



MEDIA RELEASE

For Immediate Release

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2019 Council Cost Index Released

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

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

“It is important for councils to understand the nature of their business and what the true costs are over periods of time” Dr Stephenson said.

The Council Cost Index (CCI) differs from the Consumer Price Index (CPI) in that it provides an indication of how council expenditure might change over a time period even though what council is spending money on has not changed.

“The cost of living is a very important factor taken into consideration by councils when setting rates. However, while CPI is a useful guide to understand shifts in the price of consumables such as groceries and organisational costs, it does not tell the full story around a council’s costs”. Dr Stephenson explained.

“The CCI enables councils to consider the specific nature and costs of their services they provide and is affected by factors such as the costs of construction for roads and bridges. It applies to the many activities councils undertake across their municipalities: from community services to general construction of roads, bridges, parks and community facilities as well as ongoing maintenance.” Dr Stephenson said.

Nationally, Local Government collects the least tax of any level of government, only 3.6% of all taxation revenue. Local Government is responsible for significant key community infrastructure such as three quarters of the national road network (by length), yet the share of Commonwealth taxation revenue distributed to Local Government is shrinking. Local communities need to see a fairer share of national taxation revenue invested locally to enable communities thrive and contribute to growth at the local level.

The CCI is based on ABS data. The CCI formula comprises: wage price index (WPI) (50%), road and bridge construction index (30%) and the consumer price index (CPI) for Hobart (20%).

“The 2019 CCI indicates that an average rate increase across the State of 3.38% may be necessary in 2019/20 to allow current levels of service to be maintained, assuming other funding sources such as grants also increase in line with costs,” said Dr Stephenson.

Each council produces a rates and charges policy which explains the decisions that council has made about the longer-term objectives of raising revenue.

Local communities and their elected representatives are best placed to understand the many and diverse local challenges and opportunities that can impact a council’s expenditure and appropriate setting of rates.

“The CCI is a useful indicator on average across the State, however variations between council activities should be taken into account when determining final financial forecasts for individual councils,” Dr Stephenson said.

“Further, council budgets and rates must be set in the context of a council's Strategic Plan, reflecting community needs and decisions about the level of services and revenue required each year and communities have the opportunity to be engaged on these.” Dr Stephenson explained.

The CCI of 3.38% follows postings of 2.34% last year and 1.5% the previous year. The 2019 figure is impacted by increases across all 3 indices over the past 2 years.

It is important to note that the CCI is a tool for rates setting and does not automatically mean councils will increase their rates by the CCI amount.

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