

Parliament And The Rates

FOR three hours the Commons debated the Local Authority Rate Burden on February 25 on a Labour motion moved by Mr. James MacColl, M.P. for Widnes. This noted with concern the increasing burden falling on local rates, urged that local authorities should be given immediate help by means of lower interest rates and by the full rating of factories, and called for a fresh inquiry into the financial relationship between central and local government.

MR. MACCOLL said the need to expand the services under the control of local authorities was recognised by the House. If social services were not expanded during what was said to be a period of high prosperity, when would they be? "The burden of our complaint is not that local authorities have been asked to spend more, or want to spend more, but that most of the large increases that there have been in connection either with expenditure over which the local authority has no discretion at all, or on services which it has been under continual pressure from the Government to develop. Because of the policies of the Government an increasing burden has fallen on many of these authorities. It has now become so crippling that we are in danger of seeing the whole system of local government — and I do not think that this is an exaggeration — being profoundly shaken."

Education authorities were spending more; then there was the new mental health service; teachers' salaries had been increased and other services were likely to cost more. Was the Government paying its fair share of the increasing cost?

Some recent rate increases were: Lancashire County Council, 1s. 6d., Isle of Wight, 2s. 8d., Middlesex C. C., 8d., Surrey C. C., 6d. "All those increases are increases in the rate poundage, although there has been such a substantial increase in rateable values, due to increased valuation." Most of Lancashire's increase in total expenditure was due to expansion of educa-

tion; the main burden was falling upon the ratepayer.

Two of the Government's "financial and fiscal policies" which were raising Councils' costs related to interest and the price of land. Interest rates had recently risen again. They did not affect Capital expenditure on new hospital buildings approved by the Ministry of Health. Yet when a local authority built a school, perhaps next door, it had to find the money on the open market where fluctuations might increase the loan charges that had to be paid by the taxpayer and the ratepayer. "If it is sensible to carry the cost of a major hospital on government finances, it is equally sensible to carry the cost of a school."

FIENDISH PINCERS

As a result of last year's Town and Country Planning Act local authorities had to pay full market value for land — "not just the existing use value which would sound reasonable and fair but the development value, taking into account all future development which is very often carried out by the same local authority who buys the land. If a school is built on a new estate where commercial, residential and industrial development by the council the provision of transport and drainage services lead to higher land values, the council has to pay the increased site cost due to its own energies. This becomes part of the burden falling on the ratepayer, through no fault of the local authority, but because of the policy of the central Government." *The Times* estates correspondent had mentioned prices of £7,000 to £8,000 an acre being paid at auction for land zoned for residential development. "That is all part of the Government's policy of a free property market, of increasing the value of land and making local authorities pay the full market price for the full development value. . . The fiendish pincer grip in which a local authority is held is illustrated by the fact that, on the one hand, its costs are pushed up by the change in the price of land, and, on the other, there is an increase of the rate of interest paid on the capital necessary in order to

pay the increased price of the land."

It was absurd to keep industrial de-rating. "If, as we are told, our industries are reaching unparalleled heights of prosperity it is fatuous to subsidise them at the expense of the ratepayer."

If Labour had won the election it would have set up an enquiry into the financial relations into central and local governments. The Government had set up a working party of chief officers — a purely technical body; policy was not considered. The Opposition was not doctrinaire or dogmatic but it said that the problems should be calmly examined by a high-powered inquiry backed by the full resources of the government.

POSSIBLE ALTERNATIVES

Many people had written to Mr. MacColl to say that rates are reaching a breaking point. An alternative might be a local income tax and this was something a government inquiry could look into. Many of his hon. Friends and Conservative members would not agree with that view and he did not press it.

"There is a case for looking again at the rating of site values. The last committee which considered the subject sat at a time when the Town and Country Planning Act, 1947 was still in operation. The inquiry took place against the background of development values being taken into public ownership. That was wrecked by the present Government and, therefore, there is a strong case for looking again for some way of mopping up the enormous increases in development values which was demonstrated in the quotation I made from The Times."

TORY COMPLACENCY

AN amendment to the Labour motion was moved by SIR KEITH JOSEPH, Parliamentary Secretary to the Ministry of Housing and Local Government. This welcomed the substantial government assistance to local authorities and the expansion of local services, approved the principle of helping most those authorities in greatest need and endorsed the

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change from percentage grants to a system of general grants.

Sir Keith said he would not for a moment attempt to minimise the serious burden of rates but the fact was the proportion of national wealth, or personal income, borne on rates today and likely to continue to be so borne "is just about the same as it has been ever since the War". There was nothing perfect in that but despite large expansion they were not faced with any increase in the proportionate burden of the rates on the citizens.

The Government's financial and fiscal policies had helped to cure inflation so that extra money spent by the ratepayer or the taxpayer was of real value. Local authorities had received in general grant more than they would have done under the old specific grant. In addition they had £10 million extra annually as their share of industrial re-rating. The 1958 Act had increased the responsibilities and independence of the local authorities who were, as a result, rightly paying more attention to value for money.

Sir Keith brushed aside the Opposition complaint about the use of interest rates. The alternative was a system of controls. An increase of 1 per cent. in interest rates had only a trivial influence on the rates as a whole although, of course, it could be extremely important in its effect on an individual house or group of houses. There was no sense in protecting local authorities, rich and poor alike, from fluctuations in interest rates. The way to temper the wind to the individual tenant who could not afford to pay was to adopt a differential rent scheme as was being done by 400 local authorities.

TAXPAYERS' SHARE

"I would point out to the House," Sir Keith said, "that the increase in the purchase price of land to the market value, as a result of the 1959 Act, was taken into account in assessing the first General Grant."

Did the Labour Party want to go on record as being opposed to market price being paid for land bought compulsorily? "We are an overcrowded island and there is limited land in this country."

"The whole subject of industrial rat-

ing will have to be considered before 1963," Sir Keith said. It must be remembered that in 1956 the rates on industry were increased sharply on re-valuation and that last year factory rates were stepped up from 25 per cent to 50 per cent of their assessment. "Local authority services have expanded, are expanding, and will expand. The taxpayers' share of the cost is, if anything, slightly higher than before the general grant was introduced."

BURDEN ON ELDERLY

MR. MARK WOODNUTT (Cons., Isle of Wight) in a maiden speech said that as chairman of his County Finance committee he had just had the unpleasant job of explaining a rate increase of 2s. 8d. "This will cost the owner of a modest house with a rateable value of £26 a year an extra 1s. 4d. a week. If an old lady or an old gentleman or an old married couple have to find that extra 1s. 4d. a week for rates then, obviously, they have to go without something else. We can expect the rates to increase indefinitely from year to year. We must do something to relieve these people who, quite definitely, cannot bear this burden."

LANDOWNERS' HEYDAY

MR. HORACE KING (Lab., Southampton, Itchen) declared a passionate belief in local government yet argued "unless we shift some of the burdens which lay ahead from the shoulders of the ratepayers, either local government itself will be endangered or the resistance of ratepayers will become so strong as to jeopardise the progress of the social services." Hampshire County Council — his own authority — had increased its total expenditure from £6½ million to £19 million in seven years. Further increases in local authority budgets were inevitable. "The burden of rates falls heaviest on the old age pensioner and on the man with a large family. Income tax is a much fairer way for making the community pay for its social services."

"Land owners 'never had it so good'" Dr. King said. "Every local authority today is fleeced when it buys land for houses, for schools, for fire

stations and all the rest. I will give examples from my own authority.

"In February, 1958, we decided to buy a piece of land for a school in Aldershot — seven acres at £2,834. The vendor discovered that the Minister was passing a Bill through Parliament and refused to sell until it became an Act and was in force. We completed the purchase last Monday, and now we are paying £17,500.

"We are buying a piece of land in Basingstoke. In 1957 we were to have those six acres for £3,000. Again, the vendor coyly held his hand until the Town and Country Planning Act, 1959, was through, and that £3,000 has now become £6,000.

"We are buying 12 acres in Gosport for £21,000. We are buying 1½ acres in the village of Hordle for £2,200, which is rather a lot of money for land in a country village. We are buying five acres in the delightful village of Sway for £5,800.

"For every school that we build now, we have to pay three, four or five times the value we should have had to pay for the land before the last Town and Country Planning Act. What is true of schools is, I am certain, true of houses.

"Good local government and the steady development of the housing and school programmes are jeopardised by the fantastic price we have to pay for the land on which to build and for the money which we borrow for the purpose.

"The enhanced value of land represented by the price that we are now having to pay for it or, rather, the new real value of the land, has nothing to do with the skill, wisdom or virtue of the land owner but is due to the value which Britain herself has placed on the land by her increased prosperity and need to use the land."

AN INDUSTRIALIST'S VIEW

MR. FREDERICK HARRIS (Cons., N.W. Croydon): "For many years now, I have strongly advocated the complete abolition of industrial de-rating, which, to my mind, is absolutely out-dated and out-moded under present-day conditions. As an industrial man, I feel that industry can well bear its full share of rates. I think that the fact that industry does not now bear its full share of rates is not only unfair to local authorities

themselves, but to householders who have to bear such a large proportion of the general rates. I tried to do something about this by seconding a Private Member's Bill put forward by a former Socialist Member of this House, but, unfortunately, the Bill was not carried. . . I think that it is only a matter of time before any Government will have to face this fact."

Croydon was fortunately developing rapidly with an ever-increasing rateable value accruing but "it would be futile to pretend that [its] rates will not continue to increase year by year. . ."

The effect of increased rates on individual householders was very different from incidence of Income Tax and other taxation. That was a further reason for abolishing de-rating. "I am a strong advocate of local government and of local authorities handling their own local services to the maximum degree. . . [but] . . . it is important that Parliament should not risk breaking the camel's back financially by continually adding unduly to the burden of local ratepayers."

MR. JAMES McINNES (Labour, Glasgow C.) warned the suffering ratepayers of Scotland that next year they are in for the shock of their lives, because they will then feel the full impact of the Valuation and Rating (Scotland) Act, 1956.

SUPERFICIALLY ATTRACTIVE

MR. JOHN M. TEMPLE (Cons., City of Chester) said that although there were possible alternative sources of revenue, which he examined, the rates, "with all their inequalities are possibly the best source of local revenue known at the present time". A local income tax would mean a vast increase in the staffs of local authorities or of the Inland Revenue. All the incomes of everybody in the country would become known to the local authorities. The great central difficulty of a local income tax was would it be levied where a man works or where he lives. Such a tax would present great difficulties.

"The only other concrete suggestion for a local revenue tax is the taxation of land values. That has been tried frequently in the past. Lloyd George tried it in 1910. It was abolished in 1920 and the amount of revenue raised did not cover even the cost of valuation. So I believe that however

attractive superficially it may seem, taxation of land values is administratively impractical."

Intervening, **MR. ARTHUR HOLT** (Liberal, Bolton W.) asked: "If that is all the hon. Member intends to say about the taxation of site values, would he not agree that it operates effectively in many parts of the world, including Denmark and Australia?"

"That may well be so," Mr. Temple retorted. He appeared to suggest that permanently sited caravans should be rated. A local sales tax operated by local authorities would bear unevenly; such a tax was more suited to a federal polity. "Therefore, I come back to the inescapable conclusion that, with all their drawbacks, rates are a fair way of raising local revenue."

INCREASINGLY UNFAIR

MR. MICHAEL STEWART (Lab., Fulham) said that for every £5 the average ratepayer "had to fork out in rates seven years ago, he now has to fork out £9"—an 80 per cent increase. Allowing for the fall in the value of money, the increase is 45 per cent. These figures came from the Institute of Municipal Treasurers and referred to the English authorities. Would anyone suggest that his real income had risen by 45 per cent, or that the national income had risen by that percentage, in the last seven years? As the cost of local authority services grows, the unfairness of the way they had to raise money bears more and more heavily on the poorer ratepayers.

Referring to the cost of land—the value of a particular site had increased sevenfold in the last few years — he quoted Scripture: "*Consider the incomes from the field, how they grow; they toil not, neither do they spin. Solomon in all his glory was not as expensive to maintain as these.*"

Well-informed people felt that it was time to look afresh at the question of local government finance. "There are plenty of new ideas. The whole subject is too complicated for them to be dismissed quickly in the way that Mr. John Temple tried to dismiss the rating of site values."

ALL'S WELL

REPLYING on the debate, **MR. HENRY BROOKE**, Minister of Housing and Local Government, said:

"Fortunately both sides of the House agree that it is desirable that there should be an expansion of local government services. *If there is expansion, it is bound to involve increased cost to the rates.*"

As recently as 1955-56, industry was contributing 4 per cent. of the total rate revenue. At present it is contributing 11 per cent. Quite clearly to re-rate industry 100 per cent, while householders paid rates on the 1939 value of their property would not put matters on an even basis of valuation and rating liability as between one another.

The rating of site values "*has been examined by three Commissions or Committees in the present century and turned down by them all.*" The rating of empty properties had been rejected on more than one occasion by the House. A local income tax would involve "intolerable difficulties in deciding whether a person should be taxed where he lives or where he works." The rating of caravans was being examined by the Working Party.

When Labour M.P.s said that local authorities were being fleeced by the cost of land, did they mean that councils should have power to buy land compulsorily below market value? "We carried through the 1959 Town and Country Planning Act with, I thought, the good will of virtually the whole country. If the Opposition now say that local authorities are being unfairly charged because they are having to pay market value, let me tell them that they will not carry public opinion with them."

The Minister could see "no case for a fresh inquiry into the financial relationship between central and local government." Under the General Grant system "the incentive to better administration is as strong as could be." The Central Government Grant in the last year of Labour Government was just about equal to the amount in rates by local authorities. "In the current year Exchequer grants to local authorities are 11 per cent. higher than the rate revenue of the authorities, even though rateable capacity has been increased in the meantime through industrial re-rating, to 50 per cent. I see no prospect of a trend the other way in 1960-61."

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