CABINET

VALUATION FOR RATING

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER AND THE MINISTER OF HOUSING AND LOCAL GOVERNMENT

Following the meeting of the Home Affairs Committee on 29th July last (H.A. (52) 23rd Meeting, Item 4), it was announced on 1st August that difficulties had been encountered in assessing dwelling-houses for rating in accordance with the provisions of the Local Government Act, 1948, and that it had become clear that Parliament would in due course have to amend those provisions. Valuation staff would be employed on preliminary work to enable the Government to formulate proposals.

2. In the meantime an Act has been passed authorising further postponement of the new valuation lists; and an order has been made giving us till April 1955 to produce them. This date can be further postponed if necessary.

3. Sample valuations have shown that the scheme of the Act of 1948 would produce anomalies and inequalities which would be indefensible. The right method is to provide that all houses, whenever built, should be assessed on the basis of the open market rental value. We are, however, pledged to maintain the basis of pre-war value for houses; and 1939 is in fact the latest date for which adequate evidence of normal rental values is available. We propose, therefore, that we should now take as the basis of assessment for houses open market rental value in early 1939.

4. There may be objections to reverting to the "hypothetical tenant" test; but it is the best and fairest. It was departed from in the 1948 Act mainly because "satisfactory rental evidence was not then considered to be available for post-1918 houses." Moreover, there had been trouble in 1939 from the fear that an up-to-date valuation on the rental basis would cause hardship to many small occupiers. Now that the data have been collated by Inland Revenue, it has been found that the spring of 1939 affords reasonable evidence of rents in a free market at a level which would not mean too heavy a rise in dwelling-house assessments. In all later periods the evidence is distorted by the absence of a free market.

5. Ultimately it may be right that assessments should be related to current rental value; but that cannot take place until 1960 or probably later. There will be a re-valuation every five years.

6. It is important that legislation to this end should be introduced as soon as possible. The Valuation Office have started to collect evidence of the 1939 rental values and need a statutory basis for what they are doing.

7. After the revaluation is completed new lists will have to be published some six months before they become operative in order to give an opportunity for objections. The question in which year the new lists should become operative is something we shall have to consider nearer the time.

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8. There are a number of other points which should be dealt with in the same Bill:

(a) **A new Basis for Assessing Gas Undertakings.**—Nationalisation has made the traditional basis exceedingly difficult and expensive to work. The traditional basis involves assessing the value of the undertaking by reference to the accounts for the whole; and then allocating the value as between the rating areas according to the distribution of the physical assets. Following consultation with the Ministry of Fuel and Power, discussions are proceeding with the Gas Council and the Local Authority Associations to secure agreement on a new basis on lines broadly similar to those already applying to Electricity and Transport.

(b) **Appeals and Procedure.**—Simplification would command general acceptance and secure economy. Under the present system, following a proposal to alter an assessment appeal has to be made separately after disagreement on the proposals has been recorded. It is now proposed to provide that an appeal should arise automatically on disagreement being registered.

(c) **Deductions from Gross to Net Values.**—Under the present law these apply to most categories of buildings and are fixed by Minister’s Order. It is proposed in the Bill to bring London into line with the Provinces in the treatment of the repairs to industrial premises, public utilities, &c.; and also, possibly, to widen the existing powers to alter the scales of deduction from gross to net value.

In due course the deductions should be overhauled in the light of changes in repair costs at particular rent levels. This will be a matter for Order after the Bill is passed.

(d) **Charities.**—It may be desirable to give local authorities wider powers to remit rates for charities.

9. There are a number of minor improvements which ought to be made to the Rating and Valuation Acts, most of which would be quite uncontroversial, though one or two might be queried by the Local Authorities. We would propose to have these drafted; and we can consider whether to incorporate all or any of them in the Bill when we know the time-table.

10. If our colleagues approve these proposals a Bill will be drafted immediately for introduction as and when opportunity arises.

R. A. B.
H. M.

22nd January, 1953