



MORE LIGHT ON WHITSTABLE

V. G. SALDJI examines the financial effect of possible exemptions from the rating list.

The Rating and Valuation Association is careful to point out that its report on the Whitstable survey does not supply sufficient information to enable one to compute the site-value rate poundage that would be required in order to produce the same rate revenue that is now collected in Whitstable.

Apart from the possibility of rate exemption being accorded to any group in whole or in part, and the impossibility of actually collecting any rate revenue from public open spaces etc., which, although assessed, would not in fact contribute, there are further considerations which could be settled only by a national valuation of site values. The county net requirements would be increased or reduced according to whether its rateable value per head of population fell or rose in relation to the national average, producing more or less rate deficiency grant for the county: Whitstable's net requirements would be similarly affected, and, in addition, any alteration in the rateable value relationship between Whitstable and Kent county as a whole would affect the share of the county precept to be borne by Whitstable. When it is remembered that Whitstable's rates in 1963 were 11s. in the £ and that 7s. of this was in respect of the county precept, it will readily be seen how cautiously this question of rate poundage must be approached.

However, bearing in mind the general picture of Whitstable as a quiet little seaside town of relatively low land value, where the extent and the value of unused and under-used land does not match some of the glaring examples to be found elsewhere in this country, it appears reasonable to assume that Whitstable would in fact be liable for a lower quantum of county precept and would qualify for a higher equalisation grant than at present.

Broadly therefore, a comparison of the present rateable value with the site-value assessment can be tentatively taken as a likely relationship of the rates that would be payable by any individual property under both systems. In other words, the rate poundage for Whitstable could be expected to be of the same order as that required under the present system.

WHO BENEFITS?

The introduction of site-value rating constitutes a massive "de-rating" operation in which all buildings and improvements are exempted. Therefore those hereditaments that would most benefit are those where the ratio of building value to land value is high. This is generally

the case for most residential property as well as for most modern commercial and industrial premises.

GOLF COURSES

The latest position regarding the Chestfield golf course is that planning permission has been refused to the executors, who are trying to dispose of it. If site-value rating were introduced in these circumstances the golf course could be assessed only on its restricted value, i.e. the same as the Seasalter golf course, which is unsuitable for alternative development. In these circumstances Chestfield course would have an assessment of about £730 instead of £39,078. It is interesting to note that the only reason why this course is still available to golfers is because of the refusal to grant planning permission. The course extends over 145 acres in a very pleasant area where it would sell for building land at not less than £10,000 per acre.

ANALYSIS OF GROUP TOTALS

Group comparisons, while indicative of broad trends, do not tell the full story, for there can be wide divergencies within the groups themselves. For example, a modern well-built shop in a central position may have a site-value assessment equal to less than half of the present assessment, while outdated shop premises nearby might have a site-value assessment double the present one.

Nonetheless, the group comparisons shown in the accompanying analysis indicate some interesting trends, particularly with reference to residential property.

Column (a) shows the present assessments, as at April 1, 1963, totalling £724,100.

Column (b) shows that Residential property (groups 1, 2 and 3) accounts for just over 74 per cent of the total present assessments, while Commercial and Industrial (groups 4 and 5) between them account for over 17 per cent.

Column (c) shows all the site-value assessments, totalling £642,250. Groups 11 and 16 have been apportioned to give an approximate indication of the non-revenue producing proportions i.e. public open spaces, etc.

Column (d) shows that Residential property comprises only 42.90 per cent of the site-value total, while Commercial and Industrial together account for just over 12 per cent.

Column (e) shows the adjusted percentages after the site-value total has been reduced to £618,650 to allow for

PROPERTY OR LAND GROUP	PRESENT RATEABLE VALUES		SITE VALUE ASSESSMENTS		EFFECT OF EXCLUSIONS			
	As at 1 April 1963 Group totals to the nearest £50	Percentage of total valuation	Group totals to the nearest £50	Percentage of total valuation	Deduct £23,600 for public open spaces, public shelters, etc.	Deduct £38,400 for Chestfield golf course (planning permission refused)	Deduct £7,500 if church sites and land earmarked for church clubs etc. are exempted	Deduct £14,500 if agricultural land is exempt
	(a) £	(b) %	(c) £	(d) %	(e) %	(f) %	(g) %	(h) %
Houses	342,850	47.35	180,200	28.06	29.13	31.06	31.46	32.28
Bungalows	179,050	24.73	90,200	14.04	14.58	15.54	15.75	16.16
Flats and Maisonettes	14,200	1.96	5,100	0.80	0.82	0.88	0.89	0.91
Total	536,100	74.04	275,500	42.90	44.53	47.48	48.10	49.35
Shops, hotels, public houses, banks, cinemas and offices	75,300	10.40	55,400	8.62	8.96	9.55	9.67	9.93
Factories, workshops, filling stations and garages	48,800	6.74	22,500	3.50	3.64	3.88	3.93	4.03
Schools and playing fields	13,300	1.84	12,700	1.98	2.05	2.19	2.22	2.28
Hospitals and homes	2,150	0.30	1,650	0.26	0.27	0.28	0.29	0.30
Land scheduled for Schools	—	—	10,900	1.70	1.76	1.88	1.90	1.95
" " " Industry	—	—	6,500	1.02	1.06	1.13	1.14	1.17
" " " Residential development (including all small vacant plots)	500	0.07	81,150	12.64	13.12	13.99	14.17	14.54
Public open spaces	—	—	20,000	3.11	—	—	—	—
Beach huts (approx. 350: Ground rent per site = 20 Gns. p.a.)	1,950	0.27	6,550	1.02	1.06	1.13	1.14	1.17
Churches, Church halls, Cemeteries, Land earmarked for Church clubs and institutes	3,300	0.45	10,800	1.68	1.74	1.86	0.58	0.59
Allotments, nurseries, orchards	—	—	6,700	1.04	1.08	1.15	1.17	1.20
Caravan sites and holiday camps	13,800	1.90	41,000	6.38	6.63	7.06	7.16	7.34
Golf courses	500	0.07	39,300	6.12	6.35	0.16	0.16	0.16
Public shelters, tennis courts, sewage works, lavatories, sports ground, car parks, library, employment exchange, police, ambulance and fire stations, public baths	6,100	0.84	3,600 ¹ 12,000 ²	0.56 1.87	— 1.94	— 2.07	— 2.10	— 2.15
Post office, electricity sub-stations (not included in public utilities adjustment)	500	0.07	1,400	0.22	0.23	0.24	0.24	0.25
Agricultural land	—	—	14,500	2.26	2.34	2.50	2.53	—
G.P.O., Water, company, Gas, Electricity, etc.	19,650	2.71	18,050	2.81	2.92	3.11	3.15	3.23
British Railways	2,150	0.30	2,000	0.31	0.32	0.34	0.35	0.36
	£724,100	100.00%	£642,250	100.00%	100.00%	100.00%	100.00%	100.00%
				SITE VALUE REDUCED TO	£618,650	£580,250	£572,750	£558,250

¹ Non-revenue producing items² Revenue producing items

exemption of public open spaces, public shelters, etc.

Column (f) shows further adjustment to allow for a reduction of £38,400 on the basis of the Chestfield golf course being denied planning permission.

Column (g) shows that if in addition to the above deductions, church sites and land earmarked for church clubs and institutes were to remain exempt, residential property would still only account for 48.10 per cent of the site-value total.

Column (h) shows how slight is the influence exerted by including Whitstable's agricultural land in the site-value list. Even when the list has been reduced to £558,250 by excluding agricultural land, church sites, golf course and open spaces etc. Residential property still accounts for less than half of the total list as compared with nearly three-quarters of the present list.

CONCLUSION

Group relations would, of course, vary in different localities and it would be rash to assert that Whitstable is typical of the whole country. Indeed, there are strong indications that Whitstable is not typical and that the total land value of Britain may be equal to or in excess of present rateable values. Be that as it may, Whitstable gives sufficient indication of the practicability and desirability of site-value rating to merit the respectful attention of all who see the defects of the present rating system.

THE DEBATE CONTINUES

S.V.R. In Practice

Since council tenants are not freeholders, the site-value rate would be borne by the local authority — that is, by other ratepayers. Would this not be a further subsidy to council tenants at the expense of their neighbours?

Yes, unless the local authorities raised the rents of subsidised council houses by the amount of the rate relief, which they would be justified in doing.

This would not be "passing on" the site-value rate in the sense in which this is normally argued, since where council tenants were paying the full market rent the rent could not be raised above this level.

Where a market rent was being paid the council tenant would be in the same position as a non-council tenant paying a market rent. These rents would be unaffected by the land owner having to pay the site-value rate. The principle that the site-value rate cannot be shifted still holds good.

How would rent-controlled houses be dealt with under site-value rating?

The landlord or site owner would not be expected to pay the full site-value rate where he could not fully utilise his site or where his income from his property is fixed by statute. He would be in the same position as one who has had development permission refused.

In the meantime the site should be valued fully but the payment of site-value rate suspended completely or proportionately. Where an owner was receiving a controlled rent equal to or less than the value of his building alone, no site-value rate would be payable.

The short answer, of course, to the whole question would be to abolish rent control. This could more readily be done when the beneficial effects of site-value rating showed themselves.

As the site-value rate is borne by the freeholder, would this not discourage developers from building houses to let as they could not pass the site-value rate on?

The builder of houses, like the builder of a car or a television set, has a saleable or rentable commodity and he must cover his production expenses in the price or rent he ultimately charges. A builder or developer putting up a house to rent, would, under site-value rating, pay less for his land because of the site-value tax. He would discount the tax for which he as owner would be liable.

The site-value rate, like the feu duties in Scotland and tithes in England, being a burden upon the land, must always be discounted from the actual value of the land.

What of absentee land owners who have no local vote yet would be contributing to the local rates; would this not violate the principle of "no taxation without representation"?

Whatever the merit of this principle, such persons would have representation in the national government, which after all, would have to make the decision to raise revenue by site-value rating.

Site-value rating would cause land prices to fall by the capitalised amount of the rate in the pound. Would this not be unfair to those who had just bought land at its untaxed price?

One might as well argue that purchase tax on cars must never be abolished because it would be unfair to those who had bought cars the day before.

In any event all would-be purchasers of land would have ample notice of the impending site-value rate. More important, however, is the fact that although the market value of land will be diminished under site-value rating, its use value will remain the same to those using it.

Would site-value rating mean the end of houses with large gardens?

In fact, with the increasing price of land, many people are at present selling homes with large gardens to developers who are putting up flats. With lower land prices the reverse is more likely.

What is often overlooked is that the majority of gardens are quite unsuitable for putting another house upon, there being in ninety per cent of the cases, no access to roadways, apart from other difficulties, rights of light, planning regulations, etc.