

LAND VALUE TAXATION CAMPAIGN

GLASGOW CITY COUNCIL
LOCAL TAXATION WORKING GROUP
OVERALL FINDINGS

Critique prepared by David Mills

INTRODUCTION

A. The Working Group was constituted from City of Glasgow councillors. The observations which follow are based on what appears to be a draft incorporating comments, dated 12th. May 2009. It does not seem that the draft or any other version was ever formally published, although the findings have been noticed in the press, notably in “The Herald” of 20th. June. A final version was presented to the meeting of Glasgow City Council on 25 June 2009. This resulted in a decision to make representations to the Scottish Parliament and was recorded in the Council Minutes as follows.

Local Taxation Working Group—Overall findings agreed—Dissent.

6 With reference to the minutes of 26th June 2008 (Print 3, page 203) approving the creation of a working group to consider issues with the existing arrangements for local taxation and to investigate possible alternatives from the City of Glasgow’s perspective, Baillie McFadden, Executive Member for Corporate Governance, presented a report regarding the overall findings of the Local Taxation Working Group (LTWG), which had drawn on the findings of reports previously considered on individual taxation models and using the scope, approach and assessment criteria agreed by the working group, advising

(1) that the LTWG had met on 8 occasions to consider various options for reform, had confirmed that a number of significant concerns existed with current local taxation arrangements and that the status quo was therefore not an option;

(2) that there had been ongoing debate around the Scottish Government’s fiscal powers and the LTWG had felt that that debate should be extended to local government;

(3) that the LTWG had identified 4 overarching criteria with which to assess models for local taxation, namely, fairness, efficiency, predictability and local democratic accountability; and

(4) of a number of recommendations for reform as detailed, on which the Council should make representation to the Scottish Parliament.

After consideration, the Council, Councillor Meikle dissenting,

(a) noted the report; and

(b) agreed to

(i) make representation to the Scottish Parliament on the following recommendations for reform as detailed in the report:—

(A) immediate reform of Council Tax;

(B) long term move to a Local Property Tax/Land Value Tax hybrid tax;

(C) water charging; and

(D) an expansion of local government fiscal powers; and

(ii) accept, as an addendum to the report, a minority report submitted by the Council’s Scottish National Party Group which had been tabled at the meeting, dissenting from the conclusions drawn from the work of the LTWG and endorsing the proposals laid down by the Scottish Government for a Local Income Tax in Scotland to fund local government

For original document see

www.glasgow.gov.uk/NR/rdonlyres/BB35203D.../0/Print3200910.pdf

B. There are passing references to the National Non-Domestic Rate/Uniform Business Rate, but the Working Group had been directed to focus on the Council Tax and possible replacements for it. The Group members were naturally likely to have some regard for the Report by the Local Government Finance Review Committee under the chairmanship of Sir Peter Burt, published in Edinburgh in November 2006 (and reviewed in “Practical Politics”, Issues Nos. 153 and 154 of, respectively, January and February 2007). The Burt Report had itself been shelved by the Scottish Parliament.

C. The Working Group looked specifically at LVT amongst other options to replace the Council Tax. Its Overall Findings document uses the term, LVT, never SVR, although it is in fact site value rating that is under reference throughout (even then, of course, only in the context of land in or allocated to domestic use). The Working Group decided to commission the City Assessor’s team to conduct a pilot study (presumably a desk pilot study: the report is not clear on this) on the practicability and outcome of a switch to LVT in Ward 18 (East Centre). This land valuation was later used in compiling evidence for the hybrid tax.

D. The Working Group recommended that the Council Tax in its present form be abandoned, but argued that, if not, a revaluation was needed. A reformed Council Tax (the principal element of which would be re-banding) would be an improvement. A Local Income Tax, whether set nationally or locally, was not favoured. A composite (land + dwellings) Local Property Tax based on capital values, as put forward in the Burt Report but summarily rejected by the Parliament, was considered worthy of reconsideration (perhaps curiously, the Working Group did not point out that a system of this type is now in operation in Northern Ireland). The case for a land value tax was well received, but, as in the Burt Report, the policy was neither recommended for adoption nor formally rejected, just passed over. However, a hybrid tax of LPT and LVT was proposed and recommended as the best option. Whatever solution was decided upon, it was thought a tourist tax was worthy of consideration (Burt had been unenthusiastic) as were taxes and charges (nowhere particularised) with environmental aims. Water and sewerage (the City Council collects the charges on behalf of Scottish Water) were seen as vexing complications for Local Government, whatever course of action was adopted for revenue raising.

CRITIQUE

E. For ease of reference, comments are made *seriatim*. On the assumption that the original document may not be available for reference, the comments have been made in such a way that the context should be self-evident.

No submission to Glasgow City Council, the Scottish Parliament, or any other public or private body of comparable standing being in the offing, this critique is primarily directed at the coverage of Land Value Taxation (“LVT”) in the Overall Findings document (“OFD”), and at the case made by the Glasgow City Council Local Taxation Working Group (the “WG”) to replace the Council Tax (“CT”) by a hybrid tax (“HT”) composed of the Local Property Tax (“LPT”) and LVT.

Executive summary

F. 1.4 The WG recommendation is to start planning for replacement of CT by LPT, incorporating powers to introduce gradually LVT elements. Depending on the time scale of any such move, it is urged a revaluation of domestic properties be undertaken for the purposes of continuing CT (because, as noted in OFD at 2.6, current bandings often have little correlation with current values).

Key issues

G. Table 2 WG determined how each tax model ranks, by assessing it for fairness, efficiency, predictability, and local accountability. LIT set nationally came last, with LIT set locally above it, CT above that, then reformed CT. Equal top came LVT, LPT, and HT, with all three scoring equal points on each of the four counts.

3.3 WG found that all the property/land based taxes score well since expertise, systems and controls are already in place. LPT and LVT were credited with “potential favourable socio-economic factors”, although these were not set out in the text. Supporters of the LVT case will not agree that LPT offers the potential socio-economic benefits of LVT, nor will they agree with the assumption that ability to pay is the appropriate criterion to apply, in preference to payment for benefits received: the case is unargued in OFD – indeed the benefit principle is not even mentioned.

3.5 All property/land based taxes are likely to be relatively predictable and to vary less than earned income: valuation changes can be anticipated and managed.

3.7 All options have been marked down because none directly addresses the current gearing issue. This is a reference to the fact that at present CT is the only tax whose rate is determined locally, and is the only major source of funding that a local authority can increase in case of need, such that any overspending, however caused, has to be financed by the CT payers alone. CT amounts to only 15.5% of the current budget.

3.11 Risk was not a factor in the points scoring, but was considered separately. CT, reformed CT, and LPT are regarded as low risk, since they do not require a change in the tax base and would use existing systems. LIT and LVT, however, present a higher risk owing to “the significant changes” required. HT “avoids the change risks associated with LVT whilst enabling the tax regime to move eventually towards capturing the key benefits of LVT.” LVT supporters will note wryly that in one sentence, WG recognises the clear overall superiority of LVT whilst providing the excuse for delay in its introduction and attendant emasculation.

Evaluation of options (other than land value taxation and the hybrid tax)

H. For the reason given at E., above, this critique of the OFD is primarily directed at the coverage therein of LVT. Thus no attention is paid here to the detailed examination the WG gave to CT and to options to replace it, other than LVT and HT. Some attention to LPT is necessary though, because of its predominant position in the WG’s case for HT. Be it noted in passing, however, that the arguments against LIT are set out with special robustness (in 4.9, 4.13, and 4.14).

4.27 Unlike LVT, LPT “continues to tax the resident in a property rather than land owner, and includes tax on property and development, by virtue of the valuation methodology.”

4.28 LPT is a property tax. It was recommended by Burt and is supported by “a number of practitioner bodies” (none of them listed in OFD). LPT would be easy to plan for and implement (which could perhaps be its chief appeal to those practitioner bodies).

4.29 “Local tax payers are likely to find a discrete capital value easier to understand as a basis for their tax liability, rather than an arbitrary band or a land value.” No evidence is produced to support this belief. How about this for a quick explanation? ‘CT is based on the combined annual rental value of your house and the land it stands on. LVT will be based on the annual rental value of the land only. This disregards the value of your house and of all improvements that may be made to it, and it will encourage the clean-up and development of unsightly derelict and unused sites in your neighbourhood.’

4.30 One significant concern with LPT is that it “perhaps does not capture any of the macro-economic benefits identified with LVT”. This point is reiterated in 4.32.

4.31 With LPT, “additional tax raising powers would be required (for example on derelict land or through supplementary taxes) to increase local fiscal autonomy and in turn address the existing gearing issue.”

Evaluation of options (land value tax)

I. 4.16 “The basic premise is to tax land owners using a set poundage, as applied to an assessed land value. The land valuation would, in turn, be based on market value at optimum current permitted use...For domestic property, this would be its permitted residential use.”

4.16 “LVT could be set locally or nationally, and replace a large number of existing taxes or just be used as a supplementary tax.” There are two observations to be made here. First, advocates of LVT regard LVT as a replacement tax, not as an extra. Secondly, if LVT is not set up for the collection of land rent nationally, but only as a source of local government revenue, it will be necessary to arrange for it to be set nationally like the National Non-Domestic Rate/Uniform Business Rate (“UBR”) or possibly regionally or at least over a reasonably wide area, for the purposes of equalisation. Without equalisation payments, landholders in local authority areas having a substantial amount of land of low value will be paying high rate poundages, whereas, conversely, landholders in local authority areas having a substantial amount of land of high value will be paying low rate poundages. This situation is of course found to-day with CT and is corrected by central grants made from general taxation; but LVT introduces the opportunity to sort two problems simultaneously – a superior, more just basis for the public revenue (the annual rental value of the land, the site, the location) and the resolution of the equalisation issue.

4.17 and 4.18 “LVT is supported by a number of economists and policy and pressure groups, who refer to persuasive theoretical and macro-economic benefits of LVT. However, the absence of LVT experience within the UK means that it is particularly difficult to assess the practicalities of LVT and to pinpoint the exact LVT scheme that should be considered and assessed. Nevertheless, Council officers have considered the practical implications of LVT in principle and no insurmountable issues have been identified.”

4.19 A pilot study was commissioned on a designated area of Glasgow, with a view to exploring further the practical implications of LVT. See comments on Appendix 2e and Appendix 3, below.

4.20 Six key benefits from LVT were identified by the WG. (i) It would be more progressive than CT. (ii) Existing systems, controls and valuation expertise could be translated for use in a LVT regime. (iii) LVT brings numerous macro-economic and behavioural benefits, whilst supporting the environment agenda. (iv) Regular land revaluations would be relatively easy to carry out, contributing to the fairness of the tax further. (v) LVT is relatively buoyant whilst retaining the balance of stability and

predictability. (vi) From a sustainability perspective, LVT has a constant tax base, incentives to make best use of available land, and helps prevent urban sprawl and land banking. Public investment could also be essentially locally funded over time.

4.21 “A wholesale change to LVT would, however, be high risk if it were not phased in and preceded by detailed testing and further in depth pilot studies.” This does not follow from previous findings in this section of the OFD. At its simplest, CT based on the value of dwellings + land is replaced by LVT based on the value of land alone. Where is the problem in that? How can it be “high” risk to replace CT by LVT? As for pilot schemes, these will add little to what is already known from Whitstable (1964 and 1973) and from the Vale of White Horse (2005), backed by solid evidence from abroad such as the Brisbane Report (deliberations and findings) of the Committee Of Inquiry Into Valuation And Rating under the chairmanship of The Hon. Sir Gordon Chalk, K.B.E., LL.D., Deputy Premier and Treasurer of Queensland 1965-1976 (September 1989). If the WG took any of this into account, there is no record of it in the OFD (#). No one is arguing for a slap-dash, thoughtless rush to adopt and implement LVT. On the contrary, clear understanding is essential. The chief aspect of phasing-in will almost certainly precede any administrative action to put the policy into operation. It will come when the valuations are first published and landholders start arguing amongst themselves as to the relative values of their various sites (because it will be the location value differentials that will matter most at this point in the procedure). In the present context, even this will not present substantial difficulty, because LVT is replacing only the CT, and only land in or allocated to domestic use is involved; furthermore, residential land is generally worth much less than are the various classes of land subject to the UBR. The allegation of “high risk” is refuted, as is the suggestion of phasing-in, particularly if it means running LVT alongside CT.

4.22 The WG noted six specific “additional issues”, five of which call for attention here.

(•) The question is posed, whether the basis of land value assessments is to be the capital value (buying/ selling price) or the rental value. The Land Value Taxation Campaign has produced its detailed arguments in favour of the annual rental value of the land and has set out the essential methodology involved #. For reasons of space, however, the disputation is not included here, but is important and is readily available on request.

(•) There is “debate” as to the ability of land owners to pass the LVT levy on to tenants in the form of higher rent charges. Economists of all persuasions must find this an

The latest full submission by the Land Value Taxation Campaign on this local government finance issue is its August 2007 Response to the Northern Ireland Executive on the latter’s Review of Domestic Rating Reform consultation document. The Campaign’s submission includes extracts from the Brisbane Report at Appendix D and considers the annual value v capital value debate at Appendix E, strongly urging adoption of annual rental value.

extraordinary statement. A tax on land value can not be passed on. Land rents are 'price inelastic'. Unless landholders are currently undercharging tenants, there is no scope to add a LVT charge to what tenants are already paying. To pretend that landholders are as a matter of course so routinely benevolent as to capture only part of what their land is worth, is ridiculous and flies in the face of both commonsense and experience: for all that there may be occasional instances to the contrary, landholders make a point of getting as much as they can, and can not squeeze more when LVT is imposed (and indeed risk losing tenants, as the duty bites and brings derelict and vacant land into use).

(•) "There may be real difficulty in identifying land owners for LVT purposes." This presents no problem. Owners of land, whoever they are and wherever they live, cannot remove their land. In the first instance, the LVT demand can be served on the tenant, who is to be entitled to deduct the payment from his rent to the agent or to whoever is next in the chain, and that person is in turn empowered to do likewise, and so on, until the landowner gets only his net amount. An option is to provide for the tenant to pay his due rent to a public body (like the local authority itself, perhaps), which will hold it, after deduction of the LVT, in a separate safe account on behalf of the owner, to whom it will be delivered on presentation of proof of identity and title. The ultimate sanction will be confiscation of the land after a decent period, if nobody steps forward. Such cases will surely be rare. If the land is unused and there is no tenant, one must go straight to this final solution.

(•) "LVT may be difficult to explain to taxpayers." Please see our comment at H. 4.29, above. It is encouraging to note that WG has in mind the advisability of "effective public liaison and education to ensure support for LVT".

(•) "The treatment of agricultural land would have to be considered as part of a wider discussion". Agriculture is a business and properly belongs within the scope of the UBR, except of course for dwellings on agricultural land which naturally fall under CT arrangements and would transfer to LVT if CT were to be withdrawn in favour of LVT. Non-agricultural businesses conducted on farmland (for example, furniture making or printing carried on in a former barn) are already subject to UBR. There could be circumstances in which farmland lay within an area given over largely to housing. That would remain classed as agricultural for as long as there was no planning consent for its use in any other way. Once allocated as housing land and once full planning permission was obtainable, it would become liable for LVT. LVT can be raised only on the basis of optimum use within current planning and other constraints (tree preservation orders, for instance, or rights of way) and can not be applied to an assumption of use which is not at the time lawful. The market buying/selling price of such land will probably carry some sort of speculative 'hope' value for re-allocation to higher use, but the allowable use remains agricultural. That a landholder can not be taxed for a use of his land which he is not permitted to make, is one of the reasons for eschewing capital value as the basis for LVT assessments. Annual rental value will always represent value in current lawful use.

4.23 WG raises the question of equalisation in a LVT regime. Please see our second comment at I. 4.16, above. WG states that LVT set locally would require some form of central government equalisation grant, would leave the gearing issue unresolved, and would distort the macro-economic benefits to be had from LVT. Against that, LVT set nationally “would remove local accountability”. If the UBR were to follow CT to the dustbin of history and be replaced by LVT (as it could, within no more than five years), gearing would be much less of an issue. The equalisation question remains, however, and seems inseparable from any form of local government finance.

4.24 “Whilst there are a number of concerns with LVT, these often arise from the ambiguous and unfamiliar nature of the tax, coupled with the absence of UK empirical evidence and practical understanding. This therefore implies a need for further detailed pilot studies and longer lead-in times prior to implementation.” Supporters of LVT will not accept that LVT is ambiguous! Clear thought, clear political leadership, detailed dialogues with officials, valuers, and other interested professionals, leading to sound legislation (almost certainly at national and/or devolved level), are no doubt to be expected. If a pilot study is necessary – and the Land Value Taxation Campaign does not concede that such studies are – then it should be conducted over a substantial and disparate area to allow the effects of interaction to show themselves. That is a lesson underlined by the Vale of White Horse case. See I. 4.21, above.

4.25 The Campaign joins the WG in complimenting the City Assessor’s team in conducting the Ward 18 (East Centre) pilot study at relatively short notice and within a tight time scale. Further comment is held over until Appendix 2e and Appendix 3, below.

Evaluation of options (hybrid tax)

J. 4.33 Having heard reference to schemes in Pittsburgh and other Pennsylvania cities, WG expanded its remit and added consideration of a LPT/LVT hybrid option. This is sometimes referred to as the split rate system.

4.34 It is claimed that the benefits of LVT would be captured within a LPT context. This is naïve, given that the intent of LVT is to collect land rent for the purposes of the public revenue and to un-tax buildings and other developments. Be that as it may, WG goes on to note that “the key benefits would be those identified with LVT, including macro-economic benefits”. Retaining LPT benefits would make HT a lower risk than LVT and “any immediate macro-economic ‘shocks’ would be dampened by including a property element to the tax assessment”.

4.35 “The key benefit of a hybrid approach is that it enables the tax authority to gradually introduce or increase the tax rate on land and reduce the rate on improvements.

This would enable LVT elements to be phased in, help prevent the change-risk factors associated with LVT and enable local government to fine-tune the local economy over time.” One notices now that HT means LPT, with only the ability to introduce LVT and gradually increase its incidence at the expense of the composite value. In turn, this means there is no immediate levy on derelict or unused land and that there will not be one unless and until LVT comes in. Up to this point, LVT has been treated seriously, but now it is just a toy fit for ‘fine-tuning’.

4.36 HT is “relatively easy to implement and administer”.

Evaluation of options (pilot studies)

K. 4.39 The pilot study looked at Ward 18 (East Centre) in the Dennistoun area of Glasgow “to try and capture as many different property and land types as possible. The ward includes a mix of residential, commercial and industrial units, as well as vacant and derelict land, and covers around 5% of Glasgow homes.”

4.39 The study assumed the same amount of revenue was to be raised as under the CT. This may have been inevitable, but it is decidedly unfortunate. What is really needed is a pair of variant studies to see how much change would result from (i) interaction with residential land elsewhere in Glasgow and (ii) interaction with non-residential land in Ward 18 on the assumption the UBR was being withdrawn at the same time as CT. The really ambitious and revealing study would have been one that looked at the interactions amongst all classes of land throughout Glasgow with LVT replacing both CT and UBR, applying of course the same rate poundage to all assessments.

4.39, footnote 8 This point is too important to risk being lost in a footnote. It states that, in implementing LPT or LVT other than in Ward 18 alone, the rate would vary depending on data on a Glasgow-wide or indeed Scotland-wide basis.

Table 5 Nine key findings are listed together with an observation in footnote 9.

Some statements are noted here and comments added where they seem to be called for.

(•) LPT is held to be relatively straightforward to implement. LVT is more challenging primarily because fewer data are available on land transactions, although with clarity on the method of valuation LVT would be possible with sufficient lead-in time. HT would not pose any insurmountable problems. The nature of the hybrid model to be used would largely be a political decision depending on what the tax is meant to achieve. One is

left to presume that this last sentence is a reference to the proportions of LPT and LVT which are initially to compose it, and whether LVT is ultimately to replace the LPT element entirely if found successful. It is strange that the real reason that induced the WG to introduce HT into the list of options to replace CT is nowhere properly set out in the OFD. See the footnote to I. 4.22, above, for information on obtaining the methodology the Land Value Taxation Campaign recommends for introducing and operating LVT.

(•) The WG records that, “It would potentially be possible to influence a land owner’s LVT liability by either introducing different tax rates or through varying the taxable value.” This is true, but it is equally true, *mutatis mutandis*, of CT, UBR, LPT, and HT, so why is it made only in a LVT context? What lies behind this anyway? In the case of LVT, it flies directly against the underlying principle of land rent collection. Again, different classes of land use are already reflected in the valuations, so that further manipulation is a distortion, an interference in the land market to subsidise or penalise one or more groups of selected landholders (note: landholders – workers and providers of capital ultimately neither gain nor lose because the economic rent of land is a leveller, scooping off the differential between the land value of a site and what can be had at the margin of production where no rent is payable).

(•) Consideration has to be given “to industrial, retail and commercial units where such units occupy a site within a larger residential site (a shop on the ground floor of a tenement building, for example).” This is true not only of LPT and LVT in conjunction with UBR but also of the present situation with CT and UBR. It is noted that WG finds, “no insurmountable issues were identified”.

(•) WG thinks, “Any LVT element would require considerable liaison between the Council’s planning officers and the City Assessor” and that “planning decisions would have to be closely linked to the city’s development and regeneration priorities”. Are they not now? Planning and LVT certainly interact. Planning decisions undeniably affect land values (whether it is a major change of use of a site from a storage depot to luxury flats or a comparatively modest repositioning of a pedestrian crossing in a street full of retail shops). On the other hand, evidence of increasing land values in a given area may indicate a need to release more land for appropriate redevelopment. Schemes that are unlikely to raise land values will not pay for themselves in future income for the city, which may or may not be a determining factor in considering a planning application or in suggesting whether city funds might be involved or prudently withheld.

(•) “Applying a LVT to derelict or vacant land would clearly encourage development.” Indeed it would; and it would encourage redevelopment of poorly developed land too.

(•) Once the initial HT data base is set up “it would be relatively straightforward to maintain and undertake revaluations”.

(•) “LVT in particular can be difficult to understand and explain.” Please see our comments at H. 4.29 and at the fourth bullet point in I. 4.22, above. The concept presents no

problem whatsoever. Only if the interlocutor wants to know the methodological minutiae is there anything at all complicated to take on board. Life is like that in so many ways! The CT is supposed to have been based on proper assessment of the land, building, and any other residential type of development pertaining to each and every dwelling. Was it ever done like that? In most cases no valuer came even close to checking. As a result there were thousands of appeals from those just on the wrong side of the band boundaries. How intelligible is it to pretend to be able to back-date the values of newly built homes to the first and only CT valuation in 1991? A sense of proportion in these allegations of difficulty would be welcome.

Conclusions

- L. 6.4 WG recommends immediate focus on reforming CT. A longer term, more permanent solution “is best served” by pursuing LPT, “with a built-in mechanism to enable land value tax elements to be phased in” with the ultimate goal of creating HT. On the face of it, this is an endorsement of LVT, albeit a somewhat restrained one. Yet there is only the ability to add LVT, not the intention. There is also no certainty that it will be recognisable as true LVT, because the text mentions only “elements” of it (without mentioning which elements are in mind). Between the executive summary and the conclusions in OFD, have appeared several signs of real appreciation of the LVT case and some shrewd observations on and around the topic, which make the concluding gingerly toe-in-the-water finding all the more disappointing.

Recommendations

- M. Table 8 On the long term move to HT, WG comments, ‘Start planning for replacement of CT with LPT, incorporating powers to introduce gradually LVT elements.’

Appendix 2e (impact of LVT – benefits and concerns)

- N. (•) Progressive. Greater incidence on owners of higher valued land. No banding system.

(•) Regular revaluations straightforward. Likely still require rebate/benefits system. However, likely be fewer low-income land owners compared to low-income property residents. Our comments:- LVT is a charge on the value of land, not on the person or on man-made products. With LVT implemented as a source of national as well as local revenue, and with contemporary taxes being replaced and/or abated, this problem is likely to be one

limited to the transition period only. If there should be a persistent problem, the solution is to be found in reform of the welfare system, not by introducing rebates or other distortions.

(•) Potential exists to include UBR in a LVT system. Consideration also needs to be given to agricultural land. Our comment: Agreed!

(•) The systems and controls to administer, collect and monitor LVT are largely in place and would require minimal reform.

(•) The tax base is entirely constant and LVT encourages the best use of available land.

(•) LVT is cheap and easy to collect, except for “some small strips of land where ownership may be difficult to identify”. Please see I. 4.22, third bullet point, above.

(•) “Taxation of 2nd. homes would be straightforward.” It would, with the reservation that only the rental value of the land the house is set upon is subject to LVT.

(•) “LVT would automatically reflect levels of public investment, thus ensuring that local beneficiaries would essentially fund such investment.”

Appendix 3 (Ward 18 pilot study – facts and figures)

O. This appendix provides extracts from the detailed findings of the pilot study into LVT and HT and also of LPT alone, but this last does not concern the present critique (see E., above). Comparison is made with the current CT. The findings are in the form of tabulations. Without detailed knowledge of the methodology employed and of the assumptions made, it is difficult to draw firm conclusions. Some guidance does, of course, come from the text of the OFD. Please see K. 4.39, above, for a brief description of Ward 18. Figures given in the tabulations are for properties in CT bands A, B, D, and E. There is no reference at all to anything that might be in bands C, F, G, or H. Land that is derelict or unused has been excluded from the main tabulations.

P. All figures are based on the assumption of (i) no interaction between residential properties in Ward 18 and properties in Ward 18 that are subject to the UBR, and (ii) no interaction with other Glasgow wards, (iii) nor with the rest of Strathclyde, (iv) nor with all of the rest of Scotland or indeed (v) of the U.K. This, whilst regrettable, is doubtless inevitable in the context of this study. It does, however, illustrate the severely limited usefulness of localised pilot studies from the viewpoint of supporters of LVT in wider national application. In effect, all we expect to find from a revenue-neutral exercise in Ward 18 is what was found in the Vale of White Horse study, namely that LVT shifts the onus of payment from the lower CT bands to the land value of residential properties currently lying in the higher CT bands. This is totally unsurprising, because, in general, better houses are likely to be located on the better sites. In the Whitstable studies, there had been a shift away from residential property towards the best of the commercial sites in the

town's top streets – a move which could well be replicated in Glasgow. The current yield from CT in Ward 18 is £14.754m. The total residential land value was estimated at £397m. (capital value, not recommended by the Land Value Taxation Campaign – please see I. 4.22, first bullet point, above). This gives a rate poundage for revenue-neutral LVT of 3.7p in the £1. There is potential distortion deriving from the fact that CT band capital values are well out of date: this could affect comparisons with LPT, and hence with HT.

(•) The CT charge on an old tenement flat in band A fell from £809 to a LVT charge of £361.

(•) The CT charge on a modern flat in band B rose from £943 to a LVT charge of £1,375.

(•) The CT charge on a 'four in a block' home in band B fell from £943 to a LVT charge of £599.

(•) The CT charge on a modern semi-detached house in band D rose from £1,213 to a LVT charge of £1,920.

(•) The CT charge on a pre-1914 semi-detached house in band E rose from £1,483 to a LVT charge of £2,920.

Q. The same directional pattern emerged from the application of HT. It is not clear, however, how the LPT to LVT ratios were composed. A further presumption could be that the land portion of LPT has been added to the LVT figure to give a total charge based on land, with the balance attributable to the development part of the LPT.

(•) The CT charge on an old tenement flat in band A fell from £809 to a HT charge of £707 (land £101, development £606).

(•) The CT charge on a modern flat in band B rose from £943 to a HT charge of £958 (land £383, development £575).

(•) The CT charge on a 'four in a block' home in band B fell from £943 to a HT charge of £688 (land £168, development £521).

(•) The CT charge on a modern semi-detached house in band D rose from £1,213 to a HT charge of £1,275 (land £538, development £737).

(•) The CT charge on a pre-1914 semi-detached house in band E rose from £1,483 to a HT charge of £3,507 (land £818, development £2,689).

R. Comparisons can be made from the results in P., above, and those in Q., above.

(•) The old tenement flat in band A seems to be the biggest winner from LVT, which one might think is something to be pleased about. The win is substantially negated if HT is adopted.

(•) In the figures for the modern flat in band B, the slight rise in the HT case compared with the larger one in the LVT case, and the proportion of land to development in the HT case, suggest strongly that the standard of the development might not have been fully in line with the value ascribed to the site (why else was it in band B, not in C?). On the other hand, it could be that the land value will have risen since the construction of the flats.

(•) In the figures for the 'four in a block' home in band B, overall the two cases are not too far apart, though the LVT case does give the greater gain.

(•) The case of the modern semi-detached house in band D appears to illustrate the manner in which LVT distributes the burden of financing local government away from the poor sites to better locations enjoying more economic, social, and environmental benefits. However, if the study had not had to be undertaken in Ward 18 on a revenue-neutral basis, and also if all land were being considered and not just land in residential use, it is possible that some transfer of the rate poundage to elsewhere might have resulted.

(•) It is interesting that the capital value of the semi-detached house in band E is just over twice the land value. This is a good ratio for residential property, considering it is pre-1914. The implication could be that it has been extensively modernised over the years, no doubt in response to the value of the location. It is not always thus, however, and it is a claim made for LVT that, where good property is poorly maintained, the charge on land value stimulates appropriate tax-free redevelopment, whereas composite value taxes actually reward deterioration when revaluation prescribes a lower tax base. The comments in the fourth bullet point, above, apply here too. In the study, the rise in payment from the LVT case is considerably lower than the rise in the HT case. This is to be seen in the more than 3 to 1 ratio of the charge on development to that on land, as compared to the 2 to 1 ratio of composite capital value to land value.

Appendix 3 (Ward 18 pilot study – facts and figures outwith the main cases)

S. Indicative studies were done on industrial and retail properties (currently paying UBR) and on vacant land (presently allocated to housing but making no contribution to local government finance).

(•) The value of industrial land is assessed at £8.4m in total. The rate poundage required to meet the current gross revenue from UBR is 36p in the £1. Four illustrations are given to show the effect of a revenue-neutral shift to LVT. A 1949 terraced unit on an industrial estate (land value £25,042), a 1979 warehouse in an industrial area (land value £14,660), and a 1960 warehouse not on an industrial estate (land value £41,285), all gain from the switch to LVT. A loser is the 1975 store not on an industrial estate (land value £28,534). It is not possible to know from the tabulated data why any of this should be so. The 36p in the £1 payable on the assessed land value looks very high if the land figures are for capital values; they would make better sense if they were to be annual rental values (UBR is based on annual values).

(•) Curiously, the 1979 warehouse in an industrial area (land value £14,660) which appeared in the industrial tabulation, re-appears in the retail property listing. It will not be cited again here, but might or might not be part of the total value of land in retail use, assessed at £2.9m. The rate poundage required to meet the current gross revenue from UBR is 22p in the £1. Three illustrations are given to show the effect of a revenue-neutral shift to LVT. A parade shop (land value £18,742) loses by a very slim margin. A stand-alone shop (land value £15,566) also loses. A tenement shop (land value £18,346), however, makes a useful gain. As with the industrial illustrations, it is not possible to know from the tabulated data why any of this should be so.

(•) Vacant residential land (based on land use in accordance with the City plan) was assessed. The value of land designated as for low-rise housing was put at £5.6m. The value of land designated as for flats was put at £12.425m. The total value of vacant land designated for residential accommodation was thus £18.025m. Yields from applying LVT to the foregoing would bring in, respectively, £208,152 and £461,387, for a total of £669,539.

EPILOGUE

T. Clearly much thought, care, and attention have been devoted to this project. It has thrown light on a goodly number of practical issues and it has revealed others that require further attention. Following studies in recent years in England (Lyons), Scotland (Burt), Northern Ireland (the Executive), and the Republic of Ireland (the Government), it has brought a welcome appraisal from (as it were) the grass roots or (perhaps more appropriately in this instance) the engine room. In this review, the author will have revealed that he is not in agreement with the Glasgow City Council Local Taxation Working Group Overall Findings on all points, but he happily recognises the achievement the Findings document represents.

David K. Mills,

13th. February 2010.