

Fact Sheet: Proposed Special Variation

Cessnock City Council has indicated that it will apply to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Variation (SV) for the 2026-27 year. This application will be based on independent expert analysis of audited financial statement data which Council feels it ought to respond to. A Special Variation allows Council to increase rates by more than the annual IPART rate cap. Ratepayers can find more information about the SV process at: <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/Special-Variations>. Ratepayers should understand that only IPART has the authority to approve, amend, or decline an application – and that it does so in response to the factual evidence put before it.

The purpose of the SV is to commence the journey to financial sustainability, with a view to maintaining service levels wherever possible, in response to very significant cost pressures which have outstripped revenue for many years. The funds will be directed to essential infrastructure backlogs and progress specifically reported on to the community (residents may wish to consult the addendum to the Integrated Planning and Reporting documents).

The cumulative impact of the Special Variation is substantial and sits at 39.9% over one year, including the assumed rate peg. This will be a permanent increase to the rate base¹. At the end of this Fact Sheet we provide tables to show the average impact (in both percent and dollar terms) for each of the four rating categories – residential,

farm, mining, and business – although we stress that the precise outcome for each ratepayer is dependent on the particular land valuation for the property.

Prior to determining the size of the SV requested of IPART, Cessnock City Council considered other options, as outlined in the forthcoming addendum to the Long Term Financial Plan (ten-year budget) as well as the independent expert reports. For example, during preparation for the Long Term Financial Plan, several large capital works projects were dropped, reduced in scope, or postponed. In addition, Council is doing significant work to improve efficiency, and is on target to realise independently assured savings of at least \$1.5 million. These savings will continue in the later years. All these measures, and more, have been fully imputed into the Long Term Financial Plan that informs this SV proposal.

In early 2025 Council engaged the University of Newcastle to conduct a review of Council's sustainability. The report was clear that Cessnock City Council is not sustainable and urgently needs to redress matters. In April 2025 TCorp came to a similar conclusion and advised Council that it would need to substantially increase revenue so that it might approach financial sustainability. In more recent times Professor Drew, Professor Miyazaki, Professor Kim, and Professor Ferreira have conducted analyses of Capacity to Pay, Efficiency and Liability (debt) Capacity and have concluded that *'it is abundantly clear that an SV is urgently required. It is unfortunate that Councillors and Management were misled by flawed [state government] metrics in the past and that rates had not been increased to at least typical levels many years ago.'*

¹This means that after 2026-27 rates will not go down again, but instead be increased by the rate peg set by IPART which Councils are advised to assume to be 2.5% per annum (please note that the rate peg was set by IPART at 3.8% for 2026-27).

The need for an SV responds to a structural imbalance in the operating budget that has emerged since at least 2012 (\$8.142 million deficit), if not before. Quite simply, Council's required expenditure for staff, materials, and contracts exceeds its revenue (see Table 6).

If we don't get the SV approved then to even attempt sustainability we would have to significantly reduce all maintenance expenditure and pause all new infrastructure work – even then, independent advice by several parties suggests that liquidity would not be assured. We believe that the community would not find the resulting significant decline in infrastructure and services, which would occur under these scenarios, acceptable.

Council is very conscious of the hardship that the Special Variation might cause and will work to improve further on the current policy which is available at <https://www.cessnock.nsw.gov.au/FinancialHardshipPolicy> or at Council's Administration Building. In addition, we have decided to apply any approved permanent SV to the *ad valorem* component of the rates only (not to the base rate). This means that the people with the lowest value property will feel slightly less effect than those with higher valued properties. It is reasonable to suppose that people most at risk of hardship are more likely to own low value property. We also note that people who rent do not pay rates. Because rates generally constitute a tax deduction for landlords there is no reason to suppose that renters ought to feel the full impact of the increased rates. We encourage landlords to pass on, at most, the non-deductible portion of the rate increase only. We all have a part to play in protecting the most vulnerable people in our community.

We want to hear from the community on the aforementioned matters and will incorporate your feedback wherever possible under the SV Guidelines established by the Office of Local Government. However, we need everyone to understand that the facts now facing us have arisen over many decades and that at least some of the important drivers of unsustainability have lain outside of the control of Council.

Furthermore, it would be helpful if people could concentrate on what might be done to optimise outcomes for Cessnock, with reference to the criteria and rules set out by the NSW state government.

We have arranged for a number of different kinds of community engagement events.

1. The community is requested to fill in the attached survey and return it to Council by mail to PO Box 152 Cessnock NSW 2325 or in person to one of four collection points:

- Administration Building, 62-78 Vincent St, Cessnock
- Cessnock Library, 65-67 Vincent St, Cessnock
- Kurri Kurri Library, 251 Lang St, Kurri Kurri
- Hunter Valley Visitor Information Centre, 455 Wine Country Drive, Pokolbin



Alternatively, you can complete an online version of the survey by scanning or clicking on the QR code.

2. Council has been posting short videos to our website to further elaborate on this Fact Sheet.

3. Council will hold five public meetings to present the case for an SV and receive community feedback:

- Wollombi Tennis Club, 2979 Paynes Crossing Road, Wollombi – 4-6pm, Friday 21 November
- East Cessnock Bowling Club, 6-12 Victoria St, Cessnock – 11-1pm, Saturday 22 November
- Kurri Kurri Senior Citizens Centre, 132 Burton St, Kurri Kurri – 5-7pm, Saturday 22 November
- Branxton Community Hall, 35 Bowen St, Branxton – 12-2pm, Sunday 23 November
- East Cessnock Bowling Club, 6-12 Victoria St, Cessnock – 6-8pm, Sunday 23 November



• Digital session: Youtube/Council Chambers, 62-78 Vincent St, Cessnock – 5.30-7.30pm, Monday 24 November. Scan or click the QR code to visit our channel.

4. Council will conduct ten listening posts across the LGA at the following localities: Branxton, Cessnock, Heddon Greta, Kurri Kurri, Millfield, Neath, North



Rothbury/Huntlee, Pokolbin, Weston and Wollombi. More information including times, dates and locations can be found by scanning or clicking the QR code.

How will the SV Impact Rates?

The following tables outline the average annual changes for each rating category, as well as the overall impact for Council, in both percentage and dollar terms. Cumulative increase is presented for the one year in percentage and dollar terms (note figures are rounded to the nearest dollar). We remind all ratepayers that average data of this kind can differ substantially from your particular circumstances, but is provided in response to the OLG Guidelines.

PROPOSED RATES – FARMLAND CATEGORY	BASE YEAR	YEAR 1 (SV)	CUMULATIVE INCREASE
FINANCIAL YEAR	25/26	26/27	
Average rate under assumed rate peg	3,409	3,539	130
Annual increase under rate peg (%)		3.80	3.80
Average rate after proposed SV	3,409	4,769	1,360
Annual increase with SV (%)		39.90	39.90
Cumulative impact of SV above Base year levels		1,360	1,360
Difference between SV and rate peg only scenarios		1,231	1,231

Table 1. Impact on Average Farmland Rate of a Permanent Special Variation of 39.9%

PROPOSED RATES – RESIDENTIAL CATEGORY	BASE YEAR	YEAR 1 (SV)	CUMULATIVE INCREASE
FINANCIAL YEAR	25/26	26/27	
Average rate under assumed rate peg	1,494	1,551	57
Annual increase under rate peg (%)		3.80	3.80
Average rate after proposed SV	1,494	2,090	596
Annual increase with SV (%)		39.90	39.90
Cumulative impact of SV above Base year levels		596	596
Difference between SV and rate peg only scenarios		539	539

Table 2. Impact on Average Residential Rate of a Permanent Special Variation of 39.9%

PROPOSED RATES – BUSINESS CATEGORY	BASE YEAR	YEAR 1 (SV)	CUMULATIVE INCREASE
FINANCIAL YEAR	25/26	26/27	
Average rate under assumed rate peg	5,188	5,385	197
Annual increase under rate peg (%)		3.80	3.80
Average rate after proposed SRV	5,188	7,258	2,070
Annual increase with SV (%)		39.90	39.90
Cumulative impact of SV above Base year levels		2,070	2,070
Difference between SV and rate peg only scenarios		1,873	1,873

Table 3. Impact on Average Business Rate of a Permanent Special Variation of 39.9%

PROPOSED RATES - MINING CATEGORY	BASE YEAR	YEAR 1 (SV)	CUMULATIVE INCREASE
FINANCIAL YEAR	25/26	26/27	
Average rate under assumed rate peg	336,523	349,311	12,788
Annual increase under rate peg (%)		3.80	3.80
Average rate after proposed SV	336,523	470,796	134,273
Annual increase with SV (%)		39.90	39.90
Cumulative impact of SV above Base year levels		134,273	134,273
Difference between SV and rate peg only scenarios		121,485	121,485

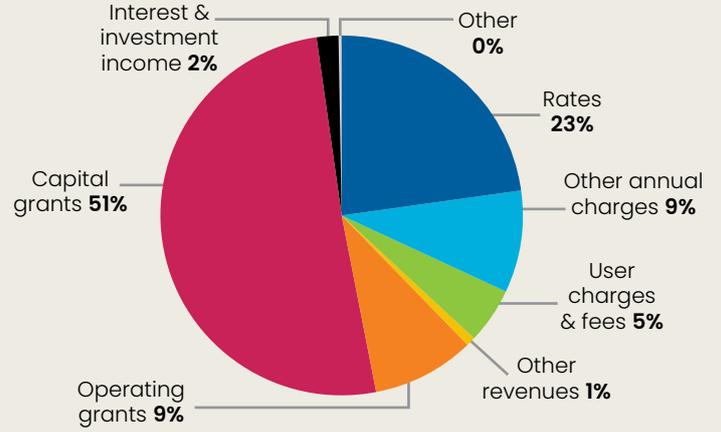
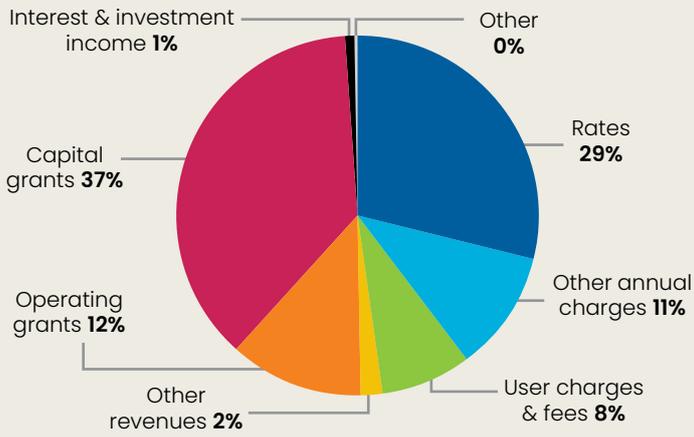
Table 4. Impact on Average Mining Rate of a Permanent Special Variation of 39.9%

PROPOSED RATES	BASE YEAR	YEAR 1 (SV)	CUMULATIVE INCREASE
FINANCIAL YEAR	25/26	26/27	
BASELINE SCENARIO			
Total Notional Rates Income (\$'000) under assumed rate peg (no SV)	55,018	57,109	2,091
Annual Increase under rate peg (%)		3.80	3.80
PROPOSED SV			
Total Notional Rate Income (\$'000) after proposed SV	55,018	76,970	21,952
Annual increase with SV (%)		39.90	39.90
Cumulative impact of SV above Base Year levels		21,952	21,952
Difference between SV and rate peg only scenarios		19,861	19,861

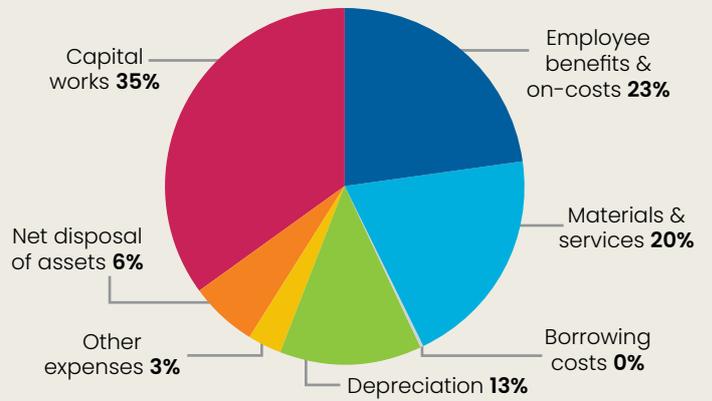
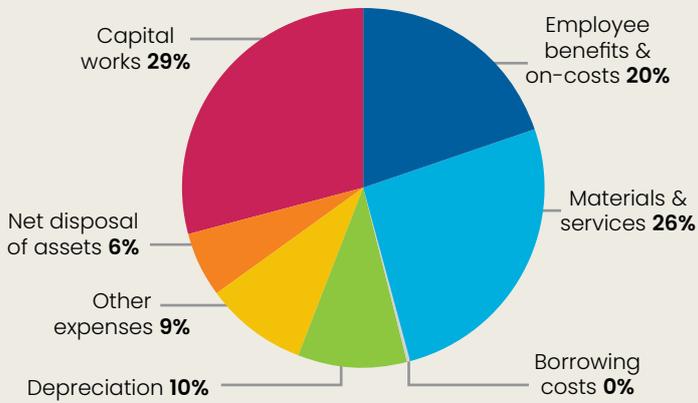
Table 5. Impact on Total Rate Revenue of a Permanent Special Variation of 39.9% (\$'000)

FINANCIAL YEAR	2021	2022	2023	2024	2025 (draft)
Revenue	132,554	150,114	156,284	207,393	204,498
Expenses	95,910	99,736	122,273	118,449	138,475
Operating Result Including Capital Grants	36,644	50,378	34,011	88,944	66,023
Operating Result Excluding Capital Grants	-9,950	618	-23,056	-15,634	-33,788

Table 6. Cessnock City Council Operating Results (\$'000) – Audited Financial Statements



Figures 1 & 2. Cessnock City Council Revenue Breakdown 2023 (left) and 2024 (right)



Figures 3 & 4. Cessnock City Council Expenditure Breakdown 2023 (left) and 2024 (right)

Special (Rate) Variation Survey

Please Return by:
Monday 17 November, 2025



Alternatively, you can complete an online version of the survey by scanning the QR code

Council intends to apply to the Independent Pricing and Regulatory Tribunal (IPART) for a permanent Special Variation (SV) which will result in a cumulative increase to rates of 39.9% which, if approved, will be implemented in the one year (2026/27; please see tables in the Fact Sheet for details of the average increase to each category over this period; required by the Guidelines for Special Variations).

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

Survey Questions – please tick the most appropriate option

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

Very satisfied Satisfied Neutral Dissatisfied Very dissatisfied

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

Very satisfied Satisfied Neutral Dissatisfied Very dissatisfied

Please read the appended Fact Sheet and then tick the option you most agree with:

3. 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?

Yes to both, for any kind of expenditure

Yes to both, if carefully applied to long-lived assets only

No, I am concerned about current debt levels or don't believe that future generations should be left with additional public debt

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)?

Yes, I am now aware of the proposed SV and its effect on average rates

No, I am not aware of the SV and its effect on average rates

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?

Yes, I am aware that the purpose of the SV is to allow Council to try to sustainably fund current operations.

No, I am not aware that the proposed SV is required to fund Council operations

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

Yes, I am aware of meetings, videos, and listening posts, options which I can use to obtain further information as outlined in the Fact Sheet

No, I am not aware of the options outlined in the Fact Sheet

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?

I prefer the status quo and acknowledge that several external parties state that this will mean that Council will remain financially unsustainable and if matters deteriorate further then this may well result in significant interventions

I would prefer the status quo and to continue to neglect essential infrastructure backlog remediation of roads and bridges. I acknowledge that cuts of this kind would result in a very significant decline to local government infrastructure

I accept the need for the proposed additional SV to commence the journey to financial sustainability

8. If you chose the proposed Special Variation above, are there any conditions regarding your willingness to pay? (Please be constructive and remember that we are just trying to get good evidence together so that IPART can make the best decision for the community).

9. Do you have any specific feedback that you would like Council or IPART to consider with respect to the proposed Special Variation? (Please note that the current predicament has been emerging for at least a decade and that assigning blame achieves little. Also note that only constructive dialogue can hope to contribute to the good outcomes for Cessnock that we all want).

Please note that the full SV application will be posted to the Council's website, and that members of the public may also make submissions directly to IPART:

<https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/Special-Variations>