



Saitama University

255 Shimo-Okubo, Sakura-ku, Saitama City, 338-8570, Japan

Dear Councillors, Community and Staff,

I have reviewed the reports on Capacity to Pay, Liabilities Capacity, Efficiency, and the Assurance work for the Long-Term Financial Plan.

My conclusion on the basis of this evidence is that things are even more dire than had appeared earlier. The Special Variation, simply must proceed as proposed for the community to even have the chance of making the required journey back to financial sustainability.

The Capacity to Pay report makes it even clearer that Cessnock has been paying below expected levels of rates for at least seven years. It is beyond doubt that foregone revenue over this period has been immense and a major reason for the current predicament. The revenue effort work supports the panel regression findings that really are beyond reasonable doubt. However, I am concerned about the base rates and suggest that they are frozen as a first step. I am also concerned about distributive equity – on the basis of the information in the report it would be hard to argue that this doesn't require work – however this will take time and isn't a discussion to be having concurrently with a SV.

The Liabilities Capacity report makes clear that Cessnock cannot be comfortable about borrowing more money, especially given that provisions and other liabilities are likely to continue to grow. However, despite this lack of capacity, Prof Drew's careful review of the LTFP suggests that short term borrowing may still be necessary to maintain adequate liquidity – it is certainly not desirable, but likely necessary. I think that it is regrettable that the NSW state government has not used competent performance metrics in the past, as it seems to have contributed to some regrettable decisions.

With respect to efficiency, the council has had exceptional cost control over many years and it is clear that things would be much worse than they are were this not the case. The senior staff deserve recognition for their efforts. However, the foregone revenue that I noted in my summary of capacity to pay – along with massive cost pressures arising from growth – mean that Cessnock council is now faced with a serious dilemma. I am surprised that the state and central governments in Australia have not done more to mitigate the expenses to council associated with new housing – after all, these problems are mostly the results of their policies, not the councils. Further efficiencies will be required and the suggestions made in the report seem sound to me.

The assurance report on the LTFP made for sobering reading. Everyone needs to understand how serious matters are. It is apparent that the SV will only be a small part of the journey to sustainability. Fees will need to go up, services be reduced in quality or quantity, developer work renegotiated or abandoned, some existing spending plans abandoned, a second SV likely, and many other painful decisions.

The community need to understand that the facts exist independent of how we might feel about them. The community also need to understand that this problem has clearly been growing over many decades. I do not feel it would be reasonable to cast blame about to current Councillors or staff who might not have had much –



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if anything – to do with this present predicament. In fact, it took courage for Councillors and senior management to engage our team in the first place – given Professor Drew's widespread reputation for rigorous work and the pursuit of truth: if they had wished to hide something from you, they would have been better served to have engaged commercial consultants.

I am told that Professor Drew has personally offered to continue to work with your councillors at no cost in their search for other remedies for your sustainability problems. I know that Prof Drew did more on this engagement than he has done previously for any community, stuck to the price quoted by the university (even though his costs to do it privately were higher than a university would have incurred), and devoted thousands of hours to the project despite ill health. It does cost money for this kind of work because it takes many months to complete – but I note now that everyone has a much better appreciation for the situation that they are in than they had at the beginning of the year and I think this in itself has more than outweighed the pecuniary cost. It is a pity we had not been called in a decade or more ago.

I know the reports and presentations may come as a shock to some and that this might prompt people to anger. Please don't react in this way – we need to do what is best for the entire community, your children and grandchildren. I ask you therefore to carefully consider my advice.

Your Sincerely,

Professor Masato Miyazaki

Saitama University

14/10/2025