

Financial Statements

Newcastle City Council
For the year ended 30 June 2025

2024/2025



City of
Newcastle

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Newcastle City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2025



City of
Newcastle

Newcastle City Council

General Purpose Financial Statements

for the year ended 30 June 2025

Contents	Page
Understanding Council's Financial Statements	3
Statement by Councillors and Management	4
Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	88
On the Financial Statements (Sect 417 [3])	91

Overview

Newcastle City Council is constituted under the *Local Government Act 1993* (NSW) and has its principal place of business at:

12 Stewart Avenue
Newcastle West NSW 2302

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.newcastle.nsw.gov.au.

Newcastle City Council

General Purpose Financial Statements

for the year ended 30 June 2025

Understanding Council's Financial Statements

Introduction

Each year local governments in NSW are required to present audited financial statements to their elected council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2025. The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Statement by Councillors and Management

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be signed in accordance with a resolution of Council. This ensures both responsibility and ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. Income Statement

Summarises Council's financial performance for the year, detailing the sources of revenue and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. Statement of Comprehensive Income

Records items of other comprehensive income which are not reflected directly in the operating result. For NSW Councils, the primary items recorded are changes in the fair value of Council's infrastructure, property, plant and equipment.

3. Statement of Financial Position

Provides a snapshot of the assets controlled by Council and the liabilities owed. The snapshot at 30 June provides the "net worth" of Council, which has been built up over many years. This net worth is also referred to as equity.

4. Statement of Changes in Equity

Describes the changes in Council's equity or "net worth" for the year.

5. Statement of Cash Flows

Summarises the cash payment and cash receipt movements across the year, classified broadly as operating, investing and financing activities. It highlights liquidity and whether Council can generate sufficient cash to meet its financial obligations.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by the Audit Office of New South Wales. Two reports are provided:

- 1. Independent Auditor's Report** - an opinion on whether the financial statements present fairly the Council's financial performance and position, and
- 2. Report on the Conduct of the Audit** - observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the Financial Statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the audit report. The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Newcastle City Council

General Purpose Financial Statements

for the year ended 30 June 2025

Statement by Councillors and Management

Statement by Councillors and Management

made pursuant to Section 413(2c) of the *Local Government Act 1993* (NSW)

The attached General Purpose Financial Statements have been prepared in accordance with:

- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards issued by the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

To the best of our knowledge and belief, these statements:

- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 28 October 2025.

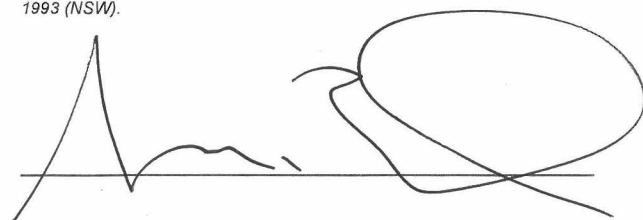


Deputy Lord Mayor

Signed by the Deputy Lord Mayor, exercising the functions of the Lord Mayor in accordance with section 231(3) of the *Local Government Act 1993* (NSW).



Councillor



Chief Executive Officer



Responsible Accounting Officer

Newcastle City Council

Income Statement

for the year ended 30 June 2025

Original unaudited budget 2025 \$ '000		Notes	Actual 2025 \$ '000	Restated Actual 2024 \$ '000
	Income from continuing operations			
232,264	Rates and annual charges	B2-1	232,754	219,124
124,293	User charges and fees *	B2-2	108,535	111,375
11,501	Other revenue	B2-3	13,123	12,066
24,075	Grants and contributions provided for operating purposes	B2-4	21,222	20,713
43,782	Grants and contributions provided for capital purposes	B2-4	89,603	46,379
14,517	Interest and investment income	B2-5	21,817	16,278
13,306	Other income *	B2-6	10,648	13,256
463,738	Total income from continuing operations		497,702	439,191
	Expenses from continuing operations			
146,514	Employee benefits and on-costs	B3-1	149,707	136,777
122,371	Materials and services ^	B3-2	109,702	112,333
5,410	Borrowing costs	B3-3	6,012	5,455
58,728	Other expenses	B3-5	49,868	53,875
9,697	Net loss from the disposal of assets ^	B4-1	12,132	12,404
342,720	Total expenses from continuing operations excluding depreciation, amortisation and impairment of non-financial assets		327,421	320,844
121,018	Operating result from continuing operations excluding depreciation, amortisation and impairment of non-financial assets		170,281	118,347
73,173	Depreciation, amortisation and impairment of non-financial assets ^	B3-4	71,942	68,390
47,845	Operating result from continuing operations		98,339	49,957
47,845	Net operating result for the year attributable to Council		98,339	49,957
4,063	Net operating result for the year before grants and contributions provided for capital purposes		8,736	3,578

The above Income Statement should be read in conjunction with the accompanying notes.

(*) Comparatives have been reclassified. Refer Note A1-1

(^) Comparatives have been changed to reflect prior period adjustments. Refer Note G4-1

Newcastle City Council

Statement of Comprehensive Income

for the year ended 30 June 2025

	Notes	2025 \$ '000	Restated 2024 \$ '000
Net operating result for the year – from Income Statement		98,339	49,957
Other comprehensive income:			
Amounts that will not be reclassified subsequent to operating result			
Gain/(loss) on revaluation of infrastructure, property, plant and equipment	C1-7	1,002,099	83,477
Impairment reversal (loss) on infrastructure, property, plant and equipment	B3-4,C1-7	885	49
Total items that will not be reclassified subsequent to operating result		1,002,984	83,526
Amounts that will be reclassified subsequent to operating result when specific conditions are met			
Gain/(loss) on hedging instruments	C1-11	(1,482)	(122)
Other movements		–	(1)
Total items that will be reclassified subsequent to operating result when specific conditions are met		(1,482)	(123)
Other comprehensive income for the year		1,001,502	83,403
Total comprehensive income for the year attributable to Council		1,099,841	133,360

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Newcastle City Council

Statement of Financial Position

as at 30 June 2025

	Notes	2025 \$ '000	Restated 2024 \$ '000	Restated 1 July 2023 \$ '000
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	68,986	81,432	74,325
Investments	C1-2	89,212	110,661	123,158
Receivables	C1-4	37,754	34,835	27,737
Inventories	C1-5	1,394	1,374	1,404
Contract assets and contract cost assets	C1-6	4,870	7,393	2,735
Non-current assets classified as held for sale		–	–	1,233
Other	C1-10	15,294	8,635	3,246
Total current assets		217,510	244,330	233,838
Non-current assets				
Investments	C1-2	190,772	222,789	204,735
Receivables	C1-4	1,688	1,484	1,311
Infrastructure, property, plant and equipment (IPPE) ^	C1-7	3,432,558	2,235,394	2,113,457
Investment property	C1-8	58,501	17,060	16,060
Intangible assets	C1-9	2,325	1,966	2,656
Right of use assets	C2-1	30,627	31,465	32,131
Investments accounted for using the equity method	D1-2	391	327	487
Derivative financial instruments	C1-11	–	893	996
Other	C1-10	463	231	283
Total non-current assets		3,717,325	2,511,609	2,372,116
Total assets		3,934,835	2,755,939	2,605,954
LIABILITIES				
Current liabilities				
Payables	C3-1	69,560	61,657	57,930
Contract liabilities	C3-2	23,178	19,756	12,103
Lease liabilities	C2-1	2,581	2,456	2,805
Borrowings	C3-3	3,531	3,452	2,303
Employee benefit provisions	C3-4	37,521	37,033	35,957
Provisions	C3-5	4,616	16,554	24,021
Derivative financial instruments	C1-11	51	–	–
Total current liabilities		141,038	140,908	135,119
Non-current liabilities				
Payables	C3-1	1,283	1,571	2,036
Contract liabilities	C3-2	3,992	4,262	6,309
Lease liabilities	C2-1	31,439	32,185	32,334
Borrowings	C3-3	110,026	81,810	58,657
Employee benefit provisions	C3-4	1,569	1,509	1,115
Provisions	C3-5	94,283	42,991	53,041
Derivative financial instruments	C1-11	661	–	–
Total non-current liabilities		243,253	164,328	153,492
Total liabilities		384,291	305,236	288,611
Net assets		3,550,544	2,450,703	2,317,343
EQUITY				
Accumulated surplus ^		1,706,304	1,607,880	1,557,375
IPPE revaluation surplus ^	C4-1	1,844,848	841,949	758,972
Hedging reserve	C4-1	(608)	874	996
Total equity		3,550,544	2,450,703	2,317,343

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

(^) Comparatives have been changed to reflect prior period adjustments. Refer Note G4-1

Newcastle City Council

Statement of Changes in Equity

for the year ended 30 June 2025

	Notes	2025				2024			
		Accumulated surplus	IPPE revaluation surplus	Hedging reserve	Total equity	Accumulated surplus	IPPE revaluation surplus	Hedging reserve	Total equity
		\$ '000	\$ '000	\$ '000	\$ '000	Restated \$ '000	Restated \$ '000	\$ '000	Restated \$ '000
Opening balance at 1 July		1,607,880	841,949	874	2,450,703	1,526,443	646,690	996	2,174,129
Correction of prior period errors	G4-1	–	–	–	–	30,932	112,282	–	143,214
Restated opening balance		1,607,880	841,949	874	2,450,703	1,557,375	758,972	996	2,317,343
Net operating result for the year		98,339	–	–	98,339	50,578	–	–	50,578
Correction of prior period errors	G4-1	–	–	–	–	(621)	–	–	(621)
Net operating result for the year		98,339	–	–	98,339	49,957	–	–	49,957
Other comprehensive income									
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	1,002,099	–	1,002,099	–	76,559	–	76,559
Correction of prior period errors	G4-1	–	–	–	–	–	6,918	–	6,918
Impairment reversal (loss) on infrastructure, property, plant and equipment	B3-4,C1-7	–	885	–	885	–	49	–	49
Gain (loss) on hedging instruments	C1-2	–	–	(1,482)	(1,482)	–	–	(122)	(122)
Other movements		–	–	–	–	–	(1)	–	(1)
Other comprehensive income		–	1,002,984	(1,482)	1,001,502	–	83,525	(122)	83,403
Total comprehensive income		98,339	1,002,984	(1,482)	1,099,841	49,957	83,525	(122)	133,360
Transfers between equity items on disposal of assets		85	(85)	–	–	548	(548)	–	–
Closing balance at 30 June		1,706,304	1,844,848	(608)	3,550,544	1,607,880	841,949	874	2,450,703

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Newcastle City Council

Statement of Cash Flows

for the year ended 30 June 2025

Original unaudited budget 2025 \$ '000		Notes	Actual 2025 \$ '000	Restated Actual 2024 \$ '000
Cash flows from operating activities				
Receipts:				
232,202	Rates and annual charges		232,054	218,372
111,039	User charges and fees		116,707	119,685
13,839	Interest received		22,232	15,119
67,852	Grants and contributions		67,458	63,655
40	Bonds, deposits and retentions received		337	189
20,514	Other		36,431	29,962
Payments:				
(138,643)	Payments to employees		(148,547)	(134,245)
(120,867)	Payments for materials and services		(124,009)	(131,969)
(7,514)	Borrowing costs		(4,453)	(5,455)
—	Bonds, deposits and retentions refunded		(45)	(106)
(56,059)	Other		(71,045)	(75,590)
122,403	Net cash flows from operating activities	G1-1	127,120	99,617
Cash flows from investing activities				
Receipts:				
387	Proceeds from sale of IPPE		776	1,764
—	Redemption of term deposits		118,779	276,779
250,096	Sale or redemption of investments		15,818	14,253
Payments:				
(177,476)	Payments for IPPE		(177,559)	(113,924)
—	Purchase of intangible assets		(795)	(31)
(29,921)	Purchase of investment property		(40,811)	—
—	Acquisition of term deposits		(52,170)	(267,862)
(214,117)	Purchase of investments		(29,452)	(24,733)
(171,031)	Net cash flows from investing activities		(165,414)	(113,754)
Cash flows from financing activities				
Receipts:				
55,000	Proceeds from borrowings		31,750	27,100
Payments:				
(3,452)	Repayment of borrowings		(3,455)	(2,798)
(2,237)	Principal component of lease payments		(2,447)	(3,058)
49,311	Net cash flows from financing activities		25,848	21,244
683	Net change in cash and cash equivalents		(12,446)	7,107
39,983	Cash and cash equivalents at beginning of year		81,432	74,325
40,666	Cash and cash equivalents at end of year	C1-1	68,986	81,432
344,507	plus: Investments on hand at end of year	C1-2	279,984	333,450
385,173	Total cash, cash equivalents and investments		348,970	414,882

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Newcastle City Council

Contents for the notes to the Financial Statements for the year ended 30 June 2025

A About Council and these financial statements	12
A1-1 Basis of preparation	12
B Financial Performance	16
B1 Functions or activities	16
B1-1 Functions or activities – income, expenses and assets	16
B1-2 Components of functions or activities	17
B2 Sources of income	18
B2-1 Rates and annual charges	18
B2-2 User charges and fees	19
B2-3 Other revenue	20
B2-4 Grants and contributions	21
B2-5 Interest and investment income	24
B2-6 Other income	24
B3 Costs of providing services	25
B3-1 Employee benefits and on-costs	25
B3-2 Materials and services	25
B3-3 Borrowing costs	26
B3-4 Depreciation, amortisation and impairment of non-financial assets	27
B3-5 Other expenses	28
B4 Gains or losses	29
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	29
B5 Performance against budget	30
B5-1 Material budget variations	30
C Financial position	32
C1 Assets we manage	32
C1-1 Cash and cash equivalents	32
C1-2 Financial investments	32
C1-3 Restricted and allocated cash, cash equivalents and investments	34
C1-4 Receivables	36
C1-5 Inventories	37
C1-6 Contract assets and Contract cost assets	37
C1-7 Infrastructure, property, plant and equipment	38
C1-8 Investment properties	41
C1-9 Intangible assets	42
C1-10 Other	43
C1-11 Derivative financial instruments	44
C2 Leasing activities	46
C2-1 Council as a lessee	46
C2-2 Council as a lessor	49
C3 Liabilities of Council	50
C3-1 Payables	50
C3-2 Contract Liabilities	51
C3-3 Borrowings	52

Newcastle City Council

Contents for the notes to the Financial Statements for the year ended 30 June 2025

C3-4 Employee benefit provisions	53
C3-5 Provisions	54
C4 Reserves	56
C4-1 Nature and purpose of reserves	56
D Council structure	57
D1 Interests in other entities	57
D1-1 Interests in joint arrangements	57
D1-2 Interests in associates	58
E Risks and accounting uncertainties	59
E1-1 Risks relating to financial instruments held	59
E2-1 Fair value measurement	63
E3-1 Contingencies	74
F People and relationships	77
F1 Related party disclosures	77
F1-1 Key management personnel (KMP)	77
F1-2 Councillor and Mayoral fees and associated expenses	80
F2 Other relationships	80
F2-1 Audit fees	80
G Other matters	81
G1-1 Statement of Cash Flows information	81
G2-1 Commitments	82
G3-1 Events occurring after reporting date	82
G4 Changes from prior year statements	83
G4-1 Correction of errors	83
G5 Statement of developer contributions	85
G5-1 Summary of developer contributions	85
G5-2 Developer contributions by plan	86

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 28 October 2025. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The material accounting policy information related to these consolidated financial statements is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These General Purpose Financial Statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993* and *Local Government (General) Regulation 2021*, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not-for-profit entity. The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain infrastructure, property, plant and equipment and investment property.

Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- Fair values of investment properties – refer Note C1-8
- Fair values of infrastructure, property, plant and equipment – refer Note C1-7
- Employee benefit provisions – refer Note C3-4
- Provisions – refer Note C3-5

Significant judgements in applying the Council's accounting policies

- Impairment of receivables – refer Note C1-4
- Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 to B2-4.
- Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

Comparative figures

Council has reclassified certain items in these consolidated financial statements to align comparative information with that presented in the current reporting period. These reclassifications aim to improve consistency and comparability, particularly regarding the consolidation of Council's share of its joint operations, Newcastle Airport Partnership and Greater Newcastle Aerotropolis Partnership.

A new disclosure, Note C1-11 Derivative financial instruments, has also been introduced to assist users in understanding the financial statements.

These changes are consistent with the requirements of AASB 101 *Presentation of Financial Statements*. Importantly, there has been no overall restatement of comparative amounts for the primary statement totals as a result of the reclassifications.

Impacted items are marked with an asterisk (*) throughout the financial statements.

A1-1 Basis of preparation (continued)

Monies and other assets received by Council

The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993*, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

The Consolidated Fund and other activities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993*, a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies. Trust monies and property subject to Council's control have been included in this report.

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

Volunteer services

Volunteer hours are actual hours contributed to Council by registered Council volunteers. It does not include hours contributed by secondary groups that are Incorporated Associations. Council maintains a register of volunteer hours and can reliably measure the value of the volunteer services to Council. Council has recognised volunteer services in the Income Statement where the services would be purchased if they were not donated.

During the current reporting period, volunteer services provided to Council were associated with the following activities:

- Art Gallery support
- Bushcare activities
- Civic Theatre (Playhouse) support
- Committee support
- Landcare activities
- Library programs
- Museum support

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2025 reporting period. Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2024.

Council's assessment of the impact of these relevant new standards and interpretations is set out below:

AASB 2024-2 Amendments to Australian Accounting Standards - Classification and Measurement of Financial Instruments [AASB 7 and AASB 9]

This Standard amends AASB 7 and AASB 9 in response to feedback from the 2022 Post-Implementation Review of the classification and measurement requirements in AASB 9 and related requirements in AASB 7 and the subsequent 2023 Exposure Draft.

This Standard amends requirements related to:

- a. settling financial liabilities using an electronic payment system; and
- b. assessing contractual cash flow characteristics of financial assets with environmental, social and corporate governance (ESG) and similar features.

This Standard also amends disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and adds disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs.

No material impact on Council's reported financial performance or position is expected.

This standard applies from the reporting period ended 30 June 2027.

A1-1 Basis of preparation (continued)

AASB 18 *Presentation and Disclosure in Financial Statements*

This standard replaces AASB 101 *Presentation of Financial Statements* and sets out requirements for the structure of the financial statements, including the application of fundamental concepts such as materiality.

AASB 18 introduces additional subtotals into the Income Statement as well as restructuring the statement into operating, investing, and financing elements.

Management-defined performance measures are also required to be disclosed.

This standard is expected to impact the presentation of Council's primary statements. However, no material impact on Council's reported financial performance or position is anticipated.

This standard applies from the reporting period ended 30 June 2029.

AASB 2024-3 *Amendments to Australian Accounting Standards – Annual Improvements Volume 11 [AASB 1, AASB 7, AASB 9, AASB 10 and AASB 107]*

This standard amends:

- a. AASB 1 to improve consistency between paragraphs B5-B6 of AASB 1 and the requirements of hedge accounting in AASB 9, and improve the understandability of AASB 1;
- b. AASB 7 to:
 - i. replace a cross-reference in paragraph B38 of AASB 7 to a deleted AASB 7 paragraph with a reference to AASB 13 *Fair Value Measurement*; and
 - ii. improve consistency in the language used in AASB 7 with the language used in AASB 13;
- c. AASB 9 to:
 - i. clarify how a lessee accounts for the derecognition of a lease liability when it is extinguished; and
 - ii. address an inconsistency between paragraph 5.1.3 of AASB 9 and the requirements in AASB 15 *Revenue from Contracts with Customers* in relation to the term 'transaction price';
- d. AASB 10 to amend paragraph B74 in relation to determining de facto agents of an entity; and
- e. AASB 107 to replace the term 'cost method' with 'at cost' as the term is no longer defined in Australian Accounting Standards.

No significant impact to Council's reported financial performance or position is expected on adoption of this standard.

This standard applies from the reporting period ended 30 June 2027.

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective for the first time at 30 June 2025.

The following new standards were effective for the first time at 30 June 2025:

AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*

This standard amended AASB 13 *Fair Value Measurement* for application by not-for-profit public sector entities. It includes authoritative implementation guidance and provides related illustrative examples around:

- a. highest and best use
- b. financially feasible uses
- c. use of assumptions
- d. nature of costs to include in the replacement cost of a reference asset and on the identification of economic obsolescence when using the cost approach.

In applying the new requirements, Council has reviewed its fair value methodology to ensure it is in accordance with the guidance provided in AASB 2022-10 when applying the revaluation model after initial recognition. The review has seen Council expand its interpretation of the cost types to include in replacement cost and this has contributed to material revaluation increments particularly in the Roads, Footpaths and Stormwater drainage asset classes. Refer to Note C1-7.

AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current* AASB 2020-6 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current - Deferral of Effective Date* AASB 2022-6 *Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants*

A1-1 Basis of preparation (continued)

AASB 2020-1 amended AASB 101 *Presentation of Financial Statements* to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

AASB 2022-6 amended AASB 101 *Presentation of Financial Statements* to improve financial statement disclosures about long-term liabilities with covenants where the entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.

AASB 2022-6 further deferred the mandatory effective date of amendments that were originally made in AASB 2020-1 and AASB 2020-6 so that the amendments were effective for the 30 June 2025 reporting period.

These standards have not had a material impact on the Council's financial statements, financial position, financial performance or cash flows, upon application in the 30 June 2025 reporting period.

B Financial Performance

B1 Functions or activities

B1-1 Functions or activities – income, expenses and assets

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

	Income		Expenses		Operating results		Grants and contributions		Carrying amount of assets	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	\$ '000	\$ '000	\$ '000	Restated \$ '000	\$ '000	Restated \$ '000	\$ '000	\$ '000	\$ '000	Restated \$ '000
Functions or activities										
Liveable	115,564	54,661	136,872	130,943	(21,308)	(76,282)	81,364	23,320	2,540,837	1,433,394
Sustainable	95,117	100,865	102,087	103,155	(6,970)	(2,290)	421	3,396	85,755	94,917
Creative	63,707	69,937	79,192	73,950	(15,485)	(4,013)	19,810	28,441	525,550	483,721
Achieving Together	223,314	213,728	81,212	81,186	142,102	132,542	9,230	11,935	782,693	743,907
Total functions and activities	497,702	439,191	399,363	389,234	98,339	49,957	110,825	67,092	3,934,835	2,755,939

B1-2 Components of functions or activities

Details relating to the Council's functions or activities as reported in B1-1 are as follows:

Liveable

Our neighbourhoods are safe and thriving, with diverse and equitable housing and social and urban infrastructure that supports local living. Our public places bring people together for active living and social connection. We plan for areas of identified growth and change. Our city is walkable, connected by safe roads and accessible parking, and options for active transport are available, enabling access to services and facilities. Our community is connected and equitable, and everyone is valued. We use innovation and technology and promote health, wellbeing and equal opportunities to increase residents' quality of life.

Council's services that contribute to meeting these community priorities are: Library Services; Digital Services and Innovation Projects; Open Space Operations; Regulatory and Compliance Services; Aquatic Services; Facility Management and City Presentation; Parking Services; Development Assessment; Community Facilities, Programs and Partnerships; Transport, Traffic and Local Roads; Road Maintenance; Civil Construction and Depot Administration; Building Trades; Asset Management; Fleet and Plant Maintenance; Stormwater Services; Project Management Services.

Sustainable

Our environment sustains our community, economy, health and wellbeing. It is at the heart of all that we do. Our city acts on climate change to achieve net zero emissions and build resilience in our community, infrastructure and natural areas. We protect, enhance and connect our green and blue networks, and we are transforming our city through circular economy solutions.

Council's services that contribute to meeting these community priorities are: Sustainability Programs; Natural Area/Bushland Services; Waste Collections; Waste Disposal and Landfill (Landfill Operations); Resource Recovery and Recycling; Waste Education Programs; Commercial and Internal Waste, Innovation and Futures; Strategic Planning; City Greening; Coastal Management; Climate Change and Sustainability.

Creative

Our city is vibrant, inclusive and creative. Newcastle is a destination known for its culture, heritage, entertainment and innovative ideas. We are excited about the city's opportunities in the areas of jobs, education and the economy. Multiculturalism, Aboriginal culture, diverse communities and the arts are celebrated. Locals and visitors gather for events and cultural experiences, and to feel part of the community. Newcastle is driven by city-shaping partnerships that enhance our opportunities and attract people to live, play and invest in our city.

Council's services that contribute to meeting these community priorities are: Art Gallery; Museum and Libraries; Civic Theatre and Playhouse; Visitor Information Centre; Newcastle Venues; Children's Education Services; Marketing; City Events; Tourism; Economic Development; Business Development; Media and Stakeholder Relations.

Achieving Together

Our people come together to collaborate, share ideas and opportunities, and co-create positive change for our organisation and city. Our culture is one of trust and understanding, where honest conversations empower our people, customers and community. We value diverse perspectives and deliver what we promise. Our strength is growing our capability to manage community and customer expectations and continuously improve our service delivery.

Council's services that contribute to meeting these community priorities are: Procurement and Contracts; Corporate Planning and Performance; Corporate Finance; Rates and Debt Management; Legal Services; Governance; Records and Information; Audit and Risk; Information Technology; Customer Experience; Payroll; Workforce Development; Talent Diversity and Inclusion; Work Health and Safety Support and Recovery; Safety and Wellbeing; Emergency Management; Leadership; Property Services; Business and Customer Improvement.

B2 Sources of income

B2-1 Rates and annual charges

	2025 \$ '000	2024 \$ '000
Ordinary rates		
Residential	122,329	115,583
Farmland	22	21
Business	67,882	64,559
Less: pensioner rebates (mandatory)	(1,745)	(1,777)
Rates levied to ratepayers	188,488	178,386
Pensioner rate subsidies received	960	977
Total ordinary rates	189,448	179,363
Special rates		
Town improvement	79	83
Main street	1,391	1,331
Rates levied to ratepayers	1,470	1,414
Total special rates	1,470	1,414
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	37,893	34,493
Stormwater management services	2,425	2,417
Waste management services (non-domestic)	1,656	1,488
Section 611 charges	121	203
Less: pensioner rebates (mandatory)	(576)	(564)
Annual charges levied	41,519	38,037
Pensioner annual charges subsidies received:		
– Domestic waste management	317	310
Total annual charges	41,836	38,347
Total rates and annual charges	232,754	219,124

Council has used 2022 valuations provided by the NSW Valuer General in calculating its rates.

Material accounting policy information

Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are recognised within the underlying revenue item based on their substance.

B2-2 User charges and fees *

	2025 \$ '000	2024 \$ '000
User charges		
Domestic waste management services	4,654	4,050
Waste management services (non-domestic)	1,106	1,176
Total user charges	5,760	5,226
Fees		
Animal Enforcement	195	350
Art Gallery	4	3
Building and Planning Regulation	5,138	5,498
Cemeteries	218	204
Child care	1,514	1,406
Community and Recreation Usage	1,926	1,753
Compliance Fees	395	334
Electric Vehicle Charging	93	4
Fort Scratchley Tours	93	94
Health Inspections	560	524
Libraries	142	124
Live Performance and Ticketing	5,954	5,719
Merchant Service Fee	147	146
Museum	310	205
Newcastle Airport *	18,306	16,488
Newcastle Venues	2,366	2,306
Parking fees	8,497	7,956
RMS Charges	4,093	3,357
Road Restorations	998	415
Section 10.7 Certificates (EP&A Act)	537	499
Section 603 Certificates	404	363
Stockton Caravan Park	3,382	3,136
Tipping Fees/Resource Recovery	47,006	54,667
Tourism and Events	80	198
Other	417	400
Total fees	102,775	106,149
Total user charges and fees	108,535	111,375
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	6,206	5,727
User charges and fees recognised at a point in time	102,329	105,648
Total user charges and fees	108,535	111,375

Material accounting policy information

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 14 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival or a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

Revenue from licences granted by Council is recognised at the time that the licence is granted rather than over the term of the licence.

(*) Comparatives have been reclassified. Refer Note A1-1

B2-3 Other revenue

	2025 \$ '000	2024 \$ '000
Fines – parking	7,428	5,389
Fines – other	444	870
Insurance claims recoveries	311	945
Commissions and agency fees	176	230
Sales of inventories	1,786	2,098
Diesel rebate	274	249
Legal fees recovery – rates and charges (extra charges)	294	225
Joint library scheme recoveries	403	388
Sponsorships	118	89
Summerhill waste management – electricity generation	1,425	970
Volunteer services	229	205
Newcastle Airport	100	146
Energy savings certificates	6	28
Waste education	93	90
Other	36	144
Total other revenue	13,123	12,066

Timing of revenue recognition for other revenue

Other revenue recognised over time	403	388
Other revenue recognised at a point in time	12,720	11,678
Total other revenue	13,123	12,066

Accounting policy

Where the revenue is earned for the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

Statutory fees and fines are recognised as revenue when the service has been provided, the payment is received or when the penalty has been applied, whichever occurs first.

Other revenue is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

B2-4 Grants and contributions

	Operating 2025 \$ '000	Operating 2024 \$ '000	Capital 2025 \$ '000	Capital 2024 \$ '000
General purpose grants and non-developer contributions (untied)				
Financial Assistance Grant ¹				
- Relating to current year	2,333	582	—	—
- Prepayment received in advance for subsequent year	7,828	12,673	—	—
Amount recognised as income during current year	10,161	13,255	—	—
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Child care	211	170	—	—
Community facilities	75	2	649	—
Community services	85	12	47	296
Economic development	944	10	—	—
Employees corporate fitness / entitlements	288	204	—	—
Health, safety and emergency response	119	250	—	—
LIRS subsidy	—	3	—	—
Newcastle Airport	—	—	9,639	16,737
Other	424	653	851	3,292
Recovery of amounts for non-performance of bonded works	—	—	36	554
Recreation and culture	1,820	1,382	9,224	12,141
Roads and drainage	1,903	1,554	—	170
Street lighting	641	629	—	—
Transport (other roads and bridges funding)	93	92	—	—
Transport for NSW contributions	4,164	2,315	3,933	631
Waste	11	—	—	—
Total special purpose grants and non-developer contributions – cash	10,778	7,276	24,379	33,821
Non-cash contributions				
Art Gallery	—	—	2,501	436
Community land	—	—	216	63
Library	—	—	—	12
Museum	—	—	45	27
Infrastructure	—	—	42,305	709
Land Under Roads	—	—	2,414	273
Operational land	—	—	177	192
Total other contributions – non-cash	—	—	47,658	1,712
Total special purpose grants and non-developer contributions (tied)	10,778	7,276	72,037	35,533
Total grants and non-developer contributions	20,939	20,531	72,037	35,533
Comprising:				
– Commonwealth funding	10,530	14,586	9,639	16,737
– State funding	9,559	5,424	9,450	10,465
– Other funding	850	521	52,948	8,331
	20,939	20,531	72,037	35,533

(1) \$7.8M of the 2025–2026 Financial Assistance Grant from Commonwealth Government was received by Council in June 2025 and hence is reported as 2024–2025 income although it relates to 2025–2026 financial year.

The prior year comparatives report \$12.7M of the 2024–2025 Financial Assistance Grant received in advance and reported as 2023–2024 income although it relates to 2024–2025 financial year.

B2-4 Grants and contributions (continued)

Developer contributions

	Operating 2025 \$ '000	Operating 2024 \$ '000	Capital 2025 \$ '000	Capital 2024 \$ '000
Notes				
Developer contributions: (s7.4, s7.11 and s7.12 - EP&A Act, s64 of the LGA):				
G5				
Cash contributions				
S7.11 – Contributions towards amenities/services	283	182	13,158	7,439
S7.12 – Fixed development consent levies	–	–	4,408	3,405
Total developer contributions – cash	283	182	17,566	10,844
Non-cash contributions				
S7.4 – Planning Agreements	–	–	–	2
Total developer contributions – non-cash	–	–	–	2
Total developer contributions	283	182	17,566	10,846
Total contributions	283	182	17,566	10,846
Total grants and contributions	21,222	20,713	89,603	46,379
Timing of revenue recognition				
Grants and contributions recognised over time	–	–	19,089	26,073
Grants and contributions recognised at a point in time	21,222	20,713	70,514	20,306
Total grants and contributions	21,222	20,713	89,603	46,379

Unspent grants and contributions

Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner or in a future period but which are not yet spent in accordance with those conditions are as follows:

	Operating 2025 \$ '000	Operating 2024 \$ '000	Capital 2025 \$ '000	Capital 2024 \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	2,421	8,444	39,853	32,200
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	1,678	735	19,038	12,137
Add: Funds received and not recognised as revenue in the current year	81	510	5,358	5,167
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(1,064)	(7,268)	(17,112)	(7,821)
Less: Funds received in prior year but revenue recognised and funds spent in current year	(444)	–	(3,432)	(1,830)
Unspent funds at 30 June	2,672	2,421	43,705	39,853

B2-4 Grants and contributions (continued)

Material accounting policy information

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligation is transferred.

The performance obligations vary according to the agreement but some include the holding of events and others have specific performance targets. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g. completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

Developer contributions

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979* (EP&A Act).

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required, but Council may apply contributions according to the priorities established in work schedules for the contribution plan.

Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

B2-5 Interest and investment income

	2025 \$ '000	2024 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	642	482
– Cash and investments	15,304	14,572
Dividend income from investments at fair value through profit or loss	5,825	1,184
Amortisation of discounts and premiums on financial instrument transactions		
– Debt securities at amortised cost / held to maturity investments	46	40
Total interest and investment income	21,817	16,278

B2-6 Other income *

	Notes	2025 \$ '000	2024 \$ '000
Fair value increment on investments	C1-2	858	3,973
Fair value increment on investment properties	C1-8	630	1,000
Rental income *	C2-2	9,096	8,283
Net share of interests in joint ventures and associates using the equity method	D1-2	64	–
Total other income		10,648	13,256

(*) Comparatives have been reclassified. Refer Note A1-1

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2025 \$ '000	2024 \$ '000
Salaries and wages	117,121	105,357
Employee leave entitlements	21,723	19,133
Superannuation	15,365	13,674
Workers' compensation insurance	3,607	4,333
Employee termination costs	650	1,175
FBT	322	347
Other	8	3
Total employee costs	158,796	144,022
Less: capitalised costs	(9,089)	(7,245)
Total employee costs expensed	149,707	136,777

Material accounting policy information

Council participates in a defined benefit plan under Vision Super. Sufficient information is not available to account for the plan as a defined benefit and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable. Refer to Note E3-1 for more information.

B3-2 Materials and services [^]

	Notes	2025 \$ '000	2024 Restated \$ '000
Audit Fees	F2-1	525	454
Bank charges		764	804
Contractor costs		48,063	53,714
Cost of sales		1,290	1,400
Councillor and Mayoral fees and associated expenses	F1-2	777	707
Election expenses		1,234	5
Electricity		2,043	1,993
Insurance		4,722	4,557
Legal expenses		938	1,546
Newcastle Airport		5,960	5,213
Raw materials and consumables [^]		27,645	27,070
Rehabilitation and restoration expenses		124	825
S355 local committee working expenses		238	186
Street lighting		2,277	2,450
Telephone and communications		998	977
Training and travel		1,004	1,488
Volunteer services		229	205
Water		1,738	1,388
Expenses from leases of low value assets		13	19
Expenses from short-term leases		261	456
Variable lease expense relating to usage		6,152	4,637
Other		2,707	2,239
Total materials and services		109,702	112,333

([^]) Comparatives have been changed to reflect prior period adjustments. Refer Note G4-1

B3-3 Borrowing costs

	Notes	2025 \$ '000	2024 \$ '000
(i) Interest bearing liability costs			
Interest on loans		2,006	1,883
Interest on loans - Newcastle Airport		3,724	2,907
Interest on leases		998	1,025
Total interest bearing liability costs		6,728	5,815
Less: capitalised costs		(2,408)	(818)
Total interest bearing liability costs expensed		4,320	4,997
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	1,559	437
Other borrowing costs		133	21
Total other borrowing costs		1,692	458
Total borrowing costs expensed		6,012	5,455

Material accounting policy information

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed as incurred.

B3-4 Depreciation, amortisation and impairment of non-financial assets [^]

		2025	2024
		\$ '000	Restated \$ '000
	Notes		
Depreciation and amortisation			
Property, plant and equipment	C1-7	9,586	8,426
Infrastructure [^]	C1-7	54,053	51,181
Newcastle Airport	C1-7	3,615	3,455
Other assets	C1-7	1,839	1,759
Right of use assets	C2-1	2,664	3,226
Intangibles - software	C1-9	345	550
Intangibles - Newcastle Airport	C1-9	134	119
Less: capitalised depreciation		(294)	(224)
Total depreciation and amortisation costs		71,942	68,492
Impairment (reversals) / revaluation decrement of IPPE			
Infrastructure		(885)	(151)
Amounts taken through revaluation reserve		885	49
Total IPP&E impairment / revaluation decrement costs charged to Income Statement		—	(102)
Total depreciation, amortisation and impairment for intangibles and IPPE		71,942	68,390

Material accounting policy information

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other non-financial assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Reversals of impairment of non-financial assets

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

The reversal is recognised in other comprehensive income and is treated as a revaluation increase, except to the extent that an impairment loss on the same class of asset was previously recognised in the Income Statement, where a reversal of that impairment loss is also recognised in the Income Statement.

^(^) Comparatives have been changed to reflect prior period adjustments. Refer Note G4-1

B3-5 Other expenses

	Notes	2025 \$ '000	2024 \$ '000
Impairment of receivables	C1-4	785	639
Net share of interests in joint ventures and associates using the equity method	D1-2	–	160
Donations, contributions and assistance to other organisations (Section 356)		4,814	3,533
Contributions/levies to other levels of government:			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		4,931	5,096
– NSW government waste levy		36,793	41,994
– Other levies		2,545	2,453
Total other expenses		49,868	53,875

B4 Gains or losses

B4-1 Gain or loss from the disposal, replacement and de-recognition of assets [^]

		2025	2024
			Restated
	Notes	\$ '000	\$ '000
Gain (or loss) on disposal of infrastructure, property, plant and equipment			
	C1-7		
Proceeds from disposal – infrastructure, property, plant and equipment		776	531
Less: carrying amount of infrastructure, property, plant and equipment sold/written off		(12,994)	(12,808)
Gain (or loss) on disposal		(12,218)	(12,277)
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal – investments		86	–
Gain (or loss) on disposal		86	–
Gain (or loss) on disposal of non-current assets held for sale			
Proceeds from disposal – non-current assets held for sale		–	1,233
Less: carrying amount of non-current assets held for sale sold/written off		–	(1,233)
Gain (or loss) on disposal		–	–
Intangible assets			
	C1-9		
Proceeds from disposal – Intangible assets		–	–
Less: carrying amount of Intangible assets assets sold/written off		–	(127)
Gain (or loss) on disposal		–	(127)
Net gain (or loss) from disposal of assets		(12,132)	(12,404)

^(^) Comparatives have been changed to reflect prior period adjustments. Refer Note G4-1

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 25 June 2024 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

Material variations of more than 10% between original budget and actual results or where the variance is considered material by nature are explained below.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2025 Budget	2025 Actual	2025 ----- Variance -----	
Revenues				
User charges and fees	124,293	108,535	(15,758)	(13)% U
Unfavourable result is largely driven by a reduction in revenue for Summerhill Waste Management Centre related to market conditions.				
Other revenue	11,501	13,123	1,622	14% F
Favourable result is driven by an increase in revenue from compliance activities and revenue related to gas royalty payments.				
Grants and contributions provided for operating purposes	24,075	21,222	(2,853)	(12)% U
Unfavourable result is predominantly related to Council receiving a lower proportion of the Financial Assistance Grant payment in advance during the year.				
Grants and contributions provided for capital purposes	43,782	89,603	45,821	105% F
Favourable result is driven by a higher value in non-cash contributions of infrastructure assets.				
Interest and investment income	14,517	21,817	7,300	50% F
Favourable result is related to better than forecast investment conditions and the receipt of dividend distributions from the TCorp long-term growth fund.				
Other income	13,306	10,648	(2,658)	(20)% U
Unfavourable result reflects how Council budgeted for movements in the TCorp long-term growth fund. The overall movement for the year was driven by dividend distributions reported under Interest and Investment Income, rather than fair value increments reported under Other Income. The remaining variance is due to reduced revenue from investment properties.				

B5-1 Material budget variations (continued)

\$ '000	2025 Budget	2025 Actual	2025 ----- Variance -----	
Expenses				
Materials and services	122,371	109,702	12,669	10% F
Favourable result is largely related to a high proportion of costs capitalised as part of Council's capital works program.				
Borrowing costs	5,410	6,012	(602)	(11)% U
Unfavourable variance is related to unbudgeted costs related to unwinding the discount for asset remediation provisions.				
Other expenses	58,728	49,868	8,860	15% F
Favourable result is related to reduced expenditure on the NSW State Waste Levy as a result of lower tonnes received at the Summerhill Waste Management Centre.				
Net loss from the disposal of assets	9,697	12,132	(2,435)	(25)% U
Unfavourable variance is related to a higher disposal cost incurred to budget which incorporates the write-off of existing assets during the year as well as renewal work completed on large, long-life infrastructure within the city.				
Statement of cash flows				
Cash flows from financing activities	49,311	25,848	(23,463)	(48)% U
Unfavourable variance is primarily due to a shift in expected timing of loan drawdowns for Newcastle Airport.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2025 \$ '000	2024 \$ '000
Cash assets		
Cash at bank and on hand	68,986	51,340
Deposits at call	–	30,092
Total cash and cash equivalents	68,986	81,432

C1-2 Financial investments

	2025 Current \$ '000	2025 Non-current \$ '000	2024 Current \$ '000	2024 Non-current \$ '000
Financial assets at fair value through profit and loss				
Managed funds	–	60,355	–	53,671
Total	–	60,355	–	53,671
Debt securities at amortised cost				
Term deposits – fixed rate	43,807	13,000	75,806	19,000
Floating rate notes	33,009	98,127	2,100	107,487
Bonds	12,396	19,290	32,755	42,631
Total	89,212	130,417	110,661	169,118
Total financial investments *	89,212	190,772	110,661	222,789
Total cash assets, cash equivalents and investments	158,198	190,772	192,093	222,789

(*) Comparatives have been reclassified. Refer Note A1-1

Financial investments - Accounting policy

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council has classified its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition.

C1-2 Financial investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents, term deposits, floating rate notes, and bonds in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments in managed funds in the Statement of Financial Position.

C1-3 Restricted and allocated cash, cash equivalents and investments

	2025 \$ '000	2024 \$ '000
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	348,970	414,882
Less: Externally restricted cash, cash equivalents and investments	(75,582)	(67,250)
Cash, cash equivalents and investments not subject to external restrictions	273,388	347,632
External restrictions		
External restrictions included in cash, cash equivalents and investments above comprise:		
Security bonds, deposits and retentions	1,787	1,495
Specific purpose unexpended grants – general fund	15,507	13,943
Deferred Salary Scheme	133	310
Developer contributions – general	28,772	26,846
Specific purpose unexpended grants (recognised as revenue) – general fund	1,714	1,164
Domestic waste management	20,539	16,488
Bequests and donations	1,680	1,609
Special Benefit Rates	980	1,029
Rawson Crown Land Reserve	2,553	2,451
Childcare sinking Fund	1,270	1,040
Building Better Cities	–	301
Contributions to specific works	383	320
Community Facilities Fund	264	254
Total external restrictions	75,582	67,250

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

C1-3 Restricted and allocated cash, cash equivalents and investments (continued)

	2025	2024
	\$ '000	\$ '000

(b) Internal allocations**Cash, cash equivalents and investments not subject to external restrictions**

273,388	347,632
----------------	----------------

Less: Internally restricted cash, cash equivalents and investments

(243,888)	(318,198)
------------------	------------------

Unrestricted and unallocated cash, cash equivalents and investments

29,500	29,434
---------------	---------------

Internal allocations

At 30 June, Council has internally allocated funds to the following:

Employees leave entitlements	14,639	14,235
Works program - New and upgrade	18,097	31,287
Works program - Infrastructure Agreed level of service	98,536	173,478
Works program - Specific projects	22,677	21,741
Newcastle Airport	4,112	14,696
Inland Pools Reserve Fund	2,084	1,000
Workers compensation: Self insurance	10,727	10,931
Local committees and childcare	601	675
Superannuation - Defined benefits	-	330
Unexpended loans	-	3,042
Waste Management - Remediation provision	69,341	43,979
Works carried forward	3,074	2,804
Total internal allocations	243,888	318,198

Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or policy of the elected Council.

C1-4 Receivables

	2025 Current \$ '000	2025 Non-current \$ '000	2024 Current \$ '000	2024 Non-current \$ '000
Rates and annual charges	9,125	189	7,719	330
Interest and extra charges ¹	750	44	529	95
User charges and fees	16,843	–	16,205	–
Accrued revenues				
– Interest on financial investments and derivatives	2,480	–	3,111	–
Government grants and subsidies	2,722	–	2,223	–
Net GST receivable *	3,257	–	3,121	–
Infringements - Revenue NSW	2,969	1,584	2,293	1,165
Total	38,146	1,817	35,201	1,590
Less: provision for impairment				
User charges and fees	(206)	–	(222)	–
Infringements - Revenue NSW	(186)	(129)	(144)	(106)
Total provision for impairment – receivables	(392)	(129)	(366)	(106)
Total net receivables	37,754	1,688	34,835	1,484

(*) Comparatives have been reclassified. Refer Note A1-1

(1) Interest was charged on overdue rates and charges at 10.50% (2024: 9.00%). Generally all other receivables are non-interest bearing.

Material accounting policy information

Recognition and measurement

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Impairment

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When estimating ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

When considering the ECL for rates and annual charges debtors, Council considers that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Credit losses are measured at the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

Council writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

None of the receivables that have been written off are subject to enforcement activity.

Where Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

C1-5 Inventories

	2025 Current \$ '000	2025 Non-current \$ '000	2024 Current \$ '000	2024 Non-current \$ '000
Inventories at cost				
Stores and materials	1,394	–	1,374	–
Total inventories	1,394	–	1,374	–

Material accounting policy information

Costs are assigned to individual items of inventory on the basis of weighted average costs.

C1-6 Contract assets and Contract cost assets

Contract assets

	2025 Current \$ '000	2025 Non-current \$ '000	2024 Current \$ '000	2024 Non-current \$ '000
Work relating to infrastructure grants	4,870	–	7,393	–
Total contract assets	4,870	–	7,393	–

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2024			Asset movements during the reporting period						At 30 June 2025		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Renewals	New assets	Carrying value of disposals	Depreciation and Impairment	Transfers	Revaluation increments/ (decrements)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	Restated	Restated	Restated									
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital WIP	81,389	(1,071)	80,318	17,101	111,366	(7,055)	–	(32,241)	–	170,560	(1,071)	169,489
Plant and equipment	57,961	(40,610)	17,351	6,614	1,389	(340)	(7,029)	3,357	–	66,004	(44,662)	21,342
Office equipment	6,924	(4,668)	2,256	10	595	–	(1,241)	1	–	6,674	(5,053)	1,621
Furniture and fittings	20,787	(5,429)	15,358	–	10	–	(974)	434	–	21,231	(6,403)	14,828
Land:												
– Operational	161,765	–	161,765	–	177	–	–	–	6,010	167,952	–	167,952
– Community	91,507	–	91,507	–	216	–	–	–	3,020	94,743	–	94,743
– Crown	43,550	–	43,550	–	–	–	–	–	1,437	44,987	–	44,987
– Under roads (post 30/6/08)	14,279	–	14,279	–	2,414	–	–	–	–	16,693	–	16,693
– Depreciable land improvements	7,322	(3,060)	4,262	703	919	–	(342)	126	–	9,070	(3,402)	5,668
Infrastructure: ^												
– Buildings	468,318	(231,248)	237,070	455	9,266	(2,266)	(12,213)	3,852	(5,919)	493,747	(263,502)	230,245
– Other structures	220,608	(135,586)	85,022	1,081	2,182	(362)	(9,176)	5,826	1,330	232,950	(147,047)	85,903
– Roads	892,416	(493,427)	398,989	7,035	26,655	(1,549)	(17,687)	1,593	813,698	2,215,838	(987,106)	1,228,732
– Bridges	70,065	(37,928)	32,137	178	1,017	–	(784)	80	11,352	80,084	(36,104)	43,980
– Footpaths	239,957	(126,451)	113,506	573	4,636	(263)	(5,349)	3,874	92,358	377,323	(167,988)	209,335
– Bulk earthworks (non-depreciable)	360,749	–	360,749	–	2,162	(114)	–	82	(51,040)	311,839	–	311,839
– Stormwater drainage	363,037	(196,097)	166,940	2,507	11,377	(273)	(3,861)	3,016	131,959	573,759	(262,094)	311,665
– Swimming pools	42,344	(21,409)	20,935	109	–	(94)	(516)	–	899	44,335	(23,002)	21,333
– Other open space/recreational assets	44,052	(19,576)	24,476	351	928	(137)	(1,936)	5,502	1,103	52,790	(22,503)	30,287
– Other infrastructure	145,091	(70,910)	74,181	846	4,823	(110)	(2,529)	6,384	7,348	171,555	(80,612)	90,943
Other assets:												
– Heritage collections	84,749	–	84,749	–	2,546	–	–	(1,923)	(3,035)	82,337	–	82,337
– Library books	16,196	(7,680)	8,516	–	413	(32)	(532)	–	–	15,614	(7,249)	8,365
– Other	20	(20)	–	–	–	–	–	–	–	–	–	–
Waste management asset	26,366	(18,523)	7,843	–	–	–	(1,307)	–	–	26,366	(19,830)	6,536
Newcastle Airport	212,004	(22,369)	189,635	–	55,650	(399)	(3,615)	–	(7,536)	260,813	(27,078)	233,735
Total infrastructure, property, plant and equipment	3,671,456	(1,436,062)	2,235,394	37,563	238,741	(12,994)	(69,091)	(37)	1,002,984	5,537,264	(2,104,706)	3,432,558

(^*) Comparatives have been changed to reflect prior period adjustments. Refer Note G4-1

C1-7 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2023			Asset movements during the reporting period						At 30 June 2024		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Renewals	New assets	Carrying value of disposals	Depreciation and Impairment	Transfers	Revaluation increments/ (decrements)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	Restated	Restated	Restated									
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital WIP	64,038	(1,071)	62,967	16,813	29,592	(966)	–	(28,088)	–	81,389	(1,071)	80,318
Plant and equipment	55,424	(36,764)	18,660	2,173	1,918	(231)	(5,874)	705	–	57,961	(40,610)	17,351
Office equipment	6,583	(3,700)	2,883	438	151	(64)	(1,239)	87	–	6,924	(4,668)	2,256
Furniture and fittings	20,845	(4,487)	16,358	–	1	(10)	(991)	–	–	20,787	(5,429)	15,358
Land:												
– Operational	164,145	–	164,145	–	192	–	–	(111)	(2,461)	161,765	–	161,765
– Community	88,327	–	88,327	–	63	–	–	(64)	3,181	91,507	–	91,507
– Crown	41,668	–	41,668	–	–	–	–	174	1,708	43,550	–	43,550
– Under roads (post 30/6/08)	14,965	–	14,965	–	276	–	–	–	(962)	14,279	–	14,279
– Depreciable land improvements	7,278	(2,808)	4,470	80	43	(10)	(321)	–	–	7,322	(3,060)	4,262
Infrastructure: ^												
– Buildings	436,106	(211,176)	224,930	4,971	3,066	(1,179)	(11,287)	5,273	11,296	468,318	(231,248)	237,070
– Other structures	209,996	(123,000)	86,996	2,482	777	(1,623)	(8,706)	2,557	2,539	220,608	(135,586)	85,022
– Roads	841,415	(458,100)	383,315	9,574	1,436	(3,295)	(17,059)	5,360	19,662	892,416	(493,427)	398,989
– Bridges	66,016	(35,471)	30,545	–	1	–	(742)	733	1,600	70,065	(37,928)	32,137
– Footpaths	224,717	(115,541)	109,176	767	961	(261)	(4,955)	2,204	5,614	239,957	(126,451)	113,506
– Bulk earthworks (non-depreciable)	343,827	–	343,827	–	–	–	–	–	16,922	360,749	–	360,749
– Stormwater drainage	347,489	(188,428)	159,061	1,748	866	(549)	(3,970)	4,731	5,053	363,037	(196,097)	166,940
– Swimming pools	40,357	(23,855)	16,502	2,249	3	(1,425)	(512)	4,118	–	42,344	(21,409)	20,935
– Other open space/recreational assets	43,224	(18,096)	25,128	711	265	(101)	(1,746)	219	–	44,052	(19,576)	24,476
– Other infrastructure	131,462	(67,166)	64,296	1,314	6,818	(223)	(2,103)	2,026	2,053	145,091	(70,910)	74,181
Other assets:												
– Heritage collections	82,085	–	82,085	–	464	–	–	–	2,200	84,749	–	84,749
– Library books	16,242	(7,753)	8,489	–	479	(1)	(452)	1	–	16,196	(7,680)	8,516
– Other	20	(20)	–	–	–	–	–	–	–	20	(20)	–
Waste management asset	26,828	(17,216)	9,612	–	(462)	–	(1,307)	–	–	26,366	(18,523)	7,843
Newcastle Airport	173,800	(18,748)	155,052	–	25,787	(2,870)	(3,455)	–	15,121	212,004	(22,369)	189,635
Total infrastructure, property, plant and equipment	3,446,857	(1,333,400)	2,113,457	43,320	72,697	(12,808)	(64,719)	(75)	83,526	3,671,456	(1,436,062)	2,235,394

(^*) Comparatives have been changed to reflect prior period adjustments. Refer Note G4-1

C1-7 Infrastructure, property, plant and equipment (continued)

Material accounting policy information

Initial recognition of infrastructure, property, plant and equipment (IPPE)

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

When infrastructure, property, plant and equipment is acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Useful lives of IPPE

Land, bulk earthworks and heritage assets are not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their carrying amount, net of their residual values, over their estimated remaining useful lives as follows:

	Years		Years
Office equipment	3 to 5	Roadside furniture	20
Furniture and fittings	2 to 25	Sealed roads: surface	17 to 74
Plant and equipment	3 to 50	Sealed roads: pavement	114 to 119
Library books	3 to 100	Sealed roads: kerb and gutter	79
Depreciable land improvements	20 to 35	Unsealed roads: surface	28
Buildings ¹	8 to 100	Bridge: substructure, superstructure	67 to 89
Other structures ²	5 to 200	Bridge: handrail, guardrail	45 to 89
Swimming pools	60 to 100	Footways	28 to 49
Other open space/recreational assets	15 to 70	Other infrastructure	15 to 100
Stormwater drainage	18 to 94	Newcastle Airport	3 to 150

¹ 100 year life is only applicable to the building shell of five buildings.

² 200 year life is only applicable to one leading light tower.

Revaluation Model

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that they are not materially different from current fair value.

Increases in the carrying amounts arising on revaluation are credited to the IPPE Revaluation Surplus. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against IPPE Revaluation Surplus to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

Crown reserves

Crown reserves under Council's care and control are recognised as assets of Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note C2-1.

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

C1-8 Investment properties

Owned investment property

	2025 \$ '000	2024 \$ '000
At fair value		
Opening balance at 1 July	17,060	16,060
Acquisitions	40,811	–
Net gain/(loss) from fair value adjustments	630	1,000
Closing balance at 30 June	58,501	17,060

Material accounting policy information

Investment property, principally comprising freehold buildings and land, is held for long-term rental yields and is not occupied by Council.

C1-9 Intangible assets

	2025 \$ '000	2024 \$ '000
Software		
Opening values at 1 July		
Gross book value	8,515	9,105
Accumulated amortisation	(8,018)	(8,036)
Net book value – opening balance	497	1,069
Movements for the year		
Purchases	6	31
Gross book value written off	(2,288)	(696)
Accumulated amortisation charges written off	2,288	568
Amortisation charges	(345)	(550)
Transfers	37	75
Closing values at 30 June		
Gross book value	6,270	8,515
Accumulated amortisation	(6,075)	(8,018)
Total software – net book value	195	497
Newcastle Airport		
Opening values at 1 July		
Gross book value	2,134	2,134
Accumulated amortisation	(665)	(547)
Net book value – opening balance	1,469	1,587
Movements for the year		
Purchases	795	–
Amortisation charges	(134)	(119)
Closing values at 30 June		
Gross book value	2,929	2,134
Accumulated amortisation	(799)	(665)
Total Newcastle Airport – net book value	2,130	1,469
Total intangible assets – net book value	2,325	1,966

Material accounting policy information

Amortisation of software is calculated on a straight line basis over periods generally ranging from two to ten years.

Amortisation of Newcastle Airport Intangible assets is calculated on a straight line basis over periods generally ranging from three to fifty-seven years.

C1-10 Other

Other assets

	2025 Current \$ '000	2025 Non-current \$ '000	2024 Current \$ '000	2024 Non-current \$ '000
Prepayments	15,279	463	8,623	231
Security Deposits	15	–	12	–
Total other assets	15,294	463	8,635	231

C1-11 Derivative financial instruments

Derivative financial instruments - assets *

	2025 Current \$ '000	2025 Non-current \$ '000	2024 Current \$ '000	2024 Non-current \$ '000
Interest rate swap contract - cash flow hedge	–	–	–	893
Total - assets	–	–	–	893

Derivative financial instruments - liabilities *

	2025 Current \$ '000	2025 Non-current \$ '000	2024 Current \$ '000	2024 Non-current \$ '000
Interest rate swap contract - cash flow hedge	51	661	–	–
Total - liabilities	51	661	–	–

Derivatives - instruments used

Newcastle Airport Partnership holds derivative financial instruments at fair value based on Level 2 observable inputs (refer to Note E2-1). As at 30 June 2025, inclusive of forward start date Interest Rate Swap agreements, 120% of the external drawn borrowings of Newcastle Airport Partnership were hedged through Interest Rate Swaps (30 June 2024: 112%), as follows:

\$ '000	2025	2024
Hedge relationship	Cash flow hedge	Cash flow hedge
Instrument type	AUD IRS	AUD IRS
Notional amount	97,500	55,000
Weighted average hedged rate	3.75%	3.80%
Hedge ratio	1:1	1:1
At reporting date		
Carrying amount of hedging instruments – Assets	0	893
Carrying amount of hedging instruments – Liabilities	(712)	–
Balances deferred in OCI (Hedge Reserves)	608	(874)
During the period		
Change in fair value of hedging instruments	(1,605)	(103)
Change in value of hedged item used to determine hedge effectiveness	1,495	116
Changes in the value of the hedging instrument recognised in OCI	1,482	122
Hedge ineffectiveness recognised in profit or loss	123	(19)

Hedge accounting

On initial designation of a derivative as a hedging instrument, Newcastle Airport Partnership documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy for undertaking the hedge transaction.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. Any gains or losses arising from changes in fair value of derivatives, except those that qualify as effective hedges, are immediately recognised in profit or loss. When Newcastle Airport Partnership designates certain derivatives to be part of a hedging relationship, and they meet the criteria for hedge accounting, all hedges are classified as cash flow hedges.

The hedge ratio is one, due to the notional value of the hedged item equating to the notional value of the hedging instrument.

Cash flow hedges

Newcastle Airport Partnership's interest rate swaps are accounted for as cash flow hedges. They are used to hedge exposure to variability in forecast cash flows where the transaction is committed or highly probable. Initial recognition of the derivative is at fair value. Subsequent to initial recognition, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the cash flow hedge reserve under equity. Any ineffective portion of the

C1-11 Derivative financial instruments (continued)

derivative is recognised immediately in profit or loss. The amount accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period that the hedged cash flow affects profit or loss.

If the derivative no longer meets the criteria for hedge accounting, for example if it expires, is sold, terminated, exercised or the designation is revoked, then hedge accounting is discontinued prospectively and the balance in equity is reclassified to profit or loss when the forecast transactions are not expected to occur anymore.

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as above.

(*) Comparatives have been reclassified. Refer Note A1-1

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over a range of assets including land and buildings and plant and machinery. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Land & Buildings

Council leases land and buildings for their corporate offices and other buildings; the leases are generally between 2 and 15 years and some of them include a renewal option to allow Council to renew for up to twice the non-cancellable lease term at Council's discretion.

The building leases contain an annual pricing mechanism based on either fixed or CPI movements at each anniversary of the lease inception.

Plant & Equipment

Council leases plant and equipment with lease terms of 5 years with some having options to renew; the lease payments are fixed during the lease term.

Newcastle Airport

Newcastle Airport is lessee under a Head Lease with the Commonwealth for the land on which it operates. The lease period ends on 31 December 2075, with 3 x 10 year option periods thereafter. The lease payments include a fixed lease component and an amount equal to 4% of adjusted revenue. The leased asset and liability recognised in the year ended 30 June 2025 reflect the minimum value of future lease payments for the fixed lease component through to 31 December 2105 in accordance with AASB 16.

Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

There are \$13.3M in potential future lease payments which are not included in the lease liability as Council has assessed that the exercise of the option is not reasonably certain at this point in time.

C2-1 Council as a lessee (continued)

(a) Right of use assets

	Plant and Machinery \$ '000	Land and Buildings \$ '000	Waste \$ '000	Newcastle Airport \$ '000	Total \$ '000
2025					
Opening balance at 1 July	1,908	29,191	–	366	31,465
Additions to right-of-use assets	1,005	–	–	–	1,005
Adjustments to right-of-use assets due to re-measurement of lease liability	–	807	–	14	821
Depreciation charge	(581)	(2,078)	–	(5)	(2,664)
Balance at 30 June	2,332	27,920	–	375	30,627

	Plant and Machinery \$ '000	Land and Buildings \$ '000	Waste \$ '000	Newcastle Airport \$ '000	Total \$ '000
2024					
Opening balance at 1 July	1,487	29,447	851	346	32,131
Additions to right-of-use assets	938	494	–	–	1,432
Adjustments to right-of-use assets due to re-measurement of lease liability	–	1,104	–	24	1,128
Depreciation charge	(517)	(1,854)	(851)	(4)	(3,226)
Balance at 30 June	1,908	29,191	–	366	31,465

	2025 Current \$ '000	2025 Non-current \$ '000	2024 Current \$ '000	2024 Non-current \$ '000
Total lease liabilities	2,581	31,439	2,456	32,185

(b) Lease Liabilities

The maturity analysis of lease liabilities is based on contractual undiscounted cash flows and therefore the amounts will not be the same as the recognised lease liability in the statement of financial position:

	< 1 year \$ '000	1 – 5 years \$ '000	> 5 years \$ '000	Total \$ '000	Total per Statement of Financial Position \$ '000
2025					
Cash flows	3,523	15,226	23,042	41,791	34,020
2024					
Cash flows	3,393	17,246	21,418	42,057	34,641

C2-1 Council as a lessee (continued)

(c) Income Statement

The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:

	2025 \$ '000	2024 \$ '000
Interest on lease liabilities	998	1,025
Variable lease payments based on usage not included in the measurement of lease liabilities	6,152	4,637
Income from sub-leasing right of use assets	(433)	(421)
Depreciation of right of use assets	2,664	3,226
Expenses relating to short-term leases	261	456
Expenses relating to leases of low-value assets	13	19
	9,655	8,942

(d) Statement of Cash Flows

Total cash outflow for leases	2,447	3,683
	2,447	3,683

(e) Leases at significantly below market value – concessionary / peppercorn leases

Council has multiple leases at significantly below market value for land and buildings which are used for:

- Community service centres
- Sports Clubs
- Emergency Services
- Community Halls

The leases are around 2 years and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

None of the leases in place are individually material from a Statement of Financial Position or performance perspective.

Material accounting policy information

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / Concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties and/or plant and equipment; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

- investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-8)
- property, plant and equipment – where the rental is incidental, or the asset is held to meet Council's service delivery objective (refer note C1-7).

	2025	2024
	\$ '000	Restated \$ '000

(i) Assets held as investment property

Investment property operating leases relate to properties which are leased to tenants under long-term operating leases with rental payable monthly.

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below

Lease income (excluding variable lease payments not dependent on an index or rate)	1,287	1,039
Total income relating to operating leases for investment property assets	1,287	1,039

Direct operating expenses that generated rental income	36	84
Direct operating expenses that did not generate rental income	402	186
Total expenses relating to operating leases	438	270

(ii) Assets held as property, plant and equipment

Council provides operating leases on Council assets for the purpose of commercial and community use, the table below relates to operating leases on assets disclosed in C1-7.

Lease income (excluding variable lease payments not dependent on an index or rate)	7,809	7,244
Total income relating to operating leases for Council assets	7,809	7,244

Amount of IPPE leased out by Council under operating leases

Buildings	64,761	60,507
Plant and Equipment	269	341
Newcastle Airport	2,635	1,526
Total amount of IPPE leased out by Council under operating leases	67,665	62,374

(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:

< 1 year	3,697	3,297
1–2 years	4,856	3,014
2–3 years	4,491	2,440
3–4 years	4,275	2,319
4–5 years	4,215	2,118
> 5 years	43,535	33,242
Total undiscounted lease payments to be received	65,069	46,430

C3 Liabilities of Council

C3-1 Payables

	2025 Current \$ '000	2025 Non-current \$ '000	2024 Current \$ '000	2024 Non-current \$ '000
Goods and services *	51,314	–	43,636	–
Accrued expenses:				
– Salaries and wages	5,387	–	4,682	–
– Other expenditure accruals	248	–	260	–
Security bonds, deposits and retentions	1,787	–	1,495	–
Government departments and agencies	256	–	371	–
Prepaid rates	3,905	–	3,343	–
Newcastle Airport accrued expenses *	6,663	1,283	7,870	1,571
Total payables	69,560	1,283	61,657	1,571

(*) Comparatives have been reclassified. Refer Note A1-1

	2025 \$ '000	2024 \$ '000
Current payables not anticipated to be settled within the next twelve months	–	–

Material accounting policy information

Payables represent liabilities for goods and services provided to Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 25 days of recognition.

C3-2 Contract Liabilities

		2025 Current \$ '000	2025 Non-current \$ '000	2024 Current \$ '000	2024 Non-current \$ '000
	Notes				
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	11,134	3,735	9,016	3,927
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	638	–	1,000	–
Total grants received in advance		11,772	3,735	10,016	3,927
Other income received in advance:					
Funds received prior to performance obligations (AASB 15)	(ii)	3,839	–	2,660	–
Deposits received in advance of services provided	(iii)	7,567	257	7,080	335
Total other income received in advance		11,406	257	9,740	335
Total contract liabilities		23,178	3,992	19,756	4,262

Notes

(i) Council has received funding to construct assets including community and sporting facilities, roads and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The current liability is expected to be recognised as revenue in the next 12 months.

(ii) The contract liability relates to funds and grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

(iii) Deposits received in advance are recorded as a contract liability upon receipt and recognised as revenue when the service has been provided.

Revenue recognised (during the financial year) from opening contract liability balances

	2025 \$ '000	2024 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	3,432	1,630
Operating grants (received prior to performance obligation being satisfied)	444	–
Other income received in advance:		
Funds received prior to performance obligations (AASB 15)	2,146	2,855
Deposits received in advance of services provided	6,870	4,513
Total revenue recognised that was included in the contract liability balance at the beginning of the period	12,892	8,998

Significant changes in contract liabilities

Total contract liabilities at the end of the reporting period have increased as a result of grant funding being received in advance for projects to construct Council controlled assets; and deposits received in advance for future live performance events.

C3-3 Borrowings

	2025 Current \$ '000	2025 Non-current \$ '000	2024 Current \$ '000	2024 Non-current \$ '000
Loans – secured	3,531	29,276	3,452	32,810
Loans – Newcastle Airport	–	80,750	–	49,000
Total borrowings	3,531	110,026	3,452	81,810

(a) Changes in liabilities arising from financing activities

	2024	Non-cash movements			2025
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	36,262	(3,455)	–	–	32,807
Loans - Newcastle Airport	49,000	31,750	–	–	80,750
Lease liability (Note C2-1)	34,641	(2,447)	1,005	821	34,020
Total liabilities from financing activities	119,903	25,848	1,005	821	147,577

	2023	Non-cash movements			2024
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	26,460	9,802	–	–	36,262
Loans - Newcastle Airport	34,500	14,500	–	–	49,000
Lease liability (Note C2-1)	35,139	(3,058)	1,432	1,128	34,641
Total liabilities from financing activities	96,099	21,244	1,432	1,128	119,903

(b) Financing arrangements

	2025 \$ '000	2024 \$ '000
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Total facilities:

Total financing facilities available to Council at the reporting date are:

– Intraday facility	3,000	3,000
– Credit cards/purchase cards	350	350
– Loans - secured	32,807	36,262
– Loans - Newcastle Airport	117,500	117,500
Total financing facilities	153,657	157,112

Drawn facilities:

Financing facilities drawn down at the reporting date are:

– Credit cards/purchase cards	82	52
– Loans - secured	32,807	36,262
– Loans - Newcastle Airport	80,750	49,000
Total drawn financing facilities	113,639	85,314

C3-3 Borrowings (continued)

	2025 \$ '000	2024 \$ '000
Undrawn facilities:		
Undrawn financing facilities available to Council at the reporting date are:		
– Intraday facility	3,000	3,000
– Credit cards/purchase cards	268	298
– Loans - Newcastle Airport	36,750	68,500
Total undrawn financing facilities	40,018	71,798

Financial Covenants

Council, under the terms of two separate term loan facilities with combined carrying values of \$13.4M (2024: \$15.2M), is required to comply with certain financial covenants.

Newcastle Airport is required to comply with covenants under its bank loan facility that include a Gearing Ratio and Interest Cover Ratio. Non-compliance may lead to a review event or in some instances a default.

Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of Council or Newcastle Airport's loans. Consistent with previous years, management have performed sensitivity analysis of Council and the Airport's business plans and expects that they will be able to meet all contractual obligations from borrowings over the next 12 months.

Security over loans

Council loans are secured by the general rating income of Council.

Newcastle Airport loans are secured by the assets of Newcastle Airport and Council is not a guarantor in respect of the Newcastle Airport loans.

C3-4 Employee benefit provisions

	2025 Current \$ '000	2025 Non-current \$ '000	2024 Current \$ '000	2024 Non-current \$ '000
Annual leave	12,086	–	12,135	–
Sick leave	3,959	–	4,549	–
Long service leave	21,261	1,569	19,914	1,509
Termination benefits	165	–	387	–
Other	50	–	48	–
Total employee benefit provisions	37,521	1,569	37,033	1,509

	2025 \$ '000	2024 \$ '000
Current employee benefit provisions not expected to be settled within the next 12 months	22,942	22,865

Material accounting policy information

The liability for long-service leave, accumulating sick leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on Commonwealth government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

C3-5 Provisions

	2025 Current \$ '000	2025 Non-Current \$ '000	2024 Current \$ '000	2024 Non-Current \$ '000
Asset remediation	2,342	85,806	14,523	34,067
Self insurance – workers compensation	2,274	8,453	2,031	8,900
Other	–	24	–	24
Total provisions	4,616	94,283	16,554	42,991

Movements in provisions

	Self insurance \$ '000	Asset remediation \$ '000	Other \$ '000	Total \$ '000
2025				
At beginning of year	10,931	48,590	24	59,545
Changes to provision:				
– Revised discount rate	165	72	–	237
– Revised costs	2,385	50,852	–	53,237
Unwinding of discount	–	1,559	–	1,559
Amounts used (payments)	(2,754)	(12,925)	–	(15,679)
Total provisions at end of year	10,727	88,148	24	98,899
2024				
At beginning of year	10,001	67,041	20	77,062
Changes to provision:				
– New provision	–	–	4	4
– Revised discount rate	(12)	(568)	–	(580)
– Revised costs	3,432	932	–	4,364
Unwinding of discount	–	437	–	437
Amounts used (payments)	(2,490)	(19,252)	–	(21,742)
Total provisions at end of year	10,931	48,590	24	59,545

Nature and purpose of provisions

Asset remediation

The asset remediation provision represents the present value of the estimated future costs Council expects to incur in restoring, rehabilitating and providing aftercare for Summerhill Waste Management Centre (\$80.0 million) and the former landfill site, Astra Street (\$8.1 million).

Self insurance

Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council being a self insurer up to certain levels of excess. Council has disclosed a net liability of \$10.7 million (Gross liability of \$12.4 million combined with estimated future reinsurance recoveries of \$1.7 million).

Other

Other provisions represent the present value of make good condition clauses for end of term, within leases where Council is the lessee.

Material accounting policy information

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a borrowing cost.

C3-5 Provisions (continued)

Provisions for close-down and restoration, and environmental clean-up costs

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

The ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change. As a result, there could be significant adjustments to the provision for close-down and restoration and environmental clean-up, which would affect future financial results.

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within infrastructure, property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Self insurance

Council has decided to self insure for workers compensation. A provision for self insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note C1-3.

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE revaluation reserve

The infrastructure, property, plant and equipment (IPPE) revaluation reserve is used to record increments and decrements in the revaluation of infrastructure, property, plant and equipment.

Hedging reserve

The hedging reserve is used to record movements in fair value for the derivative instruments held by Newcastle Airport. The interest rate swaps held by Newcastle Airport are designated in a cash flow hedge relationship, with gains and losses recognised in other comprehensive income. Any movements as a result of hedge ineffectiveness are recognised directly within the Income Statement.

D Council structure

D1 Interests in other entities

		Council's share of net assets	
		2025	2024
	Notes	\$ '000	\$ '000
Council's share of net assets			
Net share of interests in joint ventures and associates using the equity method – assets			
Associate - Arrow Collaborative Services Limited	D1-2	391	327
Associate - Newcastle Art Gallery Foundation	D1-2	–	–
Total Council's share of net assets		391	327

D1-1 Interests in joint arrangements

Joint operations

		Principal place of business	Percentage owned (%)	
Principal activity			2025	2024
(a) Council is involved in the following joint operations (JO's)				
Name of joint operation:				
Newcastle Airport Partnership	Civil aviation facilities	Williamtown	50%	50%
Greater Newcastle Aerotropolis Partnership	Civil aviation facilities	Williamtown	50%	50%

The percentage ownership interest held is equivalent to the percentage voting rights for all joint arrangements. All joint arrangements have the same year end as Council.

Council has entered into two joint arrangements; Newcastle Airport Partnership, and Greater Newcastle Aerotropolis Partnership. Both entities have a principal place of business of Williamtown, NSW. Under these arrangements, the partners hold rights to their share of assets and liabilities of the entities, and their unanimous consent is required for decisions regarding the relevant activities of the entities. Council has therefore classified these arrangements as joint operations and has included its interests in the assets, liabilities, revenue and expenses of the partnerships in the appropriate line items of the Statement of Financial Position and Income Statement respectively.

There is a Syndicated Facility Agreement in place which restricts the payment of distributions to partners, including a clause preventing payment of distributions until the terminal expansion has reached practical completion and a completion certificate has been issued under the construction contract.

Material accounting policy information

Council has determined that it has joint operations.

Joint operations

In relation to its joint operations, where Council has the rights to the individual assets and obligations arising from the arrangement, Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly

These figures are incorporated into the relevant line item in the primary statements.

D1-2 Interests in associates

Associates

	Nature of relationship	Principal place of business	Percentage owned (%)	
			2025	2024
Arrow Collaborative Services Limited	Associate	Thornton, NSW	19%	19%
Newcastle Art Gallery Foundation	Associate	Newcastle, NSW	10%	10%

The percentage ownership interest held is not equivalent to the percentage voting rights for each associate.

Arrow Collaborative Services Limited

Voting rights held in Arrow Collaborative Services Limited are between 10% and up to 17% with 6 members required to be present for a quorum. Council has determined it has significant influence through its board representation and the ability to participate in policy-making decisions.

Newcastle Art Gallery Foundation

Voting rights held in Newcastle Art Gallery Foundation fluctuate between 0.38% and up to 12.50% based on members present, with 8 members required for a quorum. Council has determined it has significant influence through its board representation and the ability to participate in policy-making decisions. Newcastle Art Gallery Foundation is a company limited by guarantee, whose constitution and Trust Deed prohibits the distribution of funds to its members. Accordingly, the carrying amount for equity accounting is nil and no financial information has been disclosed.

Details

	Principal activity	Measurement method
Arrow Collaborative Services Limited	Provider of services to local government throughout the Hunter Region	Equity

Arrow Collaborative Services Limited

Council has an interest in Arrow Collaborative Services Limited, along with other participating councils of Hunter Joint Organisation (Hunter JO). The activities of this organisation are not controlled by any one Council.

Arrow Collaborative Services Limited (and its wholly owned subsidiary Hunter Councils Legal Services Limited) are companies limited by guarantee under the *Corporations Act 2001* and established to improve the quality of efficiency of services throughout the Hunter Region. Arrow Collaborative Services Limited specialises in providing legal and procurement support tailored to local government, with expertise in tendering, contract administration and probity services. Arrow also provides direct support to the operations of the Hunter Joint Organisation.

City of Newcastle has representation on the Arrow Collaborative Services Limited Board, and shares ownership and governance of the entity with the other member councils of the Hunter Region.

Council's interest in associates are not considered individually material. The table below summarises, in aggregate, the financial information of all individually immaterial associates.

Summarised financial information for individually immaterial associates

	2025 \$ '000	2024 \$ '000
Individually immaterial associates		
Aggregate carrying amount of individually immaterial associates ¹	2,003	1,677
Aggregate amounts of Council's share of those associates:		
Profit/(loss) from continuing operations	64	(160)
Total comprehensive income – individually immaterial associates	64	(160)

(1) Council's share of the carrying amount of interests in associates is \$391K.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk.

Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Council.

Financial risk management is carried out by Council's Finance, Property & Performance service unit under policies approved by Council.

The fair value of cash and cash equivalents, receivables, payables, borrowings and investments at fair value through profit and loss approximates the carrying amount.

For those financial assets where the total values don't approximate the carrying value, a comparison of the carrying amounts and fair values is presented below.

	Carrying value 2025 \$ '000	Carrying value 2024 \$ '000	Fair value 2025 \$ '000	Fair value 2024 \$ '000
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Financial assets

Measured at amortised cost

Investments

– Debt securities at amortised cost	219,629	279,779	220,618	279,413
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Council's objective is to maximise its return on cash and investments while maintaining an adequate level of liquidity and preserving capital. Council's Finance, Property & Performance service unit manages the cash and investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with section 625 of the *Local Government Act 1993* and the Ministerial Investment Order. This policy is regularly reviewed by Council staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by local government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of investments may fluctuate due to changes in market prices, whether their changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Market risk - Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of capital or income in nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments in accordance with the established risk management framework within the Council's Investment and Borrowing Policy.

Council also seeks advice from independent advisors, where deemed appropriate, before placing any funds in cash equivalents and investments.

E1-1 Risks relating to financial instruments held (continued)

(a) Market risk – interest rate and price risk

	2025 \$ '000	2024 \$ '000
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The impact on the result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

Impact of a 1% movement in interest rates

– Equity / Income Statement	2,563	2,996
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Impact of a 10% movement in price of investments

– Equity / Income Statement	6,035	5,367
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Newcastle Airport

Newcastle Airport Partnership's interest rate risk arises primarily from interest bearing liabilities with variable interest rates where interest rate movements can impact Newcastle Airport Partnership's cash flows.

Newcastle Airport Partnership uses derivative financial instruments to mitigate its exposures to interest rate risks.

Newcastle Airport Partnership's policy is to maintain hedging arrangements in accordance with the bands below:

Year 1-3 50%-100%

Year 4-7 25%-75%

By entering into Interest rate swap (IRS) contracts, Newcastle Airport Partnership agrees to exchange the net difference between fixed and floating interest rate amounts (based on Australian BBSY) calculated by reference to agreed notional principal amounts.

All floating for fixed IRS are designated as cash flow hedges. The IRS and the interest payments on the related loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

The fair value of IRS contracts at reporting date are determined by discounting the related future cash flows using the cash and swap curves at the reporting date and credit risk inherent in the contract.

(b) Credit risk

Council's major receivables comprise rates, annual charges, user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk other than Council has significant credit risk exposures in its local area given the nature of Council activities.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

E1-1 Risks relating to financial instruments held (continued)

Credit risk profile

Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

	Not yet overdue \$ '000	overdue rates and annual charges		Total \$ '000
		< 5 years \$ '000	≥ 5 years \$ '000	
2025				
Gross carrying amount	132	8,482	700	9,314
2024				
Gross carrying amount	165	7,235	649	8,049

Receivables - non-rates and annual charges and contract assets

Council applies the simplified approach for non-rates and annual charges debtors and contract assets to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision at inception. The expected credit losses incorporate forward-looking information. To measure the expected credit losses, non-rates and annual charges debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2025 is determined as follows:

	Not yet overdue \$ '000	0 - 30 days \$ '000	Overdue debts		> 90 days overdue \$ '000	Total \$ '000
			31 - 60 days \$ '000	61 - 90 days \$ '000		
2025						
Gross carrying amount	14,483	10,987	1,334	1,043	4,415	32,262
Expected loss rate (%)	0.00%	0.08%	3.95%	5.13%	9.20%	1.62%
ECL provision	–	9	53	54	406	522
2024						
Gross carrying amount	16,464	10,366	1,724	828	3,632	33,014
Expected loss rate (%)	0.00%	1.18%	2.82%	5.70%	6.97%	1.43%
ECL provision	–	122	49	47	253	471

(c) Liquidity risk

Payables, lease liabilities and borrowings are subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels, and maintaining an adequate cash buffer. Payment terms can be extended, financial instruments sold, and overdraft facilities drawn upon, in extenuating circumstances.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The Finance Property & Performance service unit regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cash flows.

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities (refer to Note C2-1 (b) for lease liabilities) and, therefore, the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting. For interest rate swap contracts the cash flows will be estimated based on net settlement cash flows using the forward interest rates applicable at the end of the reporting period.

E1-1 Risks relating to financial instruments held (continued)

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2025							
Payables	0.00%	1,787	67,773	1,283	–	70,843	70,843
Borrowings	5.43%	–	9,778	109,402	18,897	138,077	113,557
Derivatives - Interest rate swap contracts	3.75%	–	210	552	–	762	712
Total financial liabilities / (financial assets)		1,787	77,761	111,237	18,897	209,682	185,112
2024							
Payables	0.00%	1,495	60,162	1,571	–	63,228	63,228
Borrowings	5.95%	–	8,942	80,046	23,378	112,366	85,262
Derivatives - Interest rate swap contracts	3.80%	–	(384)	(593)	–	(977)	(893)
Total financial liabilities / (financial assets)		1,495	68,720	81,024	23,378	174,617	147,597

E2-1 Fair value measurement

Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets

(a) Fair value hierarchy

All assets and liabilities measured at fair value are assigned to a level in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

The table below shows the assigned level for each asset and liability held at fair value by Council:

		Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2025	2024	2025	2024	2025	2024
Notes		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Recurring fair value measurements							
Financial investments and derivatives							
At fair value through profit or loss	C1-2	60,355	53,671	–	–	60,355	53,671
Derivatives - Newcastle Airport	C1-11	(712)	893	–	–	(712)	893
Total financial investments and derivatives		59,643	54,564	–	–	59,643	54,564
Investment property							
Commercial office and retail	C1-8	58,501	17,060	–	–	58,501	17,060
Total investment property		58,501	17,060	–	–	58,501	17,060
Infrastructure, property, plant and equipment							
	C1-7						
Plant and equipment		–	–	21,342	17,351	21,342	17,351
Office equipment		–	–	1,621	2,256	1,621	2,256
Furniture and fittings		–	–	14,828	15,358	14,828	15,358
Operational land		–	–	167,952	161,765	167,952	161,765
Community land		–	–	94,743	91,507	94,743	91,507
Crown land		–	–	44,987	43,550	44,987	43,550
Land under roads		–	–	16,693	14,279	16,693	14,279
Depreciable land improvements		–	–	5,668	4,262	5,668	4,262
Buildings – specialised		–	–	230,245	237,070	230,245	237,070
Other structures		–	–	85,903	85,022	85,903	85,022
Roads		–	–	1,228,732	398,989	1,228,732	398,989
Bridges		–	–	43,980	32,137	43,980	32,137
Footpaths		–	–	209,335	113,506	209,335	113,506
Bulk earthworks (non depreciable)		–	–	311,839	360,749	311,839	360,749
Stormwater drainage		–	–	311,665	166,940	311,665	166,940
Swimming pools		–	–	21,333	20,935	21,333	20,935
Other open space/rec assets		–	–	30,287	24,476	30,287	24,476
Other infrastructure		–	–	90,943	74,181	90,943	74,181

E2-1 Fair value measurement (continued)

	Fair value measurement hierarchy					
	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
	2025	2024	2025	2024	2025	2024
Notes	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Heritage collections	–	–	82,337	84,749	82,337	84,749
Library books	–	–	8,365	8,516	8,365	8,516
Waste management asset	–	–	6,536	7,843	6,536	7,843
Newcastle Airport	–	–	233,735	189,635	233,735	189,635
Total infrastructure, property, plant and equipment	–	–	3,263,069	2,155,076	3,263,069	2,155,076

Non-recurring fair value measurements

(b) Transfers between levels in the fair value hierarchy

Council's policy for determining transfers between fair value hierarchies is to make an assessment at the end of the reporting period.

No transfers occurred between levels in the fair value hierarchies during the year.

(c) Valuation techniques

Where Council is unable to derive valuations using quoted market prices of identical assets; i.e Level 1 inputs, Council instead utilises a spread of both observable inputs (Level 2) and unobservable inputs (Level 3).

The fair valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Financial investments and derivatives

Financial investments

This asset class is comprised of funds invested into TCorp's Individually Managed Long Term Growth Fund.

The valuation applied to the TCorp fund is based on readily available and observable summary statements prepared and provided by the fund arranger, however, no active market exists for the fund as it is only accessible to government agencies. Council's TCorp fund holding consists of an identifiable number of units held in the fund unit trust.

Derivative financial instruments

This asset class is comprised of funds invested into Interest Rate Swaps (IRS) held by Newcastle Airport (NAP) of which Council holds 50% ownership.

Valuation of IRS were provided by KPMG and derived using third party licensed derivative pricing tool, based on contractual terms stipulated in swap confirmations, observable market data and generally accepted valuation techniques applicable to IRS. Fair valuation methodology was applied in calculating the risk-free fair values of derivatives (using relevant market rates) using external pricing tools and comparison of the risk free fair values to those of counterparty banks.

The value of financial instruments and derivatives are determined based on observable market inputs, categorised as Level 2.

Investment property

Council obtains independent valuations for its investment property portfolio on an annual basis and, at the end of each reporting period, the financial statements reflect the most up-to-date valuation. A comprehensive valuation is performed every three years and a desktop valuation every other year.

The fair value of Council's investment properties is determined by independent, qualified valuers who have experience in the location of the properties. Council reviews the valuation reports and discusses significant movements with the valuers. As at 30 June 2025, the Desktop valuations of investment properties were performed by Preston Rowe Paterson, David A Rich, Director, AAPI CPV, API Member No 69265.

Infrastructure, property, plant and equipment (IPPE)

Plant & equipment, Office equipment and Furniture & fittings

E2-1 Fair value measurement (continued)

Plant & equipment, Office equipment, Furniture & fittings and Other assets are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and equipment - motor vehicles, trucks, tractors, ride-on mowers, street sweepers, compactors and earthmoving equipment
- Office equipment - computer equipment, projectors, POS systems, appliances and photocopiers

The key unobservable inputs to the valuation are internal factors surrounding the remaining useful life, pattern of consumption, asset condition and residual value. Where items are of a material value, Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking into account the unobservable inputs mentioned.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There has been no change to the valuation process during the reporting period.

Operational land

This asset class comprises all of Council's land classified as Operational land under the *NSW Local Government Act 1993*. The key unobservable input to the valuation is market value.

Council's Operational land is valued using market valuations with a comprehensive valuation completed and revalued every five years. At each reporting period the carrying amount of assets is assessed against fair value for any material differences. The most recent comprehensive valuation was performed by AssetVal Pty Ltd, Suzanna Ham, Certified Practising Valuer AAPI, API Member No 70497, at 30 June 2023.

Council's Operational land is reviewed for impairment and any material changes in value after identifying all elements that would be taken into account by buyers and sellers in setting the price, including but not limited to zoning, topography, location, size, shape, access, exposure to traffic and businesses. The condition of the asset and its future cash flows are also considered when determining the fair value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There has been no change to the valuation process during the reporting period.

Community and Crown land

Council's Community and Crown land (including owned by Council, the Crown and various other Government Agencies that are managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 7.11 of the *Environment Planning and Assessment Act 1979*). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community and Crown land:

- Cannot be sold;
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and;
- Must have a plan of management for it.

Valuations of all Council's Community land and Council managed land were based on the Unimproved Capital Values (UCV) provided by the Valuer-General which are not considered to be observable market evidence, therefore have been classified as Level 3.

Comprehensive revaluations of community and crown land are performed at least every 5 years, however at each reporting period the carrying amount of assets is assessed against fair value for any material differences. The most recent comprehensive revaluation was performed as at 30 June 2024. As at 30 June 2025, Council performed desktop valuations of Community and Crown land and community land.

Land under roads

Land under roads (LUR) is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise LUR acquired before 1 July 2008, in accordance with AASB 1051 Land Under Roads.

E2-1 Fair value measurement (continued)

LUR acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment. Council recognised this asset for the first time in financial year 2008/09. LUR was valued in accordance with the Australian Accounting Standard AASB 116 Property, Plant and Equipment, and the Code of Accounting Practice and Financial Reporting.

A comprehensive revaluation of LUR values was performed at 30 June 2024 using a valuation of Council's total LUR at the average unit rate of land and applying discounting factors which reflect the restrictions placed on such assets. As at 30 June 2025, Land under roads was assessed and it was determined that no revaluation was required.

This asset class is classified as Level 3 in the fair value hierarchy as significant inputs used in this methodology are unobservable.

There has been no change to the valuation process during the reporting period.

Depreciable land improvements

The Land Improvements asset class consists of sports field drainage, irrigation and spear points. These assets may be located in parks, reserves and sporting fields.

Land Improvements were valued in-house using the cost approach by experienced Council engineers and asset management staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value.

Comprehensive revaluations of Depreciable - land improvements occur at least every 5 years, the most recent performed internally at 30 June 2021. As at 30 June 2025, Depreciable land improvements were assessed and it was determined that no revaluation was required.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There has been no change to the valuation process during the reporting period.

Buildings – Non-specialised and Specialised

Non-specialised buildings include commercial and general purpose buildings for which there is a secondary market. Specialised buildings are buildings designed for a specific limited purpose. Such buildings would include specialised buildings to house specialised infrastructure or plant and some heritage properties.

Council's buildings are revalued every five years with the most recent comprehensive valuation undertaken as at 30 June 2023. Valuations were performed by external valuers AssetVal Pty Ltd, Suzanna Ham, Certified Practising Valuer AAPI, API Member No 70497. At each reporting period the carrying amount of assets is assessed against fair value for any material differences. As at 30 June 2025, council performed a desktop valuation of Specialised Buildings and after assessment of Non Specialised Buildings, it was determined that no revaluation was required.

Non-Specialised Buildings

The market sale approach to the valuation of assets comprises reference to market evidence of the sale of the identical and or similar assets. The valuation aspects are generally, but not limited to, the location, size, condition, style and utility of the asset. Since most of these inputs require judgement and are unobservable, the asset class has been classified as Level 3.

There has been no change to the valuation process during the reporting period.

Specialised Buildings

To determine the current cost of a specialised asset, CN applies the following approach. It references the cost of replacing the asset's service potential with a Modern Equivalent Asset - one that provides similar function and equivalent utility.

This approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful lives and taking into account a range of factors such as the remaining useful life of the asset, condition, pattern of consumption and residual value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There has been no change to the valuation process during the reporting period.

Other Structures

To determine the current cost of a specialised asset, CN applies the following approach. It references the cost of replacing the asset's service potential with a Modern Equivalent Asset - one that provides similar function and equivalent utility. This asset class comprises Council's outdoor shelters, monuments, floodlighting systems, Summerhill waste disposal cells, fencing and other smaller structures.

E2-1 Fair value measurement (continued)

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and by componentising its significant parts where applicable. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value.

Comprehensive revaluations of other structures are performed at least every 5 years, however, at each reporting period the carrying amount of assets is assessed against fair value for any material differences. The most recent comprehensive revaluation was performed at 30 June 2021 by engaging both internal experts and external valuers (AssetVal and Aurecon). As at 30 June 2025, council performed a desktop valuation of Other structures.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There has been no change to the valuation process during the reporting period.

Roads

To determine the current cost of a specialised asset, CN applies the following approach. It references the cost of replacing the asset's service potential with a Modern Equivalent Asset - one that provides similar function and equivalent utility.

This asset class comprises the following road components – surface, pavement, kerb & gutter and roadside furniture.

As at 30 June 2025, Council performed a comprehensive revaluation on roads utilising the cost approach, by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council's asset system. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, asset condition and useful life required significant professional judgement which impacted significantly on the final determination of fair value.

Comprehensive revaluations of road assets are performed at least every 5 years, however, at each reporting period the carrying amount of assets is assessed against fair value for any material differences.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Bridges

To determine the current cost of a specialised asset, CN applies the following approach. It references the cost of replacing the asset's service potential with a Modern Equivalent Asset - one that provides similar function and equivalent utility.

Bridges were valued in house by experienced Council engineering staff, with condition data collected in house and replacement cost provided by independent external consultant Tasman Consulting. This asset class is componentised into significant parts, comprising of the Bridge Substructure, Superstructure and Handrail/Guardrail, each with differing useful lives.

To calculate condition-based depreciation and fair value, other input estimates like the useful life, condition ratings, residual value and pattern of consumption have been used. These inputs require significant professional judgement, therefore this asset class has been categorised as Level 3.

Comprehensive revaluations of bridges are performed at least every 5 years, however, at each reporting period the carrying amount of assets is assessed against fair value for any material differences. As at 30 June 2025, council performed a comprehensive valuation of Bridges using the methodology outlined above.

Footpaths

To determine the current cost of a specialised asset, CN applies the following approach. It references the cost of replacing the asset's service potential with a Modern Equivalent Asset - one that provides similar function and equivalent utility.

Replacement costs (unit rates) and useful lives of Council's footpaths were determined using technical knowledge. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, asset condition and useful life requiring significant professional judgement impacted significantly on the final determination of fair value.

Comprehensive revaluations of footpath assets are performed at least every 5 years, however, at each reporting period the carrying amount of assets is assessed against fair value for any material differences. As at 30 June 2025, council performed a comprehensive valuation of Footpaths.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Bulk earthworks (non-depreciable)

E2-1 Fair value measurement (continued)

To determine the current cost of a specialised asset, CN applies the following approach. It references the cost of replacing the asset's service potential with a Modern Equivalent Asset - one that provides similar function and equivalent utility.

The cost approach estimated the replacement cost for each asset taking into account a range of factors. Input estimates such as the replacement costs (based on unit rates) required significant professional judgement which impacted significantly on the final determination of fair value.

Comprehensive revaluations of bulk earthworks assets are performed at least every 5 years, however, at each reporting period the carrying amount of assets is assessed against fair value for any material differences. As at 30 June 2025, Council performed a comprehensive valuation of Bulk earthworks.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Stormwater drainage

To determine the current cost of a specialised asset, CN applies the following approach. It references the cost of replacing the asset's service potential with a Modern Equivalent Asset - one that provides similar function and equivalent utility.

Council's drainage assets comprise pits, pipes, culverts, stormwater quality improvement devices, headwalls, open channels - civil, constructed water courses and tidal gates used to collect, store and remove stormwater.

The cost approach estimated the replacement cost for each asset with differing useful lives and taking into account a range of factors. Inputs such as estimates of the pattern of consumption, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long-lived underground assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

Comprehensive revaluations of stormwater drainage assets are performed at least every 5 years, however, at each reporting period the carrying amount of assets is assessed against fair value for any material differences. As at 30 June 2025, council performed a comprehensive valuation of Stormwater drainage.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Swimming pools

To determine the current cost of a specialised asset, CN applies the following approach. It references the cost of replacing the asset's service potential with a Modern Equivalent Asset - one that provides similar function and equivalent utility.

This asset class comprises Council's outdoor swimming pools and ocean bath shells.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and by componentising its significant parts where applicable. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value.

Comprehensive revaluations of swimming pool assets are performed at least every 5 years, however, at each reporting period the carrying amount of assets is assessed against fair value for any material differences. The most recent full revaluation was performed as at 30 June 2021 by engaging internal expertise and external valuers (AssetVal). As at 30 June 2025, council performed a desktop valuation of Swimming pools.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There has been no change to the valuation process during the reporting period.

Other open space/recreational assets

To determine the current cost of a specialised asset, CN applies the following approach. It references the cost of replacing the asset's service potential with a Modern Equivalent Asset - one that provides similar function and equivalent utility.

This asset class comprises Council's outdoor skate facilities, sporting facilities, playgrounds and other smaller recreational assets.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and by componentising its significant parts where applicable. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value.

E2-1 Fair value measurement (continued)

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Comprehensive revaluations of Other Open space/recreational assets are performed at least every 5 years, however, at each reporting period the carrying amount of assets is assessed against fair value for any material differences. The most recent full revaluation was performed at 30 June 2021 by engaging both internal experts and external valuers (Kico and AssetVal). As at 30 June 2025, council performed a desktop valuation of Other open space/recreational assets.

There has been no change to the valuation process during the reporting period.

Other infrastructure

The Other infrastructure asset class consists of ground level car parks, retaining walls, river and sea walls, boat ramps and other infrastructure assets. These assets may be located on parks, reserves and sporting fields.

Other infrastructure assets were valued in-house using the cost approach by experienced Council engineers and asset management staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value.

Comprehensive revaluations of other infrastructure assets are performed at least every 5 years, however, at each reporting period the carrying amount of assets is assessed against fair value for any material differences. The most recent full revaluation was performed internally at 30 June 2021. As at 30 June 2025, council performed a desktop valuation of Other infrastructure.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There has been no change to the valuation process during the reporting period.

Heritage Collections

Assets within this class comprise the Newcastle Art Gallery and Museum collections. Market value is used to determine the fair value of the Art Gallery and Museum collections at least every 5 years.

Due to the unique nature of the heritage collections, Council engaged three independent valuers for the Art Gallery collection and another for the Museum collections. These independent qualified valuers provided market valuations for the collections representing fair value at the end of a reporting period.

As at 30 June 2025 council performed a comprehensive revaluation of the Heritage collections. The valuation of the Art Gallery collection performed by Annette Larkin Fine Art, Miriam Grundy and L Guan Asian Art, while the valuation of the Museum collection was performed by Australian Valuations.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Library books

This asset category comprises of assets such as media, fiction, non fiction, rare (heritage) books, research books and local studies. Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

The most recent comprehensive revaluation was performed at 30 June 2021. The rare (heritage) books collection was valued by external valuer Simon Taaffe using the market approach. The remainder of library books were valued internally. Where items were of a material value, Council reviewed the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. As at 30 June 2025, Library books were assessed and it was determined that no revaluation was required.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There has been no change to the valuation process during the reporting period.

Waste management asset

The Summerhill Waste Management Centre encompasses a landfill operation as well as a wide range of waste disposal services, resource recovery services, recycled and reclaimed products, and waste management educational activities. It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill site.

Closure of the landfill will involve a wide range of activities including preparation of a Landfill Closure and Management Plan, final capping of the landfill waste and site re-vegetation, revision of the surface water management system and leachate

E2-1 Fair value measurement (continued)

management infrastructure to suit post-closure operation, decommissioning and removing infrastructure and equipment that will not be required post-closure, and fencing sensitive infrastructure.

Council reviews and updates the cost model annually, which ensures the waste management asset reflects fair value at the end of each reporting period. For the reporting period ended 30 June 2025, Council engaged external consultants to review the remediation provision and the estimated future costs associated with closure and post-closure management of the site. This work was performed by Data-Mash-Up, Gary Kelly, FCA, CFA and Resource Innovations, Andrea Taft, BEng, FIEAust, CPEng, RPEQ, NER, MCIWM. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There has been no change to the valuation process during the reporting period.

Newcastle Airport

The Newcastle Airport asset category comprises of property, plant, equipment and infrastructure assets.

Comprehensive valuations of land and infrastructure assets were last performed for 30 June 2024 reporting period, where airport assets were revalued to fair value. As at 30 June 2025 a desktop revaluation was performed for the Newcastle airport asset.

The key unobservable inputs to the valuation are market value of land along with internal factors surrounding the remaining useful life, pattern of consumption, asset condition and residual value of infrastructure assets.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There has been no change to the valuation process during the reporting period.

E2-1 Fair value measurement (continued)

(d) Reconciliation of movements

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy by class of assets is provided below:

	Total	
	2025	2024
	\$ '000	\$ '000
Opening balance	2,155,076	2,051,724
Total gains or losses for the period		
Other movements		
Transfers from/(to) WIP and other asset classes	32,204	28,013
Purchases (GBV)	147,835	69,610
Disposals (WDV)	(5,939)	(13,078)
Depreciation and impairment	(69,091)	(64,719)
Revaluation increment/(decrement)	1,002,984	83,526
Closing balance	3,263,069	2,155,076

E2-1 Fair value measurement (continued)

e) Fair value measurements using significant unobservable inputs (Level 3)

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 asset class fair values.

Infrastructure, property, plant and equipment

Class	Valuation technique(s)	Unobservable inputs including ranges used
Plant & equipment, Office equipment, furniture & fittings	Cost approach	• Current replacement cost of modern equivalent asset - Varies from asset to asset • Remaining useful life - 0 to 50 years
Operational land	Market approach	• Total value of land - Unit rates (\$ per sq metre) variable dependent on site
Community land & Crown land	Market approach	• Average unit rate based on VG valuations
Land under roads	Market approach, discounted average land value	• Average unit rate (\$ per square metre) based on valuation of total land within area of control • Discounting factors - 65% adjustment factor for Englobo value and 25% for access rights (cumulative discount of 90%)
Depreciable land improvements	Cost approach	• Current replacement cost of modern equivalent asset - Varies significantly from asset to asset • Remaining useful life - 0 to 50 years. • Asset condition - Very poor to excellent
Buildings – Nonspecialised	Market approach	• Market value - Varies significantly from asset to asset • Asset condition - Very poor to excellent
Buildings – Specialised	Cost approach	• Current replacement cost of modern equivalent asset - Varies significantly from asset to asset • Remaining useful life - 0 to 100 years • Asset condition - Very poor to excellent
Other structures	Cost approach	• Current replacement cost of modern equivalent asset - Varies significantly from asset to asset • Remaining useful life - 0 to 200 years • Asset condition - Very poor to excellent

E2-1 Fair value measurement (continued)

Class	Valuation technique(s)	Unobservable inputs including ranges used
Roads, Bridges, Footpaths, Stormwater drainage, Other infrastructure	Cost approach	• Current replacement cost of modern equivalent asset - Varies significantly from asset to asset • Remaining useful life - 0 to 120 years • Asset condition - Very poor to excellent
Bulk earthworks (non-depreciable)	Cost approach	• Average unit rate - Unit rates (\$ per cubic metre)
Swimming pools, Other open space/ recreational assets	Cost approach	• Current replacement cost of modern equivalent asset - Varies significantly from asset to asset • Remaining useful life - 0 to 100 years • Asset condition - Very poor to excellent
Heritage collections	Market approach	• Market Value - Varies significantly from asset to asset • Asset condition - Very poor to excellent
Library books	Cost approach	• Current replacement cost of modern equivalent asset - Varies significantly from asset to asset • Remaining useful life - 0 to 100 years • Asset condition - Very poor to excellent
	Market approach	• Market Approach
Waste management asset	Cost approach	• Discount rate – 3.53% • Cost escalation – 2.5%
Newcastle Airport	Cost approach - Infrastructure	• Current replacement cost of modern equivalent asset - Varies significantly from asset to asset • Remaining useful life - 1 to 150 years • Asset condition - Very poor to excellent
	Market approach - Land	• Market value

(f) Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

E3-1 Contingencies

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure are considered relevant to the users of Council's financial report.

LIABILITIES NOT RECOGNISED

1. Defined benefit plan

Following the merger of Active Super and Vision Super, Council's defined benefit obligations have transferred to Vision Super (the Fund). Council is party to an Industry Defined Benefit Plan under the Active Super Defined Benefits Division of Vision Super. The defined benefit plan has been deemed to be a 'multi- employer fund' for purposes of AASB 119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members).

Description of the funding arrangements

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

The future service employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working lifetime of a typical new entrant is calculated. The current future service employer contribution rates are:

Division B	1.9 times member contributions for non-180 point members; Nil for 180 point members*
Division C	2.5% of salary
Division D	1.64 times member contributions

* For 180 point members, employers are required to contribute 9.5% from 1 July 2025 of salaries to these members' accumulation accounts in line with current level of SG contributions, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June. Given the funding position of the Fund as at 30 June 2024, it was recommended that these past service contributions cease effective 1 January 2025.

The adequacy of contributions is assessed at each actuarial investigation which will be conducted annually, the next of which is due effective 30 June 2025.

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

As stated above, each sponsoring employer (Council) is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding past service contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of Council.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2025 was \$636,082. The last formal valuation of the Fund was undertaken by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2024.

E3-1 Contingencies (continued)

The amount of past service contributions included in the total employer contribution advised above is \$385,032. Council's expected contribution to the Fund for the next annual reporting period is \$234,383.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2025 is:

Defined Benefit reserves only*	\$millions	Asset Coverage
Assets	2,197.6	
Past Service Liabilities	2,092.0	105.0%
Vested Benefits	2,130.4	103.2%

* excluding other accumulation accounts and reserves in both assets and liabilities.

The share of this funding position that is broadly attributed to Council is 3.22% as at 30 June 2025.

Council's share of any funding surplus or deficit cannot be accurately calculated as the Fund is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no asset for the surplus has been recognised in Council's accounts. Council has a possible obligation that may arise should the Fund require immediate payment to correct any future deficiency.

The key economic assumptions used to calculate the present value of accrued benefits are:

Investment return	6.0% per annum
Salary inflation	3.5% per annum
Increase in CPI	2.5% per annum

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Fund's Actuary, the final end of year review will be completed by December 2025.

2. Self insurance - workers compensation

Council is a self insurer for workers compensation. A provision for outstanding claims, based on actuarial assessment, has been recognised in Note C3-5.

Under the Workers Compensation Act 1987 self insurers and specialised insurers are required to provide financial security to meet their outstanding workers compensation claim liabilities. Security may take the form of cash, securities, bank guarantees and bonds. Council provides bank guarantees to the value of \$10.931 million to the State Insurance Regulatory Authority (SIRA). Subsequent to 30 June 2025, the security requirement has decreased to \$10.878 million.

3. Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

E3-1 Contingencies (continued)

4. Developer contributions

Council receives Section 7.11 contributions and 7.12 levies on various developments across the Council area through the required contribution plans. As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

These plans also indicate proposed future expenditure to be undertaken by Council, which will be funded in future years by making levies and receipting funds, or where a shortfall exists, by the use of Council's general funds.

These future expenses do not yet qualify as liabilities at the reporting date but represent Council's intention to spend funds in the manner and timing set out in those plans.

5. Other contingent liabilities

(i) Legal proceedings

Each year, Council is involved in several legal proceedings, or there is the potential for legal proceedings against Council. Because legal outcomes are uncertain and to protect legal privilege, the potential financial impact hasn't been included in the financial statements. Any costs or liabilities from matters currently known to Council are not expected to significantly affect Council's overall financial position. Council will also look into whether any of these costs can be covered by insurance.

ASSETS NOT RECOGNISED

1. Infringement notices/fines

Fines and penalty income as a result of Council issuing infringement notices, are followed up and collected by Revenue NSW. Council's revenue recognition policy for such income is to account for it as revenue when the penalty is applied, to the extent of the impairment provision (determined on an expected credit loss basis).

Accordingly, at year end, there is a potential asset owed to Council, representing issued but unpaid infringement notices that are in excess of the accrued revenue recognised in the accounts. Due to the limited information available on the status and duration of outstanding notices, Council is unable to reliably determine the full value of collectible fine and penalty income.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the Council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

	2025	2024
	\$ '000	\$ '000
Compensation:		
Short-term benefits	2,450	2,457
Post-employment benefits	215	206
Other long-term benefits	–	38
Termination benefits	28	104
Total	2,693	2,805

F1-1 Key management personnel (KMP) (continued)

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to a library or Council swimming pool) will not be disclosed.

Nature of the transaction	Transactions during the year \$ '000	Outstanding balances (incl. loans and commitments) \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	Impairment expense \$ '000
2025					
Director Remuneration NAP ¹	106	–	Shareholding agreement	–	–
Director Remuneration GNAP ²	45	–	Shareholding agreement	–	–
Employee expenses relating to close family members ³	–	–	Enterprise Agreement 2023	–	–
Newcastle Art Gallery Foundation ⁴	4,550	–	Funding Deed	–	–
Hunter Joint Organisation ⁵	161	–	Hunter JO Charter	–	–
Newcastle Airport Pty Limited ⁶	10	–	Sponsorship Program	–	–
2024					
Director Remuneration NAP ¹	102	–	Shareholding agreement	–	–
Director Remuneration GNAP ²	44	–	Shareholding agreement	–	–
Employee expenses relating to close family members ³	133	–	Enterprise Agreement 2023	–	–
Newcastle Art Gallery Foundation ⁴	5,849	4,051	Funding Deed	–	–
Hunter Joint Organisation ⁵	1	–	Hunter JO Charter	–	–
Newcastle Airport Pty Limited ⁶	–	–		–	–

1. Members of Council's KMP are remunerated for the provision of board member services by Newcastle Airport Pty Ltd which City of Newcastle has a 50% shareholding in. Figures disclosed are 100% of the remuneration received.
2. Members of Council's KMP are remunerated for the provision of board member services by Greater Newcastle Aerotropolis Pty Ltd which City of Newcastle has a 50% shareholding in. Figures disclosed are 100% of the remuneration received.
3. Close family member of Council's KMP are employed by City of Newcastle under the current Enterprise Agreement on an arm's length basis. There was 1 close family member of a KMP employed by Council on a casual basis during 2025 (2024: 3).
4. A councillor, through their role as an elected member, is a Director on the Board of the Newcastle Art Gallery Foundation (Foundation) and currently has 10% of voting power. This entitlement increases to 26% for special resolutions. The Foundation has agreed to provide funding to Council for the purpose of the Newcastle Art Gallery expansion project. During the 2024-25 financial year, Council received \$4.6M (2024: \$5.8M). The Foundation has committed to providing at least \$10.5M in funding, to a maximum of \$13.0M.
5. Hunter Joint Organisation is a collaborative body made up of 10 Councils in the region and operates under the provisions of the *Local Government Act 1993*. The Lord Mayor is a voting representative on the board. The CEO holds Board membership in a non-voting capacity. Member Councils pay an annual subscription to Hunter Joint Organisation.
6. Council paid a contribution towards the 2025 APAC Airports Roundtable Conference hosted by Newcastle Airport Pty Ltd which City of Newcastle has a 50% shareholding in. This funding was applied for under the Visitor (Conference) stream of City of Newcastle's Tourism and Economic Development Sponsorship Program which supports activities that promote Newcastle as a premier Australian visitor destination.

F1-1 Key management personnel (KMP) (continued)

Additional disclosure

A current councillor was one of nine board members on the Board of Directors of Active Super for the period 1 July 2024 to 28 February 2025. Voting power based on the board composition was 11%. As at 1 March 2025, Active Super merged with Vision Super. The councillor was appointed to the Board of Vision Super on 1 March 2025 as an employer representative, nominated by Local Government NSW. Voting power based on the board composition of Vision Super is 10%.

City of Newcastle employees have the choice to nominate their preferred superannuation fund, of which Active Super (as part of Vision Super) is an available fund.

A former councillor owes an amount to City of Newcastle which is being addressed through City of Newcastle's established debt management processes. The amount is considered immaterial for disclosure in the transaction table.

A current councillor runs a small business which entered into a transactions with City of Newcastle during the 2024-25 financial year. The terms of the transaction were within the normal course of business. The amount is considered immaterial for disclosure in the transaction table.

F1-2 Councillor and Mayoral fees and associated expenses

	2025 \$ '000	2024 \$ '000
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	107	107
Councillors' fees	435	473
Councillor superannuation (incl. mayor)	60	61
Councillor expenses (incl. mayor) – other (excluding fees above)	175	66
Total	777	707

F2 Other relationships

F2-1 Audit fees

	2025 \$ '000	2024 \$ '000
During the year, the following fees were incurred for services provided by Council's auditor:		
Auditors of the Council: NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	226	265
Total fees paid or payable to the NSW Auditor-General	226	265
Other services: Other firms		
(ii) Audit and other assurance services		
Other audit and assurance services	299	189
Total fees paid or payable to other firms	299	189
Total audit fees	525	454

G Other matters

G1-1 Statement of Cash Flows information

(a) Reconciliation of net operating result to cash provided from operating activities

	2025 \$ '000	2024 \$ '000
Net operating result from Income Statement	98,339	49,957
Add / (less) non-cash items:		
Depreciation and amortisation	71,942	68,492
(Gain) / loss on disposal of assets	12,132	12,404
Non-cash capital grants and contributions	(47,658)	(1,714)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	(858)	(3,973)
– Investment property	(630)	(1,000)
– Revaluation decrements / impairments (reversals) of IPP&E direct to P&L	–	(102)
Amortisation of premiums, discounts and prior period fair valuations		
– Financial assets at amortised cost / held to maturity	(46)	(40)
Unwinding of discount rate on waste remediation provisions	1,559	–
Share of net (profits)/losses of associates/joint ventures using the equity method	(64)	160
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(3,172)	(7,280)
Increase / (decrease) in provision for impairment of receivables	49	171
(Increase) / decrease of inventories	(20)	30
Decrease / (increase) in other assets	(5,998)	(5,337)
(Increase) / decrease of contract assets	2,523	(4,658)
Increase / (decrease) in payables	7,678	215
Increase / (decrease) in other accrued expenses payable	693	1,116
Increase / (decrease) in other liabilities	(44)	1,617
Increase / (decrease) in contract liabilities	3,152	5,606
Increase / (decrease) in employee benefit provision	548	1,470
Increase / (decrease) in other provisions	(13,005)	(17,517)
Net cash flows from operating activities	127,120	99,617

(b) Non-cash investing and financing activities

Other dedications	47,658	1,714
Waste remediation provision	(50,799)	–
Total non-cash investing and financing activities	(3,141)	1,714

G2-1 Commitments

Capital commitments (exclusive of GST)

	2025 \$ '000	2024 \$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Buildings	10,271	65,756
Plant and equipment	4,503	2,267
Open spaces	17,404	6,754
Land improvements	5,991	19,855
Road and drainage infrastructure	38,594	5,119
Other	–	1,971
Total commitments	76,763	101,722

Details of capital commitments

Building commitments relate to the completion of works for the Newcastle Art Gallery redevelopment and the terminal expansion at Newcastle Airport.

Plant and equipment commitments comprise the purchase of a landfill compactor and other various items of equipment.

Open spaces commitments relate to the design and construction of an accessible playspace and waterplay area at Foreshore Park.

Land improvement commitments include works along Bathurst Way, design for Newcastle Ocean Baths Stage 2 and completion of remediation work for the former Astra Street landfill site.

Road and drainage infrastructure commitments predominantly comprise upgrades to the Western Corridor and supporting road network.

G3-1 Events occurring after reporting date

Council is aware of the following non-adjusting events that merit disclosure.

On 20 August 2025, Council acquired a property located at 4 Rural Drive Sandgate for a purchase price of \$38.7 million. The acquisition was funded from existing cash reserves and forms part of Council's Future Fund portfolio. The property is expected to provide both investment returns and strategic value. The objective of the Future Fund is to diversify Council's investments, maintain the long-term purchasing power of reserves and support the delivery of the adopted Community Strategic Plan. The financial effect of this event has not been brought to account at 30 June 2025.

Subsequent to the reporting date, the Newcastle Airport borrowing facility limit was increased to provide funding for the construction of income-producing facilities arising from the execution of lease agreements for those facilities. As this event relates to conditions that arose after the reporting period, no adjustment has been made to the financial statements. The financial effects of this agreement will be recognised in subsequent reporting periods.

G4 Changes from prior year statements

G4-1 Correction of errors

During the year ended 30 June 2025, Council undertook a revaluation of its infrastructure asset classes. As part of this process, activities were carried out to improve the accuracy of asset records relating to roads, footpaths, bulk earthworks and stormwater drainage.

Asset records within these classes were updated to recognise assets that had either been constructed by third parties and transferred to Council's control in prior years or had not been historically recorded by Council at the time of construction. Additionally, records were amended to derecognise assets no longer under Council's control, and to correct the calculation methodology for bulk earthworks associated with roads.

The cumulative impact of these changes was found to be material to the financial statements. Accordingly, an adjustment has been performed to correct for this, resulting in an increase to IPPE, accumulated surplus and revaluation reserves.

The corrections have been calculated and applied retrospectively by restating the balances at the beginning of the earliest period presented (1 July 2023) and with an adjustment recognised through to equity at that date.

Comparatives have been changed to reflect these adjustments. The impact on each affected line item is shown in the table below.

Changes to the opening Statement of Financial Position at 1 July 2023

Statement of Financial Position

	Original Balance 1 July, 2023 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 1 July, 2023 \$ '000
Infrastructure, property, plant and equipment (IPPE)	1,970,243	143,214	2,113,457
Total assets	2,462,740	143,214	2,605,954
Net assets	2,174,129	143,214	2,317,343
Accumulated surplus	1,526,443	30,932	1,557,375
IPPE revaluation reserve	646,690	112,282	758,972
Total equity	2,174,129	143,214	2,317,343

Adjustments to the comparative figures for the year ended 30 June 2024

Statement of Financial Position

	Original Balance 30 June, 2024 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2024 \$ '000
Infrastructure, property, plant and equipment (IPPE)	2,085,884	149,510	2,235,394
Total assets	2,606,267	149,510	2,755,777
Net assets	2,301,193	149,510	2,450,703
Accumulated surplus	1,577,569	30,311	1,607,880
IPPE revaluation reserve	722,750	119,199	841,949
Total equity	2,301,193	149,510	2,450,703

G4-1 Correction of errors (continued)

Income Statement

	Original Balance 30 June, 2024 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2024 \$ '000
Materials and services	112,485	(152)	112,333
Net loss from the disposal of assets	12,405	(1)	12,404
Depreciation, amortisation and impairment of non-financial assets	67,616	774	68,390
Total expenses from continuing operations	388,613	621	389,234
Net operating result for the year	50,578	(621)	49,957

Statement of Comprehensive Income

	Original Balance 30 June, 2024 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2024 \$ '000
Net operating result for the year	50,578	(621)	49,957
Gain (loss) on revaluation of infrastructure, property, plant and equipment	76,559	6,918	83,477
Other comprehensive income	76,486	6,918	83,404
Total comprehensive income for the year	127,064	6,297	133,361

G5 Statement of developer contributions

G5-1 Summary of developer contributions

	Opening balance at 1 July 2024 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2025 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000					
Traffic and transport	234	138	–	–	–	(4,835)	4,463	–	(4,463)
Social infrastructure	15,527	1,576	–	–	544	–	(4,463)	13,184	4,463
Open space and recreation	1,208	8,078	–	–	209	(4,430)	–	5,065	–
Transport	439	1,876	–	–	44	(1,315)	–	1,044	–
Community facilities	1,386	1,491	–	–	121	(61)	–	2,937	–
Plan preparation and administration	64	283	–	–	11	(111)	–	247	–
S7.11 contributions – under a plan	18,858	13,442	–	–	929	(10,752)	–	22,477	–
S7.12 levies – under a plan	7,988	4,407	–	–	260	(6,360)	–	6,295	–
Total S7.11 and S7.12 revenue under plans	26,846	17,849	–	–	1,189	(17,112)	–	28,772	–
S7.4 planning agreements	–	–	–	–	–	–	–	–	–
Total contributions	26,846	17,849	–	–	1,189	(17,112)	–	28,772	–

Under the *Environmental Planning and Assessment Act 1979*, local infrastructure contributions, also known as developer contributions, are charged by councils when new development occurs. They help fund infrastructure like parks, community facilities, local roads, footpaths, stormwater drainage and traffic management. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

Council has employed the use of pooling funds within the Western Corridor developer contributions plan. This is consistent with the NSW State Governments Policy position. Pooling funds allows Council to spend contributions as needed within plans and demonstrates Council's commitment to the ongoing infrastructure delivery.

G5-2 Developer contributions by plan

	Opening balance at 1 July 2024 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2025 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000					
S7.11 contributions – under a plan									
Contribution plan – Western Corridor									
Traffic and transport	234	138	–	–	–	(4,835)	4,463	–	(4,463)
Social infrastructure	15,527	1,576	–	–	544	–	(4,463)	13,184	4,463
Total	15,761	1,714	–	–	544	(4,835)	–	13,184	–
Contribution plan – Fern Bay cross boundary									
Open space and recreation	894	18	–	–	39	–	–	951	–
Total	894	18	–	–	39	–	–	951	–
Contribution plan - S7.11 Development contributions plan									
Transport	439	1,876	–	–	44	(1,315)	–	1,044	–
Open space and recreation	314	8,060	–	–	170	(4,430)	–	4,114	–
Community facilities	1,386	1,491	–	–	121	(61)	–	2,937	–
Plan preparation and administration	64	283	–	–	11	(111)	–	247	–
Total	2,203	11,710	–	–	346	(5,917)	–	8,342	–
S7.12 Levies – under a plan									
Development Contributions Plan - Jan 2022									
Other	7,988	4,407	–	–	260	(6,360)	–	6,295	–
Total	7,988	4,407	–	–	260	(6,360)	–	6,295	–

End of the audited financial statements



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Newcastle City Council

To the Councillors of Newcastle City Council

Opinion

I have audited the accompanying financial statements of Newcastle City Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2025, the Statement of Financial Position as at 30 June 2025, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of the Division
 - are, in all material respects, consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2025, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Information

The Council's annual report for the year ended 30 June 2025 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/media/apzlw0y/ar3_2024.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 'Material budget variations'
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Manuel Moncada

Director, Financial Audit
Delegate of the Auditor-General for New South Wales

31 October 2025
SYDNEY



Cr Charlotte McCabe
Deputy Lord Mayor
Newcastle City Council
12 Stewart Avenue
NEWCASTLE WEST NSW 2302

Contact: Manuel Moncada
Phone no: 02 9275 7333
Our ref: R008-1981756498-6094

31 October 2025

Dear Deputy Lord Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2025
Newcastle City Council**

I have audited the general purpose financial statements (GPFS) of the Newcastle City Council (the Council) for the year ended 30 June 2025 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

My audit procedures did not identify any instances of material non-compliance with the financial reporting requirements in Chapter 13, Part 3, Division 2 of the LG Act and the associated regulation or a material deficiency in the Council's accounting records or financial statements. The Council's:

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2025 is issued in accordance with section 417 of the Act. The Report:

- must address the specific matters outlined in the Local Government Code of Accounting Practice and Financial Reporting 2024-25
- may include statements, comments and recommendations that I consider to be appropriate based on the conduct of the audit of the GPFS.

This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Financial performance

	2025	2024*	Variance
	\$m	\$m	%
Rates and annual charges revenue	232.8	219.1	↑ 6.2
Grants and contributions provided for operating purposes revenue	21.2	20.7	↑ 2.5
Grants and contributions provided for capital purposes revenue	89.6	46.4	↑ 93.2
Operating result from continuing operations	98.3	50.0	↑ 96.8
Net Operating result for the year before grants and contributions provided for capital purposes	8.7	3.6	↑ 144.2

* The 2024 comparatives have been restated to correct a prior period error. Note G4-1 of the financial statements provides details of the prior period error.

Operating result from continuing operations

This graph shows the operating result from continuing operations for the current and prior two financial years.

Council's operating result from continuing operations for the year was \$48.4 million higher than the 2023–24 result.

In 2024–25:

- Council revenue excluding grants and contributions (\$386.9 million) increased by \$14.8 million. Refer to Council revenue below for details.
- Council's grants and contributions revenue (\$110.8 million) increased by \$43.7 million. Refer to 'Grants and contributions revenue' below for details.
- Council's total expenses from continuing operations including depreciation, amortisation and impairment of non-financial assets increased by \$10.1 million mainly due to an increment of



employee benefits and on-cost of \$12.9 million and off set by decrease in materials and services, and other expenses.

The net operating result for the year before grants and contributions provided for capital purposes was \$8.7 million. Refer to 'Grants and contributions revenue' below for details.

Income

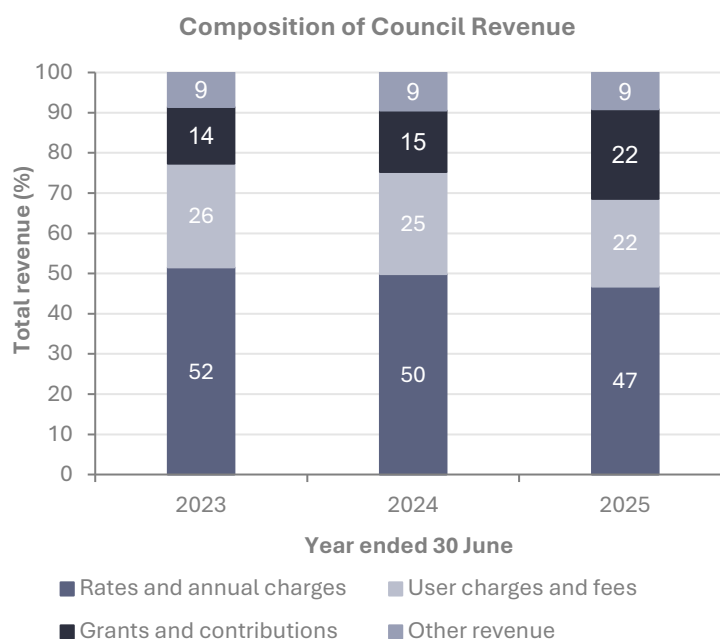
Council revenue

This graph shows the composition of Council's revenue recognised for the current and prior two financial years.

Overall, Council revenue \$497.7 million increased by \$58.5 million (13.3 per cent) in 2024–25 due to:

- rates and annual charges revenue (\$232.8 million) which increased by \$13.6 million (6.2 per cent) due to rate peg increase of 5.2 per cent
- user charges and fees revenue (\$108.5 million) which decreased by \$2.8 million (2.6 per cent) due to decrease in tipping fees and resource recovery
- grants and contributions revenue (\$110.8 million) which increased by \$43.7 million (65.2 per cent) – see additional details below

The composition of revenue recognised by Council has not significantly changed in 2024-25.

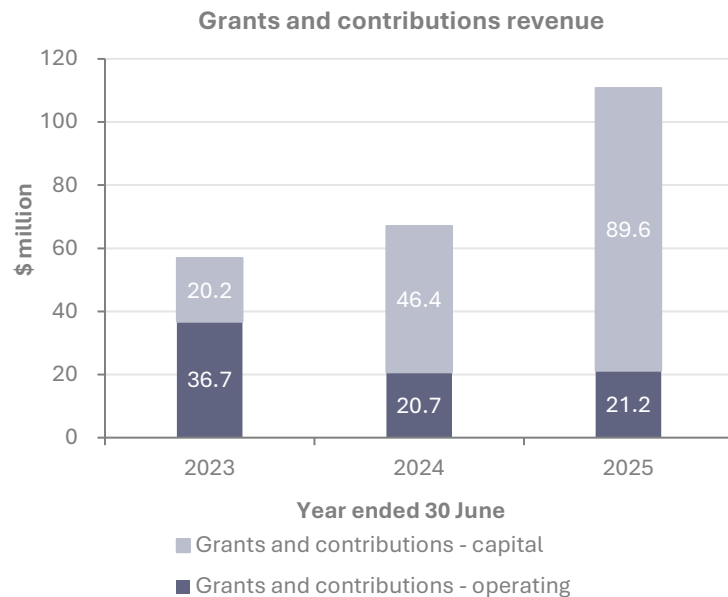


Grants and contributions revenue

This graph shows the amount of grants and contributions revenue recognised for the current and prior two financial years.

Grants and contributions revenue (\$110.8 million) increased by \$43.7 million (65.2 per cent) in 2024–25 due to:

- increase of \$41.6 million of non-cash infrastructure contributions recognised during the year.



CASH FLOWS

Statement of cash flows

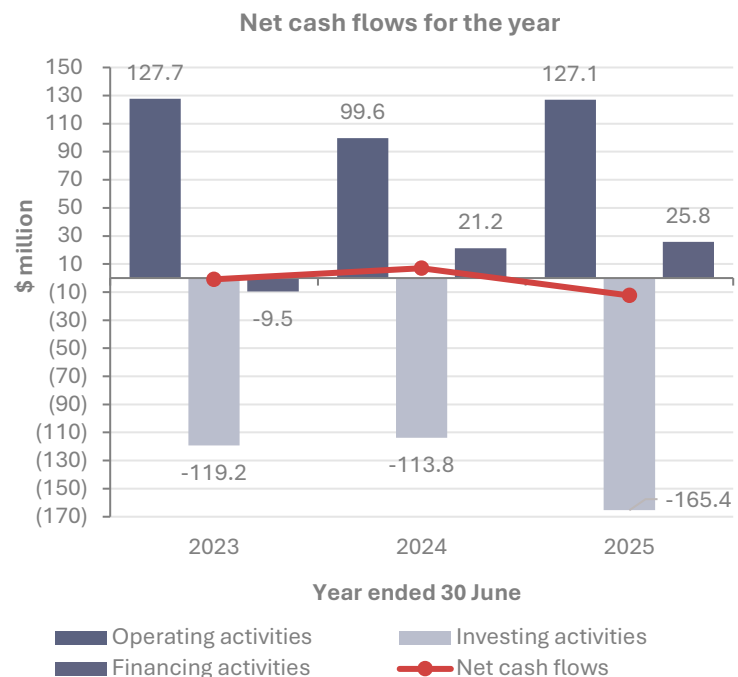
The Statement of Cash Flows details the Council's inflows and outflows of cash over a specific period. It helps in assessing the Council's ability to generate cash to fund its operations, pay off debts, and support future projects. It also aids in identifying any pressures or issues in the Council operating in a financially sustainable manner.

This graph shows the net cash flows for the current and prior two financial years.

The net cash flows for the year were negative \$12.4 million (positive \$7.1 million in 2023-24).

In 2024-25 the net cashflows:

- from operating activities increased by \$27.5 million, mainly due to increase in rates and annual charges and interest received
- used in investing activities increased (outflow) by \$51.7 million, mainly due to greater investment in infrastructure property plant and equipment and purchase of investment property
- from financing activities increased by \$4.6 million, mainly due to increased proceeds from borrowings.



FINANCIAL POSITION

Cash, cash equivalents and investments

This section of the Report provides details of the amount of cash, cash equivalents and investments recorded by the Council at 30 June 2025.

Externally restricted funds are the cash, cash equivalents and investments that can only be used for specific purposes due to legal or contractual restrictions.

Cash, cash equivalents, and investments without external restrictions can be allocated internally by the elected Council's resolution or policy. These allocations are matters of Council policy and can be changed or removed by a Council resolution.

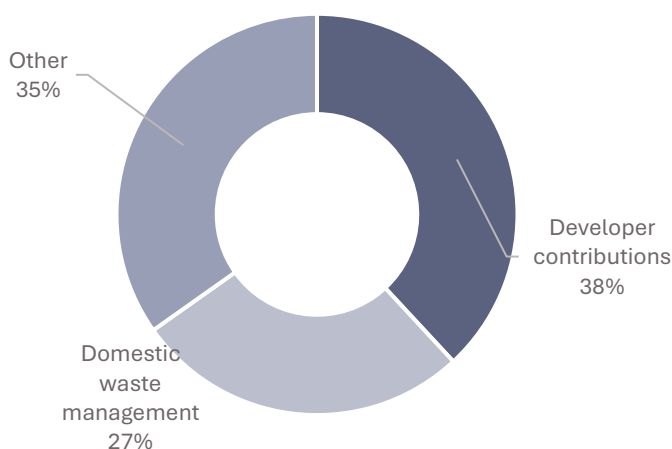
Cash, cash equivalents and investments	2025	2024	Percentage of total cash and investments 2025	Commentary
	\$m	\$m	%	
Total cash, cash equivalents and investments	349.0	414.9		Externally restricted balances are those which are only available for specific use due to a restriction placed by legislation or third-party contract. A breakdown of the sources of externally restricted balances is included in the graph below.
Restricted and allocated cash, cash equivalents and investments:				Internal allocations are determined by council policies or decisions, which are subject to change.
• External restrictions	75.6	67.3	21.7	
• Internal allocations	243.9	318.2	69.9	

This graph shows the sources of externally restricted cash, cash equivalents and investments.

In 2024-25 the Council's main sources of externally restricted cash, cash equivalents and investments include:

- developer contributions of \$28.8 million which increased by \$1.9 million
- domestic waste management charges of \$20.5 million which increased by \$4.1 million.

Source of externally restricted cash, cash equivalents and investments



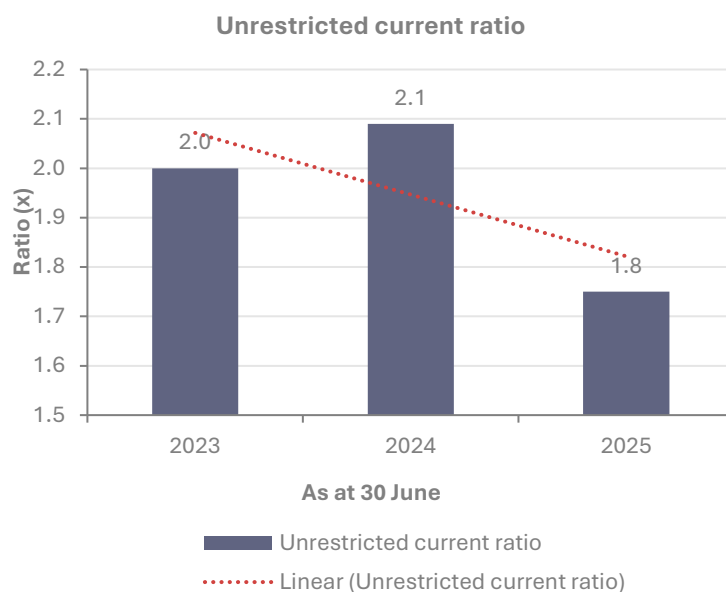
Council liquidity

This graph shows the Council's unrestricted current ratio for the current and prior two financial years.

The unrestricted current ratio is specific to local government and represents council's ability to meet its short-term obligations as they fall due.

In 2023-24, the average unrestricted current ratio was an average of 3.1x for regional councils.

The Council's unrestricted current ratio was 1.8 as at 30 June 2025 and declined marginally from prior year.

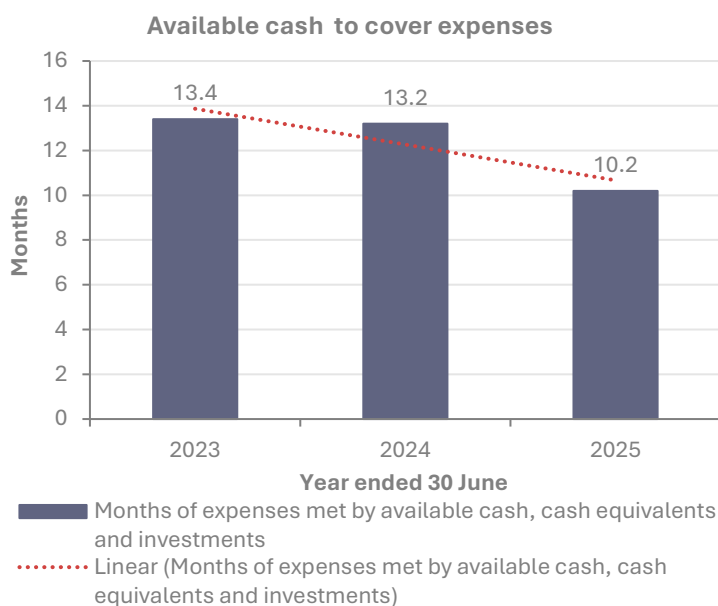


This graph shows the number of months of general fund expenses (excluding depreciation and borrowing costs), Council can fund from its available cash, cash equivalents and investments (not subject to external restrictions).

Further details on cash, cash equivalents and investments including the sources of external restrictions are included in the section above.

In 2023-24, the available cash to cover expenses was an average of 7 months for regional councils.

The Council's available cash to cover expenses stood at 10.2 months during the year, which is lower than the prior year but higher when compared to the regional average of 7 months.

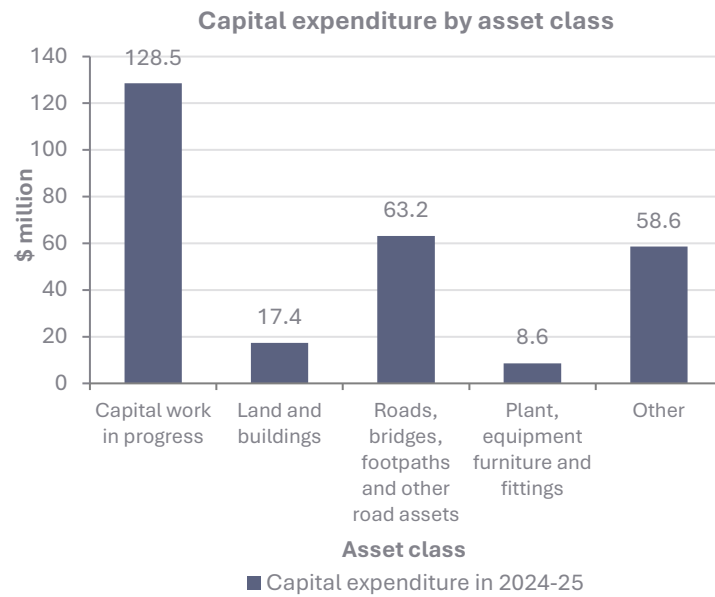


Infrastructure, property, plant and equipment

This graph shows how much the Council spent on renewing and purchasing assets in 2024-25.

Council renewed \$37.6 million of infrastructure, property, plant and equipment during the 2024-25 financial year. This was mainly spent on roads and buildings.

A further \$238.7 million of new assets were acquired during the year. \$50.8 million of this total relates to an increase in the asset remediation provision included in work-in-progress.



Manuel Moncada
Director, Financial Audit

Delegate of the Auditor-General

Newcastle City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2025



City of
Newcastle

Special Purpose Financial Statements

for the year ended 30 June 2025

Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of Waste Services	4
Statement of Financial Position of Waste Services	5
Note – Material accounting policy information	6
Auditor's Report on Special Purpose Financial Statements	8

Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Newcastle City Council

Special Purpose Financial Statements

for the year ended 30 June 2025

Statement by Councillors and Management

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached Special Purpose Financial Statements have been prepared in accordance with:

- NSW Government Policy Statement, '*Application of National Competition Policy to Local Government*'
- Division of Local Government Guidelines, '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*', and
- The Local Government *Code of Accounting Practice and Financial Reporting*

To the best of our knowledge and belief, these statements:

- present fairly the operating result and financial position for each of Council's declared business activities for the year,
- accord with Council's accounting and other records; and
- present overhead reallocation charges to the businesses as fair and reasonable.

We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 28 October 2025.



Deputy Lord Mayor

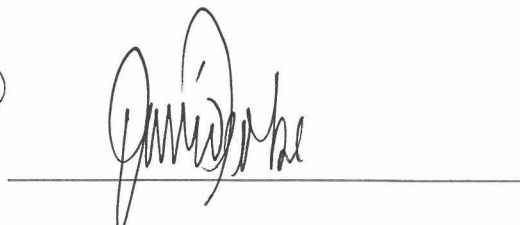
Signed by the Deputy Lord Mayor, exercising the functions of the Lord Mayor in accordance with section 231(3) of the *Local Government Act 1993 (NSW)*



Councillor



Chief Executive Officer



Responsible Accounting Officer

Newcastle City Council

Income Statement of Waste Services

for the year ended 30 June 2025

	2025 Category 1 \$ '000	2024 Category 1 \$ '000
Income from continuing operations		
Annual charges	38,973	35,417
User charges and fees	55,370	62,106
Other revenue	1,359	860
Grants and contributions provided for operating purposes	11	–
Other income	39	45
Total income from continuing operations	95,752	98,428
Expenses from continuing operations		
Employee benefits and on-costs	10,835	9,560
Materials and services	25,529	22,992
Borrowing costs	1,232	95
Depreciation, amortisation and impairment	8,744	9,199
Calculated taxation equivalents	576	502
Other expenses	36,819	42,028
Net loss from the disposal of assets	6,846	–
Total expenses from continuing operations	90,581	84,376
Surplus (deficit) from continuing operations before capital amounts	5,171	14,052
Surplus (deficit) from continuing operations after capital amounts	5,171	14,052
Surplus (deficit) from all operations before tax	5,171	14,052
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,551)	(4,216)
Surplus (deficit) after tax	3,620	9,836
Plus accumulated surplus	51,174	59,163
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	576	502
– Corporate taxation equivalent	1,551	4,216
Add:		
– Subsidy paid/contribution to operations	(18,083)	(22,543)
Closing accumulated surplus	38,838	51,174
Return on capital %	9.3%	19.8%

Newcastle City Council

Statement of Financial Position of Waste Services

as at 30 June 2025

	2025 Category 1 \$ '000	2024 Category 1 \$ '000
ASSETS		
Current assets		
Investments	63,892	23,562
Receivables	6,961	7,958
Total current assets	70,853	31,520
Non-current assets		
Infrastructure, property, plant and equipment	69,040	71,386
Right of use assets	2,332	1,906
Total non-current assets	71,372	73,292
Total assets	142,225	104,812
LIABILITIES		
Current liabilities		
Payables	4,137	8,472
Contract liabilities	1,318	56
Lease liabilities	691	487
Employee benefit provisions	1,979	1,879
Total current liabilities	8,125	10,894
Non-current liabilities		
Lease liabilities	1,686	1,431
Employee benefit provisions	113	110
Provisions	80,076	28,130
Total non-current liabilities	81,875	29,671
Total liabilities	90,000	40,565
Net assets	52,225	64,247
EQUITY		
Accumulated surplus	38,838	51,174
IPPE revaluation reserve	13,387	13,073
Total equity	52,225	64,247

Note – Material accounting policy information

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the *Local Government Act 1993*, the *Local Government (General) Regulation 2021* and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, fair value of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 NSW Government Policy statement titled 'Application of National Competition Policy to Local Government'. *The Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, and returns on investments (rate of return and dividends paid).

Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1 – business activities with gross operating revenue more than \$2 million

Waste Services

- Collection of commercial, domestic and other waste
- Waste disposal site activities

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs. However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in the special purpose financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

- Corporate income tax rate – **30%** (LY 30% for businesses with aggregated turnover greater than \$50 million).
- Land tax – the first \$1,075,000 of combined land values attracts **0%**. For the combined land values in excess of \$1,075,000 up to \$6,571,000 the rate is **\$100 + 1.6%**.
- Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$1,200,000.

Note – Material accounting policy information (continued)

Income tax

An income tax equivalent has been applied on the profits of the business activities. While income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the relevant corporate income tax rate, currently 25.0% (or 30.0% for businesses with aggregated turnover greater than \$50 million).

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations – it represents an internal payment and has no effect on the operations of the Council.

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 30% (as the aggregated turnover for Waste Management Services exceeds \$50 million) is the equivalent company tax rate prevalent at reporting date.

Local government rates and charges

A calculation of the equivalent rates and charges payable on all Category 1 businesses has been applied to all assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face 'true' commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur when Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidy paid/(contribution) to operations' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of business activities.

(ii) Return on investments (rate of return)

The NCP policy statement requires that Councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The return on capital is calculated as follows:

Surplus (deficit) from continuing operations before capital amounts + interest expense

Written down value of IPPE as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 4.16% at 30 June 2025.

(iii) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Newcastle City Council

To the Councillors of Newcastle City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Newcastle City Council's (the Council) Declared Business Activity, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2025, the Statement of Financial Position of each Declared Business Activity as at 30 June 2025 and the Material accounting policy information note.

The Declared Business Activities of the Council are:

- Waste services.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2025, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Material accounting policy information note and the Local Government Code of Accounting Practice and Financial Reporting 2024–25 (LG Code).

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the Material accounting policy information note to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2025 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 'Permissible income for general rates'.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in the Material accounting policy information note to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Manuel Moncada

Director, Financial Audit
Delegate of the Auditor-General for New South Wales

31 October 2025
SYDNEY

Newcastle City Council

SPECIAL SCHEDULES
for the year ended 30 June 2025

Contents	Page
Special Schedules:	
Permissible income for general rates	3
Report on infrastructure assets as at 30 June 2025	

Newcastle City Council

Permissible income for general rates

	Notes	Calculation 2024/25 \$ '000	Calculation 2025/26 \$ '000
Notional general income calculation ¹			
Last year notional income yield	a	181,525	191,603
Plus or minus adjustments ²	b	598	385
Notional general income	c = a + b	182,123	191,988
Permissible income calculation			
Percentage increase	d	5.20%	5.10%
Plus percentage increase amount ³	e = d x c	9,470	9,791
Sub-total	f = c + e	191,593	201,779
Plus (or minus) last year's carry forward total	g	7	17
Less valuation objections claimed in the previous year	h	—	(20)
Sub-total	i = g + h	7	(3)
Total permissible income	j = f + i	191,600	201,776
Less notional income yield	k	191,603	201,779
Catch-up or (excess) result	l = j - k	(3)	(3)
Plus income lost due to valuation objections claimed ⁴	m	20	12
Carry forward to next year ⁵	n = l + m	17	9

Notes

- (1) The 'notional general income' will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis, which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (3) The 'percentage increase' is inclusive of the rate-peg percentage, and/or special variation and/or Crown land adjustment (where applicable).
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the Act. The OLG will extract these amounts from permissible income from general rates in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Newcastle City Council

To the Councillors of Newcastle City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Newcastle City Council (the Council) for the year ending 30 June 2026.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2024–25 (LG Code) and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Schedule' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2025 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2025.

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.



Manuel Moncada

Director, Financial Audit
Delegate of the Auditor-General for New South Wales

31 October 2025
SYDNEY

Newcastle City Council

Report on infrastructure assets as at 30 June 2025

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2024/25 Required maintenance ^a	2024/25 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings	9,300	45,706	12,999	12,526	230,245	493,747	9.8%	43.4%	36.1%	7.8%	2.9%
	Sub-total	9,300	45,706	12,999	12,526	230,245	493,747	9.8%	43.4%	36.1%	7.8%	2.9%
Other structures	Other structures	2,007	6,039	391	889	85,903	232,950	12.4%	20.6%	60.8%	3.9%	2.3%
	Sub-total	2,007	6,039	391	889	85,903	232,950	12.4%	20.6%	60.8%	3.9%	2.3%
Roads	Sealed roads	3,122	3,533	11,292	10,701	1,228,408	2,214,880	4.9%	72.5%	21.4%	1.0%	0.2%
	Unsealed roads	71	398	—	—	324	958	2.1%	33.9%	18.8%	20.3%	24.9%
	Bridges	2,195	12,835	160	94	43,980	80,084	11.1%	55.9%	15.8%	9.3%	7.9%
	Footpaths	314	1,293	2,628	2,620	209,335	377,323	5.3%	87.1%	6.8%	0.5%	0.3%
	Other road assets (including bulk earthworks)	—	—	—	—	311,839	311,839	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	5,702	18,059	14,080	13,415	1,793,886	2,985,084	15.1%	66.3%	17.2%	1.1%	0.3%
Stormwater drainage	Stormwater drainage	33,889	77,774	1,045	1,016	311,665	573,759	16.5%	43.9%	14.3%	9.5%	15.8%
	Sub-total	33,889	77,774	1,045	1,016	311,665	573,759	16.5%	43.9%	14.3%	9.5%	15.8%
Open space / recreational assets	Swimming pools	600	2,817	1,325	1,538	21,333	44,335	17.0%	14.1%	61.7%	7.2%	0.0%
	Other Open Space/Rec Assets	90	369	9,840	9,986	30,287	52,790	27.8%	45.2%	26.1%	0.6%	0.3%
	Sub-total	690	3,186	11,165	11,524	51,620	97,125	22.9%	31.0%	42.4%	3.6%	0.1%
Other infrastructure assets	Other infrastructure assets	7,460	26,957	110	59	90,943	171,555	27.3%	34.6%	22.1%	1.8%	14.2%
	Sub-total	7,460	26,957	110	59	90,943	171,555	27.3%	34.6%	22.1%	1.8%	14.2%
Total – all assets		59,048	177,721	39,790	39,429	2,564,262	4,554,220	15.2%	56.7%	21.8%	3.1%	3.2%

(a) Required maintenance is the amount identified in Council's asset management plans.

Key for asset condition

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Newcastle City Council

Report on infrastructure assets as at 30 June 2025 (continued)

Infrastructure asset performance indicators (consolidated) *

	Amounts	Indicator	Indicator Restated 2024	Benchmark
	2025 \$ '000	2025		
Buildings and infrastructure renewals ratio				
Asset renewals ¹	29,700	54.95%	79.16%	> 100.00%
Depreciation, amortisation and impairment	54,051			
Infrastructure backlog ratio				
Estimated cost to bring to satisfactory standard	59,048	2.30%	3.58%	< 2.00%
Net carrying amount of infrastructure assets	2,564,262			
Asset maintenance ratio				
Actual asset maintenance	39,429	99.09%	98.55%	> 100.00%
Required asset maintenance	39,790			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed level of service set by Council	177,721	3.90%	7.72%	
Gross replacement cost	4,554,220			

(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.