

## Sector Connector

# Rate capping full circle

## A short history to now

Just over 20 years ago, the landscape of Victorian local government was transformed. Local Government Authorities were amalgamated to the present 79, and councillors were replaced with commissioners to run municipal affairs for a couple of years.

**A**fter the reintroduction of municipal elections in 1996, the newly elected councils found themselves in quite a different world, with much larger administrations, the legacy of compulsory competitive tendering, and a considerably weakened ability to raise revenue thanks to rate capping introduced with amalgamations.

There were benefits of course. Many would agree that the ability of councils to do more with less improved – the cost of running municipal affairs per resident decreased due to economies of scale, and services could become more effective by coordinating across much larger service user populations.

Significant modernisation also occurred inside and out. On the outside, councils took a more strategic approach to community consultation and involving constituents in longer term planning. On the inside amongst workforces and management regimes, levels of professionalism probably improved.

At the interface, the more commercial approach of acknowledging residents as consumers of

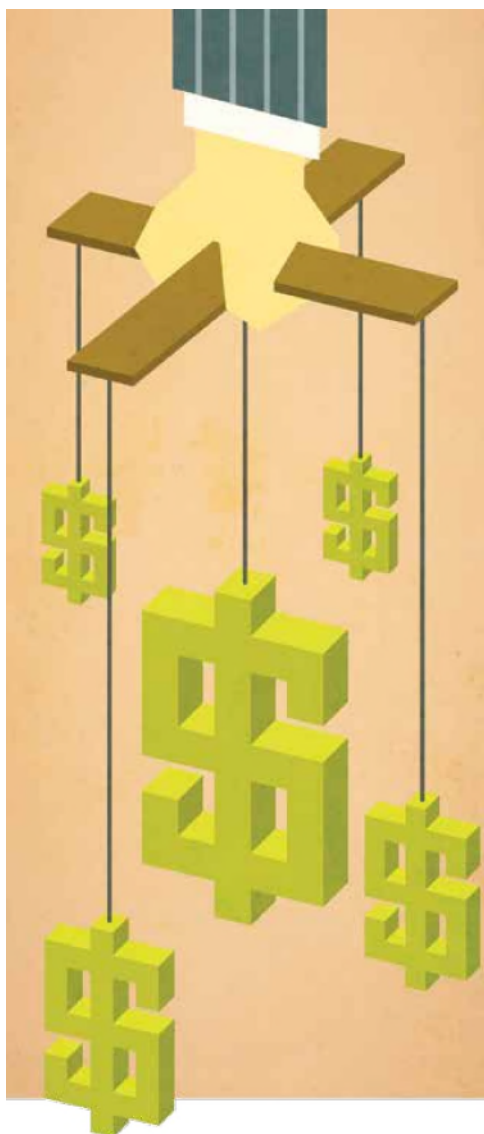


Illustration by Jason Jeffery.



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council services, not just recipients, probably improved service delivery. The sentiments and needs of the consumer (read rate payer) could be taken into account in a more rational and better benchmarked manner.

In 1999, rate capping was disbanded and councils once more had greater discretion over raising revenue locally. This was very enabling, except for ever growing 'cost shifting' – the phenomenon where higher levels of government ask more of council budgets, arguing that there's still slack in the system. The result was biannual rate rises which the populace saw as increasingly unreasonable. Councils found themselves between a rock and a hard place, with the good outcomes spawned by council amalgamations a fading memory.

Now rate capping again. What happened? The answer will depend on your perspective.

The State Government's view is that the content of council budgets requires more oversight and a better way to rationalise them for rate payer's and Victoria's greater good.

The rate payer perspective, at a guess, is that rates seem to be going through the roof without sufficient value for money. If that were not the general view, you'd expect a groundswell of opposition to rate capping. This may well be coming up if the sector makes its case well, but those most likely to question rate capping are those who don't directly pay rates, reflecting the widening gap between haves and have nots.

The arguments being put by councils and peak bodies to the Essential Services Commission are highly rational and with their communities' long term wellbeing at heart. But I'd suggest that there are more philosophical issues at play. The ascendance of household self-interest, and that the value of local governance is generally out of mind when out of sight, is going to make this battle a tough one to beat. **N**