

Land Registration and Land Valuation in the United Kingdom and in the countries of the United Nations Economic Commission for Europe (UNECE)

John Manthorpe¹

Introduction

This paper is in two parts and also incorporates, as an Annex, a recent paper on Land Valuation in the United Kingdom written by the present Chief Executive of the Valuation Office Agency for the United Kingdom.

The first part provides a short summary of the organisation and systems for land registration and land valuation as they operate in the United Kingdom. It describes their organisationally separate but related functions. It explains how these have developed historically but are at the same time responding to new demands and opportunities.

The second part provides an overview of systems of land registration and land valuation in countries of the United Nations Economic Commission for Europe. This overview draws on information obtained as a result of responses to a UN questionnaire on Land Administration. The United Nations defines land administration as those public activities that relate to land concerning land registration, cadastral and topographical survey and mapping, land valuation, land use and land information.

Generally Land Registration is the term used to describe the registration of real rights in land. Land Valuation is the term used to describe the process of determining market values in land for the purposes of assessing taxes. *Land* is defined as not just the surface of the land but includes the physical structures and buildings built on the land and beneath the surface of the land.

1. Land Registration and Land Valuation in the United Kingdom

The Land Registry

In the United Kingdom land registration is administered:

- in England and Wales by Her Majestys Land Registry (HMLR)
- in Scotland by the Registers of Scotland (ROS)

1) CB HonAssocRics CIMgt; Former Chief Land Registrar England and Wales; UK representative on UN BCE MOLA.

- in Northern Ireland by the Land Registry of Northern Ireland (LRNI) Department of Environment.

Ministerial responsibility rests with the Lord Chancellor (Minister of Justice) for HMLR, the Scottish Minister for the ROS and the Minister for Northern Ireland for the LRNI. The operations of each of these land registration agencies is similar although different in scale. In England and Wales 20 offices serve a population of 50 million, in Scotland 2 offices serve 5 million people and in Northern Ireland one office serves a population of 1.5 million.

The Land Registry is responsible for maintaining a register of legal interests in land, including ownership, and beneficial and subjective rights including those of third parties. It registers mortgages. It is a map based system and handles and records all transactions and other dealings in land and property. In 1997-98 it handled 2.96 million transactions and 5.4 million enquiries, searches and requests for documents.

By maintaining an up to date public register of legal interests in land, which are guaranteed by the State, the land registration system ensures the practical and active working of a confident real estate market and, importantly, a functioning secured credit market. Under statute the Head of the Land Registry (the Chief Land Registrar) has quasi-judicial powers. These include the power to decide matters of title, to rectify title and to pay indemnity if a person suffers loss because of an omission or error on a register.

Persons contemplating dealing with land, or who have other interests in land and property, can, on payment of a fee, make enquiries and inspect the land register for any property and receive authenticated copies of registers and plans. The English system also allows a person to secure priority for an intended transaction for 30 working days by making an application for an official search with priority. Such an application 'freezes' the register in favour of the applicant for six weeks whilst the intended transaction is finalised. This ensures that conflicts regarding property transactions are avoided.

The Land Register in England and Wales comprises over 16 million titles of which over 15 million are computerised and accessible on-line from anywhere in the United Kingdom. The Land Registry is nearing completion of its programme to computerise its land registers and has begun a programme to computerise all its individual registered title plans.

There are 19 regional Land Registry offices serving England and Wales each responsible for a particular geographical area. The work of the Registry is delivered either by personal attendance, post, telephone, fax or direct access. Most transactions are lodged for registration by solicitors (notaries) by post. An increasing percentage of enquiries are received by telephone, fax or direct access.

Because it handles all sales of land and buildings in England and Wales the Land Registry has unrivalled information on the state of the land market. This is

both in relation to the volume of transactions and to the prices paid. There are two functions here which are important. First it publishes quarterly a 'Property Price Report' indicating market activity and average prices for different residential property types by local authority area. It can also provide this data for smaller postal areas. The second function is to pass information to the Valuation Office for each sale below the threshold above which tax is paid. Where tax is paid at the time of a purchase (Stamp Duty) the information is sent directly by the solicitor to the Valuation Office. By this means the Valuation Office is constantly aware of the actual market prices paid for property.

Historically land registration came about to provide certainty of title, security of tenure and to promote an active land market. It was the means of spreading private ownership more widely across the population. It provides the guaranteed protection for those institutions, banks, and persons who lend money on land so encouraging investment and mobility. It is a self financing organisation meeting all its costs and expenditures from fees paid by those who use its services. Like all government agencies it operates to testing performance standards for speed, cost and quality.

The Land Registry employs some 120 lawyers who are expert in property and conveyancing law but the great majority of its staff are specialists in land registration practice who develop their skills and expertise through a career in land registration.

In summary under the land registration system:

- all sales must be compulsorily registered
- interests in land are only recognized by the Courts once registered
- registered interests are guaranteed by the State
- indemnity may be paid if a person suffers loss through an error or omission on the register
- all costs must be met by fees paid
- all properties are registered with general boundaries on large scale topographical maps
- the register is open to public inspection by anyone.

The Land Registry is not concerned with valuation of property or the collecting of taxes. In the United Kingdom this function is the responsibility of the Valuation Office.

The Valuation Office

The Valuation Office (VO) is an agency of Her Majesty's Treasury (the Ministry of Finance) and the responsibility of the Chancellor of the Exchequer (the Minister of Finance).

The Valuation Office is responsible for the valuation of land and buildings for tax purposes. It maintains the rateable value lists for residential properties which form the basis of Council Tax Bandings and on which local taxes are paid by owners or occupiers of residential property. It maintains the 'business rate' lists of non-residential property on which businesses pay local taxes. It is a dedicated service employing specialist valuers who maintain a continuous process of revaluation based on development, appeals and market information.

In addition to its main tasks of valuing residential and non residential property it acts on behalf of public authorities who are selling or buying property. In this role it seeks to ensure fair treatment both on behalf of the taxpayer as buyer or seller but also protecting the interests of individual persons or business concerned with the transaction. The VO also maintains valuations of the property of public bodies so that it is possible to assess whether or not these assets are being used economically on behalf of the public and delivering value for money.

The Valuation Office is one of the largest employers of professional valuers in the United Kingdom and includes specialists in particular aspects of valuation relating to industrial property.

The Annex to this paper '*What's a Valuation Service for ?*' was written by the Chief Executive of the Valuation Office, Michael Johns, for the latest edition of a Public Sector Management journal 'Agency Focus' it contains a fuller account of the work of the Valuation Office Agency.

Co-operation between the Land Registry and the Valuation Office

As has already been indicated the Land Registry and the Valuation Office are separate Agencies forming part of separate Ministries responsible to different Ministers. Both HMLR and the VO use extensively the national large scale maps produced by the United Kingdom's National Mapping Agency (the Ordnance Survey). The Ordnance Survey(OS) is an Agency of the Department of the Environment, Transport and the Regions. Local Authorities (Municipalities) have considerable autonomy but are overseen by the Department of Environment in respect of Planning and other regulatory matters.

There has been an increasing awareness over recent years of the need for co-operation and co-ordination between these agencies – all of which are concerned with land - its ownership, its value, its topography and its use. To meet this need a new development 'The National Land Information Service' (NLIS) has been launched which brings together the computer databases of HMLR, VO, OS and Local Authorities. Many other public bodies such as the Geological Survey, the Coal Authority, Water Authorities etc will be incorporated into the NLIS.

This development has been the subject of succesful live trials but the objective is to enable any user to access on-line the computerised public land information

databases of all public bodies holding information about land. The Land Registry and the Valuation Office are leading players in this development. What is of note is that technology has made the rationalisation of information, and its ready access, possible without the need for organisational change. Re-organising major government departments which have been established under continuous ministerial control for many decades would not be a simple matter whereas the association of land information data held by these agencies is proceeding with considerable co-operation and enthusiasm.

2. Land Registration and Land Valuation in countries of the United Nations Economic Commission for Europe(UNECE)

Background

Land Administration is the United Nations' term that encompasses land registration, cadastral and topographic survey, land valuation, land use and land information.

In 1993 UNECE launched an initiative to strengthen land administration capabilities, principally for countries in transition. In 1996 it established MOLA (the Meeting of Officials on Land Administration). MOLA is a forum of senior expert officials from land administration organisations in ECE member states. Its principal areas of activity, research and development relate to legislative, institutional, financial and technical issues.

Its main purpose is to provide a meeting place for officials from public institutions. It carries out a series of practical workshops and works to a two year plan approved by the United Nations. Amongst its projects was the compilation of an Inventory of Land Administration systems in the ECE. The 2nd Edition of the Inventory was published in April this year. Its aim is to provide an authoritative source of reference and information on all aspects of land administration including land registration and land valuation and so promote a better understanding and productive exchange of ideas and experience.

Comparative Information on Land Registration and Land Valuation

I have set out below extracts from the Summary of Responses to the questionnaire. This was sent to 52 ECE countries and replies were received from 40 countries. Of these 36 countries responded with information on land registration (registration of real rights in land) and 34 countries responded with information on their systems of land valuation.

Land Registration

Land registration systems operate throughout the world as the legal basis of recording, with certainty, the ownership and other legal rights in and over land. Such systems provide the machinery for confident property transfer, the operation of a secure mortgage market and protection for the citizen. The effective operation of land and title registration systems are fundamental to successful market economies providing confidence for private ownership and property transfer and, as a consequence, engendering social stability.

Responses to the questionnaire indicate how component elements of systems in different countries vary. Some but not all, systems are map based, some are backed by State Guarantee of title, others simply record the existence and priority of documents of transfer and mortgage. Organisationally many land registry organisations operate under the Ministry of Justice whilst others are combined with the National Mapping organisations or Land Valuation Agencies.

- All countries operate a system of recording land ownership
- All countries record the legal rights in and over land on their register
- 86% record mortgages or secured loans against the land
- 45% show the last purchase price of the property on the register
- 57% of land registers are wholly open to public inspection
- 40% are open to all but with restrictions
- 25% are open to specific parties but with restricted access
- 69% of all land registers are wholly or partly computerised
- 56% of systems are administered nationally or centrally – 44% regionally
- 30% of systems are wholly financed from fees from customers, 25% are financed by government funding and 45% from a combination of fees and government funding
- 85% of land registration systems are backed by some form of state guarantee
- 79% of systems operate arrangements to secure priority for applications.

Land Valuation

The principal basis for developing systems of land valuation is to enable national governments to establish an efficient and equitable basis for raising taxes from those who own or occupy land and property. Such systems are generally operated by public authorities at national, regional or local level. Responses to the MOLA questionnaire indicate that land valuation is well established in those countries where private property ownership is commonplace. In those countries establishing market economies, and private ownership of land, valuation systems are being developed in parallel.

The following statistics are derived from responses to the questionnaire

- 95% of countries operate systems of land valuation
- Valuations are used for:
 - assessing land taxes
 - compulsory land acquisition
 - planning
 - assessing compensation
- 81% of countries undertake periodic revaluations of property
 - Valuations are based on:
 - actual sale values
 - ground inspections
 - rentals
 - income capitalisation
- Valuation records include information on the following attributes:
 - age
 - construction
 - property type
 - floor area
 - condition of repair
 - land area
 - rental
 - location
 - services
- In 70% of countries valuations are carried out only by government valuers
- In 8% of countries valuations are undertaken by private valuers on behalf of government
- 22% of countries use both public and private valuers
- in 97% of countries land owners or occupiers have a right of appeal against the assessed valuation

- Valuation data is wholly open to public inspection in 32% of countries and partly open in 32%. In a further 22% of countries data is open only to professional parties. In 14% land valuation is not open to public inspection
- In 72% of countries records are either wholly or partly computerised
- In 69% of countries actual purchase prices are recorded by the Valuation Office and 35% are available to the public
- The cost of maintaining land valuation is wholly met by fees in 10% of countries, by government in 67% and by a combination of fees and government funding in a further 23%.

These statistics indicate that whilst the principles and objectives underlying Land Valuation and Land Registration systems are consistent throughout Europe the organisation, financing and position in government does vary. These differences reflect the history and the particular requirements of individual countries. What is clear is that there is increasing potential to harness new technology to improve systems and to improve access to land information by those who need it. It is also clear that there is increasing scope for countries to exchange ideas and to learn from each other of which this National Meeting in Rome provides such an opportunity.