



19 November 2025

SUPPLEMENTARY AGENDA:

(1) MAYORAL MINUTES

MM14/2025 House of Representatives Standing Committee - Regional Development, Infrastructure and Transport - Invitation to make submission to inquiry into local government funding ...2

(2) CORPORATE AND COMMUNITY

CC83/2025 Placement of the Long Term Financial Plan (2026-2036) on Public Exhibition4

Mayoral Minute

Report No. MM14/2025

General Manager's Unit



MAYORAL MINUTE No. MM14/2025

***SUBJECT: HOUSE OF REPRESENTATIVES STANDING COMMITTEE -
REGIONAL DEVELOPMENT, INFRASTRUCTURE AND TRANSPORT
- INVITATION TO MAKE SUBMISSION TO INQUIRY INTO LOCAL
GOVERNMENT FUNDING***

RECOMMENDATION

That Council provides a submission to the House of Representatives Standing Committee Regional Development, Infrastructure and Transport in regards to the Committees new inquiry into local government funding and financial sustainability as it affects Cessnock City Council by 3 February 2026.

REPORT/PROPOSAL

Council's Long Term Financial Plan (LTFP) indicates multiple years of ongoing operating deficits when capital grants and contributions are excluded. Our Community Strategic Plan paints a picture of optimism for our future, while recognising the challenges we face as a growing community.

As a council, we have been open and transparent 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.

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.

Correspondence (Enclosure 1) from Mayor Watton was provided to the House of Representatives Standing Committee Regional Development, Infrastructure and Transport (Committee) on the 3 November 2025 enquiring about the current status of the Committee's inquiry into Local Government Sustainability, expressing concerns regarding the ongoing challenges facing local governments in maintaining financial sustainability, particularly in light of the significant limitations on our capacity to pay.

Mayoral Minute

Report No. MM14/2025

General Manager's Unit



In response to the above correspondence a letter from the Chair of the Committee, Mrs Fiona Phillips MP has been received (Enclosure 2), inviting a submission from the Cessnock City Council to the Committee's new inquiry into local government funding and financial sustainability.

Mrs Fiona Phillips MP advised that the committee will be examining the financial relationship between local government and other levels of government in Australia, with an emphasis on funding mechanisms and fiscal sustainability.

Council has been advised that the inquiry aims to map funding received by local government, including from the Australian Government and state/territory governments. The Committee will be exploring barriers to infrastructure service delivery and funding for emergency and disaster recovery. The inquiry will look at how councils attract and retain skilled workers, the barriers to security, and the impact of labour hire practices.

The committee will consider if existing funding mechanisms are addressing the evolving responsibilities of local governments across Australia.

The Committee has invited Cessnock City Council to make a submission to the inquiry by close of business **Tuesday 3 February 2026**.

ENCLOSURES

- 1** Financial sustainability _ Request for Local Government Sustainability Review _ House of Representatives Standing Committee
- 2** House of Representatives _ Response - Invitation to Make Submission _ Andrew Dawson Inquiry Secretary

Corporate and Community

Report No. CC83/2025

Corporate and Community Services



SUBJECT: ***PLACEMENT OF THE LONG TERM FINANCIAL PLAN (2026-2036) ON PUBLIC EXHIBITION***

RESPONSIBLE OFFICER: ***Chief Finance Officer***

SUMMARY

To seek Council endorsement to publicly exhibit the Draft Long Term Financial Plan (LTFP) 2026-2036 as part of the formal community consultation process for Council's potential special variation.

The LTFP must be publicly exhibited and subsequently adopted by Council prior to lodging any Special Variation application to IPART.

RECOMMENDATION

That Council:

- 1. Place the Updated Draft Long Term Financial Plan 2026-2036 on public exhibition for a minimum 28 days**
- 2. Note that the LTFP must be adopted prior to lodging a Special Variation application with IPART;**
- 3. Receive a post-exhibition report summarising submissions and proposed amendments prior to adoption.**

BACKGROUND

Council has prepared a comprehensive revision of its Long Term Financial Plan (LTFP) to replace the current adopted version. The revised LTFP provides a contemporary 10-year forecast incorporating updated economic conditions, new asset management information, reprioritised capital works, population growth forecasts, and an extensive program of efficiency measures.

The updated LTFP responds to:

- Persistent structural deficits
- Escalating infrastructure to renewal demands, especially for roads, stormwater and bridges;
- The latest Asset Management Strategy (AMS) and Asset Management Plans (AMPs);
- Increased depreciation following asset revaluations;
- High labour, materials and construction cost inflation;
- Reduced predictability of capital grants;
- Rapid population growth and newly dedicated infrastructure;
- Community expectations for improvements in road condition and maintenance.

The LTFP forms the financial foundation for community engagement on a proposed 39.9% Special Variation, potentially commencing in 2026/27, and must be adopted prior to submitting the SV application to IPART.

Corporate and Community

Report No. CC83/2025

Corporate and Community Services



A professional graphic design and publication layout will be completed prior to adoption of the final LTFP. This will ensure that the document presented to the community and subsequently to IPART is accessible, visually clear, aligned with Council's corporate branding and presented to a high professional standard.

REPORT/PROPOSAL

Overview of the Draft Long Term Financial Plan

The revised LTFP sets out a more accurate and realistic assessment of Council's financial outlook over the next decade. It establishes the current financial baseline, incorporates more than \$28 million in efficiencies identified over the forecast period, integrates updated asset management data, and reflects a reprioritised capital works program designed to address high-risk assets.

The plan includes five long-term financial scenarios:

1. The **Base Case** highlights that without additional revenue, Council is unable to fund the level of asset renewal required to maintain existing service levels, with renewal ratios averaging only around 40 per cent and the backlog rising sharply.
2. **Scenario 1** demonstrates that attempting to meet required asset benchmarks without new revenue would require borrowing levels that are not financially viable.
3. **Scenario 2**, which incorporates a 39.9% Special Variation, improves sustainability but relies heavily on borrowing to maintain the full asset renewal program.
4. **Scenario 3** refines the capital program, applies the proposed SV, and delivers the most balanced outcome, enabling Council to achieve renewal ratios above 100 per cent by around 2031/32 while improving its long-term financial sustainability.
5. **Scenario 4** models the effect of an additional Special Variation in future years, but it is provided for strategic context only and is not being considered as part of the current SV process.

The preferred approach, Scenario 3, provides a responsible and practical pathway to long-term sustainability, aligning financial settings with community expectations particularly in relation to road condition and infrastructure renewal.

Key Differences from the Current Adopted LTFP

The updated LTFP represents a significant departure from the currently adopted plan. Several strategic differences explain why a revised LTFP is required and why the scale of the funding challenge now appears much larger.

The most material change arises from a better incorporation of the Asset Management Strategy and Asset Management Plans, which incorporate condition assessments, unit costs, and updated service standards across all major asset classes. These reveal substantially larger renewal requirements than previously reported, particularly across the road, stormwater and bridge networks. Combined with updated economic forecasts particularly higher construction, materials, labour and contract cost escalations; the revised LTFP projects significantly higher operating and capital expenditure needs than the current adopted plan.

Corporate and Community

Report No. CC83/2025

Corporate and Community Services



Depreciation has also increased materially due to recent asset revaluations and ongoing asset dedications associated with population growth. This increase affects Council's ratios and highlights the growing demand on renewal funding that was not fully captured in the previous LTFP. The revised plan also incorporates updated population and dwelling forecasts, which show stronger-than-expected growth and additional infrastructure responsibilities that were not reflected in earlier projections.

Furthermore, the updated LTFP presents a more accurate picture of long-term financial sustainability by applying contemporary assumptions and sensitivity analysis. The previous LTFP understated the growth in the infrastructure backlog and did not forecast the level of structural operating deficits that now appear in the base case. The revised modelling demonstrates that without additional revenue, Council's financial position deteriorates significantly, with projected cash deficits, worsening liquidity, and sustainability ratios well below acceptable benchmarks.

A further strategic shift is the inclusion of detailed Special Variation modelling that quantifies the level of additional revenue required to meet infrastructure benchmarks and maintain essential services. The previous LTFP did not incorporate this level of modelling and therefore did not provide a complete picture of what was required to achieve long-term sustainability. The updated plan also integrates workforce planning considerations, including a stabilisation of staffing levels and productivity assumptions that were not previously formalised.

In summary, the differences between the current and updated LTFPs demonstrate the need for a recalibrated financial strategy and underpin the requirement for a Special Variation.

Community Consultation Requirements

The Draft LTFP must be placed on public exhibition in conjunction with community consultation on the proposed Special Variation. Under IPART requirements, Council must demonstrate that the LTFP, Asset Management Strategy and Asset Management Plans have been publicly exhibited and formally adopted prior to submitting any SV application. These documents must clearly articulate the financial need for a proposed SV, show how the additional revenue will be used, outline the efficiency measures already implemented, and reflect community priorities, especially relating to the condition of the road network.

Efficiency Measures

The updated LTFP incorporates more than \$28 million in efficiency measures over the next decade. These include a controlled approach to workforce growth, targeted operational savings, and the reprioritisation and deferral of non-essential capital works.

Fees and charges have been reviewed and adjusted to reflect market conditions, and efficiency gains have been embedded across all scenarios to ensure that Council is maximising internal savings before seeking additional revenue from the community.

Further to that, Council is implementing an internal program for staff to provide further ideas for efficiency savings.

Corporate and Community

Report No. CC83/2025

Corporate and Community Services



OPTIONS

Option 1 (Recommended):

That council accept the recommendation.

Option 2: Not recommended.

That Council does not proceed or defers the exhibition of the Draft Long-Term Financial Plan.

Not exhibiting the LTFP would prevent Council from meeting the statutory requirements of the Integrated Planning and Reporting Framework and would also mean that Council is unable to progress any application for a Special Variation to IPART.

More importantly, it would deny the community access to transparent, evidence-based information about Council's financial position, the scale of the current funding challenges, and the rationale for the proposed Special Variation. Withholding this information would undermine informed community participation, reduce accountability, and create a significant reputational risk for Council.

CONSULTATION

Professor Joseph Drew
Asset Planning Team
Financial Planning Team
Infrastructure
Chief Financial Officer
Director Corporate and Community Services
ELT

STRATEGIC LINKS

a. Delivery Program

Outcome 5 – Lead: 'We have strong leadership and effective governance'
DP Strategy 5.3 – Ensure we are accountable and responsive to our community

b. Other Plans

The LTFP is the financial roadmap for the CSP, Delivery Program, Operational Plan and Resourcing Strategies

IMPLICATIONS

a. Policy and Procedural Implications

NIL

Corporate and Community

Report No. CC83/2025

Corporate and Community Services



b. Financial Implications

There are no direct financial implications associated with placing the LTFP on exhibition. However, the modelling contained within the plan demonstrates that Council's current financial trajectory is not sustainable without additional revenue. The preferred scenario indicates that the proposed Special Variation is required to maintain essential infrastructure, reduce the backlog, and place Council on a sustainable long-term financial footing.

c. Legislative Implications

The preparation, exhibition and adoption of the LTFP are requirements of the Local Government Act 1993 and the Local Government (General) Regulation 2021.

d. Risk Implications

Failure to exhibit the Draft Long-Term Financial Plan presents several significant risks for Council.

The most material risk is that Council would be unable to meet its statutory responsibilities under the Integrated Planning and Reporting Framework, which requires that the LTFP be reviewed, updated and publicly exhibited prior to adoption. This would also prevent Council from submitting a compliant Special Variation application to IPART, given that an adopted LTFP, Asset Management Strategy and Asset Management Plans are mandatory components of the SV submission.

Not exhibiting the LTFP would expose Council to reputational risk by limiting transparency around its financial position and the scale of the underlying structural funding gap. Without providing the community with accurate, evidence-based information, the effectiveness and legitimacy of the Special Variation consultation process would be compromised, potentially undermining community confidence in Council's financial stewardship.

There are also operational risks associated with failing to adopt a realistic and contemporary LTFP. Without an endorsed long-term financial strategy, Council lacks a clear framework for prioritising capital works, managing its growing backlog, and planning future service levels. This could result in inefficient resource allocation, unplanned financial pressure and compounding deterioration of key assets—particularly within the road network.

Finally, there are strategic risks if Council does not proceed with the exhibition and subsequent adoption of the updated LTFP. The base case forecasts contained within the plan identify that Council's existing financial trajectory is unsustainable without additional revenue. If these risks are not formally acknowledged and addressed through a transparent planning process, Council may not take timely steps to maintain essential infrastructure and safeguard long-term financial stability.

e. Environmental Implications

N/A

f. Other Implications

N/A

Corporate and Community

Report No. CC83/2025

Corporate and Community Services



CONCLUSION

The updated Long-Term Financial Plan provides a transparent, evidence-based assessment of Council's financial position and the steps required to achieve long-term sustainability. The revised modelling shows that without additional revenue, Council cannot continue to meet community expectations or maintain essential infrastructure, particularly across the road network. Exhibition of the LTFP forms a critical component of the Special Variation consultation process and allows the community to review Council's financial strategy prior to its final adoption.

ENCLOSURES

- 1 Draft Long Term Financial Plan 2026-2036