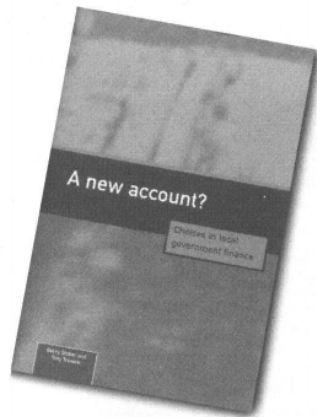


Books

Quest for solutions

A New Account? Choices in Local Government Finance **Gerry Stoker & Tony Travers**

Joseph Rowntree Foundation,
2001
£6



IT IS TRUE the debate about the future of local government finance is predictable and unimaginative.

Central government has a firm and implacable view that it must control public spending. To this end the government has controlled funding to effectively reduce local government to local administration.

In the face of this local government demands greater freedoms in its policy actions and claims the need for greater local finance. Finding a compromise between these two views is the work of the two academics behind *A New Account?*.

Written at the time of the Local Government Finance Green Paper, it will be interesting to compare it to the White Paper due to be published by the Secretary of State, who has claimed a desire to return local administration to local government. This study starts by reviewing the current debate starting from the Layfield Committee, still quoted as the main "work" on local government finance despite being 25 years old. The authors discuss the contention that local autonomy correlates strongly with the proportion of revenue raised locally.

There is a perception in local government that local authorities achieve a higher profile through generating more local revenue. The authors concede this does not necessarily mean greater freedom.

I believe the matter will be raised again within the context of the White Paper with a possible look at some of the alternative forms of local taxation. Stoker and Travers list four factors that make a desirable system of local finance:

accountability, fair distribution, flexibility and stability. They note we live in a time where the main aim of local authorities is community governance over providing a "discrete set of services". Certainly community governance has been the reason for councils' survival but in the community's eyes they are still measured by their ability to deliver services.

The authors omit that this loss of confidence has been engineered by a central government bent on greater control. The book indicates what a centralist or a localist stance would actually mean for local government. Both are unacceptable and unrealistic extremes. The authors conclude that some compromise is needed.

As I have been part of these debates for more than 25 years I found the conclusion unexciting and predictable. A system where central revenues are provided to meet central standards in major services and the local services are provided by local taxation, is obvious and logical. It is not what I expect to find in the new Local Government White Paper.

Whether readers are involved or not in local government, this paper is an interesting discussion of why we are where we are now. But I am sure readers of *Land & Liberty* would rather have had more radical solutions proposed. There is no serious examination of new systems of land taxation or even experimentation with them.

Richard Harbord is Managing Director of the London Borough of Hammersmith and Fulham

Taking taxpayers for a train ride to nowhere

USING RISING LAND values to pay for the renewal of urban infrastructure has become a hot topic in London, following the confessions of a commercial property owner.

Don Riley owns property in the Southwark area of South London, where land values skyrocketed from public investment in London Transport's Jubilee Line extension. His book, *Taken for a Ride*, revealed how he made more money out of the rising value of his land than he did from the work and capital he invested in rehabilitating rundown buildings.

This led him to propose that the Treasury should amend the tax system to enable landowners to channel those community-created values into services like the rail network that need to be improved. But in return the government should cut taxes on people's wages and savings.

Speaking at an Institute of Economic Affairs debate in November 2001, Riley spoke of the building he bought for £54,000 that grew in value to £150,000, thanks to the taxpayers' investment in the Jubilee Line. The lesson for the City of London, across the Thames from Riley's properties, is that public infrastructure investment should come from the boom in land values arising from plans to construct more skyscrapers by 2010.

Banker Martin Blaiklock told the IEA that his experience of financing infrastructure made him

Making news

The confessions of a landlord sparked a political debate on how to capture “windfall gains” to pay for London’s public services, **Land & Liberty** reports

aware land values should be linked to investment, particularly in the sphere of transport. He said: “Most transport schemes require government subsidy in some form. There is only one urban transport system that washes its face, and that’s the Hong Kong mass transit.”

He went on to say: “It is important that we have a scheme to capture [enhanced property value] which is transparent, equitable to the private sector which is benefiting by the introduction of a piece of infrastructure, and simple, something we can all understand.”

This sparked a debate on tackling this challenge. The Henry George model of an annual charge on the rental income of land was endorsed by planning expert Professor Nat Litchfield, with a sceptical Dr Mark Pennington, of Queen Mary College, London



Whistleblower



Chancellor



TAKEN FOR A RIDE

Trains, Taxpayers and the Treasury



Inside Story **DON RILEY**

University, denying the need for the government to recycle land values. He claimed an integrated transport policy would not deliver greater efficiency compared to the price-signalling private market.

Drawing on a US urban model, Dr Pennington went on to say it was possible to arrange property rights in a corporate community to capture enhanced property values and have them “internalised” into the costs of providing shared services such as roads.

With the increasingly unlikely use of public money to wholly fund renewal of the capital’s transport, the debate has opened the way to explore land-value-based solutions to London’s transport nightmare.

● See the L&L interview page 4.



Mayor



Troubleshooter



Order form

To buy **Taken for a Ride** (published by the Centre for Land Policy Studies), Don Riley’s exposé of the scandal that underlies land speculation when government-financed infrastructure and services inflate property values, please send this coupon and your payment to the Henry George Foundation, Suite 427, The Fruit and Wool Exchange, Brushfield Street, London E1 6EL UK

Please send me ___ copies of **Taken for a Ride**, by Don Riley
Price: £10.50 including postage.

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