

SRV 2026/27 - Capacity to Pay



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Executive Summary

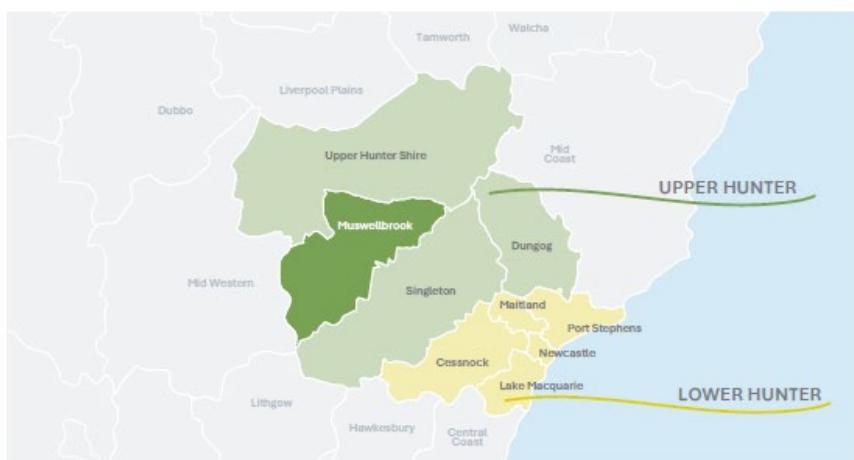
The economic prosperity of Muswellbrook Shire is underpinned by the coal mining industry. Approximately 56% (\$13.5M in 2025/26) of Council's rates revenue is currently derived from mining. With the closure of Mt Arthur and Mangoola coal mines in four years, there will be a significant reduction in Council's rating revenue and other income.

Council is proactively managing the decline in mining-related revenue to ensure Council can continue to deliver essential services, maintain infrastructure, and support a thriving, prosperous community. Council has already implemented several mechanisms to future-proof the community and, to help accelerate those activities and grow alternative sustainable sources of income, Council is applying for a special rate variation (SRV) to increase rates by more than the rate peg.

The Residential, Business and Farmland ratepayer groups have a low relative capacity to absorb rate increases compared to Mining ratepayers, and therefore the proposed SRV is to be applied only to those in the Mining rate category. It is designed to minimise the impact of the mine closures on residents, farmland and businesses within the community and ensure Muswellbrook remains an attractive location for residential, commercial and industrial growth.

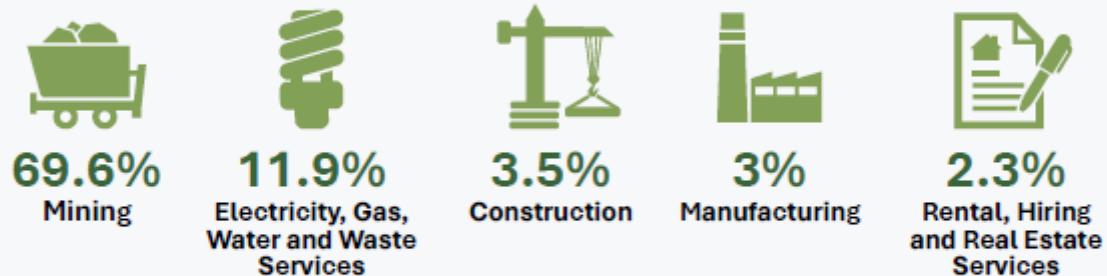
Context

Muswellbrook Shire is located in the Hunter Region of New South Wales, Australia. It is a lively and diverse area known for its rich history, beautiful landscapes and strong industries. Muswellbrook, approximately 130km north-west of Newcastle. The Shire consists of two large towns, Muswellbrook and Denman, and outlying rural communities including Sandy Hollow, Wybong, Baerami, Martindale, Widden, McCullys Gap and Muscle Creek.



Main industry

Muswellbrook Shire is the main centre for New South Wales' power generation capacity.



Economy



Council Services



Council's Role

Council is responsible for the management and maintenance of an extensive network of infrastructure and services that support the community's daily needs. This includes the construction and upkeep of roads and bridges, the maintenance of public parks and open spaces, and the provision of essential water and sewer infrastructure to ensure reliable supply of high-quality water and effective wastewater management.

Additionally, the Council oversees a range of community facilities such as libraries, recreational centres, and public halls, which serve as vital hubs for social and cultural activities. Waste management services, including garbage collection, recycling programs, and landfill operations, are also a core responsibility. Beyond physical infrastructure, the Council plays a crucial role in regulatory oversight, urban and regional planning, and fostering community development initiatives to enhance the quality of life for residents and promote sustainable growth.

Key stakeholders include residents, businesses, government agencies, neighbouring councils, and community organisations. Residents and businesses contribute to the local economy, while government agencies provide funding and policy direction. Neighbouring councils support regional initiatives, and community organisations help drive local projects.

The anticipated closure of coal mines is expected to lead to a significant decline in rates revenue and Voluntary Planning Agreement contributions as mining property values decrease. The impact of these reductions has been modelled in the Council's base case scenario of its 2025-36 Long Term Financial Plan. This reduction in revenue poses a financial challenge for Council, impacting its ability to maintain infrastructure and essential services. Council is proactively fostering economic diversification and alternative revenue streams to mitigate these effects and ensure long-term financial sustainability.

The proposed Special Rate Variation

In accordance with Section 508(2) of the Local Government Act 1993, Councils can apply for a Special Rate Variation (SRV) to increase the rates charged by an amount greater than the rate peg (the maximum increase set by the Independent Planning and Regulatory Tribunal - IPART). Specific criteria must be met in applying for an SRV, including:

- The need and purpose of a different revenue path is clearly articulated and identified in the council's Delivery Program,
- Evidence that the community is aware of the need for and extent of a rate rise,
- Integrated Planning and Reporting (IP&R) documents are exhibited, approved, and adopted by council,
- IP&R documents explain productivity improvements and cost containment strategies, and,
- *The impact on affected ratepayers is reasonable.*

Council is seeking to apply for a one-year permanent increase in total rates revenue of 29% in 2026-27. It is seeking to apply the full extent of this proposed increase to its mining rates category, effectively increase rates for this category by 49.7%. While each of the other rating categories are proposed to increase in line with the approved 2026-27 rate peg of 3.1%.

The impacts of the proposed SRV are summarised in the table below.

TABLE 1 IMPACT ON AVERAGE RATES

Rates category	2025-26 average rate	2026-27 average rate (no SRV – rate peg only)	2026-27 average rate (with proposed SRV)	Percentage increase in rates under the SRV
Residential	\$988	\$1,019	\$1,019	3.1%
Business	\$3,693	\$3,807	\$3,807	3.1%
Farmland	\$3,468	\$3,575	\$3,575	3.1%
Mining	\$1,225,438	\$1,263,427	\$1,834,446	49.7%

This means that residential, business and farmland ratepayers will pay no more than they would have if Council did not apply for an SRV. For mining ratepayers, the size of mines, land values and therefore rates vary substantially, but on average these ratepayers will pay \$471 thousand more in 2026-27 under the proposed SRV than they would without it.

Capacity to Pay Analysis

Council has considered the various categories of rate payers within the Muswellbrook Shire, their relative capacity to pay and the impact on those categories.

Mining ratepayers

Mining operations in the region generally have strong commercial profiles and operate at significant scale, with output from the region in the order of tens-of-millions of tons of coal per annum. The Bengalla mine has approval for 15 million tons per annum (Mtpa) of Run of Mine (ROM) coal, Mt Arthur has approval for 32 Mtpa ROM coal from their open cut operations to 30 June 2026 (25Mtpa ROM coal each financial year thereafter) and Mangoola has approval for 13.5Mtpa ROM coal). The scale of economic activity within the mining category far exceeds that of other land uses in the local government area.

Publicly available information on saleable coal production, revenue and profit is limited. However, a clear indication of the limited impact the proposed increase in rates would have on the mines can be derived from available information. The Bengalla coal mine, within the Muswellbrook area, reported a 2024 saleable coal production of approximately 10.1Mt¹, Mangoola reported 9.2Mt², Mt Pleasant reported 8Mt³ and Mt Arthur reported 15.3Mt⁴ (FY2024). At the current thermal coal price of around US\$110⁵ (~AU\$165), that would equate to sales revenue of AU\$6.7billion. These four mining operations collectively comprise approximately 89% of Muswellbrook's mining rates. Under the proposed SRV, the total rates increase between them would be approximately \$6M, which is 0.08% of total estimated revenue.

BHP, the owner of the Mt Arthur mine, reported 2025 profit from operations of US\$19.5b⁶ (AU\$29.2b) and New Hope (owner of the Bengalla mine) reported 2025 net profit after tax of \$439M⁷.

These figures collectively demonstrate that the proposed increase in mining rates is a very small fraction of the revenue and profit for these companies and the impact of the increase would be very low.

Mine	2024		Total Revenue (Estimated)	Total Rates Increase - All Mines	Percentage of Mining Rates	\$ Increase	Increase as Percentage of Revenue
	Saleable coal production (t)	\$/t					
Bengalla	10,100,000	165	1,666,500,000	6,700,000	27%	1,830,440	0.11%
Mangoola	9,277,000	165	1,530,705,000	6,700,000	13%	891,770	0.06%
Mt Arthur	15,367,907	165	2,535,704,655	6,700,000	27%	1,819,050	0.07%
Mt Pleasant	7,990,000	165	1,318,350,000	6,700,000	22%	1,451,890	0.11%
	42,734,907		7,051,259,655		89%	5,993,150	0.08%

¹ New Hope Group 2024 Full Year Results - <https://newhopegroup.com.au/wp-content/uploads/2024/09/New-Hope-2024-Full-Year-Results-Presentation.pdf>

² Mangoola Open Cut Operations Reporting - <https://www.gencore.com.au/operations-and-projects/coal/current-operations/mangoola-open-cut>

³ Mt Pleasant Annual Review - <https://machenergyaustralia.com.au/wp-content/uploads/Mount-Pleasant-Operation-Annual-Review-2024.pdf>

⁴ Mt Arthur Coal Annual Review - https://www.bhp.com/-/media/bhp/regulatory-information-media/coal/nswec/mt-arthur-coal/annual-reviews/mt-arthur-coal-annual-review-fy24_optimized.pdf

⁵ Industry.gov.au - <https://www.industry.gov.au/publications/resources-and-energy-quarterly-june-2025>

⁶ BHP Results 2025 - https://www.bhp.com/-/media/documents/media/reports-and-presentations/2025/250819_bhpresultsfortheyearended30june2025.pdf

⁷ New Hope 2025 Full Year Results - <https://newhopegroup.com.au/fy25-full-year-results/>

Residential ratepayers

Although there are some households in the LGA with higher incomes, the most recent ABS SEIFA (Socio-Economic Indexes for Areas) data ranks Muswellbrook in the bottom 25% for social disadvantage, reflecting lower household incomes overall and higher unemployment compared to other LGAs. This lower socio-economic profile, combined with continuing cost-of-living pressures, limits the ability of many households in the LGA to absorb increases in fixed costs such as council rates.

The Socio-Economic Indexes for Areas (SEIFA) is an economic tool developed by the ABS to rank areas in Australia according to their relative socio-economic advantage and disadvantage. It takes into consideration a broad range of variables such as income, education, employment, occupation, housing, etc and is standardised such that the average Australian represents a score of 1,000.

We use two of the indexes published by the ABS:

- **Index of Relative Socio-Economic Disadvantage (IRSD)**
 - This index ranks areas from most disadvantaged to least disadvantaged, i.e., a lower score will have a greater proportion of relatively disadvantaged people in the area.
 - From this score however you cannot conclude whether a high-ranking area will have a large portion of relatively advantaged people, just that it has a low proportion of disadvantage.
- **Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD)**
 - This index considers variables of both advantage and disadvantage and, as such, scores and ranks areas from most disadvantaged to most advantage.

The ABS has also published the variables which have the most impact on both indices, these include:

- IRSD variables of disadvantage:
 - low equivalised household incomes
 - households with children and unemployed parents
 - percentage of occupied private dwellings paying rent less than \$250 per week (excluding \$0 per week)
 - percentage of people aged 15 years and over whose highest level of education is Year 11 or lower (Includes Certificate I and II)
 - percentage of employed people classified as labourers.
- IRSAD variables of advantage only (disadvantage similar to IRSD):
 - high equivalised household incomes
 - percentage of households making high mortgage repayments
 - percentage of employed people classified as professionals and/or managers
 - percentage of occupied private dwellings with four or more bedrooms.

A regional summary of SEIFA scores, including national percentiles (based on equivalent percentiles for localities and suburbs across Australia to allow effective comparison), is provided in the following table.

TABLE 2 REGIONAL SEIFA SCORES AND PERCENTILES⁸

Area	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Muswellbrook Shire Council	937	23	908	20
Australia	1,001	42	990	52
New South Wales	1,000	42	989	52
Regional NSW	982	32	962	36

⁸ Australian Bureau of Statistics (2021) Socio Economic Indexes for Areas (SEIFA) for Australia - <https://www.abs.gov.au/statistics/people/people-and-communities/socio-economic-indexes-areas-seifa-australia/latest-release#data-downloads>

Muswellbrook Shire Council's IRS score of 937 is well below the average for Regional NSW and NSW. The ranking places the Local Government Area (LGA) in the 23rd percentile, meaning approximately 77% of Australian LGAs have a SEIFA IRS ranking higher than this area (less disadvantaged), while 23% are lower (more disadvantaged). This places Muswellbrook as the 24th most disadvantaged council areas of the 128 LGAs in NSW. This indicates **very high levels** of disadvantage within the LGA overall.

IRSAD includes levels of both advantage and disadvantage. Council's score of 908 places the LGA into the 20th percentile. This means that the LGA overall is in the lowest 20% of all Australian LGAs when considering levels of advantage in tandem with proportion of disadvantage. This places Muswellbrook as the 15th lowest NSW Council LGA (of 128 LGAs) when considering socio economic advantage and disadvantage together.

Without the proposed SRV, which will help fund activities to promote economic development and alternative industry to replace mining in the area, it is expected that mine closures will have a further adverse impact on Muswellbrook's socio-economic fabric.

Business and Farmland ratepayers

The local economy is also highly dependent on the mining sector, with mining being the dominant employer and a major driver of household income and local business activity. As major mines approach closure, including Mt Arthur and Mangoola in 2030, the resulting employment loss and flow-on reduction in economic activity is expected to adversely affect household incomes and business turnover.

The agricultural sector is also subject to significant income and profitability variation driven by seasonal conditions, severe weather events, drought and floods, which are exacerbated by climate change and increasing in frequency and severity. This also limits the ability of many farmers in the LGA to absorb increases in costs such as rates.

Conclusion

Council recognises the need to balance financial sustainability with fair and reasonable rating decisions. Council proposes to apply the SRV solely to properties within the Mining category to ensure that the additional revenue is drawn from those with the greatest capacity to absorb the cost and avoids placing extra pressure on residential, business or farmland ratepayers, many of whom have a more limited capacity to manage higher costs of living. Council is also endeavouring to keep Residential and Business rates low to ensure Muswellbrook remains an attractive location for residential, commercial and industrial growth. By directing the increase to mining properties, Council can generate the revenue needed to continue to deliver the services expected by the community and maintain and renew critical infrastructure assets without creating undue burden across the community.

Consultation with affected ratepayers has continued throughout the SRV process. Council is committed to transparent engagement and has considered all feedback before finalising the application. Overall, the proposed approach reflects a reasonable, fair means of helping ensure Council's long-term financial sustainability, while recognising the relative capacity of the mining sector to contribute.