

The British Municipal Demand for Land Value Rating

By C. A. Gardner

The task of writing an account of the Municipal action in favour of land value rating has been considerably lightened by the publication of the London County Council's report on the "Rating of Site Values." It is not necessary for me to refer in any detail to the reports of the various commissions and committees whose findings are there summarized.

The earliest official pronouncement in favour of some step in the direction of levying rates on site values is contained in the Report of the Royal Commission on the Housing of the Working Classes, published in 1885, which drew attention to the high prices required for building sites in the neighbourhood of populous centres. "The owners of this land are rated, not in relation to the real value, but to the actual annual income. They can thus afford to keep their land out of the market, and to part only with small quantities so as to raise the price beyond the natural monopoly price which the land would command by reason of its advantages of position. Meantime the general expenditure of the town on improvements is increasing the value of their property." The Commission recommended that such land should be rated at, say, 4 per cent on its selling value. The advantages of this would be: "First, all valuable property would contribute to the rates, and thus the burden on the occupiers would be diminished by the increase in rateable value. Secondly, the owners of the building land would be forced to offer their land for sale, and thus their competition with one another would bring down the price of building land, and so diminish the tax in the shape of ground rent, or price paid for land, which is now levied on urban enterprise by the adjacent landowners—a tax, be it remembered, which is no recompense for any industry or enterprise on their part, but is the natural result of the industry and activity of the townspeople themselves." This report was signed by many eminent men including King Edward VII, then Prince of Wales, and Cardinal Manning.

The lead in the municipal agitation for powers to rate site values was taken by the London County Council and the Glasgow Town Council. Immediately after the London County Council was brought into existence in 1889 it considered proposals for the improvement of the system of local taxation, and appointed a committee to consider the best means of ascertaining the value of land apart from buildings and improvements. It is interesting to recall that one of the witnesses before the committee was Henry George. Another was Sydney Webb.

The matter first came before the Glasgow Town Council in 1891. In 1895 the Council accepted the principle of rating land values by a large majority and decided to seek the co-operation of other rating authorities in Scotland in petitioning Parliament for the necessary legislative powers. In the following year it was reported that 62 assessing authorities had agreed to support the petition which was presented in October, 1896. In March, 1897 a resolution in favour of promoting a Bill for the Rating of Land Values was adopted.

In 1895 a resolution, moved by Mr Provand, M.P., was passed by the House of Commons without a division affirming that "No system of taxation can be equitable unless it includes the direct assessment of the enhanced value of land due to the increase of population and wealth, and the growth of towns."

The London County Council also decided in 1898 to promote a Bill for the local taxation of land values. After years of spade-work the response to these pioneer efforts was remarkable. Scores of conferences were held in all parts of the country during the early years of the reign of Edward VII. Typical of these was one at Newport convened by six chairmen of local authorities in Monmouthshire which was a resounding success. It was well reported by *The Times* and the *Western Mail's* comment (valuable as the testimony of an opponent) is worth noting: "Many local authorities, it must be acknowledged, hold, without political prejudice at all, that land values should be rated."

The great conference organized by the Glasgow Council in October, 1889, and attended by 550 delegates, 216 of them representing 116 rating authorities in all parts of the country, proved beyond a doubt the existence of a great body of opinion in the leading municipalities in favour of this reform. Since the days of municipal reform (said one political leader) there had never been a movement in this country in which the municipal corporations from one end of the island to the other had joined with such unanimity and earnestness.

In 1901 the report of the Royal Commission on Local Taxation was published. Five of the Commissioners (Lord Balfour of Burleigh, Lord Kinross, Sir Edward Hamilton, Sir George Murray and Mr James Stuart, M.P.) in a separate report drew attention to the "different and even opposing characteristics" of site value and building value and recommended that local authorities should have an option to impose some part of the rates on site values. Another Commissioner, Judge Arthur O'Connor, recommended that the whole of the rates should be imposed on site values.

During the years 1900-1905 six Bills for the rating of land values were introduced in the House of Commons by private Members on behalf of the English and the Scottish local authorities. Three of these passed Second Reading by substantial majorities, but, not receiving support from the Government, could advance no further.

The local authorities at a conference held in Manchester thereupon determined to petition once more for a Government Bill, and in February, 1906 a petition signed by 518 local authorities was presented to the Chancellor of the Exchequer (in the absence of the Prime Minister through illness) by a deputation of 150 representatives from 115 municipal bodies.

In the following March the Glasgow Bill was again introduced, and having passed Second Reading was referred to a Select Committee, presided over by

Mr Alexander Ure, K.C., Solicitor-General for Scotland (afterwards Lord Strathclyde). This Committee in a masterly report gave its unqualified approval to the principle of rating land values alone, and entirely exempting buildings and other improvements from local rating. The Glasgow Bill had proposed an initial rate of 2s. in the £ on annual site values. The Select Committee recommended that a Bill should be introduced making provision for a separate valuation of the land of Scotland, and that the rate to be imposed should be considered when the result of the valuation was known.

The Scottish Land Values Bill, which was on the lines recommended by the Select Committee, was introduced in 1907. It was supported by the municipalities because they foresaw that when the valuation had been carried through the next step would be a Land Values Rating Act. This Land Values Bill passed Third Reading by a majority of 139. It was rejected by the House of Lords. In 1908 the Bill was re-introduced but was so altered by the House of Lords that the Government felt obliged to abandon it. To evade (as it was thought) the opposition of the House of Lords, provision was made for certain duties on land values in the Budget of 1909, which necessitated land valuation.

The Budget was rejected by the House of Lords. After a General Election, which returned the Government, the Finance Bill passed the House of Lords, providing the preliminary step in the form of the Valuation, together with the so-called land value duties—not regarded as an instalment of the straight tax on land values.

Following the presentation of a Memorial signed by 173 Members of Parliament asking that the Valuation when completed should be accessible to the public and form the basis of the local rate levy, the Government in 1911 set up a Departmental Committee on Local Taxation.

The local rating aspect of the land question was debated in Parliament in 1912, the Government's attitude being that they must await the report of the Departmental Committee. This in its final form was issued in 1914. A considered recommendation in favour of site value rating was made in the Minority Report signed by Sir John Struthers, K.C.B., Sir Thomas Hughes, Sir Edgar Harper, Sir D. M. Stevenson, Mr W. Murison and Mr G. L. Barstow, C.B., the majority of seven objecting. The Revenue Bill, 1914, was then introduced. This would have remedied the defects in the 1909 legislation and enabled a valuation to be made of the bare land exclusive of improvements and provided the data for the purpose of rating land values. The Bill was one of the many measures that had to be jettisoned on the outbreak of war.

In 1919 the Cardiff Corporation instructed the Town Clerk to communicate with other authorities with a view to making combined representations to the Government in favour of rating reform on the lines of the rating of land values. As was the case with other large municipalities (to be mentioned) which took similar steps in following years, a large number of local councils made common cause with that of the capital of Wales, and re-affirmed their views on the question again and again. A conference of the County, Burgh and Parish Councils of Scotland was organized by Glasgow Corporation in 1926 and a petition was sent to Parliament. Committees of the Sheffield and Newcastle-on-Tyne City Councils were appointed in 1928 to enquire into the

rating system with reference to land values. Striking reports stating the arguments for land value rating were issued and both Councils urged the Government to take action.

In the same year a conference of 35 Councils convened by Monmouthshire County Council passed a land value resolution by an overwhelming majority; and the Leeds City Council declared for the land value rating policy and decided to co-operate with other authorities with a view to its practical application. Stoke-on-Trent in the following year had a Special Committee investigating the question and in adopting its Report strongly asserted the need for this method, and condemned the present method of raising local revenue; and the Bradford City Council called a conference of the County, County Borough and Borough Authorities of Yorkshire which passed a resolution calling for an alteration in the existing rating system so that local authorities could be empowered to levy rates upon owners in respect of the value of sites within their respective areas.

In 1930 Manchester City Council organized a conference representative of 84 Rating Authorities in Lancashire and Cheshire.

This conference approved a resolution stating that in any scheme of taxation of land values provision should be made for reserving to local authorities the power to rate land values for local purposes.

The 1931 Finance Act included valuation of land value and a small national tax. The valuation would have afforded a basis for the alteration in the incidence of local rates so long sought by so many local governing bodies.

Many protests were made by the municipalities when in 1934 the National Government repealed the land tax provisions of the 1931 Act. They pointed to the fact that the valuation to be made under that Act would have formed a basis for arriving at a fair purchase price to be paid for land for public purposes, including housing, as well as being of value if and when it was decided to rate land values in order to relieve the general body of ratepayers.

The London County Council and Cardiff City Council were foremost in making this protest. Both have since taken action to formulate opinion in support of a renewal of the agitation for a fair rating system.

A Welsh National Municipal Conference was held in September, 1935, on the initiative of Cardiff. Representing 50 Councils, delegates from all parts of the Principality voiced the demand for land value rating and the resolution was sent to all local authorities in England and Wales. Over 150 Councils in all parts of England and Wales have since intimated their agreement with the Cardiff resolution and the agitation goes forward. And now we have the Report of the Finance Committee of the L.C.C., and the decision of the Council to press for legislation. It is a significant lead which augurs well for the future.

(Issued in advance of the International Conference, London, 1st to 5th September, 1936, by the International Union for Land Value Taxation and Free Trade, 94 Petty France, London, S.W.1.—Additional copies, price 3d. each.)