



# Media Release

For Immediate Release

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## Council Cost Index Released

The Local Government Association of Tasmania today released its annual Council Cost Index.

LGAT CEO, Dr Katrena Stephenson, highlighted that the Council Cost Index (CCI) is a tool to assist councils to appropriately set rates to reflect the costs of councils undertaking business to provide assets and services for their communities.

“It is important for councils to understand the nature of their business and what the true cost movements have been over a period,” Dr Stephenson said.

The Council Cost Index (CCI) differs from the Consumer Price Index in that it provides an indication of how council expenditure might change over a time period where spending 'behaviour' remains constant.

“While the Consumer Price Index (CPI) is a useful guide to understand shifts in organisational costs and the cost of consumables such as groceries for the average ratepayer, the CCI enables councils to consider the specific nature and costs of their services they provide” Dr Stephenson explained.

“Council business impacts broadly across municipalities, extending from community services to activities related to general construction of roads, bridges, parks and community facilities as well as ongoing maintenance.” Dr Stephenson said

The CCI is based on available ABS data. The index components are: wage price index (50%), road and bridge construction index (30%) and the CPI for Hobart (20%)<sup>1</sup>.

*“The 2018 CCI indicates that an average rate increase across the State of 2.42% may be necessary in 2018/19 to allow current levels of service to be maintained, assuming other revenue sources (e.g. grants) also increase in line with costs,” said Dr Stephenson.*

“CCI is a useful indicator, however variations between council activities such as levels of construction and associated costs should be taken into account when determining final financial forecasts for individual councils,” Dr Stephenson said.

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<sup>1</sup> The ABS does not keep specific indexation data for roads and bridges in Tasmania. LGAT therefore applies the Australian roads and bridges index, which represents a combination of all Local Government roads and bridges price movements in the country. Due to Tasmania's specific topographical issues coupled with our relatively small competitive market, the adoption of the national index rather than using another state's data is most appropriate.

“Further, council budgets and rates must be set in the context of a council's Strategic Plan, community interests and needs and decisions about the level of services and revenue required each year.”

The CCI of 2.42% follows postings of 1.5% last year and 1.87% the previous year. The 2018 figure is impacted by increases in both the Road and Bridge Index and the Consumer Price Index for Hobart compared to the preceding two years.

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