

An Honest Appraisal

of Local Government Finance



IT WAS A RELIEF to turn from the Government's Green Paper on local finance to the far superior, more comprehensive and more objective memorandum *The Modernisation of Rating* published on August 5 by the Rating and Valuation Association.

The theme upon which the memorandum is based is that local government should pay its own way, making not only for greater financial independence for the local authorities but also relieving the national exchequer of its self-imposed burden of subsidising some sixty per cent of local government expenditure. This relief to the government's purse would enable it to keep its pledge to bring down general taxation.

The more local government can finance its expenditure, says the Association, the more it can be directly accountable to the people it serves and the better will the people understand the cost of the new and improved local services they so often demand.

The Association notes that one objective of the modernisation of the rating system is to make it more buoyant and flexible. This can be achieved in four ways.

(a) by the abolition or diminution of special reliefs and exemptions; (b) by a review of special methods of valuation which, by their nature are advantageous to the groups of ratepayers concerned; (c) by improvements in the way in which the rating system is administered and (d) by means of supplementary sources of revenue to buttress the rating system.

In principle, if greater buoyancy is to be achieved, the rating system should not be used to subsidise particular classes of ratepayer says the Association; where financial assistance is necessary it should be provided by direct grants by the central government or the local authorities and not by way of partly hidden rate subsidies.

On the essential question of how local authorities are to find the revenue they would require if independent of government aid, the memorandum offers a number of practical recommendations. For a start, the relief to charities and the exemptions of agricultural land from rating would be abolished—direct grants from central or local government being made available for the former where it is considered appropriate. Churches and chapels would also lose their relief under the scheme: "it is doubtful whether all church halls and chapel halls, some of which are markedly profitable, should enjoy their present degree of exemption."

Among recommendations for increasing local government income is one to make businesses, and people who now make no direct contribution to the rates, pay an

annual levy towards the cost of local services. A levy of £5 on such non-ratepayers and employees would raise an estimated £150 million a year.

On the other side of the coin is the suggestion that domestic ratepayers be given tax relief on their rate payments—a concession already made to ratepayers of business premises.

The rating of unoccupied properties which is now optional for local authorities, is to be studied by the Association and it hopes to be able to recommend procedures "which may lead to far greater use of this procedure, thus greatly increasing rate productivity."

On site value rating the memorandum says:

"The Association considers that the rating of under-developed and vacant sites on their site values would constitute a valuable addition to rate resources. It feels that the potentialities of this method of rating for this purpose as revealed by the Association's Whitstable Report should encourage the Government to carry out a further exercise on a larger scale. The Association will give it help but it does not have the resources to undertake a worthwhile exercise on its own."

On this matter it might be thought that a larger scale exercise on the lines of the one at Whitstable is not strictly necessary in order to demonstrate the practicability and desirability of site-value rating. Nonetheless such an exercise would be useful, not only to underline the principles established at Whitstable but to silence the critics who argue that there was something essentially untypical about the Whitstable experiment.

Under site-value rating of course, the question of putting a special levy on non-ratepaying residents and on commercial and industrial ratepayers according to the number of their employees would not apply. Site values are the product of all classes of individuals living and working in the community; there are no exceptions and the fund of site values provides the best and proper source of revenue for the payment for communal services that are enjoyed by these same individuals.

Most of the other measures proposed by the Association are not inconsistent with site-value rating—indeed they can be seen to be complementary to it, particularly those that call for more frequent revaluations, the end of special privileges, the re-rating of agricultural land and of course the rating of vacant sites.

It can be said of the Association's memorandum that it reflects much study and honest appraisal even if it does give less attention to site values than we would have wished.