



Independent Pricing and Regulatory Tribunal

Cessnock City Council's application for a special variation for 2014/15

under section 508(2) of *Local Government Act 1993*

Local Government — Determination
June 2014

Cessnock City Council's application for a special variation for 2014/15

under section 508(2) of *Local Government Act 1993*

**Local Government — Determination
June 2014**

© Independent Pricing and Regulatory Tribunal of New South Wales 2014

This work is copyright. The *Copyright Act 1968* permits fair dealing for study, research, news reporting, criticism and review. Selected passages, tables or diagrams may be reproduced for such purposes provided acknowledgement of the source is included.

ISBN 978-1-925032-89-5

The Tribunal members for this review are:

Dr Peter J. Boxall AO, Chairman

Dr Paul Paterson

Ms Catherine Jones

Inquiries regarding this document should be directed to a staff member:

Michael Seery (02) 9290 8421

Adrienne Bailey (02) 9113 7754

Independent Pricing and Regulatory Tribunal of New South Wales

PO Box Q290, QVB Post Office NSW 1230

Level 8, 1 Market Street, Sydney NSW 2000

T (02) 9290 8400 F (02) 9290 2061

www.ipart.nsw.gov.au

Contents

1	Determination	1
1.1	Our decision	2
2	What did the council request and why?	3
3	How did we reach our decision?	4
3.1	Need for and purpose of the special variation	6
3.2	Community engagement and awareness	8
3.3	Reasonable impact on ratepayers	10
4	What does our decision mean for the council?	10
5	What does our decision mean for ratepayers?	11
	Appendices	13
A	Expenditure to be funded from the special variation	15
B	Comparative indicators	17

1 Determination

The Independent Pricing and Regulatory Tribunal of NSW (IPART) is responsible for setting the amount by which councils may increase their general income, which mainly comprises rates income. Each year, we determine a standard increase that applies to all NSW councils, based on our assessment of the annual change in their costs and other factors. This increase is known as the rate peg.

Councils may apply to us for a special variation that allows them to increase their general income by more than the rate peg. We are required to assess these applications against criteria in the Guidelines set by the Office of Local Government (OLG),¹ and may allow special variations under either section 508A or 508(2) of the *Local Government Act 1993* (the Act).

Cessnock City Council applied for a special variation in 2014/15 of 9.55%, to remain permanently in the rate base. After assessing the council's application, we decided to allow the special variation as requested. We have made this decision under section 508(2) of the Act.

¹ Division of Local Government, Department of Premier and Cabinet, *Guidelines for the preparation of an application for a special variation to general income for 2014/15*, September 2013 (the Guidelines). Effective February 2014 the Division of Local Government became the Office of Local Government.

Box 1.1 The Guidelines for 2014/15

We assess applications for special variations using criteria in the *Guidelines for the preparation of an application for a special variation to general income*, issued by the Office of Local Government.

The Guidelines adopt the same criteria for applications for a special variation under either section 508A or 508(2) of the *Local Government Act 1993*.

The Guidelines emphasise the importance of the council's Integrated Planning and Reporting (IP&R) documents to the special variation process. Councils are expected to engage with the community about service levels and funding when preparing their strategic planning documents. As a result, for most criteria, the IP&R documents (eg, Delivery Program and Long Term Financial Plan) must contain evidence that supports a council's application for a special variation.

1.1 Our decision

We determined that Cessnock City Council may increase its general income by 9.55% in 2014/15, including the rate peg of 2.30% that is available to all councils (see Table 1.1). The increase above the rate peg can be retained in the council's general income base permanently.

The percentage increase of 9.55% we have approved is to apply to the council's general income in 2013/14, after it has been reduced by the value of an existing special variation that expires on 30 June 2014.

We have attached conditions to this decision, including that the council uses the income raised from the special variation for the purposes set out in its application.

Table 1.1 sets out our decision and Box 1.2 summarises the conditions attached to it.

Table 1.1 IPART's decision on Cessnock City Council's application for a special variation in 2014/15

Component	%
Increase to fund road infrastructure renewal	7.25
Rate peg	2.30
Total increase	9.55

Box 1.2 Conditions attached to the approved special variation

IPART's approval of Cessnock City Council's application for a special variation in 2014/15 is subject to the following conditions:

- ▼ The council uses the additional income from the special variation for the purposes of funding resealing and rehabilitation of the road network throughout the local government area as outlined in the council's application and listed in Appendix A.
- ▼ The council reports in its annual report for each year from 2014/15 to 2023/24 on:
 - expenditure consistent with the council's application, and the reasons for any significant differences from the proposed expenditure
 - the outcomes achieved as a result of the actual program of expenditure.
- ▼ The council reports to the Office of Local Government by 30 November each year on its compliance with these conditions.

We note the council will be reducing its general income for 2014/15 by \$1,725,302 (the value of the expiring special variation). This reduction shall take place before the council's general income is increased in 2014/15 in accordance with IPART's determination.

2 What did the council request and why?

Cessnock City Council requested a special variation of 9.55% in 2014/15, with 2 components:

- ▼ an increase of 7.25% for road infrastructure renewal, predominantly to replace an existing special variation that is due to expire, that will be retained in the council's rate base permanently²
- ▼ the rate peg of 2.30%.³

² The expiring special variation is for an amount of 6.05% above the 2013/14 rate peg. The application is consistent with the increase on which the council consulted its community, ie, 6.05% to continue the expiring special variation, and an estimated rate peg of 3.5%.

³ Cessnock City Council, *Section 508(2) Special Variation Application Form - Part A*, 20 February 2014 (Cessnock Application Part A), Worksheets 1, 4 and 6.

The council estimates that the 7.25% increase above the rate peg will generate \$2.16m in additional revenue in 2014/15, which we calculate will amount to \$24.78m over 10 years.⁴ The increase is to fund additional rehabilitation and resealing of the road network throughout the local government area.⁵

This increase will replace an existing levy that is due to end on 30 June 2014. The expiring levy was approved for 6.05% above the rate peg for the 2013/14 rating year for similar purposes. A levy of similar size for a similar purpose has been in place since 2006/07.⁶

The council has indicated that each year for the next 10 years it would use annual income of \$2.16m from the special variation for ongoing maintenance and improvement of the overall condition of its road network. The council's program of expenditure and its allocation across the council's road network are set out in Appendix A.

3 How did we reach our decision?

We assessed Cessnock City Council's application against the criteria in the Guidelines. In making our assessment, we also considered a range of comparative data about the council.

We found that the application met the criteria. In particular, we found that:

1. the need for additional revenue to continue improving the road network is clearly demonstrated in the council's IP&R documents, and reflects community priorities
2. the council provided evidence that it used a variety of means to engage with the community about the need for, the extent and impact of the rate rise, and that it has considered the community's capacity and willingness to pay the proposed increases
3. the impact on ratepayers of the proposed rate increases will not be significant, as it will largely replace an existing special variation, and the council has taken account of ratepayers' willingness and capacity to pay
4. the council has made realistic assumptions concerning its projected service delivery and financial forecasts
5. the council reported productivity savings in past years, and indicated its intention to realise further savings during the period of the special variation.

⁴ Cessnock Application Part A, Worksheet 1 and IPART calculations.

⁵ Cessnock City Council, *Section 508(2) Special Variation Application Form - Part B*, 20 February 2014 (Cessnock Application Part B), p 10.

⁶ Cessnock Application Part B, p 2.

Table 3.1 summarises our assessment against the criteria, and sections 3.1 to 3.4 discuss our findings for criteria 1, 2 and 3 in more detail.

Table 3.1 IPART’s assessment against the criteria in the Guidelines

Criterion	IPART findings
<p>1. Need for and purpose of the special variation must be clearly articulated in the council’s IP&R documents. Evidence could include community need/desire for service levels/projects and limited council resourcing alternatives, and the assessment of the council’s financial sustainability made by the NSW Treasury Corporation (TCorp). LTFP must include scenarios both with and without the special variation.</p>	<p>The need for, and purpose of, the special variation have been identified in IP&R processes, are clearly articulated in the council’s IP&R document, and are consistent with community priorities.</p> <p>The program of expenditure on the road network is derived from asset management planning.</p> <p>The special variation application is part of the council’s response to TCorp’s financial assessment report, and will improve the council’s financial position.</p> <p>The council considers alternative options for funding are either not appropriate or readily available, but has demonstrated steps to reduce costs, increase revenue and improve productivity, including in their asset management practices.</p>
<p>2. Evidence that the community is aware of need for, and extent of, the proposed rate rises. The IP&R documents should clearly explain the rate rise, canvas alternatives to the rate rise, the impact of any rises on the community, and the council’s consideration of community capacity and willingness to pay higher rates. The council should demonstrate use of an appropriate variety of engagement methods to raise community awareness and provide opportunities for input.</p>	<p>The council has met this criterion by demonstrating that it:</p> <ul style="list-style-type: none"> ▼ made the community aware of the need for and extent of the special variation ▼ presented clear options to the community, explaining the likely rate increases, or reductions if the special variation were not continued ▼ used a variety of engagement methods and provided opportunities for feedback. <p>The impact of rate rises, and the community’s capacity and willingness to pay for them were considered in IP&R processes and documents.</p>
<p>3. Impact on affected ratepayers must be reasonable, having regard to current rate levels, existing ratepayer base and proposed purpose of the variation. The council’s IP&R process should establish that proposed rate rises are affordable, having regard to the community’s capacity to pay.</p>	<p>We agree with the council’s assessment that:</p> <ul style="list-style-type: none"> ▼ the impact of the special rate variation on ratepayers will not be significant, as it continues a special variation already in place ▼ current rate levels appear affordable given the low outstanding rates ratio and the limited negative feedback from consultation in IP&R processes ▼ financial hardship policies are in place to assist vulnerable ratepayers.
<p>4. Delivery Program and LTFP must show evidence of realistic assumptions.</p>	<p>The assumptions underpinning the council’s Delivery Program and LTFP appear realistic, reflect community priorities and asset management planning, and indicate the risks to the assumptions underpinning the forecasts.</p>

Criterion	IPART findings
5. Productivity improvements and cost containment strategies realised in past years must be explained, as well as plans to realise savings over the proposed special variation period.	<p>LTFP assumptions are based on historical trends and adopt modest growth rates for non-rate revenue (0.8-1.3%), employee costs (3%) and other costs (2.5%).</p> <p>The council submitted details of a range of activities that have, or will deliver additional revenue and cost savings, as well as improved productivity. Where appropriate, it has quantified the gains.</p> <p>There are examples of:</p> <ul style="list-style-type: none"> ▼ joint initiatives with other governments and councils, and community groups ▼ reviewing and improving organisational structure and controls ▼ more efficient asset management approaches and practices ▼ improved productivity in processing development applications ▼ using new technology to streamline work ▼ strategies to improve energy efficiency and reduce costs ▼ seeking to recoup overpaid tax liabilities.

3.1 Need for and purpose of the special variation

We consider that council has identified the need for, and purpose, of the requested special variation in its IP&R processes, and that these are clearly articulated in the council's IP&R documents. The application reflects community priorities and needs, and has been developed in consultation with the community.

The council's application relies on its IP&R processes, including asset management planning, and the full suite of IP&R documents. The *2013–2017 Revised Delivery Program* incorporates the Long Term Financial Plan for the years 2013 to 2023, both of which were revised recently to meet the requirements of the special variation assessment.⁷

- ▼ Surveys in 2012 and 2009 to prepare IP&R documents identified that 'maintaining and managing the road network' had the highest priority, and lowest satisfaction rating, with the community.⁸

⁷ The *2013–2017 Revised Delivery Program* was adopted on 19 February 2014 after being placed on exhibition from 18 December 2013 to 3 February 2014. The revised Long Term Financial Plan for the years 2012/13 to 2022/23 is referred to as LTFP 2012-23.

⁸ Cessnock Application Part B, p 9.

- ▼ Improving the road network is one of the 15 objectives in *Cessnock 2023 Community Strategic Plan*. The *2013–2017 Revised Delivery Program*, as well as the 2013-14 Operational Plan and the Capital Works Program contain actions to support this objective.⁹
- ▼ The *2013–2017 Revised Delivery Program* comprehensively sets out the council’s special rate variation strategy. It explains the rationale for, community engagement about, and impact of the requested special variation, which is phase 1 of the strategy.¹⁰
- ▼ The 10-year Financial Forecasts in the LTFP 2012-23, and the 4-year budget demonstrate the need for the additional revenue from the special variation and indicate how it will be spent.
- ▼ The program of expenditure on the road network has been established in accordance with the council’s Asset Management System.¹¹
- ▼ The allocation of revenue from the special variation among resealing, heavy patching and rehabilitation of regional and local collector roads is derived from a condition assessment of the sealed road network undertaken as part of asset management planning.¹²

The council’s road network is used by all residents, and contributes significantly to the local economy, in particular the tourism and wine making industries.

⁹ *Cessnock 2023 Community Strategic Plan*, p 19, and Cessnock Application Part B, p 32.

¹⁰ *2013–2017 Revised Delivery Program*, pp 60-65.

¹¹ The Asset Management System comprises an Asset Management Policy, Asset Management Strategy and Draft Asset Management Plans, as well as the Asset Management Implementation Project and the most recent Roads Program Audit (September 2013): see Cessnock Application Part B, pp 5-6 and 32-33 and Attachment 17, GHD, *Roads Program Audit Compliance Review and Recommendations*, September 2013.

¹² See Cessnock Application Part B, section 3.1, pp 5-8 and Table 2.

NSW Treasury Corporation (TCorp) observed that in 2012, the council's financial sustainability rating was Moderate and its outlook Negative. It noted that the council was proposing to use its cash, investments and borrowings for a capital expenditure program which would adversely affect liquidity.¹³ The assessment confirmed the council's view that continuing current spending and income patterns is not sustainable, and this application is part of its plans to improve long-term financial sustainability in response to TCorp's assessment. The requested special variation will improve the council's operating position over the next 10 years compared with the base case.¹⁴ Of itself, it will not secure the council's financial sustainability, and the council has modelled a further s 508A special variation.

The council considers that funding the road program from within current operating revenue would mean reduced service levels. We note that the council had demonstrated productivity gains and cost savings (see criterion 5), and that it is committed to improving road management and maintenance practices. The program of works is capital renewal, for which borrowings are not appropriate and grants are limited.¹⁵

3.2 Community engagement and awareness

We consider that the council has met this criterion. It has demonstrated that it took reasonable steps to make the community aware of the need for and extent of the special variation, including using a variety of engagement methods and providing opportunities for feedback, and that it considered the impact of the proposed increases in rates, and the community's capacity and willingness to pay them.¹⁶

¹³ New South Wales Treasury Corporation, *Financial Sustainability of the New South Wales Local Government Sector*, April 2013, pp 5-6 and 17-18, and New South Wales Treasury Corporation, *Cessnock City Council, Financial Assessment, Sustainability and Benchmarking Report*, 3 October 2012, p 5.

¹⁴ The LTFP 2012-23 forecasts that with the special variation, the operating balance ratio (-5.70% in 2013/14) will reduce over the next 8 years, and return to a modest surplus from 2021/22. By contrast, under the base case, the operating balance ratio would decline to -6.57% in 2014/15, then improve but remain negative (-2.03% in 2022/23): see LTFP 2012-23 pp 125 and 129.

¹⁵ Cessnock Application Part B, pp 10-11.

¹⁶ Cessnock Application Part B, pp 16-23.

The *2013–2017 Revised Delivery Program* sets out the council’s community engagement strategy for the proposed special variation, and also the impact on average residential ratepayer, and the council’s consideration of community’s capacity to pay.¹⁷ It reports on the outcomes of previous community surveys (August 2009 and July 2012) that identified that maintenance and management of roads is a high priority for the Cessnock community. The July 2012 survey and consultation in February 2013 found moderate support for extending for 1-year the special variation granted in 2011 to maintain the level of expenditure on sealed road renewal.¹⁸

Between November 2013 and February 2014 the council went back to the community to consult on the permanent extension of the special rate variation from 2014/15.¹⁹ The 2 options were clearly explained to the community:

- ▼ to seek a 9.55% special variation to continue permanently the expiring 6.05% special variation for road expenditure and to apply the anticipated rate peg of 3.5% (which would mean an increase of 3.5% or \$39 for the average residential ratepayer)
- ▼ not to seek a special variation and apply the rate peg only (which would mean a one-off reduction in rates of 2.55%, or \$25, for the average residential ratepayer).

A rates calculator on the website allowed ratepayers to work out their indicative rate payment for 2014/15 under each option.

The council used a number of methods to make the community aware of the proposed special variation, and seek feedback. These includes advertisements in local media, a media release that led to press and television coverage, a mailout with the rates instalment notice, several factsheets posted on the council’s website and available at council premises.

In addition, the revised IP&R documents, amended to ensure there was clarity regarding the special rate variation options under consideration, were re-exhibited between 18 December 2013 and 3 February 2014.

Feedback from the community since November 2013 has been minimal, with only 1 submission to the council opposed to the special variation. IPART has received 5 submissions in relation to the application, expressing concerns about the council’s performance, including on road works.

¹⁷ *2013–2017 Revised Delivery Program*, pp 63-64.

¹⁸ *2013–2017 Revised Delivery Program*, pp 63-64 and Cessnock Application Part B, pp 19-20.

¹⁹ See generally Cessnock Application Part B, pp 16-23.

3.3 Reasonable impact on ratepayers

We agree with the council's assessment that the impact of the special rate variation on ratepayers will, for the most part, be minimal as it will continue a special variation already in place. The council's submission sets out in detail how it assessed the impact of the proposed special variation in each category, and the measures in place to address ratepayers facing hardship.²⁰

We also agree with the council's conclusion about affordability, given the limited negative feedback on the proposal, and the fact that the outstanding rates ratio has been stable (at 5% to 6%). We note that Cessnock's SEIFA ranking of 28 is low, and rates are above the average for Group 4 councils, but also that the average annual income is relatively higher than both comparable councils and NSW as a whole.

We note that as land values across all rate categories in the Cessnock City Council area are generally low, the increase in rates for most ratepayers will be around the increase for the average rate assessment.²¹ We also note that the council has hardship policies in place, including for a voluntary pensioner rebate in addition to the statutory rebate, and the waiver of interest charges for pensioners and ratepayers on payment arrangements.²²

4 What does our decision mean for the council?

Our decision means that Cessnock City Council may increase its general income by an estimated \$2.85m in 2014/15 as indicated by Table 4.1. This will be permanently incorporated into the council's revenue base. After 2014/15, general income will increase by the annual rate peg unless we approve further special variations.²³

²⁰ Cessnock Application Part B, pp 22-23 and 24-31.

²¹ See Cessnock Application Part A, Worksheet 5.

²² Cessnock Application Part B, pp 30-31.

²³ General income in future years cannot be determined with precision, as it will be influenced by several factors apart from the rate peg. These factors include changes in the number of rateable properties and adjustments for previous under- or over-collection of rates. The OLG is responsible for monitoring and ensuring compliance.

Table 4.1 Impact of approved special variation on Cessnock City Council's income in 2014/15

Notional general income 2013/14	Adjustment: expiring special variation	Increase in income	Annual increase in general income due to SV	Adjustments: Catch-ups, valuations ^a	Permissible general income 2014/15
(\$)	(\$)	(%)	(\$)	(\$)	(\$)
31,542,740	-1,725,302	9.55	2,847,565	12,404	32,677,407

^a For Cessnock City Council, there is a prior catch-up of \$12,404.

Source: Cessnock Application Part A, Worksheets 1 and 4.

5 What does our decision mean for ratepayers?

We set the allowable increase in general income, but it is a matter for each individual council to determine how it allocates any increase across different categories of ratepayer, consistent with our determination.

The council has indicated that it intends to apply the increase proportionately across all categories. Variations in the percentage increase across the subcategories and land value bands will occur as a result of minor changes to property categorisations and valuation adjustments, as well as an increase to the base amount in rate assessments in 2014/15.²⁴

If the council changes its rates as indicated in its application, average ordinary rates would increase in 2014/15 (including the rate peg) as follows:

- ▼ the average residential rate will increase by 3.92% or \$42
- ▼ the average business rate will increase by 4.63% or \$149
- ▼ the average farmland rate will increase by 4.77% or \$95
- ▼ the average mining rate will increase by 7.63% or \$11,801.²⁵

Table 5.1 sets out the proposed impact of rate increases across all ratepayer categories.

The percentage increases in average rates are less than the approved percentage increase in the council's general income because the 2014/15 special variation includes an amount that continues an expiring special variation, which is already being paid by ratepayers.

²⁴ Cessnock Application Part B, pp 24-25.

²⁵ Cessnock Application Part A, Worksheet 5 and IPART calculations.

Table 5.1 Impact of approved special variation on Cessnock City Council's average rates in 2013/14, by ratepayer category

Category	Average rate 2013/14 (\$)	Amount of increase (\$)	Percentage increase	Average rate 2014/15 (\$)
Residential				
General	1,005	39	3.91	1,045
Rural	1,738	68	3.92	1,807
Business	3,216	149	4.63	3,365
Farmland				
General	2,331	101	4.32	2,431
Mixed use	6,619	442	6.68	7,061
Low intensity	1,285	64	5.02	1,349
Business rural	5,240	344	6.57	5,584
Mining	154,630	11,801	7.63	166,430

Source: Cessnock Application Part A, Worksheet 5.



Appendices

A Expenditure to be funded from the special variation

Table A.1 and Table A.2 show how the council intends to spend the income from the special variation it receives.

Each year for the next 10 years, the council will use annual income of \$2.16m from the special variation for ongoing maintenance and improvement of the overall condition of its road network. The resealing and rehabilitation of regional and local roads will extend the useful lives and reduce the rate of deterioration of these assets.²⁶

Table A.1 indicates what the percentage of the revenue from the special variation that will be spent on each road treatment type and road classification. Table A.2 indicates the approximate length of road for each type which will be able to be treated by expenditure in line with the apportionment in Table A.1. Approximately 11.75km of roads per year will be treated with the proceeds of the special variation.

The selection of the specific roads to be treated in each year will be determined when the council develops the Capital Works Program for the Operational Plan, based on regular assessment of the condition of roads in the network.²⁷

The council will indicate in its Annual Reports its actual expenditure relative to the proposed program of expenditure.

Table A.1 Apportionment of funds from the special variation (%)

Road type	Reseal	Reseal with heavy patch	Rehabilitation	Total
Regional road	–	40	–	40
Urban local collector	12	12	–	24
Rural local collector	8	8	20	36
Total	20	60	20	100

Source: Cessnock Application Part B, p 8.

²⁶ Cessnock Application Part A, Worksheet 6, and Cessnock Application Part B, p 7.

²⁷ Cessnock Application Part B, pp 7-8 and 51.

Table A.2 Length of roads to be treated each year with special variation funds (approx km)

Road type	Reseal	Reseal with heavy patch	Rehabilitation	Total
Regional road	–	4.00	–	4.00
Urban local collector	3.00	1.00	–	4.00
Rural local collector	2.50	1.00	0.25	3.75
Total	5.50	6.00	0.25	11.75

Source: Cessnock Application Part B, p 8.

B Comparative indicators

Indicators of council performance may be considered across time, either for one council or across similar councils, or by comparing similar councils at a point in time.

Table B.1 shows how selected indicators for Cessnock City Council have changed over the 3 years to 2011/12.

Table B.1 Trends in selected indicators for Cessnock City Council, 2009/10 to 2011/12

Productivity (labour input) indicators ^a	2009/10	2010/11	2011/12	Average Change (%)
FTE staff (number)	262	267	259	-0.6
Ratio of population to FTE	194	190	203	2.2
Average cost per FTE (\$)	84,271	82,536	87,498	1.9
Employee costs as % operating expenditure (General Fund only) (%)	41.5	43.3	33.7	
Consultancy/contractor expenses (\$m)	4.32	3.64	3.75	-6.8
Consultancy/contractor expenses as % operating expenditure (%)	8.1	6.7	5.6	

^a Based upon total council operations that include General Fund, Water and Sewer and other funds, if applicable.

Source: OLG, unpublished data.

Table B.2 compares the latest selected published data on Cessnock City Council with the average of the councils in OLG Group 4 and with NSW councils as a whole.

Table B.2 Select comparative indicators for Cessnock City Council, 2011/12

	Council	OLG Group 4 average ^a	NSW average
General profile indicators			
Area (km ²)	1,963		
Population	52,493		
General Fund operating expenditure (\$m)	67.3		
General Fund operating revenue per capita (\$)	1,127	1,441	2,011
Rates revenue as % total General Fund income (%)	58.3	40.1	45.7
Average rate indicators^b			
Average rate – residential (\$)	934	837	685
Average rate – business (\$)	2,789	2,976	2,552
Average rate – farmland (\$)	1,867	1,724	2,123
Socio-economic/capacity to pay indicators^c			
Average annual income for individuals, 2010 (\$)	45,092	40,981	44,140
Growth in average annual income, 2006-2010 (% pa)	4.0	3.2	3.0
Ratio of average residential rates 2011/12, to average annual income, 2010 (%)	2.1	2.1	1.6
SEIFA, 2011 (NSW rank; 153 is least disadvantaged)	28		
Outstanding rates and annual charges ratio (incl water and sewerage charges) (%)	6.2	5.7	7.0
Productivity indicators^d			
FTE staff (number)	259	310	293
Ratio of population to FTE	203	121	126
Average cost per FTE (\$)	87,498	74,511	74,438
Employee costs as % operating expenditure (General Fund only) (%)	33.7	37.4	36.8
Consultancy/contractor expenses (\$m)	3.75	5.11	6.91
Consultancy/contractor expenses as % operating expenditure (%)	5.6	6.7	9.3

^a OLG Group 4 is classified 'as Urban Small/Medium Regional Town/City with a population up to 70,000. The group comprises 30 councils of which the most comparable to Cessnock City include Armidale Dumaresq, Bathurst Regional, Dubbo City, Goulburn Mulwaree, Greater Taree City, Orange City, Port Stephens, Shellharbour City, Singleton and Tamworth Regional councils.

^b Average rates equal total rates revenue divided by the number of assessments in each category.

^c Average annual income includes income from all sources excluding government pensions and allowances.

^d Based upon total council operations including General Fund, Water and Sewer and other funds, if applicable. There are difficulties in comparing councils using this data because councils' activities differ widely in scope and they may be defined and measured differently between councils.

Source: OLG, Unpublished data; ABS, *National Regional Profiles, NSW*, November 2011; ABS, *Regional Population Growth*, July 2012; ABS, *Estimates of Personal Income for Small Areas, 2005-06 to 2009-10*, February 2013, ABS, *Socio-Economic Indexes for Areas (SEIFA) 2011*, March 2013.