

A Critic Answered

A rejection of site-value rating in a review of the Land Institute's report on the Whitstable valuation appeared in two successive issues of *Rating and Valuation Reporter*, dated 14 and 21 March. Replies were made by the Secretary of the Rating Reform Campaign in the form of two letters to the Editor of the *Rating and Valuation Reporter*. Extracts from the two editorials (set in) and from the two letters in reply appear below.

A valuable feature of the report is the introductory text in several parts, which between them contain a statement of the current case for site-value rating as distinguished from its purely academic justification (although the grave weaknesses of the system as a main source of local income are hardly adequately countered. The problems of site-value rating emerge from "Details of the Valuation Exercise".

Reference is made to "the grave weaknesses of the system as a main source of local income" but not one fact or argument is given in support of this contention. Under the heading 'Problems of Site Value Rating,' is given merely an account of the process of valuation as carried out by Mr. Wilks. There are no problems mentioned at all.

It is made very clear in the Valuer's Report that site value valuation is simple, quick, and inexpensive, compared with the assessment of annual improved value, and how could this be otherwise? It is obviously more simple to value a site by reference to size, shape and location than to value a composite hereditament that properly requires a thorough inspection of the property.

"All these valuations, however, produced capital values and these had to be converted to rental values, without factual evidence of the relationship between the two . . . an *ad hoc* decision had to be taken and eventually a flat 6 per cent return throughout was used." (From the Valuer's report).

The 6 per cent was perhaps the wise expedient to adopt. It does however raise one question. Why bother to convert to annual values at all with a uniform percentage applied throughout?

The need to convert the capital values to annual values is questioned. Apart from theoretical considerations, which are important, it is necessary to obtain an annual value so that a comparison can be made with the orthodox rating list, and a comparable rate in the pound calculated.

Public utilities and railways — "impossible to put a site value" on them.

That the Valuer found it impossible to put a site value on certain public utilities and railway lines was mentioned as though throwing doubt on the whole idea, but neither, of course, are such properties valued

under the present rating system!

On balance it suggests again very forcibly that site-value rating as a substitute for the current annual improved value would create far more anomalies than it would cure, particularly in relation to the rating of residential accommodation.

All in all, the Land Institute's report is an encouraging document, and nowhere does it suggest that site-value rating would create far more anomalies than it would cure, as the editorial asserts. Indeed, I would suggest that an unbiased reading of the report would lead one only to the opposite conclusion.

Equity as between ratepayers, and particularly between the different classes of residential ratepayers, must be the primary consideration in evaluating different possible bases of assessment of property for rating purposes, outweighing any other factor, and possibly all other factors put together. It is this factor which is almost invariably lost sight of by advocates of different systems and where not completely overlooked is discounted or even disregarded because its overwhelming importance is not appreciated. Local government is concerned predominantly with communal economic services, amenities, facilities, etc. necessary for residents in the local government area the extent, efficiency and quality of which make a major and fundamental contribution to the enjoyment of living in the locality. The measure of the liability to contribute to the cost of these services under the existing rating system is the logical one of the sum which the residential ratepayer thinks it worth his while to pay by himself selecting the accommodation in which he will reside as reflected in its letting value, either by paying its rent or by forgoing the rent he could get from letting if he is the owner occupier.

It is on this aspect more than any other that site-value rating falls down.

The second editorial on site-value rating makes the very important point that equity as between ratepayers must be the primary consideration in evaluating different possible bases of assessment of prop-

erty for rating purposes. It is precisely on this point that site-value rating scores so heavily. The extent, efficiency and quality of the communal economic services, amenities, facilities, etc. provided by local government is precisely reflected in the value of *sites*, not in the value of the property.

The value of the accommodation that the residential ratepayer selects for himself which you suggest should be the criterion, depends largely upon the state of repair of the building and the presence or absence of a garage, sun lounge, central heating, double glazing, fitted kitchen, front porch, fitted wardrobes, coloured bathroom suite, etc. all of which make no extra demands on, and in no way reflect the value of local authority services. It is the value of the site only that is the measure of these advantages, and it is on the value of the site that the assessment for rates should be made.

The changes in level of values of the six different classes of residential accommodation as a result of site-value rating are illuminating. . . . Thus on site-value rating there would be a reduction in values of about 10 per cent for private houses, an increase of well above that proportion for bungalows, values of private flats and maisonettes would be much more than halved. . . . There could be no justification for such an enormous shift in incidence as between houses and bungalows on the one hand and flats and maisonettes on the other. . . .

Comparing the orthodox and site value totals for different classes of residential property at Whitstable, the editorial asserts that "there could be no justification for such an enormous shift in incidence." This entirely begs the question. Who is to say that the present relative assessments are fair? Flats and maisonettes are notoriously over-assessed compared with houses under the present system. Site-value rating would provide greater equity.

On a note of caution, it must be said that group totals in themselves are almost meaningless; what matters is the assessment on the individual property.

I guarantee that anyone walking around Whitstable with a copy of the full report (showing the site value and the orthodox assessments for each property) would find no difficulty in accepting the site value figures, whereas he would find no rhyme or reason in the orthodox figures. It must be remembered that what we are comparing is a site value *valuation* with an orthodox assessment that is not a valuation at all but an arbitrary mark-up of a previous figure that was not a valuation either. This is one reason why site-value rating commends itself to ratepayers.

The tables explode again the oft repeated myth that site-value rating will reduce the proportion of local rates borne by residential ratepayers.

It has often been suggested that under site-value rating, residential ratepayers would pay less in rates. This is based on the fact that, in general, residential land is of lower value than commercial land, and the highest rateable values would be found in city centres. The 1963 valuation of Whitstable (commissioned by the Rating and Valuation Association) bore this out. In 1963, residential ratepayers in Whitstable would have paid considerably less under site-value rating. In 1973 this was no longer the case, the reason being, as Mr. Wilks made clear, that residential land values in Whitstable had risen greatly in those ten years, whereas commercial and industrial land values, for national and local reasons, had risen much less. No conclusion for the whole country can be drawn from the Whitstable figures; only a national valuation can give the answer, but in any case, the point is not important. Site-value rating is not advocated because householders would pay lower rates, but because it is a simpler, cheaper, more efficient system (as the Whitstable report makes clear beyond any doubt), is fairer, and in contrast to the present system, has many desirable side effects.