SITE VALUE RATING
REPORT ON A RESEARCH
CARRIED OUT IN THE TOWN OF WHITSTABLE,

1973

(Abridged Edition)

THE LAND INSTITUTE
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THE LAND INSTITUTE

Established in 1967 for research, information and publications, whose members are concerned with the valuation, acquisition, design, planning, law, development, management, rating, taxation or disposal of land and of buildings thereon.

APPRECIATION

The Council of the Land Institute wish to record their appreciation for the help, so willingly given, by professional people well equipped to advise on the law, planning, valuation, economics and rating administration in the site value research leading to this report. In particular they thank Professor A. R. Ilersic for his help in the drafting of this report. They also wish to thank Mr H.M. Wilks and his staff for their achievements over the comparatively short period covered by the exercise, the members and staff of the Whitstable Urban District Council for the practical help they gave, to local surveyors and other professional people from whom much very useful information was obtained, to the local press for such well-directed publicity, to the townspeople of Whitstable for their friendly co-operation and to the Institute's own secretariat.

D. ARNOT SHEPHERD,
President of the Institute.

FRANK OTHICK,
Secretary of the Institute.

26th November 1973.

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In the abridged edition of this report only sample extracts from the valuation list and sample maps are included. Where comments by the valuer are printed bold type has been used .to distinguish his comments from the rest of the report. The valuer's report will be available for inspection at the Institute's office.

SITE VALUE RATING AND LOCAL GOVERNMENT FINANCE

In common with other bodies, and individuals, the Institute looked forward to some improvement in central and local government financial relationships after publication of the document *The Future Shape of Local Government Finance* (Cmnd. 4741) in July 1971.

In particular it hoped that the section dealing with additional sources of local revenue (appendix 2) would eventually encourage legislation in line with the view expressed in paragraph 2.2.

It should be stated from the outset, however, that the objective of new local taxes is not to increase the overall level of taxation: it is to find a means by which a greater part of local authority expenditure can be met out of income raised locally by the authorities themselves, and a correspondingly smaller part therefore met from government grants paid for out of national taxation.

It is, no doubt, the Government's intention to introduce legislation to achieve this objective even if it is felt that early legislation must be restricted to certain matters referred to in the consultation paper on local government finance in England and Wales (June 1973) and the recent Local Government Bill.

The Institute noted in paragraph 2 of the consultation paper that the Government are currently carrying through nationally a radical reform of both direct and indirect taxation and that they have decided that now is not the moment to introduce any new local taxes which would involve complex administration and collection.

The Institute accepted an opportunity to undertake a second site valuation exercise in the town of Whitstable, Kent, believing that in this way it could add to the present limited knowledge of the practical results of this method of raising local revenue. This report examines the problems and benefits of site value rating as disclosed by this revaluation coinciding with the introduction of the new rating valuation lists in England and Wales. It appears to the Institute that the criterion referred to in paragraph 2.10 of the Green Paper (Cmnd. 4741) is satisfied and that site value rating may make a significant contribution to meeting local expenditure and thus to reducing government grants.

While acknowledging that any such useful contributory tax will inevitably involve new administrative and collection problems it may well be that the benefits will outweigh the problems. The Institute offers this report for consideration within the promised radical reform of direct and indirect taxation.

GOVERNMENT VIEW ON SITE VALUE RATING

Although they cannot be regarded as exhaustive the comments on site value rating which appeared in the Green Paper [*The Future Shape of Local Government Finance* (Cmnd. 4741)] must be considered in this report in the hope that the Government will find some justification for a reappraisal of the merits of site value rating to the extent that the researches of 1963 and 1973 warrant. The relevant paragraphs from the Green Paper are reproduced in italics, with a brief comment on each.

SITE VALUE RATING

The rating of site values is another means sometimes proposed for increasing the yield of rates. Rates are a tax on the occupation of land and buildings and are charged on the rental value of property as it exists. With site value rating, on the other hand, rates would be levied on the market rental of the site, on the assumption that it was available for the most profitable permissible development. Since the beginning of this century the question of site value rating has been considered by a number of official committees and commissions, and on every occasion the majority have come down against it. The most recent of these was the Erskine Simes Committee, which was appointed in 1947 and reported in 1952 (paragraph 2.71).

Whether or not the rating of site values proves to be another means of increasing the yield of rates will depend on the manner in which it is introduced. If, for example, it is adopted as a *supplementary* source of revenue, i.e. by the rating of owners of undeveloped land for example, it will increase the yield. On the other hand it is as yet unproved that, countrywide, site value rating will be as productive in total rateable value as the present system. Two exercises in Whitstable will hardly be accepted as anything more than an encouragement to test the question in much larger and more complex rating areas for which the Land Institute lacks the financial resources. The Council of the Institute hopes that the work already done in this important field of research will attract Government support for more comprehensive projects.

With respect to those who advised in the drafting of the Green Paper the circumstances under which the Simes Committee reported were unpropitious in that the introduction of the betterment levy under the Town and Country Planning Act 1947 pre-empted the revenue which might otherwise have been recovered by way of an annual site value rate. That fact clearly helped influence the committee of inquiry. The situation at the present time is not complicated in that way.

The main arguments put forward in favour of site value rating are that the economic rent of the site is created not by the owner but by the community, so that it is right for the community to recover a share of this value by taxing it; that the rating of site values would encourage owners of land to bring it forward for development more speedily; and that, unlike the present system, site value rating would not tax—and hence discourage—improvements (paragraph 2.72).

Comment is unnecessary except to acknowledge the fairness of this paragraph.

Against the first of these arguments it may be pointed out that capital gains tax may be paid on the development value of the land when it is sold, and the Government have recently, when abolishing the Land Commission, made it known that in their view this is the appropriate way for the community to share development value. The second argument perhaps has more force in relation to under-developed countries than in relation to Britain, where the need is to channel and organise development in the best possible way, rather than simply to encourage it. The third argument has some validity in the sense that minor improvements, such as the addition of central heating to a house, would not, under site value rating involve an increased assessment. But because site value rating assumes the land to be subject to maximum permitted development regardless of the extent to which it has actually been developed it thus taxes before they have occurred categories of development which under the existing system would only result in increased assessments after they had occurred (paragraph 2.73).

A tax on *capital* gains is a very different form of tax. It is payable only when a capital gain is realised; it is a tax on capital. Site value rating on the other hand would introduce an annual tax only on the value of the site. Moreover it would be payable whether or not the subject property is sold so that its productivity would only be as variable as the market itself and not the subject of assumptions based on *expected* land transactions. In consequence the revenue would be stable.

The reference to underdeveloped countries is, quite reasonably qualified. Denmark and New Zealand are examples of developed states which use site value rating. Moreover it is submitted that no proper inquiry has ever been ordered into the interesting and, quite possibly, beneficial results of considering planning and land value taxation as complementary disciplines, each dependent on and influencing the other. The present rating system involves both land and buildings. Prospective development of land can influence planning decisions in the sense that rateable value on the buildings is a factor in a local planning decision. Free of this factor, as would be the case with site value rating, planning decisions could be more in line with a firm policy based on amenity and environmental factors.

The point about the rating of improvements has added force in the light of the intention to exempt from assessment under the present system many minor structural and other improvements between revaluations. (Consultation Paper on Local Government Finance in England and Wales, June 1973. H.M.S.O. and the Local Government Bill.)

But whereas under site value rating such additional assessments would not arise at all it may prove to be the case that in practice a well-intentioned concession will create more ill-feeling at the margin and among those already assessed for amenities widely enjoyed but by no means necessarily rated. An example of such ill-feeling was illustrated in the Lands Tribunal decision in *Rogers v Royal Leamington Spa Borough Council and Etwell (Valuation Officer)* March 1973. The ratepayer resented certain properties being selected for review even though many others were ignored, the valuation officer claiming that it was not physically possible to review them all. In the case in question it was a central heating increase, an area of improvement so popular at the present time, and, therefore, more conducive to ill-feeling. Site value rating would be a complete answer to such a problem.

In the sentence on assumed development it is true that potential value is taken into account in site value rating but this can be one of its most beneficial effects. Mere hope value is not taken into account but provable inherent development value is. The result is that the annual value of an asset, increasingly valuable as a result of community growth and the provision of, or at least the prospect of, public services, is partly taken in taxation for public purposes. What assessment is determined will depend on the definition in the light of the actual circumstances and the varying prospects of development. All this is a matter of valuation and properly appealable.

The arguments against the rating of site values are partly objections of principle. First, it would tax not the current income or resources of the taxpayer, but instead his prospective and potential resources. In this it would exaggerate yet further what many already regard as the main failing of rates—that they are inadequately related to the taxpayer's capacity to pay (paragraph 2.74).

There appears to be some confusion in the use of the term "capacity to pay". Capacity to pay can be measured in a number of ways. It can be related to income; it can be related to rateable value as that presently applies. It can be related to the potential annual value. The Council of the Institute contends that of these the third appears to offer the highest revenue prospects.

Second, it would tax land values not only before they were realised but often when it would be quite impracticable to realise them—for example, where there were several interests in the land and none of the individual owners could redevelop because he could not acquire the other interests. Or, again, a site could be taxed for several years on a high development value that might then be lost through a change in planning proposals, or for some other reason, before the ratepayer had realised any part of it (paragraph 2.75).

This comment indicates a basic misunderstanding about site value rating, a tax which is fully responsive to all market factors. So if the realisation of assumed development is indeed impracticable then the assessment would reflect that fact. Even if this adjustment should only be secured on appeal it would still be made and any valuation list must necessarily be open to the same appeals procedure as at present. In the circumstances mentioned in the comment there would be no question of an unreasonable assessment on an unattainable form of development.

On the second example it is quite likely that owners will take risks through their retention of land without serious thought of early development. This is a widespread gamble at the present time where planning applications are merely tentative but, where granted, they can greatly increase land values. This form of land retention, described by the Secretary of State for the Environment as land hoarding, has clearly troubled the Government. Site value rating merely ensures that a reasonable proportion of the growing value is redirected to help cover the cost of public services. The substantial capital value remains. Meanwhile the payment of a land tax will be a new, and perhaps useful, factor which may well encourage earlier development. If land is retained to a point of time when a planning consent is revoked or not renewed this is a new element in risk taking to secure land value profits; it is a new and perhaps valuable deterrent. As retained, or hoarded, land rises in value the owner can continue to judge the wisdom or otherwise

about deferred sale or development, and ultimately he will take his profit. In the meantime a reasonable proportion of the annual value will be channelled to sustain the public services which will in any event have contributed to that value.

Third, site value rates would have to fall on the owners of the land, because they rather than the occupiers benefit from development value. It would, for instance, be unfair—indeed impractical—to tax the occupier of a slum dwelling on the possibly high development value of the land on which his dwelling was situated. Thus the link between local taxation and local representation, which is an important aspect of any local tax, would be much weakened (paragraph 2.76).

Site value rating is, and necessarily must be, an ownership tax for the reason stated. Initially, the imposition of a new tax on site value will reduce the market value of that site because it reduces the annual return to the owner from that asset. In the longer run, however, the state of the market for land of any kind will determine, to what extent if at all, the owner may be able to shift, i.e. pass on, the tax or some part thereof to tenants. It is self evident from the economic point of view that high site values are a reflection of the potential rent the owner may charge. In such circumstances it is clear that some shifting of the site value rate between owner and tenants will take place dependent upon the demand for that site. In the long run the site value rate will be absorbed either wholly or in part, in the market value of the site. The extent to which the site value rate reduces the market value of the site will depend on the extent to which the owner has ucceeded in shifting the rate. The shiftability of site value rating can, however, be affected not ~nly by market forces but by legislation which itself affects the demand. This point is referred to gain on pages 14 and 20.

The comment on occupation of a slum dwelling is not relevant.

In theory, of course, what is usually called direct rating will tend to satisfy the taxation and representation argument but the sincerity of such a contention must be questioned when we bear in mind the enormous growth in owner-occupancy of dwellings, the extent to which the vast proportion of inclusive tenancies effectively masks, in practice, the rate liability at the present time with both council and privately owned tenanted dwellings and the considerable use of the rate compounding procedure under which, by agreement or by law, owners of smaller dwellings are rated rather than tenants.

It is also pertinent to mention that the tendency towards increasing central government grants must contribute to a confused situation to occupiers genuinely questioning their representatives today, for there is so little those representatives can do to influence the cost locally of, for example, education, police and highways, the most costly items in the local authorities' budgets. Through the adoption of site value rating it is reasonable to expect that local authority dependence on government grants will be reduced, thus ensuring a greater degree of local autonomy.

There would also be practical difficulties. First, a pilot survey carried out in Whitstable in 1963 by the Rating and Valuation Association indicated that site value rating could price amenities out of existence. Under the rules adopted for that study, rates on the local golf course,

for example. would have increased seventy-fold. Second, there seems little doubt that the problems of valuation, and therefore the scope for grievance and litigation, would be greater and more extensive than with the present basis of a free market rental, because of the scarcity of evidence of site values and because it would be more difficult to reconcile differences of opinion about values in the absence of a corpus of decisions from the courts. Third, owners of land are less easily identified than occupiers, and collection and recovery would be more difficult. Finally, there would have to be frequent changes in valuations to keep up with changes in the planning situation (paragraph 2.77).

Undeniably there will be difficulties with site value rating. It may have to survive just as many adjustments and exemptions for political, economic and social reasons as has the present system, ut the case for and against these systems is developed elsewhere in this report. Amenities, as described in the comment, can be priced out of existence under any form of taxation if the rules are not thoughtfully drafted, and adjusted in the light of experience. The example quoted was frequently and quite rightly used to point out an anomaly, or a seeming anomaly, but the doubt rose on the rules adopted by the responsible valuer in interpreting the definition of value under ,which he was operating. He frankly explained his difficulties with certain land and how he had met them. What was not asked, and certainly should have been, was what would have happened in reality if such an assessment remained in the valuation list. The owners of the golf course could have tested matters by applying for planning permission to develop the land for residential purposes. In all probability they would have been refused a comprehensive permission but granted perhaps limited permission on the periphery. In any case a complete or partial refusal would have led inevitably to a reappraisal of the club's land value for taxation purposes.

It is a minor point, but in the case of the other local course site value rating disclosed only a negligible assessment increase.

In the absence of any explanation it is not possible to rebut in any detail the statement that problems of valuation will be greater under site value rating. This report contains material to indicate the reverse. The relative advantage of a free market rental basis must surely be qualified and, indeed, is so qualified in the final sentence of paragraph 3.5 in the Green Paper itself where it disclosed that

"*In addition, valuation of dwellings has become increasingly difficult because there is at present a growing scarcity of evidence of open market rentals, on which rateable values are based, in large parts of the domestic sector".*

The absence of a corpus of decisions from the courts as a means of assisting the settlement of disputes on site values can hardly be meant to be a serious argument. If a different method of recovering rates or taxes is found to be preferable on the general merits it should not be questioned on the grounds that the practitioners involved lack guidelines. The Inland Revenue Valuation Office must have great experience of drafting practice notes for early guidance until obscure drafting is interpreted by the courts. This must have been so with, for example, the development charge, betterment levy and capital gains tax.

Her Majesty's Customs and Excise Department has worked prodigiously to plot the course for the Value Added Tax and tribunals were appointed to assist in the clarification of the relevant legislation. So much must depend on the intentions of Parliament in any legislation but the initial drafting, the more detailed schedules to statutes, statutory instruments, helpful but unauthoritative circulars and selected test cases all contribute to a necessary and useful source of guidance in the early stages. Even with a rating system of great antiquity the output of both statute and case law is considerable even to the present but that is not a matter for criticism. It surely reflects the need to adapt and adjust any form of taxation. Merely as an indication of the ephemeral nature of so much of the "*corpus of decisions of the Courts*" it is salutary to recall the declaration by the Lands Tribunal in the case *of Vandyk v Oliver (Valuation Officer)*, a decision given at the end of last June that "it is now clear that the Lands Tribunal is not to be regarded as bound by its own previous decisions".

The question of identifying owners may well prove to be illusory. This was frequently advanced as an argument against empty property rating, but in practice it has not proved to be a serious problem as rating officers concerned will testify. However, elsewhere in this report (see section on the Definition) the compulsory registration of land titles is advocated and, if adopted, will simplify any questions of identification of ownership. The changes proposed in the Land Registry Bill, presented to Parliament at the end of October 1973, may expedite compulsory registration.

Recovery should be no problem, for if site value rating is introduced the levying of a rate upon owners will make possible the registration of a lien on the land so that after a reasonable period the land can be sold and any unpaid tax deducted from the proceeds. It may well be thought more socially desirable to seize the land rather than jail the individual which, in extremity, is the ultimate weapon in recovery of the general rate against an occupier under the present system.

The "*frequent changes*" in valuations referred to in the final sentence of paragraph 2.77 above may prove, to ratepayers at all events, the most beneficial feature of site value rating. They will be dealing with a tangible, realistic, flexible basis rather than one they usually find somewhat nebulous. Moreover, with site value rating the thousands of assessment changes following structural alterations and additions will be quite unnecessary. Equally the physical obstacles to prompt and regular revaluations under the present system will not apply as is explained in this report.

It is sometimes argued that site value rating works satisfactorily in other countries, but the circumstances are dissimilar. In particular, as the Erskine Simes Committee recognised, site value rating is inconsistent with the system of planning control existing in this country since 1947, under which planning permission for development can be refused without payment of compensation and, in consequence, the market value of land depends very largely on the precise details of the planning permissions which may have been granted (paragraph 2.78).

This paragraph may well contain the most profound misunderstanding of the prospective benefits of site value rating in relation to planning. The theory of land use and planning and land

taxation as eminently complementary questions has still to be examined in some depth, an area of research which needs investigation. When the taxation of buildings and structures is no longer applicable and planning decisions are related, for taxation purposes, to the land itself, they will be decisions completely uninhibited by considerations of rateable value derived from buildings. However, just as the conscious grant of development consent for any land may give rise to immediate income, by way of increased site value rate, so the active restriction of possible development will constrain the full potential yield from a given site. In this respect, therefore, those who call the planning tune in local government may actually pay the piper as a consequence of refusal to allow a more valuable development to take place on any given site. Elsewhere in this report will be found the valuer's comments on existing planning procedures in relation to the determination of values. What may have influenced the Simes Committee over 20 years ago could be shown to be far less relevant in practice, for limited though it was in scale the 1973 Whitstable site value exercise enables those who are willing to examine the results objectively to make a judgment on practical rather than theoretical grounds.

PRESEND DAY RATING PROBLEMS

The rating system has survived many attacks, political and social, but its critics remain numerous. The system, in theory, is straightforward enough, but the concept of a hypothetical landlord and tenant relationship baffles the ratepayer in search of firm ground on which he can judge relative values. If he or she could discern a clear mathematical principle in assessment practice the system would no doubt achieve more general acceptance. When disputing an assessment the ratepayer is probably at his ease where direct comparability is possible, but it is a lucky and very knowledgeable ratepayer who, having settled on his comparables, finds it possible in practice to gather together the physical details necessary for an effective presentation of his case; he will be a rare bird. The idea of a market rental basis is increasingly difficult to explain, still less justify, where the market itself is contracting rapidly and where rent restriction or rent regulation make the idea of a free market quite impossible to comprehend. As the Green Paper* states:

"*In addition, valuation of dwellings has become increasingly difficult because there is at present a growing scarcity of evidence of open market rentals, on which rateable values are based, in large parts of the domestic sector*".

In the same paragraph (3.5) the document refers to other disadvantages but it also offers reasonable solutions for some of them. But not for one of the most significant disadvantages—the evident inability of governments to avoid postponements of revaluations. This has been an intractable problem, yet its solution is quite essential if any appreciable buoyancy in values is to be attained. Manpower, and perhaps professional manpower, has never seemed to be sufficient for maintaining the valuation lists as the Inland Revenue must wish, still less for the additional work for a general revaluation.

The introduction of a capital value basis of assessment will not ease this situation. It might even exacerbate matters, for the very practical reason that ratepayers will at last feel on familiar ground and will have a better chance of challenging a capital value based assessment. An appreciable increase in ratepayers' proposals would undoubtedly add to both the administrative and professional workload. The Green Paper refers to

"*an appropriate conversion factor [which] could then be used to convert these values to rateable values*…

The technical problems of a single factor or range of statutory conversion factors will be considerable; the alternative of leaving it to the valuation process may be even more daunting in view of the professional staffing situation.

Finally, on this question of a capital value basis, the Green Paper comments on some of the attendant problems: the difficulty of recognising and allowing for personal preferences and latent development value included in sale prices, the influence on prices of differing states of repair and decoration, the loss of the "wealth of case law" (although this appears to be an inevitable consequence of any substantial change in the basis of taxation), the need for a more precise definition to obviate assessment and litigation problems, the likely changes in incidence,

probably disadvantageously to domestic ratepayers, and the time necessary to put such a changed basis into effect.

Although the Council of the Institute has not attempted to collect its own evidence the recent revaluation appears to have troubled rating authorities, exemplified at a recent conference where Mr Keith Bridge, City Treasurer of Manchester, a greatly respected figure in local government finance said, "That the present system was in drastic need of overhaul was made abundantly clear as a result of revaluation earlier this year. It produced at the extreme some staggering results and many problems both for individuals and local authorities alike. No doubt this was due in part to the delay since the last revaluation, but other factors such as inconsistency in valuation procedure, especially in the use of multipliers… all played their part."

The Government's wish to secure increased rate income, through improved discretionary procedures, from empty properties is logical in the light of the background thinking to the Green Paper, i.e. a more acceptable central/local financial relationship. It may well succeed in increasing rate income quite considerably if the proposed method of distributing the resources element of the rate support grant on the basis of rateable value is introduced. This will mean that rate income on empty properties, the rateable values of which have been taken into account for grant purposes, will no longer prejudice those rating authorities adopting such rating so far as grants are concerned. But this form of income is quite distinctive as an ownership rate in a system based on the beneficial occupation of property, so it involves special rules. There may, therefore, be some resistance to its adoption, a circumstance which would not arise if the rating system were to be based on beneficial ownership.

But, quite inconsistently, and no doubt to ameliorate the staffing problems, a considerable nationwide income will be sacrificed as a result of the proposal not to increase assessments between revaluations on account of minor improvements, a practice which may offend more ratepayers than it pleases. This is referred to elsewhere in this document (see page 3).

The difficulties involved in the use of any statutorily prescribed allowances for repairs, iinsurance and other landlords' expenses have been disclosed in the recent revaluation. Where buildings are assessed it is inevitable that problems will arise on any fairly inflexible scale of statutable deductions. Repairs etc. allowances could impose immense extra administrative and technical work if, as an alternative, they are left to valuers to assess for specific groups of property.

The Council of the Institute has felt it essential to include this part of the report solely to illustrate that any system of local taxation will involve problems and to suggest that any review of sources of finance for local authorities should take account of the benefits and disadvantages of any system under consideration.

DETAILS OF THE VALUATION EXERCISE

The Institute's valuer reported as follows:— The general level of value has been taken as at February 1973. After that date no further evidence was collected. Technically the Valuation Officer of the Inland Revenue is required to produce a valuation list showing values projected forward to the 1st April 1973, the date on which the new valuation list came Into force. On the other hand it is well known that, because of the administrative procedures, the actual process of preparing and typing the new list took many months and the level of values adopted by the Inland Revenue cannot have been later than mid 1972 and could possibly have been even earlier. The Inland Revenue's list was patently out of date before it came into force.

This means that whereas the site value rating list now presented, attached to this report, complies with the principle of being up to date, its contents are perhaps 9 to 12 months more modern than the orthodox list. This period is one of an upsurge In values particularly of residential property. The researches show that as regards shops, factories and offices rental values did not increase spectacularly from the middle of 1972 but there was such an upsurge in house values. Comparison of values must allow for an uplift in residential site values in the nine months concerned of perhaps 25 per cent. Those who are interested can therefore make the necessary adjustments as the form of valuation list adopted identifies the type of development which in fact exists on the particular site being valued.

A large number of transactions In real property were analysed, and the basic values for different localities. In a small town like Whltstable, with a population of circa 25,000, land is sold per foot frontage and per plot. A mass of evidence was found relating to the sale of side plots which had been utilised before as gardens.

Following standard practice, sales were devalued and plots valued having regard to a standard depth and to a value-depth factor, then reduced to so much per hundred square feet. Perhaps we should have used metres.

There were exceptions to this rule but first of all the rule should be explained.

If a standard depth of a 100 ft. was adopted, then, per 100 sq. ft. of area, a plot of greater depth will be worth less, and a shallower plot more. In Denmark a fixed graph is used for these depth factors but there land is sold per square metre (as it is in much of Europe and comparably in areas of high value in the United Kingdom) and a fixed graph seems to make sense. In Whitstable however the percentages for the depth variation factor was a matter of careful analysis and a fine sense of appraisal.

Exceptionally, units were valued in acres.

One council estate for example was built on the principle of unfenced, frontal open space used as a communal greensward and play area. At the rear of the houses individual fenced-off back gardens are provided. The greensward Is not public open space; It is part of the housing estate. In this case the areas between the roads has been measured and calculated at a price per acre of the fully serviced land fronting on to the public highways. Similar practice has been adopted for areas where housing Is In course of construction but not yet sold.

In some places other adjustments have to be made to the standard unit price. These are shown in the valuation list as "other adjustments". The best example of this is perhaps where a residential road runs parallel to the railway. Prima facie, both sides of the road should be of equal value, but the facts show, and reason dictates, that those gardens that back on to the railway are worth less than those on the other side of the road. So an "other adjustment" must be made. Again some shops in the main shopping area have rear access; others do not. This type of factor must be brought into the valuation.

The bulk, but by no means all, of the residential transactions related to land with a house built on It. In these cases the value of the bricks and mortar was "stripped off" from the total sale price. Given enough of these transactions, and we had hundreds, major errors could be avoided and a remarkable consistency of result obtained, consistent with the relatively fewer transactions involving bare land.

In outline, the method is to "cube" the building, apply a current price per foot-cube to arrive at a cost of construction, rebate the result by a percentage for age and obsolescence and then to subtract that reduced capital value from the total sale price. Thus the residue is site value. Care must of course be taken to ensure that the price per foot-cube of building is properly that current at the date the sale price was realised.

The same method of "stripping off" had to be used for transactions in the shopping streets. Fortunately the prices of a fair number of sales relating to a significant percentage of shops in the town were available. These results too, show an almost uncanny consistency.

All these valuations however, produced capital values and these had to be converted to rental values without factual evidence of the relationship between the two. Again, as in 1963, the old arguments arose—secured or unsecured ground rents? If secured, secured on what? On the actual development or the optimum development? In 1963 rates of interest were comparatively low; in 1973 very high, the years 1972/73 saw some remarkable gymnastics in property value and yields. The argument could have gone on for ever but an ad hoc decision had to be taken, and eventually a flat 6 per cent return throughout was used. This percentage ties in with general commercial practice in March 1973; Is capable of being reconciled with ground rents charged on shop and office redevelopments; is well within the limits found on analysing rents for housing land and land available for flats; and above all is acceptable within the decision, and the judgments, In *Williams (V.O.) v Cardiff City Council* at the Lands Tribunal in 1971 and, with the parties reversed, at the Court of Appeal, 1973 (R.A. vol. 46).

Now to some comment on the individual types of properties.

1. *Houses* There are a number of houses which have been recently bought and sold. There were a number of large gardens that have recently been sold off for development and there was no difficulty in dealing with the site values of residential properties. Strange to say the difference between sites on made up as opposed to unmade, unadopted, roads was very much less than the estimated cost of making up those roads to Private Street Works Acts standards.

2. *Shops* We could find no primary evidence on shop sites. There was however a substantial body of secondary evidence; that is of leases or selling or sales of shops in the shopping area. It was with considerable relief that one found this secondary evidence on being devalued by the same methods as those employed In 1963 have resulted in some remarkably consistent values for the sites. It was very noticeable however that the shop values had not increased anything like as dramatically as had the values of houses and residential land generally. It was interesting to find that these causes stemmed from three basic reasons, as follows: —

(i) Parking: The central car parks in the town involve a charge on people parking and there is therefore a disincentive.

(ii) The main part of the High Street and of Oxford Street now have "yellow lines" and parking is forbidden. It is therefore not possible to park and shop from the roadside.

(iii) Some 18 months ago there was a very substantial new drainage scheme carried out in the town which meant that for a considerable period of time It was physically very difficult indeed to get to the main shopping area. This resulted in many people who normally shop by car shopping in other towns, notably Canterbury and Herne Bay, and these people have never come back.

These factors have generally led to a depressed state of the shopping interest in the town, consequently with depressed values.

3. *Schools* It is a little difficult to understand the difference between the schools on site value methods and the orthodox system. It may well be that the use by the Inland Revenue of some ad hoc formula for the orthodox list produces an odd result.

A good example of this is the values shown on the Sir William Nottidge School.

In terms of rateable values:—

	April 1963	March 1973	April 1973	Multiplier
Official Inland Revenue List	£9,722		18,638	1.92
		12,493		1.49
Site Value Rating List	£4,022		16,644	4.14

The main buildings are very much the same, although there have been some additions, but these are a number of "temporary classroom" additions. It would therefore be fairer to use the pre-revaluation March 1973 "tone of the list" figure as indicated in terms of orthodox rating, the

increase in value, over 10 years is only x 1.49. Such a result, *prima facie*, offends common knowledge. The site value method, indicating an Increase of x 4.14 at least accords with common knowledge.

4 Caravan Camps These have been assessed on the standards of 25 caravans per acre, the standard form of site licence as issued and enforced by the urban district council. There is some evidence of recent ground rentals.

5 Public Utilities and Railways Here we have followed the same method as 1963, namely that we have found It impossible to put a site value on these parcels of land and one assumes, and must assume for these purposes, that the values on the urban area are the result of the installation of the public utility services, amongst other things, and that therefore there will be double valuation If one valued them as well.

6 Public Open Space Here there Is a substantial departure from 1963 practice. In 1963 the method adopted was to assume that the land was being compulsorily acquired for public or private open space purposes and that, therefore, a hypothetical "section 17 certificate", under the Town Planning Acts, was envisaged and the land was priced on the basis of that certificate.~ This, one now realises, is an improper method to employ and these areas have now been valued on the basis that the local authority would pay a site rent for land to be held in perpetuity for public open space of benefit to the town and therefore a rent greater than a peppercorn would in fact be paid. A similar method has been adopted for private open space where it is so designated on the development plans of the town.

7 Agriculture I could find no direct evidence of rents for agricultural land though there must be plenty If one had powers to demand disclosure. I have adopted an almost ad hoc figure based in part on sales of pure agricultural land in East Kent. In certain localities, perhaps inexplicably, farm land has been selling at tremendous prices; indeed I understand that the £2,000 per acre limit has now been broken. Nevertheless It would be unrealistic to take a direct percentage from these capital values and a multiplier has been used compared with the 1963 figures, except on the urban fringe.

8 The Agricultural Fringe on the Urban Area In this general locality there has been an upsurge in the last 10 years of riding schools, of land used for the grazing of horses and ponies and high rents are being paid. More recently there has been a sudden influx of sheep and cattle into the area and indeed there are more animals "on the marshes" now and indeed elsewhere than there has been for many years. Clearly the land is being used to a greater intensity and the fringe land is comparatively more valuable.

9 Land Scheduled for Development A great deal of the 1963 land that was coloured "pink" on the town map has now been built on. Some uncoloured land was included In the 1963 valuation as ready for development in the relief that planning permission would have been obtained had It been asked for. This is contrary to the basic principles of site value rating, as explained earlier, in that a use cannot be taxed until that use Is legally permissible. Therefore this approach has not been used this time. Consequently

some land that was valued in 1963 as available for building this time has been valued as agricultural fringe. In 1973 there is comparatively little land scheduled for development which Is left unbuilt on. The town map Is out of date, has been amended from time to time by the Minister on appeal, and has been regarded more as guidance than cast-iron doctrine.

10 Beach Huts These have been valued on the site rents passing.

11 Registered Common Land and Village Green There are some areas registered under the Commons Registration Act where the registrations are final. These areas can, it is felt, only be valued at NIL.

12 Factories and Factory Land There is very little new local evidence and the values had been adapted from evidence found elsewhere in more or less comparable posItions on the East Kent coastline.

13 The Harbour As before the harbour water area has not been valued. The warehouses and industrial buildings and rentable land within the harbour compound have been valued on the best evidence available.

14 Sewage Disposal Works There has recently been a complete recast of the sewerage system in the town and the sewage disposal works are now being phased out of operation and a long sea outfall is being brought into use. In fact an outline planning permission for a yachting marina has been granted in respect of the land used by the sewage disposal works. There is some conflict here because It is abundantly clear that the urban district coundll dare not for the moment release the land for development in case problems arise in connection with the long sea outfall which has only been in operation for a matter of weeks. For the time being, therefore, this has still been valued as a sewage disposal works. At some time in the near future when the outline permission for the yachting marina can be implemented then there would have to be a change in value.

VALUER'S GENERAL COMMENT ON THE VALUATION EXERCISE

It must be readily admitted that the land pattern in Whltstable is a comparatively uncomplicated one. As far as could be found, without the advantage of official records, there are no "flying freeholds" and we found no evidence of complex rights in *alieno solo*.

Additionally, the town was well known to all the staff employed and by myself as valuer.

As has been stated earlier, we were allowed to use the data collected in the 1963 exercise. Nevertheless, it is true to say that everyone, and certainly all directly concerned, were amazed at the speed with which the work was done.

The field work was done with notable speed. The small indoor team, certainly equipped with electronic calculators, produced results much faster than the corresponding staff managed 10 years ago.

Ten years ago, I found some of the valuation problems beyond my own resolution, so I made a trip to Denmark for help. This year the old skills returned instantly and the valuation proceeded apace.

There were two bottlenecks: the draughtsman and the typing. This must be explained.

The draughtsman had to start with clean sheets and build up his land units. The land unit references which cross-tied to the valuation list and the maps, could not be put in until the valuation list was completed and paged. This meant that whereas the draughtsman was kept steadily busy during the field work and after, on ensuring that all the land was covered and in bringing the maps up to date, he had an impossible upsurge of work to annotate all the maps in "no time at all" when the valuation sheets were ready.

The typist throughout the work was carrying out all the normal office routines, answering telephones, etc., and then, once the draft valuation sheets were ready In manuscript she too had an Impossible task to type all the valuation pages in minimal time. It was possible to augment the typing by using the services of a Canterbury typing agency and this was very successful. No such temporary help however could be found for the draughtsman.

One is inevitably tempted to draw the comparison, however, with the situation that would have arisen had the work been a continuous process from 1963 through the 10 years to 1973. In other words, to consider the situation had site value rating been an official taxation system requiring a permanent staff. An attempt, therefore, has been made to visualise how this would operate and the results follow.

The following discourse Is based on four main assumptions:—

1. All transactions In land are notified in detail to the valuing authority.
3. Copies of all planning permissions involving
   (a) a change of use; or
   (b) a change of land unit boundaries are passed to the valuing authority.
3. Staff are permanent, i.e. do not change week by week, but are kept on as normal full-time employees working a normal five-day week.
4. All records, valuations, maps, etc., are retained within the office.

As planning permissions were granted steadily through the year, these would be sifted and where necessary a pair of referencers would go out and measure.

It must be remembered that Whitstable has today a population of around 25,500 and Includes nearly 13,000 rateable hereditaments. Yet, in 1973 we remeasured virtually the entire town in 210 man days, having kept no records of the changes between 1963 and 1973. This means we referenced 10 years of change in 210 man days or, on average, 21 man days per year. Assuming that same rate of working and a 235 day working year, two men, working as a team centrally based and mobile, could adequately cope with 22 towns the size of Whitatable, i.e. a town of a population of over half a million. Similarly a team of two calculators could keep pace with this amount of field work.

In 1973 we had one draughtsman. If he had been employed steadily throughout the year, again he could have kept pace with the land value maps and controlled the field work from the same number of field workers. The trouble In 1973 was that each land unit had to be allocated a new reference number and marked and indexed accordingly. Had this merely been a matter of updating existing large-scale maps, no re-Indexing would have been necessary, and the heavy surge of work at the end of the exercise could have been totally avoided.

One office administrator is essential but had there been a full-time valuer, the post of administrator could well have been filled by a "chief clerk".

One typist in the office would not be enough. Even If the work load was spread continuously over the year, there would need to be:—

1. An efficient typist secretary,
2. A second typist/telephonist,
3. An office junior and filing clerk,
4. Another typist for work in connection with the services of notices of reassessment, etc.

all the above to keep pace with the output of work from an area of 500,000 population.

There would need to be a senior valuer and a junior valuer. Two persons would be needed as the valuer would not only have to do the valuations and be responsible therefor, but also a valuer would have to be available to answer queries, to attend appeals and hearings against his values, etc.

It does seem, however, perfectly reasonable to suppose that an office consisting of:—

1. A senior valuer
2. A junior valuer
3. Two calculators
4. Two field workers
5. Chief clerk
6. Four typist/telephonist/filing clerks

giving a total strength of 11 persons to cope with an area equivalent, very roughly, to the whole of East Kent including Canterbury, Whltstable, Herne Bay, Margate, Ramsgate, Broadstalrs, Deal, Dover, Folkestone, Sandwich, Faversham, Aihford, and all the rural areas in between—a population of around the half million.

Perhaps this explains the tiny staff at the office at Helsingor In Denmark which adequately copes with the work for that area.

THE DEFINITION OF VALUE

Previous experience assembled when the 1963 site value exercise was undertaken prompted the valuer appointed by the Institute to seek authority to have discussions with a range of professional people so that a definition could be drafted for submission to the Council of the Institute. In his report the valuer explains the reasons for departing from the 1963 definition. The discussions helped produce a definition which reflected the views of the lawyer, planner and valuer and it was subsequently approved by the Council of the Institute. This is the definition:— The annual site value of a land unit shall be the annual rent which the land comprising that land unit might be expected to realise if demised with vacant possession at 1st April 1973 in the open market by a willing lessor on a perpetually renewable tenure upon the assumption that on the 1st April 1973

(i) there were no buildings, erections or works on or under the land unit except existing roads adopted by a public authority and existing public utility services;

(ii) there were no incumbrances on the land save those registered under the Land Registration Act 1968;

(iii) all planning considerations relevant to the development value to be reflected in the annual site value have been taken into account;

(iv) subject to (v) below there were not upon or in that land unit anything growing except grass, heather, gorse, sedge or other natural growth;

(v) in the case of agricultural land, the land was unimproved and in a state and condition such that, under the provisions of the Agricultural Acts, neither claim nor counter-claim would arise upon a change of occupancy.

NOTES ON THE DEFINITION

It was agreed by the Council of the Institute that certain explanatory notes should accompany the definition.

Perhaps the most important is the reference in (ii) to a land registration statute. It is considered to be essential to the effective use of site value rating that universally compulsory registration of property interests be required in those parts of Britain where site value rating is to be introduced. Already it is so for many areas under present legislation. The Council of the Institute submits that such an extension would, in any case, be desirable, irrespective of the adoption of site value rating. The valuer's report contains further comment relevant to this requirement—see below. The Institute does not necessarily agree with all the items suggested for inclusion in such a statute.

"Other natural growth" includes growth deliberately induced, such as tree planting, provided it has been in existence for not less than 20 years.

"On a perpetually renewable tenure" refers only to the term, i.e. the duration of the tenure to avoid confusion where the word "tenure" is used in a wider sense, e.g. Scotland, an indication of which is given by the very recent Land Tenure Reform (Scotland) Bill.

Clearly there will be other explanatory notes to be brought in by way of extensions to any definition and the Institute's valuer submitted the following in his report:—

Possible definitions for incorporation:—

Land includes all rights in or under or over, includes water except tidal water, excludes minerals and gases etc., owned by the State.

Planning Considerations includes:

(a) all planning consents, refusals and appeal decisions;
(b) all policy statements that are binding;
(c) development plans, conservation orders, town maps;
(d) enforcement orders, article (4) directIons, Acts of Parliament;
(e) the existing use and bulk of any building or erections.

Ownership Ownership as defined in the Land Registration Act of 1968 is a registrable interest. Land unit is an area of land, the subject of an ownership registration on the main ownership register of the Land Registration Act 1968.

Land Unit This may be defined as any part of land registered as being In one ownership.

Land Registration Act 1968 (in hypothesis) This Act is presumed to have been passed five years before the first date for assessments to be made under the Rating of Site Values Act 1968. (This is the assumed main enabling statute.) It requires the compulsory registration of all interests in land in the United Kingdom. It Is felt that registration Is a prior requisIte to taxation of site values. It is also felt that a complete register of ownership was essential to enable subsequent legislation to grant relief against taxation where statutory powers are found in practice to have depreciated the annual value of a land unit below the annual value of that land unit as defined under the Rating of Site Values Act.

The register would be divided into two parts:

Main Ownership Register All interests in land in excess of sIx days. All life interests under trust are to be registered. Any cautions under the Matrimonial Proceedings and Property Act 1970 will also be included In the register.

This would be so worded that all contractual tenancies and statutory tenancies will be included. Tenants for life and tenants for life under discretionary trusts would also be disclosed.

Under recent legislation a married woman can be entitled to half the proceeds of a matrimonial home and can register her interest. She could therefore be a part owner of a freehold or leasehold interest.

The existence of a totally comprehensive register apart from disclosing factual information will enable Parliament to determine two questions of great Importance:—

(i) Who is the owner is a matter of collection of taxes (not for a valuer to decide). With trusts the ownership of the freehold Is vested in the trustees. But under a discretionary trust on the death of one of the beneficiaries of the trust who has received income that person's estate will bear duty as if the trust funds had been his absolutely. The beneficiary under such a trust has no right to income and no right to know where the income arises. At present, for death duties, Parliament regards him as an "owner" but the poor fellow may not have known that he "owned" land.

(ii) Whether, and if so how much, relief be given by Parliament in certain cases, e.g. public authorities' land, churches, etc. Relief may have to be given in other cases, I.e. where a statutory residential tenancy has sterilised the actual site value at a level below that based on the statutory definition.

Minor Ownership Register All other interests in, on or under land. These might be considered as encumbrances by the owner but are to some extent rights held by one land unit over another.

All would be registered either fully or as cautionary entries. The valuer will regard all as fully registered and value accordingly. If a cautionary entry is removed then there may be a case for the valuer to increase one assessment and not another. The valuer values *rebus sic stantibus*. Equally he ignores any interest not on the register.

1. *Public Rights of Way Over Land.*

(a) For all purposes (most roads are owned privately subject to the public's right to pass and repass and local authorities rights and duties as to surface Immediate subsoil).

(b) Bridleways.

(c) Footpaths.

2. *Other Public Rights Over Private Land* This would mainly be a repeat of the Commons Registration Act.

3. *Private Rights Over Public Land* Rights of Common, Profits á prendre.

4. *Private Rights* Rights of Way, of Light, of Air.

And all easements whether created by express grant or implied.

Tithe redemption annuities.

Liability to repair churches.

Liability to repair river walls and sea walls.
Liability to pay drainage rate.
Restrictive covenants not derived from leases.

5. *Statutory Orders Relating to Land Units*.
Closing orders.
Orders under the Public Health Acts.
Building Preservation Orders.
Building Preservation Notices.
Tree Preservation Orders.
Tree Preservation Notices.
Notification that a building is included under either the main or supplementary list as being of special architectural or historic importance.

LAND TENURE PROBLEMS – THE INSTITUTE VALUER'S OBSERVATIONS

In his report the following comments appear:—

Government Legislation Policy—Land Tenure This has been discussed earlier. It is suggested that the valuer ignores all leases and tenure of property. The authority for this suggestion is *Poplar v Roberts*.

The earlier notes referred to are:

The Instructions to the valuer of the Whitstable project are clear in part. All land is to be valued as clear sites on an annual basis. Whilst It might be easier, and perhaps a little fairer, to use capital values, the instructions are quite clear and the production of annual values is a straightforward valuation exercise. The proposition behind site value rating is that the owner should pay, on the site value, some form of taxation levied locally or nationally. The definition of owner must include the person not necessarily in rateable occupation as we know It at present.

It is submitted that it is no part of the valuer's brief to comment on the method of tax collection which in reality stems from the definition of "owner". If this is accepted then the valuer has to disregard most civil contracts—the exceptions will be mentioned later.

It would be an impractical task to take into account all landlord and tenant transactions and life occupations under trusts. The case of *Poplar v Roberts*. can be quoted as a solid basis for this generalisatlon.

The point has to be made that some of these civil transactions, with legislative control also involved, must throw up certain anomalies.

The difficulty may not arise in business tenancies. Whilst it is really more a matter of tax collection, a business tenant occupying a site ripe for development, and able to hold up by reason of an ownership, albeit leasehold, in the land Is to some extent In a position to exploit his position perhaps by higher profits.

Where difficulty could arise is where statutory or regulated residential tenants, especially old rent controlled tenants, are in occupation of any site of appreciable value. There must be numerous cases where a freeholder receives net a small income and a residential controlled tenant only enjoys security of tenure. The value on the reversion to site value is a known quantity but the period to the reversion is not known. In plain words, cases will arise where site value exceeds existing use value, but a statute, not civil transactions, has frozen the value below site value. This, we submit, is a major problem but only one of collection and/or mitigation by Parliament; It is no different to granting blanket relief to say agricultural holdings and churches. In the latter cases the value is known and the tax mitigated; in other cases Parliament may be asked to recognise that the existence of bricks and mortar can make a site less valuable, and in circumstances that create personal hardship.

This opening statement can be summarised as follows:—

The valuer is to be totally dispassionate and will disregard deliberately and totally all civil transactions relating to landlords and tenants and all legislation affecting those transactions.

COMMON LAW AND EQUITABLE RIGHTS— THE INSTITUTE VALUER'S OBSERVATIONS

The Institute valuer's report includes the following:—

Common Law and Equitabk Rights Without at this stage going Into legal niceties there are many restrictions apart from town planning and tenure which affect the site value of land.

Restrictive Covenants

Rights of Way

Light

Support

Common

Water

Air, etc.

Restrictive covenants arise as a direct result of conveyancing. Easements can arise from direct grant, implied grant or prescription. Other liabilities are:—

To repair a public highway

a sea way

a church chancel

There are others and most will be shown up by search of the various land charges registers.

The position is quite clear that these liabilities and restrictions affect site value. The problem, and it is a major one, is how far the valuer takes them into account.

Restrictive covenants can and do inhibit use and density of use. Land may have planning consent for redevelopment and yet it is frozen. On any application for modification or renewal of restrictive covenants the Lands Tribunal will not admit evidence as to town planning consents. The land has actually been sterilised by an act of the original owners. There may be many persons enjoying the original benefit.

One way to look at the problem is to say that development can be stopped or inhibited by reasons of an "ownership" In other peoples' land.

An owner of a private right of way over another's land may stop a house being built over the right of way but does this mean that the right Is with the value of a building plot?

In many cases the answer will be no.

It would therefore be wrong to value the site as a building plot because either the owner of the plot or the owner of the right of way (a collection matter as to which or both) would be out of pocket and over taxed.

Rights of light are even more difficult because even If all sites are notionally redeveloped, a building can be rebuilt and retain its right to light If the new windows axe replaced in the same position.

In practical terms the valuer may not at Whitstable have to sift such evidence.

Generally it is felt that the valuer must have regard to this wide category of restrictive rights and liabilities.

Looking towards the rating of site values, It would seem that all title to land rights and liabilities should be the subject of compulsory registration.

LOCAL TAXATION AND PLANNING

A cardinal principle must be observed. It is that no owner should be rated for site value on the basis of a value which cannot be realised, i.e. it is truly unrealisable.

The Institute valuer's report on the 1973 site value project contains the following comments. They were included in a memorandum circulated by him for comment by a representative group of professional people prior to drafting a definition of site value thought to be appropriate to present-day circumstances:—

The valuer, to work within a definition of site values, has to consider what creates site values.

It is submitted that there are—despite Ricardo—at least four main aspects, each of which will be discussed in detail.

1. Supply and demand;
2. Government legislation and policy—town planning;
3. Government legislation and policy—land tenure;
4. Common law and equitable rights.

It is interesting to note how many further items of Government control now affect the value of sites since the 1938 London County Council definition was drafted.

Turning now to the points In detail.

Supply and Demand This is entirely a matter for the valuer to deduce from the Information he obtains, his experience, etc.

Certain critics have raised the point that all sites cannot be redeveloped at the same moment. The valuer's definition must therefore exclude this possibility and each site valued in isolation, presuming normal market forces.

Criticism has also been levelled at the rate of new development on "virgin" land. If large areas of land zoned to development exist, the priority, in the valuer's eyes, of the order in which the sites will be built is a matter of opinion and one of values alone. In any event, an excess of available land will depress values;

Mere zoning is not sufficient as considerable deferment can arise from the fact that the necessary services are not available.

Government Legislation and Policy—Town Planning

Apart from supply and demand, this field of control has more influence on values than any other.

Certain Immediate fundamentals emerge:—

1. The valuer must work within the genera] planning framework alone and totally disregard "hope value".

2. The valuer values and does not become a town planner. The sole requirement he has to meet Is that (not, perhaps, without difficulty) of interpreting the mass of Information relating to town and country planning.

3. When the original Whitstable study was made, the current town map was of recent date. Today It is inadequate to be relied on to give a fair reflection of values without having regard to the other matters. The valuer has to have regard to a mass of evidence; included would be:—

(I) The county development plan and

(II) The town map: both presumably approved under the Town and Country Planning Act 1947.

(III) Legislation generally.

(IV) Conservation areas approved or in published draft under the Civic Amenities Act.

(V) Building preservation orders, tree preservation orders, building preservation notices, lists of buildings of special historic or architectural importance, both main and supplementary.

(VI) Government policy—"South East Study" Ministerial orders and circulars.

(VII) Government policy evidenced by Ministerial appeal decisions.

(VIII) Policies (stated) of the local and county planning authorities.

This list sounds more formidable than perhaps it is in practice. It is 25 years since the 1947 Act received Royal Assent and town planning is a progressive science. Of the eight points, all except item (VII) are of matters that have been sanctioned. In practice it is considered that the valuer will be able to make his own inquiries of the local planning authority for each site, and, with comparative ease, determine the town planning position from the factual evidence available.

Certain broad policy statements will be ignored by the valuer as they must involve "hope" value and not assist any site value determination as a result of delegated powers. With all policy statements the valuer must determine as to whether the statement is a "puff" or a solid fact directly affecting the immediate site value. For example land may be zoned at 5 unIts to the acre. A planning authority may have made a policy statement that the zoning should more sensibly be 10 units to the acre. The valuer will read the policy statement. If any consents at the higher density have been granted, directly or on appeal, the policy is binding. The policy statement otherwise, we submit, is a "puff" if It amounts to a substantial departure from the development plan and would therefore need confirmation, as a major departure, from the Secretary of State.

It is crucial to the valuer to regard positive town planning restrictions as limiting the site user of any site just as much as increasing the potentialities of underdeveloped sites.

Town planning restrictions will not affect supply and demand unless the restrictions are backed by statute, or the equivalent.

On analogous matters he commented as follows:—

It is submitted that any statutory "guidance" as to the use and intensity of use of a site amounts to a restrictive covenant on that site.

If this loose definition is accepted, a great number of the difficulties and criticisms of the previous Whitstable report are negated. For example:—

1. Land on which lies a listed building Is valued as If only that building—in terms of bricks and mortar—would be erected upon it. User may not be restricted but the "bricks and mortar" is.
2. In most cases churches are valued as clear sites with regard being paid to surrounding sites. Consecrated ground might (by statute) be in a different category for valuation but some churches In central areas have been demolished and redeveloped indicating that normal site values do in practice exist for such sites.
3. Private open spaces are valued exactly as green belt land, i.e. land with a restrictive covenant that the land shall not be used other than, say, for publicly accessible gardens or a golf course.
4. Public open space zoned land owned by a local authority is in no different category to 3 above. Values, on existing use bases, may differ, but they are limited by the fictional restrictive covenant limiting the use to public open space. We submit that this Is not in practice much different to a field on the edge of a town designated as being within the green belt.
5. It may seem at first sight that land zoned as a public open space but not owned by the public is an anomaly. The valuer in our submission should not have regard to any alternative certificate of value. If the owner stands to get more compensation simply because his land is zoned as public open space rather than green belt, then this is in our opinion a fortuitous result of legislation not a matter that should be taken Into account in assessing site values—for this exercise.

The valuer's problem is not too easy. If land is designated for development, the position is very clear. There will be many cases where appeal decisions, etc. indicate hope for redevelopment. We submit it as a matter of fact alone for the valuer to decide whether the evidence proves a site value or whether the evidence should be ignored simply because It indicates "hope" value.

If these premises are accepted, the balance of the problems caused by, say, tree preservation orders fall into perspective. If they restrict the site value It must be valued with that disability. The valuer must value as to hard facts at the date of valuation and as a matter of fact ignore the likelihood of the order being set aside or continuing—because an order is effectively backed by statute until challenged by way of appeal.

If an acre site is restricted because of an ancient cedar tree then If a tree preservation order has been confirmed by the Minister, the valuer's duty is quite clear. If the order itself is subject to an undetermined appeal the valuer must determine on facts alone and consider the order binding. In practice If he is wrong then an appeal would lie against his assessment.

In conclusion the valuer therefore sees "Town Planning" as imposing site restrictions or limitations. The line between hard facts and high hopes is faintly drawn but It Is the valuer's duty to value on the facts as he sees them, *not* to prognosticate as a town planner.

GOVERNMENT GRANTS

The system whereby central government payments are determined and distributed may in future be much more flexible to allow for broad economic policies, regional characteristics and the growth or loss of particular services so far as local government is concerned. It may be possible in due course to take into account, through new factors, the resources of localities in more realistic terms. However, even though rateable values continue to be used as indicators for the resources element, there is no reason to suppose there will be insufficient or ill-distributed totals of value if site values only are assessed. The benefits of site value rating will be more discernible with the domestic element in that if the likely switch in incidence from residential properties to commercial and industrial properties is substantial, as well it may prove, there may be no need to continue with his element at all. To that extent there will be some simplification so far as grants are concerned. there will also be more money available for distribution through the needs element.

CAN SITE VALUE RATING MAKE A SIGNIFICANT CONTRIBUTION TO MEETING LOCAL EXPENDITURE AND THUS TO REDUCING GOVERNMENT GRANTS?

The Council of the Institute submits this memorandum for consideration at a time when the whole structure of taxation—direct and indirect—is under review.

* * *

To achieve its object in the context of reducing government grants site value rating must be more productive than the present annual rental value basis of assessment. Nationwide this cannot yet be demonstrated, but on the basis of a town of 25,000 people with a representative spread of development—residential, commercial and industrial—and with a quite moderate rate of new development, the indications are that it is more productive. This is mainly because land not subject to the present occupation rate is brought into rating.

* * *

It will certainly be the case that regional differences in land values will necessitate some form of equalisation of resources to achieve reasonably uniform standards of local services, but this can be secured by way of distribution of government grants as at present.

* * *

Since the central government foots the bill for the Inland Revenue Valuation Office and on the evidence of the 1973 Whitstable exercise site valuation is demonstrably less complicated, less cumbersome and presumably less expensive both for routine and periodical revaluation work, a material contribution to relieve central government expenditure will be made.

* * *

The supply of land is virtually inelastic but development resources in labour and materials expand and contract as demand, and therefore rewards, fluctuate. There is clear evidence from Nationwide Building Society statistics that in the south of England the site value can account for as much as 40 per cent of the total value of a house. As demand grows and inflation persists, even at a reasonably controlled level, the tendency will be for that percentage to rise. Land values will be buoyant. There is another feature of land prices which should be noted; the gradual fall in the percentage of site value to total value as we move into the less favoured economic areas. Thus in the areas where industry and commerce, and the accompanying residential requirements need to be encouraged, a site value rating system will make a noticeable contribution by way of comparatively low assessments and greater entitlement to equalisation funds, an automatic feature of the system, not something which has to be artificially induced.

* * *

It is acknowledged that site value rating automatically disposes of two particular aspects of the present rating system calling for special attention at the present time.

If the public interest requires that minor improvements to properties be disregarded then site value rating would achieve this quite comprehensively and without any need for more rating legislation of a complicated kind.

It also secures, subject to statutory exemptions, a site value rate from all and not just some owners of empty properties; in this way, too, needlessly complex administration rules are eliminated.

In addition to a local authority saving in administration an appreciable saving will be possible in central government time and money if a real contribution is thus made to the productivity of the local rate.

* * *

The clarity with which site value assessments can be presented, particularly by means of site value maps, and the crucial individual land areas shown in valuation lists, both available for public inspection, will give ratepayers a clear indication of the basis and fairness, of assessment, uncomplicated because of the complete disregard for buildings on sites. In this way the time of valuation staff and valuation appeals staff will be saved. As the system settles down the incidence of appeals should fall quite sharply.

* * *

Even if site value rating should be experimentally restricted to land not presently within the current rating system, i.e. undeveloped or vacant land, the additional local revenue should relieve the central government of a corresponding part of the total of grants.

* * *

Land value records, kept strictly up to date for- revenue purposes, may well prove to be quite inexpensive sources of land value evidence which might otherwise cost considerable sums if the information was required and had to be obtained specially.

ADMINISTRATIVE POINTS AS DISTINCT FROM VALUATION POINTS IN REGARD TO SITE VALUE RATING

An ownership rate as such should mean numerically fewer ratepayers. For example owners (individuals, firms, organisations, etc.) of extensive estates, blocks or individual properties let on terms exclusive of rates. Usually they will be more financially substantial and unlikely to disappear when pressed for payment.

New recovery procedures could be conveniently introduced whereby distress and committal are replaced by the registration of a lien on properties for the unpaid debt, the properties being subject to sale, with full protection for tenants therein.

Experience in tracing owners for empty property rating purposes has not disclosed any problem but compulsory land registration as advocated in this report should settle the matter, if doubts persist.

Joint ownership may prove to be far easier to establish than joint occupation. There will be considerable transitional problems as liability is switched from tenants to landlords and apportionment problems with long leaseholds and flying freeholds. Indeed special legislation will be necessary to establish what constitutes ownership in a complex land tenure situation, either within the existing contracts or statutorily (within a specified period) to see how far existing contracts can be renegotiated, and to see to what extent if any, the burden of the rate could or should be passed on.

New principles regarding complete or partial exemptions will have to be laid down.

Generally, on this question of problems—whether they be administrative or technical—the Council of the Institute will very willingly assemble lists of specific problems and possible solutions, if this kind of exercise will, it is thought, contribute to a better understanding of the advantages and disadvantages of site value rating.

SITE VALUE RATING IN CITIES AND LARGE TOWNS

The Council of the Institute does not claim that the 1973 site value exercise in Whitstable is anything more than an encouraging preliminary to more representative and comprehensive inquiries. The merits and difficulties of introducing site value rating can be discerned in this report, but theory can be further replaced by firm evidence if similar exercises can be mounted in larger, more populated, areas. It may be found that in larger areas the benefits of economical administration are even more impressive. The emergence of difficult cases and the way to solve them is crucial to serious consideration of the system. The social, economic and political implications too, will be clearer. The overwhelming influence of planners' policies and decisions on values is unarguable and it will be deliberate planning which will bring back people to the denuded central areas of cities. Planning will spell out acceptable development and therefore the limit on values which will follow. A land tax will be correspondingly restricted. Consequently land taxation will do nothing to discourage such rehabilitations. Where this growth takes place in value terms site value taxation will accurately mirror that growth.

For tenants paying rents inclusive of rates the introduction of site value rating will bring no problems.

Concentration of taxation on owners may well ease the introduction of tax relief on a more comprehensive basis.

The decaying centres of some cities contain rateable value under the present system which is non-productive, because occupation does not take place. Under the proposed rate support grant arrangements such rateable value which will artificially inflate total values, would be prejudicial so far as local grant entitlement is concerned. Site value assessments would not be prejudicial. They would accurately reflect the decline in land values and increase entitlement to rate support grant.

THIS REPORT

The contents are shown in the LIST OF SECTIONS.

In the bound volumes the complete site valuation list will be incorporated. In the abridged on only a few sample pages of the site valuation list will be included.

The report of the Institute's valuer, Mr H. M. Wilks, B.Sc. (Est. Man.), F.R.I.C.S., F.R.V.Arb., will be available at the Institute's office, but extensive extracts covering the practical valuation work are reproduced in this report. Bold type was used for comments by this valuer.

This report on site value rating is presented as a contribution to the continuing discussion on government finance. It indicates that site valuation is simpler in operation than the present rn and that in consequence it is likely to be better understood by the public.

The Council of the Institute recognises that by itself the Whitstable study is too limited to demonstrate conclusively that site value rating could be applied to the country as a whole. On the r hand it does give ample evidence for believing that the Government or other bodies interested cal government finance should make available funds to undertake more extensive exercises ~er to investigate the merits and practicability of site value rating.

D. Arnot Shepherd,
President of the institute.
Frank Othick,
Secretary of the Institute.