



MEDIA RELEASE

FOR IMMEDIATE RELEASE

18 November 2015

Council Cost Index Released

The Local Government Association of Tasmania today released its annual Council Cost Index in an effort to assist councils with their rate setting deliberations.

The President of the Association, Mayor Doug Chipman, highlighted that the index seeks to assist councils in more appropriately reflecting the costs of councils doing business and providing services to the community.

“While the Consumer Price Index (CPI) is a useful tool in considering the shift in costs of organisations, it is important to understand the nature of the business and what the true cost movements have been over a period,” Mayor Chipman said.

“The CPI appropriately reflects a general movement in costs for the average ratepayer in terms of groceries and other consumables,” he said. “However, the business of councils has a broader range of impacts and extends to activities related to general construction in terms of infrastructure provision (roads, drainage, parks and community facilities) and maintenance.”

The Council Cost Index (CCI) provides an indication of how council expenditure might change over a period of time where spending 'behaviour' remains constant.

The CCI makes use of available ABS data. The index components are - wage price index (50%), road and bridge construction index (30%) and the CPI for Hobart (20%).

The ABS does not keep specific indexation data for roads and bridges in Tasmania. There is also significant variation in the jurisdictional indices so, rather than seeking to substitute another state's data for Tasmania, LGAT applies the Australian roads and bridges index, which represents an amalgam of all Local Government roads and bridges price movements in the country. It is considered that the specific topographical issues existing in Tasmania, coupled with the relatively small competitive market, allow for the adoption of the national average.

“The 2016 CCI indicates that an average rate increase across the State of 1.87% may be necessary in 2016/17 to allow current levels of service to be maintained, assuming other revenue sources (e.g. grants) also increase in line with costs,” said Mayor Chipman.

Page 1/2

"It is a useful indicator but it should be understood that the mix of construction and non-construction activity varies from council to council, and that these variances should be taken into account when determining final forecast cost increases for individual councils," Mayor Chipman said. "Further, council budgets and rates must be set in the context of a council's Strategic Plan, community needs and interests, and decisions about the level of services and revenue required each year."

The Council Cost Index of 1.87% follows postings of 2.48% last year and 2.63% the previous year.

**For further information or interviews, please contact
LGAT CEO, Dr Katrena Stephenson on 0488 610 341**