



Hampshire ALC Key Topic Note – General Power of Competence & Section 137

Councils are permitted to provide financial aid using two separate and distinct powers. This guidance is written for clerks and members to enable them to understand the difference between the two powers and how they can be used to bring benefit to residents.

Section 137 of the Local Government Act (1972)

[Section 137 of the Local Government Act](#) allows councils to spend limited amounts for purposes where no other specific powers are granted. The spending must be for direct benefit in the council's area or a part of it and must benefit all or some of the inhabitants.

It cannot benefit an individual person but can contribute to charities for furtherance of their work and to a body/organisation providing a public service. Section 137 cannot be used to get around restrictions on other statutory powers such as disposal of land, nor where is a statutory prohibition to carry out a function. Additionally, it cannot be used to any overseas operation.

Importantly, when members are approving any expenditure, they should ensure it is commensurate with the benefit incurred (for example, making sure the spend will benefit several residents rather than just a few). Section 137 expenditure is open to challenge by an auditor.

General Power of Competence

The General Power of Competence was introduced as part of the [Localism Act 2011 Section 1](#) which gives a council power to do anything that an individual generally may do, anywhere in the UK or elsewhere for a commercial purpose or otherwise without the need to demonstrate that it will benefit residents. This is often described as a 'power of first resort' with no maximum amount of spending specified. It is often used by parish councils, for example, to take on the responsibility for services previously offered by principal authorities that have been withdrawn.

Key differences

There are key differences between the two pieces of legislation as detailed in the table below:

S137	General Power of Competence
Power of last resort – limited spend amount for purposes where no other specific powers to spend	Power of first resort – the council does not have to identify specific powers to undertake an activity
Must be used to bring direct benefit to council's area or part of it, or for all/some inhabitants	Can do anything that an individual generally may do by law, anywhere in the UK or elsewhere without the need to demonstrate that it will benefit residents

Limited spending power with an amount per elector set each year by Ministry of Housing, Communities & Local Government)	No maximum amount of spending specified
Spend must be accounted for separately (ie separate column in cash book)	No requirement to account for spend separately
Any council can use S137 (providing they have not resolved to use GPC) but must agree spend by resolution	Councils must fulfil eligibility criteria to use GPC
-	No requirement for spend to be commensurate with the benefit incurred
Cannot benefit an individual	Can benefit an individual

Examples of how each piece of legislation can be used

S137 is commonly used by parish councils to fund wreaths for Remembrance Sunday as there is no other specific power to support this. It could also be used, for example, to help fund a village youth group who wish to send children on an exchange visit. This benefits some residents and there is no other specific power to support this.

The Council could use GPC to set up and run a youth club. It would not be restricted by the limited spending amounts in the S137 legislation, and the council could even potentially purchase a building should funds allow.

A Council could set up and run a community shop, employing local people and supplying local products. Using GPC the Council could set up a trading company to do this.

Eligibility criteria

S137

To use S137, a Council must agree the spend by resolution ensuring it is commensurate with the benefit incurred (i.e. it benefits several residents and not a small minority).

The spending for each council is limited as follows:

The annual statutory limit set by the Ministry of Housing, Communities and Local Government. for 2026/27 is £11.60.

This is multiplied by the number on the electoral roll for the parish.

For this example, assume 1795 on the electoral roll

The statutory annual expenditure limit would be:

$$£11.60 \times 1795 = £20,822$$

General Power of Competence

Eligibility for GPC is set out in the [Parish Councils \(Prescribed Conditions\) Order 2012 \(SI 2012/965\)](#) as follows:

The council has resolved at a council meeting, and re-eligibility confirmed at each subsequent relevant annual meeting, that it meets the prescribed criteria which are:

- a) Two thirds of the councillors have been elected and not co-opted

- b) The clerk holds relevant professional qualifications (either CiLCA, the Certificate of Higher Education in Local Policy; the Certificate of Higher Education in Local Council Administration; or the first level of the foundation degree in Community Engagement and Governance awarded by the University of Gloucester or its successor qualifications)
- c) The clerk has completed relevant training in the exercise of GPC, unless training was included in (b) above

Eligibility is reconfirmed at the annual meeting following the next ordinary elections.

Essential Resources

Other useful information relating to this subject can be found in the Hampshire ALC Member Area:

Hampshire ALC Key Topic: Local Council Powers

This document reflects our advice based on our understanding of the current legislation and guidance and our knowledge of the sector. It is not however intended to be formal legal advice.

For more complex issues we are able to obtain initial specialist advice on legal, employment, financial and planning matters as part of your membership fee. Please contact us to access this service.