



28 April 2022

Independent Pricing and Regulatory
Tribunal
Email:
localgovernment@ipart.nsw.gov.au

Contact: Matthew Plumridge

To whom it may concern

**Application for Additional Special Rate Variation
Cessnock City Council**

Please accept this letter providing supplementary information on Cessnock City Council's application for the Additional Special Rate Variation.

Council resolved unanimously on Wednesday 20 April 2022 as per the attached Resolution document included in our application.

Council notes the additional requirements required as the published long term financial plan forecasts an Operating Cost Ratio exceeding 2% over the course of the years requested.

To that end we supply the following information to IPART:

1. Note that the reduced income between the general rate peg of 0.7% and 2.5% rate peg amounts to a loss of income over 10 years in the order of \$7.8m.
 - a. Assumes an annual compounding rate of 0.7% as a conservative measure. This has been chosen as it is the most recent general rate peg accepted by IPART.
2. Council has considered the rise of \$21.88 per year per average \$180,000 land value to be a reasonable additional cost.
3. An amended Long Term Financial Plan as included in the lower section of WK8-LTFP of the Excel document, noting the following key changes that have become aware to Council subsequent to the publishing of the LTFP:
 - a. A 0.7% rate peg in 22-23 with population growth included;
 - b. An increase in Materials and Contracts of 5% in 22-23, 23-24 reducing to 4% and 3% in subsequent years.
 - i. This is to reflect the current economic conditions being experienced by Council and aligns with CPI data published by the Reserve Bank of Australia on 27 April 2022.
 - c. Note that these small adjustments reduce Cessnock City Council's Operating Cost Ratio to 1.5% to -0.6%
4. A copy of Cessnock City Council's Annual Financial Statements for the year ended 30 June 2021 which shows that:
 - a. The Council has had Operating Deficits in all years from 2017 – 2021.

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- b. The 2021 Own Source Revenue was below the 60% benchmark
 - c. Council's Infrastructure Backlog Ratio remains well above the 2.0% benchmark at 3.41%.
5. A copy of Council's most recent customer survey completed that highlights the community's top area of importance namely, Maintaining sealed roads
- a. The same report identifying the top four investment areas for residents as:
 - i. Roads, bridges and transport
 - ii. Community services
 - iii. Economic development
 - iv. Community communication and engagement

As per the Council resolution, should this application not be successful, Council will be required to reduce needed expenditure on roads and park maintenance, which is contrary to the Community's wishes.

If you require any further information, please do not hesitate to contact me on telephone [REDACTED] or via email [REDACTED]

Yours faithfully

[REDACTED]

MATTHEW PLUMRIDGE
Chief Finance Officer