

Subject: Appointment of Rapporteur to Investigate the Potential of a Land Value Tax for London

Report to: GLA Oversight Committee

Report of: Executive Director of Secretariat

Date: 17 September 2015

This report will be considered in public

1. Summary

- 1.1 This report sets out a proposal for a rapporteur to investigate the potential of a Land Value Tax (LVT) for London. It recommends that the GLA Oversight Committee approves the appointment of Tom Copley AM a rapporteur to lead the project.

2. Recommendation

- 2.1 **That the Committee agrees the appointment of Tom Copley AM as a rapporteur for the Planning Committee, to conduct an investigation into the potential of a Land Value Tax for London.**

3. Background

- 3.1 The GLA Oversight Committee has the power to approve all scrutiny-related Assembly expenditure and proposals for rapporteur investigations, in conformity with the Assembly's decision-making framework procedure.

4. Issues for Consideration

- 4.1 London's housing challenge is well known. The London Finance Commission recommended in its final report, published in May 2013, that: "Further assessment should be undertaken of the potential benefits and costs of new taxes such as those on undeveloped land as part of the wider reforms of property taxation that we advocate." The Commission concluded that: "Further assessment be undertaken of the potential benefits and costs of new taxes such as these as part of the wider reforms of property taxation that we advocate... However, we believe it would be more appropriate for the Mayor and London's boroughs to develop proposals, rather than central government."
- 4.2 This rapporteur review would aim to provide the new Mayor with a balanced assessment of the potential contribution of a land value tax to promote jobs and growth and a significant contribution

to the Mayor's evidence base in future discussions with Government on further devolution of powers to London, as recommended by the London Finance Commission.

- 4.3 Land has a value for locational reasons and the use to which it may be put as set out by planning policy. It is the combination of these factors that result in varying land values across London. A Land Value Tax would represent an annual levy on the ownership of land. LVT in its classic form is a tax on the annual 'rental value' of all land, ignoring buildings and other developments. LVT is an alternative property tax with slightly different characteristics. Like business rates and council tax, it is levied annually. Like business rates, it is levied on the rental value of property but, unlike both council tax and business rates, it is levied solely on the unimproved site value of property. Therefore it falls on the owner rather than the occupier, and on the highest value use permitted on the site."¹
- 4.4 By valuing land on its most productive permitted use (as defined by a local authority) LVT would, potentially, encourage the maximum and best use of land, imposing costs on holding undeveloped land and capturing for the public purse the benefits of public investment in infrastructure.
- 4.5 At its meeting on 16 July 2015, the Planning Committee considered a proposed rapporteurship into land value tax. That meeting agreed that the proposed rapporteurship should not be extended to look at Compulsory Purchase Orders. The Planning Committee is expected to agree this rapporteurship at its meeting on 17 September 2015.
- 4.6 It is proposed that the review will examine the following question:
- "What is the potential role of a Land Value Tax for London in encouraging more housing land to come forward for development?"
- 4.7 This Committee is asked to approve the appointment of Tom Copley as the rapporteur subject to (a) the Planning Committee giving approval to the project and its final terms of reference and (b) where the finalised terms of reference differ substantially from the remit as set out above or there are any resource implications, the revised details being provided in a further report to the GLA Oversight Committee for approval prior to the commencement of the project.
- 4.8 Officers are content that there is sufficient capacity within the relevant Committee's project team to undertake this work.
- 4.9 The scope and proposed terms of reference for the investigation are attached at **Appendix 1**.

5. Legal Implications

- 5.1 The Committee has the power to do what is recommended in the report. Under its terms of reference, the GLA Oversight Committee must approve proposals for the use of rapporteurs.

¹ A Land Value Tax for England, Andy Wightman, March 2013

6. Financial Implications

- 6.1 There are no direct financial implications arising from this report. Any costs incurred during the rapporteur's investigation will be met from existing scrutiny budgets.

List of appendices to this report:

Appendix 1 – Scope and Proposed Terms of Reference

Local Government (Access to Information) Act 1985
List of Background Papers: None
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