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Sir Michael Lyons
Lyons Inquiry into Local Government
Room 3/12
1 Horse Guards Road
London
SW1A 2HQ

Sir Michael

British Property Federation Response to the Lyon's Inquiry into Local Government Promoting Economic Prosperity: Considering the Implications of Eddington, Barker and Leitch. Questions for stakeholders.

The British Property Federation (BPF) is the voice of property in the UK, representing companies owning, managing and investing in property. This includes a broad range of businesses comprising commercial property owners, the financial institutions and pension funds, corporate landlords, local private landlords, as well as those professions that support the industry. The British Property Federation estimates that its members manage property assets worth approximately £200 billion.

The property industry is a vital component of a successful economy. As an industry, commercial property contributes 6.2% of UK GDP, which makes it larger than the financial services industry and combined with residential property, the sector employs nearly 2 million people. Just over 20% of commercial property in the UK is held by UK-based pension and insurance funds, meaning that most people in the UK have a stake in our industry as pension fund members.

The British Property Federation wishes to respond to a number of questions raised under the Lyons Inquiry into Local Government. These specifically concern the issue of funding brought forward under the Barker Review of Land Use Planning. The full details of our responses are outlined below.

How should the empty property relief in business rates be reformed?

Business rates are a tax on the occupation of buildings. As such it is entirely appropriate that there is some relief from business rates when premises are not in occupation. Vacant buildings are a natural feature of the property leasing cycle and though full business rate relief exists for 3 months following the vacancy of the building and beyond this in certain circumstances, the case strongly exists for its continuance following that period if a building continues to remain unlet.

The leasing of commercial property is an industry driven by the accumulation of rental income. For the most part business rate relief for empty properties will apply to buildings which can and will be re-occupied. Given that the ownership of commercial property is a commercial investment and not the accumulation of latent development sites, vacant buildings should not be penalised for not being brought forward for development.

How should a charge on vacant and derelict brownfield land be introduced into the existing local land and property tax system?

We have a number of reservations relating to the proposal that a charge on vacant and derelict land should be introduced into the existing local land and property tax systems. This is due to a multitude of factors. The first is that the landholder of vacant and derelict land already suffers a cost for sitting on un-used land: 'the time value of money'. Further charges are unjustified. The point is that this land has become unattractive and low value and a penalty charge against the owner is not the best method for bringing it back into use.

The second concerns the practicality of the proposals. Although un-used vacant or derelict land may have a significant capital value – especially if located in inner city locations, the rental value of this land remains negligible. If the charge is based on a rate applied to a rental valuation as with business rates, there would appear to be little benefit in rating such land. And as the revenue raised might be disproportionate to the costs involved in administering such a charge we would question the cost/benefit of any such change and its likelihood of influencing a landholder.

The only way to raise revenue within the rating system would be to create a two-tier system with rental value for some assessments and capital value for others. However, this would require a complete re-write of rating law and give rise to a more complicated system, with little added benefits.

Would any local flexibility on such matters be desirable?

It is difficult to judge whether any local flexibility would be desirable without knowing the full details of any proposed charge. However, we question whether a charge will act to attract speculative developers to invest in vacant or derelict brownfield sites when so many uncertainties over market conditions and planning consent are likely to exist. Financial incentives to attract investment would appear a better option rather than imposing charges.

Yours sincerely

James Anderson
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British Property Federation