



IPART Independent Pricing and Regulatory Tribunal | NSW

Muswellbrook Shire Council

Special Variation Application 2026-27

Final Report

June 2026

Local Government »

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We pay respect to their Elders both past and present, and recognise Aboriginal people's unique and continuing cultural connections, rights and relationships to land, water and Country.



Image taken on Worimi Country (Myall Lakes)

The Independent Pricing and Regulatory Tribunal

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Chapter 1 >>

Report summary

01

IPART has approved Muswellbrook Shire Council's special variation application.

Muswellbrook Shire Council (the council) applied to IPART^a to increase its general income through a permanent special variation (SV) of 29.0% for 2026-27. The council proposes applying this increase to mining ratepayers only, resulting in a 49.7% increase in mining rates. Increases would be in line with the rate peg for all other ratepayers.

The council advised us it sought the special variation for the reasons below.

- to ensure the council's ongoing financial sustainability and its ability to maintain existing services and service levels as most of the mining operations in the local government area (LGA) wind down and close.¹
- to increase revenue available to be invested into further improving the council's productivity and efficiency and stimulating economic activity to attract alternative (non-mining related) industry to the LGA.²
- to generate additional revenue to further invest in the council's future fund.³ The purpose of the future fund is to generate a permanent dividend for the council that would offset expected future mining rate reductions, support existing local industry and develop new local industry through commercial property development, and improve the area's liveability and amenity.⁴

The council's SV application proposes a rate rise for residential, business and farming rates in line with the rate peg.⁵

More information about the council's application is available in Chapter 2.

1.1 IPART's decision

We have approved the council's SV application. Our reasons for this decision are summarised in section 1.2 and our detailed reasons are provided in Chapter 10.

Table 1.1 Permanent special variation approved for 2026-27

	2026-27
Annual increase (%)	29.0
Additional annual income (\$m)	7.1

Notes: Income refers to the permissible general income. The special variation annual increase replaces the rate peg.

^a On 6 September 2010, the (then) Minister for Local Government delegated to IPART all functions under sections 506, 507, 508(2), 508(6), 508(7), 508A, 548(3) and 548(8) of the *Local Government Act 1993* (NSW), including the power to grant SVs.

1.2 IPART's assessment of the council's application

To make our decision, we assessed the council's SV application and supporting materials against the 5 criteria plus any other matter we consider relevant as set by the Office of Local Government (OLG) in its *Guidelines for the preparation of an application for a special variation to general income* (OLG Guidelines).

We found that the council's application met the OLG SV criteria and have approved the council's application for a permanent SV for a 29.0% increase in permissible general income for 2026-27. This increase is to be applied to mining ratepayers, resulting in a 49.7% increase in mining rates.

We found the council's application demonstrated a financial need for the SV. The council has submitted the SV application to ensure its future financial sustainability in anticipation of the loss of mining rates due to the expected closure of coal mines in the local government area (LGA). The council also explained that the SV would assist in maintaining existing council service levels and contribute to its future fund. This fund will reduce the council's reliance on income from mining rates by reinvesting returns into properties and businesses in the local area.

The council has demonstrated that without the SV, its financial position would deteriorate towards financial unsustainability. This is based on our analysis of the council's forecast operating performance ratio (OPR) and net cash to income ratio given expected mine closures in 2030.

The council engaged and consulted with its community and provided sufficient information about the need for and the extent of the proposed SV. This included individualised letters to all mining companies operating in the area and face-to-face meetings with several affected mining ratepayers. For other ratepayers, the council employed a suitable range of engagement methods, including face-to-face meetings, internet-based communication, and mail correspondence. The community was given ample opportunity to provide feedback including an extension to the timeframe in response to feedback from respondents. The council duly considered the feedback in the preparation of its SV application.

The council demonstrated that mining ratepayers have a higher capacity to pay for the rate rise when compared to residential, business and farmland ratepayers in the LGA. Increases would be in line with the rate peg for residential, business and farmland ratepayers.

The council demonstrated that it has made itemised cost savings and efficiency gains in prior years and is working towards future itemised cost savings and efficiency gains that are proportionate to the size of the council and its resources.

The council has complied with reporting requirements of previous SVs and exhibited and adopted the relevant Integrated Planning and Reporting (IP&R) documents.

Chapters 4-9 provide our complete assessment against each of the OLG SV criteria, and the full OLG SV guidelines are set out in Appendix A.

ASSESSMENT

Special Variation OLG criteria



Grading

**Financial need**

The council demonstrated that without the SV, its financial position would deteriorate towards financial unsustainability. Having regard to the purpose and context of this SV we found that the council had canvassed alternatives to the SV.

**Community awareness**

The council engaged with the community and provided sufficient information about the need for and extent of the proposed SV. It also provided the community with opportunities to provide feedback which the council considered in preparing its SV application.

**Reasonable impact on ratepayers**

The council has demonstrated that mining ratepayers generally have better capacity to pay for the rate rise when compared to residential, business and farmland ratepayers in the LGA. Increases would be in line with the rate peg for all other ratepayers.

**Integrated Planning and Reporting documentation**

We found that the council exhibited and adopted the relevant IP&R documents.

**Productivity improvement and cost containment**

We found that the council has demonstrated that it has made cost savings and efficiency gains in prior years, and proposed future cost savings and efficiency gains that are proportionate to the size of the council and its resources.

**Other matters IPART considers relevant**

The council has complied with reporting requirements of past special variations.

Key



Demonstrated



Not demonstrated

Approval conditions



Our approval is subject to certain conditions including that the council:

- uses the additional income for the purpose outlined in its application
- reports in its annual report from 2026-27 until 2031-32 the actual program of expenditure funded by the additional income and the outcomes achieved
- reports in its annual report for 2026-27 until 2031-32 on productivity improvements and cost containment measures.

The full conditions are set out in Chapter 10.

Our *Instrument Under Section 508(2) of the Local Government Act 1993 - Special Variation for Muswellbrook Shire Council for 2026-27* gives legal effect to this decision and sets out the conditions of approval.

1.3 Stakeholder feedback

Councils are required to consult with their communities as part of the Integrated Planning and Reporting (IP&R) framework. The OLG criteria requires us to look at this consultation process as part of our assessment.

The council has 8,047 rateable properties.

Muswellbrook Shire Council consulted on its proposed SV with its community using a variety of engagement methods including:

- letters to all ratepayers, including mines and other local key business and community organisations
- face-to-face meetings with mine operators
- a dedicated SV webpage, launched on 3 December 2025, which included an online survey and portal to make submissions
- six face-to-face community consultation forums (which were also live-streamed or recorded)
- six media releases
- local newspaper advertisements
- Mayoral interviews on local radio
- social media posts.⁶

As a further input to our assessment, we published the council's application on our website for a 3-week consultation period and invited stakeholders to provide feedback directly to IPART.

Through this process, we received 206 responses to our feedback form and 9 submissions on Muswellbrook Shire Council's proposed SV. These submissions and responses raised concerns about the:

- mining ratepayers' willingness to pay for a special variation
- equity of the current rating system
- affordability of the proposed rate increases
- council's financial management
- council's consultation with the community
- sufficiency of existing financial resources
- council roadmap for post-mining transition
- duplication with existing transition funding agreements.

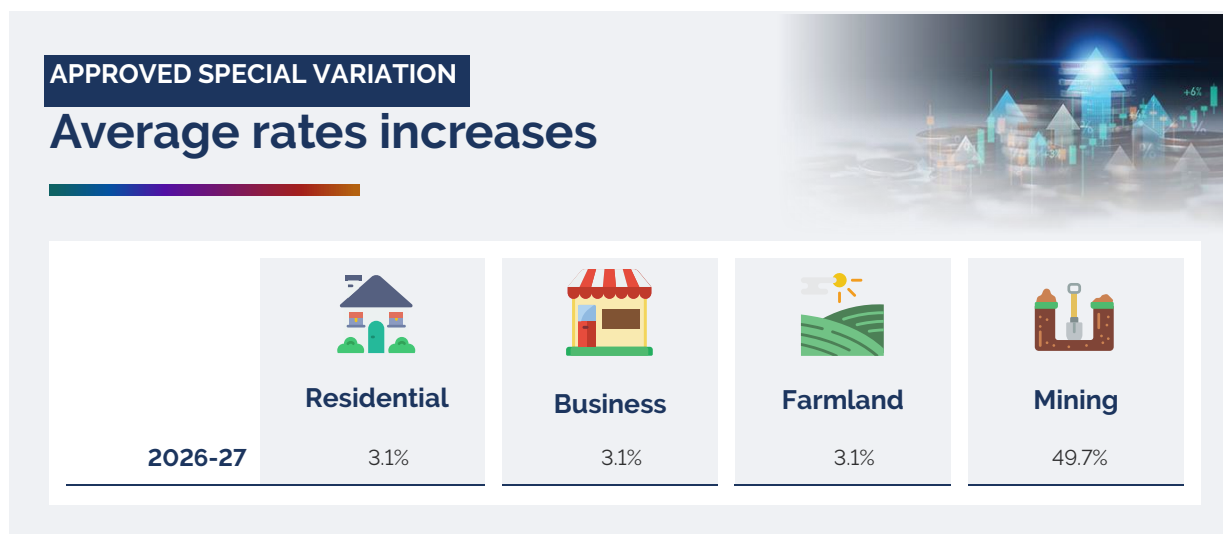
We consider stakeholder feedback in more detail in Chapter 3.

1.4 Next steps for the council

Our determination sets the maximum amount by which the council can increase its general income for 2026-27. The council can defer rate increases up to this maximum amount for up to 10 years.⁷

Subject to the council's final decision on increasing rates in line with the approved special variation, we understand average rates will increase as shown below. The council retains the discretion to decide how it raises its general income across the rating categories. We encourage the council to consult with its community to decide how best to implement the increase and any changes to the rating structure. The council indicated that residential, business and farmland rates would increase in line with the rate peg, while mining rates would be subject to a higher increase to collect the additional income under the SV. The council's rate peg for 2026-27 is 3.1%.⁸

Figure 1.1



Note: These figures may have been rounded in calculation. These are the council's proposed increases, but it retains the discretion to determine the structure of its rates.
Source: IPART calculations.

We expect the council to continue to pursue productivity improvements to minimise costs to ratepayers and ensure its financial stability over the long term.

The rest of this report explains how and why we reached our decision on the council's special variation application in more detail.

Chapter 2 >>

The Council's application

02

This section of our report sets out the council's proposal and summarises the information that the council provided to support its application. [The full application and all non-confidential supporting documents](#) are available on our website.

The council applied to increase its general income in 2026-27 by 29.0%. The table below sets out the expected annual revenue this would raise.

Table 2.1 Proposed SV

	2026-27
Annual increase (%)	29.0%
Additional annual income (\$'000)	7,113

Note: Income refers to the permissible general income.
Source: Muswellbrook Shire Council [Application Part A](#), WS 2 and WS 6.

The proposed SV is permanent. This means that the increase would remain in the rates base permanently. The council's general income would not be reduced at the end of 2026-27.

The council advised us it sought the special variation to:

- ensure the council's ongoing financial sustainability and its ability to maintain existing services and service levels generally as most of the mining operations in the local government area (LGA) wind down and close⁹
- increase revenue available to be invested into further improving the council's productivity and efficiency and to stimulating economic activity to attract alternative (non-mining related) industry to the LGA¹⁰
- generate additional revenue to further invest in the council's future fund.¹¹ The purpose of the future fund is to generate a permanent dividend for the council that would offset expected future mining rate reductions, support existing local industry and develop new local industry through commercial property development, and improve the area's liveability and amenity.¹²

2.1 Impact of the proposed special variation on ratepayers

The council explained that the proposed SV is only to be levied through mining rates, with residential, business and farming ratepayers proposed to be subject to increases in line with the approved rate peg, as would have been the case if this SV was not sought.¹³

It proposed that on average, in 2026-2027:

- the **residential rate** would increase by \$31 or 3.1%
- the **business rate** would increase by \$116 or 3.1%
- the **farmland rate** would increase by \$108 or 3.1%
- the **mining rate** would increase by \$611,883 or 49.7%.

The council provided the number of rates notices that it expects to issue for 2026-27.

Table 2.2 Number of rates notices per category in 2026-27

Ratepayer category	Number of rate notices
Residential	6,950
Business	618
Farmland	468
Mining	11
Total	8,047

Source: Muswellbrook Shire Council, Part A application Worksheet 4.

2.2 Impact of the proposed SV on the council's general income

The council estimated its proposed SV of 29.0% would increase its permissible general income from \$25 million to \$32 million for 2026-27, which would remain permanently in the rates base.

2.3 Further information provided

Following our preliminary assessment of the council's application, we asked the council to provide further clarification on:

- differences between additional SV income and its use
- variances between the Long-Term Financial Plan (LTFP) base case tables and corresponding tables in Part A of the SV application
- rates and annual charges collectable data
- variances in internal cash restrictions in the LTFP cashflow statement table versus Part A of the SV submission
- its assumptions for how mine closures will impact the council's forecasted income.

The council provided correspondence to clarify the items above. We considered this additional information in our assessment.

Chapter 3 >>

Stakeholders' feedback to IPART

03

We expect the council to engage with its community so that ratepayers are fully aware of any proposed special variation and the full impact on them. This is one of the criteria we use to assess the council's application (see Chapter 5 for our assessment and Appendix A for the full criterion).

As a further input to our assessment, we published the council's application on our website for a 3-week consultation period from 17 February 2026 to 9 March 2026, inclusive. Stakeholders could complete a survey-style feedback form and make submissions directly to us.

We have taken all stakeholder feedback into account in making our decision [in accordance with our Submissions Policy](#). The key issues raised in the feedback form and all published (non-confidential) submissions are outlined below.

3.1 Summary of feedback we received

We received 206 responses to our feedback form and 9 total submissions from stakeholders, of which 8 were not confidential.



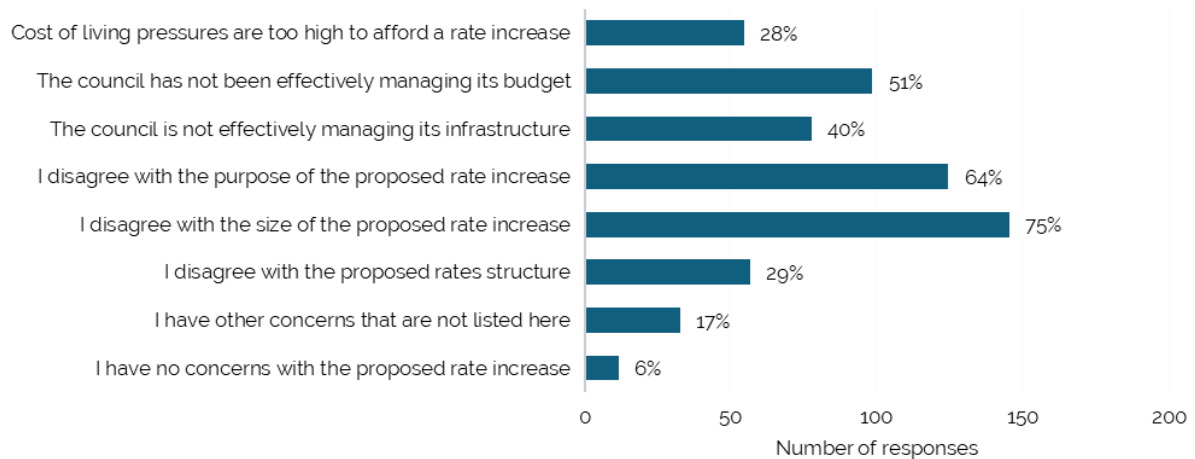
There are approximately 8,047 rateable properties in the council's local government area (see Table 2.2 for more information).

3.2 Responses to the feedback form

We published a survey to assist stakeholders in providing feedback to IPART on the proposed SV and on a range of other specific topics. These included the affordability of the proposed rates increases, the council's consultation on the proposed SV, and the council's financial management. We note that while this was a survey-style feedback form, it was not a statistically representative survey and participants self-selected to provide feedback.

We received 206 responses relating to the council's application. Of these, 176 respondents (87.1%) were opposed to the proposed SV, 4 respondents (2.0%) were undecided, 8 respondents (4.0%) partly supported it, and 18 respondents (9.0%) supported it. The figures below show the main reasons that stakeholders said they might oppose or might support the proposed SV.

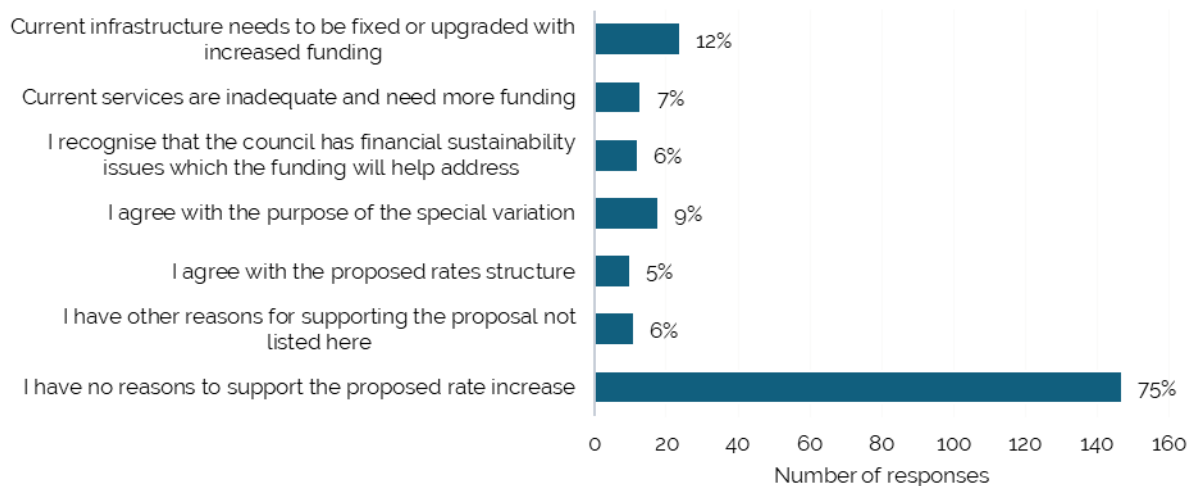
Figure 3.1 Reasons that respondents said they might oppose the proposed SV



Note: We received 195 responses. For this question, respondents could select more than one option and were not required to respond to this question. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART.

Figure 3.2 Reasons that respondents said they might support the proposed SV



Note: We received 195 responses. For this question, respondents could select more than one option and were not required to respond to this question. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART.

In the feedback form, we also invited feedback on specific topics.

- **Community awareness:** We received 182 responses and 64% of respondents who answered the relevant question disagreed or strongly disagreed that the council provided the opportunity for feedback and 82% of the 182 respondents who answered the relevant question disagreed or strongly disagreed that the council considered the community feedback in its decision making. We further consider community awareness in Chapter 5.
- **Impact on ratepayers:** We received 187 responses and 88% of respondents who answered the relevant question did not agree that the rates increase was affordable (disagreed or strongly disagreed). 84% of the 188 respondents who answered the relevant question did not agree that the application considers the impact on ratepayers. 77% of the 188 respondents who answered the relevant question did not agree that the application considers different options to reduce the financial impact on ratepayers. 81% of the 188 respondents who answered the relevant question did not agree that the application balances the community's need for services and its impact on ratepayers. We further consider the impact on ratepayers in Chapter 6.
- **Productivity and cost containment:** We received 181 responses and 70% of respondents who answered the relevant question disagreed or strongly disagreed that the council is effective in providing infrastructure and services for the community while 10% agreed or strongly agreed, and the remainder neither agreed nor disagreed. 77% of 181 respondents who answered the relevant question disagreed or strongly disagreed that the council had explained past cost saving strategies. 78% of 181 respondents who answered the relevant question disagreed or strongly disagreed that the council had explained future cost-saving strategies. We further consider the council's productivity and cost containment in Chapter 8.

The full results from the survey are available in Appendix C.

3.3 Summary of issues raised

This section summarises the key issues and views raised in the public submissions.^a

3.3.1 Equity of the current rating system

The majority of submissions from mining ratepayers and industry bodies expressed concern that the current rating system is inequitable, with the SV specifically and disproportionately targeting mining ratepayers. Several submissions explained that the SV was inequitable given that mining ratepayers voluntarily maintained some roads near their mines, and have made voluntary monetary contributions to the area. One submission claimed that the SV would act as a "shadow royalty" that should only be levied by the NSW State Government instead of the council.¹⁴

We acknowledge stakeholders' concerns about the distribution of rates.

^a Where a submission was marked as confidential we have not raised it here to protect confidentiality. Matters raised in the feedback form free-text section have generally been treated as confidential submissions.

It is a matter for the council to determine the rating structure, including distribution of rates among ratepayers in compliance with the current regulatory framework. For example, the council cannot levy ordinary rates on exempt land¹⁵, and must categorise land¹⁶ according to the Local Government Act and regulations^b. These requirements, which are outside the scope of IPART's role assessing SVs, may contribute to some stakeholders' sense of inequity in how rates are distributed.

3.3.2 Affordability of proposed rates increases

Most of the submissions we received were from mining ratepayers and industry bodies. They raised concerns about the impact of the council's proposed SV on the affordability of rates and suggested this would lead to current and future mines in the area becoming less profitable, and as such economically unviable which may adversely impact the council's overall future rate base. Many of these submissions said that the timing of the SV was poor in the current economic climate with uncertainty in the future of coal mining. They also raised concerns regarding potential business closures for businesses reliant on coal mining in the LGA. This specific concern is outside the scope of IPART's role in the determination of the SV.

Our analysis of the affordability of proposed rate increases is in Chapter 6.

3.3.3 The council's financial management

Several of the submissions raised concerns that the council has not used its resources efficiently and indicated that they are unwilling to pay for some of the council's proposed projects. They state that the proposed SV is a way for the council to mitigate financial mismanagement. Several submissions propose that the SV would work against the council's goal of reducing its reliance on income from mining rates by raising mining rates as part of the SV.

The elected councillors are responsible for managing the council's finances. IPART does not have the function of auditing or examining the council's financial decisions or financial management more broadly, beyond our assessment of the SV application against the OLG Guidelines.

Our analysis of the council's productivity improvements and cost containment strategies is in Chapter 8.

3.3.4 The council's cost savings and efficiency gains

Several submissions state the view that the council should focus greater efforts on finding efficiencies and cost savings rather than apply for an SV.

Our analysis of the council's productivity and cost containment strategies is in Chapter 8.

^b See, for example, section 556(1)(h) of the *Local Government Act 1993* (NSW) which provides land owned by public benevolent institutions or charities used for certain purposes is exempt land, and clause 122 of the *Local Government (General) Regulation 2021* (NSW) which relates to the categorisation of land used for retirement villages, serviced apartments or a time-share scheme.

3.3.5 The council's consultation with the community

Several submissions said that the timing of the SV's initial consultation period between 3 December 2025 and 12 January 2026 did not provide adequate time to provide feedback due to the holiday period.

Our analysis of the council's consultation with its community is in Chapter 5.

3.3.6 Sufficiency of existing financial resources

Several stakeholders said that the council had sufficient unrestricted cash reserves and had achieved financial surpluses in the prior years that could be invested in the council's Future Fund, which could assist in supplementing the expected future loss of mining income.

Our analysis of the financial need for the special variation is in Chapter 4.

3.3.7 Council roadmap for post-mining transition

One stakeholder stated that the council has not provided sufficient detail on its post-mining transition, claiming that council has not looked at methods of attracting alternative industries to the area.¹⁷

We note that review of the council's planning activities is not within the scope of this report.

3.3.8 Duplication with existing transition funding arrangements

Several stakeholders stated that the council has not considered the potential economic impact of existing transition funding arrangements for mines in the area that are set to close. The stakeholders note that these funding arrangements are made to assist with stimulating economic activity in the area following mine closures and would create additional ratepayers in the LGA that would supplement the loss in mining rates. The stakeholders note that the council has not considered this potential economic impact in its LTFFP.

We note that review of the economic impact of non-council funding arrangements for the LGA are not within the scope of this report.

Chapter 4

Financial need

OLG Criterion 1

04

OLG Criterion 1 requires the council to clearly articulate and identify the need for, and purpose of, the proposed SV in its IP&R documents. It also requires the council to demonstrate the financial need for the SV by assessing its impact on the council's financial performance and position, and by canvassing alternatives to address the financial need.

Note: See Appendix A for the full criterion.

To assess whether the council met OLG Criterion 1, we reviewed the council's IP&R documents and the information in its application. We also considered stakeholders' comments on financial need received via our feedback form and submissions and undertook our own analysis of the council's financial performance and position. We do not audit council finances, as this is not part of our delegated function.

We found that the council met this criterion.

The sections below discuss our assessment of Criterion 1 in more detail.

4.1 The council's IP&R documents

We found that the council's Long-Term Financial Plan (LTFP) identifies and articulates the need for and purpose of the SV.

The reasons that the council articulated in the LTFP are consistent with the purpose of the SV that the council provided in its application (see Chapter 2).¹⁸

In a separate Future Fund policy document, the council explained that the purpose of the fund is to generate a permanent dividend for the council that would offset expected future mining rate reductions, support existing local industry and develop new local industry through commercial property development, and improve the area's liveability and amenity.¹⁹

4.2 Underlying assumptions in the council's economic modelling

The council explained the following assumptions were made in its economic modelling for the proposed SV:

- mine closure timeframes are based on currently published closure dates from mining operators. For the purpose of the council's application and Table 4.1 below, this includes the closure of the Mt Arthur Mine scheduled for 30 June 2030,²⁰ and the Mangoola mine which currently only has development approval for operations up to 31 December 2030.²¹
- the land valuation of a mining assessment will reduce before the mine closes
- reduced valuations from mine closures will be treated under the supplementary valuation process, resulting in reduced total permissible income.²²

These assumptions are reflected in the council's application of its forecast permissible general income (PGI) as shown below.

Table 4.1 Calculation of PGI with and without the proposed SV (\$'000 nominal)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
PGI with proposed SV								
Prior year notional general income	N/A	24,527	31,640	32,430	28,417	29,128	25,478	26,115
<i>Less adjustments mining rates supplementary rates reductions</i>	-	-	-4,706	-	-	-4,378	-	-
PGI with proposed SV	24,527	31,640	27,724	28,417	29,128	25,478	26,115	26,767
PGI without an SV (rate peg only)								
Prior year notional general income	N/A	24,527	25,287	21,213	21,743	22,287	18,466	18,927
<i>Less adjustments mining rates supplementary rates reductions</i>	-	-	-4,706	-	-	-4,378	-	-
PGI without an SV	24,527	25,287	21,213	21,743	22,287	18,466	18,927	19,401

Source: Muswellbrook Shire Council, [Application Part A](#), Worksheet 6.

Table 4.1 shows the future supplementary valuations that the council has modelled would occur in 2027-28 and 2030-31 based on currently published mine closure dates due to the declining value of mines. The council predicts that there would be a \$4.7 million reduction in mining rates in 2027-28 and a \$4.4 million reduction in 2030-31. The council explained that unlike a general valuation which would redistribute the rates between ratepayers without impacting the total permissible general income (PGI), supplementary valuations of mines that are closing would reduce the total PGI. The council also explained that it has already experienced this with other mines. It explained that the reason that rates levied from closing mines decrease is generally due to the coal adjustment component of the land value that starts to reduce in the years leading up to the closure of mines.²³

We consider that the council's assumptions about the impact on its permissible general income are reasonable (see Box 4.1).

Box 4.1 Impact of negative supplementary valuations on general income

A council may only collect a certain amount of general income, being income from ordinary rates and some special rates and charges, each year (permissible general income).

Councils use the value of land, which is determined by the Valuer General of NSW, to calculate the permissible general income and set and levy ordinary rates.

A supplementary valuation occurs outside the cycle of general valuations. If a supplementary valuation reduces the value of certain parcels of land, then the council may have to reduce the ordinary rate for those parcels of land in the year in which the valuation was made. This creates a shortfall in the council's general income for that year because the negative supplementary valuation means the council cannot collect the income it would have been entitled to collect. Councils may recover this shortfall in any subsequent year under section 511A of the *Local Government Act 1993* but may only do so once, not on an ongoing basis. This means a council would have to calculate their permissible general income using the applicable (likely lower) land value for those parcels of land that were the subject of the negative supplementary valuation in subsequent years (other than the year in which a council may choose to recover the shortfall).

Our analysis of the council's financial performance and position found that with the proposed SV, the council's future PGI up to 2032-33 would generally remain at parity with its PGI of \$24.5 million in 2025-26 as per Table 4.1, after accounting for the assumed annual rate peg increases of 2.5% as per the council's LTFP.²⁴ This is consistent with the council's stated purpose of the SV, which is to ensure ongoing financial sustainability and maintain existing services and service levels to address the reduced PGI resulting from the future devaluation of mines in the lead up to and following closure. The forecast PGI without an SV would be \$19.4m by 2032-33 (see Table 4.2).

4.3 Our analysis of the council's financial performance and position

We used information provided by the council in its application (including the assumptions described in section 4.2) and IP&R documents to analyse the council's financial performance and financial position and the impact the proposed SV would have on these. This involved calculating financial forecasts under 3 scenarios:

1. **proposed SV scenario:** which includes the council's proposed SV revenue and expenditure.
2. **baseline scenario:** which does not include the council's proposed SV revenue or expenditure.
3. **baseline with SV expenditure scenario:** which includes the council's full expenditure from its proposed SV, without the additional revenue from the proposed SV. This scenario is a guide to the council's financial sustainability if it still went ahead with the full expenditure program included in its application but could only increase general income by the rate peg.

We then used these forecasts to examine the impact of the SV on key indicators of the council's financial performance and position – namely its operating performance ratio, and net cash (or net debt).

We have generally used averages of the forecasts over the next 5 years for these indicators to smooth annual variability. In this chapter we also present data over a longer timeframe in some tables and charts. We note that data beyond 5 years is subject to greater variability.

4.3.1 Impact on operating performance ratio

The operating performance ratio (OPR) is a measure of a council's ongoing financial performance or sustainability. In general, a council with an OPR consistently greater than zero is considered to be financially sustainable because it measures a council's ability to contain operating expenditure within operating revenue.²⁵ The OLG has set a benchmark for the OPR of greater than zero (see Box 4.2 for more information).

Box 4.2 Operating performance ratio

The OPR measures whether a council's income will fund its costs and is defined as:

$$OPR = \frac{\text{Total operating revenue} - \text{operating expenses}}{\text{Total operating revenue}}$$

where expenses and revenue are exclusive of capital grants and contributions, and net of gains/losses on the sale of assets.

The OLG has set a benchmark for the ratio of greater than 0%.

The ratio measures net operating results against operating revenue and does not include capital expenditure. A positive ratio indicates that an operating surplus is available for capital expenditure.

Generally, IPART considers that a council's average OPR over the next 10 years should be 0% or greater, as this represents the minimum level needed to demonstrate financial sustainability. An OPR consistently well above 0% may bring into question the financial need for an SV.

However, we recognise that other factors, such as the level of borrowings or investment in infrastructure, may affect the need for a council to have a higher or lower operating result than the OLG breakeven benchmark as set by OLG.

Source: Office of Local Government, *Performance Benchmarks* and *Assets*.

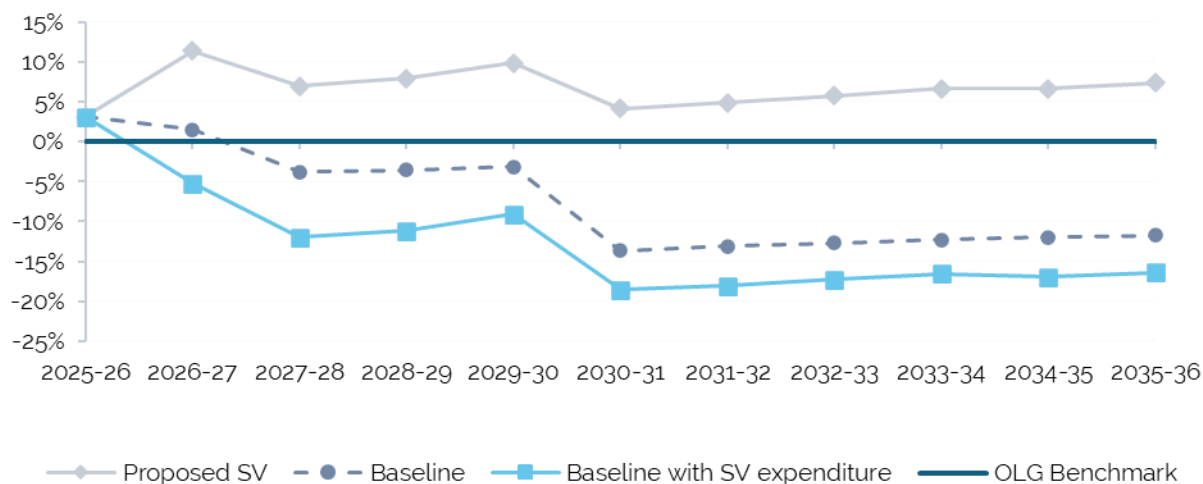
We found that, over the next 5 years:

- **Under the proposed SV scenario**, the council's OPR would meet the OLG benchmark of greater than 0% from 2026-27 at 11.3%. Its average OPR over the 5-year period would be 8.0%.
- **Under the baseline scenario**, the council's OPR would remain below 0% for the next 5 years. Its average OPR over the period would be -4.5%.
- **Under the baseline with SV expenditure scenario**, the council's OPR would remain below 0% for the next 5 years. Its average OPR over the period would be -11.2%.

This suggests that without the SV, the council may soon have an operating deficit which would grow over time. As shown in Figure 4.1, the council's OPR is forecast to drop as each mine closure reduces the council's revenue. However, with the proposed SV, the council's OPR would meet the OLG benchmark from 2026-27 onwards, rising to 11.3% in 2026-27 before stabilising at around 4.1% in 2030-31 once expected mine closures have occurred. This shows the council is forecast to have a modest operating surplus over the longer term which will help the council address its financial sustainability challenges. This was one of the key purposes of the SV as advised by the council.

Our analysis of the impact of the proposed SV on the council's OPR over the next 10 years is summarised below.

Figure 4.1 The council's projected OPR



Note: OPR shown excludes capital grants and contributions.
Source: Muswellbrook Shire Council, [Application Part A](#).

Table 4.2 The council's projected OPR under 3 scenarios (%)

	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35	35-36
Proposed SV	11.3	7.0	7.9	9.9	4.1	4.9	5.8	6.6	6.6	7.4
Baseline	1.5	-3.8	-3.5	-3.2	-13.6	-13.1	-12.7	-12.3	-12.0	-11.8
Baseline with SV expenditure	-5.2	-12.0	-11.1	-9.1	-18.5	-18.0	-17.3	-16.6	-17.0	-16.4

Source: Muswellbrook Shire Council, [Application Part A](#).

4.3.2 Impact on net cash

A council's net cash (or net debt) position is an indicator of its financial position. For example, it indicates whether a council has significant cash reserves that could be used to fund the purpose of the proposed SV. We examined the council's cash and investments, and its net cash (debt) to income ratio.

Box 4.3 Cash and investments and net cash (debt) to income ratio

Cash and investments

Councils hold cash and investments for a variety of purposes, but the use of these can be restricted in one of 2 ways:

- **externally restricted:** These funds are subject to external legislative or contractual obligations.
- **internally allocated:** These are subject to a council resolution to cover commitments and obligations expected to arise in the future and where it is prudent to hold cash to cover those obligations.

Unrestricted funds can be used to fund the council's day to day operations and may be able to be used for the same purpose as the proposed SV. In some cases, this may be enough to avoid or delay the SV or reduce its size. However, this metric does not account for any borrowings or payables that need to be settled.

Net cash (debt) to income ratio

The net cash (debt) to income ratio can show whether a council has sufficient cash reserves left over that could be used to fund the purpose of the proposed SV, *after* taking out its payables and borrowing obligations.

$$\text{Net cash (debt) to income ratio} = \frac{(\text{Cash} + \text{Investments} + \text{Receivables}) - (\text{Payables} + \text{Borrowings})}{\text{Total operating revenue (excluding capital grants)}}$$

The cash and investments in this formula includes balances subject to *external restrictions* and *internal allocations*.

A positive ratio shows that a council may have access to cash reserves to help address its financial need. A negative ratio shows that a council may not have reserves to rely on to address financial sustainability issues.

For instance, a ratio of 10% means that an entity has 10 cents of net cash per \$1 of operating revenue. Conversely, a ratio of -10% means that an organisation has 10 cents of net debt (i.e. -10 cents net cash) per \$1 of operating revenue.

Cash and investments

The council advised us that on 30 June 2025, it held a total of \$76.6 million in cash and investments in its general fund. This comprised:

- **\$30.9 million externally restricted funds:** For Muswellbrook Shire Council, examples include developer contributions, stormwater management, domestic waste management and specific purpose grants.²⁶
- **\$45.2 million internally allocated funds:** For Muswellbrook Shire Council, examples include plant and vehicle replacement, infrastructure (road asset replacement), and employee leave entitlements.²⁷
- **\$0.5 million unrestricted funds:** These funds can be used to fund the council's day to day operations.

This suggests that the majority of the council's cash reserves are committed to other purposes, except for the \$0.5 million that is unrestricted. In addition, the council's LTFP indicates, that without an SV, its unrestricted cash reserves would decline to negative \$44.2 million by 2035-2036. This is because most of its unrestricted reserves will be required to fund its accumulated operating deficits each year.²⁸

Net cash (debt) to income ratio

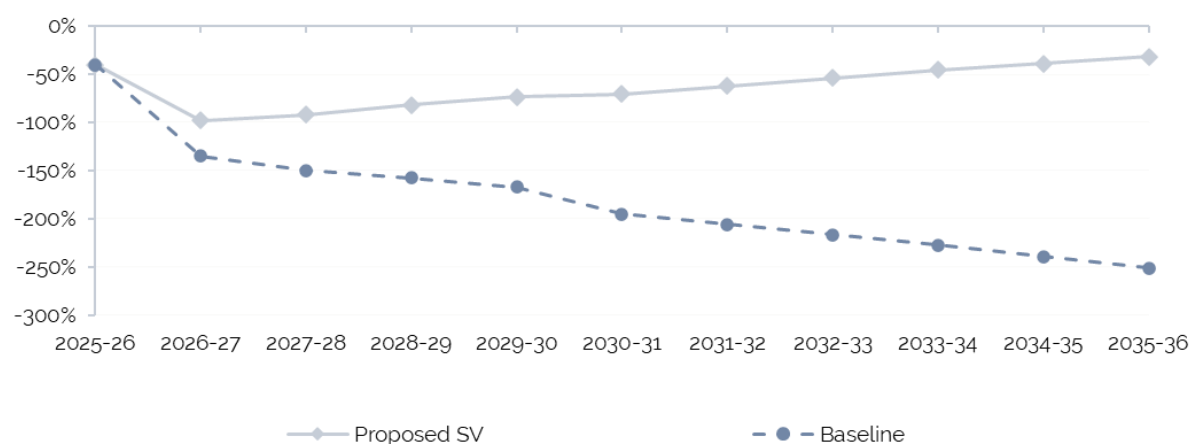
We calculated that as at 30 June 2026, the council would have net cash of -\$21.6 million. The council would have a net cash to income ratio of -39.9%.

Over the next 5 years:

- **under the baseline scenario:** the council's net cash to income ratio would trend downwards and average -160.8%
- **under the proposed SV scenario:** the council's net cash to income ratio would trend upwards and average -83.2%.

The impact of the proposed SV on the council's net cash (debt) to income ratio over the next 10 years is presented below.

Figure 4.2 The council's net cash (debt) to income ratio (%)



Source: Muswellbrook Shire Council, [Application Part A](#), Worksheet 9 and IPART calculations.

4.4 Alternatives to the rate rise

We assessed whether, in establishing the need for the SV, the council's relevant IP&R documents canvassed alternatives to the rate rise to meet the financial need.

The council explained in its application it considered the alternative of waiting until the mines close and seeking an SV at that time, levied on all ratepayers to address the revenue gaps left by the departure of the mines.²⁹ It further explained that this was not specifically modelled in the LTFP, as the timeline for this extends beyond the current LTFP 10-year forecast.³⁰

The council said that this option is less desirable and explained that residential ratepayers have less capacity to pay compared to mining ratepayers.³¹

Further, the council stated that it anticipates that without the SV revenue funding investment into alternative industries for the area, the area's socio-economic index for areas (SEIFA) rank would likely decline further as the mining industry departs the region, and as such, the current SV is the preferred option to attract alternative industry.³² We further assess the impact of the council's proposed SV for ratepayers in Chapter 6.

In its LTFP the council has also outlined financial management strategies, including the already established future fund.³³ The LTFP further explains that the future fund has been established to generate alternative sustainable sources of revenue to offset some of the projected decline in rates and other income associated with the reduction in coal mining activity.³⁴ We also note that the direct economic impacts of the future fund are modelled in the LTFP, which forecast negative operating results without an SV.³⁵

In Chapter 8 we also assess the council's past productivity and cost containment strategies.

Having regard to the context of this SV as explained in section 4.2, we assess that the council has canvassed alternatives to an SV.

4.5 OLG Criterion 1 – Financial need was demonstrated

In conclusion, our assessment is that the council met OLG Criterion 1.

We found that the council met this criterion and has demonstrated the financial need for the SV.

The council noted that this application is a unique SV as it is proactively addressing the council's future financial issues stemming from expected reductions in permissible general income from expected mine closures. The council has demonstrated that without the SV, the council's OPR and net cash to income ratio would worsen over time, highlighting the financial sustainability challenges facing the council. We found that the SV in comparison generally keeps the council's OPR and net cash to income ratio at more sustainable levels and allows the council's OPR to meet the OLG's performance benchmarks. Having regard to the purpose and context of this SV we found that the council had canvassed alternatives to the SV.

Chapter 5 >>

Community awareness

OLG Criterion 2

05

OLG Criterion 2 requires the council to provide evidence that the community is aware of the need for and extent of the proposed rate increase. It requires the council to:

- communicate the full cumulative increase of the proposed SV in percentage terms and in dollar terms for the average ratepayer, by rating category
- outline its ongoing efficiency measures and performance
- use a variety of engagement methods to ensure community awareness and provide opportunities for community input.

The criterion does not require the council to demonstrate community support for the SV application.

Note: See Appendix A for the full criterion.

To assess whether the council met OLG Criterion 2, we considered stakeholder comments about community awareness that we received through our feedback form and submissions and we analysed the council's community engagement on the proposed SV.

We found that the council met this criterion.

The sections below discuss our assessment of Criterion 2 in more detail.

5.1 Our assessment of the council's engagement and consultation

To assess the effectiveness of the council's community engagement and consultation on the proposed SV, we considered whether:

- the information provided to ratepayers was generally sufficient and clear
- the variety of engagement methods used was effective
- the process used to consult the community provided timely opportunities for ratepayers to be informed and provide feedback on the proposed SV
- the outcomes from the consultation were considered in preparing the SV application.

5.1.1 Information provided to ratepayers

We found that the information the council provided to ratepayers about the proposed SV was sufficient to create awareness of its proposal.

The council's consultation materials were generally clear and set out:

- the need for the SV
- the full percentage increase of the proposed SV for all rating categories with projected average rates in dollar terms for all rating categories
- mining ratepayers also received individual letters detailing the additional rates that they would be expected to pay under the SV

-
- what the additional income from the proposed SV would fund, including to:³⁶
 - ensure the council's ongoing financial sustainability
 - maintain existing services and service levels generally
 - provide funds for investments for further improving productivity and efficiency
 - provide funds for economic development activities to attract alternative industry to the local government area (LGA)
 - provide further investments in its future fund to reduce council's dependence on rates revenue to fund services.
 - how to find out more information
 - how to provide feedback.

The council also set out its recent cost savings on its webpage and its present and ongoing initiatives to improve efficiency in its community presentations. Please refer to Chapter 8 for more information on our assessment of the council's productivity improvements and cost containment strategies.

5.1.2 Engagement methods used

We found the council used a variety of engagement methods to promote awareness of its proposed rates increase and provided opportunities for ratepayers to provide feedback.

Throughout its consultation period, the council told us its engagement activities included:

- letters to all ratepayers, mines and other key local business and community organisations e.g. (mine operators in the LGA were given individualised letters that detailed the expected increase in rates for specific mines)
- a dedicated SV webpage, launched on 3 December 2025, which included an online survey and portal to make submissions
- 6 face-to-face community consultation forums (which were also live-streamed or recorded)
- 6 media releases
- local newspaper advertisements
- Mayoral interviews on local radio
- social media posts
- face-to-face meetings with mine operators.³⁷

5.1.3 Process for community consultation

We found the process the council used to engage with and consult the community about the proposed SV was effective.

We note that the council provided individualised letters to all mine operators in the LGA on 23 December 2025. These letters included details on the expected rate increase for mining ratepayers if the SV was approved as well as estimated rate increases for specific mines owned by the operators. Additionally, throughout December 2025 and January 2026 council executives and the mayor met directly with mine operators and related industry groups.

The council consulted with the community from 3 December 2025 to 12 January 2026. This consultation was to seek feedback on the proposed SV of 29.0% for 2026-27.

This consultation period provided enough opportunity for ratepayers to be informed and provide feedback on the proposal, which also included detailed responses from mining ratepayers during the council's consultation period.³⁸

5.1.4 Council consideration of outcomes of community consultation

OLG Criterion 2 does not require the council to demonstrate community support for the proposed special variation. However, we expect the council to consider the results of community consultation in preparing its application.

We found that the council considered the results of community consultation through its review of the Community Engagement Outcome Report as part of its ordinary council meeting on 27 January 2026, prior to resolving to apply for the Special Variation.³⁹

The council was provided with a summary of the feedback it received during its community consultation from 3 December 2025 to 12 January 2026.⁴⁰

The council's report indicated that the:⁴¹

- council's online survey received 337 responses
- face-to-face drop-in sessions were attended by 25 stakeholders
- council received written submissions from 7 stakeholders
- council had face-to-face meetings with management of 5 mining companies with mines in the LGA and the mining companies also provided written submissions to the council.

The survey found that 88% of the respondents were aware that the council was applying for an SV, and that 33% of respondents were supportive of an SV that only applied to mining land.⁴²

The survey also found that there was a significant variance in support for the proposed SV depending on whether the respondents lived or worked in the shire, of those:⁴³

- only living in the Shire, 50% supported the SV and 50% did not
- living and working in the Shire, 49% supported the SV and 51% did not
- not living or working in the Shire, 4% supported the SV and 96% did not
- only working in the Shire, 18% supported the SV and 82% did not.

The report noted that face-to-face drop-in sessions had more general inquiries than SV specific inquiries. This was due to significant pre-existing awareness of the SV in the community, as revealed by the survey.⁴⁴

The written submissions varied in discussion topics and expressed concerns about the proposed SV. 6 out of 7 stakeholders expressed concern about whether the proposed SV would further induce unsustainable reliance on mining rates by the council and the levels of independent governance that would provide oversight on the investments of the future fund. One stakeholder expressed strong support for the SV.⁴⁵

The report stated that the responses from the 5 mining companies were unanimously negative, expressing significant concern about the scale, equity, and justification of the proposed increases.⁴⁶

5.1.5 OLG Criterion 2 – Community awareness was demonstrated

In conclusion, our assessment is that the council met OLG Criterion 2.

The council engaged with and consulted its community on the proposed SV. The council explained that the purpose of the SV is to target mining assessments. It proposed that rates for other rating categories would only rise in line with the rate peg. The council provided information to all ratepayers that outlined the impact and purpose of the SV.

For mining ratepayers, the council provided individualised letters to the mining ratepayers that would be directly affected by the proposed SV, including estimated rates for individual mines in 2026-27 if the SV was approved. The council provided these letters on 23 December 2025. Additionally, throughout December 2025 and January 2026 council executives and the mayor met directly with mine operators and related industry groups.

It also provided sufficient information about the need for and extent of the proposed SV in its engagement materials. It used a variety of engagement methods including face-to-face, internet and mail methods of communication, and provided sufficient opportunities for the community to provide feedback. In response to feedback from respondents, it extended the timeframe for providing feedback by a further week. The council considered feedback from respondents in preparing its SV application.

Chapter 6 >>

Impact on ratepayers

OLG Criterion 3

06

OLG Criterion 3 requires the council to show that the impact on ratepayers is reasonable considering current rates, the community's capacity to pay and the proposed purpose of the special variation.

Note: See Appendix A for the full criterion.

To assess this criterion, we considered stakeholder comments on the proposed SV's impact on ratepayers received through our feedback form and submissions and analysed the council's assessment of the impact of the SV on ratepayers. We also undertook our own analysis to assess whether this impact is reasonable.

We found that the council met Criterion 3.

The sections below discuss our assessment of OLG Criterion 3 in more detail.

6.1 Impact of the proposed SV on average rates

The council calculated the total average impact on ratepayers over the proposed SV period. It shows that on average, in 2026-27:

- the residential rate would increase by \$31 or 3.1%, which is the rate peg
- the business rate would increase by \$116 or 3.1%, which is the rate peg
- the farmland rate would increase by \$108 or 3.1%, which is the rate peg
- the mining rate would increase by \$611,883 or 49.7%.

Table 6.1 Impact of the proposed special variation on average rates

	2025-26 (current)	2026-27	Cumulative increase
Residential average rates (\$)	988	1,019	-
\$ increase	-	31	31
% increase	-	3.1	3.1
Business average rates (\$)	3,751	3,867	-
\$ increase	-	116	116
% increase	-	3.1	3.1
Farmland average rates (\$)	3,489	3,597	-
\$ increase	-	108	108
% increase	-	3.1	3.1
Mining average rates (\$)	1,231,598	1,843,481	-
\$ increase	-	611,883	611,883
% increase	-	49.7	49.7

Note: These figures have been rounded in calculation and therefore summations on a whole may not appear to be correct.
Source: Muswellbrook Shire Council [Application Part A](#) and IPART calculations.

6.2 The council's assessment of the proposed SV's impact on ratepayers

The criterion requires that the Delivery Program and Long-Term Financial Plan (LTFP) show the impact of any rate rises on the community, demonstrate the council's consideration of the community's capacity to pay rates, and establish that the proposed rate increases are affordable having regard to the community's capacity to pay.

6.2.1 The council's IP&R documents

The council's LTFP outlines the proposed SV and includes a total permissible general income increase of 29.0% for 2026-27. This increase would be applied only to mining ratepayers.⁴⁷ However, the LTFP does not show the average rates per rating category in 2026-27 if the SV is applied.

We also note that the council's Delivery Program does not show the impact of the proposed SV or average rates per rating category in 2026-27 if the SV is applied.

6.2.2 The council's consideration of capacity to pay

The council's capacity to pay analysis provides an analysis and evaluation of relative wealth and financial capacity to pay the proposed rates increase in the Muswellbrook Shire local government area (LGA). As the council proposes to collect the additional income from the proposed SV from mining ratepayers, the application details analysis of the capacity to pay of mining companies with mines in the LGA. The council reviewed the companies' publicly available financial data and found that the mining companies had a strong capacity to pay the expected average increase in annual mining rates of \$571,000.⁴⁸

The council noted that its analysis showed that the average increase in rates would represent 0.08% of the total expected output revenue for the mining ratepayers in 2026-27. Furthermore, at least two companies that own mines in the area have reported 2025 profits from operations of more than \$400 million.⁴⁹

We note that the council's analysis on mining ratepayers' capacity to pay provided an estimate of the most recent annual revenue for four mines in the area and the most recent annual profits of two mining companies in the region, rather than provide analysis of annual net profits and revenue of all mining companies operating in the area.⁵⁰ Please refer to section 6.3.2 of this report for IPART's analysis on mining ratepayers' capacity to pay for the rate rise based on this criteria.

Furthermore, the council has compared mining ratepayers' capacity to pay to non-mining ratepayers. For residential ratepayers, the council noted that the LGA's socio-economic index for areas (SEIFA) and Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD) rankings indicate that the LGA's residents have a higher level of socio-economic disadvantage compared to other NSW LGAs. As a result, the council explained that mining ratepayers have more capacity to pay than residential ratepayers.⁵¹

The council stated that as the local economy is highly dependent on mining, business ratepayers in the LGA would be affected by flow-on effects from the loss of economic activity from the mine closures and would not be in a strong enough economic position to have the capacity to pay for the SV. Similarly, the council stated that farmland ratepayers are exposed to profitability variations from seasonal conditions and extreme weather conditions that would limit their capacity to pay.⁵²

6.3 Our analysis of the proposed SV's impact on ratepayers

To assess the reasonableness of the impact on ratepayers, we considered:

- how the council's rates have changed over time
- how current and proposed rates compare to councils in similar circumstances
- the community's capacity to pay based on socio-economic indicators, historical hardship applications and outstanding rates data
- what hardship provisions the council has in place to mitigate the impact.

6.3.1 How the council's rates have changed over time

Over the past 5 years, the average annual growth in the council's residential rates has been in line with the average rate peg increase. Residential rates have increased at an annual average rate of 3.2%, compared to the average rate peg of 3.4% over the same period.

Table 6.2 Historical average rates in Muswellbrook Shire Council (\$nominal)

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Average annual growth (%)
Residential	846	939	779	905	936	988	3.2
Business	1,668	2,726	2,746	2,778	2,682	3,751	17.6
Farmland	2,602	3,049	3,049	3,259	3,516	3,489	6.0
Mining	569,450	1,135,111	1,118,600	1,101,000	1,196,727	1,231,598	16.7

Source: OLG, Time Series Data 2025-26, Muswellbrook Shire Council, [Application Part A](#), IPART calculations.

6.3.2 Comparison of average mining rates

We have compared the average mining rates for Muswellbrook Shire Council with several other councils that primarily have coal mines and are in a similar locality.

Table 6.3 Expected 2026-27 mining rates for councils with coal mines

Council	Mining ratepayers	Expected Mining Rates Revenue 2026-27	Average mining rates 2026-27	Mining rates as a % of Permissible General Income
Muswellbrook Shire Council (with SV)	11	20,278,290	1,843,481	65
Mid-Western Regional	8	13,530,280	1,691,285	38
Lithgow	11	4,816,840	437,895	20
Singleton	39	10,111,643	259,273	35

Source: Muswellbrook Shire Council, [Application Part A](#), IPART calculations.

With the SV, Muswellbrook Shire Council would have the highest average mining rates of these LGAs although average mining rates would be broadly similar with average mining rates in the neighbouring Mid-Western Regional Council. However, average mining rates are not directly comparable across councils. The number of mining ratepayers in each council area is generally small and mining rates levied reflect the:

- **Quality of minerals:** As mining rate assessments are determined by the value of the minerals in the mine, higher or lower quality coal can directly impact the valuation of the mine and rates paid.
- **Quantity of the minerals:** Coal mines can vary significantly in the size and scale of the mineral reserves and operations, and this can lead to significant variation in the valuation of the mine.
- **Council's rating structure:** Rating structures for mines vary between councils and equivalent mines operating in different LGAs may pay different amounts of mining rates.

All mine operators in the council area are either large Australian corporations or large multi-national corporations, and the average rate increase due to the SV would have a modest impact on their revenue given the size of their operations.

6.3.3 How the council's rates compare to other councils

For other rating categories, we compared the council's current average rates, and what they would be with the SV, with those of comparable councils. We then considered these findings together with the socio-economic comparisons discussed in section 6.3.4 and the available hardship provisions discussed in section 6.3.5 to help us assess the reasonableness of the proposed rate increase.

The councils we have selected for comparisons are outlined below.

- **Based on locality:** Upper Hunter Shire Council, Mid-Western Regional Council, Singleton Council and Dungog Council. These councils are geographically close to Muswellbrook Shire Council.
- **Based on similar socio-economic advantage and disadvantage (SEIFA rank):** Kyogle Council, Inverell Shire Council, Cowra Council and Narrandera City Council.^a

Box 6.1 Comparable councils

In our analysis of rate level and capacity to pay indicators, we have compared the council to other councils that are comparable to it based on their locality and SEIFA rank.

Comparable councils based on locality

Comparable councils based on locality includes neighbouring and nearby local government areas (LGAs). These council areas are not necessarily similar, but as ratepayers are more likely to be familiar with them and the differing service levels they provide, this comparison may help them assess their own rates level.

Comparable councils based on SEIFA rank

Comparable councils based on SEIFA rank means councils whose LGAs have similar levels of socio-economic advantage and disadvantage, as measured by Socio-Economic Indexes for Areas (SEIFA). [SEIFA is a series of indexes](#) that rank Australian LGAs according to relative socio-economic factors. It is developed by the Australian Bureau of Statistics using the latest census results (currently 2021). We used the 'Index of Relative Socio-economic Advantage and Disadvantage' which includes 23 variables covering income, household make-up, housing, education levels and employment.

Comparison of average residential rates

The council's current average residential rates and projected rates for 2026-27 (which under the proposed SV increase by the rate peg only) are lower than the averages for comparable councils based on locality, and SEIFA ranking. This suggests residential ratepayers may have some additional capacity to pay for increases above the rate peg.

In its application, the council stated it intends to collect the additional income from the proposed SV from mining ratepayers only as it considers the LGA's low SEIFA ranking indicates residential ratepayers have a lower capacity to pay than mining ratepayers.

^a Muswellbrook Shire Council has a SEIFA rank of 15 out of 128 NSW councils. In general, a lower SEIFA rank indicates a higher level of relative disadvantage.

It is a matter for the council to determine its rating structure, including distribution of rates among ratepayers in compliance with the statutory framework.⁵³

See Table 6.4 for more information.

Comparison of average business and farmland average rates

The council's current average business rates are higher than the average for comparable councils based on locality and SEIFA rank. In 2026-27, these rates would remain higher than the average for comparable councils based on locality and SEIFA rank, indicating that there may be less capacity to pay for increases above the rate peg for business ratepayers.

The current average farmland rates are lower than the averages for comparable councils based on locality but higher based on SEIFA rank. This is also the case in 2026-27 with the proposed SV. On balance, this may indicate that there may be less capacity to pay for increases above the rate peg for farmland ratepayers when comparing to councils with similar SEIFA rankings.

See Table 6.5 for more information.

Table 6.4 Comparison of the council's average residential rates under the proposed SV (Average residential rate (\$))

Council	2025-26 (current)	2026-27
Muswellbrook Shire Council	988	1,019
Comparable based on locality		
Upper Hunter Shire Council	1,065	1,171
Mid-Western Regional Council	1,124	1,165
Singleton Council	1,342	1,399
Dungog Shire Council	1,714	1,782
Average^a	1,256	1,317
Comparable based on SEIFA Ranking		
Kyogle Council	1,316	1,374
Inverell Shire Council	1,217	1,256
Cowra Council	607	630
Narrandera Shire Council	1,100	1,137
Average^a	1,032	1,069

a. The average rate of comparable councils by locality and SEIFA rank are weighted by the number of assessments.

b. To derive the 2025-26 average rates for comparable councils, we used OLG's time series data as at 2024-25 (latest available) and escalated this by its rate peg, or if applicable, its approved SV.

c. To derive the 2026-27 average rates for comparable councils, we used OLG's time series data as at 2024-25 (latest available) and escalated this by its 2025-26, 2026-27 rate peg, or if applicable, its approved SV.

Source: OLG, [Time Series Data 2024-25](#); ABS, [2021 Census DataPacks](#), General Community Profile, Local Government Areas, NSW and IPART calculations.

Table 6.5 Comparison of the council's average business and farmland rates under the proposed SV

Council	Average business rate (\$)		Average farming rate (\$)	
	2025-26 (current)	2026-27	2025-26 (current)	2026-27
Muswellbrook Shire Council	3,751	3,867	3,489	3,597

Council	Average business rate (\$)		Average farming rate (\$)	
	2025-26 (current)	2026-27	2025-26 (current)	2026-27
Comparable based on locality				
Upper Hunter Shire Council	1,061	1,167	4,569	5,026
Mid-Western Regional Council	2,539	2,630	2,921	3,026
Singleton Council	3,037	3,165	2,806	2,924
Dungog Shire Council	1,748	1,818	4,287	4,458
Average^a	2,208	2,313	3,669	3,899
Comparable based on SEIFA rank				
Kyogle Council	1,659	1,732	2,321	2,423
Inverell Shire Council	5,159	5,324	3,607	3,722
Cowra Council	3,721	3,862	2,420	2,512
Narrandera Shire Council	1,826	1,886	5,804	5,996
Average^a	3,524	3,646	3,206	3,323

a. The average rate of comparable councils by locality and SEIFA rank are weighted by the number of assessments.

b. To derive the 2025-26 average rates for comparable councils, we used OLG's time series data as at 2024-25 (latest available) and escalated this by its rate peg, or if applicable, its approved SV.

c. To derive the 2026-27 average rates for comparable councils, we used OLG's time series data as at 2024-25 (latest available) and escalated this by its 2025-26, 2026-27 rate peg, or if applicable, its approved SV.

Source: OLG, [Time Series Data 2024-25](#); ABS, [2021 Census DataPacks](#), General Community Profile, Local Government Areas, NSW and IPART calculations.

6.3.4 The community's capacity to pay based on socio-economic indicators

To assess the community's capacity to pay the council's proposed rates, we considered a range of indicators of socio-economic status and levels of vulnerability in the community.

This assessment in this section focuses on residential rates, as residential ratepayers represent the majority of ratepayers.^b However, in its application, the council told us it intends to collect the additional rates above the rate peg under the proposed SV from mining ratepayers only and that rates for residential, business and farmland ratepayers would increase by the rate peg. The council has the discretion to determine its rating structure and the distribution of rates across ratepayers.

^b Note that our assessment looks at the community as a whole and does not distinguish between those that directly pay rates and those that may indirectly be impacted.

Box 6.2 How we assessed capacity to pay

To help us understand the impact of the proposed SV on residential ratepayers, we compared selected socio-economic indicators for the council's community and the comparable councils' communities, using data from the 2021 census. We also considered the council's historical hardship and outstanding rates data. These measures provide an indication of the community's ability to pay additional rates and are useful to consider together with the average rates comparisons.

Socio-economic indicators

We considered the following socio-economic factors when assessing the capacity to pay of residential ratepayers.

- The median income levels, and the ratio of average residential rates to median household income, which are indicators of capacity to absorb cost increases.
- The proportion of people on selected Government payments^c, which could be an indicator of levels of vulnerability as recipients may generally be on lower and fixed incomes.
- The level of outright home ownership, where a higher level may indicate that a community has more capacity to pay (as more households do not need to pay mortgage or rent payments).
- The proportion of occupied private dwellings where 30% or more of the household's imputed income is put towards housing costs, which can be an indicator of households experiencing cost-of-living pressures. However, putting 30% or more of a household's imputed income towards housing may not always be a sign of financial stress. A household may choose to make more mortgage repayments or reside in a more expensive area and have a sufficiently high income.

We also note that the cost of living has increased since this data was collected in the 2021 census.

Hardship applications and outstanding rates

We collected 5 years of historical data related to a community's ability to pay rates to understand trends in the area. This included:

- how many applications for hardship assistance were made to the council
- how many ratepayers were on hardship arrangements
- the value of rates (\$) that were outstanding as at 30 June.

We note these indicators can apply to very small proportions of the population.

^c These are the Age Pension, Disability Support Pension and JobSeeker Payment.

Muswellbrook Shire Council's ratepayers are in a similar position to the ratepayers in comparable councils' areas, with some indicators suggesting a slightly better ability to pay rates and some indicators suggesting additional hardship. IPART's analysis of ABS Census data and OLG data found some key insights.

- Median income in the Muswellbrook Shire LGA is equivalent to the average for comparable LGAs based on locality but significantly higher to LGAs of similar SEIFA rank.
- The typical household in the Muswellbrook LGA spends around 1.2% of its household income on residential rates. This is slightly less than average the in comparable LGAs based on locality (1.7%) and SEIFA rank (1.9%).
- 9.0% of the council's rates were outstanding, which is higher than the average or equal to other comparable councils based on locality and SEIFA ranking but within the OLG benchmark of <10%.
- 13.5% of households in the Muswellbrook Shire LGA meet the definition of housing cost stress. This is higher than the average in comparable areas based on locality (11.4%), and in comparable areas based on SEIFA (11.1%).
- 28.6% of dwellings in the Muswellbrook Shire LGA are owned outright, which is lower than in other comparable councils based on locality and SEIFA rank.

Based on the above indicators, on balance it may indicate that residential ratepayers may have some additional capacity to pay for increases above the rate peg. However, it is a matter for the council to determine their rating structure, and distribution of rates among ratepayers, in accordance with the statutory framework.⁵⁴

Table 6.6 Comparison of the council's socio-economic indicators

	Median annual household income (\$) ^a	Current average residential rates to median household income ratio (%) ^b	Outstanding rates and annual charges ratio (%) ^c	Proportion of population in receipt of select Government payments (%) ^d	Proportion of households that pay more than 30% of income towards housing costs (%) ^e	Dwelling owned outright (%) ^f
Muswellbrook Shire Council	84,656	1.2	9.0	17.9	13.5	28.6
Comparable councils based on locality						
Upper Hunter Shire	74,308	1.6	11.3	18.5	10.0	36.7
Mid-Western Regional	77,272	1.5	3.2	19.6	12.0	38.9
Singleton	104,832	1.3	5.1	13.3	12.1	31.6
Dungog	77,220	2.3	7.3	18.6	10.5	41.8
Average	83,408	1.7	6.7	17.1	11.4	37.3
Comparable councils based on SEIFA rank						

	Median annual household income (\$) ^a	Current average residential rates to median household income ratio (%) ^b	Outstanding rates and annual charges ratio (%) ^c	Proportion of population in receipt of select Government payments (%) ^d	Proportion of households that pay more than 30% of income towards housing costs (%) ^e	Dwelling owned outright (%) ^f
Cowra	57,824	1.1	12.6	27.2	10.1	43.8
Narrandera	61,568	1.8	10.2	24.7	9.7	40.8
Inverell	60,476	2.1	5.2	25.3	11.8	39.0
Kyogle	51,116	2.7	8.5	31.8	12.0	49.6
Average	57,746	1.9	9.1	27.1	11.1	43.3

- a. Median annual household income is based on 2021 ABS Census data.
- b. The 2025-26 average rates for comparable councils are calculated based on the OLG's time series data as at 2024-25 (latest available data) escalated by a council's 2025-26 rate peg or approved SV, as relevant.
- c. The Outstanding rates ratio (%) is derived from the OLG's Rates & Annual Charges Outstanding Percentage for the General Fund as at 2024-25 (latest available data). The formula is 'rates and annual charges outstanding (\$)' *divided by* 'rates and annual charges collectible (\$)'.
- d. Proportion of population in receipt of select government payments (%) is based on the total number of Age Pension, Disability Support Pension and the JobSeeker Payments *divided by* the estimated resident population from the ABS Data by Region.
- e. Proportion of occupied private dwellings where 30% or more of the household's imputed income is put towards housing costs payments is calculated by the following formula = [households where mortgage repayments are more than 30% of the imputed household income (no.) + households where rent repayments are more than 30% of the imputed household income (no.)] / total occupied private dwellings (no.). These measures are from the ABS Data by Region.
- f. Dwelling owned outright (%) is from the ABS Data by Region.
- Source: OLG, [Time Series Data 2024-25](#); ABS, [Socio-economic Indexes for Areas \(SEIFA\) 2021](#), March 2023; ABS, Data by Region, Local Government Areas, NSW, Median Weekly Household Income and IPART calculations.

In addition to these socio-economic indicators, we considered historical data on the number of ratepayers applying for hardship provisions. Recent trends can give an indication of ratepayers' ability to pay current rates levels and the potential impact of other recent cost increases.

The number of ratepayers on the hardship policy has remained low over the past 5 years, from no ratepayers on the hardship policy in 2020-21 and 2021-22, then 2 ratepayers on it from 2022-23 to 2023-24 to 1 ratepayer in 2024-25. The average amount owing per ratepayer on hardship policy has fluctuated over the last 5 years. This amount has increased in the past five years from \$0 to \$8,789 in 2022-23 to \$15,885 in 2023-24 and \$10,339 in 2024-25.

Box 6.3 Rates and annual charges outstanding ratio

The rates and annual charges outstanding ratio measures the impact of uncollected rates and annual charges on a council's liquidity and the adequacy of its debt recovery effort. This is defined as:

$$\text{Rates and annual charges outstanding ratio} = \frac{\text{Rates and annual charges outstanding}}{\text{Rates and annual charges collectible}}$$

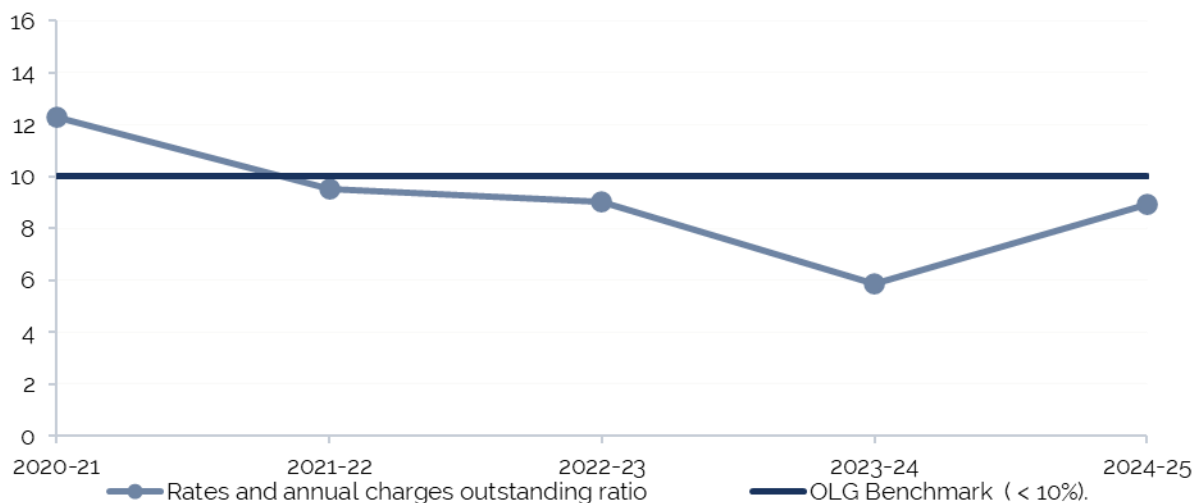
The OLG has set a benchmark for the ratio of less than 5% for metropolitan councils and less than 10% for regional and rural councils.

Source: Office of Local Government, *Performance Benchmarks* and *Assets*.

We also considered the council's rates and annual charges outstanding ratio. While a rates and annual charges outstanding ratio above the OLG benchmark can be a reflection of how effectively the council has managed its debt recovery efforts, it can also be an indication that a greater number of ratepayers have been unable to pay their rates on time.

The average rates and annual charges outstanding ratio across 2020-21 to 2024-25 is 9.1%. This is lower than the OLG benchmark of less than 10% for regional and rural councils.

Figure 6.1 The council's rates and annual charges outstanding ratio (%)



Source: OLG time series data and IPART calculations.

6.3.5 The council's hardship policy and availability of concessions

A hardship policy can play an important role in mitigating the impact of an SV on vulnerable ratepayers. We are satisfied that the council has a hardship policy in place to assist vulnerable ratepayers, and it has strategies to make its community aware about how to access this. The council updated its hardship policy in May 2025.

The hardship policy provides assistance, such as:⁵⁵

- reducing, deferring, or waiving rates and charges including accrued interest
- payment plans.

Under the *Local Government Act 1993*, councils must provide concessions to eligible pensioners which is half of the total ordinary rates and domestic waste management service charge, up to a maximum of \$250. The council provides this and does not offer any additional pensioner concessions.

The council's application stated that it makes the policy available on its website.⁵⁶

6.4 OLG Criterion 3 – Impact on ratepayers was demonstrated

In conclusion, our assessment is that the council met OLG Criterion 3.

We compared average mining rates for the council to average mining rates in neighbouring councils with coal mines. While mining rates are difficult to compare across councils and there was a large range in the average mining rates of the councils we considered, we found average mining rates with the SV would be broadly similar to average mining rates in the neighbouring Mid-Western Regional Council. We conducted analysis on mining ratepayers in the LGA and found that the proposed indicative increase in mining rates under the SV would have a reasonable impact on these ratepayers. We found that mining ratepayers would generally have better capacity to pay higher rates to make up for the loss of income from mining rates that is expected from the imminent mine closures in the LGA. This supports the council's findings in its own capacity to pay analysis.

In its application, the council told us it intends to collect the additional income under the proposed SV from mining ratepayers only and that rates for residential, business and farmland ratepayers would increase by the rate peg. However, the council has the discretion to determine its rating structure and the distribution of rates across ratepayers.

Based on our assessment, we found that average residential rates are lower than average rates in comparative councils of a similar locality and SEIFA ranking. We also found that average business rates are generally higher compared to average rates for councils in a similar locality and SEIFA ranking. For average farmland rates, we found that rates are generally lower compared to councils in a similar locality, but generally higher when compared to councils with similar SEIFA rankings. We found that ratepayers in these categories may have some capacity to pay if rates were increased above the rate peg.

Chapter 7

IP&R documents

OLG Criterion 4

07

OLG Criterion 4 requires the council to exhibit, approve and adopt the relevant Integrated Planning and Reporting (IP&R) documents before applying for the proposed SV.

Note: See Appendix A for the full criterion.

To assess whether the council met Criterion 4, we checked the information provided by the council.

7.1 OLG Criterion 4 – IP&R Documents was demonstrated

We found that the council met this criterion. It exhibited and adopted its IP&R documentation.

The council:

- exhibited its current Community Strategic Plan from 26 March to 5 May 2025, and adopted it on 27 May 2025
- exhibited its current Delivery Program from 23 April to 21 May 2025, and adopted it on 24 June 2025
- exhibited its current LTFP from 3 December 2025 to 12 January 2026, and adopted it on 27 January 2026. [This is available on the Council's website](#)
- exhibited its current Strategic Asset Management Plan and Asset Management Plans from 23 April 2025 to 21 May 2025. It resolved to endorse them on 24 June 2025 in accordance with its previous resolution on 22 April 2025
- submitted its SV application on 30 January 2026.

In conclusion, we found that the council exhibited and adopted the relevant IP&R documents.

Box 7.1 Integrated Planning & Reporting documents

The IP&R framework allows councils and the community to engage in important discussions about service levels and funding priorities and to plan for a sustainable future. This framework underpins decisions on the revenue required by each council to meet the community's needs.

The relevant documents are the Community Strategic Plan, Delivery Program, Long-Term Financial Plan (LTFP), and where applicable, Asset Management Plan. Of these, the Community Strategic Plan and Delivery Program require (if amended) public exhibition for 28 days (and re-exhibition if further amended). Councils are also expected to post its LTFP on its website.

Source: Office of Local Government [Integrated Planning and Reporting Guidelines](#).

Chapter 8 >>

Productivity and cost containment strategies

OLG Criterion 5



OLG Criterion 5 requires councils to explain and quantify the productivity improvements and cost containment strategies that have been realised in past years and are expected to be realised over the years of the proposed SV.

Councils should present their productivity improvements and cost containing strategies in the context of ongoing efficiency measures and indicate if the estimated financial impact of those measures has been incorporated in the council's Long Term Financial Plan.

Note: See Appendix A for the full criterion.

To assess this criterion, we considered stakeholders' comments on the council's productivity and cost containment performance that we received through our feedback form and submissions. We also analysed information provided by the council on its productivity and cost containment performance and examined some key indicators of the council's efficiency.

We found that the council met this criterion.

The sections below discuss our assessment of Criterion 5 in more detail.

8.1 The council's information on realised and proposed productivity savings

The council told us it has identified some past productivity improvements, estimating to have delivered around \$5.68 million per year in ongoing annual cost savings.⁵⁷

It also told us it has planned three projects for further improving its productivity and efficiency, which in total have been estimated to deliver a productivity saving of \$565,300 per year.⁵⁸ All future initiatives have been incorporated into the Long-Term Financial Plan (LTFP).⁵⁹

8.2 Our analysis of the council's information on productivity savings

We analysed the information the council provided on its realised and proposed productivity improvements and cost containment strategies.

8.2.1 Realised productivity improvements and cost containment to date

We found that the council has made productivity and cost containment gains to date. In its SV application, it estimates that, in recent years, it has delivered an average of around \$5.68 million of annual ongoing cost savings.

We consider the size of these savings shows the council has sufficiently pursued efficiency gains over this period, relative to its size.

The council indicated that the one-off and ongoing savings are the result of the following initiatives:⁶⁰

- optimisation of procurement energy contracts and moving to 100% renewable energy
- installation of water efficient devices at council sites
- various data analysis and procurement automation and process improvements
- consolidation of executive roles
- increased utilisation of trainees and cadets
- recruitment freezes
- utilisation of project-based employment contracts
- utilisation of a 4 day work week
- increased cost recovery efforts on wastewater
- reduction in maintenance costs through timely asset replacements
- reducing pump and water station use at off peak times
- roll-out of valve replacement program to reduce water leakage and wastage
- utilising recycled materials in road repair
- reclassification of certain roads to state roads to reduce maintenance burden
- replacement of timber bridges with less maintenance intensive concrete bridges.

8.2.2 Proposed productivity improvement and cost containment strategies in coming years

We found that the council's application outlines some strategies and activities for further improving its productivity and efficiency in the coming years totalling \$5,653,000 over a 10-year period and \$563,000 per annum over the period including:⁶¹

- developing and implementing a digital transformation of council software and systems, estimated to save \$320,000 a year and improve customer service and service delivery outcomes⁶²
- implementing an asset management improvement plan to save \$180,000 per annum via cost avoidance and efficiency gains⁶³
- implementing further energy, water, plant and fleet management efficiencies to save \$65,300 per annum.⁶⁴

We consider the council has outlined productivity and cost containment strategies for the future, which are proportionate to the size and resources of the council.

8.3 Indicators of the council's efficiency

We examined indicators of the efficiency of the council's operations and asset management processes, including how its efficiency has changed over time and how its performance compares with that of similar councils. This data is presented in Table 8.1 and Table 8.2 below.

We found that between 2020-21 and 2024-25, the council's:

- number of full time equivalent (FTE) staff, on average, grew by 2.4% each year

- average annual cost per FTE increased by an average of 4.2% nominal per annum
- employee costs as a percentage of operating expenditure increased by 1.1% each year.

We also found that compared to the average of comparable councils based on locality, the council has:

- less staff per population than the average – it has one FTE for every 93.9 residents
- lower operating expenditure per capita

These performance indicators only provide a high-level overview of the council's efficiency at a point in time. Additional information would be required to accurately assess the council's efficiency and its scope for future productivity gains and cost savings.

Table 8.1 Trends in selected efficiency indicators for the Muswellbrook Shire council

Performance indicator	2020-21	2021-22	2022-23	2023-24	2024-25	Average annual change (%)
FTE staff (number)	163	160	163	171	179	2.4
Ratio of population to FTE	100.3	102.9	101.5	98.3	93.9	-1.6
Average cost per FTE (\$)	92,429	91,613	98,196	112,655	108,771	4.2
Employee costs as % of operating expenditure (General Fund only) (%)	31.7	27.6	29.4	37.6	33.1	1.1

Source: OLG, Time Series Data 2024-25, IPART calculations.

Table 8.2 Select comparator indicators

	Muswellbrook Shire Council	Locality average	NSW average
General profile			
Area (km ²)	3,405	5,998	5,545
Population	16,817	19,042	66,626
General Fund operating expenditure (\$m)	52.2	64.5	120.3
General Fund operating revenue per capita (\$)	4,303	4,562	2,216
Rates revenue as % of General Fund income (%)	37.1	29.5	43.6
Own-source revenue ratio (%)	66.7	47.6	68.2
Productivity (labour input) indicators			
FTE staff	179.0	241.5	413.0
Ratio of population to FTE	93.9	78.8	161.3
Average cost per FTE (\$)	108,771	98,364	115,289
Employee costs as % of operating expenditure (General Fund only) (%)	33.1	31.8	37.4
General Fund operating expenditure per capita (\$)	3,104	3,385	1,806

Note: Locality is defined in Box 6.1.

Source: OLG, Time Series Data 2024-25, IPART calculations.

8.4 OLG Criterion 5 – Productivity improvements and cost containment strategies was demonstrated

In conclusion, our assessment is that the council met OLG Criterion 5.

The council outlined that its past productivity improvement and cost containment initiatives have resulted in ongoing savings of around \$5,680,000 per year. Furthermore, the council has proposed \$5,653,000 in efficiency gains and operational savings over a 10-year period from 2026 to 2036,⁶⁵ which have been incorporated into its LTFP.⁶⁶ We assess that its past and planned savings and initiatives are proportionate to the size of the council and its resources.

Chapter 9 >>

Any other matter IPART
considers relevant

OLG Criterion 6



OLG Criterion 6 provides that IPART may take into account any other matter that it considers relevant.

Note: See Appendix A for the full criterion.

We consider that a relevant matter is whether the council has been granted an SV in recent years, and if so, whether the council has complied with any conditions attached to that SV.

9.1 We consider the council's compliance with conditions imposed on past SVs

Since IPART was delegated the function of granting SVs in 2010, IPART has granted the council six SVs:

- temporary SV of 6.8% for 2011-12
- permanent SV of 7.6% for 2012-13
- temporary SV of 14.73% for 2018-19
- permanent SV of 15.13% for 2019-20
- permanent Additional SV (ASV) of 2.5% for 2022-23.

9.2 The council has complied with conditions imposed on past SVs

We have reviewed the council's compliance with our reporting conditions in the last 5 years from 2020-21 to 2024-25.

We have reviewed the council's two most recent permanent SVs, including one ASV.

9.2.1 The council complied with the conditions of its 2019-20 SV

A condition of the SV approved in 2019-20 was that the council in its annual reports from 2019-20 to 2021-22 must outline:

- the program of expenditure that was actually funded by the additional income from the SV
- any significant differences between the proposed program of expenditure (which includes upgrades to the Olympic Park Sports Precinct, maintenance of existing services and other capital works) and the program of expenditure that was actually funded by the additional income from the SV and the reasons for those differences
- the outcomes achieved as a result of the additional income.

For this SV, the council was subject to this condition for 2 of the last 5 years (2020-21 and 2021-22). We have reviewed the council's extracts of its annual report in 2020-21 and 2021-22 and have assessed that the council has complied with this condition.

9.2.2 The council complied with the conditions of its 2022-23 ASV

A condition of the ASV approved in 2022-23 was that the council in its annual report for 2022-23 must outline:

- the council's actual revenues, expenses and operating results against the projected revenues, expenses and operating results specified in its application
- any significant differences between the council's actual revenues, expenses and operating results and the projected revenues, expenses and operating results specified in its application and the reasons for those differences
- the outcomes achieved as a result of the additional special variation.

For this SV, the council was subject to this condition for 2022-23 only. We have reviewed the council's extracts of its annual report for 2022-23 and have assessed that the council has complied with this condition.

Overall, we found that the council has complied with conditions imposed on past SVs.

Chapter 10 >>

IPART's decision on the
SV application

10

Based on our assessment of the council's application against the OLG SV criteria and consideration of stakeholder feedback, we have approved in full the council's proposed permanent SV to general income for 2026-27.

Table 10.1 IPART's decision on the special variation to general income (%)

	2026-27
Annual percentage increase (%)	29.0

Source: IPART calculations.

Our *Instrument Under Section 508A of the Local Government Act 1993 – Special Variation for Muswellbrook Shire Council for 2026-27* gives legal effect to this decision and sets out the conditions of approval.

10.1 Reasons for our SV decision

We have found that the council's application met the OLG SV criteria and have approved the council's application for a permanent SV for a 29.0% increase in permissible general income for 2026-27. This increase is to be applied to mining ratepayers, resulting in a 49.7% increase in mining rates.

We found the council's application demonstrated a financial need for the SV. The council has submitted the SV application to ensure its future financial sustainability in anticipation of the loss of mining rates due to the expected closure of coal mines in the local government area (LGA). The council also explained that the SV would assist in maintaining existing council service levels and contribute to its future fund. This fund will reduce the council's reliance on income from mining rates by reinvesting returns into properties and businesses in the local area.

The council has demonstrated that without the SV, its financial position would deteriorate towards financial unsustainability. This is based on our analysis of the council's forecast operating performance ratio (OPR) and net cash to income ratio given expected mine closures in 2030.

The council engaged and consulted with its community and provided sufficient information about the need for and the extent of the proposed SV. This included individualised letters to all mining companies operating in the area and face-to-face meetings with several affected mining ratepayers. For other ratepayers, the council employed a suitable range of engagement methods, including face-to-face meetings, internet-based communication, and mail correspondence. The community was given ample opportunity to provide feedback including an extension to the timeframe in response to feedback from respondents. The council duly considered the feedback in preparation of its SV application.

The council demonstrated that mining ratepayers have a higher capacity to pay for the rate rise when compared to residential, business and farmland ratepayers in the LGA. Increases would be in line with the rate peg for residential, business and farmland ratepayers.

The council demonstrated that it has made itemised cost savings and efficiency gains in prior years and is working towards future itemised cost savings and efficiency gains that are proportionate to the size of the council and its resources.

The council has complied with reporting requirements of previous SVs and exhibited and adopted the relevant Integrated Planning and Reporting (IP&R) documents.

10.2 We have put conditions on the special variation

The Tribunal decided to impose the following conditions:

- The council use the additional income for the purpose of funding the proposed program (see Table B.2 in Appendix B)
- The council report in its annual report for each year from 2026-27 to 2031-32 (inclusive):
 - the program of expenditure that was actually funded by the additional income, and any differences between this program and the proposed program in Table B.2
 - any significant differences between the council's actual revenues, expenses and operating balance and the projected revenues, expenses and operating balance as outlined in the Long-Term Financial Plan, and the reasons for those differences
 - the outcomes achieved as a result of the additional income
 - whether or not the council has implemented the productivity improvements as set out in Appendix B, and
 - i if so, the annual savings achieved through these measures, and what these equate to as a proportion of the council's total annual expenditure, and
 - ii if not, the rationale for not implementing them
 - any other productivity and cost containment measures the council has in place, the annual savings achieved through these measures, and what these savings equate to as a proportion of the council's total annual expenditure.

10.3 Impact on ratepayers

IPART sets the maximum allowable increase in the council's general income, but the council determines how it allocates any increase across different categories of ratepayer. Based on what the council has told us in its application, the expected impacts on ratepayers under the approved SV are shown in Table 10.2 below.

For 2026-27, the council told us it intends to collect the additional income allowed under the SV from mining ratepayers only and that it intends to increase average rates for residential, business and farming ratepayers in line with the rate peg (3.1%).

On average, if the council chooses to increase rates so as to recover the maximum permitted general income under the approved SV:

- the residential rate would increase by \$31 or 3.1%
- the business rate would increase by \$116 or 3.1%
- the farmland rate would increase by \$108 or 3.1%
- the mining rate would increase by \$611,883 or 49.7%.

Table 10.2 Indicative annual increases in average rates under the approved SV (2025-26)

	2025-26 (current)	2026-27	Cumulative increase
Residential average rates (\$)	988	1,019	-
\$ increase	-	31	31
% increase	-	3.1	3.1
Business average rates (\$)	3,751	3,867	-
\$ increase	-	116	116
% increase	-	3.1	3.1
Farmland average rates (\$)	3,489	3,597	-
\$ increase	-	108	108
% increase	-	3.1	3.1
Mining average rates (\$)	1,231,598	1,843,481	-
\$ increase	-	611,883	611,883
% increase	-	49.7	49.7

Note: These figures have been rounded in calculation and therefore summations on a whole may not appear to be correct.
Source: Muswellbrook Shire Council, [Application Part A](#) and IPART calculations.

10.4 Impact on the council

Our decision means that the council may increase its general income by \$7.11 million over the next year. This increase can remain in the rates base permanently.

The table below shows the percentage increases we have approved and estimates of the annual increases in the council's permissible general income (PGI).

Table 10.3 Permissible general income of council from 2026-27 from the approved SV

	2026-27
Increase approved (%)	29.0
Increase in PGI (\$'000)	7,112.8
PGI (\$'000)	31,639.5

Source: IPART calculations.

This extra income will enable the council to:

- improve its ongoing financial sustainability and its ability to maintain existing services and service levels
- target mining assessments and increase revenue that will be invested into further improving the council's own productivity, efficiency and economic activity to attract alternative (non-mining related) industry to the LGA

- To generate additional revenue to further invest in the council's future fund.⁶⁷ The purpose of the future fund is to generate a permanent dividend for the council that would offset expected future mining rate reductions, support existing local industry and develop new local industry through commercial property development, and improve the area's liveability and amenity.⁶⁸

With the SV, the council's projected:

- OPR will improve and stabilise at around 4.1% from 2030-31, in line with the OLG benchmark of greater than 0% – as shown in Figure 4.1 in Chapter 4 and will remain above the OPR benchmark from 2026-27 to 2035-36
- net cash to income ratio will stabilise and improve up to -31.8% in 2035-36 from the -39.9% in 2025-26 – as shown in Figure 4.2 in Chapter 4.

Appendices

Appendix A >>

OLG Assessment Criteria

A

A.1 Special Variations assessment materials

The Office of Local Government (OLG) sets the criteria for assessing special variation applications in its special variation guidelines. The guidelines help councils prepare an application to increase general income by means of a special variation.

A special variation allows a council to increase its general income above the rate peg. Special variations can be for a single year or over multiple years and can be temporary or permanent.

IPART applies the criteria in the guidelines to assess councils' applications. In brief, the criteria for a special variation include:

1. the need for, and purpose of a different revenue path for the council's General Fund must be clearly set out and explained in the council's IP&R documents
2. there must be evidence that the community is aware of the need for and extent of a proposed rate rise
3. the impact on affected ratepayers must be reasonable
4. the relevant IP&R documents must be exhibited (where required) approved and adopted by the council
5. the IP&R documents or the council's application must explain and quantify the productivity improvements and cost containment strategies of the council
6. any other matter that IPART considers relevant.

We also provide comprehensive guidance on our approach to assessing special variation applications. This includes information for councils on our expectations of how to engage with their community on any proposed rate increases (see our [guidance booklet](#)).

Criterion 1: Financial need

The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, in particular its Delivery Program, Long-Term Financial Plan and Asset Management Plan where appropriate.

In establishing need for the special variation, the relevant IP&R documents should canvass alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long-Term Financial Plan applying the following two scenarios:^a

- Baseline scenario – General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and
- Special variation scenario – the result of implementing the special variation in full is shown and reflected in the General Fund revenue forecast with the additional expenditure levels intended to be funded by the special variation.

^a OLG, IP&R Manual for Local Government "Planning a Sustainable Future", March 2013, p 71

The IP&R documents and the council's application should provide evidence to establish the community need/desire for service levels/project and limited council resourcing alternatives. Evidence could also include analysis of council's financial sustainability conducted by Government agencies.

In assessing this criterion, IPART will also consider whether and to what extent a council has decided not to apply the full percentage increases available to it in one or more previous years under section 511 of the *Local Government Act*. If a council has a large amount of revenue yet to be caught up over the next several years, it should explain in its application how that impacts on its need for the special variation.

Criterion 2: Community awareness

Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long-Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. In particular, councils need to communicate the **full cumulative increase** of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category. Council should include an overview of its ongoing efficiency measures and briefly discuss its progress against these measures, in its explanation of the need for the proposed SV. Council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. The IPART fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations.^b

Criterion 3: Impact on ratepayers is reasonable

The impact on affected ratepayers must be reasonable, having regard to the current rate levels, existing ratepayer base and the proposed purpose of the variation. The council's Delivery Program and Long-Term Financial Plan should:

- clearly show the impact of any rate rises upon the community
- include the council's consideration of the community's capacity and willingness to pay rates
- establish that the proposed rate increases are affordable having regard to the community's capacity to pay.

In assessing the impact, IPART may also consider:

- Socio-Economic Indexes for Areas (SEIFA) data for the council area
- Whether and to what extent a council has decided not to apply the full percentage increases available to it in one or more previous years under section 511 of the *Local Government Act*.

^b See section 4 of IPART's [2026-27 guidance booklet](#).

Criterion 4: IP&R documents are exhibited

The relevant IP&R documents^c must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general income. We expect that councils will hold an extraordinary meeting if required to adopt the relevant IP&R documents before the deadline for special variation applications.

Criterion 5: Productivity improvements and cost containment strategies

The IP&R documents or the council's application must explain and quantify the productivity improvements and cost containment strategies the council has realised in past years and plans to realise over the proposed special variation period.

Councils should present their productivity improvements and cost containment strategies in the context of ongoing efficiency measures and indicate if the estimated financial impact of the ongoing efficiency measures have been incorporated in the council's Long-Term Financial Plan.

Criterion 6: Any other matter that IPART considers relevant

Any other matter that IPART considers relevant.

The criteria for all types of special variation are the same. However, the magnitude or extent of evidence required for assessment of the criteria is a matter for IPART.

^c The relevant documents are the Community Strategic Plan, Delivery Program, and Long-Term Financial Plan and where applicable, Asset Management Plan. Of these, the Community Strategic Plan and Delivery Program require (if amended), public exhibition for 28 days. It would also be expected that the Long-Term Financial Plan (General Fund) be posted on the council's web site.

Appendix B 

Projected revenue, expenses
and operating balance

B

As a condition of IPART's approval, the council is to report until 2030-31 against its proposed SV expenditure and projected revenue, expenses and operating balance as set out in its LTFP (see Table B.1 and Table B.2). It also needs to report on its progress against future productivity improvements and cost containment strategies that it set out in its application and as summarised below.

Revenues and operating results in the annual accounts are reported both inclusive and exclusive of capital grants and contributions. To isolate ongoing trends in operating revenues and expenses, our analysis of the council's operating account in the body of this report excludes capital grants and contributions.

Productivity improvements and cost containment strategies

Our analysis of the council's future productivity and cost containment can be found in Chapter 8 of this report.

As set out in the council's response in section 7.3(a) of its SV application Part B, its upcoming initiatives included:⁶⁹

- developing and implementing a digital transformation of council software and systems
- implement an asset management improvement plan
- implement further energy, water, plant and fleet management efficiencies.

Table B.1 Long-Term Financial Plan – Summary of projected operating statement for Muswellbrook Shire Council under its proposed SV application (\$'000)

	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Total revenue	72,370	69,530	71,388	73,333	69,873	71,987	73,066	75,180	77,360	79,569
Total expenses	58,060	60,143	61,232	61,669	62,287	63,813	65,156	66,530	68,565	70,053
Operating result from continuing operations	14,310	9,387	10,156	11,664	7,586	8,174	7,910	8,650	8,795	9,516
Net operating result before capital grants and contributions	7,810	4,887	5,656	7,164	3,086	3,674	4,410	5,150	5,295	6,016
Cumulative net operating result before capital grants and contributions	7,810	12,697	18,352	25,516	28,603	32,276	36,686	41,836	47,131	53,147

Note: Numbers may not add due to rounding.

Source: Muswellbrook Shire Council, [Application Part A](#), Worksheet 10 and IPART calculations.

Table B.2 Proposed program – summary of projected expenditure plan for Muswellbrook Shire Council under its proposed SV application (\$'000)

	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Digital Transformation - fund software and systems improvements to improve efficiency and customer experience.	400	1,240	1,270	800	300	308	307	315	323	331
Other operational efficiency and asset rationalisation initiatives	290	270	325	57	59	62	64	67	70	72
Economic development and tourism initiatives	1,876	1,923	2,171	2,225	2,281	2,338	2,396	2,456	2,518	2,580
Future Fund investment (loan interest)	2,585	2,510	2,430	2,347	2,260	2,168	2,071	1,970	1,863	1,752
Future Fund investment (loan principal repayments)	1,512	1,588	1,667	1,750	1,838	1,929	2,026	2,128	2,234	2,346

Note: Numbers may not add due to rounding.

Source: Muswellbrook Shire Council, [Application Part A](#), Worksheet 8 and IPART calculations.

Appendix C >>

Results of IPART's public
consultation feedback form



As part of our stakeholder engagement, we published a survey-style feedback form that asked respondents 15 questions relating to:

- support or opposition to the council's SV application
- views on the affordability of the proposed SV
- awareness of the proposed SV
- views on the council's past and proposed cost management strategies.

We accepted responses for 3 weeks from 17 February 2026 to 9 March 2026.

We received 206 responses on Muswellbrook Shire Council's SV application.

A summary of the results is also available in Chapter 3. This appendix provides the results for questions about affordability, awareness of the SV, and council's past and proposed cost management strategies. It also provides the breakdown of the categories of ratepayers that responded.

We note that while this was a survey-style feedback form, it was not a statistically representative survey. Respondents were able to self-select to provide feedback and the results may not be representative of the whole community's views.

Table C.1 Responses to reasons that oppose the proposed rate increase

Reasons for opposing the proposed rate increase	Number of responses	Percentage of responses
Cost of living pressures are too high to afford a rate increase	55	27
The council has not been effectively managing its budget	99	48
The council is not effectively managing its infrastructure	78	38
I disagree with the purpose of the proposed rate increase	125	61
I disagree with the size of the proposed rate increase	146	71
I disagree with the proposed rates structure	57	28
I have other concerns that are not listed here	33	16
I have no concerns with the proposed rate increase	12	6

Note: The total number of responses for each question was 206. The reasons were provided by IPART. The respondents were able to select multiple answers and were not required to respond to this question.

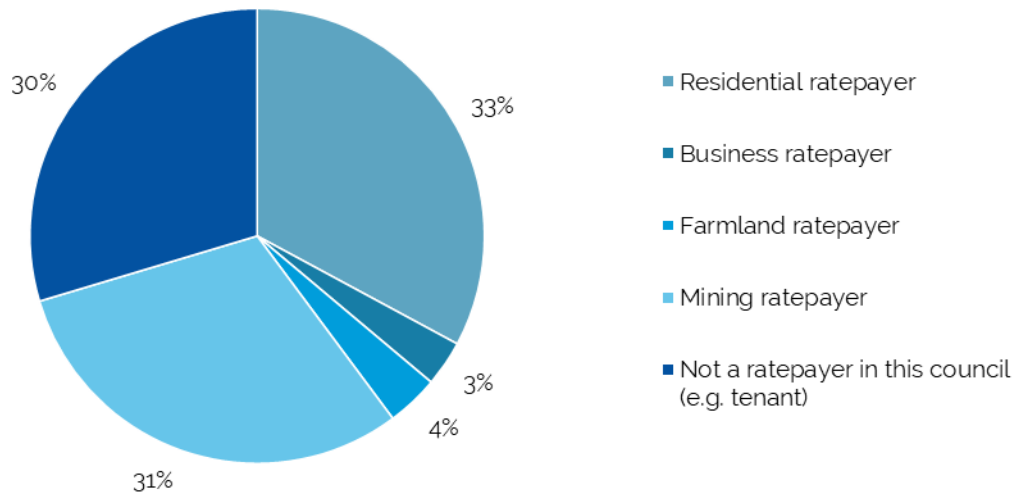
Source: IPART.

Table C.2 Responses to reasons that support the proposed rate increase

Reasons for supporting the proposed rate increase	Number of responses	Percentage of responses
Current infrastructure needs to be fixed or upgraded with increased funding	24	12
Current services are inadequate and need more funding	13	6
I recognize that the council has financial sustainability issues which the funding will help address	12	6
I agree with the purpose of the special variation	18	9
I agree with the proposed rates structure	10	5
I have other reasons for supporting the proposal not listed here	11	5
I have no reasons to support the proposed rate increase	147	71

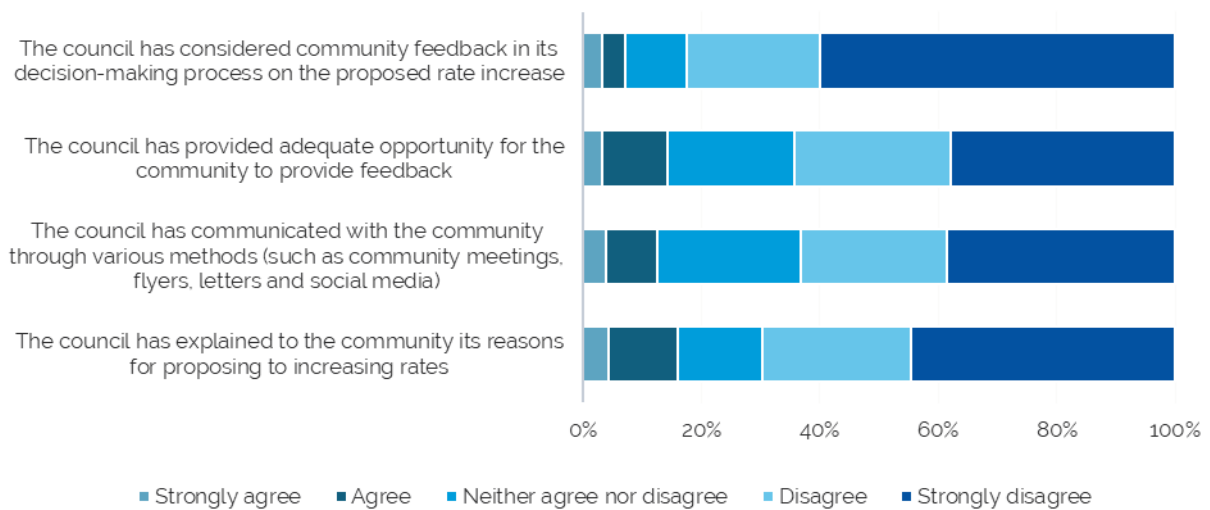
Note: The total number of responses for each question was 206. The reasons were provided by IPART. The respondents were able to select multiple answers and were not required to respond to this question.
Source: IPART

Figure C.1 Respondent ratepayer types



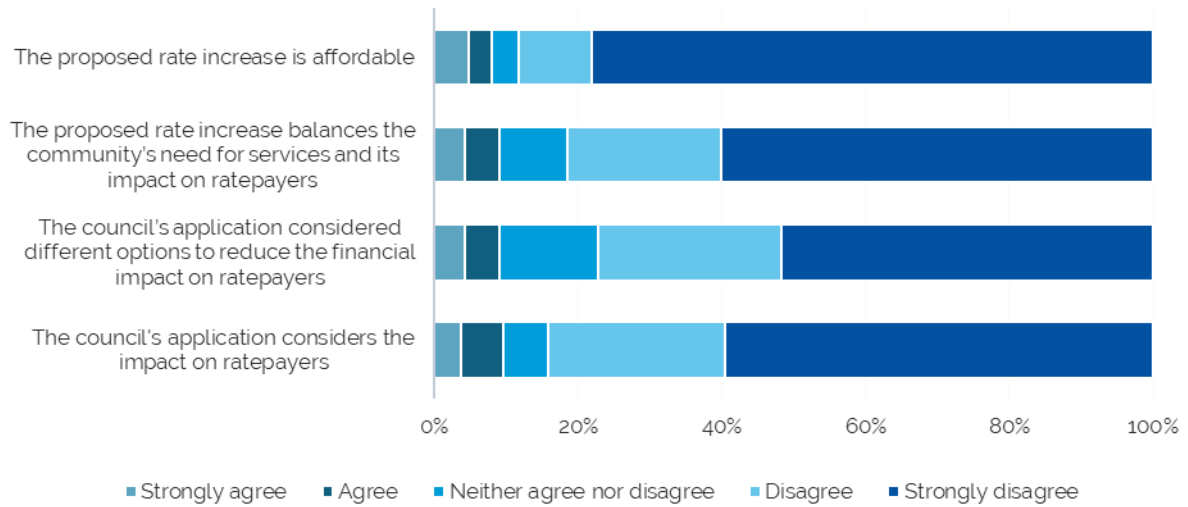
Note: The total number of responses for each question was 203. The numbers in the chart show the number of respondents that selected that response.
Source: IPART.

Figure C.2 Responses to questions about awareness and understanding of the proposal



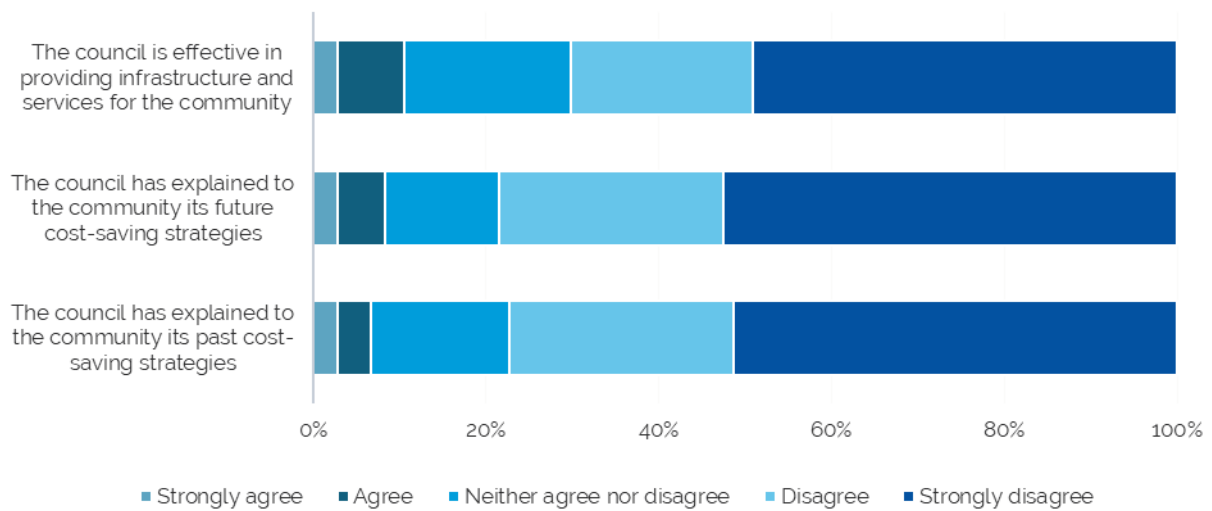
Note: The total number of responses for each question was 182. The numbers in the chart show the number of respondents that selected that response.
Source: IPART.

Figure C.3 Responses to questions about affordability



Note: The total number of responses for each question was 188. The numbers in the chart show the number of respondents that selected that response.
Source: IPART.

Figure C.4 Responses to questions about the council's cost-saving strategies



Note: The total number of responses for each question was 181. The numbers in the chart show the number of respondents that selected that response.
Source: IPART.

Appendix D 

Glossary



D

Term	Meaning
ABS	Australian Bureau of Statistics
ASV	Additional Special Variation . This was a one-off round of special variations of up to 2.5% available to councils in 2022-23 in response to a rate peg that was lower than councils expected in a high inflation environment. Applications were assessed against a special set of criteria developed by the OLG.
Baseline scenario	Shows the impact on the council's operating and infrastructure assets' performance without the proposed SV revenue and expenditure.
Baseline with SV expenditure scenario	Includes the council's full expenses from its proposed SV, without the additional revenue from the proposed SV. This scenario is a guide to the council's financial sustainability if it still went ahead with its full expenditure program included in its application but could only increase general income by the rate peg percentage.
General income	Income from ordinary rates, special rates and annual charges, other than income from other sources such as special rates and charges for water supply services, sewerage services, waste management services, annual charges for stormwater management services, and annual charges for coastal protection services.
IPART	The Independent Pricing and Regulatory Tribunal of NSW
IP&R	Integrated Planning & Reporting
IRSAD	Index of Relative Socio-economic Advantage and Disadvantage
Local Government Act	<i>Local Government Act 1993</i> (NSW)
LTFP	Long-Term Financial Plan
MR	Minimum rates are the minimum amount of an ordinary rate that a council may levy. This must not exceed the statutory maximum set out in section 548(3)(a) of the Local Government Act, unless IPART (under delegation from the Minister) has approved a higher amount.
OLG	The Office of Local Government
OLG SV Guidelines	Guidelines for the preparation of an application for a special variation to general income .
OPR	The Operating Performance Ratio (OPR) measures whether a council's income will fund its costs, where expenses and revenue are exclusive of capital grants and contributions, and net of gains/losses on the sale of assets.
PGI	Permissible General Income is the notional general income of a council for the previous year as varied by the percentage (if any) applicable to the council. A council must make rates and charges for a year so as to produce general income of an amount that is lower than the PGI.
Proposed SV scenario	Includes the council's proposed SV revenue and expenditure.
Rate peg	The term 'rate peg' refers to the annual order published by IPART (under delegation from the Minister) in the gazette under s 506 of the <i>Local Government Act 1993</i> .
SEIFA	Socio-Economic Indexes for Areas (SEIFA) is a product developed by the ABS that ranks areas in Australia according to relative socio-economic advantage and disadvantage. The indexes are based on information from the five-yearly Census. It consists of four indexes, the Index of Relative Socio-economic Disadvantage (IRSD), the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD), the Index of Economic Resources (IER), and the Index of Education and Occupation (IEO).
SV or SRV	Special Variation is the percentage by which a council's general income for a specified year may be varied as determined by IPART under delegation from the Minister.

¹ Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026, pp 4-5.

² Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026, p 5.

³ Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026, pp 4-5.

⁴ Muswellbrook Shire Council, [Future Fund Policy](#), October 2025, p 3.

⁵ Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026, p 22.

- 6 Muswellbrook Shire Council, [Community Engagement Outcomes Report](#), January 2026, pp 8-21.
- 7 [Local Government Act 1993 \(NSW\)](#), Section 511.
- 8 IPART, [Rate pegs for NSW councils for 2026-27](#), September 2025, p 14.
- 9 Muswellbrook Shire Council, [Future Fund Policy](#), October 2025, pp 3-5.
- 10 Muswellbrook Shire Council, [Future Fund Policy](#), October 2025, pp 3-5.
- 11 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026, pp 4-5.
- 12 Muswellbrook Shire Council, [Future Fund Policy](#), October 2025, p 3.
- 13 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026 p 22.
- 14 Hunter Valley Energy Coal, Submission to IPART Special Variation & Minimum Rates 2026-27, March 2026, p.4.
- 15 [Local Government Act 1993 \(NSW\)](#), section 556(1).
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- 17 P. Morrissey, submission to IPART Special Variation & Minimum Rates 2026-27, March 2026, p 1.
- 18 Muswellbrook Shire Council, [Long-Term Financial Plan 2026-2036](#), December 2025, p.14.
- 19 Muswellbrook Shire Council, [Future Fund Policy](#), October 2025, p 3.
- 20 BHP Billiton Limited, [Mt Arthur Coal](#), accessed 20 May 2026.
- 21 Department of Planning, Industry and Environment, [Development Consent SSD 8642](#), April 2021, p 7.
- 22 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026, p 15.
- 23 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026, pp 15-16.
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- 25 Office of Local Government, [Performance Benchmarks](#), May 2020.
- 26 Muswellbrook Shire Council, [Financial Statement 2024-25](#), October 2025, p 34.
- 27 Muswellbrook Shire Council, [Muswellbrook Shire Council, Financial Statement 2024-25](#), October 2025, p 34.
- 28 Muswellbrook Shire Council, [Long-Term Financial Plan 2026-2036](#), December 2025, p.9.
- 29 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026, p 13.
- 30 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026, p 13.
- 31 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026, p 13.
- 32 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026, p 13.
- 33 Muswellbrook Shire Council, [Long-Term Financial Plan 2026-2036](#), December 2025, p 8.
- 34 Muswellbrook Shire Council, [Long-Term Financial Plan 2026-2036](#), December 2025, p 12.
- 35 Muswellbrook Shire Council, [Long-Term Financial Plan 2026-2036](#), December 2025, p 13.
- 36 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026, p 5.
- 37 Muswellbrook Shire Council, [Community Engagement Outcomes Report](#), January 2026 pp 8-21.
- 38 Muswellbrook Shire Council, [Community Engagement Outcomes Report](#), January 2026 pp 133-161.
- 39 Muswellbrook Shire Council, [Council Meeting Minutes 27 January 2026](#), January 2026, p 4.
- 40 Muswellbrook Shire Council, [Council Meeting Minutes 27 January 2026 – Supplementary Item 10.2.5](#), January 2026, pp 59-83.
- 41 Muswellbrook Shire Council, [Community Engagement Outcomes Report](#), January 2026 pp 8-21.
- 42 Muswellbrook Shire Council, [Community Engagement Outcomes Report](#), January 2026 p 13.
- 43 Muswellbrook Shire Council, [Community Engagement Outcomes Report](#), January 2026 p 14.
- 44 Muswellbrook Shire Council, [Community Engagement Outcomes Report](#), January 2026 p 17.
- 45 Muswellbrook Shire Council, [Community Engagement Outcomes Report](#), January 2026 pp 18-20.
- 46 Muswellbrook Shire Council, [Community Engagement Outcomes Report](#), January 2026 p 20.
- 47 Muswellbrook Shire Council, [Long-Term Financial Plan 2026-2036](#), December 2025, p.14.
- 48 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026 p 24.
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- 51 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026 p 25.
- 52 Muswellbrook Shire Council, [SRV 2026/27 – Capacity to Pay](#), January 2026 p 8.
- 53 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026, p 5.
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- 55 Muswellbrook Shire Council, [Hardship Policy](#), May 2025, p 4.
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- 60 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026 pp 30-32.
- 61 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026 p 33.
- 62 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026 p 33.
- 63 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026 p 33.
- 64 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026 p 33.
- 65 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026 p 33.
- 66 Muswellbrook Shire Council, [Long-Term Financial Plan 2026-2036](#), December 2025, p 8.
- 67 Muswellbrook Shire Council, [Special Variation Application Part B](#), January 2026, pp 4-5.
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