



Vincent Street  
CESSNOCK

7 January 2026

## ORDINARY MEETING OF COUNCIL

**WEDNESDAY, 14 JANUARY 2026**

### ENCLOSURES

*PAGE NO.*

#### **CORPORATE AND COMMUNITY**

**CC1/2026      Adoption of the Long Term Financial Plan 2026-2036**

**Enclosure1:** Submission on Long Term Financial Plan ..... 2

**CC3/2026      Application to the Independent Pricing and Regulatory  
Tribunal for a Permanent One-Year Special Variation of  
39.9%**

**Enclosure1:** Professor Drew Pty Ltd Report on Community  
Engagement ..... 5

**Enclosure2:** CCC Report on Community Engagement Supplementary ..... 35

**Enclosure3:** Professor Joseph Drew Pty Ltd Capacity to Pay Report..... 135

**Enclosure4:** Professor Joseph Drew Pty Ltd Cessnock Efficiency  
Report..... 178

**Enclosure5:** Professor Joseph Drew Pty Ltd Cessnock Liabilities  
Report..... 206

**Brief Submission from [REDACTED] about the Updated Long-Term Financial Plan (LTFP) for Cessnock (December 19<sup>th</sup> 2025)**

**Background:** This is a **personal submission**, although I do have some relevant professional expertise as a consequence of decades of involvement in psychosocial research projects and academic publications, including studies examining socio-economic costs and benefits. I am also [REDACTED] of the Richmond Vale Rail Trail (RVRT) Supporters' Group, so I am very positively disposed to the ongoing development of community-enhancing regional health, tourism and active transport initiatives like the RVRT and the broader *Shiraz to Shore* cycle trail proposals.

I have read the recent 100+ page Report and acknowledge the detailed and thoughtful work undertaken by the Council staff and External Consultants.

**LTFP Objectives:** I **fully support the over-arching objectives** of the Integrated Planning & Reporting (IP&R) Framework that has been established within NSW, the associated ongoing need for relevant and timely community input and feedback, and the broad financial sustainability goals and guidelines that have been developed.

**Historical Context:** As a Cessnock ratepayer for the past 40 years, I also acknowledge that most Council terms have been characterised by expenditure constraints (and associated modest changes to Council Rates). As a consequence, we have been progressively unable to maintain our existing and growing infrastructure assets, or to advocate strongly for additional community-enhancing assets, including recreational and cultural facilities, open space improvements, and trails and cycleways.

Attempting to apportion blame is a futile exercise. As outlined in the April 2025 '*Financial Sustainability Review*' prepared by UoN's **Institute for Regional Futures**, there have been a range of contributing factors, including: delayed rate rises ("*... as a kindness to ratepayers*"); imposed rate caps based on poor/inappropriate economic metrics; cost-shifting by other tiers of government; regional growth; and Council Fees that don't reflect their true costs of delivery.

The case for a Special Rate Variation (SRV) – and, potentially multiple SRV's – is clear. It just needs to be **undertaken and managed in an appropriate and cost-effective way** – with due consideration given to Community-informed Strategic Plans and a value-based approach to asset protection and enhancement.

Simply scaling back the size or scope of Council activities is not the solution – current and future generations will clearly be worse off in the longer-term (from both liveability and wellbeing perspectives) if that is the approach taken. Likewise, any asset sales (or delayed

projects) need to be very carefully considered to ensure that we are not forgoing significant future opportunities and benefits.

**Modelling Considerations:** The identified potential future drivers of Council finances over the next decade appear to be reasonable, including: a weak starting position; restricted Council-sourced income, limiting opportunities for co-funded grant applications; uncertainty about future capital grants from State and Federal Governments for major infrastructure projects; inflationary pressures; population growth; regional transition (away from mining and towards tourism); expected frequency of major weather events; borrowing capacity; and the high percentage (52%) of Council infrastructure assets that are essentially Road assets.

While Council has identified an updated range of '**efficiency initiatives**' (totalling \$2.4m), these should be regarded as indicative and not locked-in – as any reductions to service levels need to be carefully managed and, ideally, appropriately phased in (with associated community consultation).

The various Scenarios that have been modelled also seem to be reasonable – as is the selected comparison between the Base Case (*Business as usual*) and Scenario 3 (SRV + Investment in Council Assets within Funding Constraints).

Likewise, the recommendation that “... *Scenario 3 provides the best alternative pathway for Council*” seems to be appropriate - although the Sensitivity Analysis provided is fairly limited and conservative, and the suggestion (hint) that any expansion of programs may need to wait till “post 2025/36” does not appear to be a desirable outcome.

**Community Feedback Considerations:** Notwithstanding that we definitely need to establish a better path towards financial sustainability, including the introduction of an appropriate SRV – I suspect that the way the existing '*Significant community feedback*' is being considered in the Report is relatively simplistic, self-fulfilling and not particularly informative.

In large part, the relevant (Community Feedback) section of the Report probably reflects the way information has been gathered. If the general or prevalent community perception of Council's role is that it is responsible for '**roads & rubbish**', then questions about Satisfaction will return Comments about the state of local roads, nearby potholes, the frequency and cost of waste collections, etc. If, on the other hand, Council, as the closest arm of government to community members, also actively emphasised its critical role in recreational and open-space initiatives, active transport, local cultural and tourism developments and events, community safety and wellbeing, natural disaster recovery, and so on, then a broader range of issues for future consideration would be identified by community members. In short, when you progressively constrain what you say you are

aspiring to achieve (e.g., focusing mainly on roads, bridges and drainage, etc), then you (unintentionally or otherwise) short-change the community with respect to future opportunities and regional strategic initiatives.

**Targets for Future Funding and Expenditure:** Council staff and executives, and our elected Councillors, all play an important role in sourcing funds – be it via Council Rates, general Capital Grants, Special Purpose (Project based) Grants, or other local Council controlled business enterprises.

Rather than downplaying the importance of grant funding (or overstating the risks and uncertainties), we need to acknowledge that an increasing proportion of Council revenue is coming from non-rates sources – which probably means that improved strategies and staff training need to be developed to ensure that Council continues to be successful in attracting a solid proportion of the grants for which it applies.

Related to the above, it is important to acknowledge that *‘economic and financial management’* at the level of local government is about much more than *‘bean counting’* – it is about community growth and well-being, including (to some extent) the re-distribution of public assets and resources to local communities, businesses and organisations; and where possible, the recovery of some of that expenditure via appropriate levies on, say, local tourism, recreational or cultural enterprises.

Of course, blindly protecting or restoring Road or Other assets for their own sake is not the best way to move forward. Blending adopted Community Strategic Plans and priorities, and Regional (Hunter JO) Strategic Plans, with other local asset renewal and maintenance needs and programs is a reasonable strategy for moving forward – as is the incorporation of active transport and other trails plans into local housing, sporting, recreational and open space plans.

Finally, the (local and societal) costs associated with the **Opportunities Forgone** also need to be taken into account if long-term Council sponsored projects are abandoned. Take, for example, the RVRT proposal – which over the past three decades has had many millions of dollars of public money spent on protecting the trail corridor (e.g., during F3, M1 and Hunter Expressway planning and construction), not to mention the huge costs associated with the extensive assessments and person hours spent on this project during the past 5 years. The RVRT and many other Council, State and Federal infrastructure initiatives also have solid positive Benefit to Cost ratios, so abandoning or delaying them only *‘costs the community and future generations’*. Just something further to think about during long-term Council financial planning.



## **Report on Community Engagement**

### **Executive Summary**

Only 4.37% of residents elected to complete Survey 1 that accompanied the mailout of the Fact Sheet. {Return rate is important because the NSW Government has previously argued that decisions not to participate suggests a lack of strong opinions on policy proposals}. Of the small percentage of residents that filled in Survey 1 only 18% supported the proposed SV.

Some 1.86% of residents opted to avail themselves of at least one of the six planned community information sessions. Many positive comments were made regarding the effectiveness of these sessions. Of residents who opted to obtain more information an astounding 77% disclosed in Survey 2 that they now supported the SV. The majority supported both the size and one-year time frame 'given Council's needs'.

Several responses have been recommended in consequence of the engagement – the most notable of which is a radical change to the base rate that significantly improves capacity to pay for many deciles of ratepayers. Other major recommendations must be pursued with vigour to complete the journey towards sustainability should an SV be approved.

*This Report was prepared by Professor Drew and Professor Miyazaki on behalf of Professor Joseph Drew Pty Ltd. The work herein has also been independently assured by Professor Yunji Kim from Seoul National University. This Report was produced in a strictly independent manner and the opinions expressed in the Report are thus exclusively the views of its authors and do not necessarily coincide with the views of the local government or any other body. The information provided in this Report may be reproduced for media review, quotation in literature, or non-commercial purposes, subject to the inclusion of acknowledgement of the source and provided no commercial use or sale of the material occurs.*

*The information contained herein is believed to be reliable and accurate. However, no guarantee is given as to its accuracy or reliability, and no responsibility or liability for any information, opinions, or commentary contained herein, or for any consequences of its use, will be accepted by Professor Joseph Drew Pty Ltd, or by any person involved in the preparation of this report.*

## **1. Introduction**

The Office of Local Government (OLG) and the Independent Pricing and Regulatory Tribunal (IPART) have established quite prescriptive rules around community engagement as it relates to Special Variations (SV).

The purpose of the rules is to ensure 'adequate opportunities to consider the proposed SV' and for 'council to consider this feedback' (IPART, 2025 p.24) The rules emphasise 'an appropriate variety of engagement methods' (IPART, 2025, p. 25), but of course implicitly recognise that a Council cannot force its citizens to engage on this or any other matter.

Key to the criteria is the requirement to demonstrate 'effective community awareness and engagement'.

We note that the community have been aware of the council's staff view of an insufficiency in revenue since at least the Delivery Program of 2022-26. Furthermore, Council commissioned a review of Financial Sustainability by the University of Newcastle on the 20<sup>th</sup> March, 2025 – which diagnosed 'a community [that was] clearly struggling with financial sustainability challenges that have emerged over many years' (p.3). Furthermore, the University of Newcastle report clearly stated that 'we have no choice other than to make a strong recommendation for Council to engage on the work required to put forward an SV proposal for the round closing February 2026' (p.54). This was picked up by several prominent local news outlets including Newcastle Herald (3<sup>rd</sup> July, 2025) and the Australian Broadcasting Corporation (16<sup>th</sup> of April, 2025). The University report has been available on the Cessnock City Council website since 1<sup>st</sup> May, 2025.

Council voted to engage Professor Joseph Drew Pty Ltd and his team of three additional professors to progress work on 16<sup>th</sup> April, 2025 and the engagement commenced 21<sup>st</sup> of August, 2025. This followed the retirement of Professor Drew from the University for physical health reasons – council had been given other options such as continuing with the University or contracting with a commercial consultant and Prof Drew had clearly articulated his preference not to do further work so that he could focus on his health. However, Council elected to continue with the established team of scholars in view of the community trust in their work as well as their well-known reputation for robust evidence, good reasoning and true independence.

Throughout the process – commencing 4<sup>th</sup> September, 2025 – Council uploaded many videos to keep the community abreast of developments, explain important concepts, and respond to community feedback. As at the beginning of December these twenty videos had been viewed a combined 1,336 times. Furthermore, council made 32 social media posts, 2 Mayoral columns, 22 local and regional media stories (between April and December) and 4 eNewsletter articles.

Matters were further progressed with the delivery of a Fact Sheet heavily informed by the OLG Guidelines on the Special Variation (SV) process. We acknowledge that there was a little criticism of the provision of extensive average rate and other data, including in the tables, but that this information is clearly required in the OLG

Guidelines which we adhered to faithfully; furthermore, the Fact Sheet was very similar to those used in previous SVs where communication was deemed by the Independent Pricing and Regulatory Authority (IPART) as satisfying the criteria (see, for example, Federation Shire, Walcha Council, or Cootamundra-Gundagai Regional Council).

We also produced a survey which focussed on the criteria as set out by the OLG. We note that this first survey (henceforth referred to as Survey 1) was almost identical to surveys used and deemed to satisfy the OLG criteria at, for example, Federation Shire and Walcha Council. In our communications we clearly noted that a second survey (Survey 2) would be available for any resident who attended one of the five in-person presentations, or one of the two online presentations. This second survey clearly presents superior information to decision-makers because the responses are informed – the scholarly literature is unambiguous about the superiority of surveys by respondents who have received additional information (see, for example, Friedman, 2002; Berman and Wang, 2018).

A few residents raised an objection that the Survey 1 was biased – we note that this has been a constant point of feedback for most SV applications in recent years using various survey instruments, which suggests that this kind of comment might be independent of the actual form of any survey. For questions regarding satisfaction with infrastructure and services we used a standard Likert scale, consistent with best practice. OLG Guidelines suggest that we also needed to explore willingness to fund operations through debt and we posed the only three potential responses, starting with the two responses least conducive to an SV application. To ensure sufficient information we stated well-canvassed scholarly objections to debt derived from the literature (see, for example, Drew, 2022; this was also necessary to avoid statistical analysis being confounded by the well-known Nirvana fallacy. {Notably we did not cite the NSW Treasury Corporation (TCorp) loan refusal and their admonition to increase recurrent revenues directly in the survey question}. Questions four to six were implied by the OLG SV Guidelines and present the only two possible response options. Question seven presents three options – starting with the *two* potential responses at odds with an SV proposal. Furthermore, both question eight and question nine allowed for open ended responses whereby those surveyed could write whatever they wished. As will be clearly seen later, residents availed themselves of this opportunity with considerable enthusiasm and it is hard to see how free-form opportunities to express any information – including profanities – could reasonably be considered biased.

Indeed, assertions of bias are what one might expect from people not comfortable with any of the choices provided. We agree that there are no good options, but the survey clearly canvassed all economically feasible alternatives (continue as is, or constrain spending further) and also provided ample opportunity to respond. As Drew (2022) notes, it is often the circumstances that people find disagreeable – even when they are provided with an invitation and opportunity to provide feasible alternatives.

We did not present various alternative SV proposals because as the work from Professors Drew, Miyazaki, Ferreira and Kim make plain the proposal put to the community was both necessary (given a looming liquidity crunch), and insufficient (to come even close to approaching financial sustainability and the associated requirements of the NSW Government). The professors were not willing to put second or third-best options to the community that would not assure essential local government functionality as per extant reports and other material publicly available at the time. We note IPART confirmation during a meeting that for financial sustainability the key focus is awareness – we are not required to give multiple options and doing so might easily be conceived as reckless given the circumstances of Cessnock Council. Moreover, to get across the information required to fully comprehend the gravity of the situation required additional information and perhaps the opportunity to ask questions – which is why timing and size was left for Survey 2 where informed responses were possible.

Both the Fact Sheet and Survey 1 were distributed by AdPost Group over the period 29 October through to the 12 November, 2025. The provider gave council GPS records to confirm delivery as per the contract (<https://tinyurl.com/2cpjht4d>). However, it became apparent at the Wollombi Community Briefing on Friday 21<sup>st</sup> of November that there *might* have been a failure to abide by the contract for that area. In response council took the following action:

1. Reprinting of Fact Sheets 2<sup>nd</sup> December.
2. Delivered between the 3<sup>rd</sup> and 4<sup>th</sup> of December
3. Additional online presentation 1600 on the 9<sup>th</sup> of December.

It was not unreasonable for council to rely on the contract that they had established with AdPost Group for a substantial price (some \$28,600). The *possible* failure of the provider was dealt with as expeditiously as possible.

Community presentations occurred at the following places and times:

Wollombi Tennis Club, 2979 Paynes Crossing Road, Wollombi – 4-6pm, Friday 21 November •

East Cessnock Bowling Club, 6-12 Victoria St, Cessnock – 11-1pm, Saturday 22 November •

Kurri Kurri Senior Citizens Centre, 132 Burton St, Kurri Kurri – 5-7pm, Saturday 22 November •

Branxton Community Hall, 35 Bowen St, Branxton – 12-2pm, Sunday 23 November •

East Cessnock Bowling Club, 6-12 Victoria St, Cessnock – 6-8pm, Sunday 23 November

Digital session: Youtube/Council Chambers, 62-78 Vincent St, Cessnock – 5.30-7.30pm, Monday 24 November.

Additional Wollombi Digital Session: Laguna Community Hall Tuesday 9<sup>th</sup> December at 1600.

The presentations were made by Professor Joseph Drew and took slightly less than one hour. Community were then provided with the opportunity to ask Professor Drew any question they liked, and this continued until all questions had been addressed (sometimes exceeding an additional hour). In addition, Professor Drew followed up with people after the conclusion of the event, including via email and telephone.

At the conclusion of the presentation participants were invited to fill in the Survey 2. Moreover, they were specifically directed to the opportunity to write open-ended responses in questions five and six. Many people did so, and we will recount a summary of these comments shortly. Prior to the events it was clear from interactions between community and staff (as well as Professor Drew) that most people attending were hostile to the proposal. However, we note that afterwards a considerable number of participants strongly expressed their thanks for the information provided; especially the openness to fully exploring any question. Indeed, at one session a round of applause was made at the conclusion. Nevertheless, there were a half-dozen or so people who stood in contrast to the clear majority.

In the material that follows we will summarise the various questions posed in Survey 1, and then repeat the exercise with Survey 2.

### **Survey 1**

We received 1,278<sup>1</sup> responses from a total of 29,245 surveys dispatched which represents a return rate of just 4.37%. It is reasonable to assume that people who had strong opinions against the proposed Special Variation would have completed the survey widely available both online and in hard copy (as dispatched). If we accept this proposition, then it seems to be the case that the overwhelming majority of residents (as much as 95.63%) didn't hold strong opinions on the matter<sup>2</sup>.

Another interpretation consistent with the principles of representative democracy and the famous work of public choice economist Gordon Tullock (1969) is that the 95.63% of people electing not to fill in the survey were content for the duly elected Councillors (reasonably assumed to be in possession of superior information) to make a decision on their behalf, as they do with hundreds if not thousands of other matters.

Whichever interpretation we might favour, it would clearly be erroneous to try to extrapolate the surveys received from the 4.37%, to the remaining 95.63%.

Of the surveys received 1,115 were anonymous and most of these expressed very strong opinions, including in the free-form comments. Again, the scholarly literature underscores the importance of being mindful of return rates, in order to avoid placing inappropriate emphasis on potentially skewed open comments (see, for example, Friedman, 2002; Treiman, 2009) – otherwise stated, it would be erroneous to neglect the vast majority of residents who did not feel it necessary to complete the comments section of the survey.

*1. How satisfied are you with the standard of maintenance of Council infrastructure (for example roads, bridges, footpaths, buildings, parks)?*

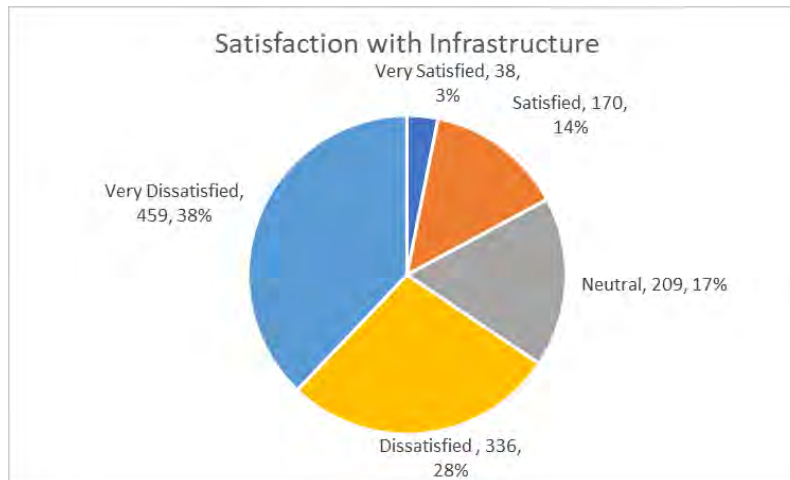
This question is important because the financial sustainability SV was focused on addressing infrastructure shortfalls and thus responding better to the NSW state government mandates. Moreover, options for Question 7 included either continuing on current infrastructure trajectories, or alternatively a radically reduced infrastructure works program.

It seems from the responses received that the vast majority of the subset of residents who elected to complete the survey were very unhappy with the infrastructure – indeed, just seventeen percent were satisfied or very satisfied (which is surprisingly higher than might have been expected given the state of the roads and bridges). It thus seems that most of the 4.37% of residents completing the survey might reasonably be expected to be conducive to increased spending of one kind or another (such as the options canvassed in questions 3 or 7).

---

<sup>1</sup> Figures were updated by staff on 18/12/25.

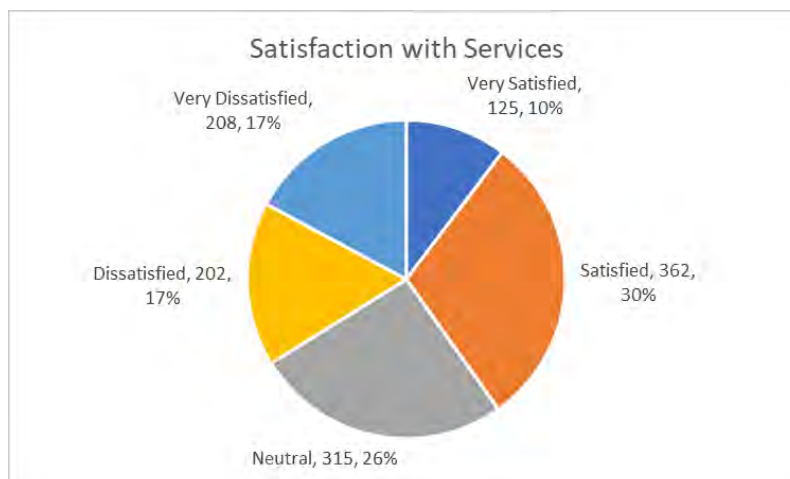
<sup>2</sup> We note that this proposition – that people with strong opinions would complete surveys and/or attend meetings – was asserted by the NSW State Government during the Boundary Reforms in 2016 and apparently accepted by the Courts in a review of procedural fairness– see for instance, NSW Government in Preston (2016).



**2. How satisfied are you with the standard of Council services (for example rubbish collection, nuisance animal control, customer service)?**

This question was important as a guide for potential cuts to services which could conceivably be one of the options moving forward (albeit difficult to execute as acknowledged in the Efficiency Report).

The results for this question were starkly at odds with Question 1, and *inter alia* a strong testament to the dedication and professionalism of customer facing staff.

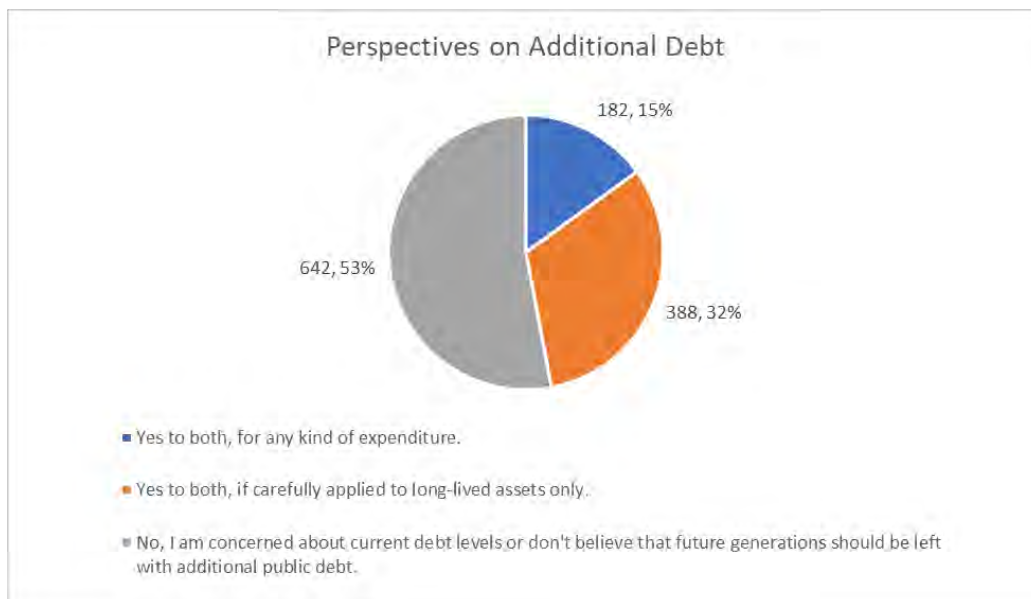


**3. Please read the linked Fact Sheet and then tick the option you most agree with: The three professors have calculated liability capacity precisely for Cessnock and have expressed serious concerns that Council may be about to exceed its limit. Given this expert advice, do you believe that it is economically**



*acceptable to fund current consumption of local government goods and services through debt? Moreover, given the fact that debt must be repaid by future ratepayers, do you believe that it is morally acceptable to fund current consumption through debt?*

The responses to this question were somewhat surprising when viewed in terms of both Question 1 and Question 7. Whilst the far majority of respondents were deeply unhappy with the standard of infrastructure, it seems that a slight majority were also hesitant to take on additional debt and yet later in Question 7 only 18% of residents were willing to countenance the proposed SV (notably these are not mutually exclusive options). This apparent inconsistency in thought by some might suggest either an unwillingness to fully think through implications, or alternatively some overly optimistic thinking about the potential for others to shoulder the burden for desired change (either other tiers of government, developers, or non-specified 'efficiencies'). We remind again that only a little over 4% of residents felt it important to complete the survey and that the clear majority who eschewed the survey may well have had very different thought patterns.

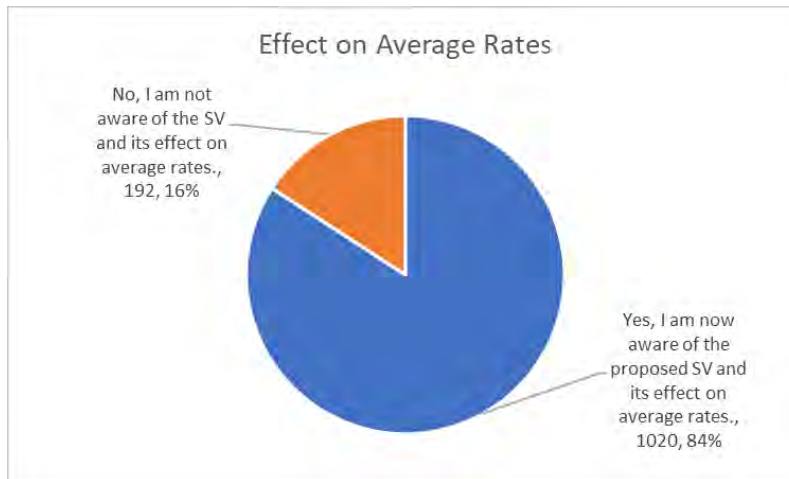


4. *After reading the Fact Sheet are you now aware of the effect that the proposed permanent Special Variation will have on the average rates paid by each category of ratepayer at Cessnock implemented in the one-year period (2026/27; bearing in mind that your particular rates assessment may differ substantially to the average)?*

We are aware of a campaign on Facebook to try to scuttle the SV by perverting the survey. This seems the best explanation for the surprisingly high figure of people

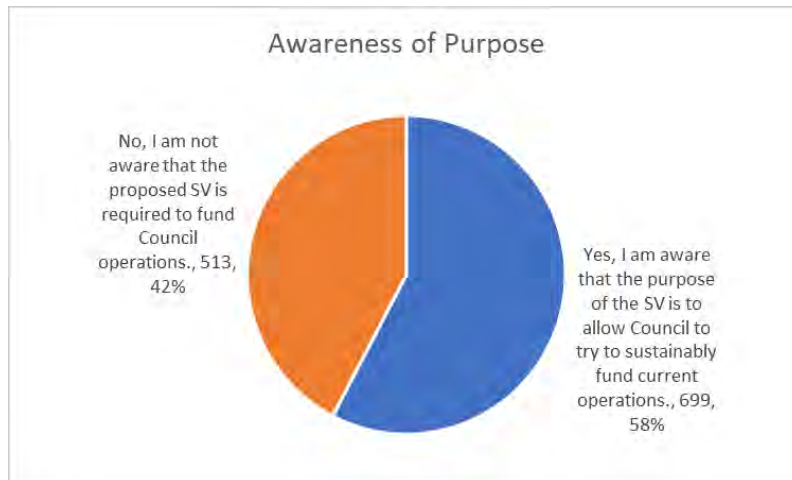


who claim not to have been aware of the effect on average rates after reading the Fact Sheet. Precisely the same question based on very similar Fact Sheets in the past at other councils has consistently recorded low single digit proportion response (see, for example, Walcha at 2%).



5. *After reading the Fact Sheet are you now aware that the proposed Special Variation is needed so that Council might commence its journey to become financially sustainable?*

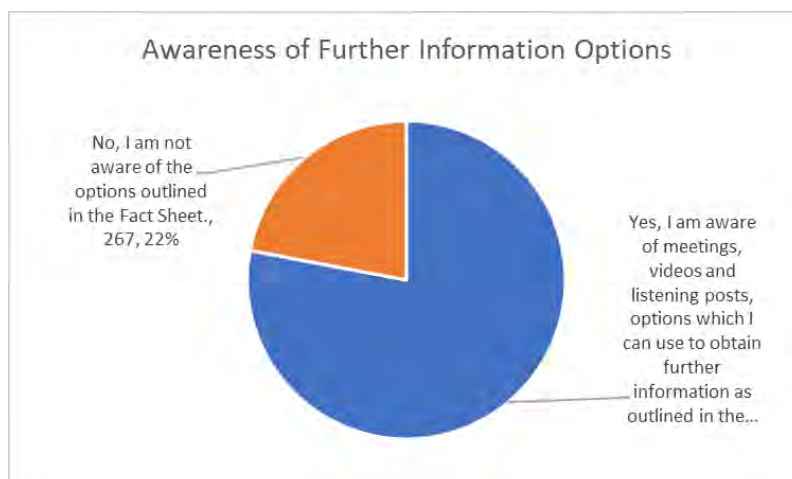
Given that the Fact Sheet expresses the purpose clearly this response by just over four percent of the residents, who chose to complete the survey, might have been somewhat puzzling had it not been for what we had learned from a Facebook campaign.



**6. Are you aware of the options available to obtain further information commencing November 2025?**

The options are listed clearly in the Fact Sheet and were also described clearly in various council communications. Once again, the most likely explanation for this response of the twenty-two percent proportion of the just over four percent of residents who chose to complete the survey might be best explained by Facebook campaigns.

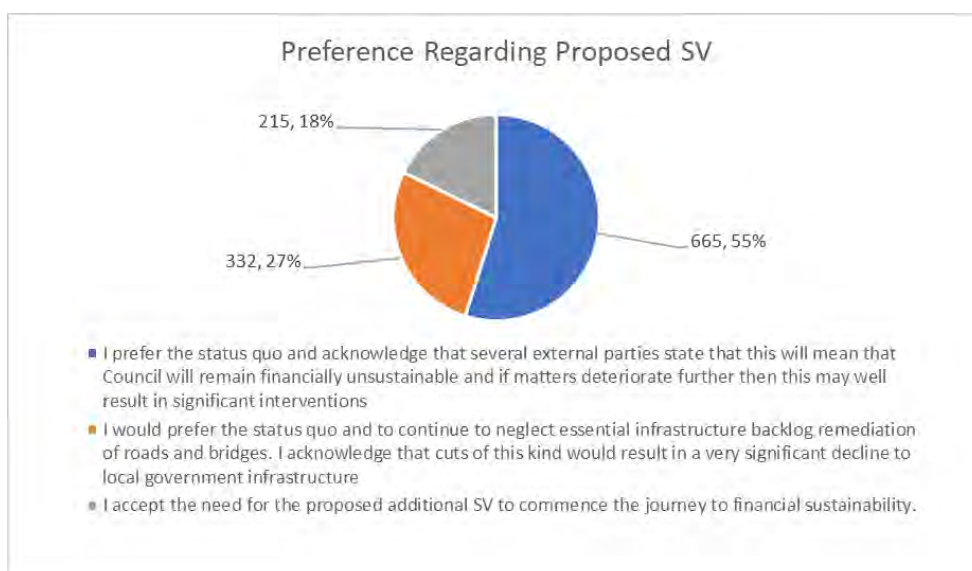
An alternative explanation is that a significant proportion of people didn't bother to read the Fact Sheet, which means that their opinions in Q7 were less than informed.



**7. Given the need for additional revenue to balance the budget and ensure financial sustainability – a proposition held by Professor Drew, Professor**

*Miyazaki, and Professor Kim based on a large body of empirical evidence mostly from audited financial statements (as well as TCorp as recently as April 2025), which of the three options do you prefer?*

This question allowed for an expanded suite of three options which is an improvement on previous surveys used and deemed as satisfactory by IPART in the past. Moreover, support for the proposed SV was much lower for Survey 1 than it was for Walcha (75%) and Federation Shire (49%) respectively. This suggests a population at Cessnock which was much less open to the need to provide own source revenue via rates to address arguably much worse infrastructure. We suggest that the relatively more opposed community at the outset (as evidenced by the 4.37% of residents who completed Survey 1) should be borne in mind when assessing the response to the same question in Survey 2 – especially, when thinking about the effectiveness of our total communication package.



It was stated at one meeting that the Q7 responses didn't cover enough options. The most feasible options given the dire financial predicament, of course, are: (i) keep doing what we are doing, (ii) spend considerably less, or (iii) spend less and raise more revenue (the other option was not spend less and raise considerably more revenue, but the CTP work did not support this as being a feasible option). It was asked of the person making this statement what sufficiently material and lawful option he thought might have been included in addition to those in the survey and he could not provide one. The question was also posed to the other people in attendance who were not able to help him out. We remind end users of this Report that we specifically asked people to provide better alternatives,

We will now consider these open-ended responses. Most survey respondents took the opportunity to make comments in these two fields – which we appreciate. We note that specific open-ended responses by residents couldn't reasonably have been biased by the survey instrument.

Each and every survey response will be forwarded to IPART – we want the decision-makers to have as much information as possible to help them come to the best judgement for the community. However, we only have so much space in this report so will obviously have to focus on the most frequent or noteworthy comments.

#### **8. Conditions for Willingness to Pay**

As is usually the case resident comments focused on perceived unspecified mismanagement and waste. However, somewhat disappointingly, residents demurred to provide specific examples of asserted mismanagement. Specific examples would have helped us to understand their point with respect to the materiality on the proposed SV. Moreover, specific examples would have allowed us to make specific responses to try to mitigate the asserted mismanagement. Unsubstantiated comments were also made about the ‘corruption’ of Councillors past and present.

Several statements were made claiming that the rates in Cessnock were higher than surrounding local government areas. The careful evaluation of this matter already publicly available in the University of Newcastle report was not referred to; nor any credible evidence provided to support the said assertions (typically these took the form of ‘my friend in an adjoining LGA pays less rates’ with no reference to incomes or land values). One wonders what the response might have been had residents decided that rates in other local government areas were actually lower (which both the revenue effort and econometric evidence seems to suggest is often the case).

Several respondents felt that council should spend considerably more money – we are not sure how this might improve the extant financial unsustainability at Cessnock. Indeed, a number of residents seemed to have held that the payment of taxes ought to be contingent on the value of goods personally received in return (ie, a fee for service) apparently unaware that this is not how any tax system in Australia works.

Some respondents felt that only new residents should have to pay the SV; although some new residents asserted that only long-term residents should do so. It is not clear how this could occur under the Act (1993, NSW).

Many residents appealed to ‘efficiencies’ such as sacking (all) staff, councillors, and the executive team without making required payments. Others thought that the NSW or Federal Governments should instead directly subsidise ratepayers beyond what they already do.

Several respondents thought that vile, crude, personal and threatening comments might provide helpful input to Council and IPART. We are concerned about the significant risk to the health and welfare of staff and representatives engendered by this SV and urge the OLG and Minister to do more to mitigate the risks that their rate cap regime has prompted.

Some people stated categorically that they would refuse to pay any approved tax increase, but failed to specify whether they had done this for tax increases for other tiers of government (for instance the GST increases in line with inflation or the

indexing of fuel excise) and how they planned to deal with the implications of the Act (1993, NSW) arising from their asserted position.

At least one resident recognised that 'short term pain is better than long term pain which community will suffer if action isn't taken now'.

Many people noted that it was an incredibly bad time to raise taxes – we agree, it should have been done a decade or more ago – but demurred from identifying a time in the past or present which might be more suitable.

#### *9. Feedback to Council or IPART*

Many comments already explored were repeated for this question so for the sake of brevity we refer people to the aforementioned. We remind end-users that all comments will be forwarded directly to IPART.

Several respondents stated that an Administrator was the answer to their problems, apparently unaware of how this played out in Central Darling Shire or Central Coast. Having said this, if the current council can't make prudent decisions, then it is hard to see how the NSW Government could allow the dire financial situation to fester further.

Many residents blamed Councillors past and present for their predicament, but neglected to outline how they fulfilled their own responsibilities in the democracy regarding voting or even running for office themselves.

Respondents also noted the role of the NSW Government in effectively capping developer contributions (recently increased which is an acknowledgement of the problem) and pushing through developments in the area. Similarly, it was asserted that 'state and federal governments are abusing the ratepayer'. Interestingly, some people also laid the blame at the feet of Council and Councillors for allowing development to occur.

Frequent profanities were also issued as well as thinly veiled threats. On the other hand, some people asserted that it was criminal to pursue an SV apparently unaware of the Local Government Act (1993, NSW).

Many people thought it useful to sack any person currently or previously involved in budgeting, including people who had already left the employ of Cessnock City Council.

A number of comments were made calling for the sacking of the entire executive leadership team at Cessnock City Council.

Several respondents asserted bias in their free-form comments that allowed them to assert any matter that they wished (including accusations of bias). People also thought the survey 'not acceptable' because it 'refuses' to provide opportunity to comment on 'fault or miss management' (sic) of the council.

One resident suggested that Council get 'a separate or third opinion' – apparently unaware of the statement of TCorp or the assurance work in the reports.

The reference to the moral aspects of debt clearly triggered a number of respondents who apparently do not see government and intergenerational equity as moral matters contra Milton Friedman, Thomas Sowell, James Buchanan and the like. Once again, we can't ignore facts or improperly survey residents because the well-established facts might be disturbing with reference to people's misconceptions. Interestingly, people commenting on this frequently took the opportunity to make moral judgements on the council or the survey designer such as 'disgusting', 'should be ashamed of yourselves' which suggests that they are not averse to assigning moral culpability as long as it refers to others.

Some people took exception to rates being calculated on unimproved land values (there seemed to be some suggestion of a poll tax being better), and also the valuations provided by the NSW valuer general. Others felt that Council had manipulated land values to increase rate revenue.

One person claimed to have been an executive in the Council and knew first-hand of 'waste', but apparently hadn't done anything to remedy the asserted waste. Sadly, they did not provide details regarding their assertion so that we could work to mitigate same.

Several people commented on the need for additional information or more simple information. We trust that these people attended one of the seven sessions wherein this was provided and that they are then represented in Survey 2.

Some people came out in strong support of the SV such as:

'The SRV rate increase is not (in the big picture) a significant cost for home owners (the rate payers) to pay, especially when the equity made on their properties over the past 5 years is taken into consideration. This increase will not impact renters and low-income households, and it is fair and reasonable for home owners to pay to ensure needed services continue in the community'. Certainly, this is a minority opinion of only a handful of respondents, but it should not be ignored.

Several people blamed political parties (frequently Labor, but also One Nation) for the problem, and we note that someone made an impassioned speech on same at the conclusion of one of the public meetings.

One resident asked 'IPART to watch closely how Council utilises the special variation' which is something that would be consistent with both the Act (1993, NSW) and extant scholarly advice.

Several respondents asked for an 'independent review into council' which is what gave rise to the current proposal.

Notably, in videos we did ask for specific material, plausible and lawful proposals to otherwise fill the revenue hole identified also by TCorp. Indeed, we actively invited alternative evidence-based feasible proposals, but it seems that residents were disinclined or unable to propose better alternatives.

### Summary of Survey 1

In sum, the opinions of just over four percent of the population who were sufficiently motivated to complete the survey were quite hostile to the idea of an SV. It is also clear that a significant proportion of the survey population decided not to consume the information in the Fact Sheet or decided to attempt to pervert the survey in some way. Given that the Fact Sheet and survey was extremely similar to those used in other councils which passed IPART communications criteria in the past it is hard to understand how such a large proportion of residents could not understand the information presented in accordance with OLG Guidelines (indeed, often using precisely the same exemplar table structure prescribed by the OLG).

Moreover, there is no way of knowing what the other 95.63% of the population thought – although it is reasonable to subscribe to the proposition used by the NSW Government that non-completion or non-attendance suggests that strong opinions were not held on the matter.

Ultimately, in the kind of dire financial sustainability predicament that Cessnock finds itself in, the preferences of a part of the 4.37% of residents who filled in the survey to avoid paying additional tax should not be allowed to pose an unacceptable threat to liquidity and progress towards mandated sustainability per the Local Government Act (1993, NSW). We acknowledge that it is disappointing that previous Councils did not take decisive action decades ago – but given threats of violence towards staff, representatives and scholars this is probably not surprising.

As we noted earlier a council cannot force residents to engage. Nonetheless, hundreds did indeed attend one of seven information sessions that were provided by Professor Drew. The real question regarding effectiveness is what happened to opinions after receiving additional information and the opportunity to ask any question. In the next session, we will explore just this question.



## **Second Survey**

We note that self-selection bias can often be a problem in interpreting survey responses. Only 223 people attended one of the five in-person and 321 attended the online event – in sum, this represents a response rate of less than 1.86% of invitations dispatched<sup>3</sup>. Harking back to our earlier proposition it seems that the remaining 98.14% were not strongly motivated to attend, either because they felt they had sufficient information (attesting to the effectiveness of our Fact Sheets, reports and videos), were ambivalent about the matter, or held to Tullock-like notions of representative democracy. Initial interactions before the commencement of talks clearly indicated that the majority of attendees were in strident opposition to *any* Special Variation. We remind readers that Survey 1 results for Question 7 (regarding the two non-SV options and also the SV option) were far less positive for the proposition than they had been at other recent communities (just 18% of the 4.13% of residents completing Survey 1 favoured the SV proposal) – it is also not surprising that strident views (likely against, but perhaps in favour) would be held by people voluntarily electing to listen to one hour plus of information.

Professor Drew conducted all the sessions and the slides will, of course, be provided to IPART (as will each and every response for both surveys). The initial presentation took a little less than an hour, and then the floor was opened up to anyone wishing to pose a question. These Q&A sessions continued until all questions were exhausted, but people frequently spoke privately to Professor Drew afterwards and some information was requested and sent through via email and telephone. One measure of the effectiveness of the presentations is the round of applause that was provided at the completion of one of the heavily attended sessions; another are the various comments of thanks for communicating in a straightforward and honest manner. {We note in passing that two security personnel had to be employed for the various sessions and that their services were required to deal with minor risks on at least two occasions – despite this we were impressed with the willingness of the vast majority of residents to engage effectively with the presenter}.

Question 1 of Survey 2 was an exact replica of Question 7 in Survey 1.

1. *Given the need for additional revenue to balance the budget and return to financial sustainability – a proposition held by TCorp (2013), Professor Drew, Professor Miyazaki, Professor Ferreira– which of the three options do you prefer?*

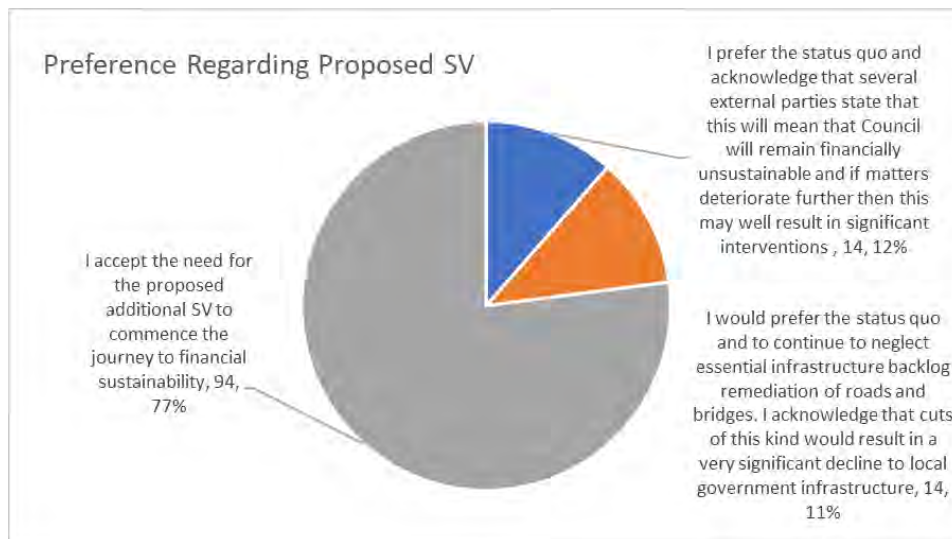
Here we can clearly see the effectiveness of communication come through in the statistics. Residents who were motivated to attend a session – generally accepted the proposed SV after hearing more information and being able to pose any questions that they might have had. Indeed, 77% of residents indicated that they 'accept[ed] the need for the proposed additional SV to commence the journey to financial sustainability'. We note that this is substantially higher than the 18% of

---

<sup>3</sup> Figures were provided by council staff on the 10<sup>th</sup> of December, 2025



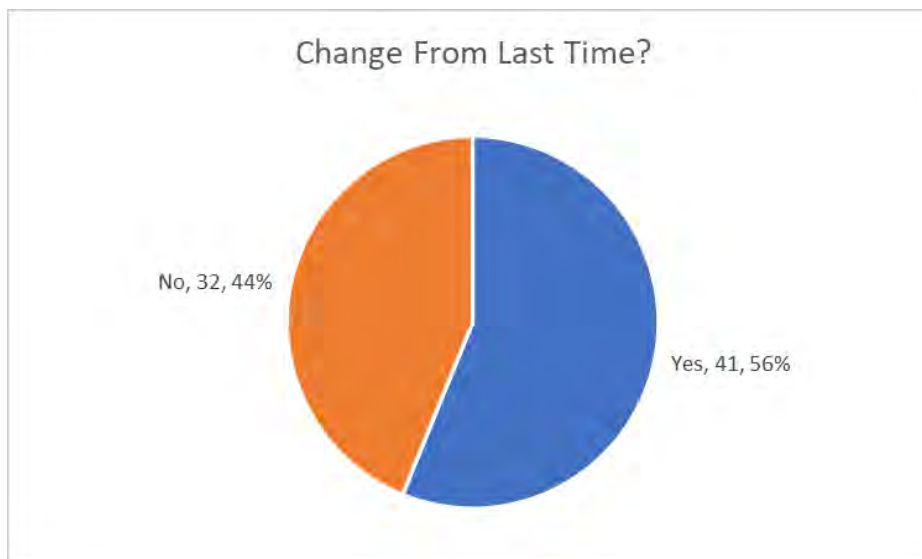
respondents for Survey 1. Furthermore, political science predicts that a change of heart is typically unlikely, and moreover, that people experiencing same will be reticent to proclaim their change of mind (see, for example, Riker, 1990). This latter observation by last century's greatest political scientist probably explains the low Survey 2 completion rate (122) relative to attendance numbers (544).



**2. If you filled in the previous survey, is the above response the same as you made last time?**

The great W H Riker (1990, p. 54) famously observed that rhetoric was doomed to ineffectual failure (certainly relative to heresthetic) because to persuade a person one must necessarily first have them 'acknowledge that the [had] previously erred'.

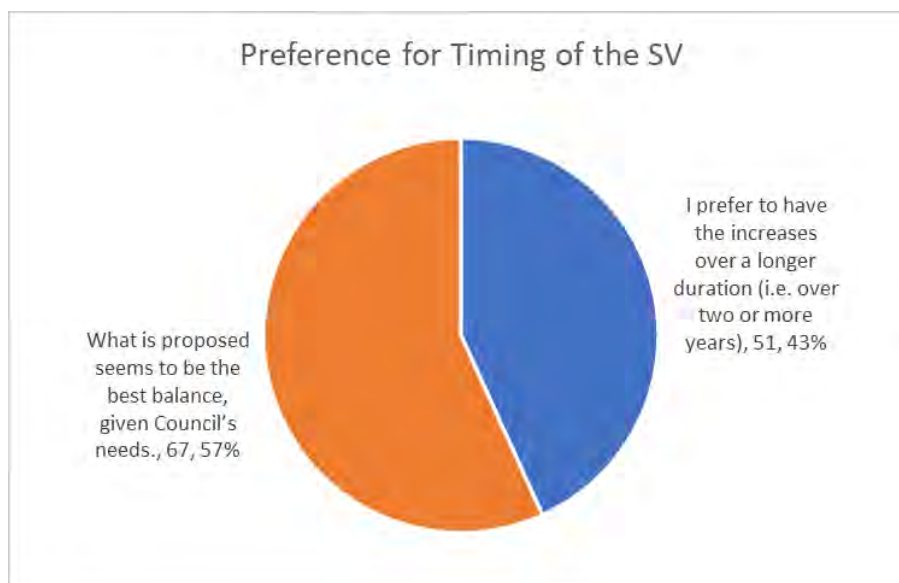
Nevertheless 56% of respondents declared that they had indeed changed their mind after listening to the presentation and Q&A. It might be noted that only 73 people completed Question 2, compared to 122 people for Question 1. This statistic certainly seems consistent with Riker's (1990) observation detailed earlier.



*3. Do you have a preference for the timing of the SRV annual increases?*

The clear majority of respondents receiving additional information in the session decided that the proposed timing was preferable to introducing the SV over a longer number of years 'given Council's needs'. This must have been an incredibly difficult option to select given that the proposal is large and comes at a time where increases in prices and taxes (including by other tiers of government) are clearly causing hardship in communities across the state.

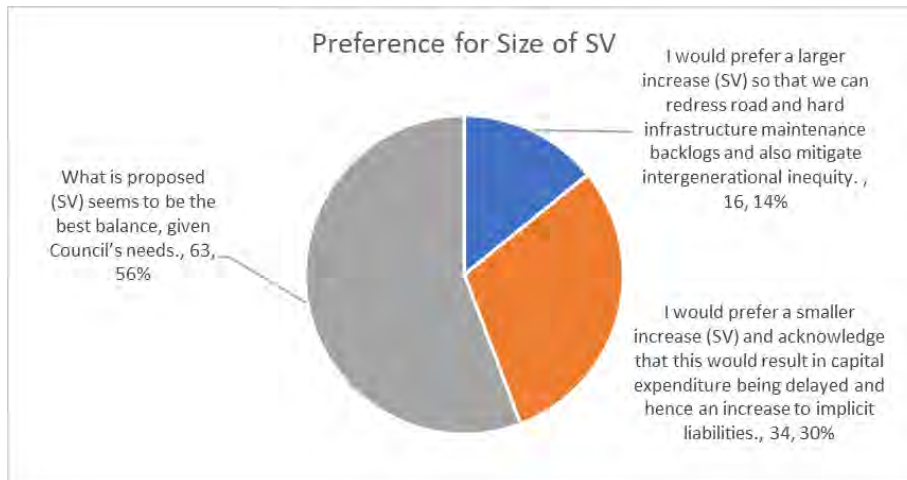
It seems that people might have been concerned about the looming liquidity crunch for Cessnock and the proposed hefty borrowings in the SV scenario – especially given that TCorp had previously declined to lend to council (in the absence of a significant increase to recurrent revenue). This, as well as the need to prudently redress large implicit liabilities may be the explanation for 57% of residents attending showing support for the duration of the proposal as articulated in the Fact Sheet.



4. Do you have a preference for the size of the proposed rate increase (SV)?

Three options exist in the possibility frontier relative to this question. Surprisingly 14% of the residents attending the sessions said that they would prefer a larger increase than the 39.9% that had been proposed. Fifty-six percent of residents declared that 'what is proposed seems to be the best balance given the Council's needs'. In contrast to the combined seventy percent clear majority who were either satisfied with the proposal or wished to pay more, thirty percent of residents preferred a smaller SV.

All things being equal one would expect the vast majority of people to prefer a lower tax increase – this is simply human nature such as demonstrated in the well-known work of Kahneman and Tversky (including extensions to Prospect Theory, 1979). The result is thus surprising and also a clear endorsement of both the proposal and engagement effectiveness.



In the following we will briefly survey some of the notable feedback from the surveys. For brevity's sake we cannot include all comments, but rest assured that all will be sent to IPART as part of the evidence brief.

#### **5. Feedback to Council**

There was much positive comment on the presentation which is important to note with respect to the 'effectiveness' dimension of the criteria and also as an implicit critique of the inevitable negative commentary. Thus, we have these sperate comments by different respondents:

1. *Thanks to prof for coming to the outskirts of CCC to explain.*
2. *Prof Drew's presentation was very informative and makes sense.*
3. *I appreciate the presentation by Professor Drew and understand why you are doing what you are doing,*
4. *Thank you for taking the time to inform the community and staff with open and honest responses in in relation to the financial situation. This process should have happened years ago which would have been less impact on our community*
5. *Seems a very scientific and thorough review and presentation. Convincing.*
6. *The meeting gave the information in a way I could understand the issues currently facing council. Thank you.*

However, there were also negative comments on the presentation, although it should be noted that these negative comments were clearly provided by the same person (same handwriting and same envelopes) who took the opportunity to personally attend three meetings (which, of course, is very welcomed):

1. *What or which joker went out and chose to waste more of council's money on a hyped up self proclaimed wizard of financials and sustainability management master mind, should be dismissed.*
2. *By not being present hiding behind Joseph Drew and his colleague's from Japan - ?? They allowed Drew to orchestrate the Joseph Drew show with a hint of financials.*
3. *Joseph Drew admitted several times he really doesn't care about the outcome or results as it has nothing to do with him other than receiving a pleasant at least 5 maybe 6 figures sum to do an appraisal of an area that he knows very little about physically or geographically - he calls us 'urbal'. (clearly this is a misrepresentation of what was said – indeed mistruth – Professor Drew stated that he would not feel any personal consequences of the decision because he did not live in Cessnock (which is, of course, fact); professional income was not discussed at any of the meetings that this lady attended, but Professor Drew was asked at the first meeting how much he cleared and he stated that after costs it would be somewhere in the vicinity of \$65,000 for some six months of work. The neologism 'urbal' was employed when discussing the FDH analysis in response to the Australian Classification of Local Government schema which categorises Cessnock as urban, despite the fact that many people expressed that they felt it to be rural. {Whilst on the topic of likely misrepresentations Professor Drew also stated that he knew enough about the people at IPART to have confidence that they were capable of understanding sophisticated evidence and making an evidenced-based decision<sup>4</sup>}.*

A different detractor of the engagement wrote:

*Get someone to talk to the everyday person. It was too many technical terminology.  
Report on what things are going to be cut*

More general feedback to Council focussed on the need to spend money wisely and communicate effectively with the community moving forward.

All presentations made a point of asking residents to propose better alternatives to the proposed SV. It would seem that the 77% who agreed with the proposal might not need to do so. The remaining 23% proposed various versions of the following (points of clarification added occasionally in parentheses):

- 'sack the lot and reset all salaries, get cost base down and then employ at a lower cost'. (This would seem unlawful, as well as impractical).
- Need more funding from the state and federal government.
- Be brave and push back on developers.
- Less red tape; less BS
- Reduce capital costs

---

<sup>4</sup> Precisely this comment formed the basis of a ridiculous misrepresentation at the last council Prof Drew advised – sadly a minority just can't resist the temptation to wilfully misrepresent the truth in pursuit of their own short-term interest.

- A number of specific criticisms of the ELT (executive leadership team) past and present
- Many calls for greater transparency and accountability.
- Cut back on inspections of septic tanks (a few commented on this)
- Consider minor boundary adjustments (a very sensible proposal of a few residents that probably should be addressed).
- Consider divesting assets such as the airport.
- Own up to mistakes
- Things are fine like they are

IPART and Councillors can of course read all the comments individually. We don't believe that the above requires elaboration.

#### *6. Feedback to IPART*

There weren't too many comments to IPART and we list below the ones that haven't already been aired:

- Hold them to it...use logic and fact
- Cessnock needs this rate variation to continue to service the LGA
- Lobby the State government to remove the rate cap system (a very sound suggestion – or at least make major changes to it)
- I am not convinced the SV is needed
- Get on board with indexed developer charges
- Look at cost shifting asap
- Get federal and state governments to step up
- Why are other sources of revenue not being explored in conjunction with rate increase (they are; it is a separate process)
- Property values do not equate to capacity to pay (agreed in some cases but the Act only has the one method of taxation articulated)
- You need to do whatever possible to help our area
- Don't approve a rate rise of this size (see our later discussion of the base rate)

Most of the comments don't require explanation (some important clarifications from us appeared in the parentheses). Full comments can be read by IPART and Councillors at their leisure.

#### Summary of Survey 2

It is rare in our democracy for any political party or position to receive a clear majority, excluding preferences. A recent salient example supporting the rarity of this kind of event is the current NSW State Government itself who received just 36.97% of the first preference vote (<https://elections.nsw.gov.au/elections/past-results/state-election-results/2023-nsw-state-election-results#results>) in March 2023. Moreover, even when a clear majority position is held on a single question, the position that is

carried is often only a relatively narrow majority (for example, the 'No' vote in the 2023 referendum was carried with only 60.06% of the vote;  
<https://results.aec.gov.au/29581/Website/ReferendumNationalResults-29581.htm> ).

Yet, despite organised opposition in Cessnock, as well as significant personal implications (supporting a tax increase means that one pays more tax), the proposed SV was nevertheless responded to with an overwhelming 77% formal assent. Indeed, this astounding result is even more remarkable if we reflect on the heavy politicalisation of opposition to the SV (more so than any community we have been involved in previously). It would thus seem incredibly difficult to ignore this voice of the people (in the terms of Hirschman, 1970), without finding oneself at risk of cognitive dissonance on other established and largely uncontested political outcomes in our nation's democracy.

### **Recommendations to Council**

Given the overwhelming voice expressed by fully informed residents in the community it would be impossible for us to advocate for any *major* change to the proposal articulated in the Fact Sheet. We simply cannot ignore the evidence at hand, and certainly can't ignore the risk to the community if council fails to act (a range of risks: from imperilling core services that people depend on, through to potential interventions and even potential public inquiry).

However, we do need to do something to alleviate some of the burden on the people with limited capacity to pay. We therefore strongly recommend a reduction to the base rate to a standard figure of approximately \$152. This preliminary figure, calculated with the assistance of staff, is based on the costs of having a required council structure (the overheads for want of a better term), divided evenly amongst ratepayers. The idea here is that a council needs basic things: Councillors, a General Manager, Governance teams, finance teams and the like. All residents need a basic council structure according to the Act (1993, NSW) therefore it is reasonable that everyone shares the burden for this equally. Moreover, calculating this each year – and adjusting the base rate accordingly – has the added value of providing important price signals to residents.

In general, reducing the base rate will effectively mean that the people with the lowest value land do not subsidise, to the same level, the people with the highest value land. It is a much fairer distribution of the burden, accords much more closely with the theory of unimproved land value as a basis for taxation (Pullen, 2009), and removes the apparent arbitrariness, sans reason, that previously existed (see, also, Drew, 2022).

We have been advised by the executive leadership team that they consider the following work of staff to be only preliminary and subject to change. A table was produced by staff – based on council data – which we think provides a reasonable guide to Councillors and IPART regarding the likely effect of the change of base rate. This table was provided to Councillors at a workshop on 17<sup>th</sup> of December, 2025. We have tried to be clear that all of this work (including the precise \$152 proposed base rate) is preliminary and thus should not be relied upon as definitive. Nevertheless, we feel it to be important information for decision-makers.

The table below provides a preliminary *guide*<sup>5</sup> to materiality of the effect on various classes of ratepayers. By necessity it had to be calculated on the extant land values which will soon be superseded and should not be taken as a definitive. However, it does give us a good feel for where things are likely to land and is certainly far more useful than the ridiculously misleading average rate data required by the OLG:

---

<sup>5</sup> The table is provided as a guide only and no reliance should be placed on the information contained therein. Indeed, the OLG Guidelines require reference to the changes in average rates for various categories. Readers should therefore refer to the extant Fact Sheets that detail these averages, which are also clearly articulated on the Council website.



		SRV WITH EXISTING BASE RATE			SRV WITH REDUCED BASE RATE	
	2022 Land		26/27 Gen		26/27 Gen	
Decile Number	Values		Rates	Movement (%)	Rates	Movement (%)
Residential						
Decile 1	160000		1082.96	27.99%	919.75	8.70%
Decile 2	278000		1564.52	35.69%	1485.96	28.88%
Decile 3	308000		1686.95	37.04%	1629.92	32.41%
Decile 4	325000		1756.33	37.73%	1711.49	34.21%
Decile 5	340000		1817.54	38.30%	1783.47	35.71%
Decile 6	352000		1866.51	38.73%	1841.05	36.84%
Decile 7	371000		1944.05	39.38%	1932.22	38.53%
Decile 8	399000		2058.32	40.25%	2066.57	40.81%
Decile 9	476000		2372.56	42.25%	2436.05	46.06%
Decile 10	887000		4049.85	47.98%	4408.21	61.08%
Residential Rural						
Quartile 1	673000		2353.56	36.48%	2257.88	30.93%
Quartile 2	906000		3019.52	38.97%	2986.96	37.48%
Quartile 3	1065000		3473.97	40.16%	3484.48	40.59%
Quartile 4	1470000		4631.54	42.18%	4751.76	45.87%
Farmland						
Quintile 1	819000		2239.31	34.40%	2090.89	25.49%
Quintile 2	1232000		3151.7	37.66%	3068.62	34.03%
Quintile 3	1467000		3670.85	38.83%	3624.96	37.09%
Quintile 4	1716000		4220.94	39.77%	4214.44	39.55%
Quintile 5	2262000		5427.14	41.18%	5507.04	43.26%
Farmland - Mixed Use						
Quartile 1	1103000		6852.05	37.60%	6646.88	33.48%
Quartile 2	1864000		11210.41	39.33%	11127.94	38.30%
Quartile 3	2373000		14125.53	39.90%	14125.13	39.89%
Quartile 4	4247000		24858.21	40.85%	25159.95	42.56%
Farmland - Business Rural						
Quintile 1	840000		5257.34	37.34%	5081.84	32.76%
Quintile 2	1187000		7208.11	38.94%	7118.34	37.21%
Quintile 3	1522000		9091.43	39.84%	9084.4	39.73%
Quintile 4	1842000		10890.41	40.42%	10962.44	41.35%
Quintile 5	2382000		13926.2	41.06%	14131.62	43.14%
Business						
Septile 1	12000		740	9.32%	368.61	-45.54%
Septile 2	25000		962.08	15.83%	603.27	-27.37%
Septile 3	54000		1457.48	24.19%	1126.75	-3.99%
Septile 4	179000		3592.86	35.49%	3383.1	27.58%
Septile 5	289000		5472	38.44%	5368.7	35.83%
Septile 6	474000		8632.36	40.59%	8708.11	41.82%
Septile 7	1770000		30771.98	43.35%	32102.02	49.55%

As can be seen, prudent adjustments to the base rates – away from the arbitrary numbers that seem to have been used in the past – has the potential to radically reduce the burden on the ratepayers most likely to struggle with capacity to pay. It thus responds well to the comments from the various sessions and also the intent of

the OLG Guidelines. For example, this preliminary work suggests that seven residential deciles under the proposed revised base rate will have lower burdens than the headline rate (and the silly average rate data required by the OLG) might have suggested. For the bottom two residential deciles this is substantially lower (around 8.7% and 28.88% in nominal terms on the previous year's rate burden – we should also be mindful that a IPART rate cap of 3.8% was set to be imposed irrespective of what happens with the SV). For standard farmland, preliminary work suggests that the bottom three quintiles are lower movements than the headline SV rate might suggest, and the lowest quintile sits at around 25%. Business is a particularly interesting case – apparent poor historical rate structure at Cessnock seems to have long required low value small businesses to provide a substantial subsidy to major national retailers and the like. This is probably why small retail activity is so depressed in Cessnock and surrounds despite massive population growth. Putting in place a more defensible base rate would likely reduce the annual rate burden for the lowest three septiles relative to the previous financial year. Moreover, addressing the apparent inequity in the rating structure for business at Cessnock would clearly have great benefits for the local economy and community.

Of course, the dismal reality of arithmetic means that whilst there would be relative winners from a fairer base rate, there must inevitably be losers. For instance, businesses sitting on more than \$1.77 million in unimproved land value according to 2022 valuation data could pay more than the headline rate according to these preliminary calculations. In similar vein, residential ratepayers sitting on more than \$880,000 of unimproved land value could also pay more than the headline SV rate according to preliminary work. However, it is generally reasonable to assume that ratepayers sitting on very high value land derive incomes commensurate with same - indeed, that is the whole theory of an unimproved land value tax (of course there are always exceptions, but it is flawed logic to reason from the particular to the general; see, for instance, Drew et al., 2025).

*Recommendation 1: Reduce the base rates in an evidenced-based manner.*

Council should also carefully consider the need to redress distributive equity more generally. Clearly this is a difficult matter to progress politically – likely as difficult as an SV, if not more so (because there is no independent umpire for adjudication). Furthermore, considerable modelling is required, and it would certainly be in keeping with the Act (1993, NSW) to also do extensive education and consultation consistent with the sort of thing that is deemed appropriate for an SV (which has similar significant impacts on the local government taxation liabilities for individuals). One could certainly not do a review of distributive equity on this scale concurrently with an SV, which is already a major task – and if a council were to do so then inevitably the community would become incredibly confused by the conflation of two separate tax reforms executed at the same time. For this reason, previous Councils have indicated to IPART that they would conduct investigations into *prima facie* distributive equity deficiencies in the twelve months following application for an SV {we note that these councils were deemed to have passed all OLG criteria by IPART}.

To strengthen the case that a careful consideration of distributive equity will indeed occur in an appropriate timeframe – and also to provide much desired comfort in some quarters of the community – we strongly recommend that council pass a resolution to charge the General Manager with the task of a review on this matter to be completed by the end of 2026. Ideally a resolution along these lines would be made such that it could be included in the IPART application (and hence visible as part of the process to the community).

We note before closing this matter that a redress of distributive inequity, and the apparent arbitrary base rate that likely disadvantaged ratepayers at the bottom of the distribution, has always been an option for Councillors going back many years. It is interesting that so much focus is placed on potential implications of an SV, but so little is often done to redress extant inequity that frequently exerts far more important implications for individual ratepayers. Indeed, one can only reasonably conclude that the entire rate cap regime in NSW is questionable because it clearly does nothing to protect individual ratepayers at all (as is often erroneously asserted).

*Recommendation 2: pass a motion to charge the GM with delivering a comprehensive investigation aimed at mitigating distributional inequity in the rate structure by the end of 2026.*

An additional lesson from the community engagement is for Council to do much better on both communication of the Hardship Policy and also staff awareness regarding the process for declared hardship. One lady at an event related the heart-wrenching account of her experience when she applied for hardship provisions many years ago, following the untimely death of her husband – essentially no meaningful response. We simply must ensure that all staff are clear on the process and that regrettable instances such as these are never repeated.

*Recommendation 3: Commence an education campaign for both staff and residents regarding the revised Hardship Policy.*

A competent after-care policy and comms programme is also something that the community rightly called for. It was a common refrain at meetings that people were willing to pay more rates if the money was spent wisely and if they were kept up-to-date about where it was being spent. Previously Professor Drew spoke to senior staff around the need for effective communication on this matter and suggested short videos on site saying what the project was, why it was happening and what the cost was for items funded by the SV – a minute or so of video perhaps. The community have indicated that they liked the short videos done during the SV engagement and would appreciate something like this (although some suggested we needed something for people who don't access videos online). Similarly, it is incredibly important that effective and accessible communication is made when the IPART decision comes through and for the rate rise (should it be approved), and then finally at the completion of the SV term. When communicating on this, we need to be mindful that few residents are likely to read financial statements and annual reports.

*Recommendation 4: Effective post-SV care and communication should be considered vital for community understanding.*

As we have made clear to all parties the SV, in and of itself, is absolutely necessary but certainly not sufficient. Indeed, the community made it very clear that it simply cannot be business as usual moving forward. There is a long list that Councillors need to work through regarding other financial sustainability measures – no one measure is the answer, but as a total they have the potential to delay and minimise a likely future additional SV. Professor Drew has indicated that he is willing to donate his time to councillors if they want to work through other matters, but he is also happy if they use other experts to guide them forward (and indeed prefers it). The main thing to realise is that this is only the first step and there is much more that must be done.

*Recommendation 5: Use the time secured by a potential SV to keep working through the lengthy list of other matters over subsequent years.*

Notably, this report submitted Friday 19<sup>th</sup> of December, 2025 marks the end of our engagement at Cessnock City Council. We have advocated strongly for the community in accordance with the feedback that we received in surveys and at meetings. How Cessnock City Council responds to this advocacy appears to be a matter for council. To avoid any confusion, Professor Drew and his team had no involvement in the post-engagement communications or any other matter from the 19<sup>th</sup> of December onwards. We wish the community and council all the best and our thoughts will certainly be with Cessnock.

Sadly, without the SV it is doubtful that Council will be in the position to pursue our recommendations with the vigour that they deserve. For this reason, we commend our report to the Council body with our advice to heed both the unambiguous evidence of dire financial need and also the overwhelming voice of the informed residents (and the absence of voice from the remaining 95.63%).

**Addendum – Additional Wollombi (Laguna) Online Presentation 1600 Tuesday 9<sup>th</sup> December.**

An additional presentation was made to Wollombi residents at a later time because some had complained that they didn't receive the Fact Sheet as per the arrangement with our contractor. We have indeed heard this kind of complaint in the past at all other Councils which we have advised, and it seems to be (mystifyingly) unavoidable. Nevertheless, to ensure that all views were heard and taken onboard we provided a second online option at nearby Laguna.

Unfortunately, a number of apparent comms failures exacerbated existing ill-feeling in this community at this event. *Having acknowledged these apparent failures, the criteria for a financial sustainability SV is nonetheless community awareness, not any potential assessment of comms competence.* The community that attended were aware and Professor Drew did his best to answer questions despite the fact that the presentation had to be curtailed early on due to apparent communications problems.

Survey 2s were also distributed at Laguna and all results will be forwarded to Council and IPART in full. However, we must note that the results of these particular twelve survey responses can't be relied upon or sensibly added to the other Survey 2 responses for the following important reasons:

- The respondents at Laguna didn't get to hear much of the presentation at all, therefore the Survey 2 can't be said to be fully informed.
- There is no way to guarantee the integrity of the Survey 2 responses in the case of Laguna because of the circumstances of this particular event.
- The people who attended at Laguna were clearly very angry and this was exacerbated by less-than-ideal conditions. We therefore can't be sure how much these external matters influenced these particular Survey 2 results.

It would clearly be folly to try to extrapolate the Laguna Survey 2 results to the rest of the community. We strongly encourage Councillors and IPART to read the comments in full to gain a comprehensive understanding of the views of these twelve formal responses from the Laguna event (representing 0.041% of fact sheets distributed) so that they receive the importance that they deserve.

### **References**

- Berman, E., and Wang, X. (2018). *Essential Statistics for Public Managers & Policy Analysts*. Sage: London.
- Drew, J. (2022). *Saving Local Government*. Springer Palgrave: Singapore.
- Drew, J., Villano, R., McQuestin, D., and Miyazaki, M. (2025). Public Policy by Syllogism? Does Logic Hold the Answer to Better Policy Outcomes? *Evaluation Review*, DOI: 10.1177/019384IX251344054.
- Friedman, L. (2002). *The Microeconomics of Public Policy Analysis*. Princeton University Press: Princeton.
- Hirschman, A. O. (1970). *Exit, Voice and Loyalty*. Harvard University Press: Cambridge.
- Independent Pricing and Regulatory Tribunal (IPART) (2025). *Special Variations: How to Prepare and Apply*. IPART: Sydney.
- Kahneman, D., and Tversky, A. (1979). Prospect Theory: An Analysis of Decision Under Risk. *Econometrica*, 47(2): 263 – 291.
- Pullen, J. (2009). Henry George and the Australian Economic Association: On Land Ownership and Land Taxation. *History of Economics Review*, Summer 2009: 46-71.
- Riker, W. H. (1990). *Heresthetic and Rhetoric in the Spatial Model*. In: Enelow J, Hinich M (eds) *Advances in the Spatial Theory of Voting*. Cambridge University Press, New York, pp 46–65.
- Treiman, D. (2009). *Quantitative Data Analysis: Doing Social Research to Test Ideas*. Wiley: London.
- Tullock, G. (1969). Federalism: Problems of Scale. *Public Choice*, Spring 1969, pp.19.





CESSNOCK LGA  
2025

# COMMUNICATIONS AND ENGAGEMENT SUPPLEMENTARY REPORT

## FINANCIAL SUSTAINABILITY

CESSNOCK CITY COUNCIL



# SUMMARY



## Highlights

# Summary

*The aim of the communications and engagement plan was to raise awareness in the community about the financial challenges facing Cessnock City Council and to inform the community about a proposed special variation application for 2026/27.*



**32**  
Total posts



**11,593**  
webpage  
visits



**7**  
public meetings and  
**10**  
pop up  
listening posts



**278,116**  
Social media  
views



**21**  
Local/regional  
media stories



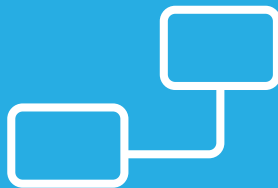
**1428**  
Total survey  
responses



## Highlights

### Website

**11,593**  
Total  
webpage visits



**2**  
Pages



**13**  
FAQs



**21**  
Videos



**10,232**  
Clicks/downloads



**2,399**  
Use of digital  
engagement features

*In order to provide easily accessible information to the public, two web pages have been maintained from September 2025 and are updated as new information becomes available.*

## Website

Two web pages went live on 4 September – one on Council’s main website and another on its engagement site. The pages served unique purposes, with key information mirrored across both and cross linking featured prominently.

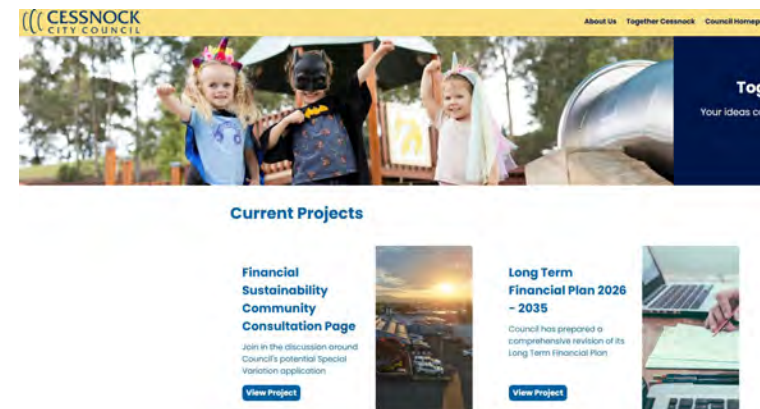
### Financial Sustainability page – Council website

Between the 4 September – 15 December 2025 the page received **2780** views. Information included key documents including the Cessnock City Council Financial Sustainability Review by the University of Newcastle’s Institute for Regional Futures, a library of **21** videos, the digital fact sheet and survey, a suite of FAQs, Professor Biographies, media release and links to the public exhibition of the draft revised Long Term Financial Plan, and important links to the digital engagement ‘Financial Sustainability Community Consultation Page’ and IPART’s Special Variation website.

## Have your say – Together Cessnock

The digital engagement ‘Financial Sustainability Community Consultation Page’ is the digital engagement home for community information and feedback. It supplemented the information and video library on the financial sustainability page with digital engagement tools including a digital version of the survey, key dates, and the ask a question feature. The ‘Financial Sustainability Community Consultation Page’ was placed prominently on the home page of Council’s Have Your Say website.

More information about the Have your Say page can be found in the Engagement section of this report.





[Home](#) / [Council](#) / [About Council](#) / [Financial sustainability](#)

## In This Section

[About Council](#)

[Our organisation](#)

[How does Council work?](#)

[Our region](#)

[Local history](#)

[Customer Service Charter](#)

[Complaints](#)

[A history of our Council](#)

**[Financial sustainability](#)**

## Financial sustainability

At Cessnock City Council, we deliver a range of quality services and infrastructure that are valued by our community.

To do this, we rely on various funding mechanisms including rates.

For the last five decades, Council rate revenue and certain other council revenues have been regulated in NSW under an arrangement known as 'rate pegging'.

Acting on the advice of the Independent Pricing and Regulatory Tribunal (IPART), the NSW Government determines the percentage figure by which councils can increase their general rate income each year through its rate-pegging policy.

If councils want to apply for a larger increase they need to make a Special Variation application. IPART then considers the application and makes a determination.

Council has engaged an independent expert, Professor Joseph Drew, and his team of three professors to explore the matters necessary to prepare an application for a special variation and undertake community consultation.

Professor Drew previously prepared a review of our financial sustainability. The report is available to download on this page.



## Highlights

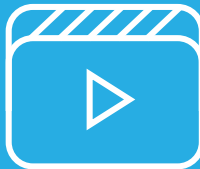
### Social media



**32**  
Total posts



**278,116**  
Views



**8**  
Reels



**517**  
Reacts



**1,140**  
Comments



**145**  
Shares



Social media was used as a tool to share information to a wide audience and raise awareness in the community about the financial challenges facing Cessnock City Council, and to inform the community about a proposed special variation application for 2026/27.

## Social media

### Facebook and Youtube

Council's Facebook was utilised as the main social media platform due to this channel having the highest audience following and participation, rate of reach and engagement results. Youtube was used as a secondary platform.

The benefits of Facebook are in enabling community participation, community conversation, peer-mediating, easy post-sharing, and a variety of ways to communicate such as photos, long and short form captions, links and reels. The benefits of Youtube were long form video hosting and embedding directly into the website while also supporting comments and questions.

The results of awareness and engagement are the highest using social media across all other communication methods.



## Social media posts and engagement

32 posts since September

DATE	POST DESCRIPTION	TYPE	VIEWS	REACTIONS	COMMENTS	SHARES
05/09/25	Intro video: a potential SV for Cessnock	Post	12,523	23	80	7
11/09/25	SV: what they are and why they are necessary	Post	7,166	4	45	1
16/09/25	Approaching an SV the right way	Post	3,008	4	5	-
19/09/25	Why engage independent experts	Post	2,934	8	7	-
04/10/25	Any questions about financial sustainability?	Post	2,760	-	8	1
15/10/25	What Prof. Drew & team have been working on	Post	2,951	1	-	7
18/10/25	Double feature: staff/management costs at Cessnock and who bears the cost of growth	Post	3,823	8	4	1
27/10/25	Why are we only now hearing this?	Post	7,384	15	17	5
29/10/25	Is this just propaganda?	Post	6,216	12	23	3
31/10/25	Letterboxing underway - physical survey drop-off locations open	Post/ carousel	26,487	46	130	22
05/11/25	Renters and a special variation	Post	7,585	15	23	2
06/11/25	Biased survey?	Post	6,831	14	33	-

DATE	POST DESCRIPTION	TYPE	VIEWS	REACTIONS	COMMENTS	SHARES
07/11/25	Council size and special variations	Post	6,117	8	23	-
09/11/25	Double feature: invitation to find out more at a public meeting and what's your solution?	Post	7,574	1	43	-
12/11/25	Comparing average rates	Post	11,585	19	35	-
13/11/25	Financial sustainability listening posts kick off	Post/ carousel	12,594	18	26	8
17/11/25	What your councillors have been doing	Post	10,598	20	52	2
18/11/25	Public meetings: times, dates and locations	Post	21,731	19	15	43
18/11/25	Context: other councils and SV applications	Post	6,064	7	33	1
19/11/25	SV and a future rates notice	Post	4,510	21	30	1
20/11/25	Council cost controls	Post	11,092	16	51	2
21/11/25	Common questions and feedback #1	Reel	2,806	21	28	-

DATE	POST DESCRIPTION	TYPE	VIEWS	REACTIONS	COMMENTS	SHARES
21/11/25	Come on down to Wollombi public meeting	Reel	3,574	9	11	1
22/11/25	Common questions and feedback #2	Reel	7,275	26	47	3
22/11/25	About to start a public meeting at Kurri Kurri	Reel	19,980	40	108	8
23/11/25	Common questions and feedback #3	Reel	3,749	13	17	6
23/11/25	Kicking off Branxton public meeting in 45 mins	Reel	10,033	23	39	1
24/11/25	About to present to ELT on feedback raised at public meetings so far	Reel	14,938	52	51	4
24/11/25	Invitation to digital public meeting this evening	Reel	13,434	36	87	10
24/11/25	Reminder: public meeting on YouTube council	Post	13,775	10	40	5
06/12/25	Additional public meeting - Laguna	Post	1,000	2	1	-
10/12/25	Updates to LTFP and Financial Hardship Policy	Post	6,019	6	26	1





## Highlights

### Video content

**30**  
Videos



**77,446**  
Total views



**21**  
YouTube /  
website videos



**8**  
Reels



**1**  
Digital meeting  
webcast



*We utilised video content as a tool to assist in the provision of accessible information to keep the community abreast of developments, explain important concepts in an easily digestible way, and respond to community feedback.*

## Video content

Video content was used in a variety of ways to assist in the provision of accessible information to keep the community informed.

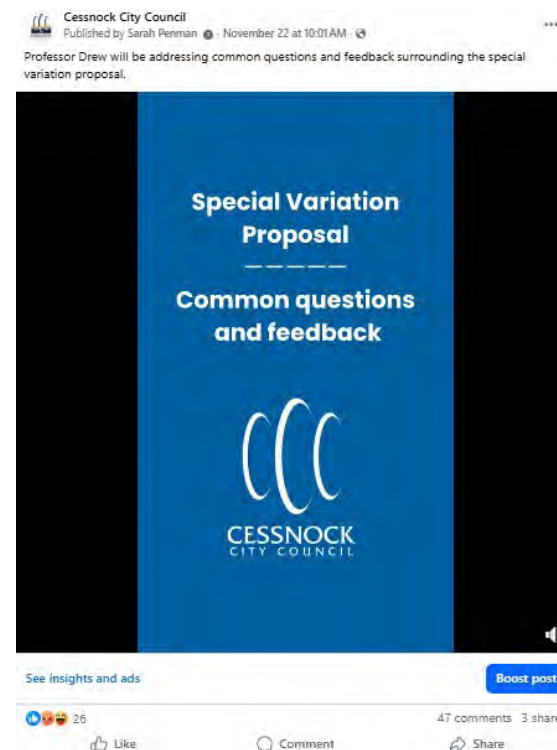
Video content was published using a range of platforms, including; social media, website and YouTube.

### Online public meeting

A digital public meeting was webcast live on Youtube and promoted through Council's social media, website and via a QR code/link on the fact sheet. The online session achieved the highest attendance of all public meetings (**329** attendees online and in person) and included a lengthy Q&A session using the live chat feature on the YouTube platform to enable viewers to submit questions and comments.

## Short reels

**Eight** social media reels were published on Council's Facebook page. The reels were used to promote attendance at public meetings and respond to common questions and comments raised by the community.





## Independent expert videos

Professor Drew prepared a series of 5-10 minute videos to provide context on our financial sustainability journey, update the community on developments, explain important concepts and respond to community feedback.

The videos were regularly uploaded to Council's Financial Sustainability webpage: [www.cessnock.nsw.gov.au/financialsustainability](http://www.cessnock.nsw.gov.au/financialsustainability)



Video 1: Introduction to a potential special variation for Cessnock +

Video 2: Special Variations - what they are and why they are necessary +

Video 3: Special Variations - the right way VS the wrong way to approach them +

Video 4: Special Variations - why engage independent experts? +

21 videos are currently hosted on Council's website to provide awareness and wider context on our financial sustainability journey, receiving **1,336** views and addressing the following subjects:

- Introduction to a potential special variation for Cessnock
- What are special variations and why are they necessary
- The right way vs the wrong way to approach a special variation
- Why engage independent experts
- Things Professor Drew and his team are working on
- Who bears the cost of growth?
- Staff and management cost at Cessnock
- Why are we only now hearing this?
- Is this just propaganda
- Renters and a special variation
- Biased survey?
- Council size and special variations
- Invitation to find out more
- What's your solution(s) to the financial predicament?
- Average rates in neighbouring councils
- What your councillors have been doing
- Other councils and SV applications
- What does an SV mean to your future rates notice?
- Common questions and feedback
- Professor Kim video
- Council cost controls



## Highlights

# Newsletters & other owned media

1

CFO column in  
rates newsletter



3

Media release/  
mayoral columns

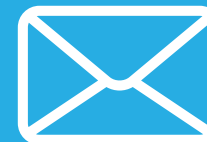


4

E-newsletter  
articles



- Letterbox drop to ratepayers, residents and businesses in the LGA
- direct mail to ratepayers outside LGA
- email to mining ratepayers





*The letterbox distribution and mailout provided an equitable and visible way to directly reach residents and ratepayers who may not use digital communication methods or consume local and regional news media.*

## Other owned media

### Letterbox distribution and mailouts

Council engaged a private distributor to letterbox **30,000** Special Variation Fact Sheets and Surveys across the LGA.

Council also used Australia Post to post a mail-out to **4681** out of area ratepayers which included the Special Variation Fact Sheet and Survey. An email copy of a Fact Sheet and Survey was also sent to all mining ratepayers.

Council additionally letterboxed **898** dwellings in the Wollombi Valley over the 3 and 4 December 2025 ahead of the additional public meeting to be held in Laguna on Tuesday 9 December 2025.

More information about the letterbox distribution and mailout can be found in the Engagement section of this report.



## Newsletters/eNewsletters

E-Newsletters were utilised as a relationship-based audience engagement tool as they are delivered directly to subscribers. This allowed content to be shared with key highlights and direct links to more information enabling community participation at a time and depth that suits them. E-Newsletters also enabled Council to collect measurable data of open rates, click-through rates and monitoring of interest in particular subcategories over time.

The newsletter sent with the July Rates Notice included a Financial Sustainability update from the Chief Financial Officer to continue early awareness raising. As this was the July Rates Notice it was sent to all ratepayers via regular Australia Post mail distribution methods.

## Media release/mayoral columns

Council prepared and issued a media release and two mayoral columns. Each were published as a record in the news section of Council's website, and the media release was also published on the financial sustainability page.

NEWSLETTER/E-NEWSLETTERS			
Date	Publication	Headline	Audience
21/07/25	Cessnock City News (rates newsletter)	CFO Update	All Cessnock ratepayers
17/09/25	Cessnock City eNews	Independent expert enlisted to guide financial sustainability	community members/ subscribers
03/11/25	Environment and Waste eNewsletter	Special rate variation information	subscribers with an interest in environment updates
16/11/15	Advance Greater Cessnock eNews	Have Your Say on Council's Proposed Rate Change	Cessnock business community subscribers
19/11/25	Cessnock City eNews	Public meetings on Special Variation proposal	community members/ subscribers



## Highlights

# Media coverage

22

Local/regional  
media stories



370,100+

Total reach



9

Broadcast



13

Print/online



2

Long form  
interviews



*\*also included in broadcast*



The communications and engagement plan leveraged local and regional media to amplify important messages – focused on key milestones – to raise awareness and inform the community about the financial challenges facing Cessnock City Council and informing the community about a proposed special variation for 2026/27

## Local and regional media coverage

As a rural and regional area, the Cessnock community utilise a wide variety of channels to receive their news and community updates. Some of these channels are locally and community-owned. These provide a trusted and place-based news coverage option that feels relevant and speaks to local and familiar subjects and locations for residents. Some residents may rely on local news for information about the Cessnock LGA in particular.

Local channels commonly and predictably share local government news as a main distribution source. All major local and regional news channels shared key information regarding Council’s financial sustainability journey through 2025 as documented below.

### Media coverage

BROADCAST MEDIA		
Date	Channel	Reach
16 April 2025	ABC Newcastle	14k
17 September 2025	2NUR	1k
21 October 2025	NBN Newcastle	81k
22 October 2025	2NUR	1k
23 October 2025	ABC Newcastle	6.1k
5 November 2025	2NUR	1k
21 November 2025	2CHR	1k
24 November 2025	2NUR	1k
24 November	2CHR	1k

**Note:** 1k figure is used where audience reach is unavailable or publication is not picked up in media monitoring

PRINT AND DIGITAL MEDIA			
Date	Publication	Headline	Reach
2 July 2025	Newcastle Herald	Cessnock Council to further investigate a potential rate rise for residents	35k
3 July 2025	Newcastle Herald	Independent report calls on council to raise rates	40k
10 July 2025	Newcastle Herald	Councillor opposes external advice on city's financial status	40k
5 September 2025	Newcastle Herald	Economics experts called in to advise on proposed rate rise	44k
9 September 2025	Newcastle Weekly	Independent expert enlisted to guide Cessnock's financial sustainability	6k
20 October 2025	Newcastle Herald	Council calls extraordinary meeting to discuss rate hike	50k
5 November 2025	Newcastle Herald	Cessnock's massive rates rise plan to sort finances	42k
7 November 2025	Branxton Greta Vineyard News	Consultation to begin on possible rate increase	1k
7 November 2025	Branxton Greta Vineyard News	Mayoral column	1k
14 November 2025	Hunter River Times	Mayoral column	1k
25 November 2025	Branxton Greta Vineyard News	Local government rate increase	1k
1 December 2025	Our Own News (Wollombi)	Notice to the Wollombi Valley Community	1k
1 December 2025	Our Own News (Wollombi)	Summary of the recent Cessnock City Council presentation	1k



## Highlights

# Engagement



**1,428**  
Total survey  
responses

**10**  
Pop up  
listening posts



**7**  
Public meetings  
(including a  
digital session)

**577**  
Attended public  
meetings

**44**  
Conversations at  
listening posts



**13**  
13 questions through  
'Ask a Question' tool



**2,399**  
Use of digital  
engagement features

*The communications and engagement plan focused on raising awareness and informing the community being the first level of the IAP2 Public Participation Spectrum. Engagement methods utilised reflected the demographics and geography of the Cessnock LGA.*

## Engagement

### Methods

- Have your say webpage
- Letterbox distribution and mailout
- Fact Sheet
- Digital and hardcopy survey
- Invitation to public meetings flyer
- Ask a question
- Pop ups/listening posts
- Public meetings
- Community-initiated feedback



### Have your say – Together Cessnock

The digital engagement 'Financial Sustainability Community Consultation Page' is the digital engagement home for community information and feedback. It will be live throughout the duration of consultation prior to a potential application to IPART, after an application has been submitted and is under review by IPART and in the post-review decision period.

Between the 29 October – 15 December 2025 the page received **8813** views. Information included key project dates, key documents including the Cessnock City Council Financial Sustainability Review by the University of Newcastle's Institute for Regional Futures, the Fact sheet – Proposed Special Variation, and the public exhibition of the draft revised Long Term Financial Plan, as well as a full schedule of pop up and public meeting dates, times and locations, staff who's listening bios, FAQs and important links to Council's Financial Sustainability Website including videos, IPART's Special Variation website, and Council's Youtube page for the Digital Public Meeting Session.

### Letterbox distribution and mail out

Council engaged a private distributor to letterbox **30,000** Special Variation Fact Sheets and Surveys across the LGA. The letterbox distributor contracted by Council is an experienced and long-term mail distribution company operating since 1989 and citing multiple other local councils and state services such as Service NSW as a client. The distributor is also a signatory to the Distribution Services Board (DSB) ANZ Code of Practice. The DSB is the self-regulatory body ensuring responsible letterbox distribution standards across Australia and New Zealand. The Code includes a commitment to ensuring that any delivery with which they are associated is consistent with a high standard of performance.



The Fact Sheet and Survey were delivered as one item to each dwelling and business within the Cessnock LGA, calculated by **25,765** total dwellings and **3,480** total businesses (Source: Australian Bureau of Statistics and National Emergency Management Agency). The distribution occurred from Wednesday 29 October – Friday 14 November 2025. A GPS tracking link of all letterboxing teams with map overlay was provided to enable Council to track the coverage across the LGA in real time and can be found in the Engagement annexure in the report below.

Council also used Australia Post to post a mail-out to **4681** out of area ratepayers which included the Special Variation Fact Sheet and Survey. As well as email to send a Fact Sheet and Survey copy to all mining ratepayers.

In response to feedback received regarding potential non-receipt of the Fact Sheet and Survey during the public meeting in Wollombi, Council additionally letterboxed 898 dwellings in the Wollombi Valley over the 3 and 4 December 2025. Councils letterbox handout included a copy of the printed Fact Sheet and Survey same as previous letterbox distribution. The survey return date was also extended and an addendum message provided with an invitation to an additional public meeting to be held in Laguna on Tuesday 9 December 2025.

## Fact Sheet

The Fact Sheet: Proposed Special Variation was authored by independent expert, Professor Joseph Drew and heavily informed by Office of Local Government guidelines. The Fact Sheet was four A4 pages with an attached two-page survey. While it was authored independently, the fact sheet was folded to display the Council logo and header, and printed in a matte finish.

The fact sheet included information about the Special Variation

application process, the cumulative impact of the proposed variation including rate peg, what the purpose of the SV would be for, research history to date, hardship policy and upcoming community engagement opportunities. As well as QR code directing the community to easily access a copy of the digital survey.

In addition to being distributed via letterbox, copies of the fact sheet were available and provided to community members at all pop up sessions and public meetings. As well as hard copies available at Council Administration Building, Cessnock City Library, Kurri Kurri Library and the Hunter Valley Visitor Information Centre in Pokolbin

## Digital and hardcopy survey

The digital and hardcopy surveys were authored by independent expert Professor Joseph Drew and focused on the criteria from the Office of Local Government guidelines. Copies of hardcopy surveys were available alongside the fact sheet at Council Administration Building, Cessnock City Library, Kurri Kurri Library and the Hunter Valley Visitor Information Centre in Pokolbin. Completed hardcopy surveys were also able to be returned by community at these locations. **1249** surveys were received during the initial mail-out.

## Invitation to public meetings flyer

A flyer with the full list of public meetings and what to expect was provided to community attending or walking past pop up stalls. Multiple copies were provided to be distributed via community members to their neighbours or other community groups. Copies were also provided at Council buildings including Council Administration Building, Cessnock City Library, Kurri Kurri Library and the Hunter Valley Visitor Information Centre in Pokolbin next to the hardcopy survey collection box.

## Ask a Question tool

An open Ask a Question tool has been available on the Financial Sustainability Community Consultation page via Together Cessnock since launch date on 23 October 2025. To date, the tool has 51 visitors engaged 10 contributors asking 13 questions. Out of 13 questions asked, 12 questions were answered publicly enabling the broader community access to question and answers in real time. One question was withheld due to use of language and personally identifiable information

Questions asked from the community	Answers provided by Council
1. How much is council contemplating raising the rates by. What is the shortfall and why?	<p>Council's Long Term Financial Plan (LTFP) indicates multiple years of ongoing operating deficits when capital grants and contributions are excluded. As a council, we have been upfront for several years about budgetary challenges we are facing in this local government area. Future funding obligations have been consistently included as a specific risk in every Operational Plan for the past two terms of Council. These budget challenges are largely due to factors such as a rapidly growing population, an ageing and growing asset base, cost shifting by successive state governments, and increases to costs and materials outpacing allowable rate increases capped by the state government. Many of these problems are not unique to our Council, and are faced by numerous other councils.</p> <p>An independent Financial Sustainability Review into our financial health, by the University of Newcastle, confirmed that rising costs and decades of underfunding have placed pressure on Council's ability to deliver services and maintain infrastructure. The Financial Sustainability Review recommended additional revenue to maintain existing services and fix critical infrastructure gaps. It will be complemented by a suite of other important sustainability measures. We'll be leveraging the independent expert advice from Professor Drew and his team to inform decision making. A recommended figure will be shared with the community during the upcoming consultation, following completion of research and analysis by Professor Drew's team.</p>
2. Question withheld due to language and privacy	Not applicable



Questions asked from the community	Answers provided by Council
<p>3. Council workers going on holidays, in council cars on council fuel – seems extravagant don't you think? Other councils in the area only allow their vehicles to be used for work purposes – and they're not jacking up the rates on their residents.</p>	<p>Council manages its fleet with eligible employees through a vehicle contribution agreement, which sets a rate for weekly employee payments to cover fuel consumption for private use. The terms contained in the agreement are regularly reviewed and updated to ensure our fleet management practices are providing value for money. Our approach to managing our fleet is consistent with many other councils.</p> <p>Applications for a 'special variation', which is where councils apply for a larger rate increase, are relatively common and are something that is necessary for nearly all councils across NSW from time to time. In terms of other councils in the area, Maitland, Port Stephens, Upper Hunter and Central Coast have each received a special variation in recent years, and Muswellbrook Shire Council has indicated it too plans to lodge a formal application for a special variation with IPART by 3 February 2026.</p>
<p>4. All of the "City-wide Pop Ups/Listening Posts" operating between 9am and 5pm, Monday to Friday. How can an individual who works full time participate in this part of the process if there are no sessions outside of business hours?</p> <p>Additionally, all of the Public Meetings are occurring after the survey closes, which seems a little counter productive.</p>	<p>Hi (name withheld), We're sorry to hear that the schedule of pop ups isn't convenient for you. There are a variety of ways to join the discussion on the proposed special variation. The pop ups are one of the ways where you could ask a question, seek clarification, or find information like the factsheet or FAQs, just as you can on this webpage. The idea is to have a variety of tools to provide choice for participation. We have tried to reach a wide area with 10 pop-ups at localities across the LGA as an additional method of engagement with the community.</p> <p>It should also be noted that each of the six public meetings are scheduled outside of business hours and we hope one of these occasions is suitable for you. We also appreciate our LGA has a wide variety of employment types including shift workers, casual and part-time staff to cater for. The survey closes ahead of the public meetings in order to provide time for Professor Drew to review the survey responses so he can address them in his presentation at the public meeting. Thank you for your feedback and for participating in the conversation.</p>

Questions asked from the community	Answers provided by Council
<p>5. What percentage of the council income is made from rates? How will the other streams of income be affected?</p>	<p>Hi there. Thanks for asking us about the percentage of Council income that is made from rates. The breakdown of Council's revenue streams including the percentage of income made from rates in 2023 and 2024 is available on the last page of the Special Variation factsheet here under Figures 1 &amp; 2. The Figures show that in 2023 rates provided 29% of Council revenue and in 2024 rates provided 23% respectively. The other streams of income will be unaffected by the proposed Special Variation.</p> <p>The Special Variation would only apply to the rates portion of income. It does not apply to other charges on your rates notice such as the Domestic Waste Management Services Charge or the Hunter Water Catchment Contribution. In addition, we are proposing to apply any approved permanent SV to the ad valorem component of the rates only (not to the base rate). We will also shortly be posting a video from Professor Drew where he responds to this question. Thank you</p>
<p>6. I tried to submit my completed Proposed Special Variation Survey on line over 30 mins ago. After hitting 'submit' it appears to have gone into an endless loop. Anyone else with this problem, or is it just me?</p> <p><b>Follow up to question:</b> Hi again, Just letting you know that I completely re-did the survey again, and it submitted ok in about 2 seconds. Computers!</p> <p>Thanks again for your help</p>	<p>Hi (name withheld) Sorry you are experiencing difficulty submitting your survey response. We recommend trying a different web browser. For example if you are currently using Internet Explorer, you might like to try again via Google Chrome or Firefox. Please note the survey will be active until 11.59pm tonight on Monday 17 November if you would prefer to try again later.</p>

Questions asked from the community	Answers provided by Council
<p>7. Has a full financial audit been completed prior to putting the sv towards part, if not why has this not been done, if it has what steps besides asking for an sv have been do to curtail the need for one.</p>	<p>Hi (name withheld) Thank you for raising an important question. Council's Annual Financial Statements are audited each year as required under the Local Government Act 1993. You can find the most recent audited Statements on this page, as well as the last five years.</p> <p>Additionally, Council has conducted a comprehensive review of its current Long Term Financial Plan (LTFP) which is now on public exhibition for community feedback. You can read the Plan yourself via Together Cessnock here. The LTFP was independently reviewed. The LTFP is a 10-year forecast and includes a program of efficiency measures, updated economic conditions, new asset management information, reprioritised capital works and population growth forecasts. The LTFP covers scenarios with different service levels, the funding requirements of each and a viability of these different options.</p>
<p>8. The Minns government is supporting 15 of the recommendations of the inquiry into the ability of local Government to fund infrastructure and services. One recommendation is the SV applications will be used solely by council to fund specific projects or programs supported by the community. Is council applying to IPART by submission of a comprehensive Spending Review as is required for permanent increases to rates? if so, to ensure transparency please publish a full copy of this review on councils website.</p>	<p>Hi (name withheld), thanks for your question. The NSW Government announced its intention to support many recommendations from the NSW Parliament's Upper House inquiry into the ability of local governments to fund infrastructure and services in May 2025. The Office of Local Government (OLG) has not yet provided a timeline on implementation of these recommendations.</p> <p>IPART published an updated set of guidelines for the Special Variation process in late October. Cessnock City Council is working with relevant State Government agencies to progress an application consistent with these guidelines. The guidelines published this year do not include a comprehensive spending review pathway proposed in the recommendations of the inquiry.</p> <p>Council has however conducted a comprehensive review of its current Long Term Financial Plan (LTFP), which has been independently reviewed and is on public exhibition until Friday 19 December for community feedback. You can read the Plan yourself via Together Cessnock here.</p>

Questions asked from the community	Answers provided by Council
<p>9. I have attended a listening post in addition to a public meeting with Professor Drew but have not been provided with an answer to the following question- what is the amount of developer contributions currently held by council and why have these contributions not been used for local infrastructure such as road improvements when the required nexus and need exist?</p>	<p>Hi (name withheld), Thanks for raising (another) question! As at 30 September as per the Quarterly Budget Review Statements adopted by Council, we hold \$54.4m. In the first quarter of the year we received \$1.6m and spent \$2.3m. These are used by Council in line with the Delivery Program that maps out our forward works program.</p> <p>Council is committed to using Developer Contributions as a higher priority, though it should be noted that generally Council is also required to spend some of its own funds on these projects. Works proposed under the contributions plan represent infrastructure to be funded via a variety of sources. In some instances, the total cost of work is to be funded pursuant to the local infrastructure contributions provisions of the Act. In other instances, the cost is to be borne by a combination of local infrastructure contributions under this plan, local infrastructure contributions received under previous contributions plans, Capital Works Fund, and/or other funds.</p> <p>The scenarios in the Long Term Financial Plan (LTFP) highlight the importance of Developer Contributions and how we may be able to apply it in the future. The LTFP is currently on public exhibition here: <a href="#">Long Term Financial Plan 2026 - 2035   Together Cessnock</a>. Kind regards</p>
<p>10. How many people have responded to each of the two surveys ?</p>	<p>Hi (name withheld),</p> <p>Thanks for your question regarding the number of surveys received as part of community consultation undertaken for the proposed Special Variation.</p> <p>If Council adopts a recommendation to apply to IPART for a Special Variation the survey results will form part of the application which is submitted to IPART and made available on IPART's website. Alternatively, if an application does not proceed Council will look to publish the results through an alternate manner such as via Council's website. Please stay tuned. .</p>

Questions asked from the community	Answers provided by Council
<p>11. I note from the NSW response to the recommendations following the Inquiry into the ability of local government to fund infrastructure and services dated May 2025 that Special variations will only apply to specific council projects or programs and that a Comprehensive Spending Review that forensically examines expenditure as well as revenue will be required for an IPART application for permanent rate increases. I note that Professor Drew in his video and at the public meeting I attended stated that he has been working on the application for a SV for a period of 6 months (May 25?) and had notified IPART of the proposed SV already.</p> <p>Has council rushed through this SV application for a near 40% rate increase to avoid the consequences and scrutiny of having to provide the Comprehensive Spending Review to IPART and the prohibition of using SV for permanent rate increases.</p>	<p>Hi (name withheld), Council indicated that it would consider a need to apply for the Special Variation in our draft Delivery Program that was publicly exhibited in April 2025. In May 2025, the NSW Government announced its intention to support many recommendations from the NSW Parliament's Upper House inquiry into the ability of local governments to fund infrastructure and services. The Office of Local Government (OLG) has not yet provided a timeline on implementation of these recommendations.</p> <p>At its meeting on Wednesday 22 October 2025, Council resolved to notify IPART that Council is considering a Special Variation application. A decision to lodge an application to IPART has not yet been resolved by Council.</p> <p>Council has been monitoring developments closely to understand the pathway to progressing an application for 2026/27 and we are following current guidance published by IPART in October 2025. Thanks for asking the question.</p>
<p>12. Councils financial records show that for the 3year period -2020 to 2022 legal costs amounted to \$2.417 million. The same records show that for the three period of 2023 -2025 legal cost amounted to \$11.5 million. This is a dramatic spike of \$9 million.</p> <p>Please explain the reason for this dramatic increase in legal costs. Is it anticipated that these costs will continue at this level and have they been taken into account in considering future expenditure.</p> <p>Is this increase in expenditure a reason why there is an anticipated deficit this year of approximately \$8million.</p>	<p>Hi (name withheld),</p> <p>Thank you for asking your detailed question.</p> <p>Primarily the increase in the 2023-2025 is the airport hangar decision. It is not anticipated to be at this level in the future and is expected to return closer to historic norms, noting that the period 2020-2022 were lower as debt recovery actions were on hold during the lockdowns. The increase in legal fees in past years has no impact on the deficit for this year, which is driven by structural budgetary challenges.</p>

Questions asked from the community	Answers provided by Council
<p>13. At the council meeting of 22/10/25 Councillors Dixon asked the Chief Financial Officer a question to the following effect “ what is the estimated cost of the community consultation including the distribution of the fact sheets, survey and prepaid envelopes to every household farm and business? The CFO indicated he would have to take the question on notice as the costs were dependent on how many people use the prepaid envelopes To get back to the Council and that was a bit of a variable figure.</p> <p>Can you please advise the answer to the Councillors question ?</p>	<p>Hi (name withheld),</p> <p>Thank you for asking a follow up question to the Council meeting on 22 October 2025 for a response to the question asked of the Chief Financial Officer taken on notice.</p> <p>The total cost of engagement for the Special Variation is estimated at \$41,500 exclusive of GST. This includes the printing, posting and letterbox drops but does not include staff costs.</p>





## Pop ups/listening posts

Pop ups were held in a wide variety of village areas to ensure proximity and ease of access for the community; localities included Branxton, Cessnock, Heddon Greta, Kurri Kurri, Millfield, Neath, North Rothbury/Huntlee, Pokolbin, Weston and Wollombi. Venue types were chosen to meet community where they are and provide natural exposure to the project in popular locations including shopping centres, cafes and recreational sites.

Attendance across pop ups totalled 44 people. The focus of the pop ups was to promote the survey and upcoming public meetings. While quantitative results were lower than expected, qualitative results were high in questions and feedback provided documented in Table 1.

POP UP LISTENING POSTS DETAILS				
Date	Time	Venue	Questions/Feedback	Numbers
Thursday 13 November	10am – 12pm	Cessnock Village Shopping Centre	<ul style="list-style-type: none"> <li>• Questioned the dollar figure for rate increase</li> <li>• Concern for people who can't pay the increase and may end up having their home repossessed</li> <li>• Cost of living</li> <li>• It's hard to understand the information if you've had limited schooling</li> <li>• Too much spending in vineyard and not other parts of the LGA – is the problem there isn't enough money or is it spent in the wrong area</li> <li>• Interest in community engagement activities</li> <li>• Pensioners who can't afford the increase and would have to cut down on food</li> <li>• Understanding of the processes that councils are under pressure</li> <li>• Thought they had heard council blame the need for rate rise on mismanagement</li> <li>• Suggested other revenue raising ideas like charges for heavy vehicles</li> <li>• Build the bypass</li> <li>• Completed survey but left at home. Copy completed on site</li> <li>• Left the responsibility of completing survey with my husband. Imagine many people are not happy about it</li> </ul>	9

POP UP LISTENING POSTS DETAILS				
Date	Time	Venue	Questions/Feedback	Numbers
Thursday 13 November	2pm – 4pm	Wollombi Tennis Club	<ul style="list-style-type: none"> <li>Interest in attending public meeting</li> </ul>	1
Friday 14 November	11am – 1pm	Huntlee Shopping Centre	<ul style="list-style-type: none"> <li>It will stop investors</li> <li>It should only go up by CPI same as wages</li> <li>Propaganda</li> <li>What will I get for the rate rise</li> <li>Developers provide infrastructure</li> <li>It will have flow on effects to tenants</li> <li>Increase to rates will discourage growth</li> <li>Understand council perspective because of working life</li> <li>Understands people would be concerned about the amount of increase sought</li> <li>Asked about difficult customers and community attitudes and behaviours towards Council staff regarding the rate increase</li> <li>Don't get out due to health and feel they miss things</li> <li>Large rise</li> <li>Did not receive mail out</li> </ul>	7
Friday 14 November	3pm – 5pm	Branxton IGA	<ul style="list-style-type: none"> <li>Living elsewhere with a rental property in the area</li> <li>Question if it is a one-off rate increase</li> <li>Thought it was reasonable</li> <li>Factsheet copies provided</li> <li>What are you doing here</li> <li>Don't like renewable energy stuff</li> <li>State of the roads isn't good</li> <li>You've got a hard job</li> <li>Good that you're doing this</li> <li>What charity are you from</li> <li>I don't live here</li> <li>Recognition of staff</li> <li>Didn't receive fact sheet in mail</li> </ul>	7

POP UP LISTENING POSTS DETAILS				
Date	Time	Venue	Questions/Feedback	Numbers
Friday 14 November	3pm - 5pm	Branxton IGA	<ul style="list-style-type: none"> <li>• Then one remembered they did receive it</li> <li>• If rates are less than 35% of councils income, what about the other 70% of councils income?</li> <li>• What is happening to the capital grants and capital works</li> <li>• People they know didn't receive the fact sheet</li> <li>• Approximately 50 hard copy fact sheets and surveys were provided for distribution to people they know as well as copies of the public meeting invitations</li> </ul>	7
Monday 17 November	11am - 1pm	The Central Millfield Cafe	<ul style="list-style-type: none"> <li>• This is going to hurt a lot of people and why? Who is responsible?</li> <li>• Why do we need extra garbage bins?</li> <li>• Look at efficiencies first before spending money on something that will hurt people</li> <li>• Questioned why one staff person can't be here at a time</li> <li>• Feedback provided that they only have little money</li> <li>• Photograph taken of staff</li> <li>• Most councils are doing it tough aren't they</li> <li>• Lived in Millfield for years and love the country feel</li> <li>• Replies on public transport and would like to see more buses</li> <li>• Asked about what is proposed for the rate increase</li> <li>• There should be a layman's terms on the front of the Fact Sheet</li> </ul>	7
Monday 17 November	3pm - 5pm	Hunter Valley Visitor Information Centre	<ul style="list-style-type: none"> <li>• Questioned the phrasing of survey questions as a matter of moral blackmail</li> <li>• Would like to see two sides for and against</li> <li>• Thought the Fact Sheet was junk mail at first</li> <li>• Street isn't kerbed and guttered, can't leave driveway when it rains</li> <li>• Only potholes are getting filled</li> <li>• Why aren't capital grants included</li> <li>• Why is the survey closing before the public meeting</li> </ul>	2

POP UP LISTENING POSTS DETAILS				
Date	Time	Venue	Questions/Feedback	Numbers
Monday 17 November	3pm - 5pm	Hunter Valley Visitor Information Centre	<ul style="list-style-type: none"> <li>• Ability to submit to IPART is important to them</li> <li>• Discussion about base rate and ad valorem difference</li> <li>• No mention of Australian problems like high interest rates</li> <li>• No demographic study</li> <li>• It's wrong to burden future generations</li> <li>• Why can't developers pay more</li> <li>• What other revenue options are available</li> <li>• Borrow to fund infrastructure</li> <li>• Developer contributions – what about increase to developers?</li> <li>• Why do we need to make up the difference?</li> <li>• No opportunity to provide ideas in the survey apart from Question 9</li> <li>• This will devastate the community</li> <li>• Why are we suddenly liable for new growth</li> </ul>	2
Tuesday 18 November	9am - 11am	Hedleigh Park, Heddon Greta	<ul style="list-style-type: none"> <li>• Upgrade the roads in the area</li> <li>• Understand how the system works</li> <li>• Look at temporary cheaper maintenance solutions</li> <li>• Invest in more youth programs</li> <li>• Fairer distribution of funding</li> <li>• Council is prioritising their agenda not what is best for the community</li> <li>• All work is centred around Cessnock and wine country</li> <li>• Is this one off or permanent</li> <li>• It's got to happen</li> <li>• Understanding it's like everything it all has to go up</li> <li>• Did receive the Fact Sheet</li> <li>• Wants a roundabout</li> <li>• We might attend the public meeting</li> <li>• Want more grocery shops in area</li> <li>• Nothing for kids in the area</li> <li>• Get developers to put in services to the community first and profit second</li> </ul>	7

POP UP LISTENING POSTS DETAILS				
Date	Time	Venue	Questions/Feedback	Numbers
Tuesday 18 November	9am - 11am	Hedleigh Park, Heddon Greta	<ul style="list-style-type: none"> <li>Where is the money going</li> <li>Where are the Councillors here?</li> <li>Picked up a copy of Fact Sheet and is going to take to a parent</li> <li>Positive feedback received about Council being there</li> <li>Talk about drainage works</li> <li>What is and isn't working</li> </ul>	7
Tuesday 18 November	3pm - 5pm	Maybury Peace Park	Not applicable	-
Wednesday 19 November	9am - 11am	Neath Hotel and Cafe	<ul style="list-style-type: none"> <li>How long is Council here today</li> </ul>	1
Wednesday 19 November	2pm - 4pm	Kurri Kurri Library	<ul style="list-style-type: none"> <li>Council should go into administration</li> <li>Thought Mayor and Councillors wages had gone up</li> <li>It's a big increase</li> <li>Where to sign to sack Council staff</li> <li>When is the meeting</li> <li>What went wrong? What will we get out of this?</li> <li>Worry for the future and if it will be needed again in 5 to 10 years</li> <li>Will projects be put on hold?</li> <li>Is there something better than quick fixes for roads?</li> <li>What are the independent experts qualifications?</li> <li>Didn't like the survey as it was leading</li> <li>Is this about the rate rise? Not too concerned about it and will be able to afford it</li> <li>The price of things have been going up</li> <li>Looked closely at all the information and understand it</li> <li>What percentage of projects are being finished within budget</li> <li>Does anyone in Council work with community groups to submit grants</li> <li>My rates will rise as I'm rural</li> <li>Hard to read the Fact Sheet but is aware of the SV</li> </ul>	5

## Public meetings

Council with an independent expert facilitated 7 public meetings in total. The public meetings were chosen to meet a balance of location coverage as well as venue size and availability. Public meetings, with facilitation support from Council staff, included a presentation by an independent expert for 1-1.5 hours followed by a live question and answer session. The question and answer session continued until no further questions were raised.

On Monday 24 November, a live digital public meeting of the Special Variation by independent expert Professor Drew was broadcast via YouTube and shared via Council's Facebook page to enable broad participation options for the community.

PUBLIC MEETINGS				
Date	Time	Venue	Questions/Feedback	Numbers
Friday 21 November	4pm to 6pm	Wollombi Tennis Club	<ul style="list-style-type: none"> <li>• Why were the mail outs not sent to everyone?</li> <li>• Why was this timing chosen?</li> <li>• Why was this venue chosen – need a bigger venue?</li> <li>• Can you say this is gross financial mismanagement from Council?</li> <li>• Why is there no one on the front line of Council that makes decisions here?</li> <li>• Can we recommit to doing this meeting as there hasn't been enough communication?</li> <li>• Do you think it will get passed by IPART?</li> <li>• Are you capping the base rate?</li> <li>• Shouldn't Council be run as a not for profit or a business?</li> <li>• Why is it almost 40 percent proposed and why is it permanent?</li> <li>• Why is Council's rates down 29 percent last year and now its 22 percent?</li> <li>• Seems like capital grants are more than the rates Council collects</li> <li>• What can we do to get more of the fuel excise to go towards our roads?</li> <li>• If there are already people behind on rates and on payment plans, has this been considered?</li> <li>• Question about categories of rates</li> <li>• Can we limit or defund certain works or projects in order to not have a rate increase?</li> </ul>	55



PUBLIC MEETINGS				
Date	Time	Venue	Questions/Feedback	Numbers
Friday 21 November	4pm to 6pm	Wollombi Tennis Club	<ul style="list-style-type: none"> <li>What sort of things were thrown out from asset spending?</li> <li>Is it correct to say that increased developments are not pro rata with our affordability?</li> <li>The 39% doesn't tell us how we compare with other councils. Revenue is lying by not using a dollar comparison</li> <li>If this percent goes through as permanent, but you're saying we won't see anything?</li> <li>If we aren't going to see anything new for 10 years will council push for road grants?</li> </ul>	55
Saturday 22 November	11am to 1pm	East Cessnock Bowling Club	<ul style="list-style-type: none"> <li>What are the 58 things you've suggested for Council to do?</li> <li>Isn't new housing another source of revenue?</li> <li>Disappointed this isn't an open mic. Staff should be sacked</li> <li>Can we adjust Councils boundaries?</li> <li>Clarification on pie graph</li> <li>Can you tell us the top 3 things you would recommend to reduce expenditure?</li> <li>Did you recommend the rate freeze?</li> <li>With the SV can you spread it over a few years instead of 1 year?</li> <li>What are the hardship options for ratepayers who will struggle?</li> <li>Hardships are being sugarcoated</li> <li>Do you look at staffing as a whole or indoor and outdoor staff?</li> <li>Is it possible to give extra time to complete Survey 2?</li> <li>People that received the fact sheet thought it was shady food vouchers</li> <li>Survey was focused towards a specific outcome</li> <li>Is council going to sell and reduce land like soccer fields and how about the airport?</li> <li>Has any discussion occurred about the waste management centre?</li> <li>If approved what is the mechanism to report to IPART and ratepayers?</li> </ul>	30

PUBLIC MEETINGS				
Date	Time	Venue	Questions/Feedback	Numbers
Saturday 22 November	11am to 1pm	East Cessnock Bowling Club	<ul style="list-style-type: none"> <li>Is there a chance the proposal is rejected and if so what is the next step?</li> <li>Why don't the people in Council do the analysis?</li> <li>Based on what has been said today I'm wondering what Council can put into place so we will be set for life</li> <li>Can consideration be taken for acreage?</li> </ul>	30
Saturday 22 November	5pm to 7pm	Kurri Kurri Senior Citizens Hall	<ul style="list-style-type: none"> <li>All bodies undertake community consultation and do what they want anyway</li> <li>Why is ratepayer money being spent on this independent guy</li> <li>Dislike of Cessnock being seen as a little county</li> <li>How are other Councils going with their rate rise?</li> <li>If we had a swinging seat and decent federal members we would have better facilities</li> <li>Where would we be now if we had the max rate cap increase over the past 20 years?</li> <li>How can we stop government cost shifting to local government?</li> <li>Every 4 years we have an election do the plans change?</li> <li>What's the status of the Long Term Financial Plan?</li> <li>Will landlords get tax deductions?</li> <li>Do you know the state government metric and has it changed?</li> <li>Is this for one year and what projects are we going to get, who decides where the money goes?</li> <li>What can be done to stop increases?</li> <li>How can Cessnock generate more income?</li> <li>Why is the financial burden being put onto ratepayers?</li> <li>Are you an advocate for the council to decide what happens with their money?</li> <li>Our land value went up and rates have doubled, what do we get with that?</li> <li>How much do we make out of the waste management centre?</li> </ul>	45

PUBLIC MEETINGS				
Date	Time	Venue	Questions/Feedback	Numbers
Saturday 22 November	5pm to 7pm	Kurri Kurri Senior Citizens Hall	<ul style="list-style-type: none"> <li>• Will the roads have enough budget to be fixed?</li> <li>• Is there a hardship policy?</li> <li>• There's not many Councillors here and why is this on a weekend?</li> </ul>	45
Sunday 23 November	12pm to 2pm	Branxton Community Hall	<ul style="list-style-type: none"> <li>• How much is council holding in developer contributions? Where has the money gone?</li> <li>• Why are we doing things for tourism?</li> <li>• If the SV would take 2 goes and if there's the chance it wouldn't cover our debt, what's the point?</li> <li>• How much ratepayer money goes outside the boundaries?</li> <li>• What is the state of our roads?</li> <li>• Is the hardship policy is that on a fixed or variable rate?</li> <li>• What happens if someone applies under the hardship policy and doesn't get it?</li> <li>• How can we be in financial troubles when we are doing all these new developments and getting contributions from them?</li> <li>• Why is council holding developer contributions?</li> <li>• What is happening with this particular capital works project?</li> <li>• If the financial situation has been that dire why are we finding out about it now?</li> <li>• Have Council thought about offloading land to other councils?</li> <li>• Clarification of where the SV would be applied to rates</li> <li>• Can you explain any more detail about what the implication was to ratepayers for administration under Central Coast Council?</li> <li>• Appreciate Council coming to us, will the money be spent wisely?</li> </ul>	74

PUBLIC MEETINGS				
Date	Time	Venue	Questions/Feedback	Numbers
Sunday 23 November	6pm – 8pm	East Cessnock Bowling Club	<ul style="list-style-type: none"> <li>• Council could be making money in other areas</li> <li>• What guarantees are there that Council will do the right thing?</li> <li>• Can we look at capital cost reduction?</li> <li>• Have we been overrun with population growth, can we push suburbs onto other Councils?</li> <li>• No objection to the SV as long as there's transparency and value for money</li> <li>• Increase on waste management fees when some rural areas don't have a bin service</li> <li>• Roads need refurbishing, can Council tender it to a contractor?</li> <li>• Can we delay the increase by 12 months to give the community time to digest everything?</li> <li>• For many years Cessnock roads have been the worst in the state, we deserve roads to last for 10 years</li> <li>• When will IPART make the decision?</li> <li>• For 50 years we have been behind the times and the new Council is copping it</li> <li>• Is there any point to having input to IPART?</li> <li>• Why do we get charged metropolitan rates instead of regional for rates?</li> <li>• Is there any way we can get more assurance of efficiency and hold people accountable?</li> <li>• What is the legal requirement for communication by Council?</li> <li>• A lot of people got the fact sheet and thought it was a sale or flyer</li> <li>• Conversation with two couples where one person in the dwelling got the factsheet and the other thought they didn't</li> </ul>	19

PUBLIC MEETINGS				
Date	Time	Venue	Questions/Feedback	Numbers
Monday 24 November	5.30pm to 7.30pm	Council Chambers and YouTube	<ul style="list-style-type: none"> <li>Where did you source the template for this slide deck?</li> <li>We understand that this current monstrosity of a mess isn't the fault of the current mayor or councillors, those responsible already jumped ship. They need to be investigated and prosecuted for</li> <li>Any wrongdoings found</li> <li>Cessnock LGA has one of the lowest avg incomes in the state as per the 2021 census, the general manager earns more than premier, how do you justify slogging the residents 40% due to council mismanagement</li> <li>You mentioned earlier that you recommended a base rate freeze for if the increase goes through. Is this something that would be likely to happen?</li> <li>Thank you for the presentation and information. You said early in the presentation that the SV was to buy time for the actual solution – what is the actual solution?</li> <li>How many works projects are coming in on time and on budget? How do we see if council are spending rates correctly and works are being done efficiently?</li> <li>The GM earns 497k per year, the premier earns 416k in 2025?</li> <li>Our Mayor is pushing for expenses to be pushed back to State, if that happens will the SV reduce? If not for next year, for future years, if Council doesn't have as much expenses to pay for?</li> <li>Why wouldn't an administrator be a better option considering the problems that exist that are not adequately addressed and sees ongoing expenditure far in excess of your \$2000 per km for dirt roads</li> <li>If Developer contributions have a cap, is Council also applying to increase the cost to developers as well as to residents?</li> <li>You said you need to be trained to look at the financial statements to see where there is a problem – is the CFO of Cessnock Council trained to see issues?</li> </ul>	327



PUBLIC MEETINGS				
Date	Time	Venue	Questions/Feedback	Numbers
Monday 24 November	5.30pm to 7.30pm	Council Chambers and YouTube	<ul style="list-style-type: none"> <li>You mentioned you have thought of half a dozen changes to your report based on feedback, what are those?</li> <li>So how is the census data wrong?</li> <li>he stated the abs data is incorrect, the abs has the avg weekly income in the lga at 696 and the weekly across the state at 813. So either the ABS is lying or the professor has no clue</li> <li>6 SVs in the last 25 years, each time for road maintenance, infrastructure etc. Can you show where previously granted SV's have delivered on what they were promised for before we are hit with another?</li> <li>SV or not, the underlying problem is that Local Government is merely a revenue raising instrument for State government, who then refund a portion and tell Council how its to be spent.</li> <li>As a new home owner (new build within the last year) How can a 40% rise be considered affordable? Why should new residents where our developers have funded infrastructure see such a big increase.</li> <li>Considering that CCC is the 2nd fastest growing region in the country, should we be slowing the developement of the region due to the increase cost on council for every house built?</li> <li>Have you estimated the default on rates if this increase is approved and, if so, what is it?</li> <li>Suggestion - expert economists donate their advice and time instead of billing more than the average wage</li> <li>If the money is well spent , well explain why the rates are increasing but cessnock council are still doing the same job multiple times rather than fixing once take 21 bends at least 7 times a year</li> <li>Just start putting lines through expenditure to the tune of \$20mil. The roads can't get much worse, screw it.</li> <li>So why not bill longer term residents a higher rate than new home owners?</li> </ul>	327

PUBLIC MEETINGS				
Date	Time	Venue	Questions/Feedback	Numbers
Monday 24 November	5.30pm to 7.30pm	Council Chambers and YouTube	<ul style="list-style-type: none"> <li>To follow up from that why is it 40% in one year? surely a smaller rise over a few years would offer the same result over a more realistic timeframe.</li> <li>what are the odds this special variation will actually get approved?</li> <li>With the future growth projected in Cessnock is going to help or going put further strain on the Cessnock council</li> <li>what happens if the council goes into administration?</li> <li>What assets have you considered selling?</li> <li>so the 40% sv is to support financial stability of CCC and provide services for the community, how will the 40% support the communities "own" financial stability?</li> <li>there gonna stand there and hold a broom or shovel a bit longer</li> <li>Is the rapid growth of the LGA linked to the state strategy or to the 15-minute city concept?</li> <li>surley fix once costs less than emplying 14 people to fix the same stretch 7 or more times a year but then rates hike hmmm. 5 years and 3 of them the road has been re opened since part tar rest a minimum of 7 times a year to fix so wherer is this funding going</li> <li>Can't we just sell the LGA to Elon Musk? worked for Twitter?</li> <li>The 40% is not a one time increase correct? It will stay at the increased rate moving forward?</li> <li>how do we get more investment from state and federal governments</li> <li>Hypothetically lpart approves the increase and Council Flounders the money and nothing changes? Who is held Liable?</li> <li>You are comparing our rates with others. Aren't those other councils' rates similarly skewed and you are comparing like with like rather than nonsense with nonsense and Cessnock rates are high.</li> </ul>	327

PUBLIC MEETINGS				
Date	Time	Venue	Questions/Feedback	Numbers
Monday 24 November	5.30pm to 7.30pm	Council Chambers and YouTube	<ul style="list-style-type: none"> <li>You mentioned you have thought of half a dozen changes to your report based on feedback, what are those?</li> <li>So how is the census data wrong?</li> <li>he stated the abs data is incorrect, the abs has the avg weekly income in the lga at 696 and the weekly across the state at 813. So either the ABS is lying or the professor has no clue</li> <li>6 SVs in the last 25 years, each time for road maintenance, infrastructure etc. Can you show where previously granted SV's have delivered on what they were promised for before we are hit with another?</li> <li>SV or not, the underlying problem is that Local Government is merely a revenue raising instrument for State government, who then refund a portion and tell Council how its to be spent.</li> <li>As a new home owner (new build within the last year) How can a 40% rise be considered affordable? Why should new residents where our developers have funded infrastructure see such a big increase.</li> <li>Considering that CCC is the 2nd fastest growing region in the country, should we be slowing the developement of the region due to the increase cost on council for every house built?</li> <li>Have you estimated the default on rates if this increase is approved and, if so, what is it?</li> <li>Suggestion - expert economists donate their advice and time instead of billing more than the average wage</li> <li>If the money is well spent , well explain why the rates are increasing but cessnock council are still doing the same job multiple times rather than fixing once take 21 bends at least 7 times a year</li> <li>Just start putting lines through expenditure to the tune of 20mil. The roads cant get much worse screw it.</li> <li>So why not bill loner term residents a higher rate than new home owners?</li> </ul>	327

PUBLIC MEETINGS				
Date	Time	Venue	Questions/Feedback	Numbers
Monday 24 November	5.30pm to 7.30pm	Council Chambers and YouTube	<ul style="list-style-type: none"> <li>To follow up from that why is it 40% in one year? surely a smaller rise over a few years would offer the same result over a more realistic timeframe.</li> <li>what are the odds this special variation will actually get approved?</li> <li>With the future growth projected in Cessnock is going to help or going put further strain on the Cessnock council</li> <li>what happens if the council goes into administration?</li> <li>What assets have you considered selling?</li> <li>so the 40% sv is to support financial stability of CCC and provide services for the community, how will the 40% support the communities "own" financial stability?</li> <li>there gonna stand there and hold a broom or shovel a bit longer</li> <li>Is the rapid growth of the LGA linked to the state strategy or to the 15-minute city concept?</li> <li>surley fix once costs less than emplying 14 people to fix the same stretch 7 or more times a year but then rates hike hmmm. 5 years and 3 of them the road has been re opened since part tar rest a minimum of 7 times a year to fix so wherer is this funding going</li> <li>Can't we just sell the LGA to Elon Musk? worked for Twitter?</li> <li>The 40% is not a one time increase correct? It will stay at the increased rate moving forward?</li> <li>how do we get more investment from state and federal governments</li> <li>Hypothetically lpart approves the increase and Council Flounders the money and nothing changes? Who is held Liable?</li> <li>You are comparing our rates with others. Aren't those other councils' rates similarly skewed and you are comparing like with like rather than nonsense with nonsense and Cessnock rates are high.</li> </ul>	327

PUBLIC MEETINGS				
Date	Time	Venue	Questions/Feedback	Numbers
Monday 24 November	5.30pm to 7.30pm	Council Chambers and YouTube	<ul style="list-style-type: none"> <li>Is Cessnock Airport as a losing asset considered as State significant infrastructure, or could it be sold for significant \$\$ to zero the debt??</li> <li>You say 'we' but I didn't bungle expenditure, I didn't set bad policy, I didn't misrepresent councils financials ... you wanted to say something wasn't fair before, how is this fair?</li> <li>Why isn't the government at all levels (local, state, federal) being held accountable for the situation we're in rather than the rate payer footing the bill every time the council runs out of money?</li> <li>so if goverment already know of living crisis and financial crisis, why are they making the issue worse hiking a rise is just going to cause more damage surely</li> </ul>	327
Tuesday 9 December	4pm – 6pm	Laguna Community Hall	<ul style="list-style-type: none"> <li>We haven't had the opportunity to discuss how many pools we want in the LGA, whether we want a performing arts studio, state of the roads. Shouldn't this happen before SV?</li> <li>Concerns about the consultation including the survey questions</li> <li>Question on weighting of qualitative verses quantitative responses in the surveys</li> <li>Wollombi Valley don't have a reasonable level of services – pools, performing arts, and have the ongoing dirt roads and no rubbish service. The context is important</li> <li>Complaint about the set-up of the digital meeting</li> <li>If we are paying 40 percent more are we going to get investment in this area</li> <li>This is not good and there are no Councillors or Executive present</li> <li>Thinks we are employers and Council is telling us what we should pay them</li> <li>Comment about putting debt on children</li> <li>Asking about one year temporary verses permanent rate increase</li> </ul>	27

PUBLIC MEETINGS				
Date	Time	Venue	Questions/Feedback	Numbers
Tuesday 9 December	4pm – 6pm	Laguna Community Hall	<ul style="list-style-type: none"> <li>Disappointed Councillors aren't here but asked about OLG criteria 4 and 6 and to confirm its not going to be sustainable after this SV</li> <li>Rates in rural areas verses smaller blocks in town compared to levels of service</li> <li>Impact of reduction on base rate for rural areas</li> <li>Council planned works, defer netball and football stadium</li> <li>How are we going to pay rate increases without income increases? Owns a farm and rents out one room but otherwise self-funded retiree</li> </ul>	27



## Community-initiated feedback

### 221 submissions and emails

Council received over **221** enquiries from the community through emails, letters and submissions. There were 6 common templates which became community campaigns shared through Facebook community groups. These templates were duplicated by community members and sent as individual submissions to Council and Councillors.

The community-initiated campaigns focused on strong opposition to the rate rise. Issues raised included the increase being too much over one year, cost of living, Council should demonstrate efficiencies first, biased framing and limited options in the survey, accessibility of community consultation, poor roads and gutters, community absorbing shock of land valuations, seeking shared benefits from significant projects and a perception that Council is once again turning to residents for more money.

### Wollombi Valley

Following critical feedback at the initial public meeting held in Wollombi regarding non-receipt of the Factsheet and Survey, Council met with community associations from the Wollombi Valley who raised further questions for consideration after reviewing the draft Revised Long Term Financial Plan and Financial Statements.

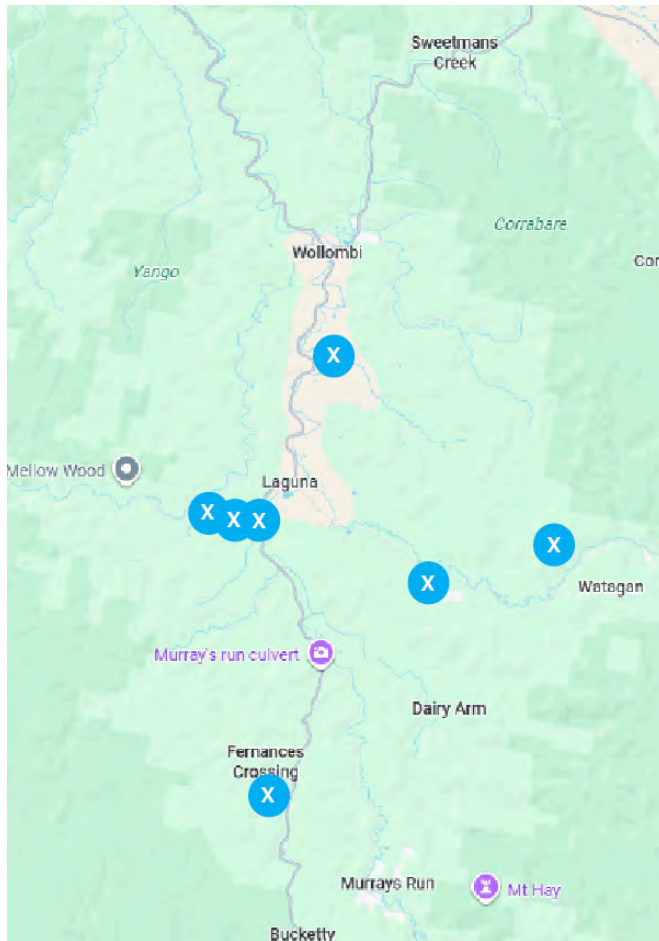
The alleged non-receipt of the Fact Sheet and Survey were responded to with an additional letterbox distribution, public meeting and an extension of the first survey submission date.

In addition, posters and copies of the fact sheet and notice of additional public meeting (see Engagement annexure) were placed in local businesses, and Council posted into the Community Facebook page. The community-run newsletter for the Wollombi Valley 'Our Own News' shared news of the proposed Special Variation in their newsletter and via email to their members/subscribers.

While letterboxing the area on Wednesday 3 December and Thursday 4 December to promote the additional public meeting, Council Officers sighted copies of the original fact sheet and survey delivered in the initial run the previous month in a number of letterboxes across the area. Photo evidence collected by Council Officers and approximate locations are provided below (see pages 54-55).

In addition to the supplied GPS tracking, the presence of the fact sheet and survey in letterboxes, including in areas several kilometres from Great North Road, appears to show that the contracted letterbox distributor made an effort to reach these remote locations.





Map and photos illustrating found locations of fact sheet



## Public meetings in Wollombi Valley

The feeling towards Council, paying current rates, community consultation and the proposed Special Variation were audibly and visually evident during both the first and second public meeting held in the Wollombi Valley. The community feedback received demonstrated a general lack of trust in Council, views of a 'tick a box' consultation process and a perceived lack of return on investment on rates being paid in the area over time.

The commentary of community members at both sessions is not dissimilar to feedback from other community members based on a long-term felt experience of needing to advocate for their valley.

A total of 82 people attended across both public meetings. While many community members voiced their frustrations, protested and some walk-outs occurred, others also stayed for the duration until the end of the q&a session and displayed engaged and active listening behaviours.

The two public meetings were held in the only local public venues which enable access for people with mobility concerns. Other suitable venues would have required substantial travel times for local residents. Additionally, a digital session was held.

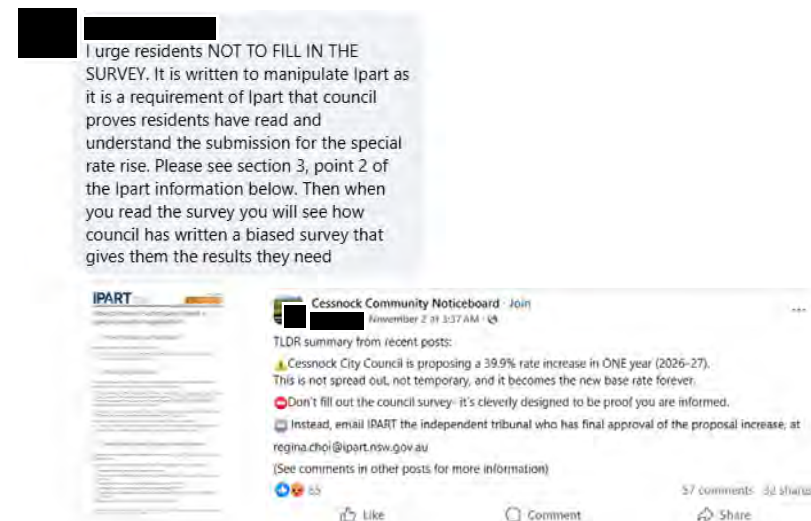
## Community petitions/campaigns

Utilising change.org the community initiated an online petition calling on the community to sign to stop 'Cessnock Council's excessive 39.9% rate hike proposal'. The author cites the increase would be a substantial financial burden when coupled when high cost of living, stagnant wage growth and businesses still

recovering from impacts of global and economic challenges. As at 16 December 2025, the petition has received 4604 signatures.

At both public meetings within the Wollombi Valley a printed hardcopy community-initiated petition was also available and circulated amongst attendees for reading and signatures.

There were also many instances of individuals commenting on social media posts on Council's page or in community groups advising people not to participate in the survey. Examples below.



## Key engagement findings

### Key finding 1: Personal hardship and cost of living

The highest proportion of feedback received from the community raised concerns regarding the ability for themselves or others in the community to pay the rate increase. The community was particularly concerned about what would happen for people like pensioners who wouldn't be able to afford the increased cost, and who would not manage a payment plan either. At the time of pop up and public meeting engagement, the reviewed hardship policy with additional hardship measures was in the process of being adopted by Council.

The concern of personal hardship was raised in the context of the size of the rate increase sought with 39%. The community enquired whether it could occur in a staged format over a number of years considering the issue has developed over a number of years.

In the digital survey results, afford was mentioned 170 times; cost of living was mentioned 137 times, struggling 99 times, pressure 44 times, pension 41 times, hardship 38 times and bills 23 times.

*"A 39% rate increase will have a significant negative impact to all rate payers in the area, why should we have to strain our personal budgets because the council has poorly managed their budget and the way it has spent"*

*"As a ratepayer I feel like we are the target foremost rather than halting or stopping non essential projects. This SV will have a neagtive feedback from the community due to the extreme increase during such a finicial stressful time (sic)."*

*"I understand the need, but my family couldn't afford to pay a 39.9% increase. We literally live week to week and the cost of living increases we have seem in all other areas, eg food and basic living expenses mean we are at capacity. We got behind in our rates this year, I honestly don't know how we would manage this increases, other then taking money from our groceries each week."*

### Key Finding 2: State of the roads and existing infrastructure

Across all methods of engagement, the community displayed concern for the current state of the roads in the LGA where they feel the focus is on pothole refilling rather than replacement. Concerns were raised about roads close to driveways for properties and the nature and potential dangers of the roads during wet weather conditions. The community questioned whether the rate increase would produce improved road quality standards.

The word 'road' was raised in the digital survey 216 times in the open survey responses and 'pothole' 37 times.

*"The existing infrastructure is aging and requires not only ongoing maintenance but in some cases replacement".*

*"Absolute joke. Fix the roads and you will have happier ratepayers"*

*"Why are we paying for infrastructure that is not getting fixed! Our roads a terrible and you are spend a fortune on road base materials just for them to wash away (sic)."*



### Key finding 3: Perceived value of current rates

The community raised common concerns and questions about what services and infrastructure they received for the current amount of rates paid. Questions were raised around a lack of street lighting, kerb and guttering, and stormwater and sewer systems close to their own properties and that within town centres. The perception being that the current rates aren't producing visible and evident changes within proximity to their own property which is contributing to a reluctance to pay more with no tangible return benefit expected.

Many comments were received regarding a perception that council expenditure is focused on the CBD within the suburb of Cessnock or in the Wine Country area in the suburbs of Lovedale and Pokolbin, and that rates are being paid for legacy decisions the community feels like it had no say in like recreational and entertainment facilities around the LGA. Particularly in the rural areas of Wollombi and Laguna there was a perception that rates are being paid for services the community doesn't use itself. Bin collections was also often raised despite not being funded by rates.

*"In our valley we have no services, no pools or performing arts, we have the ongoing dirt roads and no rubbish collection"*

*"We will get no more services. Just maintaining what we have which is poorly done."*

*"I reside in an area of Cessnock where there is no curb and guttering and our roads are appalling. The amount of rates we currently pay is not reflected in the services we currently receive and I can't imagine that with a huge rate increase we will see any improvement."*

*"I already feel like we get very little value for our rates – I live on an unsealed road, no kerb or guttering, not even any stormwater management even though we are charged for it. No direct connection to the water main, no sewage. No kerbside pickup."*





#### Key finding 4: Growth and development and priority decision making

During the engagement phase it was evident many community members were new to understanding Integrated Planning and Reporting Requirements and Developer Contribution process requirements of Council, or community members who have not previously engaged with Council on providing feedback and input into Council plans.

The community asked about how they can provide feedback on which projects Council should focus on and what projects it can cut. They questioned how Developer Contributions are collected and what they are spent on, and why Council is prioritising growth if it comes at an unsustainable cost. Community sentiment was that with new developments come additional ratepayers which should cover the cost, and so they questioned where this money was going.

*"Rapid population growth means more rate payers so why are you suggesting this is the cause for more money needed"*

*"I don't know why "Cessnock can't afford new growth" can't be a reason to reject new development applications, seeing that the ratepayers who end up funding the growth get no say on whether we want to pay for the growth."*

*"Have we been overrun with population growth, can we push suburbs onto other Councils?"*

*"What about increase to developers? Why do we need to make up the difference? Why is Council holding on to Developer Contributions?"*



### **Key finding 5: Efficiencies and accountability**

The community often voiced dissatisfaction in Council's efficiencies and productivity and concluded the rate rise is due to Council's mismanagement of funds. The community commonly enquired about staff resourcing, staff pay and benefits, Councillor pay and wage increases, and stated staff were time wasting, inefficient and lazy and should be sacked.

The community felt that Council should be managed like a personal budget where you should be spending within your means, looking internally at your own misspending first and when money needs to be found to borrow it and some debt is required. The community raised that they are not asked about where Council spending should occur and where it should be cut. This includes a strong perspective shared that ratepayers are Councils employers, and as the employers they deserve to know what Council is doing and where the money is going.

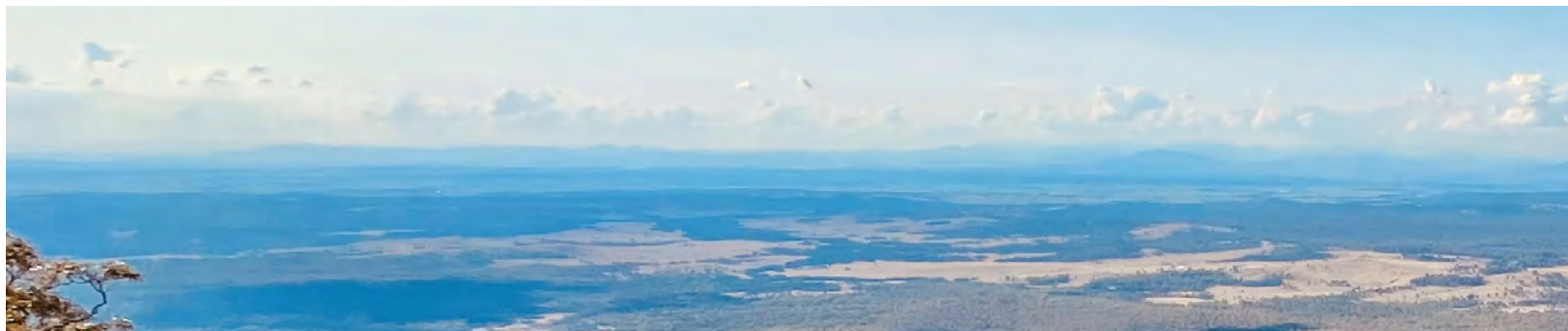
*"The SRV doesn't address the root cause: staff incompetence or*

*at the very least, suitability of staff in current decision-making roles that have led the council to this allegedly poor financial state (sic)"*

*"Intervention is required. It's not for the rate payer to fun the deficiencies in councils ability to manage a budget. You've got employees taking fully funded council vehicles on private holidays – like other councils these vehicles should be for strict work use only."*

*"Any person or part involved in council spending in the last 10 years should be held accountable, this is 100% about blaming them!! What on earth have they been spending the money on? It certainly hasn't been on services or maintenance our region is a disgrace."*

*"Transparency and fairness in staffing and remuneration should be a priority before asking the community to bear additional financial burdens."*



### Key finding 6: Quality of the fact sheet and survey

The community raised concerns of bias and propaganda regarding the design of the survey which was provided with the hardcopy of the fact sheet in the letterbox distribution and linked via the digital survey. The survey was designed by an independent expert to understand the community's view of the status quo and monitor any learnings pre- and post public meetings.

The community wanted a question asking if they supported or opposed the rate variation increase. Feedback was provided that the style of the questions was leading the community to provide certain types of response by pressuring a moral argument around putting debt onto future generations.

Encouragement was provided to the community during public meetings to utilise the open text fields to write whatever feedback they wish to provide to Council and to IPART and each survey

response would be reviewed by the independent expert. The community were also critical of the tight timeframes provided to respond to the survey and reported non-receipt of the fact sheet during delivery.

***"This survey is ridiculously biased and the questions are leading. How much did you pay a consultant to create this drive?"***

***"The survey is not acceptable. It refuses to acknowledge the fault or miss management of the council. The detail does not expose what caused this predicament and without investigation we are doom to repeat."***

***"The survey, as presented, falls well short of an unbiased or informative consultation. Several questions are worded like riddles, and the accompanying explanations appear one-sided, heavily favouring Council's agenda. Many residents – including myself – found the wording confusing and the message guilt-driven, rather than transparent or educational."***







# INTEGRATED PLANNING & REPORTING

## Highlights

# Integrated Planning & Reporting



**56**  
Submissions

**15**  
Pop up  
face to face  
sessions



**1,166**  
Have your say  
page visits



**2**  
Community  
satisfaction surveys



**610**  
Use of digital  
engagement features

*The Delivery Program, as part of the IP&R suite of documents, highlighted to the community the potential requirement for a Special Variation application approaching.*

# Integrated Planning & Reporting

## Community Strategic Plan 2040

Under the Local Government Act 1993, the Integrated Planning and Reporting process includes a suite of documents with an overarching Community Strategic Plan which must cover a minimum timeframe of 10 years. Cessnock City Council's CSP 2040 identifies our community's main priorities and aspirations for the future and strategies for achieving these goals.

CSP 2040 and associated suite of documents were endorsed by Council to go on public exhibition in April 2025 and adopted by Council at its meeting in June 2025.

## Delivery Program 2025–2029

Council's Delivery Program, based on a four-year delivery plan, maps out a pathway for the first stage towards achieving the goals in the CSP. The final adopted version available via

Council's website since June 2025, includes a full page spread of information on a potential Special Variation. The Delivery Program also includes an overview of demographics in the Cessnock LGA, as well as Council's assets and services.

Community consultation included surveys, online discussions, community events, workshops and local conversations ensured that our community had the opportunity to participate in the development of our plan. Community feedback in the development of the Delivery Program resulted in the Top 3 Community Priorities being:

### 1. Roads

- "Prioritising infrastructure particularly roads and traffic control."
- "Traffic management in the Cessnock area; the new estates are outgrowing the traffic control; congestion is a major problem including damaging the road."
- "Roads near school are not safe because of speeding and disrepairs."

### 2. Costs

- "Rising cost of living in the area, specifically housing prices."
- "Rising prices in food shopping and house prices, daily living expenses."

### 3. Recreation and Leisure

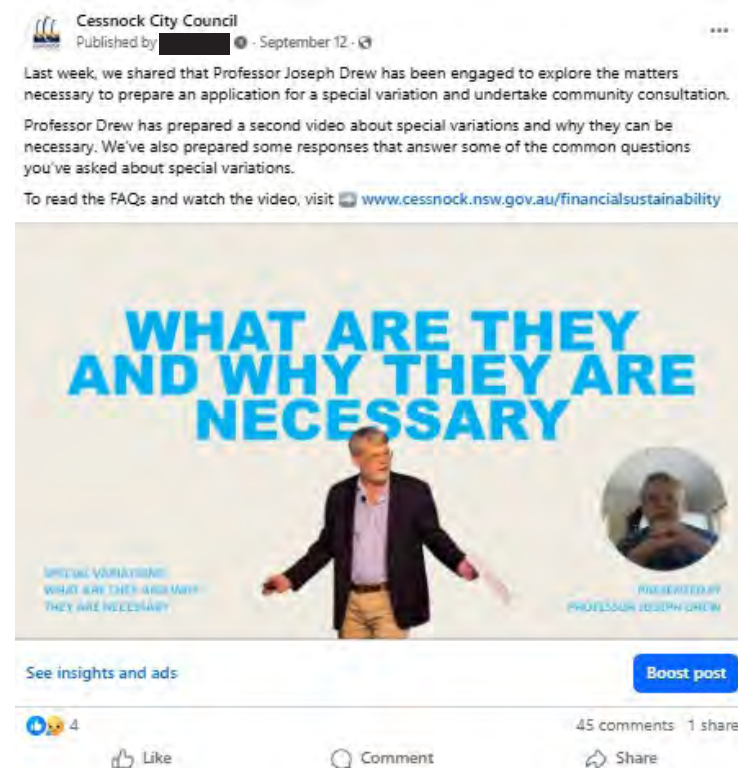
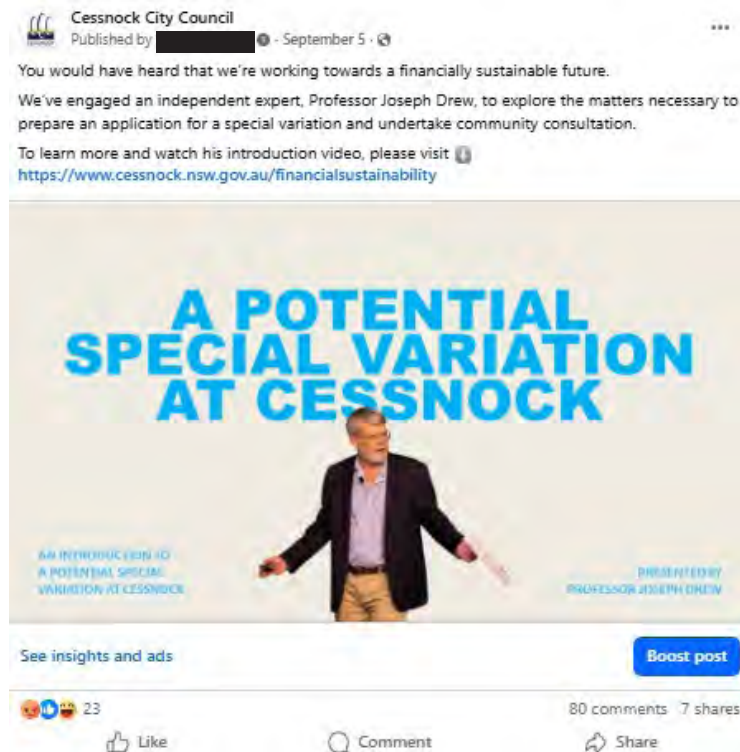
- "Lack of infrastructure for community."
- "More recreational activities, e.g. introduce a cinema, gated playgrounds."
- "More pedestrian paths and cycleways."

## CSP 2040 – community involvement

February 2023	Community Satisfaction Survey	Phone survey, independently managed 400 participants
June 2023	Australian Liveability Census	Online benchmarking survey, independently run Over 15,000 responses
June to October 2024	Community Pop Ups	12 Face to Face sessions. 400+ conversations
June to October 2024	Formal submissions portal	Community comments and submissions
June to October 2024	'Have your Say' digital forums campaign	337 page visits 192 contributions
February 2025	Community Satisfaction Survey	Phone survey, independently managed 402 participants
April to May 2025	Public exhibition	Have your say page 829 visits, 418 participants, 360 downloads
April to May 2025	Community Pop Ups	3 Face to Face sessions in Cessnock, Branxton and Kurri Kurri







**Cessnock City Council**  
Published by [REDACTED] · September 16 · 🌐

Professor Joseph Drew and his team are continuing their investigations and exploring matters necessary to prepare an application for a special variation.

In the meantime, Professor Drew has prepared another video that he has asked us to share. This one is about the right and the wrong way to approach a special variation.

To watch Professor Drew's latest video, visit 🌐 [www.cessnock.nsw.gov.au/financialsustainability](http://www.cessnock.nsw.gov.au/financialsustainability)



See insights and ads

👍👎 4

Like Comment Share

5 comments


Boost post

**Cessnock City Council**  
Published by [REDACTED] · September 19 · 🌐

Professor Joseph Drew has mentioned that he is happy to answer questions from the community and share his insights as he and his team explore all matters necessary to prepare an application for a special variation.

In this video Professor Drew answers a question that has been asked by several social media users: why engage independent experts to support us with the special variation process?

To watch Professor Drew's latest video or any of his previous videos, visit 🌐 [www.cessnock.nsw.gov.au/financialsustainability](http://www.cessnock.nsw.gov.au/financialsustainability)



See insights and ads

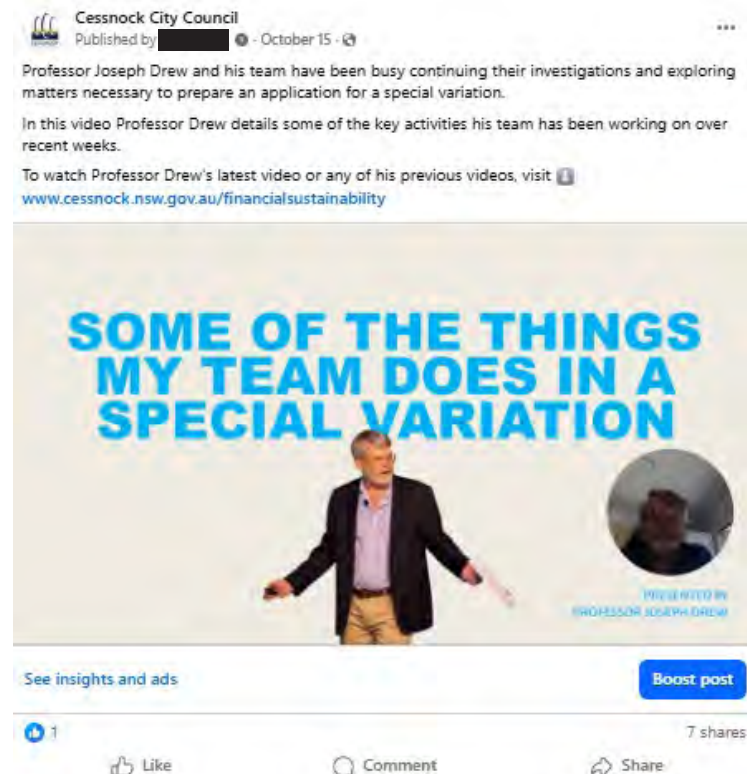
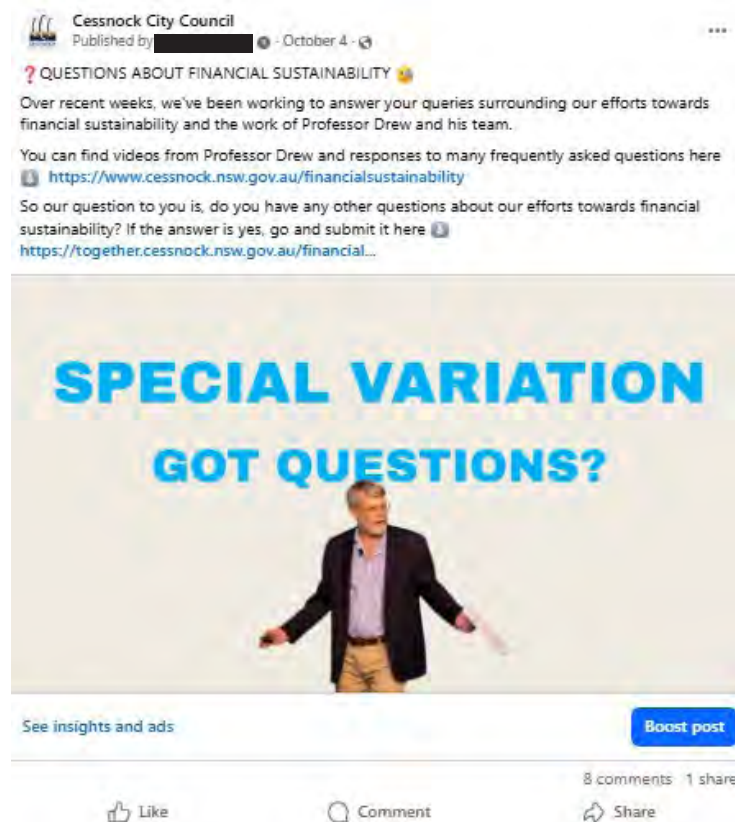
👍👎👤 8

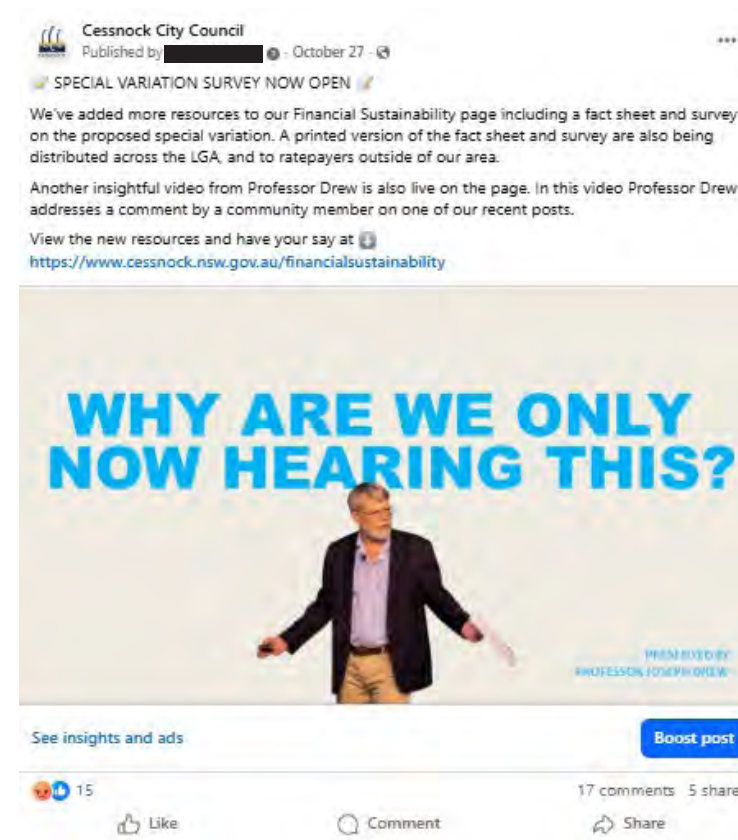
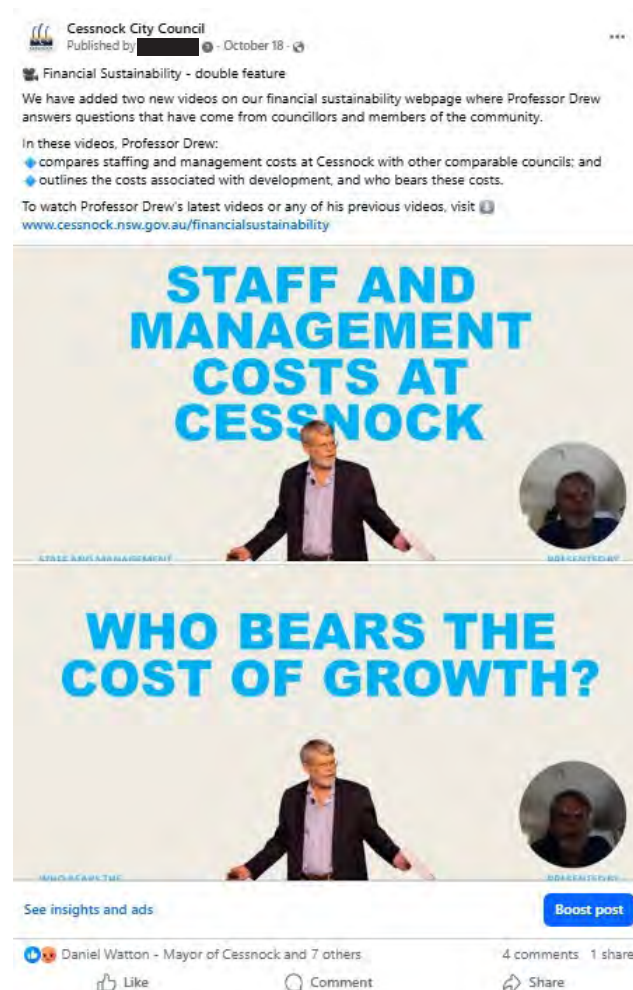
Like Comment Share

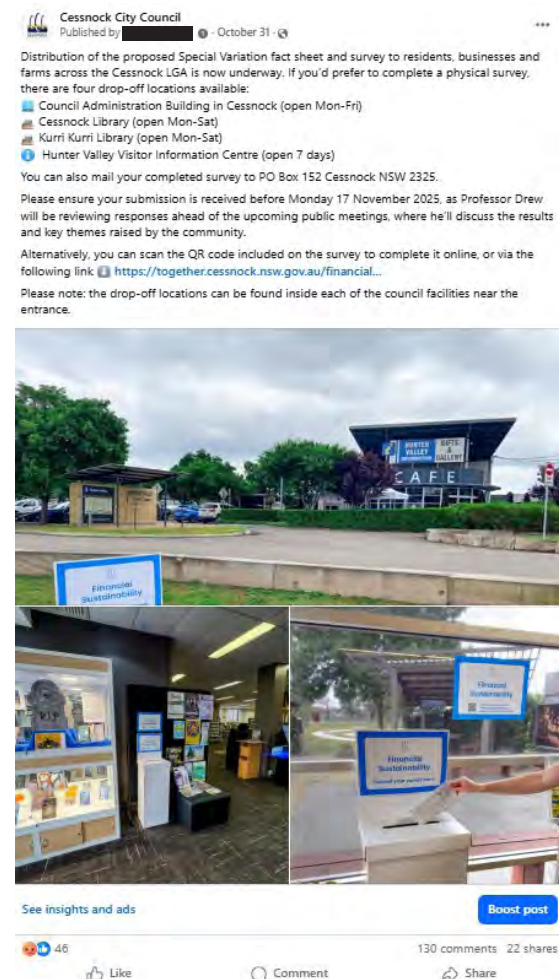
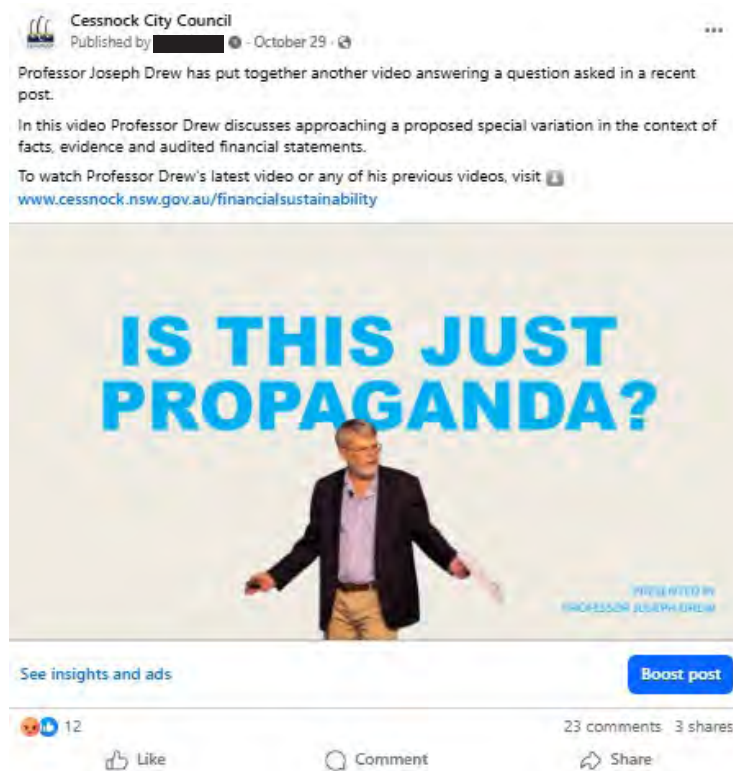
7 comments

Boost post

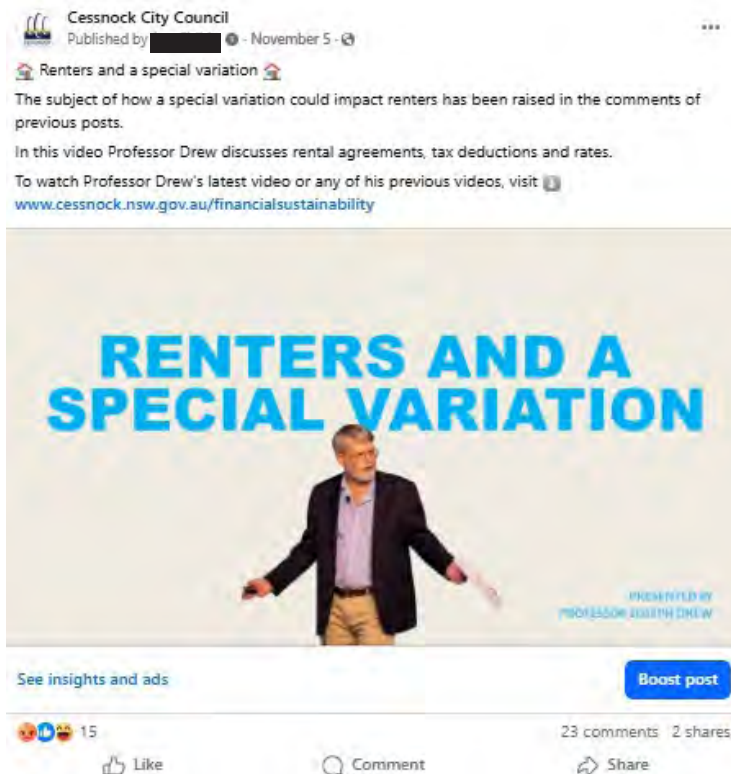


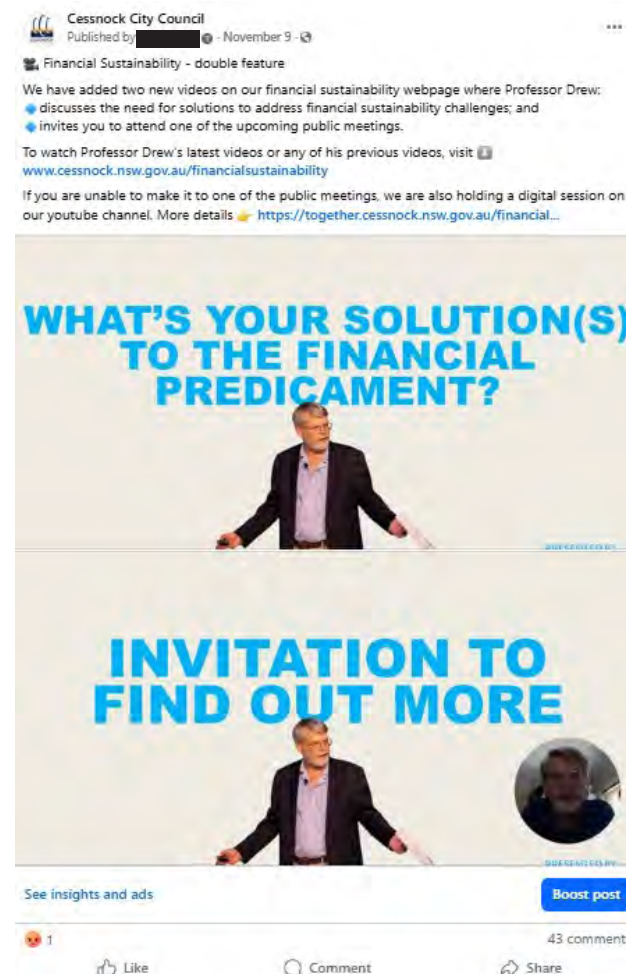
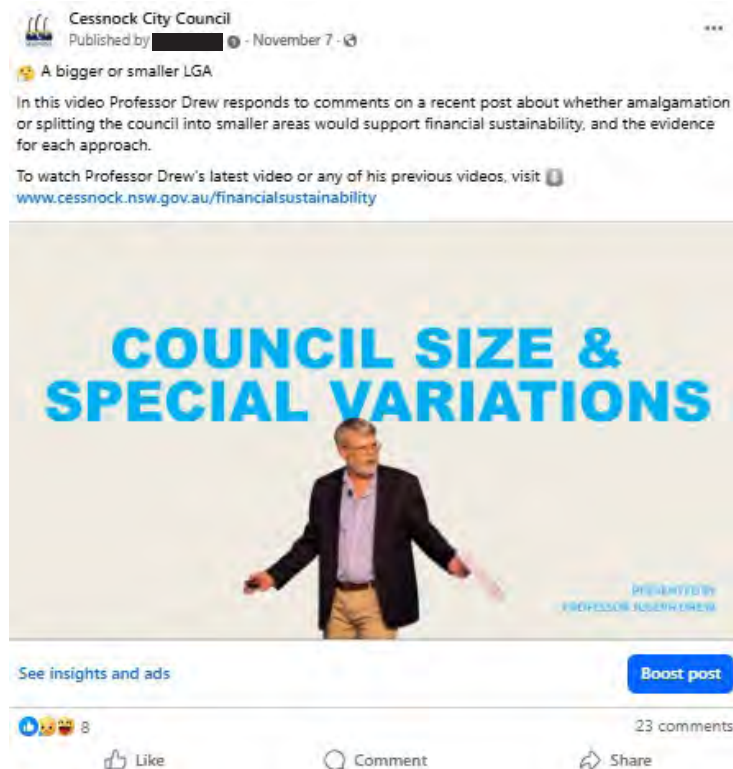


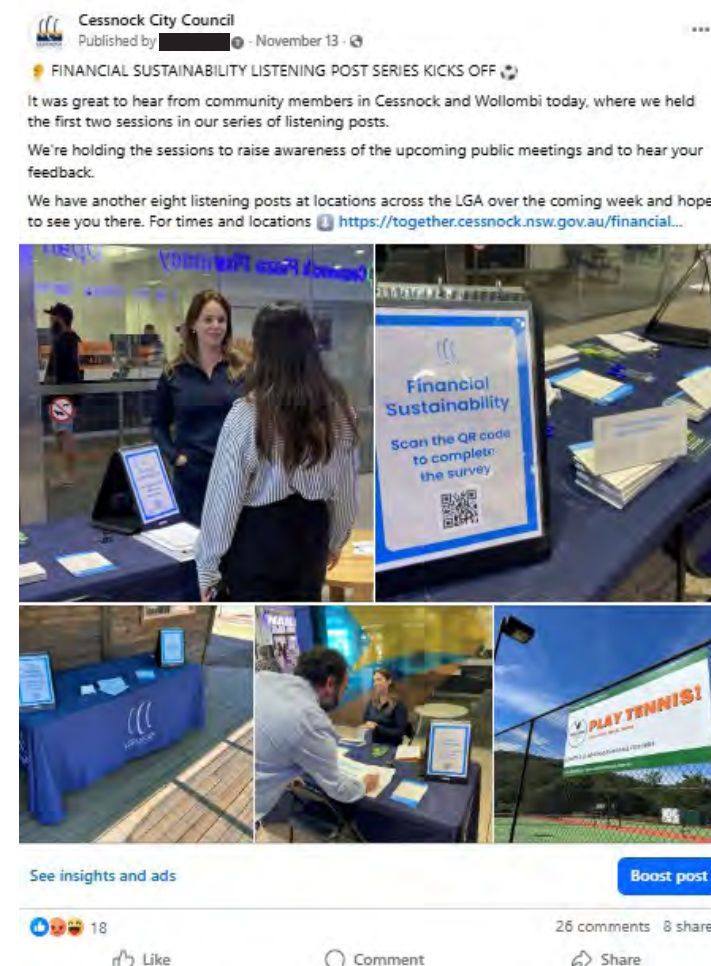




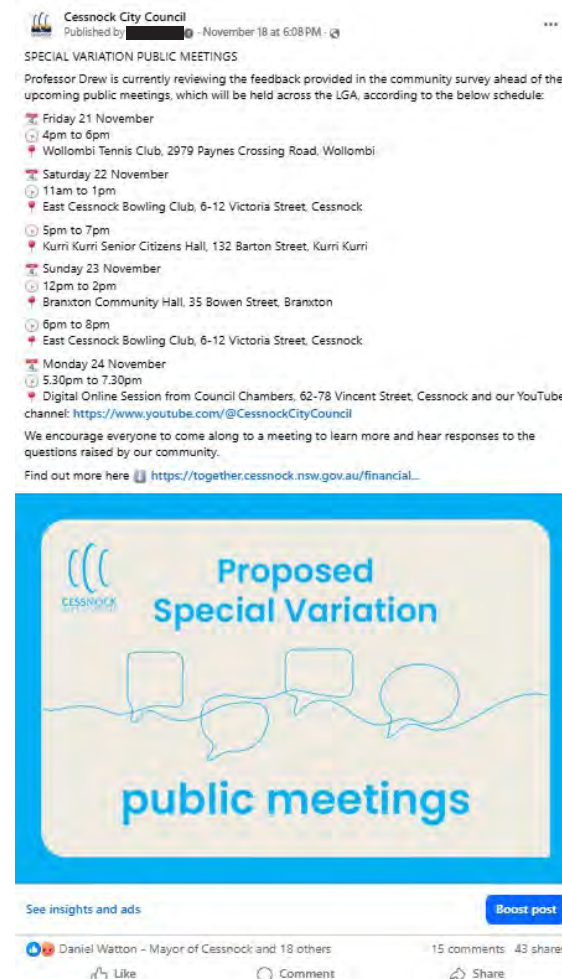
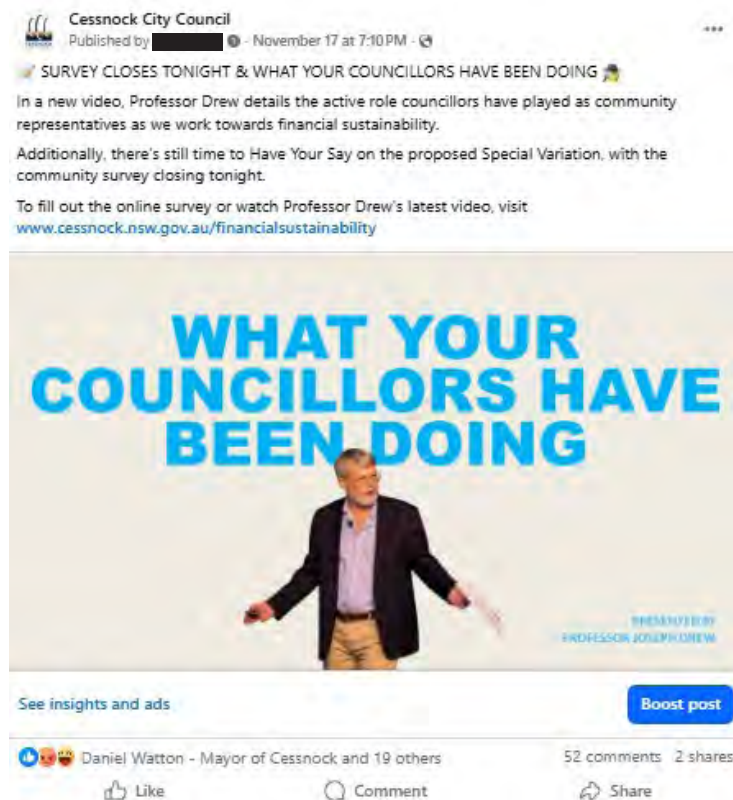


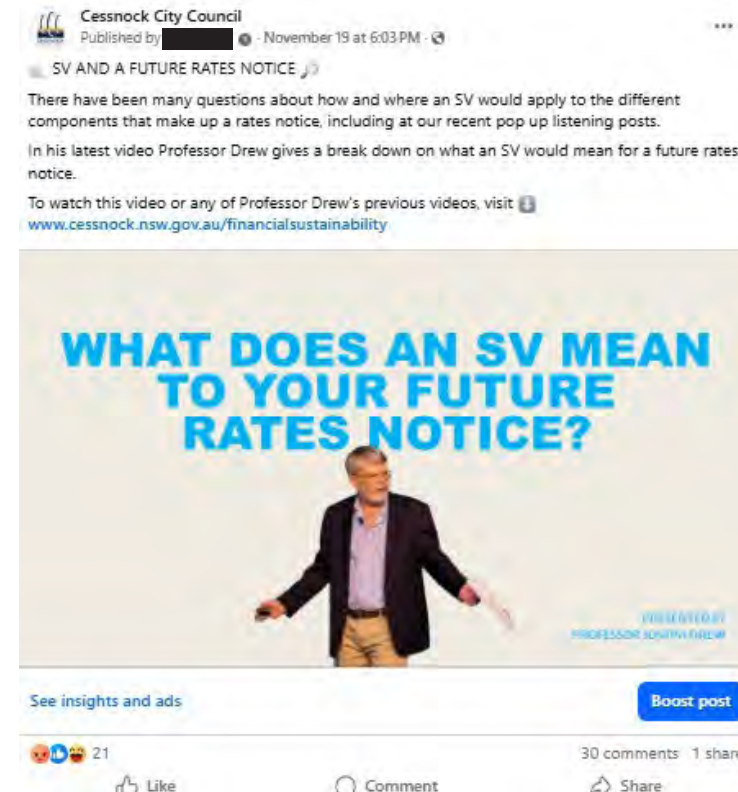
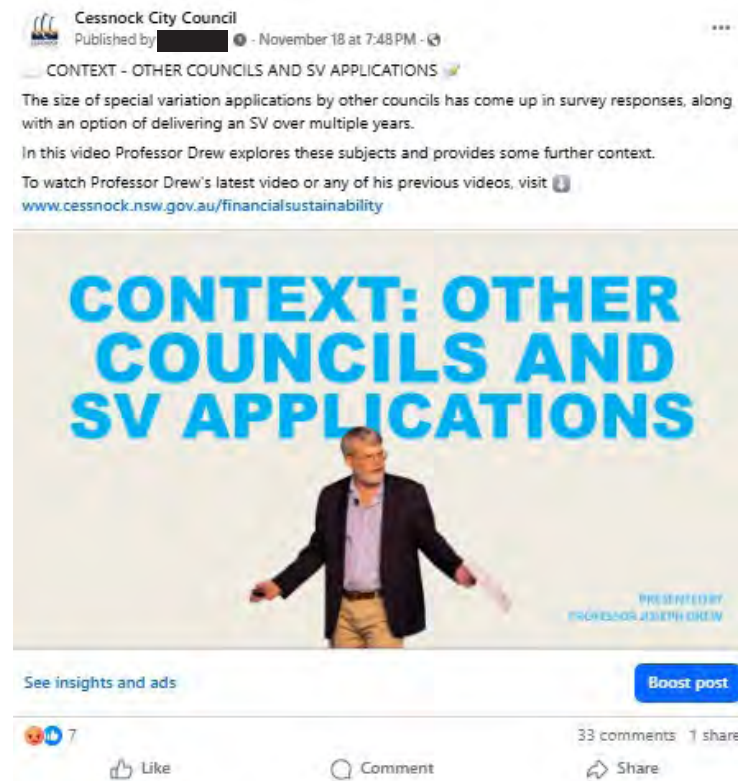




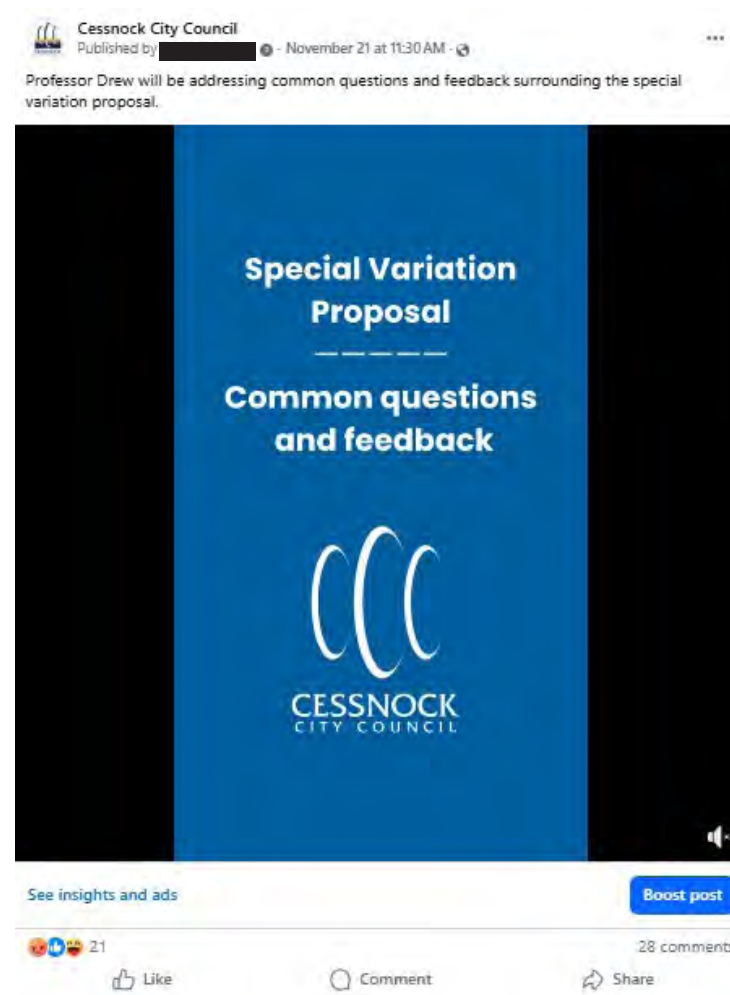






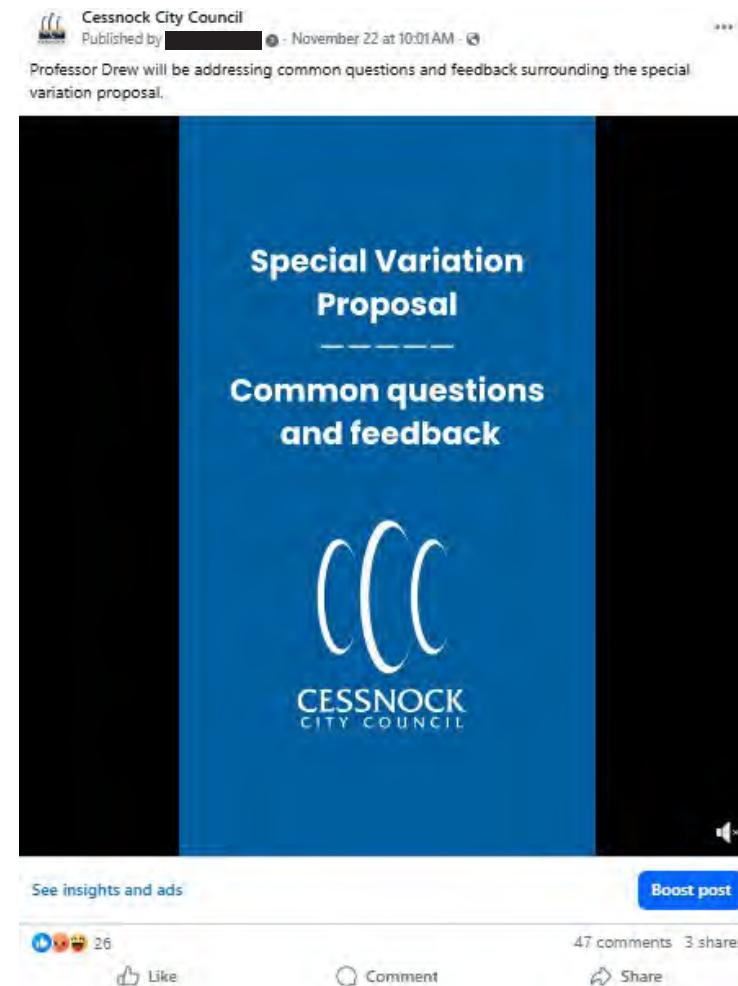


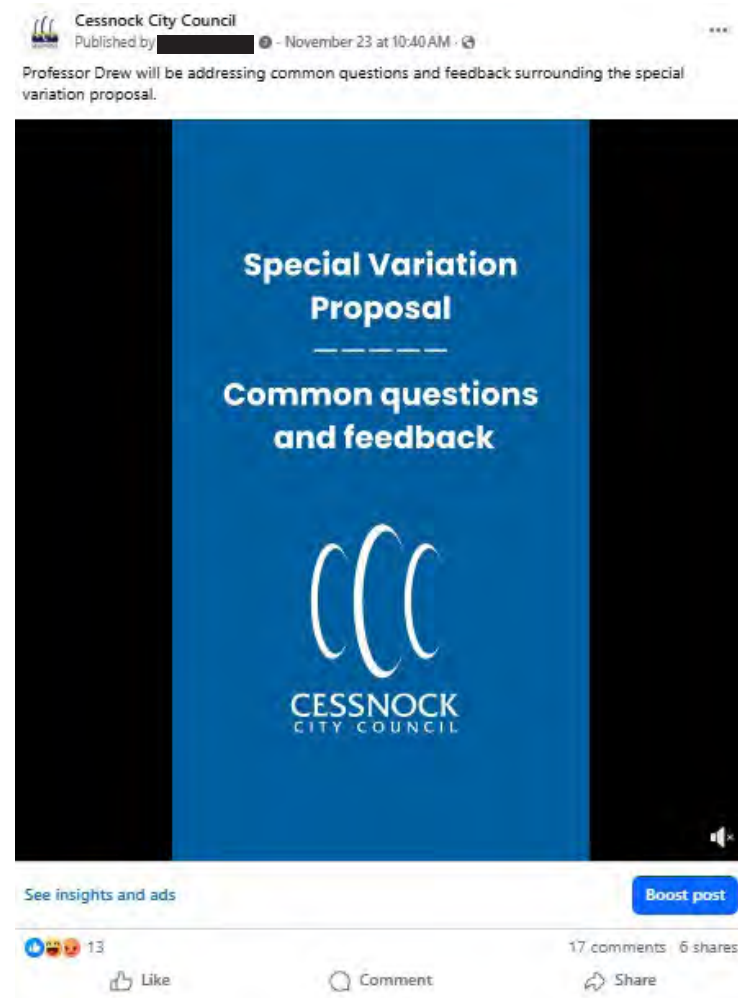






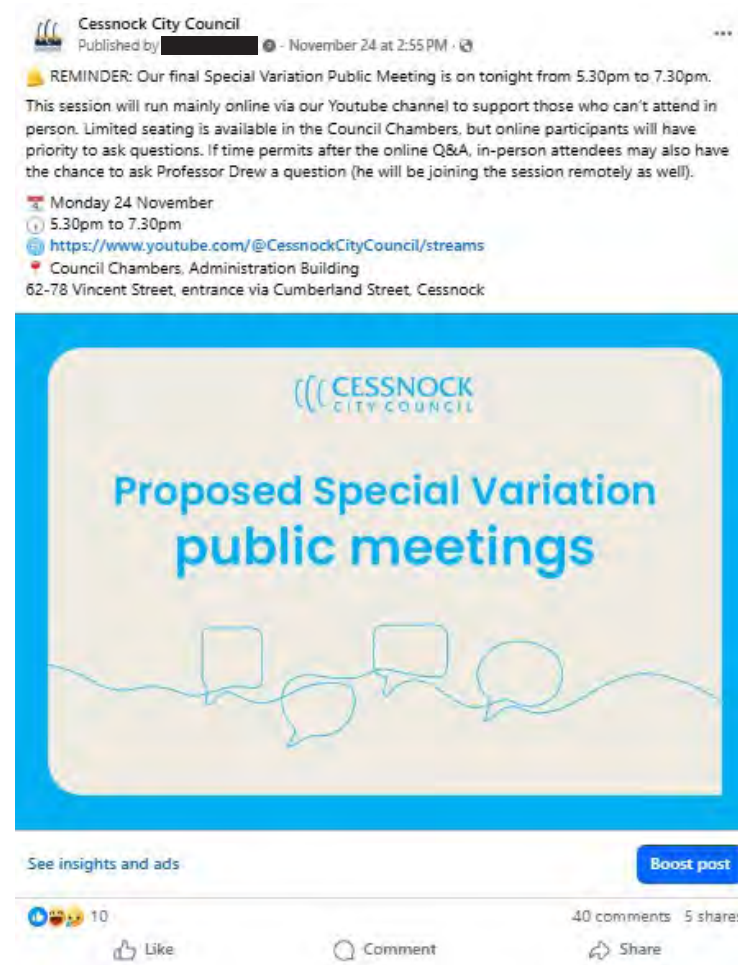
78 | CESSNOCK CITY COUNCIL



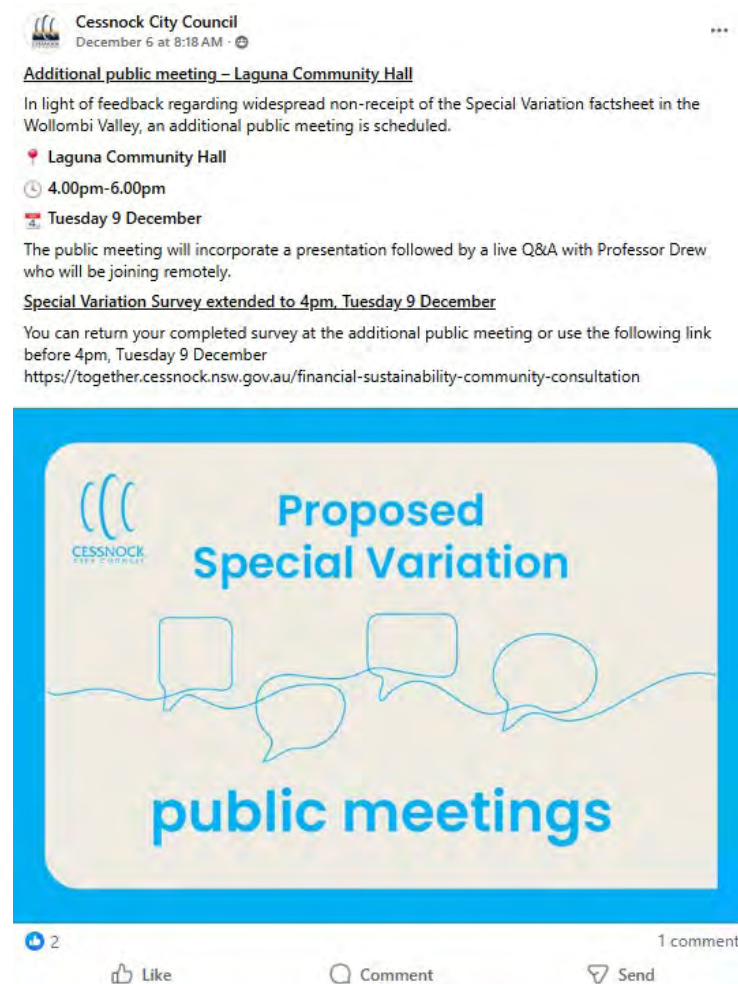


















### CFO Update



Last month, Councillors voted to adopt our Community Strategic Plan, which sets out our long-term vision for our region. The CSP paints a picture of optimism for our future, while recognising the challenges we face as a growing community. We have been uplifted for several years about budgetary challenges we are facing as a council.

These budget challenges are largely due to factors such as an ageing and growing asset base, cost shifting by successive state governments, and increases to costs and materials outpacing allowable rate increases set by the state government. These problems are not unique to our Council, and are faced by the vast majority of the local government sector.

We recently completed our 2025 Community Satisfaction Survey. Consistent with previous years, the results show that our community places a high value on the services that we deliver and that they want us to deliver more.

Over the past four years, we have focused on doing just that. We have drawn on reserves to significantly increase our works program and dedicated more funding for important things like road maintenance.

We have a record of careful budget management. The financial situation facing Cessnock City Council is a result of structural challenges faced into how the local government sector operates across NSW. No single decision of our Council has led to this.

Amidst these challenges, our Council has remained an efficient organisation when it comes to its people. An independent financial review has found that Cessnock City Council had the absolute lowest staff expenditure when assessed against other comparable councils in each of the past four years.

Cessnock LGA also has the lowest average rate charges in the Hunter relative to land value, and among the lowest rates of comparable councils across the state. If our Council is to continue providing the exceptional services and infrastructure to cater for our rapidly-growing region – and which our community has told us it expects – the structural challenges mentioned above need to be resolved. It's critical that we take steps toward achieving financial sustainability.

It's evident that we don't have a spending problem, but an income one. We will have to address issues on the income side while continuing to review our spending. When we know what the books tell us we will have an open and honest conversation with you, as ratepayers, about it.

**Matt Plumridge**  
Chief Financial Officer

Cessnock City News (21/07/25)

Home / News / Independent expert enlisted to guide financial sustainability

## Independent expert enlisted to guide financial sustainability

Published on 05 September 2025

Cessnock City Council has engaged an independent expert, Professor Joseph Drew, to support its drive towards financial sustainability.



This significant step in Cessnock City Council's financial sustainability journey involves an extensive consultation process with the community, led by Professor Drew, to explore all relevant factors required for an application to the Independent Pricing and Regulatory Tribunal (IPART) for a special variation.

Commencing last week, this latest engagement follows Council's commissioning of the University of Newcastle in late 2024 to undertake a review of its financial sustainability, which was also led by Professor Drew. The work is orientated towards providing Council and IPART with a robust evidence brief and the report will principally be orientated around audited financial data, as well as Australian Bureau of Statistics figures, of Cessnock and other councils.

Professor Drew is a leading scholar in local government finance, previously serving as Professor of Local Government Economics at the University of Newcastle's Institute for Regional Futures and now retired from full-time work. He has an extensive academic background, including qualifications as an accountant, economist, natural law philosopher, and mathematician. Professor Drew has published numerous books and articles in top-tier journals and has consulted for various governments and organisations both in Australia and internationally.

He will be joined in this phase of work by Professors Yunji Kim (Seoul National University), Masato Miyazaki (Saitama University) and Diogo Cunha Ferreira (Lisbon University).

Cessnock City Mayor Dan Watton stressed the importance of independent expertise to guide Council's drive towards financial sustainability, and welcomed the engagement of Professor Drew and his team of three scholars.

"As a fast-growing local government area, Council finances are increasingly under pressure as we work to deliver the range of quality services and infrastructure expected by our community," said Cllr Watton.

"These budget challenges are largely due to factors such as an ageing and growing asset base, cost shifting by successive state governments, and increases to costs and materials outpacing allowable rate increases capped by the state government.

"These problems are not unique to our Council, and are faced by the vast majority of the local government sector.

"It's vital that Council continues to do the work to achieve a financially sustainable future, and the independent advice from Professor Drew's team will provide the foundations to make informed decisions guided by the best evidence."

Professor Drew will be leading a series of community engagement sessions in November. In the meantime, [visit this webpage for more information](#).

Tagged as:

Media Releases

## Independent expert enlisted to guide financial sustainability



Professor Joseph Drew

You would have heard that we're working towards a financially sustainable future at Cessnock City Council.

We've engaged independent expert Professor Joseph Drew and his team to explore the matters necessary to prepare an application to IPART for a special variation and undertake community consultation to support our drive towards financial sustainability.

This significant step comes after Council commissioned the University of Newcastle in late 2024 to undertake a review of its financial sustainability, which was also led by Professor Drew. The current work is aimed at providing Council and IPART with a robust evidence brief and the report will principally be orientated around audited financial data, as well as Australian Bureau of Statistics figures, of Cessnock and other councils.

Professor Drew is a leading scholar in local government finance, previously serving as Professor of Local Government Economics at the University of Newcastle's Institute for Regional Futures and is now retired from full-time work. He has an extensive academic background, including qualifications as an accountant, economist, natural law philosopher, and mathematician. Professor Drew has published numerous books and articles in top-tier journals and has consulted for various governments and organisations both in Australia and internationally.

[Click here for more information including FAQs and helpful video content](#)

Cessnock City eNews (17/09/25)



[Home](#) / [News](#) / [Mayoral Column](#) / 5 November 2025

## Mayoral Column - 5 November 2025

Published on 05 November 2025

You would have heard that Cessnock City Council has indicated it intends to apply to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Variation on rates for next financial year, with rigorous work currently taking place by independent experts.



Earlier this year, Council engaged Professor Joseph Drew and his team of three professors to support our drive towards financial sustainability. Their investigation, analysing audited financial data, will form the basis for an application to IPART. In the latest important step in this process, Councillors voted to commence an extensive community consultation.

The distribution of a fact sheet and survey is underway across the LGA. I urge residents to read-up on the issue and look at the data and independent analysis with an open mind.

We'll be holding a range of face-to-face opportunities in November, including six public meetings and 10 pop-up sessions.

### The six public meetings are:

#### Friday 21 November

4pm to 6pm – Wollombi Tennis Club

#### Saturday 22 November

11am to 1pm – East Cessnock Bowling Club

5pm to 7pm – Kurri Kurri Senior Citizens Centre

#### Sunday 23 November

12pm to 2pm – Branxton Community Hall

6pm to 8pm – East Cessnock Bowling Club

#### Monday 24 November

5.30pm to 7.30pm – Council Chambers (digital session via Council's YouTube channel)

The pop-up sessions are scheduled between 13-19 November at locations around the LGA. Check out Council's Financial Sustainability webpage

[www.cessnock.nsw.gov.au/financialsustainability](http://www.cessnock.nsw.gov.au/financialsustainability) for the details. You'll also find plenty of resources on the page including the financial sustainability report, FAQs, useful videos recorded by Professor Drew, and a digital version of the fact sheet and survey.

Our extensive community consultation is designed to support accessibility and provide broad avenues for community participation. A final decision is yet to be made and community feedback is important.

Meanwhile, Council is calling on passionate young people aged 11 to 18 who live, work or study in Cessnock LGA to apply for the 2026 Youth Ambassador Program. The voices of young people are very important in our community and this program gives youth representatives a unique platform to influence local decision-making and help shape the future of services and initiatives relevant to them and their peers. I encourage those interested to apply by 17 November via the expression of interest form on Council's website. Parent/guardian consent is required.

The holiday season is approaching so now is the time to get your best singing voice ready for Carols in the Park at Cessnock Sportsground on Friday 5 December. Gates open at 5pm, carols start at 6.30pm, and fireworks are at 9pm. Bring a picnic rug, family and friends, and some Christmas cheer! [Visit the Carols event page here](#) for more information on this free, family-friendly event.

Tagged as:

Mayoral Column

## Special Rate Variation Information

Council has indicated we intend to apply to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Variation on rates for next financial year, with independent experts Professor Joseph Drew and his team of three professors engaged to support our drive towards financial sustainability.

We have commenced extensive community consultation. The distribution of a fact sheet and survey is underway across the LGA, and six public meetings and 10 pop-up sessions have been organised and will be held later in November. Details can be found on Council's Financial Sustainability [webpage](#), where you'll also find plenty of resources including the financial sustainability report, FAQs, useful videos, and a digital version of the factsheet and survey.

Our extensive community consultation is designed to support accessibility and provide broad avenues for community participation. A final decision is yet to be made and community feedback is important.



Environment and Waste eNewsletter (3/11/25)



### **Have Your Say on Council's Proposed Rate Change**

Council has indicated we intend to apply to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Variation on rates for next financial year, with independent experts Professor Joseph Drew and his team of three professors engaged to support our drive towards financial sustainability.

Extensive community consultation is well underway, with the distribution of a fact sheet and survey across the LGA. A series of 10 listening post pop-up sessions has begun ahead of six public meetings scheduled from 21 to 24 November (including a digital session to be webcast on Council's YouTube channel). Details can be found on Council's Financial Sustainability [webpage](#), where you'll also find plenty of resources including the financial sustainability report, FAQs, useful videos, and a digital version of the fact sheet and survey.

Our extensive community consultation is designed to support accessibility and provide broad avenues for community participation. A final decision is yet to be made and community feedback is important.

**Advance Greater Cessnock eNews (16/11/25)**

### **Public meetings on Special Variation proposal**



Council has indicated we intend to apply to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Variation on rates for next financial year, with independent experts Professor Joseph Drew and his team of three professors engaged to support our drive towards financial sustainability.

Extensive community consultation is well underway, with six public meetings scheduled to take place across the LGA from 21 to 24 November (including a digital session to be webcast on Council's YouTube channel). These meetings, which will include a presentation by Professor Drew and an opportunity to ask him questions, follow 10 listening post style pop-up sessions at various locations and a community survey. Details about the upcoming meetings can be found on [Council's Financial Sustainability webpage](#), where you'll also find plenty of resources including the financial sustainability report, FAQs, useful videos, and a digital version of the fact sheet.

Our extensive community consultation is designed to support accessibility and provide broad avenues for community participation. A final decision is yet to be made and community feedback is important.

[Click here to visit Council's YouTube channel, where you can stream the 24 November public meeting](#)

**Cessnock City eNews (19/11/25)**



Independent report calls on council to raise rates

**Alanna Tomazin**

CESSNOCK council faces a "serious financial sustainability challenge" and the "community simply cannot afford any further delay", an independent report has found.

Council commissioned the report by the University of Newcastle's Institute for Regional Futures, which has suggested council rates would need to increase for the area to meet financial sustainability needs.

Severe revenue constraints, compounded by cost pressures related to growth, state government policies and ageing infrastructure, are driving significant challenges.

Professors behind the report called on Cessnock City Council to put forward a Special Rate Variation (SRV) proposal for the round closing February 2026.

An SRV is a formal request made by a local council to the Independent Pricing and Regulatory Tribunal (IPART) to increase property rates above the standard rate cap set by the state government.

"Every year that a council puts off collecting a reasonable quantum of taxation is a year that ultimately will have to be caught up on," the report said.

"It would thus be prudent for council to get on the front foot and take appropriate action to permanently alter its revenue path as soon as possible. Delays will only increase the pain and costs down the track."

The council discussed the adoption of an SRV application to be made at its April meeting, but said this would need to be determined at a future date after the next report was completed.

Nine councillors voted for and one against, for the general manager to engage the independent advisor to provide further advice to the council on the potential for an SRV and report to the council on the recommendations of the advisor before any decision is made on an SRV application.

A Cessnock City Council spokesperson said the council faced budgetary pressures due to the structural challenges of the local government sector in NSW.

The initial findings of the report suspected council executives were aware of the issue for many years, but had delayed action in an effort to be kind to ratepayers.

Newcastle Herald  
(3/07/25)

CESSNOCK COUNCIL

Newcastle Herald  
(10/07/25)

Councillor opposes external advice on city's financial status

**Alanna Tomazin**

A CESSNOCK councillor has pushed back on calls to engage an independent advisor to do the work he says council staff are capable of.

Councillor Quintin King voted against a motion for the general manager to engage the University of Newcastle to provide further advice to Cessnock City Council on the potential for a rate rise after its independent report found Cessnock faces a "serious financial stability challenge".

Nine councillors voted for further investigations to take place to determine if the council should make an application to lift rates by more than the statewide cap before the February 2026 deadline.

"The reason I voted against that is because we've already got very capable accountants, in my view, on the payroll," Cr King said.

"I don't believe we need to pay \$90,000 for someone else to come and tell us something that we already know, but that's just my opinion."

Cr King said he had several concerns regarding "how council is going about this".

"... because we just passed a lot of our Integrated Planning and Reporting documents which is delivery program, operational plan and long-term financial plan ... my view is there wasn't too many efforts being made to look for savings," he said.

He said he would like the council to look internally for any excess where savings can be made.

"And then, when we consider a special rate variation, the burden on ratepayers wouldn't be as great as it would otherwise be. That's my only beef with it; I haven't taken any predetermined decision," he said.

Cr King said the general public may not be aware that only about 30 per cent of the council's expenses are covered by rates.

"... which is why we find ourselves in this position now, because we're set at a rate peg and that rate peg does not always keep up with inflation," he said.

Cr King said residents may be feeling the stress as everything continued to rise in cost.

"It's electricity costs ... everything is going up. This would be an extra cost again. I just want to make sure that we do everything reasonably possible to lighten that burden on residents," he said.

He encouraged residents to speak up with their concerns by contacting the council.

Council commissioned the April 2025 report by the University of Newcastle's Institute for Regional Futures, which suggested council rates would need to increase in order to meet financial sustainability needs.

Revenue constraints, compounded by cost pressures related to growth, state government policies, and an ageing infrastructure, are driving challenges for the council.



## CESSNOCK COUNCIL

Newcastle Herald  
(5/09/25)

# Economics experts called in to advise on proposed rate rise

Simon McCarthy

A HUNTER council will pay to bring in a team of independent local government finance experts to advise on its application to lift rates above the annual cap.

Cessnock City Council has been mulling a rate increase since late last year when it commissioned the University of Newcastle's Institute for Regional Futures to review its financial sustainability.

Now, retired economics professor Joseph Drew, who led the review, finding the council faced a "serious financial sustainability challenge" and the "community simply cannot afford any further delay", will head up a team of three scholars who will guide the council's application, due in February.

Cessnock was the fastest-growing council outside of Sydney in 2024, demographic data has shown, driven by long-term internal migration trends from the cities to the regions, which sped up during the COVID pandemic.

Cessnock's population has grown between 30 and almost 50 per cent in the past two decades, according to data from the Australian Bureau of Statistics.

New housing approvals, which correlate to the potential for increased local government costs, also outpaced surrounding Hunter councils between 2023 and 2024.

As residents flock to the regions, a state parliamentary inquiry in 2024 found

keeping financial sustainability was the most pressing modern challenge for local governments as councils shoulder costs that were once propped up by state and federal counterparts, while federal assistance grants as a portion of federal taxes collected have halved over the last 30 years.

Council voted to approve bringing in an "independent adviser" after considering the university's review in May. But dissenting councillor Quintin King, who was the only vote against the plan, argued the cost of independent advice was steep to do the work council staff could handle internally.

"We've already got very capable accountants, in my view, on the payroll," Cr King said at the time.

Dr Drew will lead a team of three academics from universities in Seoul, Saitama and Lisbon to "explore all relevant factors required for an application" for a rates rise, the council said.

"As a fast-growing local government area, council finances are increasingly under pressure as we work to deliver the range of quality services and infrastructure expected by our community," mayor Dan Watton said.

"These problems are not unique to our council, and are faced by the vast majority of the local government sector. The independent advice from Professor Drew's team will provide the foundation to make informed decisions guided by the best evidence."

HOME ► NEWS

Newcastle Weekly  
(9/07/25)



## Independent expert enlisted to guide Cessnock's financial sustainability

ROD THOMPSON  
SEPTEMBER 9, 2025

Cessnock City Council is enlisting the help of an independent expert to guide its financial sustainability moving forward.

Professor Joseph Drew will be joined by Professors Yunji Kim (Seoul National University), Masato Miyazaki (Saitama University) and Diogo Cuhna Ferreira (Lisbon University) in leading an extensive consultation process with the community.

They'll explore all relevant factors required for an application to the Independent Pricing and Regulatory Tribunal (IPART) for a special variation.

This latest engagement follows council's commissioning of the University of Newcastle (UoN) in late 2024 to undertake a review of its fiscal long-term stability.

Newcastle Herald (20/10/25)

## Council calls extraordinary meeting to discuss rate hike

Gabriel Fowler

A HUNTER council has called an extraordinary meeting to discuss a significant rate hike for residents.

Cessnock councillors will meet on Wednesday, with council staff recommending they endorse a proposal to start the process for a special rate variation.

The council is citing "financial sustainability challenges", saying that without more revenue, it will not be able to maintain service levels, invest in asset

renewal and achieve long-term sustainability.

The council engaged a team of independent local government finance experts, led by economics professor Joseph Drew, to advise on its financial situation and the need and merit of making an application to lift rates above the annual cap.

The report found the community could not afford "any further delay".

The issue will come before the council at a meeting on Wednesday, where councillors will discuss

whether or not to take the next step, which is to notify the Independent Pricing and Regulatory Tribunal (IPART) of its intention to consider a special variation application.

Before any application can be made, IPART and the Office of Local Government require the council to consult with the community.

The council's approval on Wednesday night would set in motion a "comprehensive community engagement process" to gauge community awareness, sentiment and willingness to support a rise.

Debate has already begun online after the agenda was posted on social media and has attracted plenty of comments, most of them from people opposed to the idea.

The consultation will involve sending out a fact sheet and survey to every household, farm and business in the area, as well as to ratepayers living outside the Cessnock local government area.

There will also be four community information sessions and engagement

sessions during which people can learn more about what the rate variation would fund, how it aligns with the community's priorities, and what the council intends to do to pursue efficiencies and cost savings, as well as the implications of going without a rise.

Cessnock council has been mulling a rate increase since late last year, when it commissioned the University of Newcastle's Institute for Regional Futures to review its financial sustainability. Cessnock was the

fastest-growing council outside of Sydney in 2024, demographic data has shown, driven by long-term internal migration trends from the cities to the regions, which sped up during the COVID pandemic.

IPART, which annually caps council rates, is expected to review applications for special rate variations above the annual rate peg between February and May next year.

Most Hunter councils received an additional hike due to their growing population.



Newcastle Herald (5/11/25)

## Cessnock's massive rates rise plan to sort finances

Gabriel Fowler

IT'S time to talk about a potential rate rise of nearly 40 per cent thanks to years of cost-shifting, waste levies, and the inability of former councils and governments to keep pace, says Cessnock mayor Daniel Watton.

That increase is worth about \$535 to the average ratepayer, increasing their annual rates from \$1343 to \$1878 and moving Cessnock City Council to the top of the Hunter councils' food chain. If approved, the 39.9 per cent increase would bring in an additional \$20 million per annum.

However, Councillor Watton says, in truth, the increase is worth only \$17 million because of the \$3 million it costs the council to pay the state government's waste levy.

Cessnock City Council is classified as a Metropolitan Levy Area for the purposes of determining fees and levies. That means it is charged \$174 per tonne of waste, the same rate applied to inner Sydney councils. In contrast, the Regional Levy Area councils are charged \$100 per tonne. The council is hoping that Cessnock MP Clayton Barr's representations to Minister for Climate Change, Energy, and the Environment Penny Sharpe will result in a meeting with her.

"It's a really good time to remind the community what impacts our bottom line as a council, such as this unfair levy," Cr Watton said. "If they agree this isn't right,

they should contact their MP as well, rather than it coming from a whingeing councillor or a whingeing mayor."

The council is hosting forums with Professor Joseph Drew, who has done a forensic analysis of the council's financials, as part of its community consultation process before making its application to the Independent Pricing and Regulatory Tribunal for a special rate variation.

"It's one of those things we couldn't kick down the road any further," Cr Watton said.

"A lot of councils do have to go through this process very unfairly. I think it's a result of cost-shifting from state onto local councils when you consider that with our particular council, rates take care of 30 per cent of our income, the rest is supposed to be made up of grants.

"But we've got 40 tonnes of waste going through our waste facility. That's \$3 million."

Cr Watton said Cessnock was the fastest growing local government area in NSW and is shouldering heavy housing targets imposed at the state and federal government levels, but the costs of infrastructure associated with that growth are falling to the council.

"When Cessnock was built, they didn't build roads intended to facilitate 70,000 people, and that will hit 120,000 by 2040 or more," Cr Watton said. "I don't think they envisaged that."

## Opportunity to Understand and Comment on Special Rate Variation

Council has indicated it intends to apply to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Variation on rates for next financial year, with rigorous work taking place by independent experts.

We have been working with Professor Joseph Drew and his team of three professors to support our drive towards financial sustainability. Their investigation, analysing audited financial data, will form the basis for an application to IPART.

We have now started extensive community consultation and are distributing a fact sheet and survey across the LGA. I urge residents to read-up on the issue and look at the data and independent analysis with an open mind.

We are holding a range of face-

to-face opportunities in November, including six public meetings and 10 pop-up sessions.

The six public meetings are:

Friday, November 21: 4pm to 6pm – Wollombi Tennis Club

Saturday, November 22: 11am to 1pm – East Cessnock Bowling Club and 5pm to 7pm – Kurri Kurri Senior Citizens Centre

Sunday, November 23: 12pm to 2pm – Branxton Community Hall and 6pm to 8pm – East Cessnock Bowling Club

Monday, November 24: 5.30pm to 7.30pm – Council Chambers (digital session via Council's YouTube channel)

The pop-up sessions will run until November 19 across the LGA. Check out Council's Financial Sustainability webpage for details ([www.cessnock.nsw.gov.au/financialsustainability](http://www.cessnock.nsw.gov.au/financialsustainability)), where you'll also find other resources.



BY CESSNOCK CITY MAYOR DANIEL WATTON

[www.cessnock.nsw.gov.au/financialsustainability](http://www.cessnock.nsw.gov.au/financialsustainability)), where you'll also find other resources.

Our extensive community consultation is designed to support accessibility and provide broad avenues for community participation. A final decision is yet to be made and community feedback is important.



THE NEWS | No. 628 | FRIDAY 7 NOVEMBER 2025 9 13

## Public consultation to begin on possible Cessnock rate hike

Cessnock councillors have endorsed a recommendation to begin community consultation on a possible rate increase, authorising the General Manager to notify the Independent Pricing and Regulatory Tribunal (IPART) of Council's intention to consider a Special Variation application.

The move marks the first formal step in exploring a potential rate rise, focusing on community engagement and transparency before any decision is made. While no rate increase has been approved, the decision enables Council to begin discussions with residents about the city's financial future.

The proposal follows concerns raised in the University of Newcastle's Institute for Regional Futures report, which highlighted ongoing financial sustainability challenges for Cessnock City Council. In April this year, councillors agreed to seek independent advice on whether a Special Rate Variation (SRV) might be needed to secure long-term stability.

Under the Local Government Act 1993, councils can apply to IPART for permission to raise income above the annual rate peg. However, before an application can proceed, councils must conduct meaningful consultation to demonstrate community understanding and support for the proposal and its potential impacts.

Council's recent Financial Sustainability Review and Long-Term Financial Plan identified a structural funding gap that could affect its ability to maintain service levels, renew infrastructure, and ensure long-term stability. The consultation period will give residents a chance to learn about these challenges, explore potential options, and express their views on whether a Special Rate Variation should be pursued.

Cessnock mayor, Dan Watton, said that he would urge all residents and ratepayers to... consider attending one of the six upcoming public meetings. "I'd also reiterate that a final decision is yet to be made and community feedback is important."

Councillor James Hawkins described the process as a vital step in ensuring transparency. "This is the consultation phase of Council's long-term financial sustainability process," Cr Hawkins said. "I hope everyone takes an interest in the information that independent finance experts have investigated and published. Council will be facilitating drop-in information sessions throughout the LGA, as well as online interaction with Professor Drew and his team, Council's website, and social media platforms."

Cr Hawkins said staff already work efficiently with limited resources, noting this would be the first Special Rate Variation in many years. "The situation is the cumulative result of rate pegging that's been in place since 1977," he said.

"Councils across the state are putting forward their cases for an SRV, and IPART looks at each on its individual circumstances." Councillor Mitchell Hill said rising costs and decades of restricted rate growth had left councils across NSW facing difficult choices.

"Many past councils have confronted the need for increases in revenue in the face of NSW Government-imposed rate caps and ongoing increases in cost shifting and operational expenses," Cr Hill said. "Often, a choice has been made to 'tighten the belt' where possible, and not increase rates in an effort to reduce financial burdens on the community."

He said that after years of holding off on rate adjustments, "very few savings can be found within the organisation," adding that the upcoming consultation would allow residents to "hear directly about the financial sustainability of their council, give feedback on a proposed special variation, and hear how additional funds would be used to continue delivering services."

Councillor Mitchell Lea said he was pleased the public would have an opportunity to participate. "I'm glad the community will get to have their say," he said.

Councillor Sophie Palmowski also welcomed the consultation, describing it as a rare chance for residents to influence how their money is spent.

"It's not often the community has the opportunity to influence how their hard-earned money is spent through rates or taxes," Cr Palmowski said. "This consultation provides residents with a genuine chance to share their views on an issue that directly affects them."

Online discussion on local social media forums appears largely unified in opposing any rate increase, with many residents expressing concern about the cost of living and Council's financial management. Community consultation will now begin, with information sessions and surveys planned to gather feedback. The results will guide councillors on whether to proceed with a formal Special Variation application to IPART later this financial year.



Branxton Greta Vineyard News (7/11/25)

92 | CESSNOCK CITY COUNCIL

## Local Government Rate Increases

Cessnock City Council, like many regional councils, is struggling to continue offering to residents the level of service that they expect. This is simply a cost-of-living crisis. Over the few years, households have experienced the same pressures; that is, the cost of everyday living expenses have risen faster than their wages. Councils have had the same problem; the cost of their resources that they have to buy, have risen faster than the CPI – the measure of inflation. As all Cessnock City Council LGA residents would attest to, the rates charged by Council in recent years have remained fairly constant; whereas, the cost of roadworks and residential services have increased by a much greater amount. It has now reached the point where Council needs to increase rates by a significant amount; probably by as much as forty percent in order to continue with the same level of services and to fix our many local roads that are in urgent need of repair.

much higher level. Before this happens, Council are holding a series of information sessions in order to explain the situation to residents. There will be six formal public meetings, the first one being held today, November 21, at Wollombi Tennis Club from four to five this afternoon. The next one will be tomorrow, November 22, at the East Cessnock Bowling Club (ECBC) from eleven am to one pm. Also tomorrow, at Kurri Kurri Senior Citizens Centre from five to seven in the evening. Then again on Sunday, November 23, at the Branxton Community Hall from twelve noon to two pm and at the ECBC again from six to eight in the evening. Lastly, on Monday, November 24, at the Council Chambers in the form of a digital session via Council's YouTube channel.

**Fr Solomon and Fr Raphael**



Fr Raphael



Fr Solomon

Branxton Greta Vineyard News (25/11/25)



### Members say ....



**Dan Watton**  
Cessnock City Council Mayor

You would have heard that Cessnock City Council has indicated it intends to apply to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Variation on rates for next financial year, with rigorous work currently taking place by independent experts.

Earlier this year, Council engaged Professor Joseph Drew and his team of three professors to support our drive towards financial sustainability. Their investigation, analysing audited financial data, will form the basis for an application to IPART. In the latest important step in this process, Council has voted to commence an extensive community consultation.

The distribution of a fact sheet and survey is underway across the LGA. I urge residents to read-up on the issue and look at the data and independent analysis with an open mind.

We'll be holding a range of face-to-face opportunities in November, including six public meetings and 10 pop-up sessions. The six public meetings are:

- Friday 21 November, 4pm to 6pm - Watsons Tennis Club
- Saturday 22 November, 11am to 1pm - East Cessnock Bowling Club
- Sun 16 Nov - Kauri Kauri Senior Citizens Centre
- Sunday 23 November, 12pm to 2pm - Branxton Community Hall
- Open on Tues - East Cessnock Bowling Club
- Monday 24 November, 5.30pm to 7.00pm - Council Chambers (2pm launch via Council's Facebook channel)

The pop-up sessions are scheduled between 11-18 November at locations around the LGA. Check out Council's Facebook Sustainability webpage (www.cessnock.nsw.gov.au/sustainability) for more information and join in!

Remember, you'll also find plenty of resources on the page including the financial sustainability report FAQs, which outline proposed by Professor Drew, and a range of other supporting documents.

### NOTICE TO THE WOLLOMBI VALLEY COMMUNITY

Committee members of the Wollombi Valley Chamber of Commerce and the Wollombi Valley Community Association attended a meeting arranged by Cessnock Council at Wollombi Tennis Club on 21 November 2025 in relation to Council's proposed Special Rate Variation.

Notwithstanding the manner in which the meeting was organised and conducted, we understand that budget repair is required to address Council's financial situation and to support its sustainability into the future. 38 Councils in NSW have applied for Special Rate Variations over the last 5 years, citing inflation, especially in relation to the cost of maintaining infrastructure and operations. Cessnock Council's situation is compounded by the vast network of local roads, as we in the Valley are acutely aware, the maintenance of which is beyond the financial and practical means of Council.

Cognisant of cost living pressures and the significant burden the proposed 39.9% SRV would have on residents of the Wollombi Valley, we are seeking information on all alternatives considered. Further, given the history of gross neglect of our local roads and infrastructure and the limited services available in the Valley, we are seeking evidence of structural reform and information on, and input into, Council's future investment plans.

While we consider some rate rise is inevitable, we are concerned to ensure that residents are appropriately informed going forward, and that we take every opportunity to improve outcomes for Wollombi Valley. We are keen to hear from community members who have ideas that support sustainability of our Villages and community into the future, particularly in relation to Council services, investment or other support. Please send any thoughts or ideas to [wollombivalleycommunity@gmail.com](mailto:wollombivalleycommunity@gmail.com) or [info@wollombivalleytourism.com.au](mailto:info@wollombivalleytourism.com.au)

Additionally we encourage anyone who wishes to make submissions on the SRV to do so directly to Council or to <http://together.cessnock.nsw.gov.au/long-term-financial-plan-2026-2035> or to the Independent Pricing and Regulatory Tribunal - <https://tinyurl.com/CCCrates>

We thank the Mayor for attending the meeting in Wollombi. We will be seeking further engagement on this issue and considering submissions to other appropriate forums.

**Wollombi Valley Chamber of Commerce Inc**  
**Wollombi Valley Community Association Inc**




### Our Own News (1/12/25)

### Branxton Greta Vineyard News (7/11/25)

### Summary of the recent Cessnock City Council presentation

#### COUNCIL PROPOSES 39.9% RATE RISE

Council recently held a series of briefings on its proposed application to IPART (<https://tinyurl.com/IP399>) for a Special Variation to raise rates across the LGA by 39.9%. Below is a summary of the presentation at the recent Wollombi session.

Proceedings were opened by the Cessnock Mayor, Daniel Watton. Daniel introduced the consultant - Professor Joseph Drew - a local government expert, who led the council review and is writing the application to IPART for an increase in rates. See <https://tinyurl.com/WC399> for a description of the review.

The essence of the application is to prove its reasonableness. The bulk of Joseph's presentation thus covered the evidence of reasonableness:

- Budget projections show ongoing deterioration over the next 10 years if rates are not raised.
- The rates in Cessnock are low compared to similar Councils.
- There are compounding factors; compared to similar Councils, indigeneity is three times the average, but we are on the median with state pensioners.
- Analysis of ABS data proves the affordability of the rise to rate payers.
- NSW Treasury recently and independently rejected a loan application by Cessnock Council on the basis of financial unsustainability.
- The efficiency of our Council is middle-of-the-ground against an international 'Council Efficiency' metric, when compared to others. (Between median and average).
- The largest budget line is roads.
- Staff is 23% and are paid in the lowest tier compared to other Councils.
- Management salaries are below par; there is no glaring evidence of mismanagement and it is an effective management team.
- As part of his analysis he did a culling of dud and non-deliverable budget items, resulting in minor savings.
- He also made recommendations about balance sheet write-off practises, that have been incorporated going forward and further highlight the long-term budgetary non-viability.
- If rates are not raised, the Council will be declared bankrupt in a few years' time - the downside of this is that Administrators focus on cashflow and balance sheet decisions and community considerations take a back seat. The community is often left worse off than before (but with a balanced budget and fewer communal assets).
- His advice is that if a rise is successful, not to pursue a leadership spill - the current team is doing well under the circumstances, and it will be important to retain organisational knowledge to see any change through.
- He talked through case studies of how other jurisdictions had responded to rate rises, and the good and bad outcomes.
- One of his recommendations is if a rise is granted, that 'benefits harmonisation' should be done, to ensure fairness of application and economic efficiency of a new budget.

**Marcel van Rooyen**

### Our Own News (1/12/25)





A4/A3 posters displayed at hard copy survey drop-off points



A4/A3 poster used at pop up listening posts





## Proposed Special Variation Invitation to public meetings

Over recent months, Council has been working with an independent expert Professor Joseph Drew, and his team of three professors on our drive towards financial sustainability.

Council has indicated that it will apply to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Variation (SV) for the 2026-27 year. This application will be based on independent expert analysis of audited financial statement data.

The purpose of the SV is to commence the journey to financial sustainability, with a view to maintaining service levels wherever possible, in response to very significant cost pressures which have outstripped revenue for many years.

Public meetings will be held at the below locations to present the case for an SV and receive community feedback.

**Wollombi Tennis Club**  
2979 Paynes Crossing Road, Wollombi  
4-6pm, Friday 21 November

**East Cessnock Bowling Club**  
6-12 Victoria St, Cessnock  
11-1pm, Saturday 22 November

**Kurri Kurri Senior Citizens Centre**  
132 Burton St, Kurri Kurri  
5-7pm, Saturday 22 November

**Branxton Community Hall**  
35 Bowen St, Branxton  
12-2pm, Sunday 23 November

**East Cessnock Bowling Club**  
6-12 Victoria St, Cessnock  
6-8pm, Sunday 23 November

**Digital session**  
Youtube/Council Chambers  
62-78 Vincent St, Cessnock  
5.30-7.30pm  
Monday 24 November  
Scan the QR code to visit our channel



**Join the conversation**  
Scan the QR code or visit <https://together.cessnock.nsw.gov.au/financial-sustainability-community-consultation> to read the factsheet, read the Council Financial Sustainability Review, ask a question, or participate in consultation opportunities

A5 Flyer handed out at pop up listening posts



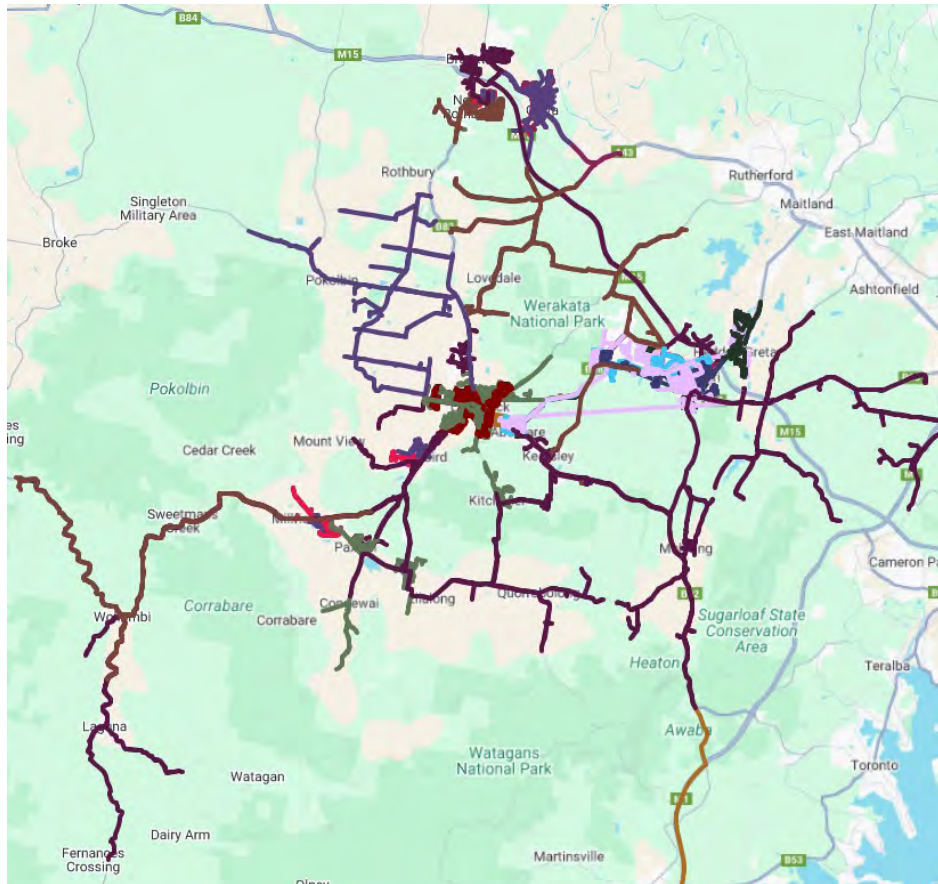
# Financial Sustainability

## Scan the QR code to complete the survey

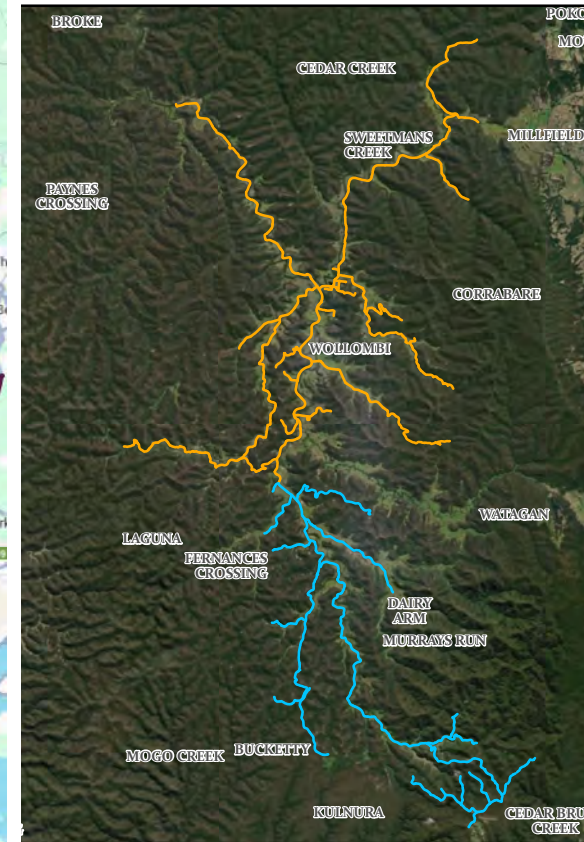


A4 posters used at pop up listening posts





GPS tracking map supplied  
by letterboxing contractor



Representation of additional letterboxing  
undertaken by Council Officers on 3-4 December



Cessnock City Council Delivery Program 2025-29, pp 54-57



A4 poster displayed at local businesses

**Additional public meeting – Laguna Community Hall**

In light of feedback regarding widespread non-receipt of the fact sheet in the Wollombi Valley an additional public meeting is scheduled.



**Laguna Community Hall  
4-6pm  
Tuesday 9 December**

The public meeting will incorporate a presentation followed by a live Q&A with Professor Drew who will be joining remotely.

**Special (Rate) Variation Survey extended to 4pm, Tuesday 9 December**

You can return your completed survey at the additional public meeting or use the QR code here or on the first page of the survey before 4pm, Tuesday 9 December.



DL letterboxed to Wollombi Valley on 3-4 December (stapled to Fact Sheet and Survey)



62-78 Vincent Street, Cessnock NSW 2325 | PO Box 152 Cessnock NSW 2325  
02 4993 4100 | [council@cessnock.nsw.gov.au](mailto:council@cessnock.nsw.gov.au) | [www.cessnock.nsw.gov.au](http://www.cessnock.nsw.gov.au)



# Cessnock Council Capacity to Pay Report



## **Disclaimer**

*This Report was prepared by Professor Drew and Professor Miyazaki on behalf of Professor Joseph Drew Pty Ltd. The work herein has also been independently assured by Professor Yunji Kim from Seoul National University. This Report was produced in a strictly independent manner and the opinions expressed in the Report are thus exclusively the views of its authors and do not necessarily coincide with the views of the local government or any other body. The information provided in this Report may be reproduced for media review, quotation in literature, or non-commercial purposes, subject to the inclusion of acknowledgement of the source and provided no commercial use or sale of the material occurs.*

*The information contained herein is believed to be reliable and accurate. However, no guarantee is given as to its accuracy or reliability, and no responsibility or liability for any information, opinions, or commentary contained herein, or for any consequences of its use, will be accepted by Professor Joseph Drew Pty Ltd, or by any person involved in the preparation of this report.*



## **Cessnock Council Capacity to Pay**

### **Executive Summary**

*This Report provides a careful analysis of capacity to pay, by first examining metrics recommended by the regulator and then progressing to more robust and sophisticated measures. There can be no reasonable doubt after reading the comprehensive evidence in this report that Cessnock ratepayers do indeed have additional capacity to pay. On the basis of this evidence – and also our evaluation of need articulated in our various other reports, including the interrogation of the LTFP – we make a strong recommendation for the SV percentage increase, along with its' term. We close with some additional recommendations around measures that might be taken to achieve better distributive equity so that burdens are more closely aligned to individual capacity within the constraints of the legislation.*

### **1. Introduction**

The purpose of local government – any government in fact – is to foster the common good (which is best defined as the help accruing to people as a result of their co-operation; Drew, 2021). This means that local government ought to be mostly concerned with the provision of public goods, merit goods, and goods with externalities<sup>1</sup>. It thus comes as no surprise to find that the major portion of a local government's asset portfolio is dominated by public goods – especially roads. Because these goods are non-excludable in character, fees and charges cannot be levied on them, and private business would never be interested in providing things of this kind. Indeed, commercial concepts make little sense when applied to matter of local government and it is important that people recognise that the processes, responsibilities and opportunities for government are fundamentally different.

To pay for the provision of public goods, governments are obliged to levy taxes and local government rates are an instantiation of this. Otherwise stated, local government rates are indeed a tax. Natural law philosophers have long recognised that taxes are a moral obligation on citizens flowing from their membership within a community (George, 2010; Drew, 2021; Messner, 1952). Taxes are also a pre-requisite for natural justice – because we all have a natural right to land and other resources that were part of creation (see Finnis, 1998). Indeed, land ownership is a relatively modern concept useful for the optimal economic use of this particular resource, but not a moral right (for instance, one could hardly mount a moral claim to the use of other natural resources such as sunlight or oxygen). Thus, an unimproved tax is a critical component of natural justice – it allows everyone to derive some benefit from a natural resource bestowed on all of humanity.

---

<sup>1</sup> Public goods are things that are both non-excludable and non-rival (one person's use doesn't prevent another's – for example, roads or street lighting. Merit goods are things that we think embody a virtue (for instance reading books at a Council library). Goods with positive externalities are things which confer benefits on people other than those directly consuming them (for instance rubbish collection, which minimises odours and disease for everybody).

Indeed, the greatest proponent of unimproved land tax was a natural law philosopher called Henry George (2010) who proposed it as a single tax in his work *Progress and Poverty* published circa 1879. The idea here is to try to capture some of the unearned wealth created as a side-product of the unnatural human advent of land ownership. George argued that the value of land was likely to go up even if a person did nothing to it – because of the increase in population, new developments in the area, building of new transport links and the like. Thus, most of the increase in wealth accruing to an individual, because of their ownership of land, is actually derived from the efforts of others. In an unimproved land tax, we simply ask people to return a very small portion of their unearned wealth to the wider community who created the wealth. Indeed, local government taxes tend to be used for goods and services that generate even more unearned wealth for the landholder – thus payment of rates can hardly be considered an act of altruism.

Unlike other taxes, rates do not impact on wealth generated by a person's own efforts, nor do they have the same kind of distortionary influence on economic decision-making. For instance, the current top marginal income tax rate for Australia is forty-five percent (plus Medicare levy) and this heavy impost tends to be a disincentive to some to put their productive efforts into full use (through making investments, taking on additional work, or further developing their human capital). Indeed, there is a whole industry devoted to providing ways for people to minimise their income tax burden and this, for the most part, represents a loss to the productive economy. An unimproved land tax does not result in leakage from the economy, of this kind, and doesn't dissuade people from making productive economic decisions – indeed, it elicits the precise opposite because it encourages people to put their land to the most productive use (to minimise the effective nett burden). For example, an unimproved land tax might encourage people to put vacant land under cultivation, or to sell it so that people might build homes on it.

*People should understand that an unimproved land tax is one of the most morally defensible ways to generate the revenue required for governments to provide the goods and services that we all use, and rely on, on a daily basis.*

Unfortunately, the efficacy of an unimproved land tax has been significantly damaged by constraints placed on local government decision-makers. For instance, some higher tier governments (NSW and more recently, Victoria) have introduced rate caps which mean that the value of the total tax levied by local governments has not been able to keep pace with the increase in unearned wealth accruing to landholders. This has resulted in both fiscal distress and exacerbation of inequality (especially relative to people who don't possess land). Unfortunately, rate caps are a politically attractive heresthetic whereby state politicians get to claim credit for reducing cost of living pressures, without suffering any ill-effects of their own (state government) budgets. Hence rate caps are popular with state politicians and are slowly spreading across our continent – as are financial sustainability crises and the associated blame games.

Indeed, local government rates are highly politicised. Not only are state politicians inclined to engage in rate capping and misleading rhetoric to divert attention from their own tax increases and financial sustainability predicament (see Table 1), but rate increases are also politicised at the local level. No-one likes paying extra tax and it is thus hardly surprising that political opponents will try to portray rate increase – especially special variations (SVs) – as unnecessary, the result of inefficiency, or the outcome of financial mismanagement. Claims of these kinds are popular with people hoping to avoid paying a fuller price for the public goods and services that the community relies on. However, as we have shown in our previous (Stage 1) work – and will also highlight in the other reports required to support this SV – the claims are mostly misleading, (and sadly have a high potential to inflict pain on the most vulnerable in the community).

For good decision-making, claims need to be based on robust evidence. Citizens should be wary of anyone in the community who tries to portray a picture of matters that is not supported by sophisticated robust evidence. Indeed, citizens should also be cognisant of the motivations of the people making various statements – both their bona fides and independence. That is why the suite of reports by four independent professors – three of which reside abroad and therefore can't reasonably be accused of bias – is so critical to the residents of Cessnock. Indeed, we note that the bona fides of scholars can easily be assured by looking at their publication records and the sophisticated empirical techniques that they have applied in the past.

One reason why rates tend to get politicised is because they are probably the most visible of taxes. This visibility arises because councils typically issue four tax invoices per annum, and people have to withdraw money from their savings accounts to meet these imposts. This state of affairs contrasts somewhat to the hefty income taxes that most of us pay which are taken out of our pay before we even see the money. Rates also contrast to the ten percent GST which often dwarfs the annual impost made by local government on residential ratepayers. Fuel excise tax is another example – 51.6 cents per litre (or around a quarter of the price of fuel) that most people are completely unaware of. Thus, the key issue seems to be about visibility – people don't complain about significantly larger imposts levied by other tiers of government, because they barely register that the taxes exist.

Moreover, it is quite interesting to ponder the relative increase in taxation receipts of the federal and state governments relative to Cessnock City Council in recent years.

**Table 1. Tax Burden and Increase in Taxation Receipts by Tier of Government.**

	2021	2022	2023	2024
Commonwealth	481,164	550,635 (14.4%)	618,227 (12.28%)	649,363 (5.04%)
All States	93,079	112,528 (20.90%)	116,941 (3.92%)	130,575 (11.66%)

Rate Cap (Cessnock)		2.0%	0.7% supplementary (2.5%)	3.8%
------------------------	--	------	---------------------------------	------

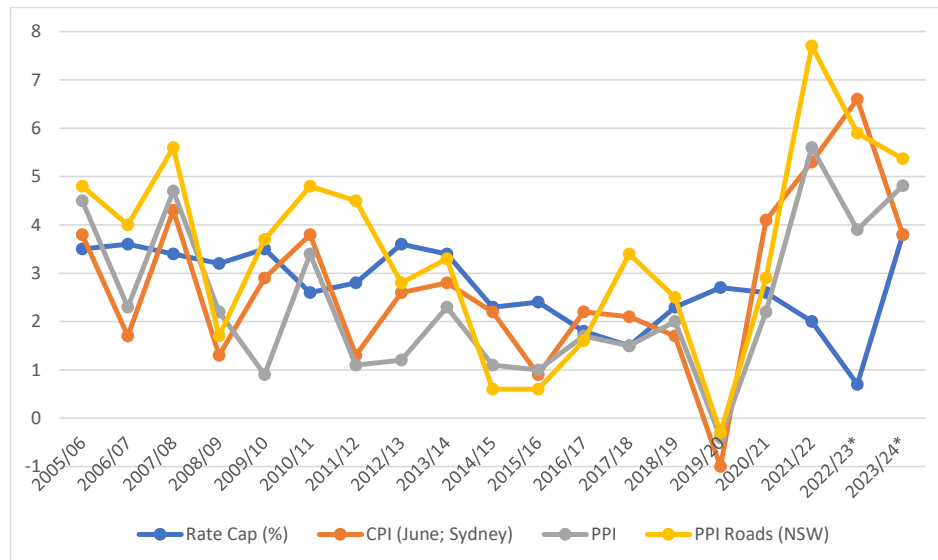
Source: Government Finance Statistics, Australian Bureau of Statistics (2025).

Notably these other tiers of governments are very vocal about the need to increase their revenues, and many are projecting alarming deficits. This seems to suggest that the cost of running government has been increasing at very steep levels in recent times.

Indeed, it is inevitable that taxes will go up, because the price of the goods and wages that governments consume, have gone up – much faster than headline inflation rates that residents might hear about in the media. The media tends to focus on the CPI (Consumer Price Index) which has very little relevance to government costs because it measures the change in the price of household goods, many of which are rarely purchased by governments. For instance, at the time of writing 17.44 percent of the CPI was weighted for food and beverages, 6.58 percent for alcohol and tobacco, 6.73 percent for health costs, and 4.69 for school costs.....it would thus be erroneous to use CPI when trying to gauge the cost pressures faced by local government.

In Figure 1, below, we set out the rate cap against various more useful measures of the cost pressures felt by government. PPI is the producer price index and measures a basket of goods and services purchased by producers (businesses). Even more specific, we include the PPI for road construction – which reflects the single largest responsibility of local governments in the state. Even a cursory look at this graph will reveal why more and more local governments have been forced to apply to IPART for an SV in recent years. We concede that Cessnock has been allowed one small increase above the cap in recent times, but this does not detract from the observation that the rate cap has exerted a cumulative deleterious effect on financial sustainability over a long period. In fact, as we will show later in this report, Cessnock rates have lagged the typical impost expected for a council of this particular socio-demographic.

Figure 1. The Rate Cap Compared to Various Measures of Inflation



Years marked with \* are the result of the new IPART methodology that provides specific rate caps for each council.

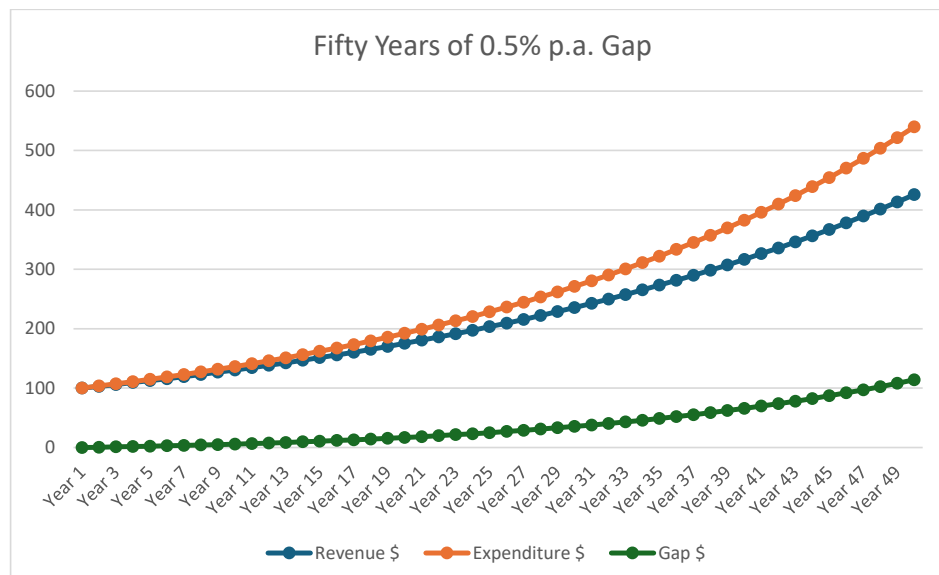
The other thing to remember when thinking about the need for an SV is the fact that the rate cap has been in place in NSW for five decades. A small difference between the increase in costs actually faced, on the one hand, and the rate cap allowed, on the other, might be able to be absorbed in the short-term but it is not sustainable in the long-term. To illustrate this problem, consider the effect of a rate cap that was just 0.5 percent lower than required<sup>2</sup> – the cumulative effect of this after fifty years would be rates that were 26.8 percent lower than they ought to have been.

Otherwise stated – rates in such a scenario would need to go up 26.8 percent in the fiftieth year just to be where they ought to have been. Indeed, if one wanted to catch up on all the missed revenue over the period (in the fiftieth year) then the increase would need to be greater than fourfold! This example shows the important effect that small insufficiencies in the rate cap have over long periods of time – which explains why NSW local governments (which have endured the longest rate cap regimes in the country) are also the least sustainable in the nation (Drew, 2021).

<sup>2</sup> We are not suggesting that an insufficiency of 0.5% has occurred each and every year for the fifty years – indeed, Figure 1 suggests that sometimes it may have been significantly higher – just trying to illustrate the cumulative effects of a rate cap regime.



Figure 2. The Effect of Small Gaps in the Rate Cap Over Time.



If local government revenue does not keep pace with the increases faced in expenditure a number of things will ineluctably result. Over time, deficits will emerge and widen. These deficits will result in higher debts – either explicit debts, or implicit debts. Explicit debts are loans at banks and the like that are reported uncontestedly in financial statements. Implicit debts are reductions to maintenance and construction of needed assets that are generally poorly measured and disclosed. From an economic perspective there is little difference between an explicit debt, on the one hand, and an implicit debt, on the other. Indeed, in the case of postponed road maintenance, implicit debts are far worse than explicit ones – if road surfaces are not maintained properly the whole road foundation will ultimately need to be rebuilt at a cost which is generally eight hundred percent or more higher than the cost to have merely resealed the surface in a timely manner. There is good reason – supported by our own inspection of the area – to think that Cessnock council has a high burden of implicit liabilities in its roads and timber bridges, and it would thus be prudent to redress these as quickly as possible.

If revenue insufficiency is allowed to persist matters become significantly worse, as cumulative effects are largely compounding. Redressing financial unsustainability is thus an economic imperative. However, it is also a moral imperative – because financial unsustainability ultimately translates into intergenerational inequity. Otherwise stated, it is our children and grandchildren who will have to pay off the debt – it is hard to understand how this can be morally defensible especially when we reflect on the fact that our generation received its infrastructure largely unencumbered.

Arresting a descent into extreme levels of financial unsustainability is also an imperative from a local democracy perspective. The state government has not hesitated to dismiss councils and suspend local democracy in cases of perceived financial unsustainability in the past. For instance, Central Darling Shire was placed into Administration in December 2013 and right up to 2025 continued to be denied democratic representation (Drew and Campbell, 2016). Moreover, in 2016 many communities were forced into local government amalgamations which in most cases proved to be disastrous – this also is a real risk. We are not suggesting that either of these undesirable interventions are imminent at Cessnock – but the stark reality is that precedent suggests it as a possibility at some time, if redress of financial unsustainability is not made.

Before addressing other matters, a brief word is in order about hardship and local government taxation. Because rates are paid out of flows of income, sometimes genuine hardship can arise. This is why Council has a hardship policy which responds to provisions in the Act (1993, NSW). It should be understood that the far majority of taxes in Australia have no hardship provision (for example the GST or the fuel tax) and often also fail to even vary with incomes: for instance, a homeless person pays precisely the same ten percent on their food, as does a multi-billionaire; a struggling family pays the same 51.6 cents per litre for their fuel as does the person driving a Rolls Royce (although the person driving the Tesla might pay nothing). Thus, local government ‘rates’ are somewhat unique in trying to respond, at least a little, to possible hardship<sup>3</sup>.

In the next section of this report, we will review comparative measures of capacity to pay that are typically (and often erroneously) used by councils applying for SVs. Many of these measures are *inadvisably* required according to Office of Local Government (OLG) guidelines. Following this, we will turn our focus on residential rate specific indicators, business indicators, and farm specific indicators respectively. Thereafter we present an econometric exercise which is far superior to all other potential methods. This allows us to provide a precise figure for the typical tax take expected of a local government area with Cessnock’s specific socio-economic characteristics. We conclude by enumerating a number of measures that might be taken to enhance capacity to pay.

---

<sup>3</sup> Trying to tailor local government taxes to the specific capacity to pay of particular individuals would be impossible in a land-based tax, and (were it even possible) would unfairly result in some people being allowed to keep far more of their unearned wealth than others (please see: <https://www.youtube.com/watch?v=FQrMoVt8rE> )

## 2. Overview of Rates at Council and Its Peers

The first portion of this report presents the graphs required by OLG guidelines, as well as some additional metrics which provide important context. For these comparative exercises we have used a peer group comprised of other councils in the same OLG category (as suggested in the SV guidelines), notwithstanding the scholarly evidence that extant methods of categorisation could be significantly improved. In Table 2 we list the councils used in this comparative work.

**Table 2. Peers Used for Comparisons**

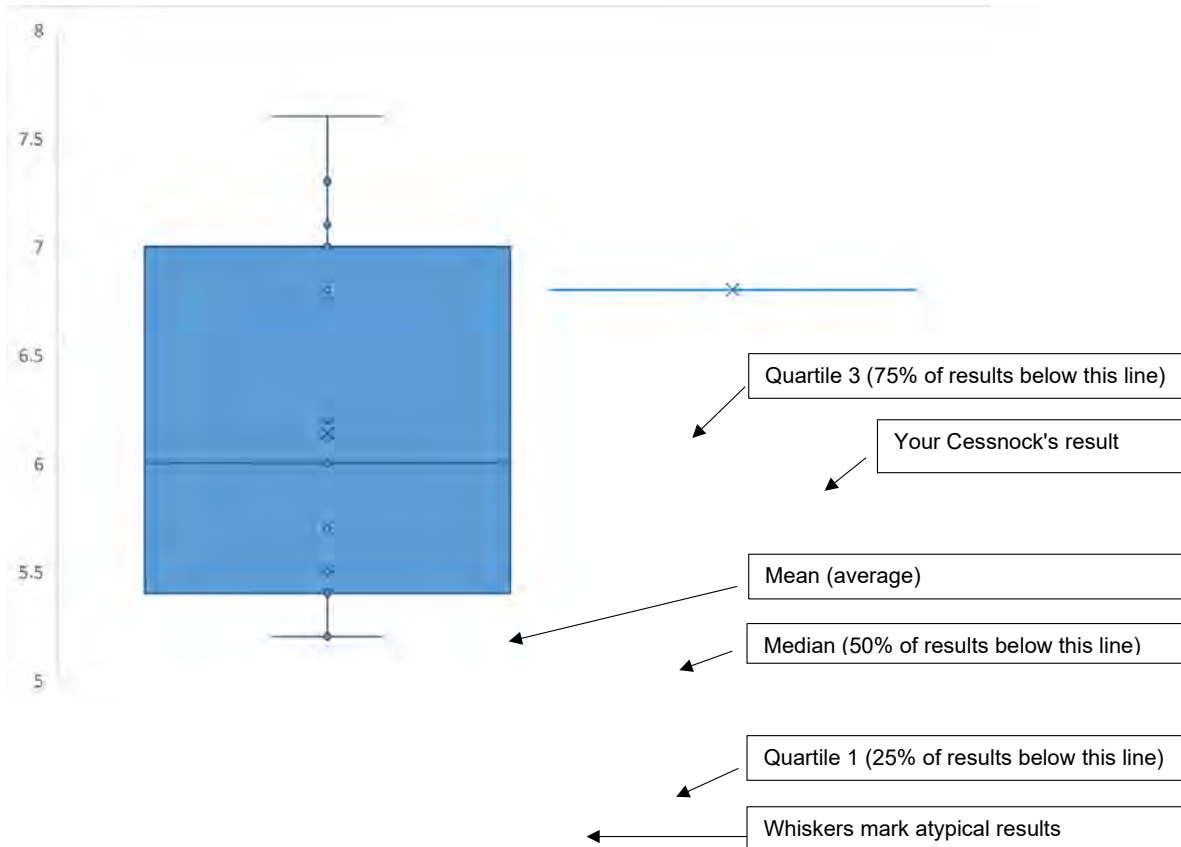
Bathurst	Kempsey	Singleton
Dubbo	Lismore	Tamworth
Eurobodalla	Mid-Western	Wagga Wagga
Goulburn Mulwaree	Queanbeyan-Palerang	Wingecarribee
Griffith	Richmond Valley	

People will always be inclined to argue that a particular comparator group may not be ideal, or that certain councils should be substituted with others. For this reason – and also because of the serious flaws in the metrics and statistics mandated by the OLG – the greatest reliance should be placed on the econometric exercises that form the centrepiece of this report.

Econometrics is far superior because it allows us to better accommodate all of the variables related to capacity to pay, and also make *ceteris paribus*<sup>4</sup> claims. Moreover, our econometric exercises include the entire cohort of urban councils for NSW, over a long panel of seven years of data. Broadening the cohort means that there can be no reasonable disagreement about comparators; whilst employing a seven-year panel of data means that we will not be misled by unrepresentative years (this seems especially important given the interruptions to incomes during the public policy response to COVID).

The best way to present graphical data for comparative purposes are box and whisker plots that have been part of the core mathematics curriculum for a few decades now. These graphs are particularly helpful because we can quickly perceive how Cessnock's results compare to typical outcomes, but also the spread of outcomes experienced by the relevant cohort. In case readers have forgotten how to read a box and whisker plot, we have provided a ready reckoner in Figure 3 below. Box and whisker plots used in this report usually span a period of four years.

<sup>4</sup> That is, holding all other factors constant – these are the kinds of claims that are consistent with the scientific method of reasoning.



In Table 3 we set out the current rate structure at Cessnock as per the relevant revenue policy.

**Table 3. Ordinary Rate Structure**

Rate Category	Rate Sub Category	Ad-Valorem Amount (Cents in the \$)	Base Amount (\$)
Residential		0.260060	430
Residential	Rural	0.192352	430
Farmland		0.150931	430
Farmland	Mixed Use	0.402952	535
Farmland	Business Rural	0.392005	535
Business		1.182532	535
Mining		4.717039	1,500

Source: Cessnock City Council

<https://www.cessnock.nsw.gov.au/Residents/Rates/About-your-rates>

We remind readers that rates are a tax based on unimproved land value. Furthermore, the idea of the tax is to recover a small portion of the unearned wealth accruing to landowners and return it to the community from whence it mostly came. We also remind residents that taxes are not a fee for service – sometimes people erroneously argue that certain ratepayers should pay a lower proportion of tax because they don't receive the same services as ratepayers elsewhere in the local government area. This is a spurious argument and one can quickly see its fallacious logic if one tries to universalise the idea<sup>5</sup>.

An important concept in taxation theory is distributive equity. The idea is that the burdens of paying for government goods and services should be fairly distributed. Notably, this is a concept quite distinct from capacity to pay.

It seems from Table 3 that there is an apparent lack of distributive equity in Cessnock's rate system (this, unfortunately, is the case for most NSW local governments). For instance, business is paying around six times more cents in the dollar on their land value than residential ratepayers, and some classes of farmland are also paying significantly more than the residential rate. However, we must also recognise that most businesses and farmers will get to export some of their rates to the federal government as a tax deduction, whereas most residential landowners cannot do so (an exception are residential landlords). Nevertheless, it is hard to explain some of the discrepancies.

It is important to resist reading more into these observations than might be warranted. We are not suggesting that the rates of taxation ought to be precisely the same. Nor are we stating that extant practice at Cessnock is somehow 'wrong'. However, the data certainly indicates that there may be room for improvement with respect to distributive equity and this would clearly have an impact on capacity to pay. Accordingly, we recommend that the matter should be investigated, but note that doing so might take a year or more because of the need to properly canvass and evaluate the arguments of stakeholders.

*Recommendation 1: That the General Manager be tasked with further exploring the distributive equity at Cessnock City Council. This will take upwards of twelve months to complete this work and is a separate task from the SV, which refers to the total tax take only.*

Of further concern is the use of base rates at Cessnock. People frequently appeal to the benefits of a base rate in mitigating fluctuations (especially after new valuations come to hand) and also for 'flattening' out the tax impost. However, to achieve these objectives a base rate shifts the burden of taxation from the people with the highest land values to the people with the lowest land values. All things being equal,

---

<sup>5</sup> According to the philosopher Grimm, a good way to test reasoning is to try to apply the same ideas to different contexts or take them to the extreme cases. If we applied the aforementioned reasoning to federal income taxes, then it would suggest that very little federal money ought to be spent in Cessnock – because the majority of federal taxes are paid in the capital cities. We don't think people in receipt of federal pensions, or those who use federal agencies and federal roads would be happy if this kind of reasoning was applied in a federal tax context. It is not reasonable to advocate a warrant (a principle that gets us from data to a conclusion) that cannot be applied to similar situations.



increase in unearned wealth is likely to be highly correlated to land values. Therefore, a base rate typically results in the burden of taxation being shifted from people who had the most unearned wealth to the people who had the least. As such, a base rate can seem to be quite inequitable.

Moreover, a base rate that is an arbitrary number is difficult to defend on either moral or economic grounds (it also fails to send important price signals). For this reason, Drew (2021) recommends that if base rates are used then that they ought to be calculated annually with respect to a shared responsibility – such as the overheads for having a council. Doing so is more morally defensible – because everyone has the same basic needs for a representative Council – but also sends important signals about both the costs of having a council and the change in costs over time.

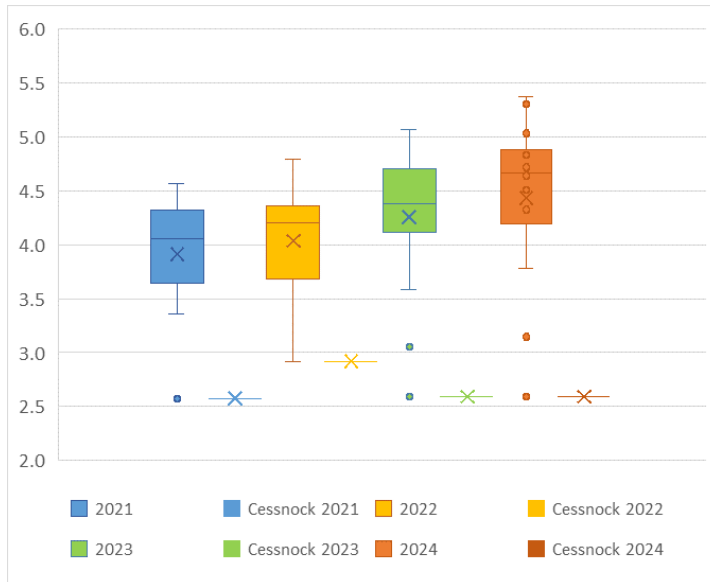
One of the biggest measures Cessnock City Council could take to mitigate capacity to pay concerns is to significantly reduce or eliminate the base rate.

*Recommendation 2: Council should review the base rate with a view to either eliminating it entirely, or reducing it significantly (preferably to a figure linked to council overheads). Ideally, a decision on this matter should be taken as soon as practicable.*

OLG Guidelines require us to compare average rates for the council against the putatively similar peers. This is a very bad idea because averages are subject to distortion in the presence of outliers (particularly large or small numbers – we will demonstrate this high level of distortion a little later on). Moreover, comparing average rates without looking at incomes at all clearly casts little light on capacity to pay. Nonetheless, the rules call for a flawed comparison of averages therefore we are obliged to conduct this exercise.

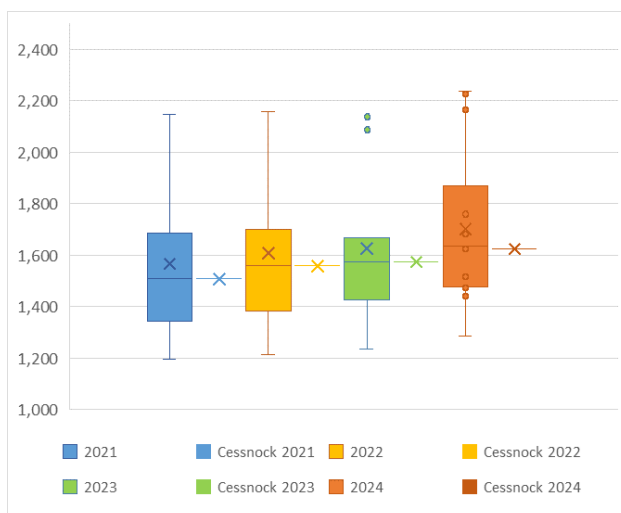
In Figure 4 we provide comparative data on the average of the sum of rates, fees and annual charges on a per assessment (per property) basis for the last four financial years according to audited financial data. This seems to suggest that Cessnock is consistently an extreme outlier with respect to the peer group, on the downside. Otherwise stated, Cessnock City Council appears to have been collecting far less, on average, than comparable peers.

**Figure 4. Rates, Fees and Annual Charges per Assessment (\$000)**



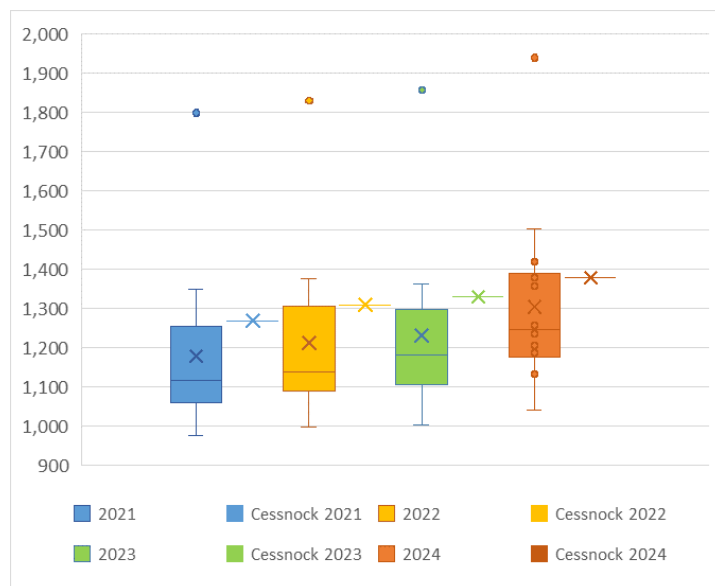
If we just look at average rates per assessment (setting aside fees and charges) in Figure 5 then Cessnock appears to be well below average, but close to the median. We remind readers of the distortion inevitable in average rates summaries. However, it does seem to suggest that fees and charges might also need to be reviewed at Cessnock City Council to ensure that they are indeed fully covering costs including overheads.

**Figure 5. Total Rates per Property Assessment (\$)**



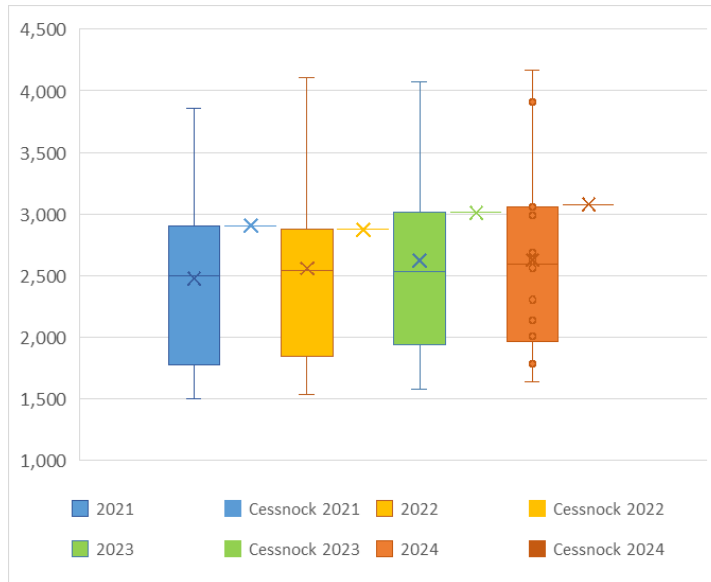
Matters are even more confused if we turn to specific categories of average rates – for residential rates one could (erroneously) conclude that Cessnock ratepayers are often in the top quartile. However, we must be mindful of skewing in the data and also the fact that these measures have nothing useful to say about capacity to pay, because they include no information on incomes.

**Figure 6. Residential Rates per Assessment (\$)**



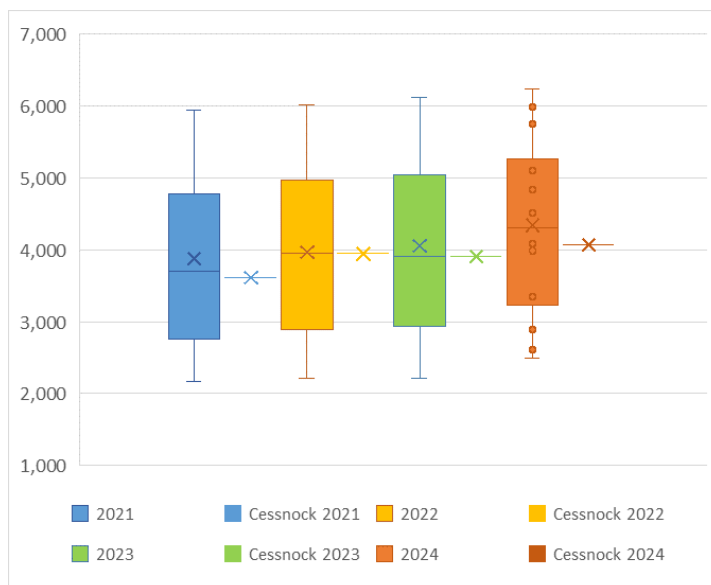
Farm rates suggest a similar pattern – but again we caution that it would be unwise to use this data for decision-making purposes because it is subject to skewing and contains no information on the incomes from which rates are ultimately paid.

**Figure 7. Farm Rates per Assessment (\$)**



When it comes to business rates – misleading average data suggests that these are lower than the peer group.

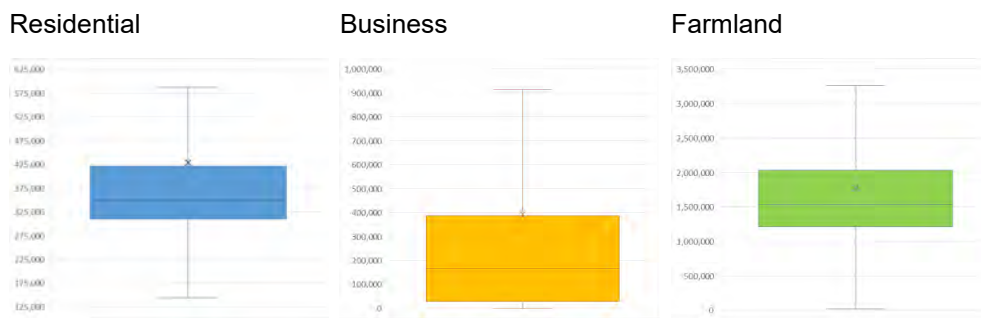
**Figure 8. Business Rates per Assessment (\$)**



In sum, the average rate data provides grounds for a gamut of contrary conclusions none of which would be wise to make given that we know it is almost certainly skewed and also entirely ignores the incomes that must be at the heart of the matter of capacity to pay.

To make plain the error in examining average rates, we plotted the land values for all the properties in Cessnock, for each of the three main legislated categories. The skewing is clearly quite extreme – for instance the average for both residential and business is located in the top quartile, and farmland is only slightly better. Given that rates are based on land values one can easily deduced that the rates within Cessnock are similarly skewed – as any primary school mathematics teacher would tell us, averages are extremely misleading measures of ‘typicality’ when the data is heavily skewed. Moreover, we can be pretty certain that the comparator councils also have skewed data. Thus, in the aforementioned graphs of average rate levels we did little more than compare misleading measures of central tendency at Cessnock, with misleading measures of central tendency at the peer group Councils. Otherwise stated, the exercise was non-sense.

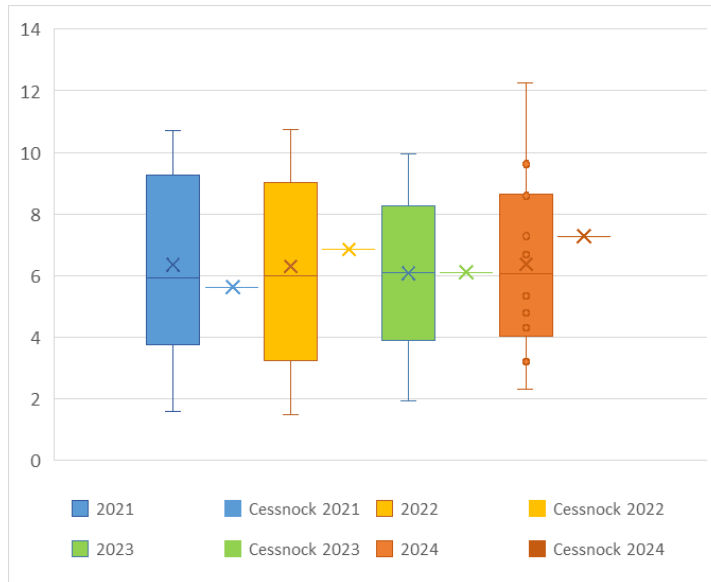
**Figure 9. Skewing in Land Values, Which Will Distort Average Rate Comparisons.**



Before leaving this section we will briefly consider a final piece of data that *may* provide some useful insights – rates and charges outstanding which in certain situations can be a weak indicator of capacity to pay (albeit confounded by any extant distributional inequity and also council processes for pursuing overdue monies). In Figure 10 we plot outstanding imposts for Cessnock and its peers over the last four years. This seems to suggest that the community is more or less typical over the last four years. When considering this typical result we must remember the evidence in Table 3 of *prima facie* distributive inequity.



Figure 10. Rates and Charges Outstanding (%)



To summarise Section 2, it is clear that the prescribed ways of trying to assess capacity to pay leave us with a confused picture that is almost certainly subject to serious misrepresentation. In the sections that follow we will investigate a series of better ways to assess matters, culminating in our econometric work in the penultimate section.

### **3. Residential Rate Variables**

In this section we consider the single largest category of ratepayers at Cessnock – residential – which accounts for a little less than eighty percent of taxes, followed by business (approximately thirteen percent) and farmland (less than six percent).

To assess the level of residential rates, the Office of Local Government Guidelines encourage councils to pay regard to the Socio-Economic Index for Areas (SEIFA) scores. As a matter of fact, there are indeed four different SEIFA indexes, although it appears that our attention has been directed to the Index of Relative Socio-Economic Disadvantage (this data is only available in census years).

In Figure 11 we plot Cessnock's Australian decile ranking against the peers and in Figure 12 we plot the State level decile ranking. In both cases, Cessnock has been ranked pretty close to the bottom.

**Figure 11. SEIFA, Australian decile**

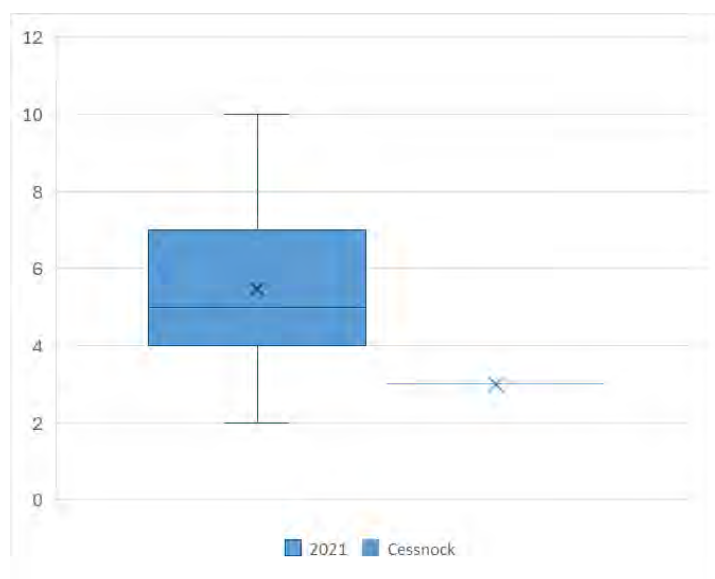
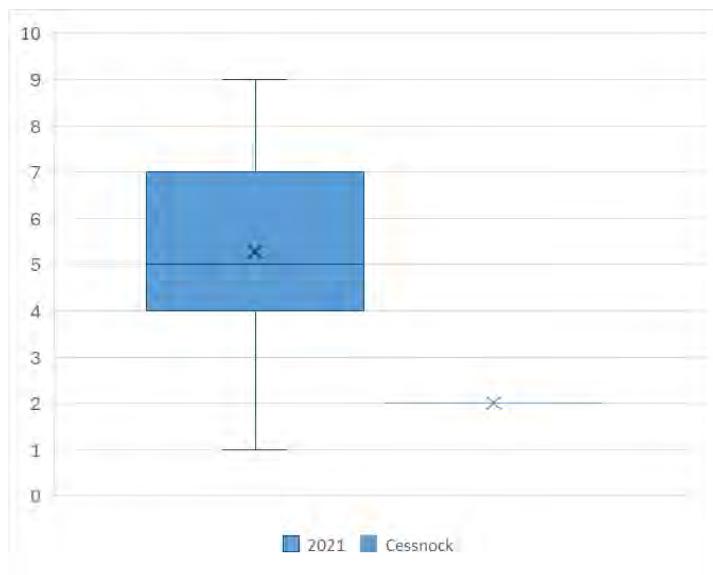


Figure 12. SEIFA, State decile



However, indexes of this kind can be very misleading if people do not understand how they have been constructed. First, any index strategy loses information value – in the case of SEIFA the ABS have used principal component analysis (PCA) which can be robust for relatively small suites of variables (less than ten is the usual rule of thumb), when the data is sufficiently spherical, and when the data is not highly leveraged. The ABS seem to have used fifteen variables, which is concerning. Moreover, the ABS don't appear to provide any information on whether their PCA of fifteen variables was indeed a reasonable choice of indexing technique with reference to say the Kaiser-Meyer-Olkin or Bartlett's tests – so we can only guess if the index technique was appropriate or not. Secondly, the input variables to 'disadvantage' indexes will clearly have a determinative effect on the results obtained – in Table 4 we list the SEIFA loadings as reported by the ABS in their technical paper. This allows us to see that many of the variables used have very little, if any, relevance to the matter of capacity to pay – education level, occupation category, number of dwellings putatively requiring more bedrooms, percent of people divorced and the like. It is thus clear that the SEIFA index may have little of use to say with respect to capacity to pay. It would therefore not be reasonable to place any emphasis on the aforementioned figures (11 and 12).

**Table 4. SEIFA Score Loadings, 2021 Census**

Final IRSD variables and loadings		
Variable name	Variable description	Variable loading
INC_LOW	Per cent of people living in households with stated annual household equivalised income between \$1 and \$25,999 (approx. 1st and 2nd deciles)	-0.87
CHILDJOBLESS	Per cent of families with children under 15 years of age who live with jobless parents	-0.78
NOYR12ORHIGHER	Per cent of people aged 15 years and over whose highest level of education is Year 11 or lower. Includes Certificate I and II	-0.75
LOWRENT	Per cent of occupied private dwellings paying rent less than \$250 per week (excluding \$0 per week)	-0.71
UNEMPLOYED	Per cent of people (in the labour force) unemployed	-0.68
OCC_LABOUR	Per cent of employed people classified as 'labourers'	-0.68
DISABILITYU70	Per cent of people aged under 70 who need assistance with core activities due to a long term health condition, disability or old age	-0.63
ONEPARENT	Per cent of one parent families with dependent offspring only	-0.58
OVERCROWD	Per cent of occupied private dwellings requiring one or more extra bedrooms (based on the Canadian National Occupancy Standard)	-0.51
OCC_DRIVERS	Per cent of employed people classified as Machinery Operators and Drivers	-0.51
SEPDIVORCED	Per cent of people aged 15 and over who are separated or divorced	-0.51
NOEDU	Per cent of people aged 15 years and over who have no educational attainment	-0.47
OCC_SERVICE_L	Per cent of employed people classified as Low Skill Community and Personal Service Workers	-0.45
NOCAR	Per cent of occupied private dwellings with no cars	-0.43
ENGLISHPOOR	Per cent of people who do not speak English well	-0.35

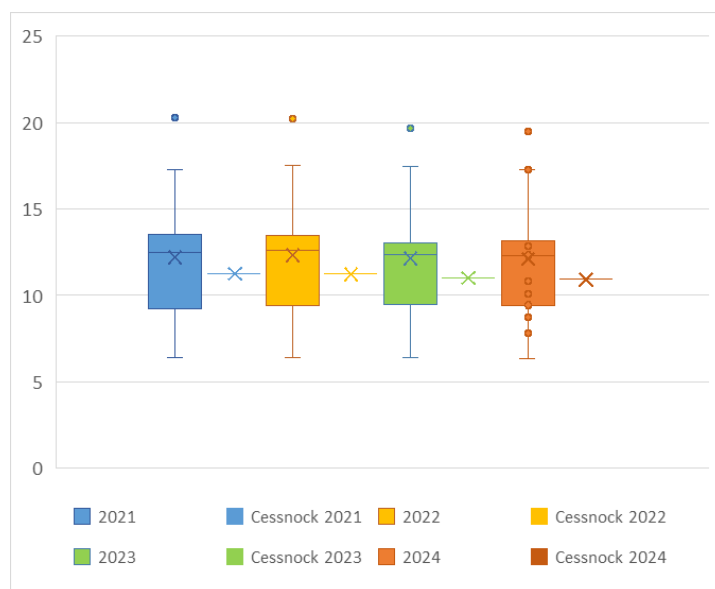
Source: Australian Bureau of Statistics, Construction of the indexes, 2021

What is key to capacity to pay are incomes. We first review levels of various welfare receipts, because these will clearly have a dampening effect on capacity to pay (exacerbated by the pensioner discount required by state legislation); later we will look at incomes, and revenue effort.

In Figure 13 we plot the proportion of aged pensioners in Cessnock relative to the peer group. The aged pension cohort is particularly important because it is by far the largest pension group in most local government areas (disability pensions generally run at less than half the size, and single parent pensions less than a quarter). Otherwise stated, any relative advantage or disadvantage for this particular (aged pension) cohort is far more powerful as a factor in overall capacity to pay relative to other pension groups.

As it turns out, the size of the aged pensioner cohort at Cessnock is significantly less than typical. This means that all other things being equal (*ceteris paribus* in economic jargon) Cessnock would have a higher than typical capacity to pay relative to the peer group.

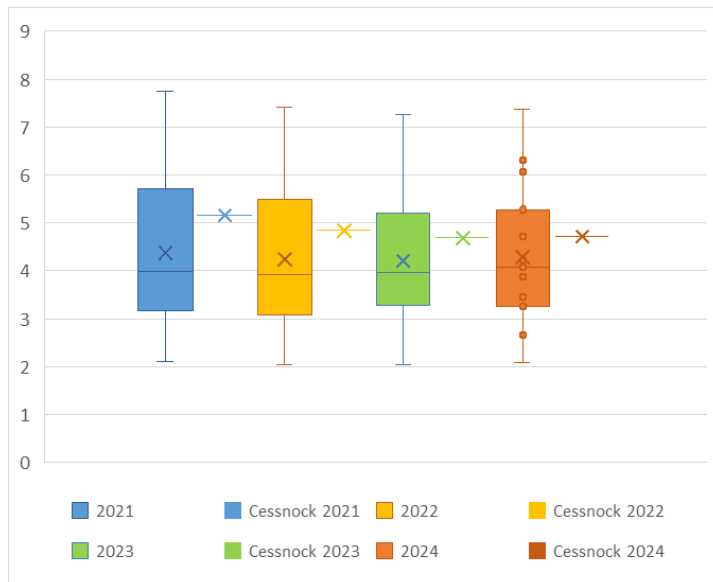
**Figure 13. Aged Pension**



Matters are quite different when it comes to the disability support pension (DSP) – in this case Cessnock has an above typical sized cohort. However, we must be mindful that the relative size of DSP recipients is less than half that of the aged pensioners. Therefore, the above typical size of this cohort fails to nullify the relative advantage seen in the earlier Figure 13.

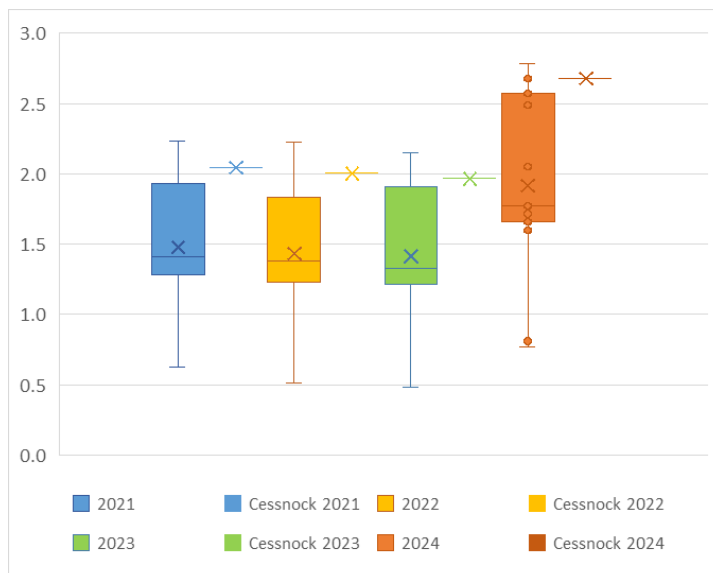


**Figure 14. Disability Support Pension**



In Figure 15 we plot relative levels of single parent pensioners. In this case the result for Cessnock is in the top quartile (top twenty-five percent) relative to the peer councils. However, the size of this cohort in Cessnock is less than a quarter of the aged pensioner group – and even when combined with the DSP cohort fails to completely nullify the relative advantage to capacity to pay evident in Figure 13.

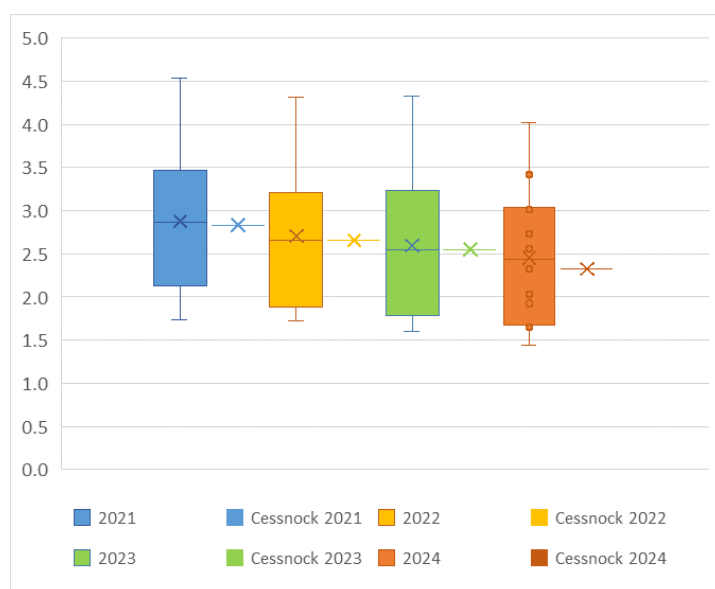
**Figure 15. Single Parent Pension (% of residents)**



In Figure 16 we plot the pensioner discount relative to the peer group, which confirms our earlier deductions around the combined effect on relative capacity to pay. Even though Cessnock provides a pensioner discount in excess of the \$250 per annum required by state government legislation, the total relative figure is marginally less than typical. We encourage council to consider whether it is still feasible to provide a discount *greater* than that given by most councils, and required by law, in view of the financial sustainability challenges faced at Cessnock. Unfortunately, there is no getting around the fact that when a discount is applied to one group of ratepayers it means that another group of ratepayers must effectively pay more. Many people are also unaware that council only receives less than half of state government discount back by way of rebate – otherwise stated Cessnock was left some \$440,000 worse off in the 2024 financial year because of this policy.

Certainly, when it comes to discussing the matter of hardship policy it needs to be conceded that council is already doing more than most to alleviate the burden on the pensioner cohort.

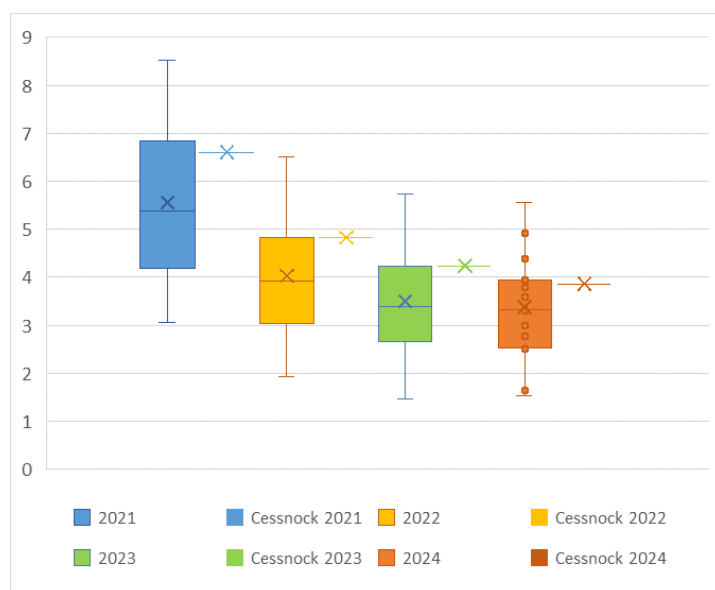
**Figure 16. Pensioner Discount (as a Proportion of Residential Rate Revenue)**



Notably, other cohorts in the community sometimes face greater challenges than pensioners but receive no relief via state government legislation. This includes people recently made unemployed and also casual employees with unpredictable incomes. In Figure 17 we plot the levels of unemployed people, subject to usual ABS data lags. It will be noted that Cessnock is routinely positioned near the top quartile of the comparator group. However, it should also be noted that the absolute levels of unemployed persons have plummeted in recent years – close to half of what it was at the beginning of the period under examination. Furthermore, the relative size of the cohort is quite small compared to other groups such as wage earners and pensioners for instance. In addition, it is unlikely that most long-term unemployed

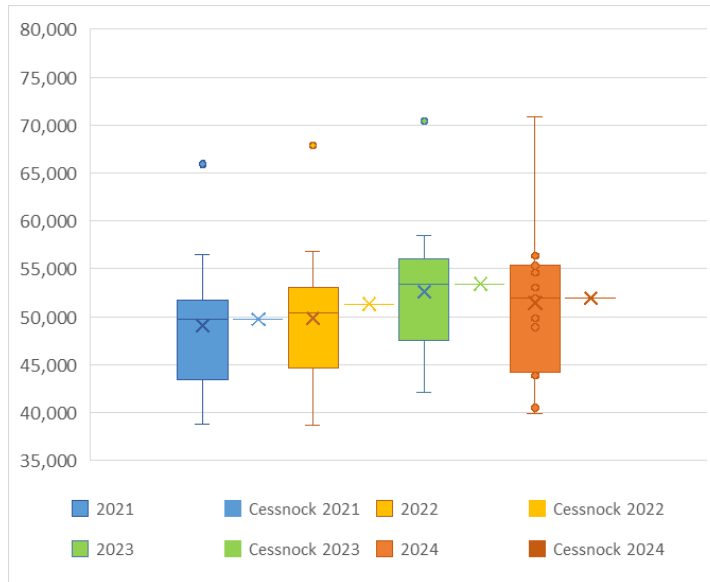
people would be direct ratepayers: usually people who do not have a job, do not own property, but instead rent. Indeed, most rental agreements cover lengthy periods and rates only form a very small portion of a landlords' costs which they typically export as a tax deduction to the federal government. There is thus no justification for any landlord to put up rents by the whole value of any SV – moreover, in most cases it is not possible to do so in the short-run anyhow.

**Figure 17. Newstart Allowance/Jobseeker**



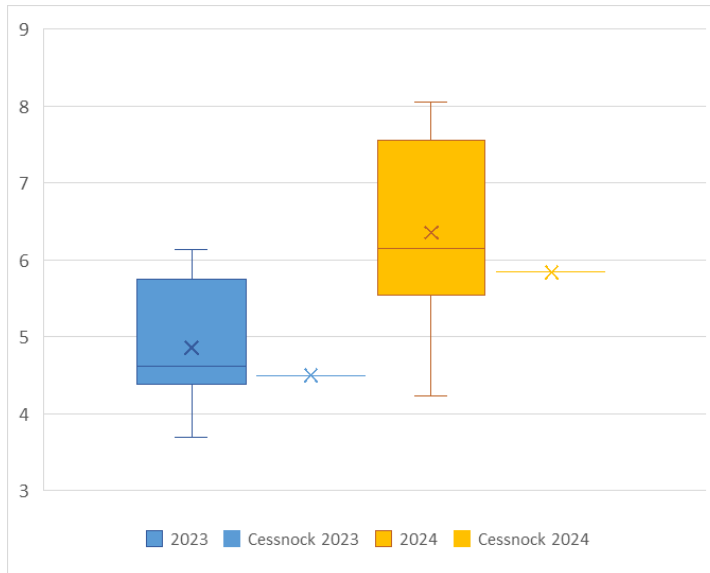
By far the largest cohort with respect to capacity to pay residential rates are wage earners. In Figure 18 we illustrate the fact that Cessnock wage earners rank significantly above average (and slightly higher than the median) for each of the four years under analysis (notably here we use the median wage earner data because the average data has become almost meaningless due to distortions arising from the COVID response). This seems to suggest that Cessnock might be likely to have higher than average capacity to pay residential rates.

**Figure 18. Median Wage-Earner Income**



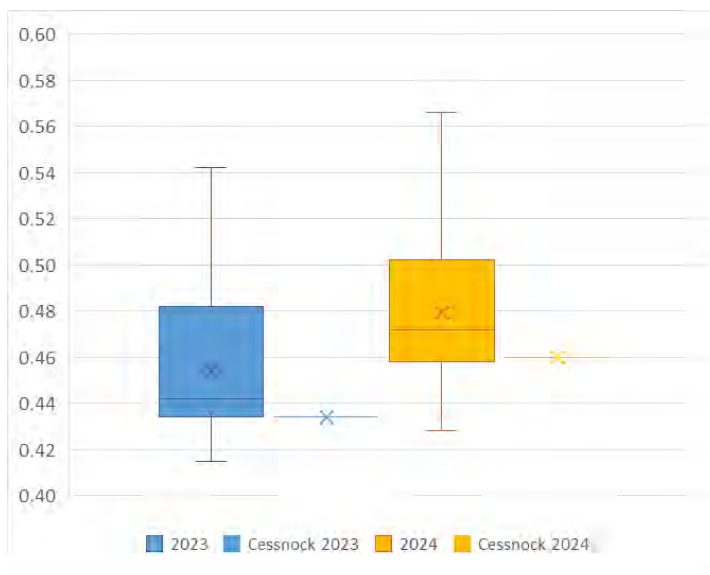
Capacity to pay is an individual matter and there is often some inequity in the distribution of incomes in a local government area. Accordingly, it is important to also look at specific measures of income inequality. In Figure 19 we illustrate the p80/20 ratio which is the 80<sup>th</sup> percentile income divided by the 20<sup>th</sup>. This ratio is often preferred by scholars to the better-known GINI coefficient which is very susceptible to changes around the middle of the distribution. Figure 19 suggests that Cessnock suffers from far less inequality than most of the peer group. This is important because it also means that capacity to pay is likely to be distributed far more evenly in Cessnock compared to many of the peer local government areas.

**Figure 19. P80/20 Income Inequality Ratio**



The GINI coefficient associated with the Lorenz curve suggests even lower inequality hovering around the bottom quartile – this reinforces our comments around Figure 19.

**Figure 20. Gini Coefficient Income Inequality Metric**



Sometimes it is useful to look at equivalised household incomes. The ABS calculates this measure in census years by using a scale from the OECD to adjust incomes to

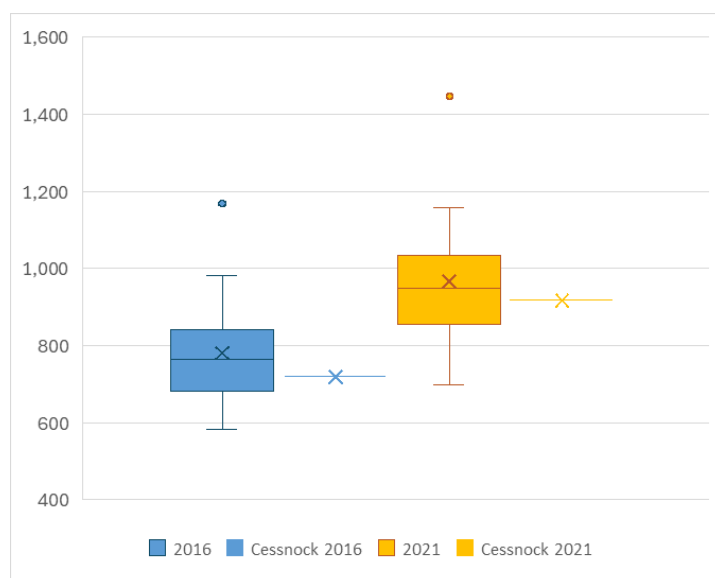


reflect the number of people living in a household. Unfortunately the weightings used (1 point for the first adult, 0.5 point for each additional person over 15, and 0.3 points for each child under 15) appear arbitrary and implausible (for example, it is hard to believe that it costs 50% more for two adults living in a house given that fixed shelter costs in the country are so high – moreover we note that the Australian government does not use this factor when calculating single or partnered welfare benefits).

Nevertheless, we plot equivalised household incomes in Figure 21 – these would suggest Cessnock is below typical.

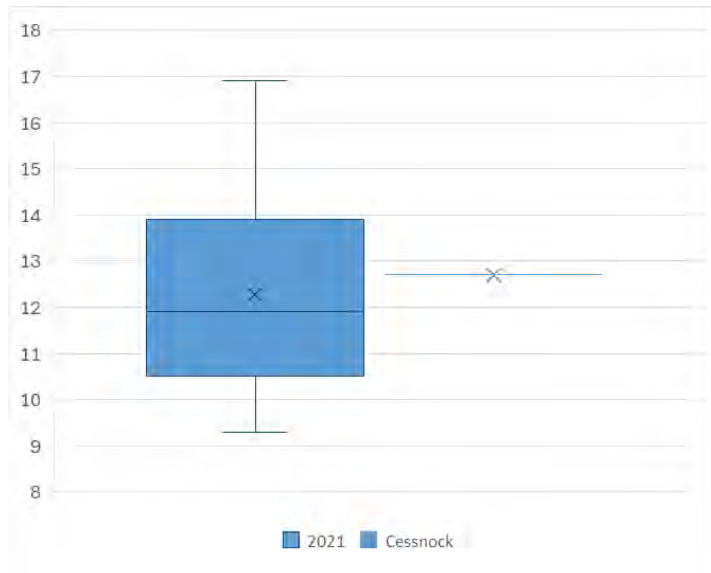
**Figure 21. Median Equivalised Household Income**

Both census years



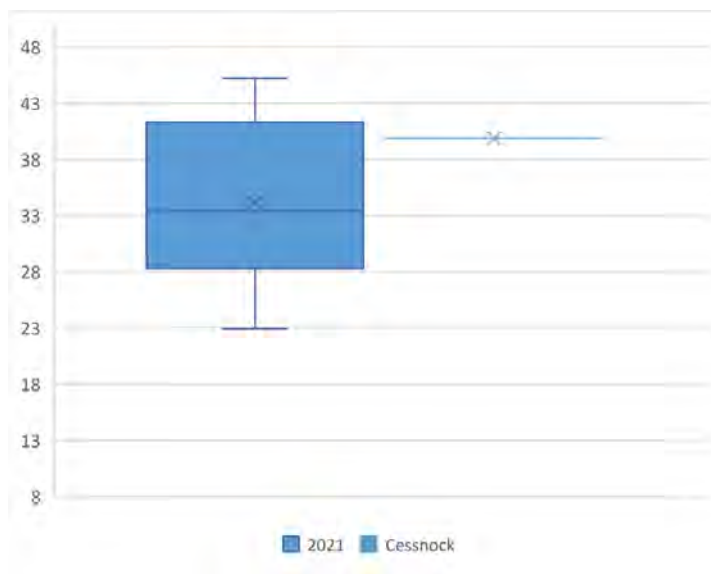
Another metric sometimes appealed to are the household stress data calculated in census years. This figure suggests higher than average stress for those people in Cessnock paying a mortgage – however, we must be mindful that the data is quite stale (2021) and that the many changes in mortgage interest rates since this time would clearly alter things meaningfully.

**Figure 22. Household Stress (mortgage greater than or equal to 30% of household income)**



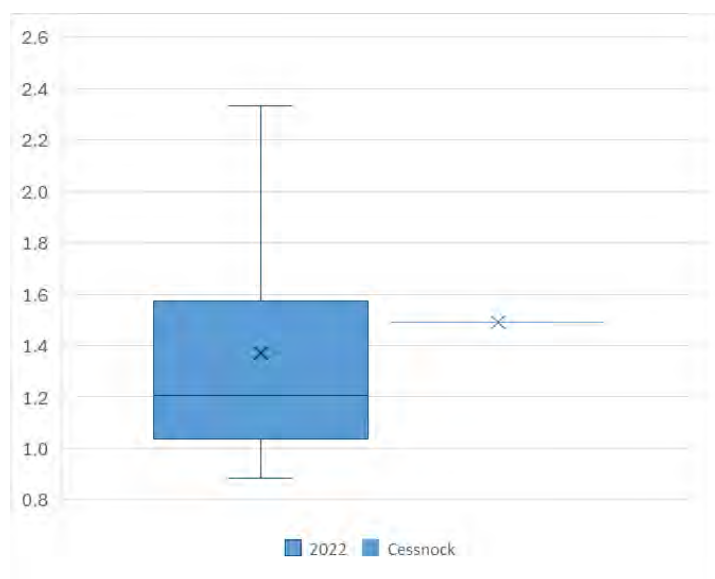
In Figure 23 we illustrate household stress for renters which seems very high in Cessnock. However, we must be mindful of two important facts: (i) the data is almost four years out of date, and (ii) renters do not directly pay rates (and landlords cannot reasonably pass on the entire expense because it is a tax deduction for them anyhow).

**Figure 23. Household Stress (rent greater than or equal to 30% of household income)**



The best way of assessing capacity to pay is an econometric approach using a long panel which is what we will present in the penultimate section. A slightly inferior but still useful method is to look at revenue effort. Revenue effort divides the total incomes of people living in Cessnock by the total residential rates paid in Cessnock. It is essentially an expression of local government taxes as a percentage of incomes (see, Drew and Dollery, 2015). In Figure 25 we graph the revenue effort using the most up-to-date ABS data at the time of writing, including investment incomes. This data suggests that residents at Cessnock are paying more than average rates, *compared to the peer group*, as a proportion of incomes. However, a number of other facts can be deduced which are also salient to a SV debate: (i) the revenue effort at Cessnock is still significantly less than the third quartile (that is, a quarter of the peer councils have a *higher* revenue effort), (ii) the revenue effort of Cessnock is less than two-thirds of the highest revenue effort in the cohort, and (iii) the residential revenue effort is just under 1.5% which is considerably less than other taxes such as income tax, or the GST as per our introductory comments. Indeed, when one considers the large array of local government services that we all use on a daily basis it is hard not to come to the conclusion that local government rates at Cessnock are exceptional value.

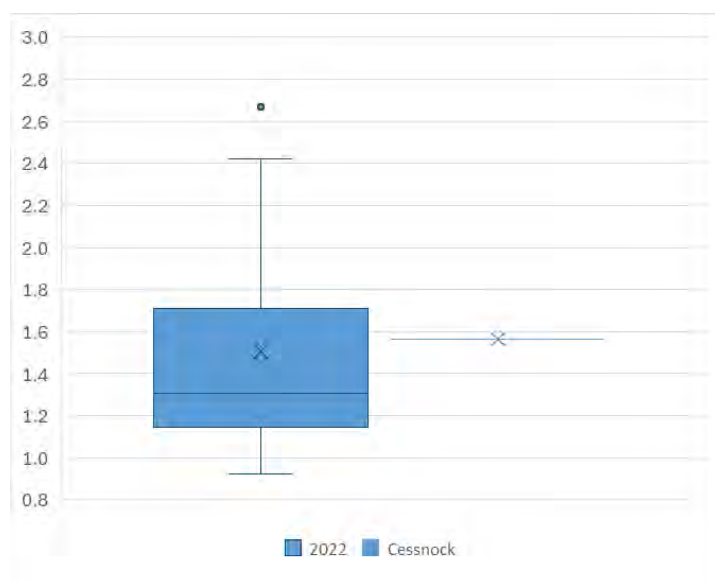
**Figure 24. Approximate Residential Revenue Effort (including investment incomes)**



We also calculated residential revenue effort, excluding investment income data which might otherwise bias results because it is not always available for the payment of rates. Figure 25 suggests that Cessnock is marginally above average on this slightly better measure of revenue effort.

We note for end-users that residential is only one out of the three main categories of rates and thus does not completely describe capacity to pay. Moreover, the fact that several peer councils are paying far more of their incomes in rates than Cessnock (in fact, 2.67 percent in one case with also a much lower figure for rates and charges outstanding (1.49 per cent)) clearly demonstrates that residents at Cessnock ought to be able to pay higher rates if necessary.

**Figure 25. Residential Revenue Effort (excluding investment income)**



In summary for residential revenue effort, we must conclude that Cessnock does have significant additional capacity to pay – pensioner numbers are lower than typical, incomes are higher than typical, and well over a quarter of the peer councils are extracting far higher revenue efforts from their residents than does Cessnock. We will now turn to a brief examination of business variables.

#### 4. Business Income Variables

Unfortunately, it is not possible to calculate revenue effort for businesses directly (like we did for the residential category), because data for corporate incomes are not available on a local government area level. Instead, in this section we will have to content ourselves with a brief overview of business activity (we remind readers that business rates account for just over thirteen percent of Cessnock's tax revenues).

In Figure 26 we plot the various categories of business activity in Cessnock for 2024. It is interesting to note that construction is a disproportionately large part of the economy – which is a reflection of the growth pressures on Cessnock City Council that clearly makes the job of achieving financial sustainability considerably harder (Drew et al., 2023; see also the Sustainability Report<sup>6</sup>). We also note a relatively small component of arts and recreation activity – which probably reflects local tastes, but also lowers the susceptibility of the economy to cost-of-living squeezes.

**Figure 26. Categories of Business in Cessnock, 2024.**

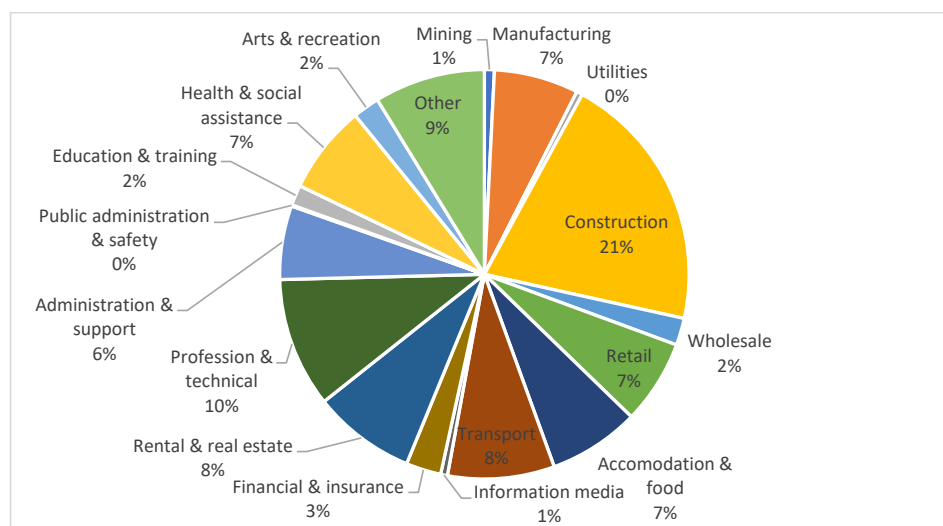


Figure 27 illustrates that numbers of businesses have been growing steadily over the last four years and have improved from a relative position below typical (according to the median) to one that is now above typical. Much of this growth in business activity will be associated with the growth in population at Cessnock – but it also suggests that business owners believe that it will be profitable to commence operations in the area taking into account operating costs (including rates). We should be mindful that businesses typically export a large portion of their rates to the federal government as a business income tax deduction. Indeed, for medium to large sized businesses,

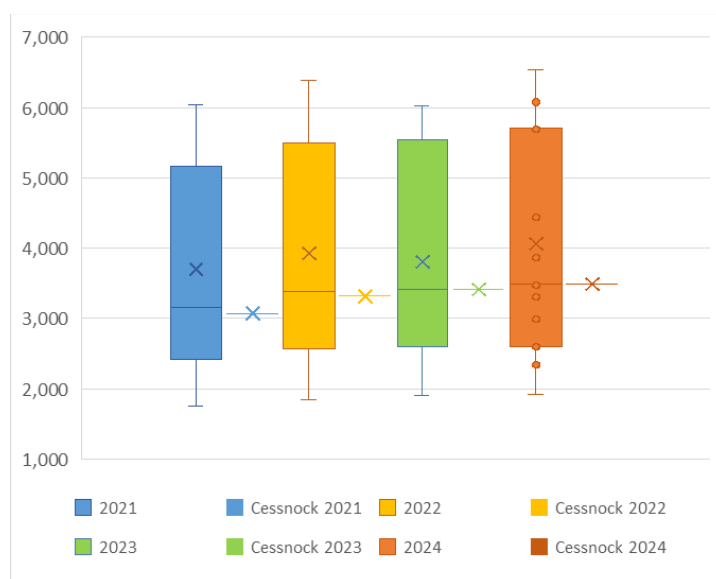
<sup>6</sup> Recall rates are less than a third of Cessnock's income and that grants don't respond meaningfully to growth at the margin – it is hardly surprising then that growth in assessments translate into additional hurdles for trying to remedy financial unsustainability.



rates are an insignificant part of their cost bases (paling in significance to staff costs or franchise fees).

*For this reason, it is particularly important to reduce the base rate used for business because it is effectively requiring small business owners to provide an un-needed (and probably unacknowledged) subsidy to large businesses. Doing so will considerably improve capacity to pay for businesses located on relatively small parcels of lower value land.*

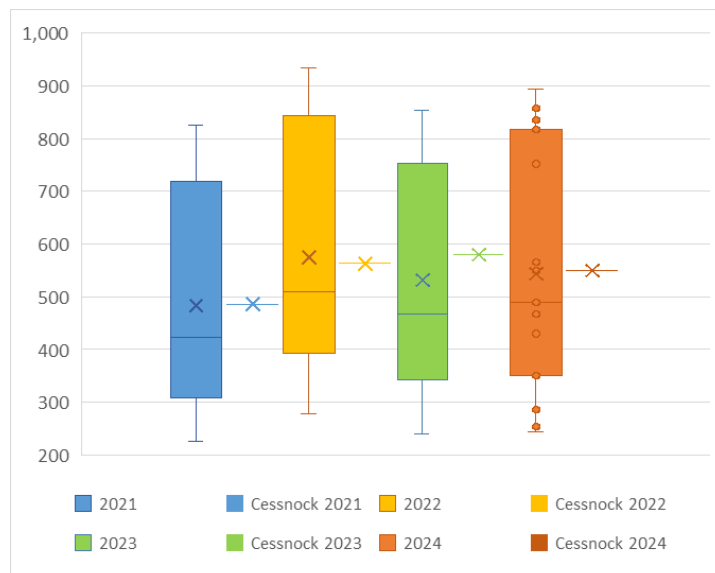
**Figure 27. Number of Businesses**



Given Figure 27 it is not surprising to see that business entries are above average. Clearly current rates levels are not proving to be a particular disincentive to starting a business at Cessnock, which might suggest additional implied willingness<sup>7</sup> to pay.

<sup>7</sup> Willingness to pay is a slightly different concept to capacity to pay (see, Drew 2021).

Figure 28. Business Entries



A brief word on mining business activity also seems warranted here. It is not possible to ascertain revenues for individual mines, and hence not possible to calculate mining revenue effort. Moreover, there is only one mine in Cessnock and this is currently in caretaker mode, making revenue effort a rather moot point. Nevertheless, mining accounts for a little over three-and-a-quarter percent of rates revenue. This fact – when combined with ideologies and higher tier government policies – seems to create some additional risks for Cessnock, with the possibility of an important component of revenue dwindling over time (which would need to be picked up by the other categories of ratepayers). This further underscores the importance of redressing current unsustainability as promptly as possible.

In summary, we can see that the local economy at Cessnock is clearly attracting business owners to commence operations in the area. It would enhance capacity to pay, for small business owners in particular, if the base rate for the business category was reduced considerably (or eliminated).

We now turn to a consideration of the last major category of ratepayers – farm business owners.

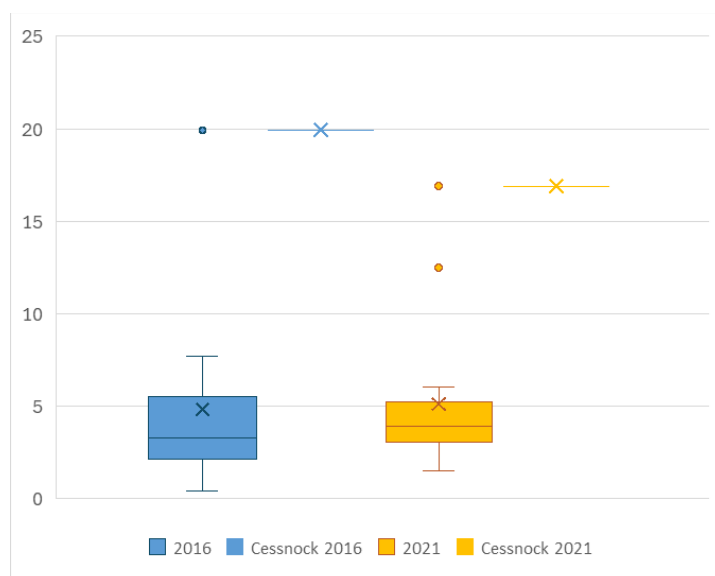
## 5. Farm Income Variables

Farm rates account for a little less than six percent of Cessnock's tax revenues. This might conceivably warrant an analysis of farm products, soft commodity forecast and the like. However, matters are rather conflated in the case of Cessnock due to the farm sub-categories of 'business' and 'mixed' as per Table 3. These subcategories have arisen because of the nature of much of the auxiliary farming activities in the area which often include cellar doors, breweries, convention centres and accommodation – especially in vineyard enterprises. These auxiliary activities generate considerable income which in some cases may serve to trivialise the farm product revenue from the property. As such, an investigation of soft commodity forecasts and agricultural product value is somewhat misplaced and likely to merely confuse matters.

To illustrate the potential for erroneous conclusions to be formed from examining the farm category one simply needs to consider the matter of farm revenue effort. Every census, ABARES (Australian Bureau of Agricultural and Resource Economics and Sciences) collects data on the value of the agricultural product for each local government area. We can thus calculate a farm revenue effort in census years – that is, the percentage of farm income paid out in local government tax.

Figure 30 plots the farm revenue effort for 2016 and 2021 – and on the face of things, matters seem very grim for this category. However, the revenue effort is clearly confounded by significant non-agricultural incomes generated by the 'farm business' and 'farm mixed' categories (data that is not collected in the aforementioned ABARES surveys). As a result, the comparisons are misleading, and the data is not a sound basis for decision-making.

**Figure 30. Farm Revenue Effort, 2016 and 2021.**



Moreover, we feel that Figure 30 supports the case for a review of the farm rating category as well as the categorisation of particular enterprises subject to the Act (1993, NSW). Figure 30 also supports our earlier recommendation to review the distributive equity at Cessnock – a task outside of an SV, and one that will take upwards of a year to complete.

## **6. Econometric Analysis of Total Rate Capacity**

Thus far we have surveyed a large number of indicators that mostly agree with the assertion that ratepayers at Cessnock have capacity to pay additional levels of rates, if necessary. Certainly, it is clear that residential ratepayers elsewhere are paying substantially higher proportions of their incomes with much lower levels of delinquency. Similarly, rates are clearly not posing an obstacle to business growth at Cessnock, and if our recommendation is adopted to decrease or eliminate the base rate, then this will be even more so the case. Only for the category of farmland, do rates appear to be high – but even here a note of caution seems to be in order given the mixed use and other business operations included in this taxation grouping.

An SV is not about particular categories of local government taxation, but rather the total tax take of all categories in aggregate. Moreover, our earlier individual metrics fail to account for interaction effects, only examine a portion (less than a quarter) of the cohort of relevant NSW councils, and might have been subject to distortions in individual years. For these reasons, and others, an econometric exercise is the best way to get a handle on the total tax take that ought to be extracted by a local government seeking to exert typical revenue effort. We use the word 'ought' advisably here – because it is a fact that a failure to extract at least typical revenue effort is likely to result in declining financial sustainability, intergenerational inequity, and perhaps even work as a brake on local economic growth.

Regression has a number of advantages over other potential methods. First, it allows us to take account of *all* of the important variables known to affect capacity to pay simultaneously. As famously noted by Ladd (1989), capacity to pay is ultimately a function of incomes, so in a regression we include details of the number of various taxpayers, their wages, various welfare benefits, and also unincorporated business incomes. A second advantage of regression is that panel methods can allow us to ascertain matters over multiple years and thus mitigate any distortions that may have arisen if a given year were atypical. Furthermore, by recourse to sophisticated econometric techniques – such as fixed effects regression – we can even account for unobservable variables, provided that they are close to time invariant. This means that there is relatively little risk of under-specification.

We understand that people can sometimes be cautious of sophisticated mathematical techniques that they do not fully comprehend. For this reason, it should serve as a great comfort to the report end-users to know that the three professors who have authored this report are extremely experienced scholars, with a combined output of well over two hundred works, cited more than four thousand times by their scholarly peers. Indeed, the lead report author is an editor at an A-ranked journal that specialises in econometric work of far higher complexity. Otherwise stated, it would be entirely reasonable to be assured that the work which follows is gold-standard.

Econometrics is based on a strong body of theory developed over centuries, and is something that students study at both the undergraduate and graduate levels. Typically, to become an econometrician one studies at least a bachelor's degree (three years), followed by a two year master's. All three of the professors involved in



this present work hold doctorates in the field (the highest qualification available from universities), and all have successfully taught postgraduates at the highest level. For readers interested in further information on econometrics, we refer them to the introductory works of Wooldridge (2006) or Kennedy (2003).

Given the experience of the authors – in addition to the fact that rigorous tests were conducted on our model – there can be no reasonable basis for disputing the findings which follow.

Our regressions were conducted on the entire cohort of urban councils within NSW, over a seven-year panel of detailed data which has been laboriously assembled from audited financial statements, Australian Bureau of Statistics data, as well as Office of Local Government data. The regression is thus considerably broader than the earlier graphical work which mostly refers to just the cohort of councils in the same Office of Local Government category as Cessnock for just four years.

The final model specification that we employ in our analysis can be expressed as follows:

$$\mathbf{T}_{it} = \alpha_i + \beta_1 \mathbf{A}_{it} + \beta_2 \mathbf{I}_{it} + \mu_{it} \quad t = 1..7$$

Where  $\mathbf{T}$  is the total tax take (that is the sum of all categories of taxation) expected of a local government,  $\mathbf{A}$  is the disaggregated assessment data,  $\mathbf{I}$  is a vector of relevant income data for particular local government areas at specific times and  $\mu$  is an idiosyncratic error term. The subscript  $it$  refers to the  $i^{\text{th}}$  council entity and the  $t^{\text{th}}$  year. Here we included all seventy-one councils categorised as broadly similar under the extant federal government classification system. Log transformations were employed to counter skewness when econometric diagnostics tests revealed the need to do so. We also conducted and satisfied all other relevant diagnostic tests. In addition, we experimented with various other regression models and found the results to be surprisingly resistant to alternate specifications. Table 5 provides the definition for each variable employed.

**Table 5. Definitions of Variables**

<b>Variable</b>	<b>Definition</b>
<b>Rates</b>	
Rates	Total taxation (rate) take (\$000)
<b>Assessments</b>	
Residential	Number of residential assessments.
Farm	Number of farm assessments.
Business	Number of business assessments.
<b>Income Controls</b>	
Median employee income	Median employee income (lagged).
Aged	Proportion of people on an aged pension.
DSP	Proportion of people on a disability support pension.
Newstart	Proportion of people on a Newstart allowance.
Single	Proportion of people on a single parent pension.
Unincorporated	Unincorporated business income (with lag).

In Table 6 we provide details of the total tax take shortfall for each of the seven years of analysis. Readers will note that these figures jump around a bit from year to year – this occurs as a result of changes to incomes and welfare recipient levels, as well as changes to the total tax take of other councils (in response to SVs – to name just one of many Queanbeyan-Palerang (64.3%)). {Notably, relative wage levels at Cessnock were particularly susceptible to the effects of the COVID policy measures}.

Nevertheless, the results are broadly in line with what we might have expected given the following:

- Residential revenue effort work which showed that Cessnock residents were paying only around two-thirds of the level paid by some of their peers.
- Business data which suggested that rates were not hindering the relative expansion of the local economy.
- Farmland rates data on the high side (albeit confounded by mixed and business use of farmland); and
- The fact that urban councils typically have far lower revenue efforts than do rural councils (Cessnock City Council tends to be a hybrid of the two major types of councils and comparing it to just the urban peers is likely to have understated additional tax take required to be typical).

Notably the results in Table 6 only illustrate the increase required to bring total tax take at Cessnock up to the typical level of other urban councils. Moreover, it does not factor in the increase that would be required to make up the foregone taxation revenue from previous years. This is important because a failure to extract at least typical total tax take at Cessnock means that council was deprived of an astounding \$47.8 million over the last seven years – more than the entire tax take in the 2024 financial year! (this underscores our introductory comments around the cumulative effect of not charging sufficient rates for many years). It is thus not hard to see why Cessnock council is struggling to maintain a semblance of sustainability.

**Table 6. Expected Total Tax Take Predicted by the Fixed-Effects Regression, 2018-2024 Inclusive.**

<b>Year</b>	<b>Total Tax Take Shortfall</b>	<b>Increase Required to Meet Shortfall</b>	<b>Year</b>	<b>Total Tax Take Shortfall</b>	<b>Increase Required to Meet Shortfall</b>
2018	6,655.99	19.03%	2022	5,576.31	13.06%
2019	7,938.88	21.71%	2023	4,678.20	10.48%
2020	8,393.36	21.74%	2024	7,799.10	16.53%
2021	6,765.63	16.72%			

Thus, econometric evidence puts it beyond doubt that rates would need to go up by at least 16.53% on 2024 numbers in nominal terms to even approach typical. We note that the suggested increase over the entire period ranged up to 21.74%, and furthermore that a regression done on 2025 data (not available until 2026) would be likely higher still because it would capture more of the recent large SVs (such as Tamworth, 36.3%). We also wish to make plan that a typical revenue effort simply will not suffice when there has been an insufficiency over so many years, resulting in so much foregone revenue. Indeed, if we were to adjust matters in terms of standard deviations (a statistical term used to measure spread) then the indicative ceiling for a tolerable SV increase would be 40.6%. We note that this number is a little higher than that proposed, but consistent with what one might expect after looking at the revenue effort for the single largest category of rates.

Following our careful examination of the LTFP and also the recent draft financial statements we would sadly have to recommend to Council that they consider proposing to IPART an SV around the top of the range previously indicated in the Financial Sustainability Report prepared by the University of Newcastle. We are particularly concerned about the *negative* ten million in unrestricted cash, the recent large deficit, the persistent unacceptable backlogs, the absence of slack in liability capacity, and the parlous asset maintenance metrics. When set alongside an environment of rapid growth, spurred on by a national housing crisis, then it becomes clear that the present situation cannot be allowed to persist much longer.

Moreover, we highly recommend that Council ask for this increase to be implemented over one year, with the request that it remain permanently in the rate base. With respect to the recommendation to apply the SV all in a single year we particularly note: (i) the urgent need for unrestricted funds, (ii) the significant risk that communities would otherwise be exposed to because of the unpredictability of a rate cap in such a volatile economic environment and (iii) our previous experience of people being otherwise profoundly misled by the OLG mandated method of calculating the headline SV rate for multiple years. Furthermore, our experience in the past has been that most people in the community prefer to get things done quickly, partly in recognition that prompt action allows councils to redress significant

foregone revenue more prudently which ultimately results in a better outcome for ratepayers. The recommendation to request a permanent increase, on the other hand, follows from our detailed examination of the long-term financial plan (LTFP) – it is clear that if only a temporary rate increase was allowed, then council would later have to go through the cost and expense of yet another SV for at least the same amount at its expiry. Furthermore, a temporary increase would not result in the certainty of cash flows necessary to make efficient management decisions<sup>8</sup>.

Just as we were completing this report IPART released its' rate cap for the 2026/27 at 3.8% for Cessnock. Combining this new information with the findings of our other reports as well as our interrogation of the LTFP, *we are forced to recommend to council that they propose a SV of 39.9% over one year, permanent for the current round (see our report on the LTFP for guidance around additional SVs that are likely to be required in the later half of the LTFP).*

We note that additional revenue and other measures will also be required to mitigate the financial sustainability predicament at Cessnock. For instance, we have already noted the urgent need to go through non-regulated fees and charges and adjust these to long-run marginal costs. We also endorse the efficiency measures appended to our Efficiency Report. Furthermore, it is clear that population growth is causing great problems for Council and we would therefore urge the federal government, in particular, to do more for councils that are valiantly trying to mitigate the housing shortage mostly elicited by Commonwealth policies. It does not seem reasonable for the ratepayers of Cessnock to disproportionately feel the burden for policies outside of their control.

We know that Councillors might be inclined to pursue an SV lower than this recommendation – in response to their genuine concern for Cessnock citizens – but caution that doing so comes with consequences. To be more precise, we believe that an additional SV will almost certainly be necessary in the second half of the LTFP (probably 2031/32). Reducing the SV below our present recommendation will sadly only bring forward the date and increase the size of the likely next SV.

---

<sup>8</sup> What tends to happen in this case is that work is outsourced or people are brought in on contract. Both are likely to be more expensive in the medium-term and typically result in poorer quality work (Drew, 2021).

### **Measures to Improve Capacity to Pay**

One of the greatest concerns for Councillors and IPART alike is to ensure that any proposed SV will be within capacity to pay. We remind all parties that an SV refers to the total tax take, and that decisions on the rate structure taken around May each year will actually determine most of the distribution of the burden for particular categories of rate payers. In addition, the regular land revaluations – conducted by the NSW Valuer General are determinative for individual rate payers.

As we have already suggested in this report, removing or reducing base rates will result in less of the burden being placed on lower land value ratepayers. All things being equal, lower value landholders are likely to have lower capacity to pay. Thus, a reduction to base rates is a key capacity to pay measure. This is especially the case for business. We suggest that a reduction to the base rate could be implemented at the next striking of the rates (for 2026/27). In the interim we would like the Council to consider at least freezing the base rate as part of the current SV proposal.

It is also important to have a good look at distributive equity more broadly in view of our evidence. When doing so, decision-makers should be mindful of the philosophical foundation of unimproved land tax, and also the fact that some ratepayers get to export a significant portion of their rates via income tax deductions. This particular task is much more involved and would take at least a year to do in view of the consultation required. As such, an examination of the rate structure is a task that might be assigned to the General Manager for possible implementation in the 2027/28 financial year.

We would also underscore the importance of Councillors advocating for fairer support for Cessnock to meet growth challenges elicited principally by Commonwealth government policy. As we showed in the financial sustainability report Cessnock has astonishingly high rates of growth and is doing more than most local governments to redress the housing shortfall in the country. However, this also means that existing residents of Cessnock are having to shoulder more of the financial burden for mitigating the housing crisis than residents in most other local government areas. This has certainly contributed to a portion of the current (and likely the future) SV and it would therefore reduce the burden on ratepayers if the federal government were to better support Cessnock City Council in its endeavour to ensure that people can be housed in this nation.

One final small thing that can be done to improve capacity to pay is to ensure that residents are aware of regular direct debit schemes on offer through council. Residents can have payments made automatically for an amount and on a frequency that suits them best. Higher uptake of this would clearly improve capacity to pay and we encourage council to promote this option on future rates notices. In addition, we also recommend that council consider printing a coupon payment booklet – our experience at other councils has been that this option is particularly popular with older folk.

We commend this report to Councillors and IPART.



## **References**

- Australian Bureau of Statistics (ABS). (2021). *Data By Regions*. ABS: Canberra.
- Australian Bureau of Statistics (2025). *Government Finance Statistics*. ABS: Canberra.
- Baum, S., Flanagan, M., Mitchell, W. and Stimson, R. (2018). Wage inequality across Australian labour market regions. *Australasian Journal of Regional Studies*, 24(2), 124-146.
- Buchanan, J. (1997). The Balanced Budget Amendment: Clarifying the Arguments. *Public Choice*, 90: 117-138.
- Dollery, B. E., Crase, L. and Johnson, A. (2006). *Australian Local Government Economics*, University of New South Wales Press: Sydney.
- Dollery, B. E. Johnson, A. and Byrnes, J. (2008). Cost Shifting in Australian Local Government: An Analysis of the Spatial Impact of Pensioner Rate Concession Rebates in New South Wales. *Australian Geographer*, 39(4), 467-478.
- Dollery, B. E., Wallis, J. L. and Allan, P. (2006). The Debate That Had to Happen But Never Did: The Changing Role of Australian Local Government. *Australian Journal of Political Science*, 41(4), 553-567.
- Drew, J. and Campbell, N. (2016). Autopsy of Municipal Failure: The Case of Central Darling Shire. *Australasian Journal of Regional Science*, 22(1): 81-104.
- Drew, J. and Dollery, B. (2015). A Fair Go? A Response to the Independent Local Government Review Panel's Assessment of Municipal Taxation in New South Wales. *Australian Tax Forum*, 30(3): 471-489.
- Drew, J. (2020). *Reforming Local Government*. Springer Palgrave: Singapore.
- Drew, J. (2021). *Saving Local Government*. Springer Palgrave: Singapore.
- Drew, J. and Dollery, B. (2020). Introduction to the Special Edition of Public Administration Quarterly: The Economics and Politics of financial Unsustainability in Local Government. *Public Administration Quarterly*, doi.org/10.37808/paq.44.2.1.
- Drew, J. and Miyazaki, M. (2020). The moral justification and practice of intergovernmental equalisation grants to local government—A subsidiarity perspective. *Australian Journal of Public Administration*, doi: 10.1111/1467-8500.12445.
- Drew, J., Miyazaki, M. and Kortt, M. (2023). The Other Side of the Local Government Ledger – The Association Between Revenue Growth and Population Growth. *Australian Journal of Public Administration*, DOI: 10.1111/1467-8500.12583.
- Finnis, J. (1998). *Founders of Modern Political and Social Thought: Aquinas*. Oxford University Press: Oxford.
- George, H. (2010). *Progress and Poverty*. Robert Schalkenbach Foundation: New York.

Grant, B. and Drew, J. (2017). *Local Government in Australia: History, Theory and Public Policy*. Springer Palgrave: Singapore.

Kennedy, P. (2003). *A Guide to Econometrics*. MIT Press: Cambridge.

Messner, J. (1952). *Social Ethics: Natural Law in the Modern World*. Transl. J. Doherty. B Herder Book Co: St Louis.

New South Wales Parliament (1993). *Local Government Act*.

Oates, W. E. (1972). [\*Fiscal federalism\*](#). Harcourt Brace Jovanovich: New York.

Oates, W.E. (1999). An Essay on Fiscal federalism. *Journal of economic Literature*, 37(3), 1120-49.

Wooldridge, J. (2006). *Introductory Econometrics: A Modern Approach*. Thomson: Ohio, USA.

# **Cessnock Council Efficiency Report**



## ***Disclaimer***

*This Report was prepared by Professor Drew, Professor Miyazaki and Professor Ferreira on behalf of Professor Joseph Drew Pty Ltd. The work herein has also been independently assured by Professor Yunji Kim from Seoul National University. This Report was produced in a strictly independent manner and the opinions expressed in the Report are thus exclusively the views of its authors and do not necessarily coincide with the views of the local government or any other body. The information provided in this Report may be accurately reproduced for media review, quotation in literature, or non-commercial purposes, subject to the inclusion of acknowledgement of the source and provided no commercial use or sale of the material occurs.*

*The information contained herein is believed to be reliable and accurate. However, no guarantee is given as to its accuracy or reliability, and no responsibility or liability for any information, opinions, or commentary contained herein, or for any consequences of its use, will be accepted by Professor Joseph Drew Pty Ltd, or by any person involved in the preparation of this report.*

## **Cessnock Council Efficiency Report**

### **Executive Summary**

*This report examines a number of efficiency metrics spanning crude ratios all the way up to sophisticated envelopment analyses. We also briefly consider the determinants of efficiency with respect to the characteristics of Cessnock. The picture which emerges is a local government with commendable cost control, although actual conversion of inputs into outputs is less flattering (but still good in view of the unique operating environment faced). Towards the end of this report, we list a number of measures that might be expected to improve various aspects of efficiency. Furthermore, in the appendix we list the efficiencies proposed by Cessnock City Council, with our assurance or comment as appropriate. In sum, there is only marginal improvements to efficiency that could be reasonably expected of Cessnock City Council and we do not believe that these will have any material impact on financial sustainability over the medium-term. We certainly believe that all of the plausible efficiencies contained in this report should be pursued with the utmost vigour, but they will sadly not be a substitute for a special rate variation (SV).*

### **1. Introduction**

It appears that both the Office of Local Government (OLG) and the Independent Pricing and Regulatory Tribunal (IPART) are concerned about the efficiency of local governments seeking to increase their rates above the prescribed cap.

Unfortunately, it also seems that there is a good deal of confusion about what precisely efficiency is, how to measure efficiency competently, as well as the potential for efficiency improvements to put material downward pressure on taxation.

Efficiency is often ill-defined in a public policy sense despite the fact that economists have quite precise definitions and ways of measuring it. Typically, scholars make reference to three distinct kinds of efficiency which local governments exert varying levels of control over: (i) allocative, (ii) dynamic, and (iii) technical efficiencies.

Allocative efficiency refers to how scarce resources are harnessed to enhance the flourishing of citizens (Fergusson, 1972). To achieve allocative efficiency, it is necessary for decision-makers to carefully direct inputs to both the quantity and quality of goods and services desired by the community. In a local government sense the principal mechanism for allocative efficiency is the democratic process over time.

Dynamic efficiency, by way of contrast, refers to changes to allocative or productive efficiency over time (Drew, 2021). Dynamic efficiency is principally driven by improvements to learning or technology. Dynamic efficiency might also alter due to changes in regulatory practice or alterations to legislation, albeit typically in a deleterious manner. Dynamic efficiency largely arises due to the actions of others

(advancement in educational offerings or industrial products) and lies beyond the direct control of Councillors or local government management.

The third type of efficiency is technical (also referred to by scholars as productive or sometimes x-efficiency) and this refers to the optimal conversion of inputs into a large range of local government outputs (Drew, 2021). The inputs to the production process are staff and money and the outputs are too numerous to list (hence economists typically use proxies for the main types of goods and services produced by local governments). The state government, regulators and some citizens have put considerable emphasis on the concept of technical efficiency presumably believing that: (i) efficiency is a legitimate goal of government, and (ii) that efficiency might ineluctably lead to improved sustainability and/or lower taxes.

There is no good reason to think that efficiency is either a legitimate goal of government, or indeed that high levels of efficiency are even possible (Drew, Razin and Andrews, 2018). Scholarly work on public values has identified that citizens care most strongly about notions such as access to services, privacy, equity, civil rights, as well as safety and security (see, for example Bozeman, 2019). Efficiency rarely rates a mention unless citizens are confronted with a request to pay the full price for the services that they consume (Drew, 2021). Indeed, many of the things that citizens expect their governments to do are completely contrary to efficiency – for instance disaster response (whereby governments often have to pay penalty rates and the like to ensure quick relief for those suffering) or holding regular elections (considerable resources are expended for no additional goods or services output). We doubt very much that citizens would ordinarily argue that government functions such as these ought to be sacrificed in the name of efficiency. Moreover, it has long been held by scholars that efficient delivery of goods and services is inconsistent with democratic government in any case (see, Fenwick, 1920; Friedman, 1993). Indeed, we have only to briefly consider the disaster wrought at the hands of new public management<sup>1</sup> proponents to understand the folly of myopically pursuing efficiency in a democracy (see, for example, O'Flynn, 2007; Drew, 2021).

Nevertheless, regulators have continued to place strong focus on technical efficiency, in particular. The assumption seems to be that improvements to efficiency will result in higher sustainability or lower taxes. However, the scholarly evidence on this matter does not support this assumption (see Drew, Kortt and Dollery, 2015a). The main reason for this lack of support is that efficiency is a short-run concept, whereas sustainability (and tax rates in the context of a rate cap regime) are long-run matters. Any marginal changes to efficiency in the present are thus likely to pale into insignificance when set against decisions taken over many decades regarding the construction of infrastructure, addition of services, drawing down of debt, or the neglect to charge an average tax price for a local government area (the cumulative effect of this last factor is certainly a large contributor to Cessnock's predicament as demonstrated in our *Capacity to Pay* report). Indeed, one only has to consider the

---

<sup>1</sup> This was a public policy theory that tried to make government operate like business, in pursuit of efficiency. It was characterised by Bevan and Hood (2006) as 'targets and terror' and was largely an abject failure – not least because government is demonstrably not a business (Drew, 2025).



personal budget metaphor to understand the fallacious nature of pervasive assumptions in this area<sup>2</sup>.

In a local government sense, the way to improve technical efficiency is to combine the optimal mix of production factors to produce a given quantity of outputs (what is referred to as an input-orientation). This is the role of local government managers. Presumably this is the focus of regulators, although as we shall see, their crude ratios are entirely incapable of measuring technical efficiency.

In the past regulators have sought to measure technical efficiency through a crude ratio defined as operational expenditure divided by population. In 2015 it was asserted that to be efficient a linear trend would need to be downwards sloping over a five-year<sup>3</sup> period. This approach entirely neglected to consider how different factors of production might be best combined, and eschewed the time value of money altogether. Furthermore, the 2015 attempt at measuring efficiency also used the incorrect functional unit – it has been shown countless of times that in Australian local government, that number of properties is a superior denominator in the absence of more sophisticated weighted methods (Drew and Dollery, 2014; indeed, road lengths – the single largest item of expenditure – are negatively correlated to population size!). Moreover, a number of other serious problems exist with ratio approaches that we shall enumerate later. In sum, the crude metric still used in NSW is fatally flawed and only likely to lead to erroneous conclusions. Clearly something more sophisticated is required to allow valid statistical reasoning to take place.

In this report the centrepiece of our work are: data envelopment analysis (DEA) and free disposability hull analysis (FDH). This is world's best practice and sophisticated empirical work conducted by one of the leading scholars in academia today (Professor Ferreira). It is the only way to competently appraise the efficiency of Cessnock over time, and we conduct these analyses over an eight-year panel for the entire cohort of relevant NSW local governments<sup>4</sup>.

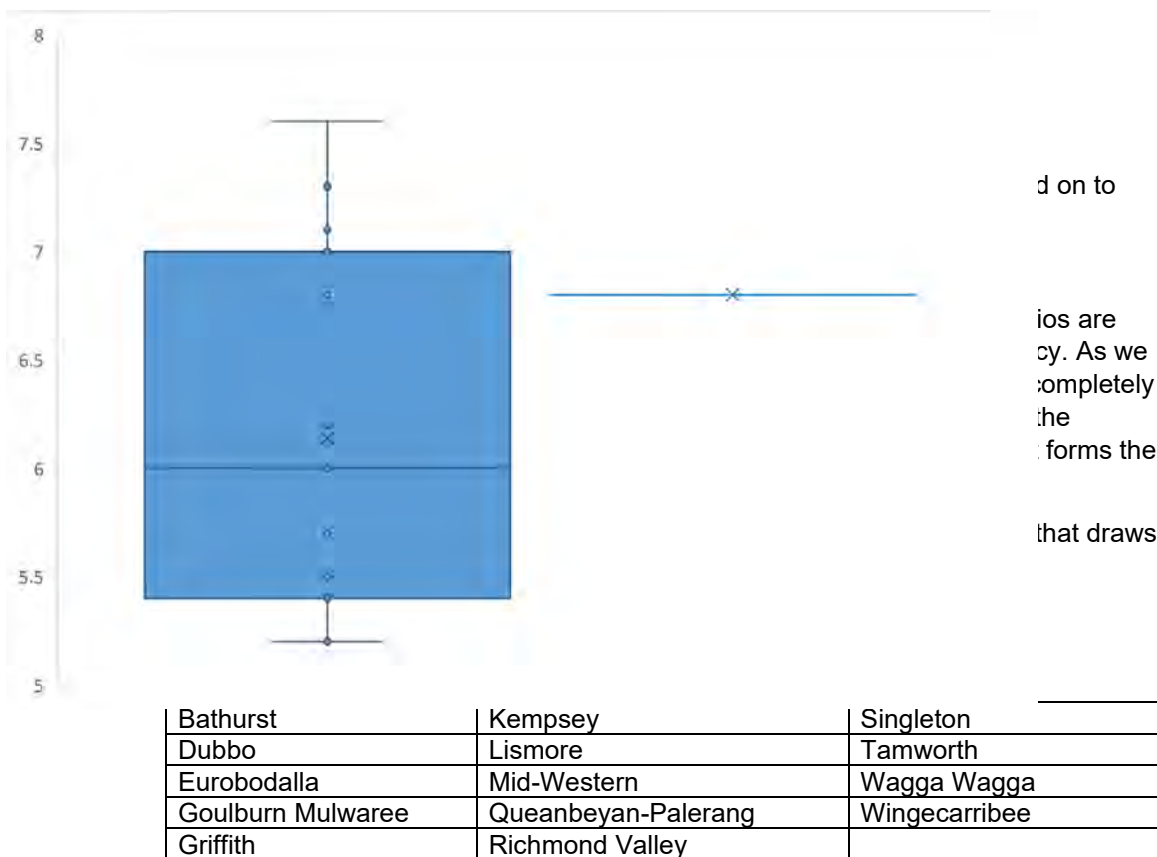
The remainder of this report is set out as follows. In the next section we review a number of ratio metrics that will provide an overview of relative performance compared to councils that the OLG deem to be similar to Cessnock. We will also present the results of a regression analysis which can be used to further assess the actual expenditure on staff against what might typically be expected. Following this we present world's best practice sophisticated DEA and FDH analysis. Thereafter, we conduct a DEA and FDH of tax efficiency. We also search for the determinants of efficiency and briefly outline the Council's efficiency journey. The report concludes with some observations regarding the potential for efficiency improvements to

---

<sup>2</sup>If a person went on an efficiency drive, they might hope to shave off a few percent on discretionary expenditures (savings on non-discretionary items such as food and water are usually not possible). Marginal savings of this kind would take many years to have a material impact on debts taken out to purchase property or the like, and pale into insignificance when set against the pecuniary implications of past decisions relating to things such as one's choice of occupation, marriage, or child-raising.

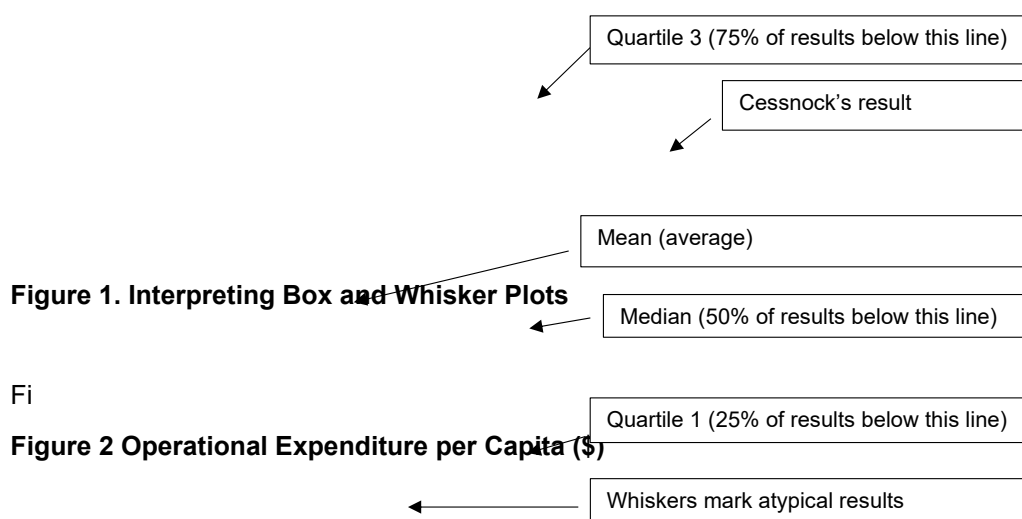
<sup>3</sup> A linear trend was not appropriate for data which was not linear, and five years is generally not considered sufficiently lengthy to establish a trend of the kind envisaged.

<sup>4</sup> The tax efficiency work is only conducted over a seven year panel of data.



The most efficient way of comparing Council to the peer group is to chart a box and whisker plot. Figure 1 provides details regarding how to interpret these plots:

**Figure 1. Interpreting Box and Whisker Plots**



**Figure 1. Interpreting Box and Whisker Plots**

**Figure 2 Operational Expenditure per Capita (\$)**

In Figure 2 we present the OLG preferred metric of operational expenditure per capita as used during the 2015/16 *Fit for the Future* debates. As we have already suggested, this metric is completely flawed, and distinguished scholars have previously pointed out that it 'simply does not measure efficiency' (Drew and Dollery, 2015, p. 86).

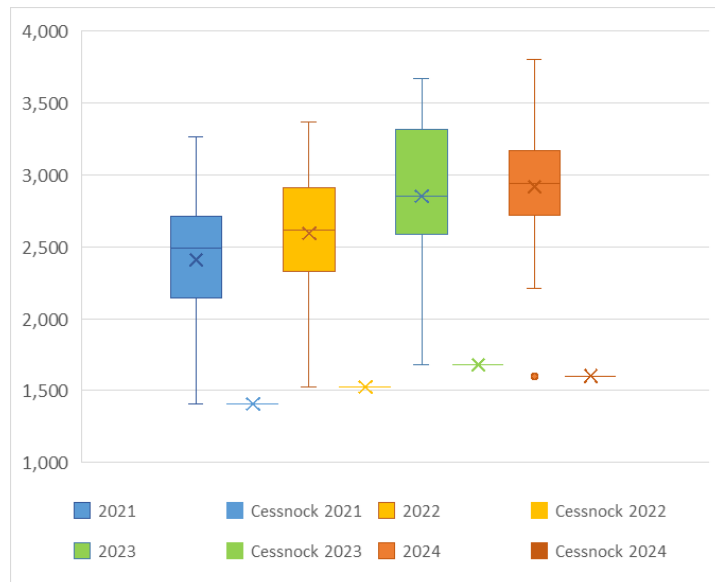
According to Figure 2, Cessnock has consistently recorded the absolute lowest operational expenditure per capita for each of the last four years, relative to the peer group. This is suggestive of exceptional efficiency, however it would be very unwise to make decisions based on this result alone. First, the ratio depends on known unreliable data – population figures in intercensal years are merely estimates which the Australian Bureau of Statistics (2022) themselves have declared to typically impute errors of up to 8.9 percent at the SA2 level (typically several SA2 units need to be combined to produce local government level data). To see the importance of this problem one simply needs to compare population figures produced by the ABS for a particular year, with the rebased (corrected) data that is quietly substituted a year or so after each census – the differences are stark (including population growth which subsequently becomes revised to be population decline and vice versa).

Second, the majority of services in the Australian local government milieu are still delivered to properties (Drew, 2021). Using population as the denominator implicitly asserts that the cost of providing services such as roads and street lighting to a household of, say, four people is somehow four times larger than the cost of providing services to a single person household. It also seems to suggest that if a new baby is born to a previously childless couple that the cost of providing services (such as the aforementioned roads and street lights) increased by fifty percent; but if the baby was born to a family that already had two children then council costs only increased by twenty-five percent. Clearly, the idea of population as the functional unit of efficiency fails even the most basic logic tests and is quite untenable.

Third, the metric also implies that the cost of providing services to people living on farms is somehow comparable to the cost of providing services to people living in town. It might even be construed to suggest that there is no cost for providing services to business – especially non-retail establishments uncorrelated with population size. Clearly, these implicit assumptions cannot be true, especially given that the various different categories of properties do not receive anything like the same basket of local goods and services.

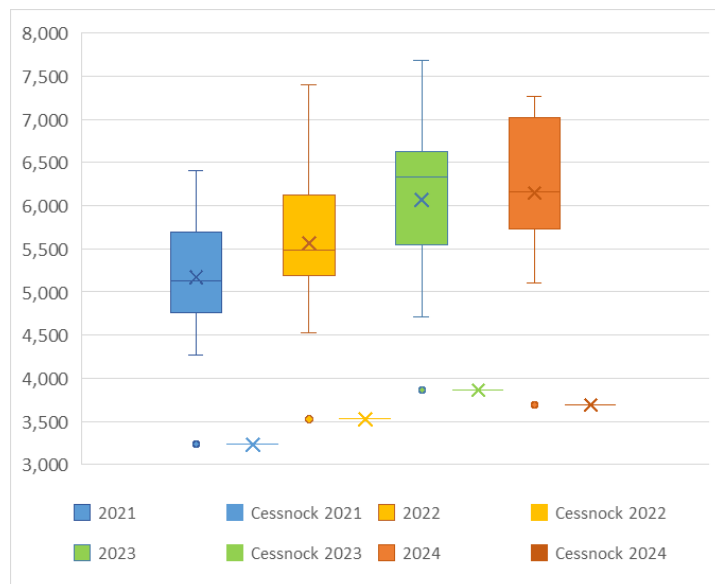
Fourth, operational expenditure per capita ignores the single largest item of costs for local government in NSW – roads. Indeed, roads are negatively correlated to population size ( $r = -0.2531$ ) – this fact also further confirms that the output from this 'efficiency' ratio is likely to be quite misleading.

**Figure 2. Operational Expenditure per Capita**



In Victoria operation expenditure per property assessment is used instead. In Figure 3 we present the metric for Cessnock council relative to the peer group. In this instance, Cessnock is not only the lowest spending council in each year, but also an extreme outlier. However, operational expenditure per assessment, whilst better than the NSW metric, is still flawed – importantly, use of a metric of this kind still means that we must (implausibly) subscribe to the assumption that all categories of ratepayers receive more or less equivalent services. One merely needs to drive around greater Cessnock to understand that this assumption is not true. The metric used in Victoria also continues to ignore the single largest item of expenditure – roads. {only if we believed that all types of properties had similar length and types of road frontage could this neglect be tolerated}. For all these reasons, it would be unwise to place undue reliance on the results presented in Figure 3 either.

**Figure 3. Operational Expenditure per Property Assessment (\$)**



As we have already stated, the only way to competently assess efficiency is to use a sophisticated empirical technique that is capable of measuring the conversion of the various production inputs into multiple and appropriate proxies for outputs (even this approach is not perfect because of the failure of NSW to include a consistent measure of service quality like is done in jurisdictions such as Victoria). Before doing so, in the next section, we will examine a few further metrics that will provide some additional context for earlier discussions, and also expose misconceptions typically held by people in the community.

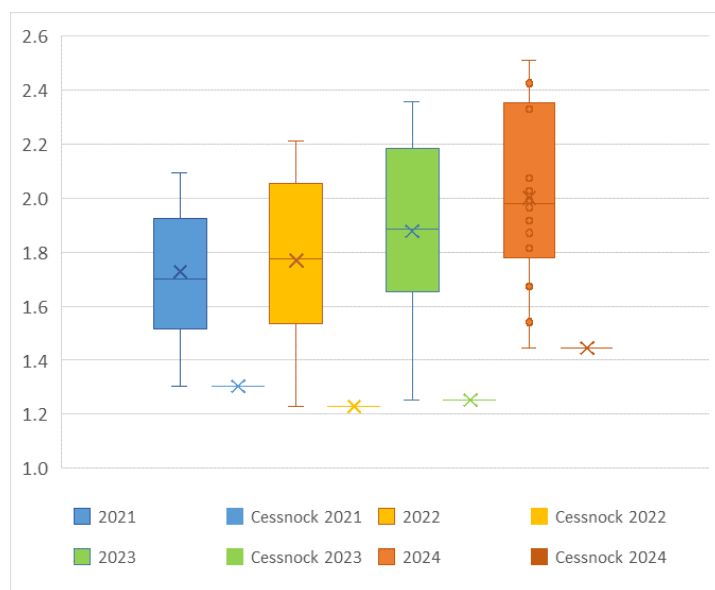
In Figure 4 we provide details of staff expenses per property assessment. It is important to do so, because inevitably in any SV at least one person will claim that all the problems stem from over-staffing or something of this kind. Indeed, we are aware that angry sentiments have already been expressed by a tiny minority of the community towards staff in social media – this is simply not acceptable: staff should not be exposed to psycho-social or physical risk because some people are unhappy with the facts confronting Cessnock City Council. We must be clear – there are no criteria that IPART can apply to reject or reduce an SV application because of angry words or threats; facts and constructive feedback are the only criteria supported by OLG Guidelines and the NSW Local Government Act (1993, NSW). We therefore urge restraint and constructive engagement by people who might be unhappy with the situation (we also again call on the NSW Government to make appropriate changes to the rate cap regime and associated SV process before serious harm is sustained by someone).

In Figure 4 below, we show that staff unit costs for the Council are the absolute lowest in the peer group for each of the four years. We note that there have been



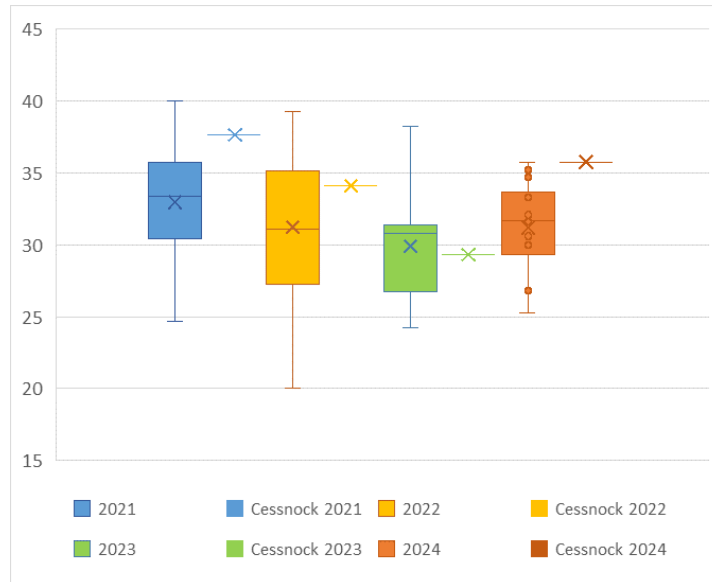
increases of late in an absolute sense, but that the relative position remains the same. End users should be mindful that most staff (in any sector) receive pay increases annually in line with the relevant Award.

**Figure 4. Staff Expenditure per Assessment (\$000)**



We have noted earlier that technical efficiency is the conversion of inputs into outputs, thus it behoves us to also look at the proportion of expenditure at Cessnock on staff. In Figure 5 we do so and find that Cessnock has been in the top quartile (top twenty-five percent of peers) on two of the four occasions. This either means that council is outsourcing relatively more, or that materials and other expenses are also relatively lower than peers – or perhaps both. {This result is likely to be important when we turn to the more sophisticated envelopment analyses later in the report}. We will review the other major components of expenditure shortly, but what we have in front of us (Figure 5) certainly points to the need for more sophisticated analysis of efficiency such as the DEA and FDH which will ultimately follow.

Figure 5. Proportion of Expenditure on Staff (%)



Before leaving the matter of staffing we present the details of an econometric assessment of the expected level of staff expenditure for a council of Cessnock's characteristics. As we noted in the *Capacity to Pay Report*, econometrics is the sophisticated mathematics routinely performed by economists and many other scholars. This kind of work needs to be done by *bona fide* experts – and typically the training includes both undergraduate and postgraduate tertiary study. The report authors are attested to by hundreds of scholarly publications and thousands of citations by their peers; furthermore, the lead author of this report is an editor at a highly-ranked empirical journal – thus the estimates that follow are beyond reasonable doubt.

To produce the econometric predictions, we regressed staff expenditure against a suite of regressors long used by scholars to produce Australian local government cost functions (see, for example, Drew et al., 2021 for just one of countless examples of this kind of work; also read the *Capacity to Pay Report* for further details about econometrics). The regression had an extremely high coefficient of determination (0.9443) which means that the variables used nicely explained most of the typical staff costs.

In Table 2 we detail the predicted and actual staff costs for Cessnock for the last three years of the panel – and we consider this is to be important information for senior management at Cessnock because it provides a reliable guide regarding what could typically be expected for a council of this kind in NSW:

**Table 2. Predicted and Actual Staff Expenditure, Cessnock 2022-2024 (\$000).**

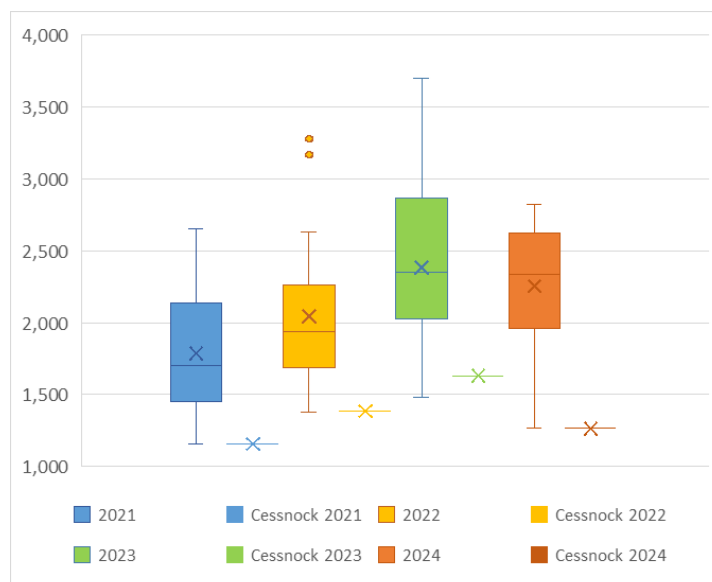
Year	Actual	Predicted
2022	34,034	38,551
2023	35,841	43,260
2024	42,362	47,364

It might be noted that staff expenditures increased significantly in the 2025FY draft financial statements and are now right at the ceiling of what the model predicts. This is unfortunately typical of what we have seen in distressed local governments in the past – there is only so long that a council can run with insufficient staff capacity; eventually matters come to a head and a sudden uplift is almost always the result. Thus, while we understand the recent changes we nevertheless urge renewed vigilance in this area, including potential mitigation through natural attrition where possible.

There are two other major accounting expenditure categories related to efficiency which we also need to examine: ‘materials and contracts’, and ‘other’ (readers might note that ‘depreciation’ refers to past spending on long-lived assets and is thus not relevant to a study of efficiency).

In Figure 6 we chart spending on materials and contracts at Cessnock relative to the peer group for the last four full financial years. It is notable that Cessnock recorded the lowest spending on materials and contracts for the peer group on three of the four years under analysis. This is further evidence of admirable cost control by Councillors and senior staff over a lengthy period of time.

**Figure 6. Material Expense per Assessment (\$000)**



The last accounting heading that we will look at is 'other expense' which is mainly made up of levies charged by the NSW state government as per Figure 7 which is a cut-out of the most recent audited financial statements:

**Figure 7. Other Expense Items.**

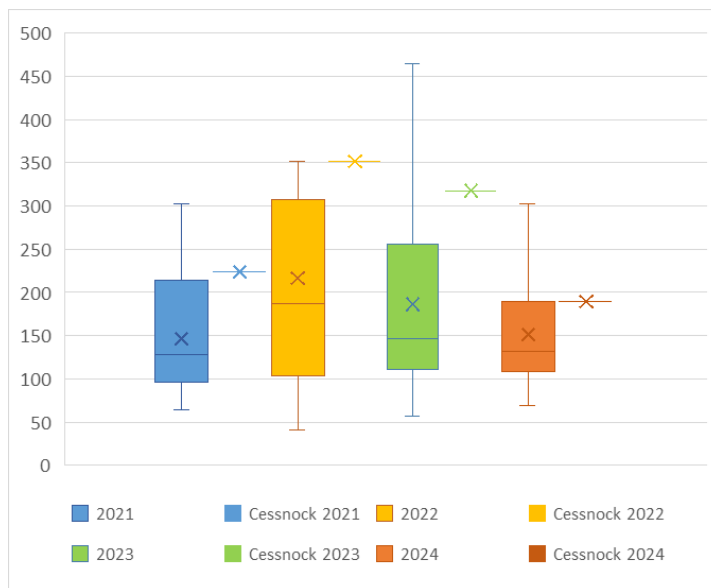
B3-4 Other expenses			
\$ '000	Notes	2024	2023 Restated
<b>Impairment of receivables</b>			
Other		(465)	(85)
<b>Total impairment of receivables</b>	G1-4	<b>(465)</b>	<b>(85)</b>
<b>Other</b>			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES and RFS levies)		292	164
– NSW fire brigade levy		500	424
– NSW rural fire service levy		804	804
– Waste levy		4,536	4,361
Donations, contributions and assistance to other organisations (Section 356)		126	(109)
Adjustment for remediation provision estimates		(238)	3,535
<b>Total other</b>		<b>6,020</b>	<b>9,179</b>
<b>Total other expenses</b>		<b>5,555</b>	<b>9,094</b>

In Figure 8 we provide relative data for Cessnock and the peer group. It is notable that Cessnock was in the top quartile for each and every year. Moreover, as Figure 7 makes clear most of these costs are under the control of the NSW state government (or their agencies), not Cessnock City Council. Indeed, some – such as the ESL and fire levies have been increasing at astounding rates of 78 percent or more between 2023 and 2024; well above any measure of inflation. Clearly, the NSW State government have it within their control to alleviate some of the burden on ratepayers – or at least not add to it exponentially – should they wish to do so. {Indeed, if the NSW Government would desist from calculating the waste levy as if Cessnock was a metropolitan council, then some pressure on ratepayers could be mitigated}.

Somewhat confounding the above matters are the provision expenses for remediation works. Typically, most councils tend to under-estimate these expenses and we have noted of late large adjustments as auditors presumably turn their attention to the matter. Provisions are something that are usually estimated by experts in this area – which might include environmental engineers, lawyers, and auditors. There is an extensive note in the draft statements that explains recent movements.

{We note that this result for 'other' expenditure will likely have some implications for the more sophisticated envelopment analysis that follows}.

**Figure 8. Other Expense per Assessment (\$000)**



This concludes our examination of simple ratio data, that on-the-whole paints a glowing picture of Cessnock City Council's relative spending and cost control over the last four years. In the sections that follow we will instead turn to more sophisticated empirical evidence that provides a nuanced version on matters. It might also be noted that the envelopment analyses that follow are based on a much-expanded cohort of all seventy-one urban councils in NSW<sup>5</sup>, rather than merely the peer group detailed in the first table.

<sup>5</sup> This is the category that the federal government assigns Cessnock to.



### **3. Efficiency, 2017-2024**

In this section of the report, we will start to employ some of the more sophisticated envelopment analysis. Therefore, it seems to be an opportune time to outline the empirical processes.

Envelopment analysis is a family of linear programming<sup>6</sup> techniques that allows for the analysis of the efficiency with which multiple inputs are converted into multiple outputs. As such, envelopment analysis is far more consistent with the economic definition of technical efficiency than are the more common single input output ratios we looked at in the previous section. For example, both staff and operational expenditure can be considered as separate inputs in an envelopment exercise, and this allows us to better reflect the various outcomes that are possible through different combinations of production factors. In similar vein, envelopment analysis allows scholars to separate out various proxies for output that better reflect the diversity of goods and services that a local government produces. The specification for the work that we produced makes the advantages of the empirical technique plain:

Staff (\$) + operating expenditure (\$) → residential (no.) + farm (no.) + business (no.) + sealed roads (km) + unsealed roads (km).

Here we consider staff in pecuniary terms to reflect the different skills and productivity that ought to be reflected in remuneration, consistent with Drew, Kortt and Dollery(2015). The output proxies we employ recognise that the respective categories of taxpayers usually have access to vastly different baskets of goods and services. Moreover, we also include as outputs sealed and unsealed roads respectively which properly reflects that these represent the largest items of expenditure, with quite different maintenance schedules (depending on surface). The proxies are thus the best suite to recognise what councils actually do within the limitations of Nunamaker's rule<sup>7</sup> – and far more realistic that the single outputs used for the earlier ratio analyses. Notably, in the data envelopment analysis (DEA) and free disposability hull (FDH) work that we present, pecuniary data was adjusted to properly reflect the time value of money.

For the work that follows we used an input-orientation consistent with the relevant scholarly literature (Drew, Kortt and Dollery, 2015b). An input-orientation recognises that local government decision-makers have relatively little control over the output proxies, but much more discretion about the resources that they invest into producing same. Otherwise stated, the length of roads is more-or-less given, but how we assign money and staff to maintain them, is certainly something that might change.

---

<sup>6</sup> Linear programming is a mathematical technique that can be employed when multiple feasible solutions exist in a mapped function responsive to introduced mathematic constraints. It is iterative in nature and therefore requires significant levels of computing power.

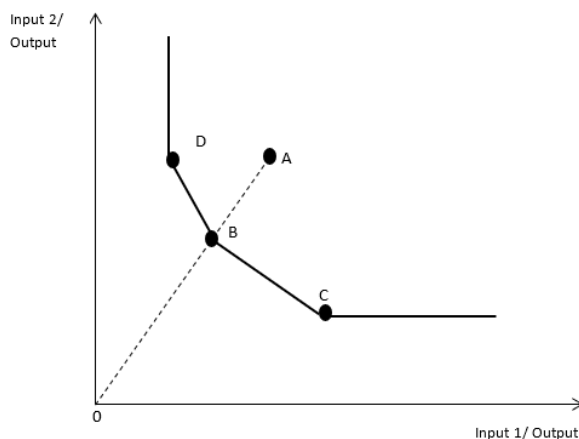
<sup>7</sup> Nunamaker's rule is a decision-making tool which prescribes that the sum of inputs and outputs ought not exceed a third of the number of decision making units (DMU; that is, local governments). For our seventy-one member cohort our specification is well within this range.

We also used variable return to scale specifications for most of the linear programming (the exception being for the second stage regression work that we do towards the end of this report). This means that we adjusted for the effects of scale.

Envelopment results are both relative and unconditional. Relative means that interpretation of the results can only validly be made with reference to the particular decision-making units and years analysed. Unconditional means that we haven't adjusted for any operating environment<sup>8</sup> effects (other than size, captured by VRS). We address the unconditional nature of the analyses in our second-stage regression work later in this report.

The most efficient way to understand DEA is generally through a graphical illustration. In Figure 9 we present a simplified input-orientated example. Here the curve drawn between Councils D, B and C represents the theoretically possible efficient frontier. These are the councils that have the best conversion of inputs into a given set of outputs. Councils of this kind are considered perfectly efficient in a relative sense and assigned a score censored at one. Councils in the interior of the curve (such as 'A') represent relatively less efficient decision-making entities. The ratio of the radial distances marked provides a score between zero (perfectly inefficient) and one (perfectly efficient). This number represents the relative technical efficiency of A with respect to the rest of the cohort under analysis (sometimes people multiply this number by one-hundred and then talk about the percent relative technical efficiency).

**Figure 9. Input-Orientated DEA**



Readers interested in obtaining further information on data envelopment analysis are referred to the seminal works of Cooper et al. (2007) and Coelli et al. (2005).

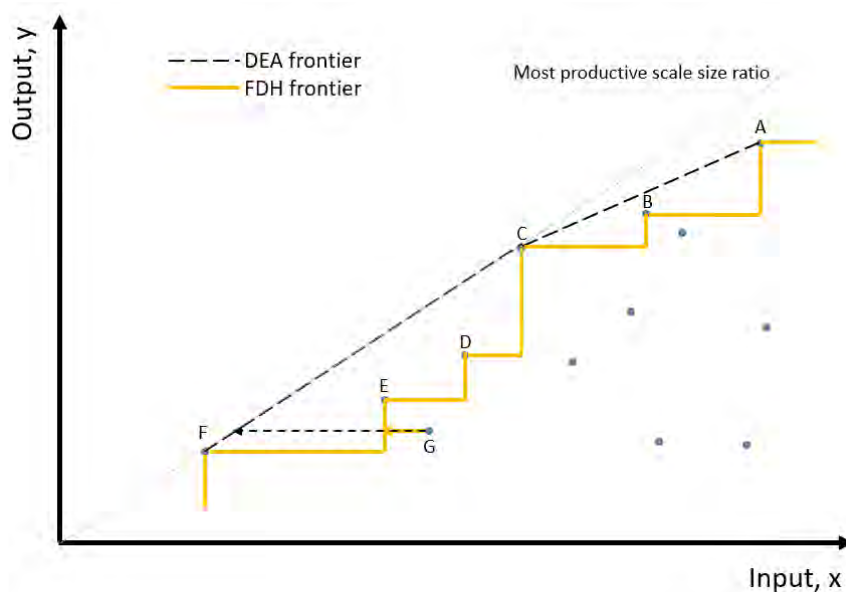
<sup>8</sup> Environmental effects and environmental constraints do not refer to climate and the like as is often colloquially the case. Instead, environment here refers to all of the parameters that have an effect on operating costs: demographics, soil substrate, infrastructure burdens, density etc.

It might also be noted that there is some potential for clustering of results, especially if councils face the same harsh decision-making constraints.

In the analysis that follows we use long (seven or eight year) panels for all of the urban councils in NSW. Because of the relatively long timeframe involved we were obliged to use local intertemporal analysis (also sometimes called windows analysis). Local intertemporal DEA is a special kind of moving average which allows us to compare results over time because of overlapping periods. To further assure our results we also bootstrapped<sup>9</sup> calculations using 10,000 iterations.

Another, slightly different sophisticated approach to measuring efficiency, which we will use in the following section, is called free disposability hull analysis. To ensure that the community receives the most comprehensive picture of relative technical efficiency we also conducted this analysis using the earlier specifications. The main difference between DEA and FDH is that the latter uses a step-wise frontier comprised of the actual results attained by decision making units rather than the curvilinear theoretical efficient frontier. Otherwise stated, DEA tends to be more pessimistic because it compares a given council to an ideal that might not even have been achieved by any of the peer group whereas FDH only compares to what others have actually achieved. Figure 10 provides a graphical comparison of the two approaches.

**Figure 10. DEA and FDH Frontier Comparisons.**



<sup>9</sup> Bootstrapping is a probabilistic random re-sampling protocol that is mainly used to reduce potential statistical bias when dealing with a sample.

The mathematic specification for our DEA is:

$$\begin{aligned}
 &\min \theta \\
 &s. t. \\
 &\sum_{j=1}^n \lambda_j x_{ij} \leq \theta x_{i0}, i = 1, \dots, m \\
 &\sum_{j=1}^n \lambda_j y_{rj} \geq y_{r0}, r = 1, \dots, s \\
 &\sum_{j=1}^n \lambda_j = 1 \text{ (VRS)} \\
 &\lambda_j \geq 0
 \end{aligned}$$

The FDH specification was:

$$\begin{aligned}
 &\min \theta \\
 &s. t. \\
 &\sum_{j=1}^n \lambda_j x_{ij} \leq \theta x_{i0}, i = 1, \dots, m \\
 &\sum_{j=1}^n \lambda_j y_{rj} \geq y_{r0}, r = 1, \dots, s \\
 &\sum_{j=1}^n \lambda_j = 1 \\
 &\lambda_j \in \{0,1\}
 \end{aligned}$$

Figure 11 presents the local intertemporal data envelopment analysis results for Cessnock relative to various measures of central tendency, for the remainder of the NSW urban council cohort. According to this more sophisticated analysis of efficiency – against what might be theoretically possible – Cessnock has been consistently above average for most of the period.

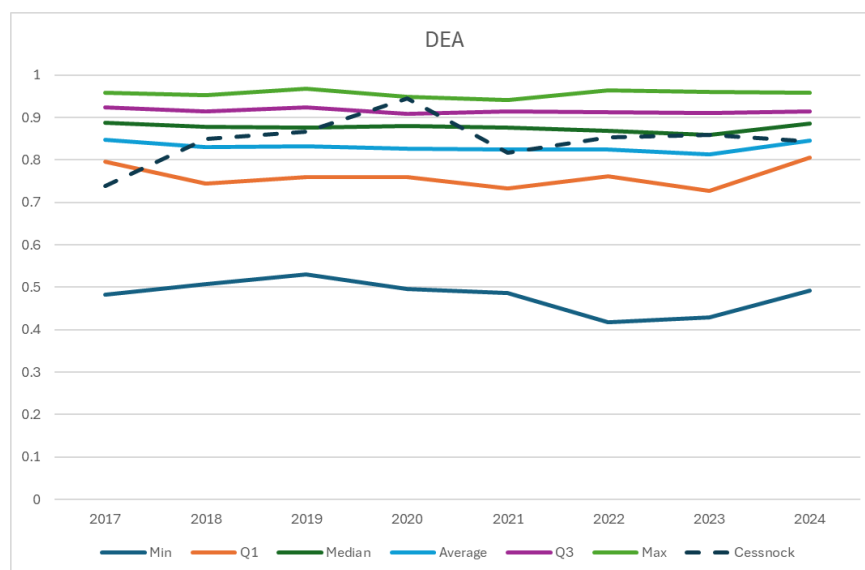
We note that this more sophisticated robust efficiency evidence differs somewhat to the single input (expenditure) single output (property assessment) work presented earlier. The main reasons for this difference are: (i) the more nuanced specification of different types of assessments, (ii) the important inclusion of roads as an output (separated by surface type), and (iii) the expansion from comparisons to fourteen peers to a comparison of all urban councils (a five-fold increase in peers). The more nuanced specification works against Cessnock somewhat because many urban councils have small cohorts of farmland (please note that the urban classification is dictated by the Commonwealth government schema). For example, the number of farm assessments at Cessnock (893) was well above the median (674). In addition, the inclusion of road lengths also tends to work against Cessnock because of the longer lengths relative to number of properties – it must be remembered that most urban local governments have far more high-density development. For example, Cessnock (955km of roads for 29,312 assessments) has been compared to Strathfield (87kms of roads for 18,218 assessments) – please be mindful that it is not

the length per se that causes distortion, but rather the length relative to number of properties. Furthermore, the expansion of the peer group exacerbates some of our earlier points, but also reduces any potential bias in the sample. In the penultimate section we will also examine the determinants of efficiency which will cast additional light on the operational constraints faced by Cessnock City Council.

It should also be noted that most of the measures of central tendency and spread for the DEA results are clustered towards the upper end of the distribution. Moreover, there is clearly a significant difference between Cessnock, the quartile 1 line, or the lowest relative performer.

We know that Cessnock is doing quite a bit of work to try to improve their relative technical efficiency further within the apparent constraints that they face. In the appendix to this report, we list the efficiency improvements that the council have come up with and provide our comment on same.

**Figure 11. Data Envelopment Analysis Efficiency, Local Intertemporal**



One of the difficulties with DEA, that we have already discussed, is that it measures a local government against the theoretical production possibility frontier, which may be different from actual results achieved. Accordingly, FDH analysis is also important to provide a more realistic picture of what is going on.

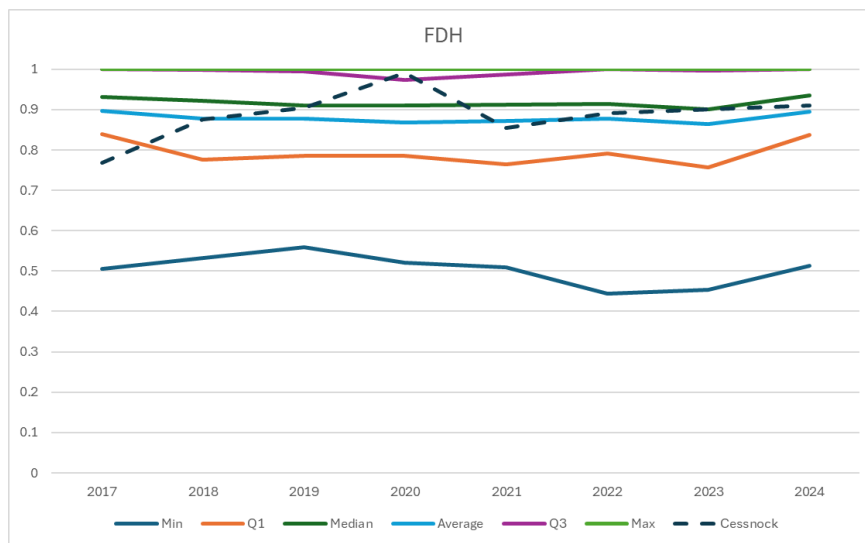
In Figure 12 we plot the more pragmatic FDH for Cessnock against the same measures of central tendency and spread. Under this specification Cessnock performs a little better and notably has had an upwards trajectory in efficiency since 2021. It should also be noted that for the last two years Cessnock has a relative



score of 0.9 (out of a possible 1), despite the unconditional nature of envelopment analysis.

We are optimistic that the commitments made by council detailed in the Appendix might move the relative efficiency up above the median in the future.

**Figure 12. Relative Technical Efficiency FDH, Local Intertemporal**



#### 4. Tax efficiency, Global Intertemporal.

Underlying much of the regulatory and community dialogue regarding special rate variations is a desire to get maximum 'bang for the buck' (value for the tax dollar). This is an entirely reasonable concern.

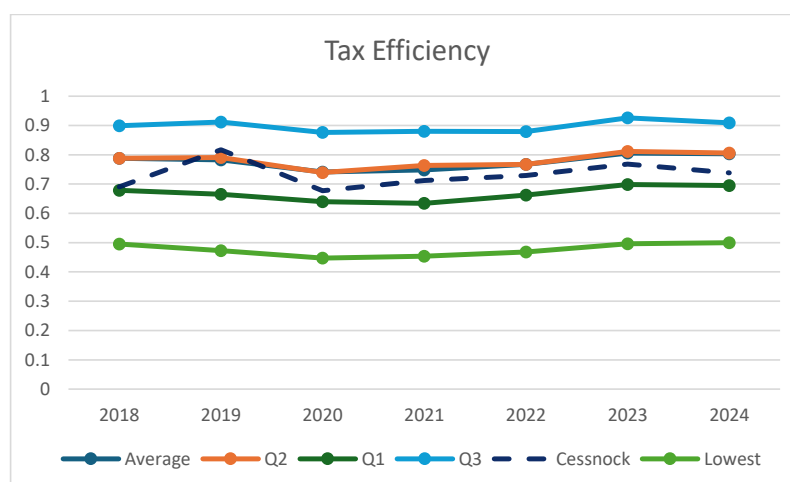
We can precisely measure the 'bang for the buck' by conducting FDH and replacing the factors of production with the single input of tax (rates) revenue. Thus, the specification would be:

Total taxation take (\$'000) → residential (no.) + farm (no.) + business (no.) + sealed roads (km) + unsealed roads (km).

For a tax efficiency analysis, it is also important to again conduct variable returns to scale, and bootstrap for maximum assurance (we used 10,000 repetitions).

Figure 13 illustrates tax efficiency over time compared to various measures of central tendency and spread. In most of the years under analysis, Cessnock is below the second quartile. This is a *prima facie* perplexing result, because our Capacity to Pay (CTP) Report clearly showed that Cessnock's total rate take was well-below typical levels. To understand this result people must remember a few facts: (i) that DEA is unconditional, (ii) that comparisons are being made against all urban councils according to the Australian Classification of Local Government schema, and (iii) that a tax efficiency analysis is focussed on the conversion of a single input (tax) into outputs. Thus, while taxes at Cessnock are indisputably on the low side, the conversion of these into outputs may look relatively poor if the environmental constraints at Cessnock mean that outputs consume more tax dollars because of their nature. Our earlier comments regarding road lengths and the like are clearly pertinent here.

**Figure 13. Tax Efficiency, 2018-2024 (global intertemporal).**



To make matters even more clear, we might consider population density. Thus, Cessnock with a population density of just over 34 people per squared kilometre, is at a significant cost conversion disadvantage when compared to the median (206.6) or third quartile (2,986.13). Economies of density are well-established in the scholarly literature, so these stark differences are clearly going to prove problematic in a naïve unconditional tax efficiency comparison.

Furthermore, population growth has been strongly linked to a deleterious effect on efficiency in the scholarly literature – not only because revenues from growth lag expenditure, but perhaps more importantly because new entrants come with new tastes for local government goods and services. In this regard, it is notable that Cessnock tends to attract people from the Sydney area which on-the-whole has a far wider scope and far higher standard of local goods and services. In addition, new entrants increase heterogeneity which has been shown to reduce efficiency (see, for example, Drew et al., 2024). Notably, population growth for Cessnock is only marginally lower than the third quartile, and almost three times higher than the mean.

In sum, it appears that Cessnock has relatively poor tax efficiency because the particular outputs of Cessnock are so starkly disadvantageous with respect to other councils classified as urban according to the national schema. This has clearly been exacerbated by growth and the heterogeneity that it elicits. Otherwise stated, Cessnock has a higher level of environmental constraint which means that all other things being equal, it will need a higher level of taxation relative to other local government areas in the same classification.

## 5. The Determinants of Efficiency

In this section we will attempt to empirically identify some of the key determinants of efficiency. This is an important matter to investigate because of some of the results of sophisticated evidence that might have run contrary to *prima facie* expectations; and also in view of the classification of Cessnock by federal authorities as urban, which some people may find odd. To identify the determinants of efficiency for NSW urban councils we conducted second-stage regression analysis – a sophisticated mathematical technique capable of identifying the mean response of a dependent variable (the regressand), to a number of independent variables (the regressors). The regressand for this particular exercise was the constant returns to scale efficiency scores derived from data envelopment analysis according to the following specification:

Staff (\$) + operating expenditure (\$) → residential (no.) + farm (no.) + business (no.) + sealed roads (km) + unsealed roads (km).

Constant returns to scale (CRS) scores were used as the regressand – readers may recall that VRS already controls for size effects and it is clear that using scores of this kind would not have allowed us to test size-related regressors. Against the regressand we tested likely potential determinants as derived from the scholarly literature (see for example, Drew et al, 2015a).

OLS regression was used, with the addition of year dummies to control for the periods under analysis. A fixed effects regression was not suitable given time-invariant (and almost time-invariant) regressors, and a random effects estimate was ruled out by an unfavourable Hausman test. We also included a dummy variable in response to the substantial evidence that amalgamation increased unit costs, *ceteris paribus* (see, for example, McQuestin et al., 2020; Drew et al., 2021; Drew et al., 2023).

The econometric analysis that follows can be specified as:

$$\mathbf{T} = \alpha + \beta_1 \mathbf{P} + \beta_2 \mathbf{X} + \mu.$$

In this specification  $\mathbf{T}$  (the dependent variable) is the constant returns to scale technical efficiency score for each council in each year,  $\mathbf{P}$  is a vector of relevant population data and  $\mathbf{X}$  is a vector of socio-demographic and local government characteristics.  $\mu$  ( $\mu$ ) is an independent identically distributed random error term. It should be noted that natural log transformations were executed where required to correct for skewed distributions, as detailed in Table 2. All standard econometric tests were conducted, and the residuals were confirmed to be near-normal in distribution (a critical assumption for valid statistical reasoning).

**Table 2. Definitions of Variables, 2018-2024**

<b>Variable</b>	<b>Definition</b>
<b>Rates</b>	
CRS TE	Relative technical efficiency, constant returns to scale
<b>Population</b>	
Pop (ln)	Natural log of the population for each local government area
Pop <sup>2</sup> (ln)	The square of the logged population
Density (ln)	Natural log of population density data for each local government area
<b>Controls</b>	
Median employee income	Median employee income (lagged), divided by 1,000
Aged	Proportion of people on an aged pension
Under 15	Proportion of people under the age of 15
DSP	Proportion of people on a Disability Support pension
Newstart (ln)	Proportion of people on a Newstart allowance, logged
Single (ln)	Proportion of people on a Single Parent pension, logged
IPPE (ln)	Natural log of the carrying value of infrastructure (\$'000)
Year	A dummy variable to control for the effect of different years
Amalgamation	A dummy variable to control for whether or not a council was amalgamated in 2016

We will not table the coefficients, standard errors and statistical significance of each regressor because recent experience has demonstrated to us that most end users find this very confusing. Instead, we will only discuss the sign of important variables which have met conventional statistical significance thresholds. We note that for the model overall it met all relevant statistical tests and had an appropriate level of explanatory power.

Only two relevant variables were statistically significant overall for urban councils, and both of these were at the highest level of certainty (the 1% level): aged persons and the proportion of people identifying as Aboriginal or Torres Strait Islander (ATSI).

For the urban cohort over the seven-year panel we found strong evidence that as the proportion of aged people increased, CRS efficiency decreased. This is problematic

for Cessnock because its aged cohort<sup>10</sup> numbered some 11.22 percent over the period, whilst the median for the remainder of the peer group was 9.64 percent, and the mean was 10.45 percent. Moreover, councils like Cessnock are disadvantaged twice – not only does this variable reduce the potential for efficiencies, but it also reduces revenue significantly as detailed in the *Capacity to Pay Report*. Otherwise stated, having a higher than typical aged pension cohort is clearly going to have an important deleterious impact on financial sustainability.

A higher proportion of people identifying as ATSI was also found to have a significant deleterious effect on efficiency for the entire cohort, consistent with the scholarly literature. This is important because the proportion of people at Cessnock who identify as ATSI was 10.2 percent according to the most recent census, compared to the median for the local government cohort of 3.65 percent, and a mean of 4.08 per cent. Indeed, the result for Cessnock was far higher than even the third quartile at 6.5 per cent.

Before closing this section, we would like to clarify that it is typical to have only a few statistically significant variables for a second-stage panel regression of FDH efficiency. This does not mean that other variables are not important, simply that we cannot say so, with respect to the whole urban cohort, with statistical certainty. However, the two variables that we can identify as unambiguous determinants of urban local government efficiency certainly suggest higher environmental constraints at Cessnock relative to the peer group. This underscores our earlier comments regarding the achievements of management for the local government area.

## **6. Recommendations**

IPART and the community have a reasonable expectation that as part of the SV process steps will be taken to make council as efficient as possible. We have previously shown that cost control is exceptional at Cessnock, and also that environmental constraints are formidable. However, there is always more that can be done – notwithstanding that our foregoing comments mean that future efficiency enhancements are likely to be immaterial to an SV.

Council staff have been working on a list of efficiencies that we include in the appendix. Part of the important work that we do is to assure IPART and the community around this and other matters (such as the long-term financial plan (LTFP)). Professor Drew has examined the list carefully with respect to both plausibility and materiality. He has also contacted managers to ask questions and provide guidance around the list. Furthermore, he has worked with senior management to explore a range of potential efficiencies drawing on both scholarly knowledge and his experience working with dozens of other councils. Otherwise stated, the list in the appendix has been assured and is thus a reliable indication of what council will be able to achieve.

---

<sup>10</sup> People receiving an aged pension.



In addition to this critical (albeit largely unseen) task described above we also provide our own list of efficiencies that we would encourage Councillors and management to implement as quickly as possible.

1. Future spending: reconsider future spending plans to remove some 'discretionary' items (the LTFP has already been adjusted to reflect this). Ensure all future spending decisions are made with specific reference to the LTFP, and only proceed if already included, fully funded, or matched with commensurate expenditure cuts. Carefully consider the wisdom of proceeding with discretionary spending even if putatively fully funded through grants – for example, a lot of the grants funding since COVID has been for non-core infrastructure that has entrenched fiscal illusion<sup>11</sup> and inflated unit costs going forward and might not have been prudent in hindsight.
2. Ensure that any future discretionary spending is supported by random surveys citing whole-of-life cost.
3. Reprice non-regulated fees and charges as quickly as possible. This is not just about additional revenue – which is clearly needed – but also orientated to improving equity and reducing consumption to economically efficient levels.
4. Related to the above, make greater efforts to more promptly recover outstanding rates, fees and charges. In our capacity to pay report we showed that councils with much higher revenue efforts had far lower outstanding rates and charges. It is essential that people pay for what they consume if we want economically efficient levels of consumption and effective price signals. Notably, IPART also requires us to report on our strategy related to this matter.
5. Carefully control staff expenditure with reference to the modelling and commentary provided in this report.
6. Actively encourage staff to use their outstanding level entitlements – especially long-service leave.
7. Make greater efforts on community education. The SV process is as start as are the videos we have been producing (and other videos that can be accessed from Professor Drew's YouTube site). However, we also need to be conveying more factual information to community in ways that they are likely to consume it. For instance, rates notices, should include facts on revenue, spending and the like and these should change each quarter. A second related example is price signalling – all receipts should include the cost paid by the resident as well as the quantum of the subsidy provided by council, where relevant. This includes things like swimming pool entry costs, library book borrowing receipts and the like. We simply cannot expect residents to

---

<sup>11</sup> Fiscal illusion is the economic term to describe the situation whereby citizens struggle to understand the true cost of the things that they consume, and by extension, the true state of financial sustainability. For example, if people see a new playground built they usually don't recognise that it might have been fully funded by a grant – instead they believe that their council must be doing well (are sustainable) and have more than sufficient revenues.

understand the financial sustainability situation of council if we do not provide them with information.

On financial sustainability more generally, Prof Drew has offered to work with Councillors for a day long (*pro bono*) workshop in the near future. In addition, the following recommendations seem apposite:

8. Councillors and senior (non-finance) staff should consider enrolling in an appropriate financial sustainability training course. UoN used to do day long courses of this kind and the UNE may offer similar in the future. Other providers might also exist.
9. Encourage neighbouring councils to also do the above course – there is a strong policy risk of future structural reforms. It would be devastating for the community at Cessnock to work hard on their own sustainability journey, only to be amalgamated with a neighbouring community who hadn't even taken the first steps.

We remind end-users of our assurance work for council originated efficiencies in the appendix. We commend this report to IPART and the community.

## References

- Australian Bureau of Statistics (ABS) (2022). *Regional population methodology*. Available at: <https://www.abs.gov.au/methodologies/regional-population-methodology/2021-22>
- Bevan, G. and Hood, C. (2006). What's Measured is What matters: Targets and Gaming in the English Public Health Care System. *Public Administration*, 84(3): 517-538.
- Bozeman, B. (2019). Public Values: Citizens' Perspective. *Public Management Review*, 21(6): 817-838.
- Coelli, T., Rao, D., O'Donnell, C. and Battese, G. (2005). *An Introduction to Efficiency and Productivity Analysis*. Springer: Singapore.
- Cooper, W., Seiford, L. and Tone, K. (2007). *Data Envelopment Analysis*. Springer: Singapore.
- Dollery, B. E., Wallis, J. L. and Allan, P. (2006). The Debate That Had to Happen But Never Did: The Changing Role of Australian Local Government. *Australian Journal of Political Science*, 41(4): 553-567.
- Drew, J. (2021). *Saving Local Government*. Springer Palgrave: Singapore.
- Drew, J. (2025). *Creating Human Value as Public Management Theory*. Routledge: London
- Drew, J. and Dollery B. (2014). Keeping It In-House – Households as an Alternative Proxy for Local Government Output. *Australian Journal of Public Administration*, 73(2): 235-246.
- Drew, J. and Dollery, B. (2015). Less Haste More Speed: The Fit for Future Reform Program in New South Wales Local Government. *Australian Journal of Public Administration*, 75(1): 78-88.
- Drew, J. and Dollery, B. (2017). The Price of Democracy? Political Representation Structure and Per Capita Expenditure in Victorian Local Government. *Urban Affairs Review*, 53(3): 522-538.
- Drew, J., Kortt, M. and Dollery, B. (2015a). Peas in a Pod: Are Efficient Municipalities Also Financially Sustainable? *Australian Accounting Review*, 77(26): 122-131.
- Drew, J., Kortt, M. and Dollery, B. (2015b). No Aladdin's Cave in New South Wales? Local Government Amalgamation, Scale Economies and Data Envelopment Specification. *Administration & Society*, DOI: 10.1177/0095399715581045.
- Drew, J., McQuestin, D., and Dollery, B. (2021). Did Amalgamation Make Local Government More Fit for the Future? *Australian Journal of Public Administration*, DOI: 10.1111/1467-8500.12530.
- Drew, J. McQuestin, D. and Dollery, B. (2023). Fiscal Outcomes Arising from Amalgamation: More Complex than Merely Economies of Scale. *Public Management Review*, <https://doi.org/10.1080/14719037.2023.2174586>

Drew, J., Miyazaki, M., and McQuestin, D. (2024). Does Inequality Still Matter? Income Heterogeneity and Local Government Expenditure. *The Economic Record*, Accepted 17/4/24. doi: 10.1111/1475-4932.12812

Drew, J., Razin, E. and Andrews, R. (2018). Rhetoric in Municipal Amalgamations: A Comparative Analysis. *Local Government Studies*, doi:10.1080/03003930.2018.1530657.

Fenwick, C. (1920). Democracy and Efficient Government – Lessons of the War. *American Political Science Review*, 14(4): 565-586.

Ferguson, C. E. (1972). *Microeconomic Theory*. Richard D. Irwin: Homewood Illinois (Third Edition).

Friedman, M. (1993). *Why Government is the Problem*. Hoover Essays: Stanford.

McQuestin, D., Miyazaki, M. and Drew, J. (2020). Do Amalgamations Make a Difference? What We Can Learn from Evaluating the Policy Success of a Large Scale Forced Amalgamation, *Public Administration Quarterly*, 45(3): 278-298.

O'Flynn, J. (2007). From New Public Management to Public Value: Paradigmatic Change and managerial Implications. *Australian Journal of Public Administration*, 66(3): 353-366.

# Cessnock Council Liabilities Capacity Report

## **Disclaimer**

*This Report was prepared by Professor Drew and Professor Miyazaki on behalf of Professor Joseph Drew Pty Ltd. The work herein has also been independently assured by Professor Yunji Kim from Seoul National University. This Report was produced in a strictly independent manner and the opinions expressed in the Report are thus exclusively the views of its authors and do not necessarily coincide with the views of the local government or any other body. The information provided in this Report may be reproduced for media review, quotation in literature, or non-commercial purposes, subject to the inclusion of acknowledgement of the source and provided no commercial use or sale of the material occurs.*

*The information contained herein is believed to be reliable and accurate. However, no guarantee is given as to its accuracy or reliability, and no responsibility or liability for any information, opinions, or commentary contained herein, or for any consequences of its use, will be accepted by Professor Joseph Drew Pty Ltd, or by any person involved in the preparation of this report.*

## **Cessnock Council Liabilities Capacity Report**

### **Executive Summary**

*This report commences with a review of the metric endorsed by the NSW Government, before turning to a consideration of more sensible and robust measures of liability capacity. On the basis of the evidence presented in this report there can be no reasonable doubt that Cessnock has no meaningful capacity for additional debt. When we consider that Cessnock City Council also has relatively high levels of implicit debt – constantly being exacerbated by growth pressures – then the situation that confronts us can only reasonably be described as ‘grave’. It is thus essential that the proposed Special Variation (SV) be approved and implemented without further delay.*

### **1. Introduction**

The relationship between debt and financial sustainability is a profoundly misunderstood concept for most key stakeholders (see, for instance, some of the surprising comments in Comrie, 2014). People often confuse debt as a source of revenue, when it is indeed nothing of the kind. Debt is merely a way to bring forward future revenues. Moreover, when we access future revenues through debt, the act comes at significant cost – finance institution fees, as well as interest charges. Furthermore, bringing forward revenues in this manner introduces considerable constraints on the decision-making calculus of future ratepayers.

Intergenerational equity should be a major concern when contemplating the drawing down of debt, or indeed the accrual of liabilities conceived more broadly. When we bring forward future revenues, we effectively commit a future generation of ratepayers to funding goods or services that we will, at least partly, consume in the present. Being able to commit other, voiceless, people to pay for our current spending clearly opens up a significant moral hazard.

Ironically, many commentators – such as the aforementioned Comrie, and the Independent Local Government Review Panel’s (ILGRP’s) Sansom (2013) – have tried to assert that debt is required for intergenerational equity. Commentary of this sort is convenient for (state and some local government) politicians who may wish to clear backlogs or avoid increasing taxes for short term political gain. However, arguments in favour of debt routinely neglect the fact that our generation was bequeathed most of its public infrastructure completely unencumbered – it also ignores a palpable level of debt bias.

As the Nobel laureate James Buchanan (1997) observed debt bias is a completely rational decision for older residents because in many cases it is unlikely that they will remain taxpayers long enough to pay their fair share of the debt. Moreover, as we have already touched upon, debt allows politicians to deliver popular public goods and services without the inconvenience of asking current taxpayers to pay for same.



When one considers the typical age of our politicians it is easy to understand the eye-watering national and state government debts in Australia.

Notably, in the past, politicians were extremely debt averse because they saw the imposition of burdens on a future generation as a profound moral issue. Indeed, it was generally believed that to 'spend borrowed funds on ordinary items for public consumption was, quite simply beyond the pale of acceptable political behaviour' (Buchanan, 1997, p. 119). Furthermore, politicians were alert to the risk of ballooning debts – especially in the presence of structural budget deficits – with Roosevelt famously observing that 'any family can for a year spend a little more than it earns....but you and I know that a continuation of that habit means the poorhouse' (cited in Borna and Mantriprgada, 1989, p. 38). However, worsening financial sustainability circumstances, exacerbated by constraints or fear to levy a reasonable taxation effort, means that debt sadly has to be a real consideration.

Debt *might* be morally licit under certain strict parameters, notwithstanding the fact that it is rarely a preferable state of affairs (as is sometimes naively argued by people; especially those with vested interests). Drew (2021) has employed economic and moral theory, to establish six rules that should be observed for public debt to be considered morally defensible:

1. Debt must be only taken out for capital expenditure and not operational expenditure. By definition operational expenditure refers to goods and services that will be fully consumed within twelve months. It can never be considered morally licit to force others to pay for what we have already consumed.
2. The asset financed through debt must have a long and predictable life. Unfortunately, governments tend to experience considerable difficulty in estimating the useful lives of assets, and this condition thus warrants careful attention. At a minimum, the real useful life of the asset should at least be equal to the term of the prospective loan.
3. The asset must constitute something that future generations are likely to value. Because future ratepayers will be forced to pay for a component of the said asset, we must give careful consideration to whether they will be able to extract any value from it. Particular attention should be given to infrastructure that might become redundant (due to changes in technology), as well as *prima facie* vanity projects (statues and the like).
4. Debt must be assumed for good moral reasons. As we have seen, debt bias is not a good moral reason, and nor is a misapprehension that local government ought to engage in fiscal stimulus programs.<sup>1</sup>
5. Repayments must at least be equal to the rate of consumption of the asset and be quarantined in future budgets. Otherwise stated, repayments should at

---

<sup>1</sup> Many economists are not convinced that fiscal stimulus is either effective or moral (see Buchanan, 1997; Drew, 2021). In addition, fiscal stimulus is best conducted by a tier of government with an appropriate scale of resources and at least a little influence over monetary policy.

least equal the projected level of depreciation. Budgets should mark this money as committed so that it is not used to fund other projects (especially discretionary projects).

6. Repayments must involve sacrifice so that a *quid pro quo* is established. This means that taxes or fees should be increased to generate additional revenue commensurate with the required repayments<sup>2</sup>, or that cuts should be made to discretionary expenditure elsewhere in the budget.

Even if these rules are observed, a number of problems persist. These problems include: (i) the fact that debt (or better still, entire liability) capacity must be precisely known; (ii) the general absence of debt products whereby the term is consistent with the expected life of the asset<sup>3</sup> (such as buildings that might be expected to survive a century or more); (iii) the problems of accurately estimating the useful life – especially for long-lived assets (see, for example, Drew and Dollery, 2015).

To fully appreciate the aforementioned debt rules, it is helpful to consider matters from the perspective of the personal budget metaphor. This thinking device is an instantiation of the rhetorical trope of *kal vahomer* which asserts that we should at least apply the same standards to weighty matters as we do to 'lighter' ones.

In our personal finances, most of us would recoil from taking on large debts for frivolous items or experiences of a transitory nature, such as holidays. We, and our bank manager, would also wish to receive assurance that our incomes were large enough to service the debt – including in a scenario whereby interest rates rose<sup>4</sup> (typically the commercial banking sector insists that incomes are at least three-times larger than projected repayments and that there is also a sufficient cushion when non-discretionary expenditures are accounted for). In addition, when we take out loans in our personal lives, we expect that repayments will commence more or less immediately, and that we personally will be responsible for meeting the repayments (not our children, grandchildren, or perfect strangers). We also usually acknowledge that the repayments will come with some sort of sacrifice – we might need to take on a second job or eschew luxuries.

It would be prudent to exercise at least the same sort of caution when it comes to public debt – and the debt rules that we set forth earlier will assist council in this regard.

Further complicating matters is the fact that formal debt is only part of the story. Local governments are also obligated on a range of liabilities that are just as binding as explicit bank loans or the like. A notable example are employee benefits which are legally protected. Moreover, different councils have different liability profiles because of either deliberate strategies or happenstance. A failure to consider the

---

<sup>2</sup> This is precisely what some councils have done in the past for major capital projects.

<sup>3</sup> The absence of a suitable debt vehicle means that a local government may be exposed to rate risk at regular intervals when a new loan needs to be negotiated.

<sup>4</sup> Sovereign bond markets are starting to become extremely volatile as the amount of global debt outstrips demand. The projected ongoing and rapidly growing deficits of most developed nations suggests significant rate risk on the upside unless fiscal constraint and the courage to charge taxation commensurate with spending promises emerges shortly.

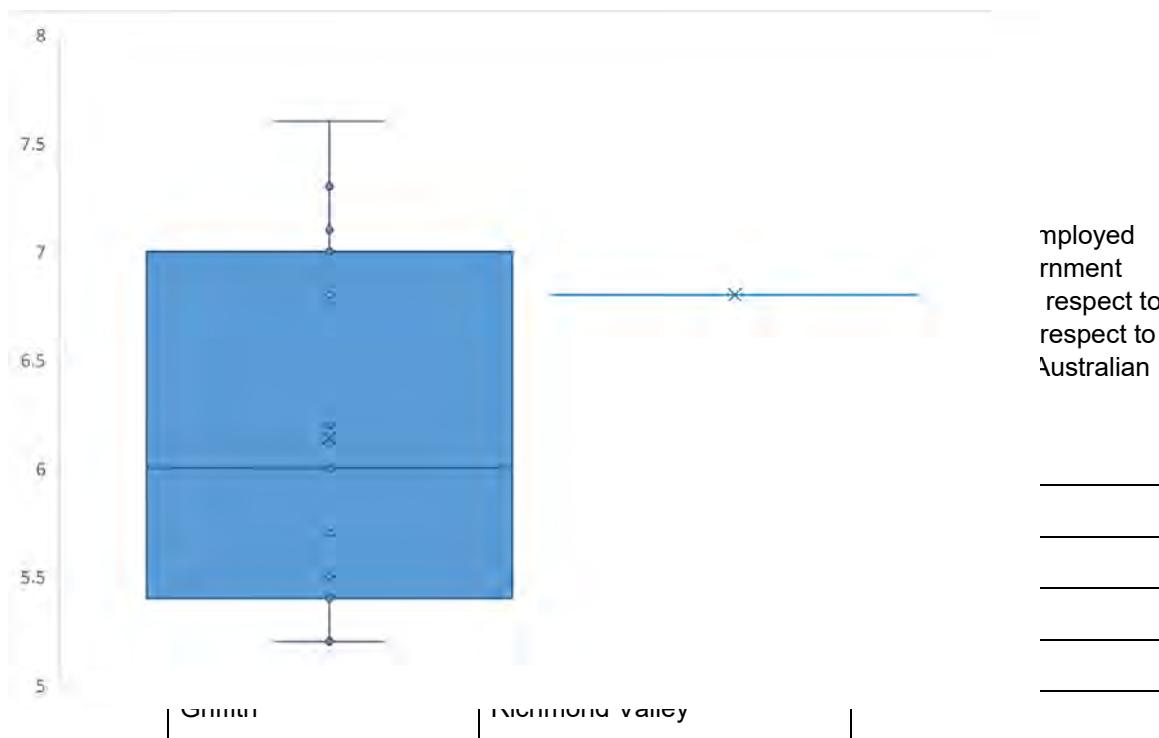
broader suite of liabilities – which often dwarf the scale of explicit bank loans – could easily result in poor decisions, and potentially imperil a community’s sustainability. Indeed, the extant ratios used in New South Wales fail to acknowledge this crucial point and therefore fail to contribute meaningfully to an evaluation of financial sustainability. The key output of this report redresses this serious oversight in the regulatory metrics and thus provides critically important information to decision-makers contemplating the sustainability of Cessnock City Council.

We also need to be mindful of the backdrop of implicit debt when considering liabilities and liability capacity. This matter is serious for Cessnock and represents the main reason for the proposed SV. We simply must get deferred works on roads and bridges done before the infrastructure fails entirely and results in an eight-fold or more increase to costs (not to mention the potential public safety risk). We will not go into more detail in this report because the matter was already dealt with substantially in both the University of Newcastle *Financial Sustainability Review* and the *Capacity to Pay Report*. However, cognisance of the pressing issue of implicit liabilities at Cessnock City Council is essential to a proper understanding of why council should be very careful around even approaching its liabilities capacity level<sup>5</sup>.

The remainder of this report is dedicated to carefully exploring the explicit debt and liability capacity of Cessnock City Council. In the section that follows we will review two of the principal debt ratios used in the sector, with respect to the peer group of similar councils employed throughout all of these reports. Thereafter, we will conduct sophisticated empirical analysis that redresses most of the insufficiencies of crude ratio analysis. We also compare the typical liabilities capacity predicted by our econometric work, with respect to the current loads of council. We conclude with our recommendations regarding debt, financial sustainability, and the necessary special rate variation.

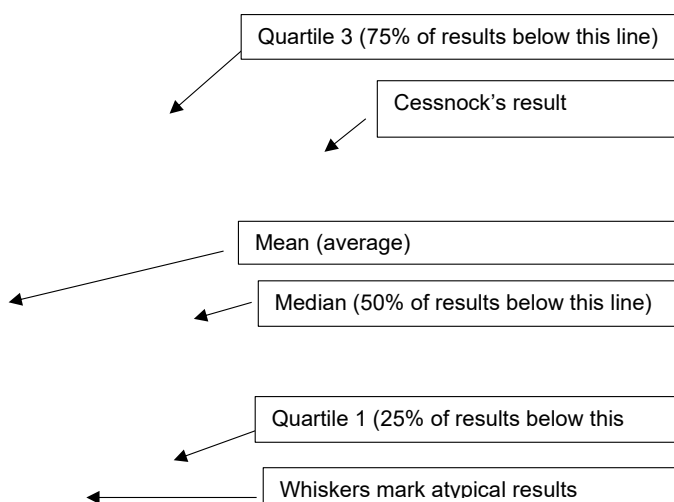
---

<sup>5</sup> That is, Cessnock has a significant level of implicit liabilities already which has the potential to dwarf its explicit obligations. Given this problem, which seems to be of a scale larger than most councils, it would clearly be wise to exercise utmost caution in approaching the explicit liability capacity.



The ratios that follow are presented as box and whisker plots which are the best way of making judgements around relative performance with respect to typical outcomes and spread of same. Figure 1 provides a reminder of how to read these.

**Figure 1. Interpreting Box and Whisker Plots**



All of the regulators in Australia employ debt ratios, of one species or another, to try to measure the capacity of local governments to service their borrowings. However, in most cases the ratios have been directly imported from the corporate world with little thought given to the vastly different operating environment faced by local governments in this nation. The most important difference is that debt, and leverage, in the corporate world is a way to amplify profits because most debt is used to purchase income generating assets. By contrast debt in local government tends to be for assets that not only fail to generate profits, but also typically come with substantial ongoing maintenance costs (for example, roads). For this reason, it is inappropriate to directly import ratios from the commercial world and the benchmarks used there have little relevance (clearly benchmarks for the government sector ought to be far lower than those for commercial operations).

Indeed, the revenue collection patterns in the corporate and local government sector also differ considerably. Typically, revenue in corporate enterprises flows in on a daily basis. By contrast revenue in local government is lumpy – quarterly taxation receipts, as well as infrequent or annual grant flows. This is yet another reason why most ratios abjectly fail to measure the true debt capacity of councils (especially when the quarters do not map neatly onto financial years).

The use of crude ratios is further ill-advised because this method of analysis only accommodates a very limited suite of variables.

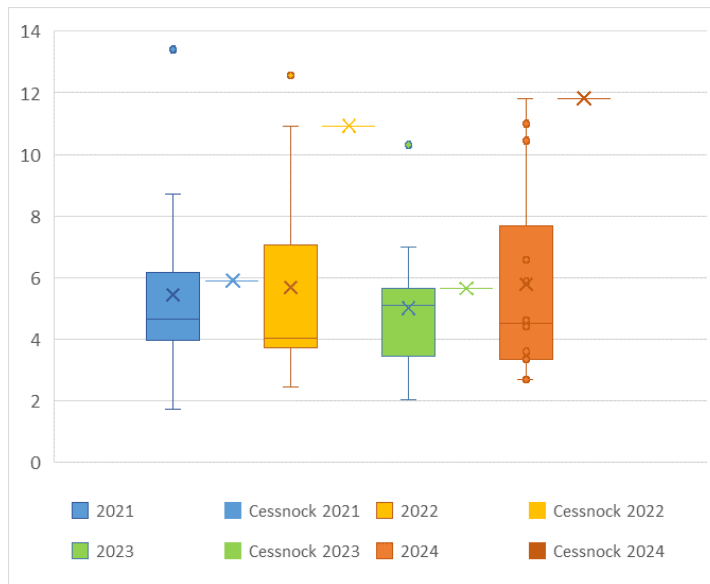
The overall outcome of the many serious deficiencies associated with debt ratio analysis is that end-users stand a high chance of being fundamentally misled (Drew and Dollery, 2015).

The Debt Service ratio, used in New South Wales, is a perfect exemplar of our criticisms. This metric divides earnings before interest, taxation, depreciation, and amortisation (EBITDA) by the sum of principal repayments and borrowing costs. A ratio of this kind *might* make sense in the corporate world where there is a clear nexus between debt and revenue generation (and hence profits) but makes absolutely no sense for the local government sector. In addition, there are a number of other reasons to doubt the wisdom of using a metric of this kind. For instance, the ratio perversely penalises Councils for making additional repayments, even though doing so is often a feature of good capital management. Indeed, the ratio has been used in the past to try to argue that Councils with zero debt were somehow financially 'unfit' for the future. Second, the numerator is likely to be distorted in a rate cap environment because it is rarely representative of actual capacity to pay (see our Capacity to Pay Report). Third, the ratio only takes account of a small portion of total explicit liabilities.

It should be very clear that the ratio is not fit for purpose given that it routinely fails to identify Councils suffering fiscal distress – in fact, there were just twenty-four instances of urban councils (16 unique councils) which failed to meet the benchmark (2.0) over the last five years, and this figure notably excluded Councils subsequently placed into administration. It would thus be unreasonable to place any assurance around meeting this arbitrary benchmark for an entirely unsuitable ratio.

In Figure 2 we present the NSW debt service ratio metric which putatively measures debt capacity. The results over the last four financial years seem to suggest that Cessnock has plenty of untapped debt capacity – indeed, almost the entire cohort seems to have additional debt capacity by this flawed metric. This suggestion could hardly be further from the truth, given that at least three of the peer group are experiencing significant and chronic financial distress. Figure 2 also seems to imply that Cessnock has even greater capacity than most in the peer group – finishing as the highest council in 2024 and at the limit of the top whisker in 2022. As we will see later in this report, this suggestion is completely wrong – Councillors and other decision-makers would do well to ignore this metric entirely given its obvious potential to profoundly mislead.

**Figure 2. Debt Service Ratio**



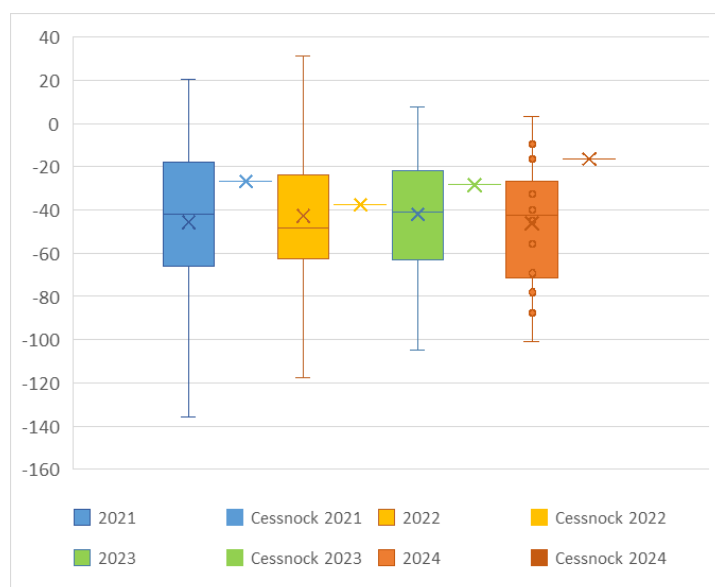
A much better, but still flawed, ratio is the nett financial liabilities metric which is used in most of the other states according to various alternate specifications. The denominator for this ratio – revenue less capital grants – better reflects how debt is actually serviced (from free revenue flows). The numerator – total liabilities less current assets – better reflects prudent capital management practices.

However, the ratio is still marred by at least two problems. First, analysis is restricted to a single year, and it is clear from recent events (such as the coronavirus pandemic) that atypical data might easily mislead end-users. Second, the nett financial liabilities ratio ignores actual revenue capacity which is a crucial flaw when applied in a long-standing rate cap regime.



Figure 3 details the nett financial liabilities (NFL) ratio result for Cessnock relative to the fourteen peer councils for the last four financial years. It should be noted that in this particular specification of the NFL ratio a more negative result is the most desirable outcome. Thus, according to this much more sensible metric Cessnock is currently in the worst quartile of performance after having previously been well below average in the three preceding years. Indeed, recent approved borrowings at Cessnock will have deteriorated this absolute position even further. There is thus good reason to be concerned – especially if we also pause to consider the large implicit debts at council.

**Figure 3. Nett Financial Liabilities**



There is little point in trying to reconcile these two diametrically opposed readings from these two crude ratios. This is because the NSW debt service cover ratio is completely flawed. The nett financial liabilities ratio is certainly relatively better and hence more likely to provide a sensible guide – however, as we stated earlier, it is still less than competent.

To understand what ought to be done to accurately ascertain liability capacity one would be well-advised to reflect on the personal budget metaphor again. {The lead author of this report used to be an executive in a commercial bank and is therefore well acquainted with lending protocol}. There are three main things that a bank will ask if a person applies for a loan (i) the number of parties to the loan, (ii) the incomes of the parties, and (iii) the length of time that they have held their job. (The third criterion is about trying to understand the likelihood that incomes might change in the future – due to unemployment or a career change – and is thus not applicable to

government (where revenue is largely guaranteed by punitive provisions in the Act (1993, NSW)). Therefore, for the case of local government the main factors in question are the number of parties (assessable properties) and the incomes of the ratepayers. Indeed, the scholarly literature has, in fact, illustrated an econometric approach to the question of ascertaining debt capacity, using precisely these data inputs (see, for instance, Ramsay et al., 1988; Levine et al., 2013).

Accordingly, in the section that follows we outline our empirical approach to a more precise determination of liability capacity with respect to the scholarly precedent.

### **3. Liabilities Capacity Modelling**

In this section we conduct a multiple regression analysis on a seven-year panel principally derived from the audited financial statements of all urban councils in NSW, augmented by Office of Local Government (OLG) data.

In econometrics we use sophisticated mathematics along with robust statistical reasoning to first establish a formula that best describes the mean response of the dependent variable (in this case, total liabilities), to a number of relevant independent variables. We can then insert the precise values, for the Cessnock local government area, into the equation that we derive and use this to predict the liability capacity that would be expected *if council were exerting a typical revenue effort*.

Regression has a number of advantages over other potential methods. First, it allows us to take account of all of the important variables known to affect liability capacity simultaneously. In particular, it allows us to properly account for the number of assessments, as well as the incomes of the ratepayers. A second advantage of regression is that panel methods can allow us to ascertain matters over multiple years and thus mitigate any distortions that may have arisen if a given year were atypical. In addition, regression allows economists to make *ceteris paribus* claims – that is, precisely understand statistical associations between the regressand and regressors, holding all other things constant.

Readers should be aware that the professors who have authored this report are extremely experienced scholars, with a combined output topping over a hundred works, which have been cited thousands of times by their scholarly peers. Indeed, the lead author is an editor for one of the best empirical journals overseas. They are thus some of the best in the world, and routinely conduct far more sophisticated empirical analysis than even econometrics.

Econometrics is based on a strong body of theory developed over centuries, and is something that students study at both the undergraduate and graduate levels. Typically, to become an econometrician one studies at least a bachelor's degree (three years), followed by a two-year master's. All of the professors involved in this present work hold doctorates in the field (the highest qualification available from universities), and all have successfully taught postgraduates at the highest level. For readers interested in further information on econometrics, we refer them to the introductory works of Wooldridge (2006) or Kennedy (2003).

As noted, the econometric work is considerably broader than the earlier ratio analysis, because it employs the entire cohort of urban councils (rather than merely the same OLG group) for the entire liability burden and goes back seven years with respect to the data.

The final model specification that we employ in our analysis can be expressed as follows:

$$\mathbf{B}_{it} = \alpha_i + \beta_1 \mathbf{A}_{it} + \beta_2 \mathbf{X}_{it} + \mu_{it} \quad t = 1..7$$

Where **B** is the total liabilities, **A** is the disaggregated assessment data, **X** is a vector of relevant economic and demographic data for particular local government areas at specific times and **μ** is an idiosyncratic error term. The subscript *it* refers to the *i*<sup>th</sup> council entity and the *t*<sup>th</sup> year. Log transformations were employed to counter skewness when econometric diagnostic tests revealed the need to do so. We also conducted and satisfied all other relevant diagnostic tests. Table 2 provides the definition for each variable. It should be noted that for this particular econometric exercise we used standard OLS regression with year dummy variables. We elected to do so because fixed-effects is not an appropriate technique when the key data is almost time-invariant (it is known to provide biased estimates in these cases) – in addition, a random-effects model failed the well-known Hausman test and was therefore also not appropriate.

**Table 2: Definitions and Means of Variables, 2018-2024**

Variable	Definition
<b>Debt</b>	
Liabilities	Total explicit liabilities (\$'000)
<b>Assessments</b>	
Residential (ln)	Number of residential assessments, logged
Farm	Number of farm assessments, divided by 100
Business (ln)	Number of business assessments, logged
<b>Controls</b>	
Median employee income	Median employee income (lagged), divided by 1,000
Aged (ln)	Proportion of people on an aged pension, logged
DSP	Proportion of people on a disability support pension
Newstart (ln)	Proportion of people on a Newstart allowance, logged
Carer	Proportion of people on a carers' pension
Single (ln)	Proportion of people on a single parent pension, logged

Total Operating Grants    The total value of non-capital grants, logged (ln)

---

We have not tabled the coefficients, standard errors and statistical significance of each regressor because recent experience has demonstrated to us that most end users find this very confusing. Instead, we will only discuss the excess liability capacity for Cessnock based on the formula derived from all urban NSW local governments, with predictions according to the particular characteristics of Cessnock City Council.

**Table 3. Additional Liability Capacity, Cessnock, 2021-2024 (\$'000)**

Year	Additional Liability Capacity	Additional Capacity (%)
2022	42,702.9	77.4%
2023	42,639.6	66.3%
2024	32,867.3	38.8%

It seems, on the face of things, that Cessnock City Council might have had significant capacity to borrow more money over the last three years. However, we remind readers that these figures must be interpreted in cognisance of the massive implicit debt burden at Cessnock – this burden actually dwarfs the additional capacity predicted by the model (for instance, the draft financial statements for 30<sup>th</sup> June 2025 state an estimated cost to bring extant assets to a satisfactory standard of over \$47 million).

In addition, during the most recent financial year Council has had to take out debt for important projects as well as to redress some of the imposing infrastructure backlogs. Other liabilities have also grown substantially – including contract liabilities and payables. The result is that for the 30<sup>th</sup> June 2025, total liabilities had grown from the previous year by over thirty-one percent, which is a sobering statistic. Indeed, the total liabilities for the 2025 financial year were just a few percentage points below the capacity predicted by our sophisticated empirical model.

What we are seeing at Cessnock City Council is the typical pattern of events for a council that has endured a lengthy period of financial *unsustainability*. Implicit liabilities are now being converted into explicit liabilities and other liabilities are accumulating at concerning rates of change. Council is now very close to its liability capacity calculated under the assumption of a typical revenue effort – but we know from the *Capacity to Pay Report* that Cessnock is not indeed exerting anywhere near this effort. This means that without urgent corrective action the sustainability of council is likely to deteriorate to a condition from which only drastic actions will be feasible. For this reason, we urge Council, the community and IPART to support an SV along the levels previously recommended in our *Capacity to Pay Report*. However, we caution that this alone will not be sufficient – fees and charges will

need to be revised prudently so that they cover actual costs of providing the goods and services, new discretionary works will need to be re-thought, postponed or abandoned, and the efficiency measures articulated in our Efficiency Report should be adopted as quickly as possible. Furthermore, a second SV in the last half of the LTTP will almost certainly be required (see our Draft Financial Statements and LTTP Analysis report).



#### **4. Conclusion and Recommendations**

It is clear that Council and management have been profoundly misled by the flawed debt ratio mandated by the NSW state government. Other ratio analysis, as well as our sophisticated empirical modelling, make clear that Council does not have capacity for additional borrowings unless taxation revenues increase significantly. Moreover, the imposing burden of implicit liabilities have clearly reached a point where they are now apparently being converted into explicit liabilities.

We note that TCorp as recently as April 2025 came to a similar conclusion writing that:

*Consequently, to provide a loan, TCorp would require Council to address the financial sustainability of the Council and substantially increase recurrent revenue. TCorp is happy to reconsider the loan request once council has progressed its strategy towards financial sustainability.*

Thus, it is abundantly clear that an SV is urgently required. It is unfortunate that Councillors and Management were misled by flawed metrics in the past and that rates had not been increased to at least typical levels many years (or decades) ago. We commend this report to all stakeholders and emphasise the urgency of prudent action.

### **References**

- Borna, S., and Mantriprgada, K. (1989). Morality of Public Deficits: A Historical Perspective. *Public Budgeting and Finance*, Spring 1999: 33-46.
- Buchanan, J. (1997). The Balanced Budget Amendment: Clarifying the Arguments. *Public Choice*, 90: 117-138.
- Comrie, J. (2014). *Debt is Not a Dirty Word: Role and Use of Debt in Local Government*. Australian Centre of Excellence for Local Government: Sydney.
- Dollery, B. E., Crase, L., and Johnson, A. (2006). *Australian Local Government Economics*. University of New South Wales Press: Sydney.
- Drew, J. (2021). *Saving Local Government*. Springer: Singapore.
- Drew, J., and Campbell, N. (2016). Autopsy of Municipal Failure: The Case of Central Darling Shire. *Australasian Journal of Regional Science*, 22(1): 81-104.
- Drew, J., and Dollery, B. E. (2015). Inconsistent Depreciation Practice and Public Policymaking: Local Government Reform in New South Wales. *Australian Accounting Review*, 25(1): 28-37.
- Kennedy, P. (2003). *A Guide to Econometrics*. MIT Press: Cambridge.
- Levine, H., Justice, J., and Scorsone, E. (2013). *Handbook of Local Government Fiscal Health*. Jones & Bartlett Learning: Burlington.
- Ramsay, J., Gritz, T., and Hackbart, M. (1988). State Approaches to Debt Capacity Assessment: A Further Evaluation. *International Journal of Public Administration*, 11(2): 227-238.
- Selby, E. (1941). *Local Government Practice*. Butterworth and Co.: Sydney.
- Wooldridge, J. (2006). *Introductory Econometrics: A Modern Approach*. Thomson: Ohio, USA.