

SQUARE-DEAL

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THE BRITISH DILEMMA

by
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The Rating and Valuation Association of Great Britain is an official organization representing property developers, real estate agents and politicians as well as the U K equivalent of municipal assessors. As such it may be suspected that its official policies could well represent a tendency to conservatism, perpetuation of the "rating status quo", and a reluctance to innovate or "rock the boat" in view of the wide representation of self-interests that constitute much of its membership. It is surprising that with the British political, social and economic systems floundering, the official policy of the Rating and Valuation Association has seen fit not to endorse any new ideas of any consequence. Surely any new ideas are better than the present chaos and gloom, especially those with far reaching economic reform consequences such as Site Value Assessment. Drastic reform of all systems in the British Isles seems preferable to a blind, head-in-the-sand perpetuation of a failing system. Instead the Association's report to the Layfield Committee of Enquiry into Local Government fails to do more than merely ruffle the feathers of centralized government land policy advocates and instead of proposing drastic reform merely suggests a return to a decentralized local property tax controlled and administered by and for local authorities. A conservative approach indeed - yet one not necessarily in conflict with that of proponents of site value rating (land value taxation) systems.

Certain salient points are clearly acceptable. The Association accepts that taxes reflect the fact that the community creates the value of property/land within its area. It also wisely suggests an end to the existing impractical rental value basis for rating and by bringing back agricultural land into the rating system. Yet it does not formulate a detailed practical alternative system, instead summarily dismissing both local income tax (agreed) and site value rating. Instead the report, for the most part, seems to be permeated by a somewhat reactionary plea for a return to local authorities of powers which over the years (and, perhaps, identified with a dominance of Labour governments?) have become centralized with national governments.

The objections to site value rating seem linked to objections to the White Paper on 'Land' (analysed in the February 'Square Deal'). Yet it would appear to the writer that the government proposals for land acquisition by local authorities would be enhanced by site value rating. The objections are extremely reactionary in nature - they are mainly the old long-before-refuted "chestnuts" that North Americans will soon recognize - and again underscore the apparent reluctance of British professional authorities to try anything even vaguely new or revolutionary. The following are the objections. -Brief comments (in brackets) follow each one:

- (1) A complete recasting of planning law would be necessary so that for every parcel of land in the country the owner would know what development would be permitted. (British planners and LVT advocates both advocate the close co-operation of assessors, planners and zoning by-laws to insure better use of land?)
- (2) Details of every land transaction would need to be made public. (This is an objection to site value rating!!?)
- (3) Practical problems - frequent revaluations, a definition of 'site', property identification, 'flying' freeholds, treatment of restrictive covenants and easements, sites with substantial value where "married" with other adjoining sites in alien ownership, the rapid alteration of site value, collection difficulties arising from identification of owners (A sophisticated rationalized computer areal data bank solves most of these problems - the other objections are rather petty - but the objections do underline the fact that property identification in the U. K. has been allowed to slide over the years into confusing disarray and that long-overdue rationalization and reform is vital)
- (4) The next objection deals with difficulties allegedly caused by slowing down of potential land development generated by the 'nationalisation' (Sic!) of development land advocated by the recent White Paper. "The communal ownership of development land and development value thereof destroys the social (Sic!) justification of site value rating." (The writer fails to see how this occurs, but does note the reactionary anti-government, anti-centralisation, arch-conservative tone of the wording.)
- (5) Site values tend to be less stable than those of developed property. (With adoption of site value taxation site values are more likely to stabilize.)
- (6) The system would erode the existing local government tax base. (Experience in South Africa, Australia and the U. S. has shown that site value taxes have contributed enormously to financing of property development.)

It is clear that much of the Association's report is political in nature rather than concerned with demonstrating positive political suggestions. It appears merely to advocate the power of local authorities (and local rating officials and land surveyors/real estate agents?) over central control of land development. However it is interesting to note what some Association officers with higher ideals think. In the same issue of the Rating and Valuation magazine, no less a person than the Secretary of the Association is reported as presenting a much more favourable view of site value rating to the London Branch of the Association. He also advocates an increase in local control of finance and rating autonomy but here site value rating is seen as an advantage, particularly if what he describes euphemistically as "technical hesitation" could be overcome. He notes the need for a coordination of rating and planning departments on the local level and even acknowledges that in the long run the site value system may be cheaper administratively and, more important, lead to greater "public awareness of where its liability comes from." Both existing and development value would be taken into account. Ownership tracing is often a problem in the British land titles but it is strongly advocated that this state of affairs be rectified by law for other reasons.

The Whitstable Survey showed that local authorities might collect 500,000 from undeveloped land and sites previously ignored. It was assumed that over 10 years would be needed to switch systems but in the meantime site value rating could be a supplementary source of revenue from those places that, at present, attract "an occupational liability". Of course, values would have to be strictly kept and updated regularly especially with planning changes.

This clear contradiction of viewpoints within an apparently powerful professional body seems to exemplify a "foot dragging" among the British bureaucracy that may indeed be reflected throughout the national socio-economic situation. Clearly, a dilemma exists - whether to persist with a gargantuan system full of inequities but with a certain

ease of operation and traditional training skills behind it, an attitude seemingly supported by the conservative attitude of the Rating and Valuation Association, or to take 'the bull by the horns', drastically and initially expensively, overhaul the whole system and to organize, for future gain after initial costliness, a streamlined data-controlled planning - cum - taxation system that may temporarily tax the minority more, but give greater benefits for the whole of society in the long run.

The decision is not an easy one - much that is archaic and inefficient in British social and economic spheres needs rebuilding and reform as well as the property tax - but surely it is time for a change to a more progressive and daring attitude in British economic life rather than a return to the reluctance to experiment for fear of long term difficulties after a short term expense. Besides, some of the Association's ideas are good ones. Local competitiveness and a sense of local pride in financial semi-autonomy may well be enhanced by site value rating and provide a worthy alternative to the increasing centralization (and increasing problems and lethargy) of the national bureaucracy in the U.K. since 1945. With sense of organized adventure, endeavour, drive and local pride, Britain may once again become 'great'.

Footnote: In the same issue, Graham Page, MP, a former Minister of Housing and Local Government, although he advocates a rather cumbersome "ability to pay" system of taxation reform, stated in a meeting address that "Local authorities should reflect the true value of developable sites to encourage councils to maximize their use". It is of interesting note that apparently Mr. Page came under severe attack for his "ability to pay" approach to taxation from the members present at the reported meeting. The comments are based on articles appearing in the February 1975 issue of 'Rating and Valuation' (London, England).