

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.

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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 20th 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 (3rd July, 2025) and the Australian Broadcasting Corporation (16th of April, 2025). The University report has been available on the Cessnock City Council website since 1st May, 2025.

Council voted to engage Professor Joseph Drew Pty Ltd and his team of three additional professors to progress work on 16th April, 2025 and the engagement commenced 21st 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 4th 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 21st 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 2nd December.
2. Delivered between the 3rd and 4th of December
3. Additional online presentation 1600 on the 9th 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 9th 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 1,278¹ 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 matter².

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.

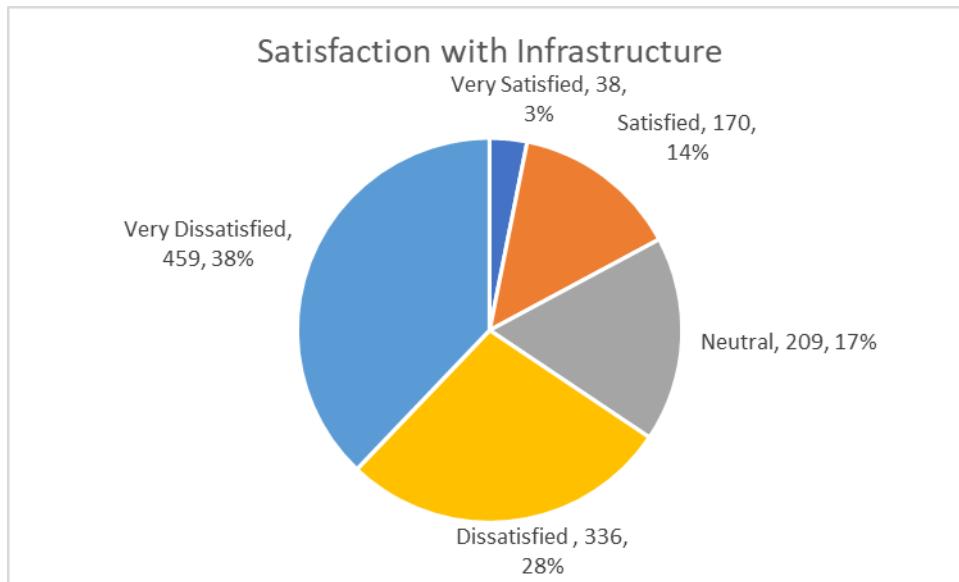
- 1. How satisfied are you with the standard of maintenance of Council infrastructure (for example roads, bridges, footpaths, buildings, parks)?*

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).

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

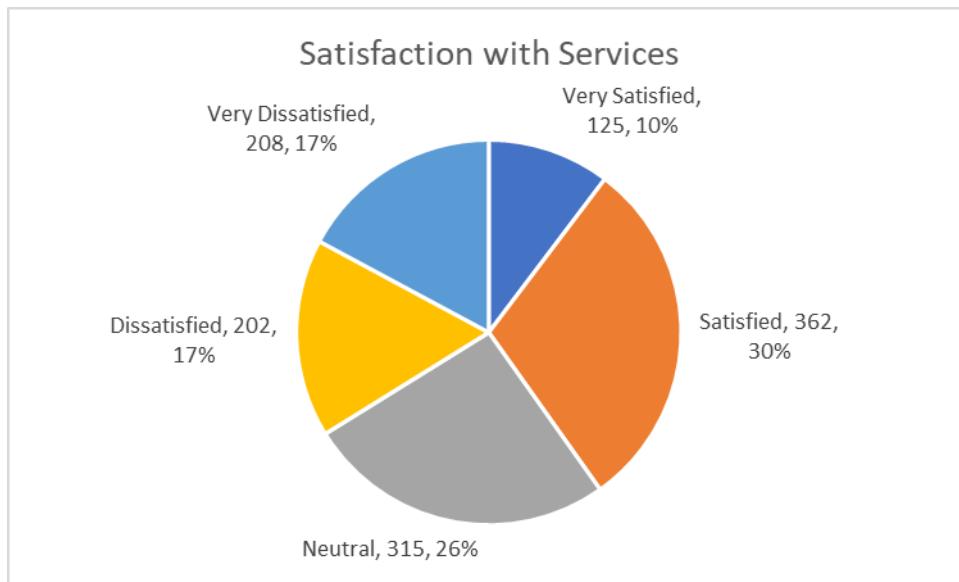
² We note that this proposition – that people with strong opinions would complete surveys and/or attend meetings – was asserted by the NSW State Government during the Boundary Reforms in 2016 and apparently accepted by the Courts in a review of procedural fairness – see for instance, NSW Government in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

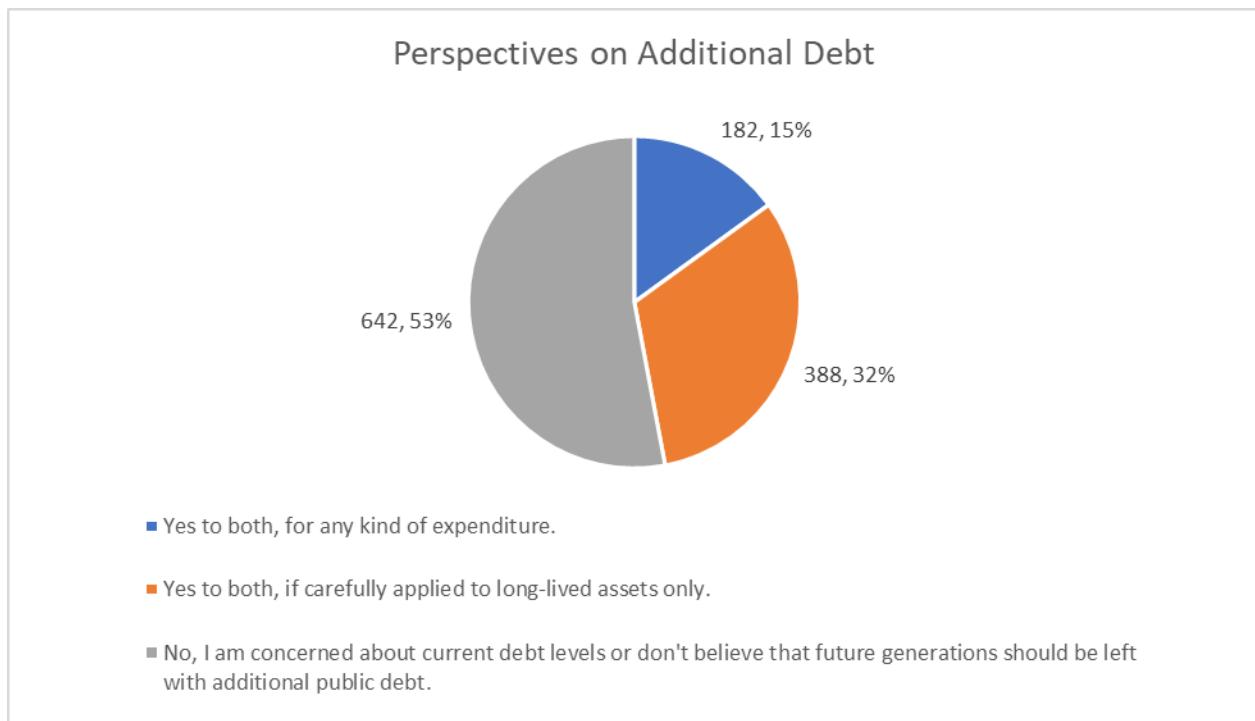
The results for this question were starkly at odds with Question 1, and *inter alia* a strong testament to the dedication and professionalism of customer facing staff.



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?

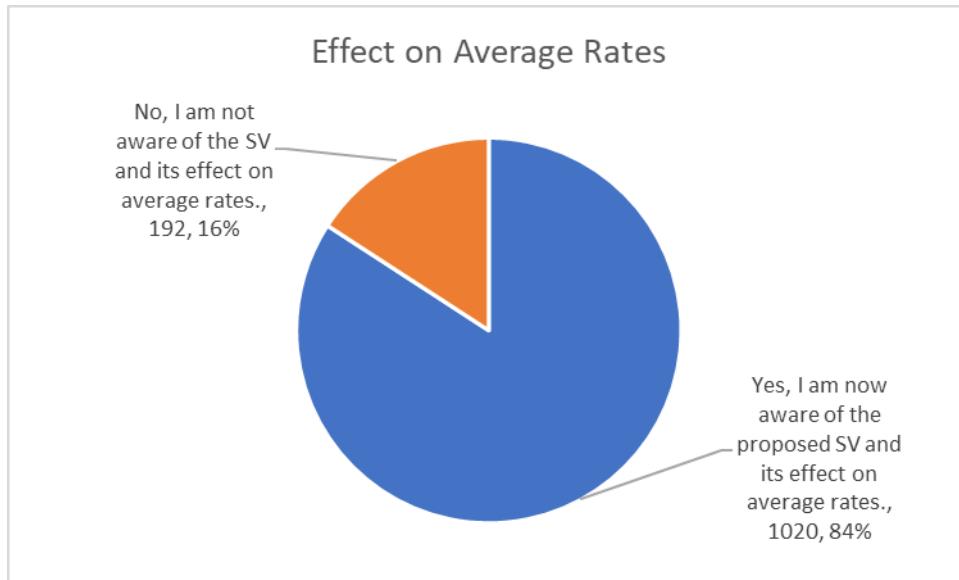
The responses to this question were somewhat surprising when viewed in terms of both Question 1 and Question 7. Whilst the far majority of respondents were deeply unhappy with the standard of infrastructure, it seems that a slight majority were also hesitant to take on additional debt and yet later in 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)?*

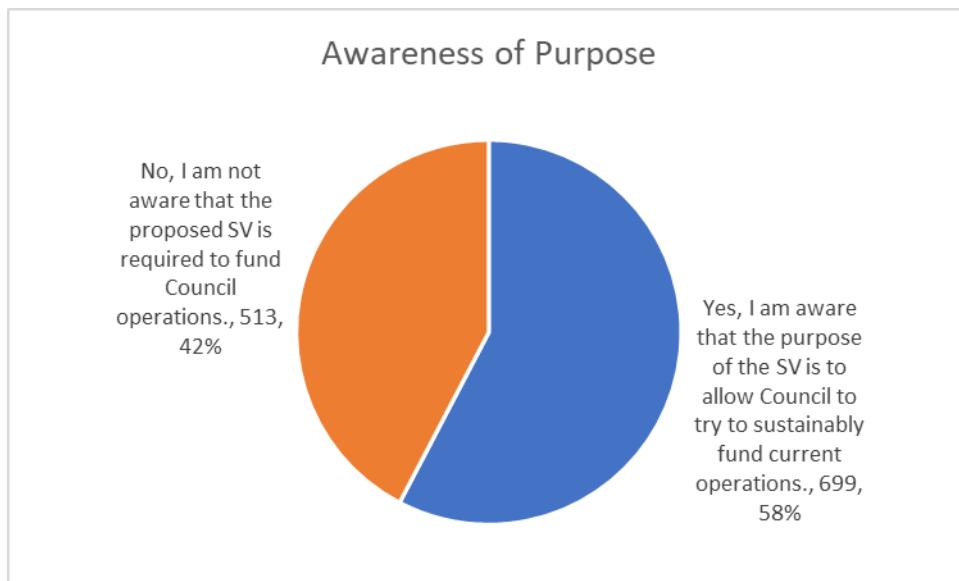
We are aware of a campaign on Facebook to try to scuttle the SV by perverting the survey. This seems the best explanation for the surprisingly high figure of people

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?*

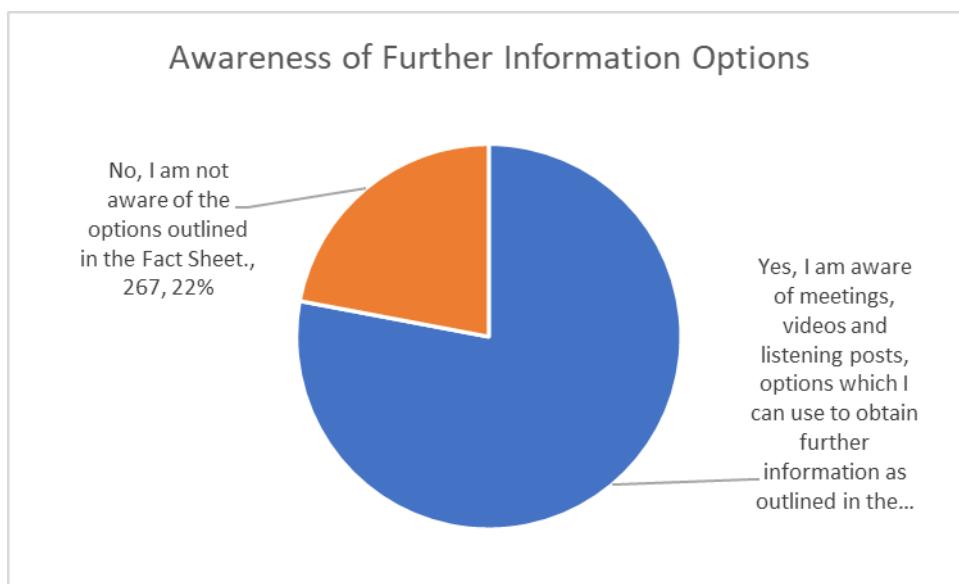
Given that the Fact Sheet expresses the purpose clearly this response by just over four percent of the residents, who chose to complete the survey, might have been somewhat puzzling had it not been for what we had learned from a Facebook campaign.



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.

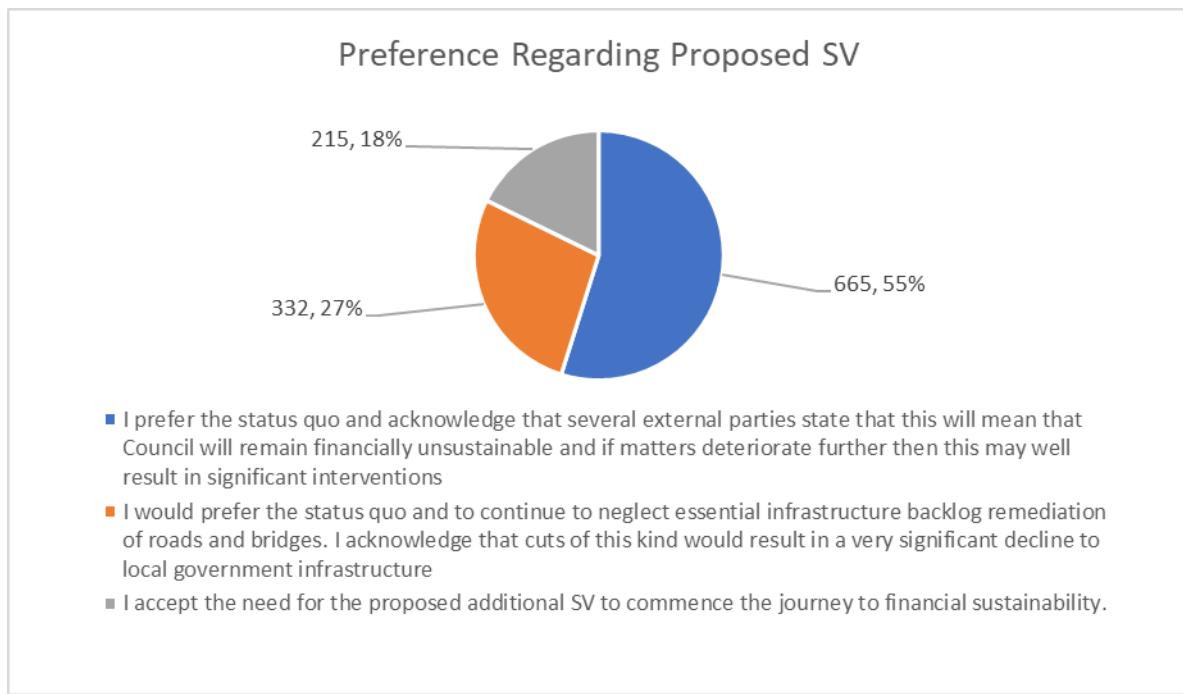
An alternative explanation is that a significant proportion of people didn't bother to read the Fact Sheet, which means that their opinions in Q7 were less than informed.



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 dispatched³. 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}.

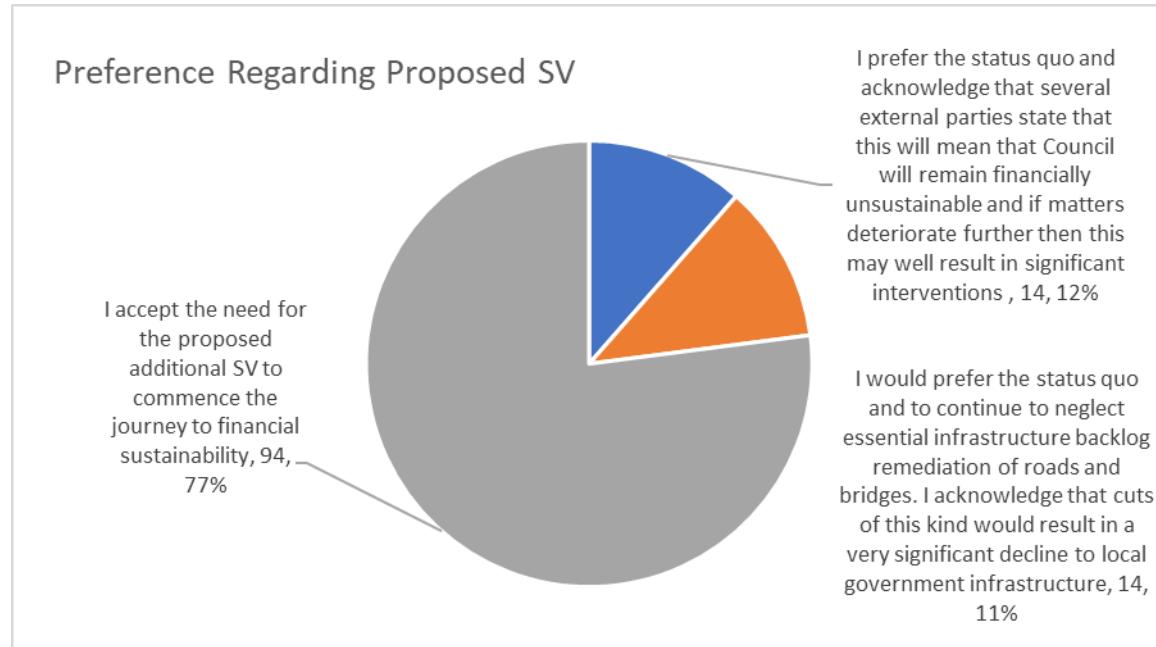
Question 1 of Survey 2 was an exact replica of Question 7 in Survey 1.

- 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

³ Figures were provided by council staff on the 10th 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.

Change From Last Time?

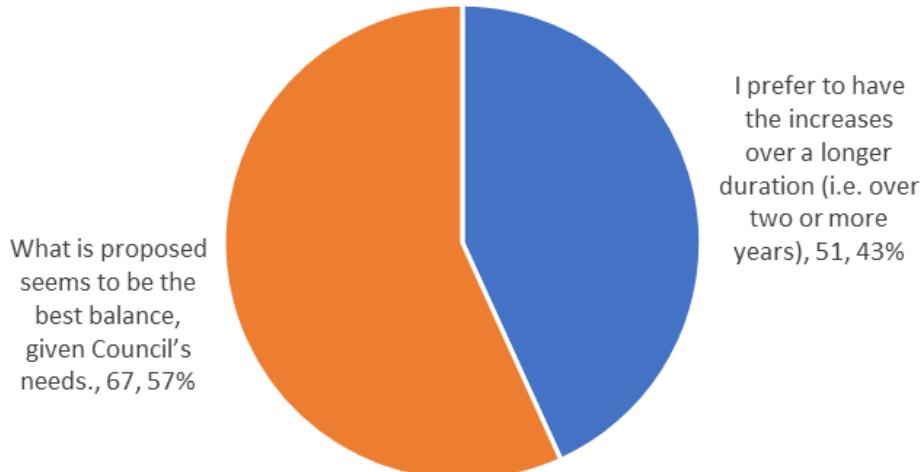


3. Do you have a preference for the timing of the SRV annual increases?

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.

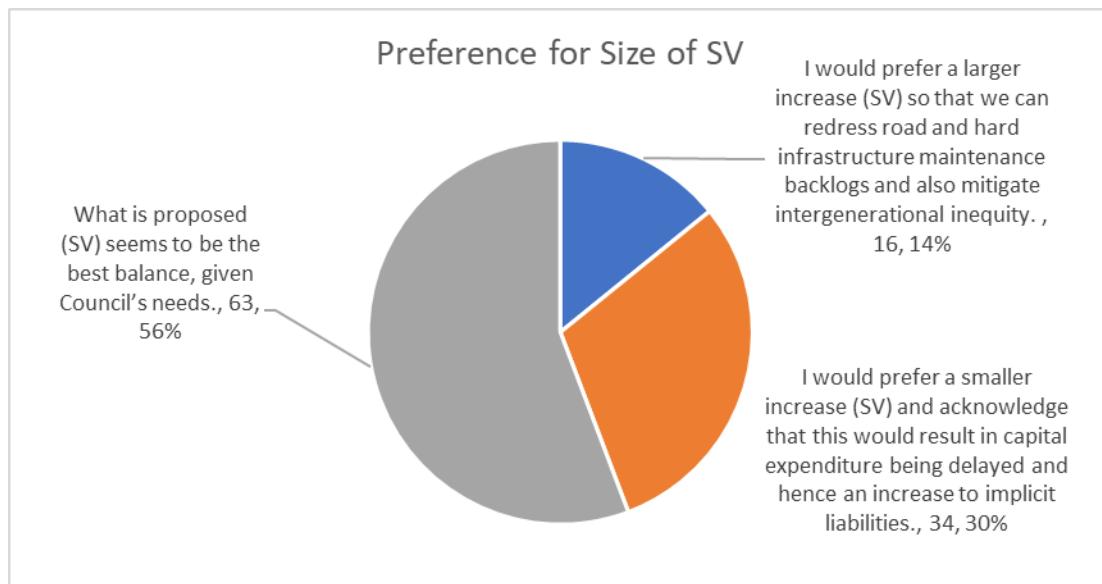
Preference for Timing of the SV



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 decision⁴}.*

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

⁴ 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 17th 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*⁵ 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:

⁵ 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.

Decile Number	2022 Land Values	SRV WITH EXISTING BASE RATE			SRV WITH REDUCED BASE RATE	
		26/27 Gen Rates	Movement (%)	26/27 Gen 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 19th 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 19th 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 9th 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.

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