

# LAND & LIBERTY

Editor V. H. BLUNDELL

NOVEMBER, 1968

TWO SHILLINGS

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## The Land Commission's First Year

NO ONE had expected the first annual report of the Land Commission to bring forth any startling revelations. As it was, the Press Conference held on October 1 was very much a damp squib. Sir Henry Wells and his colleagues who have to administer the Act seemed more concerned in justifying their existence in theory than in giving any concrete evidence to support it.

From a financial point of view the first year was not encouraging. The balance sheet showed that instead of the £80 million a year they were expected to rake in from land levy, only £2,549,000 was in fact realised in the first eighteen months. Administrative costs over the first twelve months were pretty much of the same order. Perhaps anticipating another poor year, Sir Henry Wells said that they were expecting to run at a loss for another three years, arguing that many new business enterprises often do the same. We fail to see the validity of this analogy.

In addition the Commission had found difficulty in acquiring land for redistribution—the “making land more available” object of the Act—and found that what land was ripe for development and still vacant, was largely in the hands of builders already, and, as Sir Henry Wells pointed out, they could hardly take it from them in order to give it to other builders who were complaining of land shortage. Since it began operations the Land Commission has actually acquired only 32 acres costing about £70,000.

Land shortage can, of course, be either of two things: there can be an actual physical shortage, or the land can be simply not available because of lack of planning permission or land hoarding. The *Estates Gazette*, October 19, attributes the shortage to restrictive planning legislation, and argues this way: “Restrictive planning legislation has led to land shortage; land shortage has inevitably led to high prices; high prices are the subject of

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betterment levy, and the Commission's land buying functions are thwarted by inadequate land allocations."

Since there is every incentive to hold on to land rather than to sell it (many owners are hoping for a change of government and a repeal of the levy), this must inevitably shorten supply. Add to this the disincentive of the present development levy, which the seller has to bear, and the shortage becomes even more severe. This sends up the price of what land is available and provides an even greater incentive to hold on to an appreciating asset. Thus the vicious circle gains momentum.

Certainly the land conservation policies of the government, with its obsession with the sacrosanct "green belt" policy, aggravate the situation.

In short, there is not so much an excess of demand as a constriction of supply, as the *Estates Gazette* ably expresses it.

This situation must breed even greater shortages; some local authorities with an eye to future land requirements and future land scarcity have bought well ahead, if not in excess, of their anticipated requirements. In fact it has been often said that local authorities are among the greatest hoarders of land.

It is bad enough that the wrong policies have been adopted and the right ones ignored, but the wrong policies have generated further problems, apparently unforeseen by the Government although they had been warned enough times by the many professional bodies who opposed the Land Commission from the very outset.

Apart from wading through the morass of technicalities of this retrograde legislation, lawyers have been busy looking for loopholes to save their clients from the worse effects of the land levy charges.

It would seem that the wall has been breached. A scheme that could drive a "coach and horses through the heart of the Land Commission Act" is being discussed in several quarters, says the *Sunday Times*, October 6. The scheme appears to make it possible to transfer land from the owner to a property developer without making either liable to the Betterment Levy, particularly when agricultural land becomes ripe for development. If this succeeds on any scale, it would deprive the Land Commission of a major part of its revenue.

The scheme was devised by a London consultant of the R.W.M. Company of Lincoln's Inn Fields and a partner of this company told *Business News* that the scheme consists of two parts: "The first step is to have the land transferred to the developer without the land owner paying Class A levy. One way of achieving this is by means of an option agreement. The developer agrees to pay a large percentage of the value of the land as payment for the option and a nominal amount for the land. For example, if the owner estimates his land to be worth £100,000 he will be paid £95,000 for the option to buy the land at £5,000." This cuts down the sale price for the purposes of the levy to a mere £5,000 as option money does not appear in the schedule of the Act which lists

purchase considerations. Various technical considerations have to be borne in mind when manipulating this particular scheme but R.W.M. have Counsel's opinion that it is perfectly legal and effective.

An unethical method of cutting down the levy liability is already known, says the *Sunday Times*. Surveyors can be persuaded to give an exaggerated value to property about to be demolished for development. This value cannot be checked by the Land Commission agents as the buildings are down when they come for their final valuation.

Given such a complicated scheme as is involved in that of the Land Commission Act, it is not surprising that lawyers are able to find methods of surmounting its most onerous effects. Oddly enough it has been said that the ramifications and intricacies of the Land Commission Act—almost incomprehensible to anyone but an experienced lawyer—came about because of the need to close all possible loopholes. However, something appears to have been overlooked.

It is a pity that time and energy is being devoted to circumventing a bad bill rather than to repealing it. When will governments learn to harness the self-interest of taxpayers instead of going against it?

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