

Fact Sheet: Proposed Special Variation

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

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

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

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

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

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

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

The need for an SV responds to a structural imbalance in the operating budget that has emerged since at least 2012 (\$8.142 million deficit), if not before. Quite simply, Council's required expenditure for staff, materials, and contracts exceeds its revenue (see Table 5).

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

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

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

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

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

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

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



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

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

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

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



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

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



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

How will the SV Impact Rates?

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

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

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

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

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

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

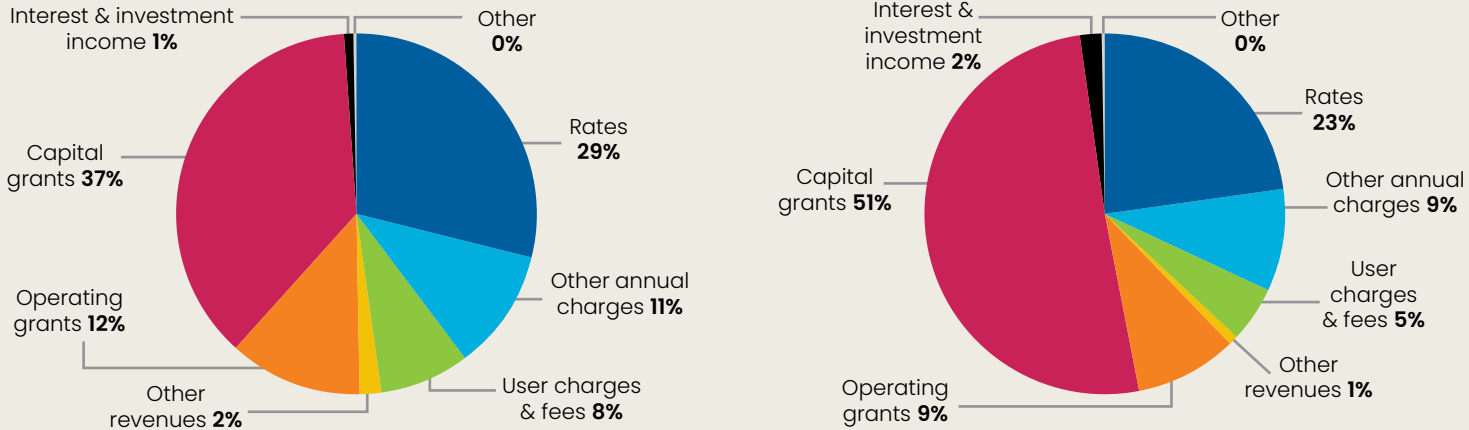
Table 3. Impact on Average Business Rate of a Permanent Special Variation of 39.9%

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

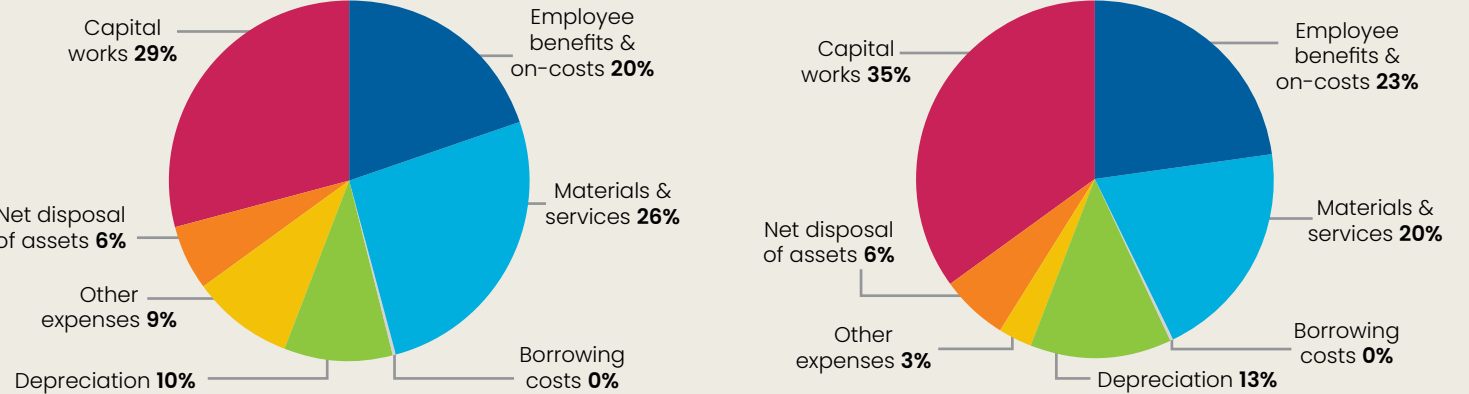
Table 4. Impact on Total Rate Revenue of a Permanent Special Variation of 39.9% (\$'000)

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

Table 5. Cessnock City Council Operating Results (\$'000) – Audited Financial Statements



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



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