimation of what it is thought can be done. Effective major financial policy approaches need a strong contribution from both, but the danger exists that one tends to

obscure the need of the other. It is not an exaggeration to say that the first task of any Councillor is the identification of the various needs of the people who voted him/her to power. This is because projects which are only responsive to professional discretion might in the process foresake the preferences, needs and desires of the consuming population. The preparation of Kaduna Local Government's Development Plan (See the Revised 1977-80 as shown in Appendix II could not have been responsive if it had been prepared solely by local government officials working in the Central Administration or Treasury without prior consultations with the District Heads of Doka, U/Rimi, Kawo, Gabasawa, Tudun Wada and Makera-Kakuri. From oral interviews with the Councillor for Works and some local government officials,[1] I was made to understand that the decision to embark on the construction of slaughter houses, markets, lorry parks, culverts and most especially their locations were made after prior consultation with the District Heads mentioned above.

M. Rein, in his article "the search for legitimacy", remarked that one of the ways in which we can find out

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1. Oral interviews with the Councillor for Works and some local government officials.

consumers' preferences is by survey.[1]

I am of the opinion that this method, though difficult to articulate especially where the community is heterogeneous, should be regarded as one of the best ways of finding out whether or not a certain village or district should be provided with pipe-borne water prior to a cinema hall. After the process of arranging projects in order of priority, providing for alternatives, quantifying the cost and benefits (where possible), forecasting etc; the final choice will be left wide open to councillors. In making this choice, there are two things to be considered, that is whether the LGA is adopting the incremental or the comprehensive (teletic i.e. examining the base) method of decision-making. Decisions on capital expenditure, as I have said earlier, are quite often irreversible and that is why local governments' budgets accept the base and only examine the increments. This method, in effect, says Lindblom, will produce decisions to transfer the present into the future with very little variation.[2] Whereas if the budget making process begins

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1. M. Rein, 'The Search for Legitimacy', in M. Stewart, The City. (Chancer Press, Great Britain 1974) p. 425-451.

2. C. E. Lindblom, 'Incrementalism and Rationalism', in Polsby, N. (1971) Politics and Social Life. England, (George Allen and Unwin Press, 1964) p. 69.

with objectives, it will require the base to compete on an equal footing with new proposals. This does not, in any way, mean that each year's budget will lack continuity with the past. There are sunken costs that have to be reckoned with and the benefits of radical changes will have to outwiegh both the political and or financial costs of terminating prior commitments. For example, if a local government decides to forego the amount of money it had already spent on a certain market by demolishing the stalls and building a new market at a more suitable site, then the local government's decision is teletic, but if on the other hand the local government decides to improve on the old market, the decision is incremental. A choice between the two methods will be greatly influenced by local politics, sunken costs in the old market and the benefits to be derived from the new market. From the foregoing, it is clear that financial policy decisions should not, nowadays, be made on hunch but on carefully knitted decision making processes.

In going through the 1977-80 Development Plan of Kaduna Local Government (see appendix), there is a clear indication that the project anticipated to be executed during the plan period can be said to be responsive to the needs of the people. For example, it was proposed to buy refuse collection machineries, construct more

slaughter slabs, sink wells in areas where there are no pipe-bone waters etc. No one can deny the fact that these laudable proposals are required in Kaduna Township and its environs. Going through the roads in Tudun Wada, Doka, Gabasawa, Kakuri-Makera Districts, we can always see heaps of refuse that do not only create road closures but also constitute health hazards to the inhabitants.

The second of our cardinal points is "Finance". The issues involved in a discussion of local capital financing are similar to those for private capital-formation or capital-formation by the society as a whole. It means that the community wants to provide for the satisfaction of certain local collective wants involving initial capital expenditure. The facilities may be durable consumer goods, like recreation grounds, capital goods like streets and pavements, or productivity-increasing services like investment in education or markets/lorry parks. In these cases, expenditure will provide for future future benefits. Expenditures for these purposes can be financed by various methods; but irrespective of the method adopted, all capital-formation of this kind calls for some sacrifice of current consumption to provide for increased future consumption. In the local government context, capital financing is usually discussed in concrete terms under the headings (a) Pay-As-You-Go, (b) Reserve Funds; and (c) Borrowing.

a) Pay-As-You-Go This method involves financing capital outlays from current revenues. The goal may be to realise this plan 100 per cent, or to finance only part of the authority's capital improvement programmes out of the current budget (modified pay-as-you-go). The feasibility of adopting a partial or a complete pay-as-you-go plan, depends largely upon two factors: the buoyancy and size of an authority's current revenues in relation to its current expenditures and the character of its capital expenditures. If the revenue base is buoyant and the size of current revenue is large relative to current expenditure, it will be easier to adopt the complete pay-as-you-go plan by appropriating a reasonable proportion of current revenue to financing capital facilities. But if the revenue base is not buoyant and the size of current revenue relative to current expenditure is so small that it leaves only a fragile margin, it may be safer to adopt either a partial pay-as-you-go plan or a different method of financing capital outlays altogether. As to character, some capital expenditures are recurrent or non-recurrent. A small local government may need to erect a school building one in year one and wait perhaps until year five before a similar major outlay is called for. A pay-as-you-go plan is more feasible when capital expenditures are recurrent, either

as to purpose or amount. Only the very large local governments construct school buildings or certain other major capital structures every year. Kaduna Local Government for the years running 1978-81 did not carry out any major capital development projects. But even medium-sized and small local governments do have capital constructions for one purpose or another which result in a more or less even level of capital expenditures from one year to the next, like the provision of public toilets and sanitary structures, or the purchase of certain categories of office equipment. The recurrent amount can be put on a pay-as-you-go basis. Other methods of capital financing can bhen be resorted to only for the excess of outlays in a given year over the normal level of capital expenditures.

The pay-as-you-go plan has the advantage of being cheaper, as it eliminates the cost of borrowed money. Moreover, it has the added political advantage that the planning of improvements and the actual expenditure of the money are apt to be handled more efficiently when the tax or rate-payers are feeling the cost immediately. Its main disadvantage is that it charges the present generation of rate-payers with the entire cost od capital outlays which will benefit future generations. It therefore does not provide for integeneration equity.

b) Reserve Funds Financing capital improvements out of an accumulated reserve fund (sometimes called capital reserve) is the opposite of borrowing. The effect on the rate-payer is reversed. This approach to capital financing is particularly useful where the pay-as-you-go approach is not feasible. For instance if a new capital facility will be needed five years hence, the authority can plan to tax ahead over the five year period for part of the capital funds, then finance the remainder from loans; in this way spreading the cost also towards the future.

c) Borrowing As an alternative to taxation, borrowing can provide a dependable source of capital revenue. Indeed, the power to borrow is one of the most useful and important assets of a local government. Section 196(1) of the Kaduna State Local Government Edict of 1976 reads: "A Local Government may from time to time raise loans within Nigeria of such amounts, from such sources, in such manner, upon such conditions and for such purposes in fulfilment of its lawful functions as the appropriate law may prescribe."[1] Wide as these powers are, they must be used with a critical and intelligent regard for its justifiable purposes and its

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1. Kaduna State Government (1977) Local Government Edict of 1976. Government Printer, Kaduna, section 196.

safe and reasonable limits. Strong credit - the ability to borrow when necessary on the most favourable terms afforded by the market - is an objective which no local government can afford to ignore. A sound borrowing policy for any community, therefore, is one which seeks to conserve rather than exhaust credit. This involves borrowing as sparingly as possible and repaying as rapidly as possible. Authorities on public finance are in rather general agreement as to proper purposes for local government borrowing. There are certain types of capital expenses which may be financed safely and reasonably by long-term loans. Such are the capital costs of self-supporting enterprises, like water installations, motor parks, and markets, which justifiably may be met by borrowing, provided the amortization of the debt is sufficiently rapid to keep a-head of depreciation and obsolescence. Other capital undertakings may be classified into two, with reference to sound methods of financing:

i) Projects which are large and costly in relation to a local government's current financial resources, which have long utility and are not of a frequently recurrent type. Borrowing for this purpose permits repayment on the instalment plan, during the useful life of the project, of an expense which would be prohibitive

if imposed upon the community at any one time.

ii) Capital requirements which are almost as steadily recurrent in nature as an authority's operating expenses. These include items of relatively short life, such as various types of equipment and the routine extension and replacement of facilities. What class of capital outlays car be handled in this manner, however, depends upon the size of the local government and its current revenue resources. Whereas a small local government can only borrow to finance a capital project costing ₦5,000, its more wealthy neighbour can afford to place this on its current budget. Local Governments should never have to resort to long-term borrowing to finance ordinary current expenses. Borrowings are a supplement to taxation or rating and not an actual revenue, since they create an equivalent liability which must be met from future taxes/rates. Such clear-out restriction on current expense borrowing does not apply to short-term loans in anticipation of the receipt of taxes/rates.

Extensive emergency expenditures may be financed, even if only partly, by borrowing. Natural catastrophies, such as flood, fire and drought, do give rise to immediate and large financial needs for which the taxing/rating capacity is not sufficiently responsive. The utilization of borrowing in such a situation is especially justified in view of the decline of tax-paying capacity and the

knowledge that higher taxes/rates may cause more harm than good. It must, however, be realised that this only provides temporary relief and that sooner or later the same local community must face the burden of repayment.

4.2 Kaduna Local Government 1976-80 Development Plan - Execution of

In its 1976-80 Five Year Development Plan, Kaduna Local Government earmarked ₦2,928,000.00 made up of:

₦		
757,000.00	-	Administrative Sector
639,000.00	-	Social Sector
1,532,000.00	-	Development Sector
₦2,928,000.00	-	Total

But throughout the plan period, total expenditure on capital projects was only ₦371,290.31 made up as follows:[1]

TABLE IV

ACTUAL CAPITAL EXPENDITURE DURING THE PLAN PERIOD

SECTOR	1977/78	1978/79	1979/80	1980
Administrative	100,000.00	-	-	-
Social	40,771.11	-	-	-
Development	230,519.20	-	-	-
TOTAL	₦371,290.31	-	-	-

1. Figures extracted from The Vote Service Ledger of the Local Government as well as from its Annual Accounts' File.

The table shown above has revealed the fact that the local government didn't execute a single capital project throughout the 1978/79, 1979/80 and April/ December 1980 financial years. If we compare the total expenditure as shown above with the total estimated expenditure as shown in the Development Plan of the local government (see appendix II), it can be clearly seen that the local government was only able to execute projects representing 12.6% of the cost of the earmarked projects. This can be further illustrated as shown in Table V:

TABLE V

Sector	Estimated Expenditure ₦	Actual Expenditure ₦	Percentage of Actual Over Estimated Figure
Administrative	757000	100000	13.2%
Social	639000	40771	6.4%
Development	1532000	230519	15.0%
TOTAL	2928000	371290	12.6%

The inability of the local government to execute a substantial part of its capital projects was due mainly to lack of funds arising from the following sample

factors:

a) Undercollection of locally derived revenue due to the unrealistic approach to estimates preparation as revealed in chapter three.

b) Failure on the part of the Federal/State Government to pay grants due to local government for Primary Education (refer to Chapter Three - section 1).

c) Inability of the local government to generate additional revenue on property - a revenue subhead that can transform the local government from financial insolvency to an economically bouyant organisation. See section four of chapter three.

4.3 General Appraisal

Judging from the fact that the local government was for three consecutive years unable to finance any capital project through the Pay-As-You-Go system or from the Surplus Funds system, one might suggest that the local government should have resorted to the third method of capital financing i.e. borrowing. However, there is sufficient evidence to show that the local government is not capable of negotiating a loan or rather not in a position of enticing or convincing any prospective lender. This is because necessary records to show an up-to-date

true financial position of the local government in terms of Surplus/Deficit Statement and Assets/Liabilities are just not available.

In its letter No. MLG/FIRE/57/S.5/22 of 8th February, 1978, the Ministry for Local Government, Kaduna returned the local government's Monthly Reconciliation of Accounts Statement (Form LGT.16 now Form LGT 78) because the accounts were computed on a wrong premise. According to the Ministry, the local government in balancing its accounts for the period 1st April to September, 1977 had omitted the surplus or deficit figure as at 1st April, 1977 which should not have been so since the local government was not a newly created one. A reminder was sent to the local government on 27th June 1978 by letter No. MLG/F/TRE/57/S.5/24 but the local government did not take action. Later the Local Government, by crude means produced a hypothetical surplus as at 1st April 1978 of ₦893,213.11 as a clever way of balancing its accounts.[1]

The recomputed Form 16 was forwarded to the Ministry through the Local Government's letter No. FIN/175/22 of 12th December, 1978. But there is no information as to whether or not the Ministry accepted the recomputed statement of account as sent by the local government. An observation here is that the Ministry itself developed

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1. Figures obtained from the Local Government Treasury in its file No. FIN/175.

an unconcerned attitude towards this problem and this resulted either in the non-availability or where available, inaccurate and inadequate financial data in the local government treasury.

In the light of the aforementioned inadequacies and inefficiency, we may have to cast our mind back to the mandatory duties and responsibilities of certain officers or bodies as enumerated in chapter two of this study and consider whether or not these officers or groups of persons should not be individually or collectively held responsible for gross inefficiency, omission, neglect or criminal breach of trust. This is because if they fail to ensure the proper and timely balancing of local government accounts, the following situations may arise:

a) Large scale fraud. For example, if a Voucher is paid in the treasury but not posted into the Cash Book or any other accounts, the tendency is that such Voucher may be concealed from auditing. Distrustful officers can even go to the extent of destroying such Voucher.

b) Inability to reconcile its accounts with the bank (i.e. lack of bank reconciliation exercise), will give room for large scale embezzlement or fraud because large sums of money might be purported to have been transferred by means of

contra entry from the Cash Account to credit the local government account in the bank when in fact such transfers may never reach the bank.

c) Without an accurate and up-to-date bank reconciliation exercise, large sums of money may be syphoned from the local government bank account through fo·ged cheques.

I have taken time to explain the consequences of inadequate and inaccurate financial record keeping in a local government treasury. Such consequences may not only be limited to embezzlement, breach of trust and fraud but may also be a hindrance to the avenues of loan-financing. Before considering the application of any local government for loan, either on a short term or long term basis, the lender would like to ascertain some basic facts about the local government. These include:-

a) the true financial position of the local government as at the date when it applies for loan;

b) evidence of past financial prudence i.e. evidence to show that the local government is capable of maintaining an up-to-date and accurate record that will facilitate the effective and efficient amortization of the loan - principal and interest;

c) readiness of the State Government to stand as a guarantor;

d) economic viability of the project for which the loan is being sought.

Kaduna Local Government cannot at the moment sail through the conditions set out in (a), (b) and (c) above, hence its chances of getting any loan to finance any capital project is very slim.

4.4 Identification of Problems and Recommendations for Solution

The concept of public accountability grew from the need to make public administration operate in the best interest of the citizens. Simply put, public accountability demands that each public officer or public office holder should give proper account of the public resources that are put in his care. In a local government setting, the Financial Memoranda serves to guide local government officers in the discharge of their financial responsibilities with optimum efficiency and impartiality. Public accountability should be regarded as a matter of personal integrity since a public officer can give a neat account of how he has spent ₦500.000.00 of public funds when such account could have been padded in order to divert a substantial part of the money into his own pocket. Probity comes in here since the public can only know what it is told. For example, the Secretary of a Local Government may announce that the Local Government has

spent ₦60,000.00 in constructing a bridge and may easily wave before the public details of how the amount was arrived at even if such details contained all sorts of padding.

Financial scandal is rampant in Nigerian society. One can at least, recollect, even if vaguely, that we once had the Scania bus scandal deal. Someone bought what looked like old and unserviceable buses from far away Swandianavia for Lagos Municipal Transport Service. The buses did not last long on Lagos roads. We also had the story of the Leyland deal, this is in connection with the purchase of Leyland buses for FESTAC from British Leyland. When the report of a probe panel that investigated it came out, we had a faintly comic situation on our hand. Some of the principal actors were supposed to have received some commissions for the roles they played. Also we had Lockhead; some top government officials were reported to have obtained huge bribes from Lockhead Aircraft Manufacturers to facilitate the sale of their planes in Nigeria. Suddenly, there was also the alleged loss of ₦2.8 billion from the NNPC coffers. In another development sometimes in 1980, it was alleged that a contractor in one of the local governments in Kano State was paid large sums of money for a contract project which the contractor neither tendered for nor executed; When

asked to explain how a contract was awarded to him when he did not put up any application and how money was paid to him when he, the contractor, did not execute any project, the contractor was quoted as saying that with Allah (God) anything was possible. The situation in local governments in Nigeria is further compounded by the fact that besides the general attitude of many Nigerians to make money through fraudulent practices, many of the local government officials have got old habits that do not actually make them responsive to public outcry for probity and efficiency. Many of them have served for twenty or thirty years with poor educational background (e.g. the Town Engineer in-charge of Kaduna Local Government has not at the time of writing this thesis got an Ordinary Diploma in engineering - either building or civil. Yet, this is a man who is expected to give expert advice on the quotations submitted by contractors seeking contract awards from the local government. With such a poor academic and professional background, the Town Engineer may not be capable of initiating simple methods of valuating landed properties in the metropolis with a view to generating more internal revenue that could help in arresting the crippling financial position of the local government. In order to cover up their poor academic background and professional deficiency some local government officials carry over their past bureaucratic

traditions. By this we mean, in the past they bore no responsibility to the people and, as such, were liable to think in terms of controlling, disciplining, mastering and lording the citizens. That the local government was incapable of executing its development programmes does not necessarily mean a failure to them. With confidence, they will tell the inhabitants that there are not sufficient funds to carry out such projects and they expect the public to be content with that statement. Even where the local government was able to render few services to the people, the officials tended to regard it as an act of official charity rather than a part of their official duty. The tendencies more likely to develop in such an atmosphere are arrogance and callousness.

When the story of a large scale fraud broke out in Kaduna Local Government, the whole town was hysterical. Names of top local government officials were being mentioned freely in public places. The then State Governor, Alhaji Balarabe Musa, quickly set up a Commission of Inquiry named the "Idoko Commission of Inquiry". The Commission started their investigations in March, 1980. Later, it was alleged that the Commission discovered that many top local government officials had enriched themselves through large scale fraud and cash embezzlement from the local government. The rather unfortunate thing

however, is that, the State House of Assembly challenged the Governor in the court on grounds that the Governor had no constitutional right to set up a Commission to probe the financial affairs of the local government. The Court ruled in favour of the House of Assembly and this made it impossible and illegal for the Executive to release the report of the Commission. Consequently, the report is not made available for public consumption up till today. It was gathered that the House of Assembly embarked on such legal tussle with the Governor, because the top figures in Kaduna Local Government who were linked with the scandal belong to the majority party in the House of Assembly while the Governor belongs to the minority party.

One other aspect, which requires prompt action, is that all the main ledger account books that were taken away from the local government treasury by the Idoko Commission are yet to be returned to the local government treasury. This, in effect, makes it impossible for the local government to balance its account to date. The failure of the State Government to ensure that the records are returned to the local government treasury poses a great danger as large scale fraud may now be freely practised. Efforts should be made to get the records released immediately if such a situation is to be averted.

As soon as the records are returned to the treasury, then cash checks and reconciliation of the Cash Book and bank statements must commence. This will also entail the thorough test checking of Vouchers and postings into the Cash Book and Ledger Accounts; verifying that expenditure incurred is in accordance with the estimates and that no over-expenditure has occured; checking that collection of revenue is proceeding satisfactorily and that revenue targets are being achieved as well as examining a number of subsidiary records. In carrying out these tasks, the Treasurer will need to display qualities of tact, firmness and discretion. In order to do this effectively, a highly trained Treasurer and a team of well qualified Accountants are required. The Treasurer must be knowledgeable in modern approaches in the fields of accounting, audit and be a specialist in local government financial systems and financial affairs generally. The present Treasurer of Kaduna Local Government holds a Higher Diploma in Local Government, but whether or not he has the first class financial expertise needed to re-shape the financial records of the local government is a different question entirely. Moreover, unless the services of a non-politically-biased, outside expert are sought, the present treasury staff cannot rescue the local government from its present financial inaccuracy and insolvency. There is no trace anywhere

in the financial files and the minute books of the local government to show where the Treasurer has written a memo forecasting the financial predicaments of the local government and proposing necessary measures that should be adopted by the Finance and General Purposes Committee to arrest the situation. A financial adviser, and in this case, the Treasurer should be capable of preparing and submitting for Council's consideration long term financial forecasts showing, for example, the effect on Council's finances of the maintenance of existing policies and the introduction of any new policies accepted by the Council. This 'forward-looking function' is a most important element in the Treasurer's responsibilities and one which is indispensable if realistic financial policies are to be followed.

The Treasurer should play a considerable part in the initiation of the Council's financial policies because of his deep involvement in all financial matters and his specialist training and knowledge of developing trends in the councils financial affairs. In the past the role of a local government treasurer had been viewed solely in terms of paymaster, revenue collector, controller of funds and keeper of the Council's accounts. Of course, these are vital functions and the efficient administration of a Council's finances must depend, to a considerable extent, on the diligence and accuracy with which these tasks are

CHAPTER V

THE RELATIONSHIP BETWEEN KADUNA LOCAL GOVERNMENT AND THE KADUNA CAPITAL DEVELOPMENT BOARD (KCDB)

5.1 The Political and Technical Relationship Between Kaduna Local Government and Kaduna Capital Development Board

Kaduna Local Government is a political body but it does not possess sovereignty. Although the existence of democratic local government is guaranteed by the Nigerian Constitution, the individual local government is a creature of the State Government. Its status is semi-dependent, and its powers may in general be given or taken away at any time by the State Government except those exclusively reserved for it in the Constitution. Suffice it to say however that the local government enjoys some sort of autonomy in that it has power to make subsidiary laws and to impose taxation or levy rates. On the other hand, however, the Kaduna Capital Development Board is a quasi-governmental body i.e. an arm of the Executive branch of the State Government. It has no democratic or political base, hence it can neither make bye-laws nor impose taxation. The Board was created to take over certain services from Kaduna Local Government because of a strong feeling that the solution to the shortcomings of Kaduna Local Government in the provision of certain services (e.g. road network and refuse collection), can

be found by transferring such functions to a State owned Statutory body. In doing this some people argue that something may be lost in terms of local democracy, but others would argue that weighed against the clear gains that would be made in efficiency, in expertise, in the creation of uniform standards and a generally urbane and progressive approach to administration, the loss would be insignificant.

But Kaduna Local Government has been very suspicious of of the existence of the KCDB, this is because the local government saw the setting up of the Board as an encroachment on its powers and autonomy. The two organs now operate independently when in fact their working relationship ought to be close and cordial. The Local Government concentrates among other things, on the running of primary schools, health centres, regulating the issuance of various licences and the fees charged for various services as well as allocating plots for new buildings. But the KCDB on its part focuses attention on constructing new roads, maintaining existing township roads, operating a fire fighting service, maintaining and collecting fees from the Kaduna Central Market and collecting and disposing of refuse. Technically the two bodies have many things in common. This is because local government under whose power it is to allocate plots for new

buildings cannot just go ahead in mapping new layouts without giving consideration to the necessary infrastructural facilities that would be required by the inhabitants of the new layouts. Such infrastructures include road networks, water supply, electricity and many other social amenities. The provision of such amenities by different organisations cannot be made possible unless the local government negotiates with them. Lack of sufficient accommodation in Kaduna could have been arrested by the local government if it maps out new residential areas and allocates plots to prospective builders. But this, the local government cannot do, because it is not receiving the necessary co-operation of the KCDB on the construction of new roads. On the other hand, the Local Government is retaliating by not promulgating necessary bye-laws that would force the citizens to co-operate with the KCDB over the issue of Refuse Disposal. The reason for such strained technical and political relationships between the KCDB and Kaduna Local Government is not far fetched. Kaduna Local Government Councillors owe political allegiance to the National Party of Nigeria (NPN), while on the other hand the KCDB officials (though not allowed to affiliate themselves with any political party), must nevertheless be loyal to the Governor who belongs to the Peoples Redemption Party (PRP). The effect of this

political difference will be fully explained in subsequent sections of this chapter.

5.2 The Establishment of K.C.D.B.

The history of Kaduna is a wide subject on its own, hence the sketchy historical background discussed in the introductory part of this work. Using that as our base, we focus attention on the various organizations that are primarily responsible for administering social services in the town. Kaduna Metropolis with a population of about 4,733,266 (1980 projected figure as quoted in chapter one) serves as the Capital of Kaduna State Government as well as the headquarters of Kaduna Local Government. Unlike Zaria City which serves only as the headquarters of Zaria Local Government, the administration of social services in Kaduna is largely the joint responsibilities of both State Government and the Local Government. This is so because while the latter is specifically charged with the responsibilities of providing basic social services for its area of jurisdiction i.e. Kaduna and its environs, the former would like Kaduna to compare favourably with, if not better than other State Capitals in the Federation.

In order to carry out its functions and responsibilities of administering social services in Kaduna efficiently, the State Government had to create a quasi-government body that could be given wide powers over the

provision of social services in the town. It was on this premise that the Kaduna Capital Development Board was established. The main objective of the K.C.D.B. therefore, is to provide such social services which for reasons of inadequate finance and manpower shortage cannot be effectively and most economically performed by Kaduna Local Government.

The Board came into existence by the promulgation of Edict No. 8 of 1971 by the then Military Governor of the former North-Central State of Nigeria. The Edict took effect from the 1st day of January, 1972. Section 3 of the Edict reads:

> "As from the appointed day, there shall be established the Kaduna Capital Development Board which shall be a body corporate with perpetual succession and a common seal and which shall have power to sue and be sued in its corporate name".1

This provision of status is similar to the one conferred on any created local government under the N.A. Law of 1954. Section 5 of the law reads:

> "Every native authority shall be a body corporate by the name designated in the notice constituting such authority and shall have perpetual succession and a common seal and power to acquire, hold, demise and alienate all movable and immovable property and to sue and be sued".2

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1. Kaduna Capital Development Board Edict 1971. North-Central State of Nigeria Gazette Extraordinary No. 49, Vol. 5, 4th December, 1971, section 3.

2. The Native Authority Law, 1954 No. 4 of 1954, Printed and Published by the Government Printer, Kaduna, Northern Nigeria, 1961, section 5.

This section of the N.A. Law 1954 as quoted above is reiterated under Section 6 of Kaduna State Local Government Edict of 1977.[1]

From the above point of view, we can see that the legal status and functions of the two bodies are similar. These similarities notwithstanding, the two organizations differ in certain respects. For example, while the members of the local government council are elected by the masses, members of the KCDB are appointed by the Governor. Sections 4(1) of the KCDB Edict and section 15 of the Local Government Edict refer to this. The Local government also differs from the KCDB by the fact that the local government serves a dual purpose. First, it is a response to the people's desire for a representative democracy and secondly, to provide basic social amenities.

5.3 Functions of K.C.D.B.

The powers of the Board are spelt out in section 8 of the Edict establishing it. These are:-

a) to control and manage all assets vested, or to be vested in the Board under the provisions of this Edict;

b) to construct and maintain roads, footways, bridges, drains, sewers and watercourses;

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1. Local Government Edict, 1976 (Edict No. 1 of 1977) Kaduna State of Nigeria. Printed by the Government Printer, Kaduna, 1976, section 6.

c) to construct and maintain houses or any other buildings which are necessary or desirable for the performance of its functions under this Edict;

d) to acquire, construct, maintain or repair any works, plant or apparatus which are necessary or desirable for the purpose of the Board;

e) to operate, or to participate in the operation of public transport services;

f) to enter into such contracts as may be necessary, or expedient for the performance of its functions under this Edict, including contracts for the supply, construction or maintenance of any property, movable or immovable, or the provision of any service or facility; etc.

Also, Section 7 of the Edict states that:

It shall be the duty of the Board -

a) within the area or areas specified in the First Schedule, to administer, execute and enforce the provisions of the Town and Country Planning Law, for which area or areas the Board has been appointed and planning authority under the Law;

b) and generally, to foster the development of Kaduna and the State by the provision of public services and public amenities and by the promotion of commercial, industrial, or agricultural projects.

Similarly the duties of local governments are spelt out in the Fourth Schedule of the 1979 Nigeria Constitution and these are similar to those mentioned above.

5.4 The Inefficient Provision of Social Services in Kaduna Metropolis

The poor provision of basic social services in Kaduna Township, especially refuse collection and disposal, may be said to have been caused largely by (a) the fragmentation of powers and duties between the KCDB and the Kaduna Local Government[1] and (b) the incapacity of the KCDB to measure up to expectation.

Section 7 (a) of the KCDB Edict charged the Board with the functions mentioned in the Town and Country Planning Law of Nigeria (Cap. 130). Part II of the First Schedule of that Law requires the Town Planning Authority to provide for sanitary conditions in its area of authority.[2] It is on the strength of this provision

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1. S. A. Oladosu, Kaduna Essays in Local Government, Kaduna (Oyeleke Jetage Printers, 1981), p. 117.

2. The Laws of Northern Nigeria in force on the 1st day of October 1963 "Revised Edition". Printed in England by EYRE and SPOTTISWOODE Ltd., London, 1965.

that the KCDB assumes the responsibility for Refuse Collection and Disposal in the Metropolis. On the other hand, the Fourth Schedule of the 1979 Nigeria Constitution stipulates that one of the main functions of a local government council is "refuse disposal".[1] The fragmentation of powers as mentioned above notwithstanding, one would have thought that the subject "Collection of Refuse" should't have generated any friction between the KCDB and the Kaduna Local Government because it is not a revenue yielding venture. Instead recurrent expenditure to the tune of about half a million Naira annually is being incurred by the KCDB on the subject.[2] The friction, I gathered, has some political undertones and this I will talk about in section 4 of this chapter.

Turning to the question of the incapacity of the KCDB to measure up to expectation i.e. ineffective and inefficient collection and disposal of refuse leading to the general insanitary conditions of the Metropolis, the Government of Kaduna State set up a panel in January 1981 to investigate the case. The panel was headed by Alhaji M.B.G. Dogon-Yaro of the Kaduna State Chamber of

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1. 1979 Nigeria Constitution, p. 119.

2. KCDB 1977-78 Printed Estimates: Government Printer Kaduna, 1977 p. 22.

Commerce. The panel after its enquiries blamed the ineffectiveness of the KCDB on the following factors:

a) inadequacy of finance which inevitably led to the inadequacy of vehicles and equipment for the collection and disposal of waste;

b) lack of planning and operational procedures;

c) lack of qualified health personnel for managerial and supervisory duties;

d) lack of powers to presecute defaulters of the law governing the law of environmental sanitation."[1]

Based on the findings above, the Committee recommended as follows.

a) that the Local Government should be given the full responsibility of waste collection and disposal within its area of jurisdiction because:

i) Local Government Authority has the power not only to implement environmental sanitation laws but also to enact bye-laws which could affect that area of operation.

ii) The transfer of functions of Local

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1. Page 2 of the Kaduna State Government White Paper on "The Report of the Special Panel on Sanitary Conditions in Kaduna Metropolis" Government Printer, Kaduna, 1981.

Government Authority will complement and streamline the overall performance of the department responsible for the environmental sanitation.

iii) The Local Government would find it easy to mobilise voluntary forces through ward heads to campaign whenever it feels desirable.

iv) The Local Government with its qualified health staff is better disposed to launch health education campaigns.

b) The current system whereby open tipper lorries are used for collection of refuse is found to be most conservative, labour extensive and time consuming with low output in comparison with the imput. This system is open to fraud and under-utilization because such lorries are meant for multi-purpose operations. In their place, the panel strongly recommended the use of mechanised and big skippers that are used today all over the world. These skippers are for the primary system of collection while the small skip loaders are used as foeders to big skip. This means that the small skip loaders are used for all the collection points including those areas with narrow

streets and paths, and thereafter proceed to deposit the refuse in the big skip. This method is more appropriate to scale compared with the one of an open tipper. Furthermore a lot of savings can be made in terms of labour costs, time factor and managerial efficiency.

Government's Decision on the above Recommendations

"Government recognises that local government councils have an important role to play in environmental sanitation and it is right and proper that they should be involved and carry certain responsibilities. But for a growing industrial metropolis the size of Kaduna, the responsibility for environmental sanitation cannot be adequately shouldered by local government councils alone. The State Government has to shoulder part of the responsibility as it clearly exceeds the resources and capacities of local government councils. Serious economic and social danger posed to a rapidly urbanising state like ours, by slums and ghattoes makes this role for the Government imperative. Government does not agree with the view that inadequacy of finance is a major factor in the poor performances of the K.C.D.B. in carrying out its function of waste collection and disposal. The K.C.D.B. is grant aided to the tune of over 0.30 million Naira annually and with effective management this could be sufficient for

satisfactory service."[1]

5.5 Summary and Recommendation

Having viewed the recommendations of the Panel and Government's decision on the topic "Waste Collection and Disposal", it is clear that co-operation and mutual understanding between Kaduna Local Government and the K.C.D.B. is not only necessary but inevitable if the optimum efficiency required on Waste Collection and Disposal is to be accomplished. This is because none of them is able or expected to carry on an existence fully separated from its environment. Co-operation between the two will open up a wide field for facilitating co-ordinating, rationalising or even making at all possible the execution of various kinds of administrative/developmental/ social duties entrusted to them such as Refuse Collection.

I agree with Government's view that for a growing industrial metropolis the size of Kaduna, the responsibility for environmental sanitation e.g. Refuse Collection and Disposal, cannot be adequately should-ered by local government councils.

A glance at the K.C.D.B's Estimates for the financial year 1977/78 shows that the sum of ₦345,160 was voted as

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1. Page 4 of the White Paper, Ibid.

recurrent expenditure on Refuse Collection.[1] This excludes the large sums of money that would be required for buying heavy machineries e.g. a Tipper Lorry. Kaduna Local Government as we have shown in chapters two to four of this case study, is on the verge of financial collapse as a result of mismanagement and incompetence, to recommend that it take over another liability of catering for Waste Collection and Disposal throughout Kaduna Metropolis, will spell doom for not only the Local Government but also for the entire inhabitants of Kaduna.

Even if we view the problem in the light of recent developments in the State, we will see that with the split of Kaduna Metropolis into four local governments,[2] the possibility of each local government as at 1st January, 1982 to be able to buy Tipper Lorries or the recommended big skippers that would be used for the effective collection of gabbage is very remote. This is so because the total allocation of revenue from the Federal Government hitherto enjoyed by one local government will now be shared among four local governments. I estimate that over eighty percent of the revenue will be expended on overheads i.e. salaries and wages.

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1. KCDB 1977/78 Approved Estimates. Government Printer, Kaduna, 1977, p. 21.

2. New Nigerian Newspaper of 6th August, 1981.

On the other hand, local governments are by law or Edict[1] empowered to promulgate subsidiary legislations on matters like sanitation and can compel the citizens to dump their refuse at the appropriate place or specified areas.

At the moment members of the public seem not to be cooperating with the K.C.D.B. as one can see refuse being littered indiscriminately everywhere in the town perhaps with the understanding that the K.C.D.B. has not got any legal power to sue individuals or tenants on matters connected with Waste Disposal. The Local Government which should have made rules on behalf of the KCDB is engaging in a cold war with the K.C.D.B. on the ground that the K.C.D.B. has usurped certain specific services belonging to it in the metropolis e.g. Kaduna Central Market.

Our contention is that the collection and disposal of gabbage in Kaduna Metropolis is best economically left with the K.C.D.B., it is also our belief that the composition of members of the K.C.D.B. need to be reviewed. According to the Edict establishing KCDB section 4 (2) (a), only two persons are to represent Kaduna Local Government, but the Edict is silent as to what offices

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1. N.A. Law No. 4 of 1954, section 37. Government Printer Kaduna 1953., p. 24, as well as Kaduna State Local Government Edict No. 1, 1977. Government Printer Kaduna 1976, Section 66 (6) p. 23.

such local government representatives should be holding. What I am trying to point out here is that besides the fact that two members are not enough the Edict ought to have specifically mentioned the Councillor for Health, Councillor for Works, The Senior Health Superintendent, the Town Engineer and the Secretary to the Local Government Council. Since the Governor has the prerogative of appointing the members, he may not like to appoint those not within his political camp unless the Edict specifies the office of such appointees. For example if the Councillor for Education by virtue of being in the same political group with the State Chief Executive is appointed as a member of the K.C.D.B., he may not be able to win the support of the Councillor for Health - who may belong to a different political party - on the need to make rules on environmental sanitation that will ease the work of the K.C.D.B.

CHAPTER VI

CONCLUSION AND RECOMMENDATIONS

6.1 General Review

Kaduna Local Government has an increasingly important role to play in the economic and social programme of Kaduna State in particular and Nigeria in general because it stands as a unique example of an urban expansion and the demand for an acceleration of efforts towards a higher standard of living and a more habitable environment for human existence. For these reasons, the study of the major constraints in the efficient and effective management of the finances of the Local Government has become imperative.

In the preceeding five chapters, I have discussed mainly on the meagre resources of the local government, the inefficient management of the resources of revenue or to re-generate elasticity and buoyancy in the existing revenue items and finally the effect of the cold war between the K.C.D.B. and the Local Government on the provision of social services in the Metropolis. It is necessary at this stage, I think, to make an obvious statement on this subject and that is to say that we should all realise that there is no short-cut to prosperity in local finances. In fact the trend of economic forces as well as of financial administration is such that local bodies will always be put on a strict diet

and as a class they may never see days of plenty. In that circumstance, therefore, the most important thing to do is to ensure that the resources available are efficiently and effectively utilized. No wonder therefore that the participants of the Ife Conference on Local Government held in 1969 categorically stated that "the success or failure and the effectiveness or ineffectiveness of local government must, in the final analysis, depend on the financial resources available to individual local authorities and the way those resources are utilised".[1]

6.2 New Approach to Budgeting

Revenue shortfall as revealed in chapter three of this work had been caused by many factors but three of them are worth mentioning: first, the unrealistic approach to estimates preparation on the part of local government officials; second, the failure of the Treasurer and the Finance Committee in their duties to see that revenue due is collected and that revenue collected is properly accounted for and records made available to ensure the accuracy of the accounts; third, the inability of the Federal and State Governments to honour their pledge to provide funds to meet the recurrent and capital

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1. The Report of the National Conference on Local Government held at Ife University in 1969. Ife University Press, p. 44.

needs of the Local Government as well as the unconcerned attitude of the Ministry of Local Government Kaduna over the inability of Kaduna Local Government to balance its accounts for many years running.

It is therefore recommended that in preparing the annual estimates of revenue, the actual collection on each subhead of revenue should be studied for five years retrospectively. By so doing a much more realistic and rational perspective on what could be collected in the ensueing financial year would be arrived at. It is financial lunacy and absolute irresponsibility for any financial manager to base estimated figures solely on the approved figures, with, in some cases marginal increases, without studying the trends of actual collections in the past.

The unrealistic estimates of revenue as submitted by Kaduna Local Government in the financial years covered in this study (1977-80) should be blamed on the Finance Committee, the Treasurer and the Secretary because they have failed to perform their duties as explained in chapter two of this work and they have violated the provisions of Financial Memoranda Chapters one and two.[1]

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1. Financial Memoranda for use in Local Government Treasuries in the Federation, Printed by the Government Printer, Kaduna, 1979, Chapters 1 and 2.

In future the Local Government should also adhere strictly to the Ministry for Local Government's circular guidelines on estimates preparation. By its letter No. MLG/F/EST/8/C.10 of 23rd July, 1981, the Ministry warned the Local Government over the unrealistic way in which the Local Government had prepared its 1981 budget. The letter pointed out that the Local Government inflated its total revenue by about ₦12.5 million in its effort to cover up an increase of over ₦8.00 million in its expenditure budget.

6.3 Federal and State Governments' Statutory Allocation of Revenue to Kaduna Local Government

The Ministry for Local Government, or, to be exact, the Kaduna State Government cannot exculpate itself from blame over the large sum of statutory revenue which the local government was unable to realise from both the Federal and State Governments in the financial years 1977-80. The total uncollected revenue in the four financial years totalled over ₦12.00 million as shown in chapter 3 section 1 of this study. Even if it was possible that the estimates might have been inflated, yet this possibility could not be regarded as a major contributory factor for the wide gap between estimates and actual payments, as these estimates were approved by the Ministry for Local Government which was in a position to reasonably determine the appropriate

statutory revenue allocations anticipated by the Local Government from the State and Federal Governments during the financial years concerned.

It is shocking to note that in the 1979/80 financial year, the Local Government only received ₦346,488 from the Federal Government out of an estimated Education Grant of ₦5,536,840. The outstanding amount of ₦5,190,352 was never paid to the Local Government up till today. This attitude on the part of the Federal Government is not in line with its policy of being fully responsible for Universal Primary Education in the country as contained in the Head of State's speech at the launching of the Universal Primary Education Scheme in 1976.[1] On the other hand, however, the State Government's lukewarm attitude towards the financial predicaments of Kaduna Local Government gave room for suspicion that the State Government might have received the anticipated grants from the Federal Government but failed to remit same to the Local Government.

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1. (a) Federal Ministry of Education (1976), Foundation of Educational Thought. Longman Nigeria Ltd., Ikeja, Chapter 3.

(b) The Universal Primary Education Launching Speech of the Head of State read on his behalf by the Ag. Military Governor of Kwara State on Wednesday, 8th September, 1976: Pamphlet printed by the Government Printer, Ilorin, 1976, whole pamphlet.

6.4 Improving the Existing Sources of Internal Revenue

Any local revenue item, be it tax, rate or fees must satisfy certain basic conditions: first, it must be clearly localised within the local government area; second, it must have stable revenue yields; third, it must be inexpensive to administer; and, fourth, it must not hinder or endanger state interest or National policy. The trouble however is that these are also the conditions which a State tax is expected to satisfy. As the Hicks-Phillipson Commission of 1951 rightly points out, "taxes which will do as regional (States) taxes, but which will not do as well, or better, as local taxes, are much harder to find.[1]

Examples of new revenue items which satisfy the first three conditions above and which could have improved the internal revenue base of Kaduna Local Government are Motor Licensing Fees and Fines to mejtion a few. Unfortunately, the State Government has interest in these particular items of revenue. Other sources which could be effectively tapped by the local government i.e. wood-making workshop licences, mechanic workshop licences, photo studio licence, welding workshop licences, television technician workshop licences, motorcycle workshop

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1. The Report of the Commission on Revenue Allocation: Government Printer, Lagos, 1951; p. 52.

licences etc. are all items of revenue that are not sufficiently buoyant, or stable, and rather expensive to administer.

The only source of internal revenue that can satisfy the four conditions mentioned above is "Property Rate". It is therefore strongly recommended that Kaduna Local Government should adopt the method of valuation recommended in Chapter 3, Section 4 of this work. If the Local Government is able to tap property rate effectively, it will have sufficient money in reserve with which to finance its capital projects. This statement can be substantiated by the fact that the local government is, as revealed earlier, losing over nine million Naira annually on property tax.

6.5 Community Development - Self Help

An obviously cheaper alternative way to achieve development at the local level is through community development. This is a process in which the inhabitants of local communities, developing awareness of their lack of essential community facilities, organise themselves to provide such facilities on their own with or without government assistance. To provide certain facilities it is usually necessary for the community to contribute money and materials through voluntary donations or levy. Community development is characterised by the prevalence

of a true self help spirit and initiative on the part of community leaders to visualise the needs of the community and organise the community to provide needed facilities. The question that arises is: can this approach lead to sustained, progressive development in an urban area like Kaduna?

There is hardly any doubt that self-help efforts by communities have in the past and still do add to the stock of such needed local capital facilities as markets, foot-paths, roads and bridges, schools, medical centres and similar usually expensive facilities. In most cases there exist state-wide organisations to channel state and local governments' moral and financial assistance to communities wanting to identify and provide for their needs through self-help.

Kaduna Local Government is at the time of writing divided into five districts viz; Doka, Tudun Wada, Makera, Gabasawa and Kawo. These districts have made tremendous achievements in the field of self-help. According to the information at our disposal (from Alhaji Ibrahim Jamo - Principal Community Development Officer - Kaduna Local Government), the prople of Doka District had in the recent past constructed bridges and culverts and they have established a women craft centre. Also each of the five districts had erected slaughter slabs.

However community development cannot provide permanent solution to the problem of local development for, though very useful, the approach raises a number of problems too. Firstly, on the present basis of organisation it usually calls for the financial and material support of the State and Local Governments. Depending on the speed with which local citizens identify needs and decide to provide for their satisfaction through communual efforts the demand for local authority financial support can be rather expensive. Secondly, capital facilities provided through self-help effort require a formal organisation to maintain them and because the local communities cannot form themselves into such formal bodies this task falls squarely on the local government. If the number of completed community projects increases at a fast rate so will the demand on the local government to increase its current expenditures on this account. If the local government is not to permit its current budget to be thrown out of balance by extraneous factors, it must be able to control the pace of local development through community development. But such control, if recklessly exercised, poses the danger that it can check the self-help spirit of local communities and limit the contribution which community development can make to local development. Thus here, too, we come up against

the limitations of inadequate current finance; community development therefore provides only a partial solution to the problem of financing local development, nevertheless it should be encouraged.

6.6. Mutual Co-operation between the KCDB and the Local Government

We discussed at length in chapter five on the fact that co-operation between Kaduna Local Government and the Kaduna Capital Development Board is not only necessary but inevitable if the purposes for which the two organisations were created are to be achieved. The prevailing situation which can be termed a cold war between the two organs is blowing an ill-wind that does no one good. Necessary bye-laws on environmental sanitation that would ease the work of the K.C.D.B. should be promulgated by the Local Government. Similarly, the membership of the K.C.D.B. should be reconstituted to accommodate all the functioneries mentioned in chapter 5 section 4 of this study.

6.7 Accountability

Every steward is held accountable to the person or body which entrusted resources to him (in this context, local government is a steward). Accountability places two obligations upon a steward. First, he must render an account of his dealings; and secondly, he must submit to

examination (usually known as an 'audit') of that account by or on behalf of the person or body to whom he is accountable. This means that he must not only allow the audit to take place, but that he must provide the evidence from which the Auditor can verify the account rendered. "The need for independent check or control (inspection or audit) lies deep in human nature"[1] says A. C. Littleton. In Financial Memoranda for use in all the local government treasuries in Nigeria, chapter 40.5 compels the Internal Auditor to report to the Council at least four times a year on the financial prudence of the local government. Similarly, section 110(1) of Kaduna State Government Edict of 1977 states that "every local government shall keep accounts and shall immediately at after the end of each financial year cause its accounts for that year to be brought to a balance and a 'Balance Sheet' prepared".[2] Such 'Balance Sheet' forms the core of the financial statements to be forwarded to the Ministry for Local Government annually as stipulated in

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1. (a) A. C. Littleton, Accounting Evolution to 1900, 2nd Edition. (Russell and Russell, England, 1966), p. 296.

   (b) P. Bird, Accountability, (Weaton Press, Great Britain, Exeter, Devon, 1974), p. 2.

2. State Local Government Edict, 1977, Op. Cit. p. 41.

Financial Memoranda chapter 32.[1]

Unfortunately, however, Kaduna Local Government has not been able to balance its accounts satisfactorily for over seven years now. This pathetic situation appears not to have been accorded any serious concern by the Ministry for Local Government. If the Ministry does not have enough staff to spare, then it should appeal to the Ministry of Finance to send a team of State Auditors that would work as a Task Force to bring the accounts up to date. Alternatively, the Local Government should be empowered to invite an independent consulting body that would rescue the local government from its inability to balance its accounts.

Two alternatives are open for bringing the accounts to date:

EITHER: If the ledgers (especially Cash Book) taken away by the Idoko Commission are released, then all the receipt vouchers and payment vouchers that have so far been reflected in the Daily Abstracts from the date when the ledgers were removed from the treasury should be posted into the Cash Book. Thereafter, the Cash Book should be balanced and its net balances should be reconciled with the latest bank statement through a bank

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1. Financial Memoranda, 1979, Op. Cit. p. 304.

reconciliation exercise. Discrepancies discovered should be treated accordingly.

OR: If the ledgers are not released, the Local Government may, subject to the Ministry's approval, use the cash balance in the treasury Cash Tank and Strong Room/Safe for opening a New Cash Book. From that date, other main ledgers should be opened thus facilitating the monthly preparation of the Surplus/Deficit and the Assets and Liabilities Statement (Form LGT. 78).

The much cried for financial prudence, accountability and probity on the part of the local government officials cannot be achieved, if the Local Government Main Ledgers are taken away and the Local Government is not given the authority to use its present cash and bank balances for opening fresh ledgers.

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APPENDIX I

CERTIFICATE OF OCCUPANCY NO.	NAME OF OWNER	DESCRIPTION OF PROPERTY	NAME OR SITUATION OF PROPERTY	ANNUAL VALUE
13481	Alhaji Kam Selen	Commercial/ Residential	Abkpa Way	705
13390	Mamman Maiduguri	"	"	895
5905	United Africa Company Nigeria Limited	"	Ahmadu Bello Way	3100
8612	Alhaji Audu Bida	"	Ahmadu Bello Way	1400
4846	Bata Shoe Company Nig. Limited	"	"	1450
2963	United African Company Nigeria Limited	"	"	550
1130	Label Rochie (Madam)	Bank/ Residential	"	2865
9066	Baptist Mission of Nig.	Comme rcial	"	800
6483	Adeyemi Dada	"	"	1420
8839	Alhaji Muaza & Brothers	Petrol Filling Station	"	460
7122	Elizabeth Adeolu (Madam)	"	"	515
6175	M. Challarams and Sons Nig. Ltd.	Commercial/ Residential	"	2000
4435	Compagnic Francaise De-L'Afrique Cocidentale	"	"	2195
14240	Dalbo Holdings Limited	"	"	5750

APPENDIX I (Contd.)

CERTIFICATE OF OCCUPANCY NO.	NAME OF OWNER	DESCRIPTION OF PROPERTY	.NAME OR SITUATION OF PROPERTY	ANNUAL VALUE
8614	Leventis Motor Limited	Commercial/ Residential	Ahmadu Bello Way	10010
6737	C.S.M. Bookshop Nig. Ltd.	"	Ahmadu Bello Way	2200
10454	Alhaji Inuwa Wada	"	"	1690
8613	Alhaji Mohammed Kuse	"	"	1635
8754	F. A. Onititi	"	"	1370
8649	Bhjosons & Co. Nig. Ltd.	"	"	2140
8650	D. S. Moukarim	"	"	3110
8651	T. Kahala & Co. Ltd.	"	"	4525
13308	Alhaji Ahmadu Dan Baba Marafan Sokoto	"	"	1850
9140	Africa Properties Nig. Ltd.	"	"	2120
6999	Shell Company of Nig. Ltd.	Petrol Filling Station	"	500
7004	John Holt Investment	Commercial/ Residential	"	1500
7087	Joseph Hamad Shaban	"	"	2900
13194	H. Fawaz (Mrs)	"	"	585
7861	Baraka Press Ltd.	"	"	1840
7938	John Holt Investment Co.Ltd	"	"	2500
9290	G.B.O.	"	"	2400

APPENDIX II

KADUNA LOCAL GOVERNMENT DEVELOPMENT PLAN - 1977/80 (REVISED)

ITEM	PROJECT	DESCRIPTION OF PROJECT	TOTAL ESTIMATED COST	1977/78 EST.	1978/79 EST.	1979/80 EST.
1	2	3	4 ₦	5 ₦	6 ₦	7 ₦
ADMINIS-TRATIVE	101/1	Construction of Senior Staff Quarters	70,000	70,000	-	-
	101/2	Construction of 4 Senior Staff Quarters at ₦30,000 each	120,000	120,000	-	-
	101/3	Construction of Modern Council Chamber and Town Hall	567,000	-	500,000	67,000
			757,000	190,000	500,000	67,000
SOCIAL (MEDICAL)	305/1	Construction of Clinics at Doka, T/Wada, Kawo, U/Rimi and K/Mashi	200,000	200,000	-	-
	305/2	Purchase of 2 Ambulances each at Kawo and Kakuri	14,000	14,000	-	-
	305/3	Purchase of Dispensary and Clinics Equipment	60,000	20,000	20,000	20,000
	305/4	Construction of Leprosy Clinics each at Kakuri, T/Wada, Kawo and U/Rimi	28,000	7,000	14,000	7,000
(HEALTH)	306/1	Construction of Drainages and Sanitary Lanes at Doka, T/Wada & Kakuri	225,000	75,000	75,000	75,000
	306/2	Construction of Laundries at U/Rimi Barnawa, T/Wada, Kawo and Makera	7,000	-	5,000	2,000

APPENDIX II (Contd)

1	2	3	4 ₦	5 ₦	6 ₦	7 ₦
Health (Contd.)	306/3	Construction of Bathrooms at Doka, Makera, T/Wada and Babasawa	5,000	-	2,000	3,000
	306/4	Purchase of 5	50,000	10,000	20,000	20,000
	306/5	Construction of Slaughter Houses	50,000	20,000	20,000	10,000
			639,000	346,000	196,000	137,000
URBAN DEVELOPMENT (WORKS)	313/1	Construction of Land Dept's Office	60,000	60,000	-	-
	313/2	Construction of five Garages	120,000	-	60,000	60,000
	313/3	Construction of Office Accommodation	120,000	120,000	-	-
	313/4	Construction of Lorry Parks	50,000	20,000	-	30,000
	313/5	Construction of Market	140,000	90,000	50,000	-
			490,000	290,000	110,000	90,000
ROADS	313/6	Extension of Roads, Construction of culverts, drainages and flood control	500,000	-	200,000	300,000
	313/7 (a)	Purchase of Grader, Rollers, Tractors	180,000	100,000	40,000	40,000
	313/7 (b)	Purchase of Tippers, mechanical and Survey Equipment	196,000	-	100,000	96,000
	313/8	Construction of forty wells	58,000	-	-	58,000
	313/9	Contribution to Community Development Projects	100,000	20,000	40,000	40,000
			1,532,000	410,000	490,000	624,000

APPENDIX II (Contd)

1	2	3	4 ₦	5 ₦	6 ₦	7 ₦
		SUMMARY				
		ADMINISTRATIVE SECTOR	757,000	190,000	500,000	67,000
		SOCIAL SECTOR	639,000	346,000	156,000	137,000
		URBAN DEVELOPMENT SECTOR	1,532,000	410,000	490,000	624,000
		TOTAL	2,928,000	946,000	1,146,000	828,000