

# FINAL REPORT TO CAMBERWELL CITY COUNCIL

## ON COMPOSITE RATING INCIDENCE

by

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This is the final report to Camberwell City Council on reasons for the divergent results of the Council and Research Group checks on the incidence of the proposed Composite rate compared with the present full unimproved value rating.

A progress report based on the details supplied by the City Valuer for a 5% sample of properties in the North East Ward only was supplied on 26th October, 1969. It was indicated therein that the results of similar study for the other three wards would be supplied later in this final report. Both reports are in response to the Council request that representatives of the Research Group and the City Valuer confer to find reasons for the differences and which (if either) gave a correct statement of the position.

The major conclusion reached is that the main reason for the differences between the checks is that the council sample was far too small to serve as a basis for sound conclusions on the rating systems; whatever technique was used in selection of the examples in it.

The Council results in all wards were based on a sample of a little less than 5% of the total rateable properties. Our own sample ranged between a minimum of 18.1% and a maximum of 19.5% according to the ward concerned. This is nearly four times the size of the council sample, but is still too low for residential properties. With our sample any unrepresentativeness will be multiplied 5.5 times when extended to the ward or city. But with such a small sample as the Council's 5% any unrepresentativeness will be multiplied 20 times when

Commercial and miscellaneous properties form approximately 6% of the total rateable properties and vary widely in their valuations. For these nothing short of 100% sample can give reliable results. The complete inadequacy of the Council 5% sample for these is evident in the fact that for the North East Ward, applying the multiplier 20 to the sample would make it seem that the whole ward contains within it 20 supermarkets, 40 brick factories and 20 brick hospitals.

Moreover the balance sheet for commercial properties in the sample (after offsetting increases and decreases) shows an overall net increase in rates for these properties of £912, mainly coming from the North East and North West Wards. This is not representative as it fails to bring into account that the Burke Road shops would have their rates substantially decreased under the composite rate proposal as reported earlier by the City Valuer. No trace of this appears in the sample which, for the Centre Ward, shows only 6 commercial properties with decreases totalling £213 between them.

Residential properties (houses and flats) form more than 90% of the total rateable properties, and a reasonable idea of the incidence can be gained from less than a 100% check though only that will be conclusive. But there is clear evidence from study of its examples that the 5% Council sample is far below the proportion which could be

used as a basis for sound conclusions. The unrepresentativeness of the sample for these is evident from the following four major directions.

1. Inadequate Street representation in the samples.

Both the progress report and later investigation show that little confidence in the representativeness of the results can be justified in a sample which, for the North East Ward, contains the following distribution of the examples among the streets:

36 streets with more than two homes in the sample  
 36 streets with two homes only in sample  
 88 streets with one home only in sample  
 65 streets with no home in the sample

With the range in valuation figures possible with homes according to age and construction between brick, brick veneer and weatherboard, the choice of the one or two examples for the street is most capricious. It can radically alter the apparent pattern of incidence. (For further detail see the appendix "A" this report.)

Although the street detail has only been made available to us for the North East Ward the same paucity of representation in the streets will be shown for the other wards, this being inherent in the method of sampling used. Only by increasing the size of the sample to obtain a significant representation of houses in each street would reliable results be obtained.

2. Vacant land in sample instead of Homes.

A further significant factor making the residential sample for the North East Ward un-representative has come to light since the progress report. This is the effect of 21 of the properties in the sample in that Ward being vacant lots. These vacant lots are interspersed with houses and it is in such streets as these that houses benefit generally and to greatest degree by the full UCV rating basis. But the 5% choice falling on the vacant lots in these streets instead of houses results that the houses miss out on their due share of representation in the sample. This fact in itself makes the Council sample for this ward a distorted one in which the proportion of homes subject to increases under composite rating is understated. It is noted that the streets where vacant land replaces houses in the sample are found in the part of the ward from assessment 13297 onwards to its end. Within this range only one in five homes in the Council sample show prospective decreases in rates under the composite basis. The same criticism applies to the vacant land holdings in other wards but there are less of them in the Council sample than in the North East Ward.

3. Excessive Representation of Weatherboard Homes in Sample.

Since the progress report we have obtained from the Commonwealth Statist a breakdown of the proportion of weatherboard houses to the totals in the various wards of the City. This shows that for the North East, North West and Centre Wards the proportion of WB houses in the Council sample exceeds that found at the 1966 census by 10.0%, 13.1% and 13.6% respectively. Only for the South Ward does the Council sample approximate to the census proportion of WB houses.

The proportions by which WB houses are over-represented and brick or brick-veneer under-represented in the council sample are greater than stated above which must be regarded as a minimum only. In the three years since the census there have been some 500 new houses completed almost all of them brick or brick veneer. Taking account of these the WB content of the council 5% sample exceeds the true figure in the following approximate proportions for the various wards: North East 12 %; North West 15%; South 5%; Central 16%.

The significance of this is that WB houses are benefited by the U.C.V. basis to a lesser degree than brick or brick-veneer houses. Hence the inclusion of such an undue proportion of WB houses in the sample distorts the pattern at both ends. It makes it appear that the proportion of houses receiving reductions under the composite basis is greater than it is in fact. And it correspondingly understates the proportion of houses which would pay more under the composite basis.

#### 4. Unbalanced Results

That the numbers in the sample of houses subject to increases under the composite proposal are fewer than they should be is confirmed since after offsetting increases and decreases in these categories there is a net excess of decreases for residential examples of \$82, and for vacant lots \$617 making a total of \$ 699 not balanced by corresponding examples with increases.

#### Conclusion on Sampling

From the above it is clear that the 5% sample used in the council check was far too small to give reliable information as a basis for consideration of the composite proposal. Our own sample of nearly four times its magnitude is also less than we consider adequate but has much less room for error due to sampling. Short of a computer study covering all properties a sample of 50 % taking every second house or flat would probably give a reasonably accurate picture of incidence. But we would recommend any council considering a change of rate basis to first take a computerised check covering a 100% sample to remove any possibility of question of the adequacy of the sample.

The above underlines the soundness of the views expressed by the Valuer General of New Zealand who went on record as saying he was not prepared to predict the effect of a change in the rating basis by any sampling technique and added:

" I would be very unhappy about it in the light of our experience in the surveys that we have made because while one can take samples of say residential sectors, commercial sectors or industrial sectors, we have found in the surveys that we have done so far that a complete change of incidence can arise within those sectors, so that you have really got to take every property into account, as we see it, before you can get a sound result."

#### Investigation of Extreme Cases

It is submitted that the decision whether a change should be recommended ought not to be mainly dependent on what percentage of homes or other properties would receive increases or reductions in rates as shown by our or the council checks. Too much attention to this may cause us to miss the really important matter still needing attention. This is the question how the change would affect the extreme cases of penalty or subsidy. In our earlier report we gave examples of the under-developed houses most subsidised under the old valuation and suggested inspection of them. The 28 such houses in the council samples for the four wards are now listed under Appendix "C". It is recommended that the Assessment numbers

given there be identified to the street locations and the values of the improvements be shown together with their unimproved values. Councillors might then make personal inspection of them to decide whether they really consider them deserving of subsidy at the expense of more-improved homes. At the other end of the scale investigation is still needed to determine from case studies whether the occupants of the home-units, villa units and flats most affected are really an affluent section of the community who can afford to bear the penalties or whether they are persons of limited incomes to whom it would be an unfair burden as our information suggests.

A. R. HUTCHINSON,  
Hon. Research Director  
19/11/69.

# APPENDIX "B"

## Weatherboard Houses as Proportion of Total Occupied and Unoccupied Houses

<u>Ward</u>	<u>1966 Census</u>	<u>1969 Council Sample(5%)</u>
North East Ward	36.54 %	115:286 = 40.20 %
North West Ward	24.57 %	90:392 = 27.86 %
South Ward	32.85 %	133:392 = 33.92 %
Centre Ward	45.60 %	158:305 = 51.85 %

Council Sample exceeds Census by:

Allowing for 500 new  
homes since census

North East Ward	3.66/36.54 = 10.01 %	= 12.07 %
North West Ward	3.21/24.57 = 13.06 %	= 15.17 %
South Ward	0.07/32.85 = 0.22 %	= 5.17 %
Centre Ward	6.20/45.60 = 13.59 %	= 15.68 %

# APPENDIX "C"

## Listing the least improved houses in the Council sample for each of the wards

(i.e. those in which the decrease in rates under the  
Composite Rate proposal would exceed 20 per cent )  
It is suggested that special inspection be made of  
these properties to see whether it is appropriate  
that they bear these reductions at the expense of  
more-improved houses.

### NORTH EAST WARD

<u>Assessment</u>	<u>Ratio UCV/AV</u>
8187	19.0
8249	18.0
8410	16.8
8489	16.0
9095	16.6
9692	17.8
9771	16.9
11027	16.9
11406	18.6

### SOUTH WARD

23099	19.2
23566	20.0
24179	17.2
24257	16.8
25456	16.8
31076	16.4

### NORTH WEST WARD

<u>Assessment</u>	<u>Ratio UCV/AV</u>
882	16.6
2096	18.2
1675	16.0
1827	17.8
5525	17.9

### CENTRE WARD

16494	18.6
17158	16.6
17581	16.3
17660	17.4
20034	16.7
20535	16.1
22272	18.1
22491	18.8

REPORT TO RATEPAYERS OF CAMBERWELL  
(COPY OF SUBMISSION)

SUBMISSION TO THE BOARD OF INQUIRY INTO LOCAL GOVERNMENT FINANCE  
IN OPPOSITION TO SUBMISSION NO. 7 FROM CAMBERWELL CITY COUNCIL.

1. My name is Allan Robert Hutchinson, of 32 Allison Avenue, Glen Iris. I am a Science Graduate, Chartered Engineer and Research Consultant. I am a Vice-President of the General Council for Rating Reform, and a Councillor of the City of Camberwell. It is mainly in this last capacity that the present submissions are made and restricted to this one matter. I will be making separate submissions later on other more general matters relative to the terms of reference of the Inquiry but unconnected with the City of Camberwell submissions.
2. Camberwell City Council has presented a comprehensive series of submissions to the Board of Inquiry into Local Government Finance. I wish to present a case in opposition to its submission number 7 relative to rating systems and particularly to paragraphs 1 to 8 inclusive.
3. Submission No. 7 Outside the Terms of Reference.

I would first particularly draw your attention to the fact that this Council submission No. 7 is really outside the terms of reference of the Inquiry. The opening words of Camberwell Council submission on this say "It may be difficult for the Board to admit this submission within its terms of reference." This is a clear indication that there is no real place for this submission among those put forward. It is really trying to introduce this submission 7 under the Board's term of reference No. 4 which deals with the question "What other basic financial difficulties (if any) encountered by municipalities prevent or substantially hinder the effective performance of the Statutory functions."

4. The question of rating system used is clearly outside this term of reference. The choice of rating systems available to councils and ratepayers is such that there is no financial disability met with councils due to the system whatever their rating system may be. The systems are so flexible that the council can get whatever predetermined amount of revenue it decides upon simply by striking the rate in the dollar to return that total amount of revenue whatever the rating basis used. It makes no difference whatever to the Council and it is pushing the argument very hard to describe the system of rating as involving a "basic financial difficulty which prevents or substantially hinders the effective performance of the Statutory functions of the Council".
5. This criticism of the council submission applies both to the first part of its submission No. 7 relative to the means of choice of rating system, and to the second part relative to the residential rate. In either case the council revenue is unaffected by the choice of rating system. Any differences in payments between the systems affect the ratepayers themselves -- not the Council. Ratepayers are vitally concerned with the equity of the rate incidence of one system of rating over another - but the Council is not concerned for its revenue.
6. For these reasons my first submission is that you would be acting appropriately in simply rejecting the whole of Camberwell Council's submission No. 7 on rating systems, on the simple ground that they are outside the Board's terms of reference -- which was



7. Nevertheless, in case the Board should consider the question of rating systems is within its terms of reference, my next submission is that Camberwell Council submission No. 7 is insupportable, against public interest, and should be rejected for the reasons set out in the following paragraphs.

Submission Not Yet Debated.

8. It should be pointed out at this stage that, although the Camberwell submissions went forward to you some time ago and include this particular submission No. 7, they were considered only in broad outline by the council and this submission has not as yet been debated at all. Indeed, copies of the roneod expanded submissions already supplied to the Board were only made available to all councillors on 6th May, 1971. It then became evident that they went a good deal further in this matter than would have been appreciated from the broad outline draft. On perusal of the submission I took immediate action to call for discussion on Monday 7th June, in open council on this submission with notice of motion in the following terms:

"That with reference to the City of Camberwell submissions to the Board of Inquiry into Local Government Finance, the Council submission number seven BE AMENDED BY DELETION OF paras 7.1 to 7.8. which, as written, submit that legislation should be amended to abolish the existing rights of ratepayers to self-determination of the rating basis at polls of ratepayers AND THAT the Board of Inquiry into Local Government Finance be advised accordingly."

It will, therefore, be seen that the Council's submission 7 is in the melting-pot and will either have been deleted or confirmed by the time my present submissions are heard by the Board.

(My motion above was carried by 9 votes to 2 and the Board of Inquiry advised of deletion of submission 7)

9. The basic objection to Council submission.

The kernel of the Camberwell Council submission, against which my objection is directed, is the first part of paragraph 7.3 which reads as follows with the objectionable part underlined:

"We submit that a Council should be free to introduce a changed basis of rating, with the present provisions of the Local Government Act relating to polls, repealed."

Municipal councils already have the right and power to initiate changes in the rating system if they desire to do so. They can adopt the unimproved capital value wholly, net annual value wholly, or any combination of the two that they want. They can make this change by their own resolution without taking a poll. They can do this subject only to the right of a statutory number of dissident ratepayers to demand that their proposal be submitted to a poll of ratepayers. This is the safeguard embodied in legislation to ensure that ratepayers cannot have a system foisted on them in opposition to their wishes. This is in accordance with a fundamental principle of Local Government in Victoria that ratepayers are the ultimate controllers of their own affairs. They have the right to self-determination on the system by which their rate payments are assessed. The council proposal to repeal these Local Government Act provisions for ratepayers to demand polls to decide the basis of payment would rob the ratepayers of this right to self-determination.

10. This council submission embodies an arrogant assumption that councillors as such have special powers which should give them the right to impose on the ratepayers a rating system which they do not want, in defiance of their wishes. It would supplant the present democratic basis of Local Government with a "Big Brother knows best" atmosphere completely against the democratic principle upon which the strength of Local Government

11. In paragraph 7.8 the council submission correctly cites the conclusions and recommendations of the New South Wales Royal Commission of Inquiry on Rating Valuations and Local Government Finance of 1967, in support of their claim that councils should be able to make such changes by their own resolution without a poll. But in recommending that N. S. Wales councils be given a discretion to raise their revenue by a rate on unimproved (or site) value, assessed annual value, or a combination, that Commission also said (para 4.73):

"This discretion, however, must be controlled or limited in some fashion so as to prevent a rating system being foisted on the ratepayers against their will, or without due notice and appropriate consideration, or in a manner which would impair reasonable stability in the rating system."

It should be noted that the Commission was concerned to assure that a system was not "foisted on ratepayers against their will." In the absence of recent poll experience in N. S. Wales they thought it would be a sufficient safeguard to require an absolute majority of the councillors to vote for it. Victorian experience (and particularly that of Camberwell Council itself) shows that this would be entirely unsatisfactory as a safeguard and that nothing short of retention of the present right of ratepayers to demand polls -- as provided in the Victorian Local Government Act -- would be a satisfactory safeguard.

12. If it be thought necessary to consider views of other Committees on this question of means to ensure that unwanted systems were not foisted on ratepayers, it would be more appropriate to take the later recommendations of the South Australian Local Government Revision Committee on Powers, Responsibilities and Organisation of Local Government. This five-man Committee presented its report in July 1970 and unequivocally recommends that ratepayers be given the right to demand polls. The relative recommendations on method of Changing the System of Valuation and Rating as extracted from that report are as follows:

- 901. Each council shall have the right to choose the valuation system or systems to operate within its area.
- 902. Unless a contrary choice is made, the systems applicable should be that of rating on market values.
- 903. If the choice made by the Council does not satisfy the ratepayers they should have the right to choose for themselves.
- 904. Equally, the Council (and if they are dissatisfied with the Council's decision, the ratepayers) should have the right to choose to change from one system to another from time to time.
- 905. If the change is proposed to be limited to a ward or town the ratepayers to vote should be those enrolled in respect of property in the particular ward or town.
- 906. The provisions for a vote by ratepayers should be the same in all cases instead of, as at present, requiring a different majority dependent upon the type of valuation system to be adopted.
- 907. Those entitled to vote at a valuation poll should be those entitled to vote at an election.

13. Majority Vote of Council on rating systems is inadequate.

It often happens that an undue proportion of the relatively few councillors in a municipality would be benefited or injuriously affected financially by one or other of the alternative rating systems. There is no reason to think that their personal interest would necessarily sway their judgment as to which system is best for the council. But it would be a great mistake to build the Local Government Act around the assumption that the majority of councillors will, at all times and places, do what is good for the majority at the expense of their personal interest and that no safeguards are needed.



14. The Local Government Act provisions under Section 181 - which require councillors to declare their pecuniary interest and abstain from voting or being in attendance during discussion on matters thus concerning them, is not a safeguard in this case. This is because, in the matter of determination of the rate, Councillors are expressly exempted from the prohibitions of S. 181 in regard to striking the rate and (by implication) also from the choice of system upon which the rate is to be struck.
15. Hence, it is most important that ratepayers aggrieved by the Council decision for any reason should have the power to demand that the decision of the Council be put to a poll of ratepayers. In many cases the decision of the council may not be challenged at all. In other cases where it is challenged, if it was a soundly based decision, the poll will probably be carried. But whether it is carried or not it will be the choice of the ratepayers, which must be accepted as democracy in action. If they make a mistake it will be their own mess - and they will have an opportunity of changing it later by the same means.
16. Nor does the need for ratepayers to have the right to demand polls depend purely upon the possibility that the judgment of the majority of their councillors may be distorted by self-interest. They may have come to the wrong conclusions based on inadequate information. Or they may even have reached the right conclusions, but if ratepayers think otherwise then it is in the best interests of all that they be able to demand and secure a poll. The provisions in the Victorian Local Government Act under which, before a poll is taken, ratepayers must be given comparisons of the rates upon their properties under the alternative rating systems in question, ensure that they will know beyond question how they would be affected financially by the proposals. Hence they are not only reliant upon claims made for the respective systems by their advocates.
17. Camberwell council's own experience with last year's rating poll shows that an absolute majority vote of councillors is inadequate to safeguard ratepayers from having an unwanted system foisted upon them.

The council by an absolute majority vote (9 to 3) decided to change its rating basis from unimproved capital value to the composite basis. Dissident ratepayers presented to council a demand, signed by 9000 ratepayers, that a poll of ratepayers be taken before implementing the proposal.

Despite the Council view the ratepayers voted overwhelmingly against the Council proposal. The actual voting at the compulsory poll was 13,787 for and 21,890 against the Council proposal (61%). Not one of the 24 polling places in the City gave a majority for the council proposal.

This is a classical case where the majority vote of councillors (as advocated in the Camberwell council submission) would have resulted in a rating system being "foisted upon the ratepayers against their will."

Inevitably, the Camberwell Council submission to the Board will be seen by ratepayers generally as an attempt to get around their clearcut decision by the indirect means of getting your Board to seek repeal of the legislation for ratepayers' polls. In their view this would be followed by a further move to obtain the composite rate through the Council without ratepayers being able to veto it at a poll.

18. Making the rating system an issue for Council elections as an alternative to ratepayers' referenda.

If ratepayers' polls were abolished (as suggested in the council submission) the only alternative means open to ratepayers would then be to seek to make the rating system an issue at all council elections and so ensure that candidates favoring unwanted systems

on the issue of the rating system and was successful in defeating him by a substantial majority, on it. He had been a capable and highly respected Councillor for 24 years and was the Chairman of the Committee which brought in the recommendation in favour of the composite rate.

20. Nevertheless, I think it would be most undesirable if the rating system had to become a permanent election issue as it inevitably would if ratepayers polls are abolished. Notwithstanding its importance, the rating system is only one phase of council operations. Once ratepayers have decided the system it should be possible for it to disappear from the annual election issues. Councillors should then be able to bring their personal abilities to bear upon the continuing problems of their municipality, at least until there was in fact a further proposal to change the rating basis.
21. My proposed alternative amendment of the Local Government Act.  
For these reasons I consider that the provisions of the Local Government Act which provide for ratepayers' polls on the rating system should not be repealed. But in addition an amendment of the Local Government Act is needed to make it clear beyond doubt that the decision of ratepayers' polls is paramount over a decision of councillors alone.
22. My proposal is that a clause be inserted in the Local Government Act to say that where the current rating basis has been adopted (or reaffirmed) by a poll of ratepayers under sections 317 or 319 of the Local Government Act it shall not be changed except as the result of a later poll demanded by the ratepayers.
23. The Council itself should only have the right to propose to change the basis of rating by its own resolution where the existing basis has not been decided directly by the ratepayers at a poll. This could apply to councils using the N.A.V. basis where it was not decided upon by poll. Or it could apply to councils rating U.C.V. as result of council resolution where a poll was not taken.
24. This proposal was made a direct election issue by me in my successful campaign for election to Camberwell Council last August. In my election manifesto I stated it and promised that - if elected - I would seek alteration of the Local Government Act on these lines. The relative paragraph from my manifesto reads as follows:  
"I consider that, as ultimate power rests in the ratepayers, once they have themselves decided the policy on any matter by a poll it should not be changed except by a later poll demanded by DISSIDENT ratepayers. It is morally wrong to force people who want no change to demand a poll simply to maintain the status quo as in this case. If elected as your representative I will seek alteration of the Local Government Act to ensure this cannot happen in future."
25. My election was, therefore, a mandate for it and accordingly I now seek to keep faith with my electors by pressing for this change through the Board of Inquiry.

(CR.) A. R. HUTCHINSON.

2nd June, 1971.

# **Councillor Allan Hutchinson Reports to Camberwell Ratepayers**

Following my earlier reports to ratepayers on Camberwell affairs the present one deals with some happenings in which I have played a major part in my three years in council. These events will be news to many ratepayers as they have only been partially covered (if at all) in the local press.

My election occurred during the "shandy" rate controversy in 1970 when the major principle for which I stood was that Camberwell ratepayers should not be taxed on the value of the homes or other improvements on their sites. They should only be rated on the value given to the site itself by its situation in relation to public amenities. I also advocated that the same principle be extended to Board of Works as well as council rates and my election was a clear mandate for that principle.

## **PROPOSED GARBAGE COLLECTION CHARGE**

Soon after the election the council administration brought forward a proposal to levy a garbage collection charge of about \$8 on each improved property instead of increasing the rates by 10 per cent. The proposal was wisely rejected by councillors — partly because it was felt it could be regarded by ratepayers as an attempt to circumvent their decision in the recent referendum — partly because I was able to show, by analysis of the valuations, that instead of reducing the rate burden on homes (as claimed for it) the great majority of houses and flats would be worse off by it. Properties of unimproved value less than about \$7,000 were mainly residential and would pay more under the proposal. Those over that figure were mainly business and industrial properties which would gain substantially by it. The 670 vacant land holdings would not pay any garbage charge and would be let off the 10% increase in the rate. Homes would pay more to bonus such properties

## **ABOLITION OF RATEPAYERS' RIGHTS**

In May, 1971, the rating system again erupted as a major issue in the submissions made by Camberwell Council to the Board of Inquiry into Local Government Finance. These were prepared and submitted to the inquiry by the administrative staff. When councillors received their copies of what had already been sent forward as a 'fait accompli' it was seen that the administration had gone far beyond the scope of its five line charter from the Council to make a submission on the rating

system. This had contained no indication that officers were proposing to seek, through the Inquiry, legislation to abolish the long standing rights of Victorian ratepayers generally to demand polls to decide which system they preferred as their rating basis. Yet this was now seen to be the proposal in their own submission No. 7 which complained that their plans had been thwarted by the existence of the legal right to demand polls. This right had been exercised by 9,100 Camberwell ratepayers and resulted in veto of their scheme. They now sought abolition of those rights everywhere — by a back door approach.

On reading this submission I protested strongly that the contents had never been discussed by the Council in whose name it was sent — and gave notice of motion for the Council meeting of 7th June, 1971, as follows: "That Council submission No. 7 be amended by deletion of paragraphs 7.1 to 7.8, which, as written, submit that legislation should be amended to abolish the existing rights of ratepayers to self-determination of the rating basis at polls of ratepayers, and that the Board of Inquiry be advised accordingly". (Both Cr. Watson and myself also gave notice to the Board of our intentions to make a counter-submission which was later presented).

When the matter came up for debate in Council I spoke at length on it and was ably supported by Cr. Watson. None spoke against the motion and it was evident that councillors generally accepted our arguments. On a division my motion was carried by 9 votes to 2 with one councillor absent. The Board of Inquiry was advised by Council of the withdrawal of this part of its submissions. In view of the fundamental rights of ratepayers everywhere to self-determination in their own affairs, which were at stake in this case, I felt that in this matter I had justified the confidence which ratepayers had shown in electing me.

### **SEYMOUR GROVE**

Early in my term of office great dissatisfaction was shown by the residents of Seymour Grove over the proposal adopted by Council to turn their street into a by-pass road. As originally planned their homes would be purchased by Council for demolition under the scheme (some already have been bought). It was proposed that a \$750,000 car-park be constructed on these sites with a small amount of parkland left fronting the Grove. The residents wanted this part of the scheme dropped and to be allowed to continue to live in their homes. On investigation, the South Ward councillors were united in support of their case and each spoke effectively at various interviews and conferences between the residents and councillors. Eventually, enough councillors from other wards accepted their views to give a majority for abandoning the car-park proposal and retention of the homes in Seymour Grove. However, we were unsuccessful in our efforts to secure majority support for amendment of the original proposal which required destruction of the trees on the north side of the Grove. This remains a source of dissatisfaction with residents there.

## **LITHGOW AND TRENT STREET RE-ZONING**

In July, 1971, great concern was expressed by residents of Lithgow and Trent Streets, Burwood, over Council proposals to re-zone them as 'light industrial'. A majority vote had been passed in Council some time before (against the united opposition of South Ward councillors), to ask the Board of Works to do this. The Board had now given its decision against such re-zoning. In my absence interstate, at its meeting on 19th July, 1971, Council had then passed a motion to apply to the Minister for Local Government asking him to over-rule and direct the Board of Works to re-zone the area as 'light industrial'. Hearing of this on my return, I gave notice of my intention to move in Council for rescinding of that decision, with a view to retention of the zoning as residential. Petitions, deputations and other action taken by ratepayers focussed attention on the issues. When the matter was debated in Council the arguments of myself and other South Ward councillors proved cogent enough to persuade a majority of councillors to rescind their previous vote and thus retain the residential zoning.

## **MAVERSTON STREET PARKLAND**

Another source of contention was the issue of a permit to a developer for a half-acre block at 26 Maverston Street, Burwood. Signatories from 243 of a total of 455 households in the area had petitioned council to buy the land for use as public open space with retention of the trees on it. As result of this, deputations and other submissions, council in committee had agreed to the proposal in principle, subject to satisfactory negotiations on price. When this was reported to be higher than expected Council decided not to purchase and instead to grant the permit. Afterwards, considering that the proposal was still economic, despite the higher price, I gave notice of motion to rescind the previous decision but the Mayor refused to accept it. I then distributed to councillors and the public a statement headed "What I would have said if the Mayor hadn't stopped me". Later, I again gave notice of motion to rescind in a different form, which was accepted this time and debate proceeded. However, my rescinding motion was defeated.

## **DENMAN AVENUE DRAIN ABANDONED**

As result of storm water entering the municipal tip, Council prepared a scheme for construction of a drain to serve six houses in Denman Avenue at the cost of the owners, who all objected. On investigation I discovered they were already served with an efficient privately-constructed drain which had discharged into the creek at their rear. This had recently been converted into a barrel drain by the Board of Works and then covered over with rubbish in the tip operations. The Council had been unaware of its existence and hence failed to connect the private drain when the creek was barrelled. The provision of a new drain was not necessary. All that was needed was to connect the outlet of the existing private drain to the Board's drain. My report to Council on these lines was confirmed by the officers and on my motion the proposed drainage scheme was abandoned.

## ASHBURTON RE-DEVELOPMENT PROPOSAL

A comprehensive plan for renewal of the Ashburton Shopping Centre was prepared by Council and views of ratepayers invited on it. It embodied diversion of traffic from High Street to a new by-pass road to be constructed; conversion of the present shopping centre to a mall; purchase and demolition of a large number of homes for the road and increased car parking facilities; re-zoning of residential areas to higher density. Feeling that too much publicity had been given to the advantages offered by it and too little to the capital and interest costs (exceeding \$3,424,000) to be met by ratepayers in increased general rates, I prepared notes on these for all interested to seek information. My advice was that I was opposed to the Council scheme but would support an alternative abandoning the by-pass road; banning right hand turns to and from High Street in the shopping centre; and providing a vehicular over or under-pass for access between the areas north and south of High Street. Such an alternative could be achieved at a small fraction of the cost of the Council's scheme. However, such an overwhelming measure of opposition was expressed by ratepayers against the official scheme that it has been abandoned. Council view at present is that any further plans for the Ashburton area will have to be specific proposals initiated by ratepayers themselves and not by Council.

## RESIDENTIAL USE RATE

This year Council decided to use new legislation allowing a lower rate in the dollar to be struck for residential properties certified by the valuer as having been substantially increased in land value by re-zoning for business or flat purposes. The lower rate applies only while the owner continues to live in the house and when it is sold the difference in the rates for the preceding five years must be paid from the proceeds of sale. Objection has not been raised to this as it preserves the principle of site rating and un-taxed improvements; the temporary concession it involves disappears on sale and is then recouped to the council; and because the change of zoning which gives rise to it is itself an arbitrary one.

This report covers only major matters of special concern to South Ward ratepayers or of common interest to ratepayers everywhere in Camberwell, on which my actions and advice have had powerful influence in changing Council thinking. In August I will stand again for a further term as South Ward Councillor, and will appreciate your support.

*Allan R. Hutchinson*

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# MINIMUM RATES FOR CAMBERWELL?

REPORT BY CR. A. R. HUTCHINSON

1. Last year for the first time a minimum rate of \$50 was levied by Camberwell Council. The question of the minimum rate will again necessarily arise in considering our estimates for the year 1974/75.
2. Last year I contended that we should not strike any minimum rate at all since we are rating on the unimproved value basis. This charges proportionately to the value given to the owners' properties by the community at large, with which the nature and level of council services available is closely tied. However, most councillors felt that there should be some minimum charge mainly because they believed that flats and home units were not paying enough. A minimum of \$50 was then adopted.
3. I have now made a more exhaustive study of the incidence of the various alternatives listed in the yellow pages of the estimates papers and other material made available to councillors for the purpose by municipal staff. The results are summarised below and in the attachments which show how they will affect the major groups that will pay more under a minimum rate; and those that will pay less through it. The new information should help you to decide whether continued use of a minimum rate is warranted at all and if so its magnitude for this year.
4. Minimum rates will necessarily be to somebody's gain and somebody else's loss. It is therefore commonsense to consider first the greatest losers and the greatest gainers to see whether the results accord with our sense of justice.
5. Elderly citizens flats are the greatest losers.  
Camberwell has sixteen elderly citizens housing estates constructed by Church and other charitable organisations for needy people. These homes are far and away the major sufferers under the minimum rate charges. This will be evident from the listing on Sheets Nos. 1 and 2. The first shows rates payable under various alternative proposals using the general rate in the dollar of 1.8366 cents as embodied in Schedule E of the estimates providing for a 25% increase in rate revenue over last year. Bearing in mind that a poll was taken in 1970 (and heavily defeated) on a proposal to change to the "shandy" rate basis (under which owners improvements would be rated) the equivalent rating on that basis is also shown. And so is the amount payable under the full NAV rating basis which taxed improvements even more heavily. The last column shows the effect of a minimum rate of \$50 the same as last year. All these alternatives may be helpful to establish standards of comparison on what is appropriate.
6. Summary of gains and losses by groups

Minimum rate \$	(a) <u>Payments increased by minimum rate</u>		(b) <u>Payments reduced by minimum rate</u>	
	Numbers affected	Average increase \$	Numbers affected	Average increase \$
50	2242	+ 15.43	32,412	- 1.06
60	3327	+ 18.82	31,327	- 1.99
70	4395	+ 23.06	30,259	- 3.35
80	5269	+ 28.39	29,385	- 5.09
90	6786	+ 30.88	27,868	- 7.52
100	7604	+ 37.00	27,050	-10.40



7. Closer examination shows that the normal general rates charged on the 2242 assessments affected most heavily by the minimum rate on the unimproved value basis are NOT inadequate to cover council costs on the 16 elderly citizen home complexes as councillors believed last year. It shows also that the imposition of a minimum rate charge to raise extra revenue from them is morally indefensible and socially injurious. The belief otherwise arose from considering only the rates paid on the individual cells or flats in the complex instead of looking at the rate contributions from the whole property and comparing them with the rate payments on neighbouring properties occupied by normal homes. Failure to do this resulted that the comparisons made were not like-with-like. Similar fantastic and equally unreal conclusions would follow application of the same practice to ordinary single houses treating each habitable room to which the minimum rate charge would apply.

That the normal rate contribution from the elderly citizens flat properties would be more than adequate without minimum charges is proved by the following comparisons for six of them with neighbouring properties occupied by single houses: -

Street	Buildings	Frontage in houses	Normal equivalent rate @ 1.8366¢ \$	Expect if single homes same f/tage. \$	Dffce. \$
2-4 Gascoyne St.	Baptist flats	3	494	700	-206 (29%)
3-5-7 " "	3 single hses.	3	700		
26 Rochester St.	Canty.Cit.Welf.	1	345	233	+112 (48%)
24 " "	Single house	1	233		
14 Brenbeal St.	R.C. flats	2	505	292	+213 (73%)
16 " "	Single house	1	146		
24 " "	R.C. flats	1½	360	250	+110 (44%)
26 " "	Single house	1	168		
132 Yarmbat Ave.	Indept.Ch. Flats	1	943	624	+321 (51%)
136 " "	Single house	1	624		
95 Middlesex St.	Canty.Cits. Welf.	2	378	256	+122 (48%)
93 " "	Single house	1	128		
OVERALL				2,355	+672 (29%)

(With most of these sites the normal U.C.V. rate will produce substantially more revenue from the sites than obtainable from the single homes replaced, because home units are generally built on deep blocks the rear parts of which have little value with single homes but have much higher values as flat sites.)

#### 8. Other villa units and flats

Apart from the special cases of the elderly peoples homes built by charitable institutions as above the privately constructed villa units and O.Y.O. flats are the next hardest hit by minimum rates. Most of the remaining 1960 assessments affected by the \$50 minimum charge are in this class. The average increase for them through it is \$11.65 which is 30%.

As with the previous group, examination shows that the comfortable belief that their normal rate payments are not enough to meet their share of council costs is untrue. Taking an average of five such units per block there are about 392 blocks involved which will yield rate revenue of \$78,763 averaging \$200 per property. This greatly exceeds the average rate of \$146.70 per residential property, the excess of \$53.30 being about 35%. These properties are thus contributing to lighten the average burden for other ratepayers and not the reverse as previously thought. There is no real justification for imposing a minimum rate at all on these grounds.

9. Robbing the Poor to give to the rich

Examination of the summary of gains and losses by groups (para 6) shows that the amounts of the reductions achieved by the minimum rate are insignificant until the highest ranges are reached. On the other hand the increases imposed on a very small section of the community by them are substantial.

A questionnaire to occupants of villa units and O.Y.O. flats in Camberwell showed that the occupants are not a particularly wealthy group that can afford to bear increased imposts. It showed only 26% were in full employment, 26% pensioners, 19% on superannuation and 30% on other fixed incomes. Also that 80% of them had only been able to buy their units from the proceeds of sale of their old homes and did not have incomes in keeping with them.

On the other hand although the reductions obtainable at the expense of these groups are small in magnitude they do go to that section of the community which would be regarded as best able to look after itself. For example, Schedule E of the estimates papers shows that the average residential property in Camberwell has an unimproved value of \$7988 while the average business property averages \$22,565. As it is the larger properties that generally have the higher values it follows that the average residential saving will be less than shown in paragraph 6 while the average business share will be substantially greater than that overall average.

An abnormally large share of the reductions under the minimum rate will go to those 400 odd larger properties which have already been given a 15% cut in their rates by the lower residential use rate accorded them. It seems quite unrealistic that a section having already been selected out for special treatment have another handout given to them at the expense of others less able to bear it than themselves.

10. Conclusion

For these various reasons I would urge that the use of the residential rate be altogether abandoned by Camberwell Council and I would appreciate your support for this. If not prepared to abandon it completely, perhaps you may be prepared to support a lower sum with our present estimates. It may be recollected that there was a substantial minority support for \$30 last year though a higher figure was then adopted.

Yours sincerely,

OCTOBER, 1974

(SGD.) ALLAN R. HUTCHINSON (Cr.)

OCTOBER, 1974.

HOW CAMBERWELL ELDERLY CITIZENS HOMES WILL BE AFFECTED BY  
VARIOUS ALTERNATIVES UNDER CONSIDERATION FOR ESTIMATES  
1974/75

Comparisons are made with the N.A.V. basis and the "shandy" rate which was subject of a poll in 1970.

Owner and Location	Number of units	U.C.V. Rates @ 1.8366	Shandy Rate $\frac{1}{2}$ UCV & $\frac{1}{2}$ NAV	NAV Rate @ 17.831	Minimum Rate @ \$50
		\$	\$	\$	\$
Baptist Union of Vic. (2-4 Gascoyne St.)	(46)	494	1466	2438	2300
Salvation Army Aged Women's Home (440 Camberwell Rd.)	(42)	388	1157	1926	2100
Society for the care of aged or incapacitated nurses (6 Rochester Rd.)	(15)	474	672	869	750
Elderly Nurses Home (8 Rochester Rd.)	(26)	702	1104	1507	1300
Canterbury Citizens Welfare Committee (26 Rochester Road)	(24)	650	1020	1391	1200
" " " " (16 Faversham Road)	(11)	345	478	611	550
" " " " (95 Middlesex Road)	(14)	378	595	811	700
" " " " (6 Chaucer Cresc.)	(17)	459	722	985	850
Trustees Independent Ch. (132 Yarrabat Ave.)	(26)	943	1250	1756	1300
Roman Catholic Trustees Corp. (14 Brenbeal St.)	(16)	505	716	927	800
" " " (24 Brenbeal)	(10)	360	470	580	500
" " " (18 Glyndon Rd.)	(16)	505	716	927	800
Congregational Union of Vic. (8 Joffre St.)	(12)	215	455	695	600
Southern Cross Homes Inc. (2 Highfield Rd.)	(16)	507	752	999	800
Church of England Trusts Corp. (2 Berwick St.)	(12)	213	458	704	600
Probus Womens Housing Assoc. (11 Maverston St.)	(12)	250	464	678	600

FOR CONTINUATION WITH HIGHER MINIMUM RATES . . . SEE SHEET NO. 2.

# MINIMUM RATE CHARGES IN LOCAL GOVERNMENT

## Their abuses as demonstrated in Camberwell City

A recent report presented by Councillor Allan Hutchinson to Camberwell City Council shows inherent injustices in the practice of levying minimum rate charges. The conclusions reached in it are of general application to councils elsewhere and not simply of local interest. They demonstrate the urgent need to establish a legal maximum limit to such charges. The highlights of the study are given below.

For many years there has been a recognition that — in the councils rating net annual values — the rate contributions of poorly improved property such as vacant land were inadequate even to cover the costs of valuation and issuing the assessments. Hence legislation allowed the imposition of a minimum rate charge of not more than \$4 annually.

In 1973 new Victorian legislation abolished all limits both for maximum and minimum rates. It is from this that the present problems arose. Many councils have taken the opportunity to substantially increase their rate revenue by imposing high minimum charges instead of increasing their rate in the dollar on the valuation. The deliberate objective has been to draw substantial extra sums from the lower valued houses, O.Y.O. home units and flats. In Camberwell a minimum rate of \$60 was first struck then increased to \$80 for the current 1974-75 year.

The incidence and effects of the minimum charges have now been investigated. A computer study was first made of the properties penalised by the adoption of the minimum. This was extended to the properties benefited by the lower rate in the dollar made possible by the extra yield of the minimum charges. The position for each of the 300 major beneficiaries from this was taken out by computer. The appropriateness of the increased payments on those paying more as compared with those paying less was then examined.

The groups penalised or subsidised by the minimum charges are shown below with the numbers of properties in brackets and the magnitude of the average penalty or saving shown in full figures.

### A. Penalised

Elderly Citizens' units (315) \$59.73; Other flats and OYO's (2483) \$34.40; Houses (267) \$10.77; Other small properties (965) \$57.87.

### B. Subsidised (top 300)

Retail stores (7) \$72.07; Supermarkets (8) \$58.43; Miscell. Business (11) \$47.86; Showrooms (6) \$36.71; Factories and workshops (15) \$31.62; Shops and Offices (71) \$28.52; Warehouses (4) \$26.54; Banks (11) \$25.07; Service Stations (48) \$25.03; Car yards (2) \$23.85; Picture theatres and Halls (3) \$23.85; Private Hospitals (4) \$20.42; Clubs (6) \$18.25. Vacant land (9) \$28.20. Houses (a) Residential use rate (65) \$20.29. Houses (b) Full general rate (31) \$25.88.

### Conclusions warranted by these comparisons

(1) The main types of property penalised by the minimum rate charge are seen to be the Elderly Citizens' Units provided by charitable organisations, other flats and O.Y.O. units, and houses up to \$4000 unimproved value. With almost all of these the extra payments will be borne personally by the individuals, owners or occupiers, from their personal incomes.

(2) A survey made in Camberwell in 1970 showed that occupiers of villa units and O.Y.O. flats were not a particularly wealthy group that can afford to bear such imposts. It showed only 25% were in full employment; 26% were pensioners; 19% on superannuation and 30% on other fixed incomes. Also that 80% of them had only been able to buy their units from the proceeds of sale of their old homes and did not have incomes in keeping with them.

(3) By contrast more than two-thirds of the top 300 beneficiaries from their lower payments would be large business firms which comprise 13 of the 16 groups. The amounts received by these firms would be negligible in their business costs which are in any case deductible for income tax purposes.

(4) The 14th of the 16 groups in the major beneficiary list is vacant land holdings. **It is completely inappropriate that, in a municipality using the unimproved value rating basis, vacant land holdings should be bonussed through the minimum rate at the expense of small residential properties.**

(5) Of the top 300 beneficiaries in lower payments resultant from the adoption of the minimum rate 96 (less than one-third) are residential properties. Of these 65 (two thirds) are seen to be paying rates on the lower residential-use rate scale. That is, they were already receiving a reduction of 15 per cent of the normal general rate while they continue to live in their homes, although they are in areas certified to have substantially increased land value due to their zoning for higher uses. **It is most inappropriate they should be given an additional bonus through the minimum rate at the expense of less fortunate residential property holders.**

(6) The two sections (A) and (B) represent the extremes of benefit or penalty experienced on individual properties through the minimum rate, as compared with the rate charge alone without minimum. The benefit received by the average business or residential use rate property is \$20 upwards. The average penalty experienced by the residential properties in the first two groups is nearly \$40 so that it can be said that on average each of these units is paying the subsidy of up to two of the major gainers in Section (B). **Thus the poorer section of the community is being compelled to subsidise the richer in an inversion of the classical Robin Hood theme.**

**Would elderly peoples' homes, O.Y.O. units and small houses pay less than their fair share of council costs if no minimum rate is specified?**

There is a commonly held but mistaken belief that building of several home units or flats on a large site previously occupied by a single house increases the municipal rate bills of other ratepayers. It is also wrongly believed that under site value rating the revenue yield of a block of home units or flats would be no more than if the same site were occupied by a single house.

The first belief cited is untrue because the higher housing density with a number of units to the site **reduces the average council costs compared with the erection of the same number of new single houses.** The latter would increase the

length of roads to be constructed and maintained, similarly for street lighting and the numbers of garbage trucks to be provided. The raising of the housing density brings intensified use at lower average cost per dwelling in the municipality and thus tends to reduce the rates.

The second of these beliefs is untrue because the increase in the number of housing units on the site in areas zoned for such **brings with it a substantial increase in the rateable unimproved value of the sites they occupy which more than compensates for any extra costs linked with those units.**

The proof that blocks of suitable size for multiple units actually contribute substantially more in rates than would be yielded by the same size block with a single house on it is given in Table No. 3 of the report. This shows the rateable value of the land per square metre of site on multiple units in Camberwell compared with that of adjoining sites occupied by single houses. The comparisons are in two groups the first comprising the elderly citizens' homes built by charitable bodies which have the larger sites with an average of 16 home units on each. **These multi-unit sites yield a rate revenue averaging 67 per cent more than if the same sites were occupied by a single house.** The other group is of villa units and flats averaging ten units per site. For these the rate revenue yielded averages 34 per cent more on them than it would be if the same sites were occupied by a single house.

**This test provides conclusive proof that multiple units are not escaping payment of their fair share in rates. There is therefore no justification for the imposition of high minimum charges on such multi-unit dwellings.**

#### **Breach of faith with the ratepayers**

On two occasions Camberwell ratepayers have endorsed at polls the principle that nobody in this City would attract penalty rates for the improvements on his property. The latest was in 1970 when the "shandy" rate proposal was defeated by 21,890 votes to 13,787. The minimum rate now charged is incompatible with that decision since the excess above the land rate charge is a levy on the owners' improvements. The elderly citizens' homes are the most heavily penalised group. Under the full U.C.V. rate the 315 units should pay \$7800 in total. Under the \$80 minimum they are actually being charged \$25,200. This is more than three times as much. They are thus paying more than twice their prospective burden under the rejected "shandy" rate. This is a breach of faith with the ratepayers.

#### **Killing the goose that lays the golden eggs**

This is even more a breach of faith with those organisations and individuals who have outlaid their funds in building the elderly citizens' homes, O.Y.O.'s and flats affected, the economics of which have been based on the assurance that their buildings would continue to be un-taxed. It is known that many people are opposed to the proliferation of multi-unit dwellings and seek to have zoning provisions altered to prohibit them. This at least makes sense to the extent that developers would know in advance that it would be useless to outlay their funds either in purchase of suitable sites or construction of buildings which will then be subjected to crushing penalties. At that stage they could choose another suburb where their activities were welcome. But it is surely the ultimate in breach of faith to operate in a city where there has been assurance that new buildings will be untaxed and **then change the rules after they have been built** to subject them to such penalties thereafter. This

process is best described as "killing the goose that lays the golden eggs".

Under similar circumstances in New South Wales the 1966 Royal Commission of Inquiry into Rating, Valuation and Local Government Finance said:

"2.58 There is little doubt that the imposition of minimum rates (other than a clerical minimum to compensate for the costs of issuing the assessment and recovering the rate) is clearly not consistent with a rating system based on the valuation of land".

That Royal Commission recommended that minimum rates should not exceed \$10 for each assessment.

It has not yet been brought into legislation in N.S.W. but in its March 1975 issue "The Shire & Municipal Record" has this to say in its editorial on the matter:

"Certainly the great expansion in the building of home units has reached such proportions in Metropolitan Sydney, Newcastle and even Wollongong, that urgent attention must be given to the almost farcical circumstance that the fixing of arbitrary minimum rates is not a land rating system and has no relation to a rate based on the unimproved capital value of land.

Indeed, the Else-Mitchell Royal Commission's observations and recommendations on the subject of minimum rating are still valid and the whole history of experience in this connection vindicates entirely what was said in its report of 1966 and what, generally is now being said by the N.S.W. Home Unit Owners' Association. The State Government has now a duty to act".

Similarly, the Victorian Government now has a duty to legislate to fix a maximum limit to minimum rates. If it does not like the limit of \$10 recommended by the Else-Mitchell Report in New South Wales it could adopt the proposals of the Hockridge Report of 1970 in South Australia which recommended:

**"The simplest way of ascertaining the maximum amount of the minimum rate in respect of any property would be to divide the total overhead administrative costs of the local authority by the number of rateable properties".**

Applied to Camberwell in the current year 1974-75 this would have worked out at \$21 in round figures.

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*Further copies are obtainable from the General Council for Rating Reform, Box 955 G, Melbourne, 3001, Vic.*