

Financial Reports

Newcastle City Council
For the year ended 30 June 2024



City of
Newcastle

Newcastle City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2024



City of
Newcastle

Newcastle City Council

General Purpose Financial Statements

for the year ended 30 June 2024

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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 2024

Statement by Councillors and Management

Statement by Councillors and Management

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

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

- the *Local Government Act 1993* (NSW) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of 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 29 October 2024.



Lord Mayor



Councillor



Chief Executive Officer



Responsible Accounting Officer

Newcastle City Council

Income Statement

for the year ended 30 June 2024

Original unaudited budget 2024 \$ '000		Notes	Actual 2024 \$ '000	Restated Actual 2023 \$ '000
Income from continuing operations				
219,236	Rates and annual charges	B2-1	219,124	208,533
117,640	User charges and fees	B2-2	112,920	104,302
9,341	Other revenue	B2-3	12,066	13,564
21,220	Grants and contributions provided for operating purposes	B2-4	20,713	36,727
38,626	Grants and contributions provided for capital purposes	B2-4	46,379	20,240
9,315	Interest and investment income	B2-5	16,278	11,591
7,089	Other income	B2-6	11,711	9,604
422,467	Total income from continuing operations		439,191	404,561
Expenses from continuing operations				
131,648	Employee benefits and on-costs	B3-1	136,777	126,450
112,483	Materials and services	B3-2	112,485	123,493
4,039	Borrowing costs	B3-3	5,455	5,148
69,601	Depreciation, amortisation and impairment of non-financial assets *	B3-4	67,616	64,578
52,147	Other expenses	B3-5	53,875	47,505
7,002	Net loss from the disposal of assets	B4-1	12,405	9,078
376,920	Total expenses from continuing operations		388,613	376,252
45,547	Operating result from continuing operations		50,578	28,309
45,547	Net operating result for the year attributable to Council		50,578	28,309
6,921	Net operating result for the year before grants and contributions provided for capital purposes		4,199	8,069

(*) Comparatives have been changed to reflect prior period adjustments. Refer Note G3-1. The above Income Statement should be read in conjunction with the accompanying notes.

Newcastle City Council

Statement of Comprehensive Income

for the year ended 30 June 2024

	Notes	2024 \$ '000	Restated 2023 \$ '000
Net operating result for the year – from Income Statement		50,578	28,309
Other comprehensive income:			
Amounts which will not be reclassified subsequent to operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	76,559	175,538
Impairment reversal (loss) on infrastructure, property, plant and equipment	B3-4,C1-8	49	546
Total items which will not be reclassified subsequent to operating result		76,608	176,084
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain (loss) on hedging instruments	C1-2	(122)	996
Total items which will be reclassified subsequently to the operating result when specific conditions are met		(122)	996
Total other comprehensive income for the year		76,486	177,080
Total comprehensive income for the year attributable to Council		127,064	205,389

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 2024

	Notes	2024 \$ '000	Restated 2023 \$ '000	Restated 1 July 2022 \$ '000
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	81,432	74,325	75,353
Investments	C1-2	110,661	123,158	84,907
Receivables	C1-4	34,673	27,737	34,653
Inventories	C1-5	1,374	1,404	1,267
Contract assets and contract cost assets	C1-6	7,393	2,735	36
Non-current assets classified as held for sale	C1-7	–	1,233	366
Other	C1-11	8,635	3,246	15,126
Total current assets		244,168	233,838	211,708
Non-current assets				
Investments and derivatives	C1-2	223,682	205,731	203,193
Receivables	C1-4	1,484	1,311	1,235
Infrastructure, property, plant and equipment (IPPE) *	C1-8	2,085,884	1,970,243	1,777,060
Investment property	C1-9	17,060	16,060	14,990
Intangible assets	C1-10	1,966	2,656	3,831
Right of use assets	C2-1	31,465	32,131	31,032
Investments accounted for using the equity method	D1-2	327	487	548
Other	C1-11	231	283	453
Total non-current assets		2,362,099	2,228,902	2,032,342
Total assets		2,606,267	2,462,740	2,244,050
LIABILITIES				
Current liabilities				
Payables	C3-1	61,495	57,930	52,208
Contract liabilities	C3-2	19,756	12,103	9,886
Lease liabilities	C2-1	2,456	2,805	2,405
Borrowings	C3-3	3,452	2,303	4,925
Employee benefit provisions	C3-4	37,033	35,957	34,986
Provisions	C3-5	16,554	24,021	21,223
Total current liabilities		140,746	135,119	125,633
Non-current liabilities				
Payables	C3-1	1,571	2,036	165
Contract liabilities	C3-2	4,262	6,309	816
Lease liabilities	C2-1	32,185	32,334	31,719
Borrowings	C3-3	81,810	58,657	61,255
Employee benefit provisions	C3-4	1,509	1,115	969
Provisions	C3-5	42,991	53,041	54,753
Total non-current liabilities		164,328	153,492	149,677
Total liabilities		305,074	288,611	275,310
Net assets		2,301,193	2,174,129	1,968,740
EQUITY				
Accumulated surplus		1,577,569	1,526,443	1,497,469
IPPE revaluation reserve	C4-1	722,750	646,690	471,271
Hedging reserve	C4-1	874	996	–
Council equity interest		2,301,193	2,174,129	1,968,740
Total equity		2,301,193	2,174,129	1,968,740

(*) Refer G3-1. The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Newcastle City Council

Statement of Changes in Equity

for the year ended 30 June 2024

	Notes	2024				2023			
		Accumulated surplus	IPPE revaluation reserve	Hedging reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Hedging reserve	Total equity
		\$ '000	\$ '000	\$ '000	\$ '000	Restated \$ '000	Restated \$ '000	\$ '000	Restated \$ '000
Opening balance at 1 July		1,526,443	646,690	996	2,174,129	1,497,469	413,873	–	1,911,342
Correction of prior period errors	G3-1	–	–	–	–	–	57,398	–	57,398
Restated opening balance		1,526,443	646,690	996	2,174,129	1,497,469	471,271	–	1,968,740
Net operating result for the year		50,578	–	–	50,578	28,074	–	–	28,074
Correction of prior period errors	G3-1	–	–	–	–	235	–	–	235
Restated net operating result for the year		50,578	–	–	50,578	28,309	–	–	28,309
Other comprehensive income									
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	76,559	–	76,559	–	152,517	–	152,517
Correction of prior period errors	G3-1	–	–	–	–	–	23,021	–	23,021
Impairment reversal (loss) on infrastructure, property, plant and equipment	B3-4,C1-8	–	49	–	49	–	546	–	546
Gain (loss) on hedging instruments	C1-2	–	–	(122)	(122)	–	–	996	996
Restated other comprehensive income		–	76,608	(122)	76,486	–	176,084	996	177,080
Total comprehensive income		50,578	76,608	(122)	127,064	28,309	176,084	996	205,389
Transfers between equity items on disposals of assets		548	(548)	–	–	665	(665)	–	–
Closing balance at 30 June		1,577,569	722,750	874	2,301,193	1,526,443	646,690	996	2,174,129

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 2024

Original unaudited budget 2024 \$ '000		Notes	Actual 2024 \$ '000	Actual 2023 \$ '000
Cash flows from operating activities				
<i>Receipts:</i>				
219,098	Rates and annual charges		218,372	208,323
116,678	User charges and fees		119,685	121,748
9,278	Interest received		15,119	10,487
59,849	Grants and contributions		63,655	57,252
59	Bonds, deposits and retentions received		189	282
15,472	Other		29,962	28,097
<i>Payments:</i>				
(131,648)	Payments to employees		(134,245)	(124,563)
(127,232)	Payments for materials and services		(131,969)	(135,865)
(4,039)	Borrowing costs		(5,455)	(5,148)
(52,146)	Bonds, deposits and retentions refunded		(106)	(508)
–	Other		(75,590)	(32,437)
105,369	Net cash flows from operating activities	G1-1	99,617	127,668
Cash flows from investing activities				
<i>Receipts:</i>				
127,923	Sale of investments		14,253	33,013
–	Redemption of term deposits		276,779	201,558
1,729	Proceeds from sale of IPPE		1,764	3,353
<i>Payments:</i>				
(126,148)	Purchase of investments		(24,733)	(42,073)
–	Acquisition of term deposits		(267,862)	(228,483)
(98,050)	Payments for IPPE		(113,924)	(86,423)
–	Purchase of intangible assets		(31)	(117)
(94,546)	Net cash flows from investing activities		(113,754)	(119,172)
Cash flows from financing activities				
<i>Receipts:</i>				
–	Proceeds from borrowings		27,100	10,100
<i>Payments:</i>				
(5,162)	Repayment of borrowings		(2,798)	(15,320)
(3,052)	Principal component of lease payments		(3,058)	(4,304)
(8,214)	Net cash flows from financing activities		21,244	(9,524)
2,609	Net change in cash and cash equivalents		7,107	(1,028)
28,801	Cash and cash equivalents at beginning of year		74,325	75,353
31,410	Cash and cash equivalents at end of year	C1-1	81,432	74,325
330,633	plus: Investments on hand (excluding derivatives) at end of year	C1-2	333,450	327,893
362,043	Total cash, cash equivalents and investments (excluding derivatives)		414,882	402,218

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

Newcastle City Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 29 October 2024. 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 are 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* (Act) and *Local Government (General) Regulation 2021 and Amended Regulation 2022* (Regulation), 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 C1-9
- Fair values of infrastructure, property, plant and equipment – refer Note C1-8
- 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.

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 these reports.

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

A1-1 Basis of preparation (continued)

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. Volunteer activity takes place through not-for-profit organisations to benefit the Newcastle community, for no payment to the volunteer and in designated volunteer positions only. Council maintains a register of volunteer hours and can reliably measure the value of the volunteer services to Council.

Volunteer services received include:

- 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

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2024 reporting period.

Council has elected not to apply any of these pronouncements in these financial statements before their operative dates.

Council's assessment of these new standards and interpretations are set out below:

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

This Standard amends 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.

Council has assessed the expected impact of the standard when it becomes operative. The additional guidance provided by AASB 2022-10 is expected to expand Council's interpretation of the cost types to include in replacement cost when applying the revaluation model after initial recognition.

The standard applies prospectively from the reporting period ended 30 June 2025, with earlier application not permitted.

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**

AASB 2020-1 amends 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 amends 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.

As at the date of authorisation of these financial statements, Council does not consider that these standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

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

A1-1 Basis of preparation (continued)

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 2024. None of these standards had a significant impact on reported position or performance.

The following new standard is effective for the first time at 30 June 2024:

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

The most significant change introduced by this standard is to remove the requirement to disclose significant accounting policies and instead require disclosure of material accounting policy information.

“Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.”

In applying the new requirements, Council has after taking into account the various specific facts and circumstances applied professional judgement to ensure it discloses only material accounting policies as opposed to significant accounting policies throughout these financial statements.

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	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	\$ '000	\$ '000	\$ '000	Restated \$ '000	\$ '000	Restated \$ '000	\$ '000	\$ '000	\$ '000	Restated \$ '000
Functions or activities										
Liveable	47,723	54,932	97,059	104,655	(49,336)	(49,723)	21,551	29,794	932,857	950,477
Sustainable	105,438	95,758	124,623	128,977	(19,185)	(33,219)	4,374	2,202	343,193	337,357
Creative	61,743	41,765	79,003	61,615	(17,260)	(19,850)	19,539	6,154	582,404	476,494
Achieving Together	224,287	212,106	87,928	81,005	136,359	131,101	21,628	18,817	747,813	698,412
Total functions and activities	439,191	404,561	388,613	376,252	50,578	28,309	67,092	56,967	2,606,267	2,462,740

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

	2024 \$ '000	2023 \$ '000
Ordinary rates		
Residential	115,583	110,952
Farmland	21	23
Business	64,559	62,235
Less: pensioner rebates (mandatory)	(1,777)	(1,841)
Rates levied to ratepayers	178,386	171,369
Pensioner rate subsidies received	977	1,014
Total ordinary rates	179,363	172,383
Special rates		
Town improvement	83	81
Main street	1,331	1,286
Rates levied to ratepayers	1,414	1,367
Total special rates	1,414	1,367
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	34,493	31,053
Stormwater management services	2,417	2,396
Waste management services (non-domestic)	1,488	1,355
Section 611 charges	203	223
Less: pensioner rebates (mandatory)	(564)	(543)
Annual charges levied	38,037	34,484
Pensioner annual charges subsidies received:		
– Domestic waste management	310	299
Total annual charges	38,347	34,783
Total rates and annual charges	219,124	208,533

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

	2024 \$ '000	2023 \$ '000
User charges		
Domestic waste management services	1,927	1,816
Waste management services (non-domestic)	3,299	2,908
Total user charges	5,226	4,724
Fees		
Animal Enforcement	350	144
Art Gallery	3	2
Building and Planning Regulation	5,498	4,705
Cemeteries	204	170
Child Care	1,406	1,265
Community and Recreation Usage	1,753	1,658
Compliance Fees	334	268
Fort Scratchley Tours	94	75
Health Inspections	524	520
Libraries	124	89
Live Performance and Ticketing	5,719	4,284
Merchant Service Fee	146	135
Museum	205	382
Newcastle Airport	18,032	15,932
Newcastle Venues	2,306	2,334
Ocean Baths/Inland Pools	-	115
Parking Fees	7,956	7,434
RMS Charges	3,357	5,075
Road Restorations	415	555
Section 10.7 Certificates (EP&A Act)	499	500
Section 603 Certificates	363	315
Stockton Caravan Park	3,136	2,919
Tipping Fees/Resource Recovery	54,667	50,069
Tourism and Events	198	116
Other	405	517
Total fees	107,694	99,578
Total user charges and fees	112,920	104,302
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	7,272	6,542
User charges and fees recognised at a point in time	105,648	97,760
Total user charges and fees	112,920	104,302

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.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than over the term of the licence.

B2-3 Other revenue

	2024 \$ '000	2023 \$ '000
Fines – parking	5,389	3,883
Fines – other	870	284
Insurance claims recoveries	945	3,323
Commissions and agency fees	230	205
Sales of inventories	2,098	1,917
Diesel rebate	249	190
Legal fees recovery – rates and charges (extra charges)	225	308
Joint library scheme recoveries	388	429
Investment recoupment	–	1,230
Sponsorships	89	123
Summerhill waste management – electricity generation	970	900
Volunteer services	205	249
Newcastle Airport	146	112
Energy Savings Certificates	28	182
Waste Education	90	–
Other	144	229
Total other revenue	12,066	13,564

Timing of revenue recognition for other revenue

Other revenue recognised over time	388	429
Other revenue recognised at a point in time	11,678	13,135
Total other revenue	12,066	13,564

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 non-contractual 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 2024 \$ '000	Operating 2023 \$ '000	Capital 2024 \$ '000	Capital 2023 \$ '000
General purpose grants and non-developer contributions (untied)				
Financial Assistance Grant ¹				
- Relating to current year	582	3,007	-	-
- Prepayment received in advance for subsequent year	12,673	14,337	-	-
Amount recognised as income during current year	13,255	17,344	-	-
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Child care	170	91	-	-
Community facilities	2	9	-	-
Community services	12	250	296	-
Economic development	10	3	-	-
Employees corporate fitness / entitlements	204	192	-	-
Health, safety and emergency response	250	1,444	-	-
LIRS subsidy	3	44	-	-
Newcastle Airport	-	-	16,737	1,133
Other	653	1,142	3,292	729
Recovery of amounts for non-performance of bonded works	-	-	554	100
Recreation and culture	1,382	1,403	12,141	5,785
Roads and drainage	1,554	1,522	170	-
Street lighting	629	616	-	-
Transport (other roads and bridges funding)	92	101	-	-
Transport for NSW contributions (regional roads, block grant)	2,315	12,269	631	2,393
Waste	-	239	-	-
Total special purpose grants and non-developer contributions – cash	7,276	19,325	33,821	10,140
Non-cash contributions				
Art Gallery	-	-	436	196
Community land	-	-	63	-
Library	-	-	12	-
Museum	-	-	27	52
Roads and drainage	-	-	709	3,701
Other	-	-	273	80
Operational land	-	-	192	111
Total other contributions – non-cash	-	-	1,712	4,140
Total special purpose grants and non-developer contributions (tied)	7,276	19,325	35,533	14,280
Total grants and non-developer contributions	20,531	36,669	35,533	14,280
Comprising:				
- Commonwealth funding	14,586	19,765	16,737	1,133
- State funding	5,424	15,671	10,465	8,178
- Other funding	521	1,233	8,331	4,969
	20,531	36,669	35,533	14,280

(1) \$12.7M of the 2024–2025 Financial Assistance Grant from Commonwealth Government was received by NSW Council in June 2024 and hence is reported as 2023–2024 income although it relates to 2024–2025 financial year.

The prior year comparatives report \$14.3M of the Financial Assistance Grant received in advance and reported as 2022–2023 income although relating to the 2023–2024 financial year.

B2-4 Grants and contributions (continued)

Developer contributions

	Operating 2024 \$ '000	Operating 2023 \$ '000	Capital 2024 \$ '000	Capital 2023 \$ '000
Notes				
Developer contributions: (s7.4, s7.11 and s7.12 - EP&A Act, s64 of the LGA):				
G4				
Cash contributions				
S7.11 – Contributions towards amenities/services	182	58	7,439	2,630
S7.12 – Fixed development consent levies	–	–	3,405	3,106
Total developer contributions – cash	182	58	10,844	5,736
Non-cash contributions				
S7.4 – Planning Agreements	–	–	2	224
Total developer contributions – non-cash	–	–	2	224
Total developer contributions	182	58	10,846	5,960
Total contributions	182	58	10,846	5,960
Total grants and contributions	20,713	36,727	46,379	20,240
Timing of revenue recognition for grants and contributions				
Grants and contributions recognised over time	–	239	26,073	8,261
Grants and contributions recognised at a point in time	20,713	36,488	20,306	11,979
Total grants and contributions	20,713	36,727	46,379	20,240

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 2024 \$ '000	Operating 2023 \$ '000	Capital 2024 \$ '000	Capital 2023 \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	8,444	1,832	32,200	23,995
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	735	6,816	12,137	6,718
Add: Funds received and not recognised as revenue in the current year	510	490	5,167	7,806
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(7,268)	(455)	(7,821)	(6,016)
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	(239)	(1,830)	(303)
Unspent funds at 30 June	2,421	8,444	39,853	32,200

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

	2024 \$ '000	2023 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	482	255
– Cash and investments	14,572	10,288
Dividend income from investments at fair value through profit or loss	1,184	1,018
Amortisation of discounts and premiums on financial instrument transactions		
– Debt securities at amortised cost / held to maturity investments	40	30
Total interest and investment income	16,278	11,591

B2-6 Other income

	Notes	2024 \$ '000	2023 \$ '000
Fair value increment on investment properties	C1-9	1,000	–
Rental income	C2-2	6,738	5,826
Fair value increment on investments	C1-2	3,973	3,778
Total other income		11,711	9,604

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2024 \$ '000	2023 \$ '000
Salaries and wages	105,357	97,052
Employee termination costs	1,175	1,395
Employee leave entitlements (ELE)	19,133	17,419
Superannuation	13,674	12,091
Workers' compensation insurance	4,333	4,075
Fringe benefit tax (FBT)	347	363
Other	3	5
Total employee costs	144,022	132,400
Less: capitalised costs	(7,245)	(5,950)
Total employee costs expensed	136,777	126,450

Material accounting policy information

Council participates in a defined benefit plan under the Local Government Superannuation Scheme (Active Super). Sufficient information is not available to account for the plan as a defined benefit plan 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	2024 \$ '000	2023 \$ '000
Raw materials and consumables		27,222	28,600
Contractor costs		53,714	55,492
Audit Fees	F2-1	454	363
Bank charges		804	714
Councillor and Mayoral fees and associated expenses	F1-2	707	745
Election expenses		5	–
Insurance		4,557	4,063
Street lighting		2,450	2,109
Telephone and communications		977	921
Cost of sales		1,400	1,441
Training and travel		1,488	970
Electricity		1,993	1,471
Newcastle Airport		5,213	4,624
S355 local committee working expenses		186	203
Water		1,388	1,381
Volunteer services		205	249
Rehabilitation and restoration expenses		825	12,684
Legal expenses		1,546	1,141
Expenses from short-term leases		456	508
Expenses from leases of low value assets		19	16
Variable lease expense relating to usage		4,637	3,885
Other		2,239	1,913
Total materials and services		112,485	123,493

B3-3 Borrowing costs

	Notes	2024 \$ '000	2023 \$ '000
(i) Interest bearing liability costs			
Interest on leases		1,025	1,019
Interest on loans		1,883	2,101
Interest on loans - Newcastle Airport		2,907	1,830
Total interest bearing liability costs		5,815	4,950
Less: capitalised costs		(818)	(217)
Total interest bearing liability costs expensed		4,997	4,733
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	437	310
Other borrowing costs		21	105
Total other borrowing costs		458	415
Total borrowing costs expensed		5,455	5,148

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

		2024	2023
	Notes	\$ '000	Restated \$ '000
Depreciation and amortisation			
Property, plant and equipment	C1-8	8,426	8,382
Infrastructure	C1-8	50,407	45,566
Newcastle Airport *	C1-8	3,455	2,784
Other assets	C1-8	1,759	2,042
Right of use assets	C2-1	3,226	4,220
Intangibles - software	C1-10	550	1,292
Intangibles - Newcastle Airport	C1-10	119	125
Less: capitalised depreciation		(224)	(208)
Total depreciation and amortisation costs		67,718	64,203
Impairment (reversals) / revaluation decrement of IPPE			
Capital WIP		-	375
Operational land		-	(153)
Crown land		-	(618)
Infrastructure		(151)	225
Amounts taken through revaluation reserve		49	546
Total IPP&E impairment / revaluation decrement costs		(102)	375
Total depreciation, amortisation and impairment for intangibles and IPPE		67,616	64,578

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 G3-1

B3-5 Other expenses

	Notes	2024 \$ '000	2023 \$ '000
Impairment of receivables	C1-4	639	235
Fair value decrement on investment properties	C1-9	–	254
Net share of interests in joint ventures and associates using the equity method	D1-2	160	61
Donations, contributions and assistance to other organisations (Section 356)		3,533	1,832
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		5,096	4,111
– NSW government waste levy		41,994	38,518
– Other levies		2,453	2,494
Total other expenses		53,875	47,505

B4 Gains or losses

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

	Notes	2024 \$ '000	2023 \$ '000
Gain (or loss) on disposal of infrastructure, property, plant and equipment			
Proceeds from disposal – infrastructure, property, plant and equipment	C1-8	531	1,213
Less: carrying amount of infrastructure, property, plant and equipment sold/written off		(12,809)	(10,486)
Gain (or loss) on disposal		(12,278)	(9,273)
Gain (or loss) on disposal of non-current assets held for sale			
Proceeds from disposal – non-current assets held for sale	C1-7	1,233	2,140
Less: carrying amount of non-current assets held for sale sold/written off		(1,233)	(1,945)
Gain (or loss) on disposal		–	195
Intangible assets			
Proceeds from disposal – Intangible assets	C1-10	–	–
Less: carrying amount of Intangible assets sold/written off		(127)	–
Gain (or loss) on disposal		(127)	–
Net gain (or loss) from disposal of assets		(12,405)	(9,078)

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 23 May 2023 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 Act 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	2024 Budget	2024 Actual	2024 ----- Variance -----	
Revenues				
Other revenues	9,341	12,066	2,725	29% F
Favourable result is largely driven by the recovery from insurance claims as well as increased returns from food and beverage sales related to the Civic Theatre and an increase in revenue from compliance activities.				
Grants and contributions provided for capital purposes	38,626	46,379	7,753	20% F
Favourable result is largely driven by an increase in the grants recognised from Council's share of the Newcastle Airport, reduced by a lower value in non-cash contributions of community land, roads and drainage.				
Interest and investment income	9,315	16,278	6,963	75% F
Favourable result is related to better than forecast investment conditions and the increasing interest rate environment.				
Other income	7,089	11,711	4,622	65% F
Favourable variance is driven by a favourable increment in the value of Council's investments compared to budget and an increase in rental income from Council's share of Newcastle Airport.				

B5-1 Material budget variations (continued)

\$ '000	2024 Budget	2024 Actual	2024 ----- Variance -----	
Expenses				
Borrowing costs	4,039	5,455	(1,416)	(35)% U
Unfavourable variance is related to increased costs from Council's share of the Newcastle Airport and unbudgeted costs related to unwinding the discount for remediation provisions for a former landfill site.				
Net loss from the disposal of assets	7,002	12,405	(5,403)	(77)% U
Unfavourable variance is related to increased costs from Council's share of the Newcastle Airport as well as the write-off of existing assets due to renewal work completed on large, long-life infrastructure within the city.				
Statement of cash flows				
Cash flows from investing activities	(94,546)	(113,754)	(19,208)	20% U
Unfavourable variance due to an increase in payments for IPPE compared to Council's long-term financial plan.				
Cash flows from financing activities	(8,214)	21,244	29,458	(359)% F
Favourable variance is related to an increase in drawdown of borrowings compared to Council's long-term financial plan.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2024 \$ '000	2023 \$ '000
Cash assets		
Cash at bank and on hand	51,340	37,236
Deposits at call	30,092	37,089
Total cash and cash equivalents	81,432	74,325

C1-2 Financial investments and derivatives

	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
Financial assets at fair value through profit and loss				
Managed funds	–	53,671	–	48,514
Total	–	53,671	–	48,514
Debt securities at amortised cost				
Term deposits – fixed rate	75,806	19,000	61,805	26,000
Term deposits – floating rate	–	–	10,000	–
Floating rate notes	2,100	107,487	38,502	67,947
Bonds	32,755	42,631	12,851	62,274
Total	110,661	169,118	123,158	156,221
Derivatives - Newcastle Airport				
Interest rate swap contract - cash flow hedge	–	893	–	996
Total	–	893	–	996
Total financial investments	110,661	223,682	123,158	205,731
Total cash assets, cash equivalents and investments	192,093	223,682	197,483	205,731

C1-2 Financial investments and derivatives (continued)

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 2024, inclusive of forward start date Interest Rate Swap agreements, 112% of the external drawn borrowings of Newcastle Airport Partnership were hedged through Interest Rate Swaps (30 June 2023: 87%), as follows:

\$ '000	2024	2023
Hedge relationship	Cash flow hedge	Cash flow hedge
Instrument type	AUD IRS	AUD IRS
Notional amount	55,000	30,000
Weighted average hedged rate	3.80%	3.518%
Hedge ratio	1:1	1:1
At reporting date		
Carrying amount of hedging instruments – Assets	893	996
Carrying amount of hedging instruments – Liabilities	-	-
Balances deferred in OCI (Hedge Reserves)	(874)	(996)
During the period		
Change in fair value of hedging instruments	(103)	996
Change in value of hedged item used to determine hedge effectiveness	116	(1,106)
Changes in the value of the hedging instrument recognised in OCI	122	996
Hedge ineffectiveness recognised in profit or loss	(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 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.

C1-2 Financial investments and derivatives (continued)

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.

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

	2024 \$ '000	2023 \$ '000
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	415,775	403,214
Less: Externally restricted cash, cash equivalents and investments	(67,250)	(61,630)
Cash, cash equivalents and investments not subject to external restrictions	348,525	341,584
External restrictions		
External restrictions included in cash, cash equivalents and investments above comprise:		
Security bonds, deposits and retentions	1,495	1,412
Specific purpose unexpended grants – general fund	13,943	10,097
Deferred Salary Scheme	310	418
Developer contributions – general	26,846	22,506
Specific purpose unexpended grants (recognised as revenue) – general fund	1,164	7,697
Domestic waste management	16,488	11,611
Bequests and donations	1,609	1,542
Special Benefit Rates	1,029	1,254
Rawson Crown Land Reserve	2,451	3,376
Childcare sinking Fund	1,040	806
Building Better Cities	301	324
Contributions to specific works	320	344
Community Facilities Fund	254	243
Total external restrictions	67,250	61,630

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)

	2024 \$ '000	2023 \$ '000
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	348,525	341,584
Less: Internally restricted cash, cash equivalents and investments	(319,091)	(315,072)
Unrestricted and unallocated cash, cash equivalents and investments	29,434	26,512
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Employees leave entitlements	14,235	13,451
Works program - New and upgrade	31,287	14,722
Works program - Infrastructure Agreed level of service	173,478	173,478
Works program - Specific projects	21,741	19,614
Newcastle Airport	15,589	9,717
Inland Pools Reserve Fund	1,000	-
Workers compensation: Self insurance	10,931	10,001
Local committees and childcare	675	628
Superannuation - Defined benefits	330	655
Unexpended loans	3,042	-
Waste Management - Remediation provision	43,979	61,972
Works carried forward	2,804	10,834
Total internal allocations	319,091	315,072

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

	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
Rates and annual charges	7,719	330	6,518	436
Interest and extra charges ¹	529	95	363	125
User charges and fees	16,205	–	13,266	–
Accrued revenues				
– Interest on financial investments and derivatives	3,111	–	2,128	–
Government grants and subsidies	2,223	–	694	–
Net GST receivable	2,959	–	3,323	–
Infringements - Revenue NSW	2,293	1,165	1,642	854
Total	35,039	1,590	27,934	1,415
Less: provision for impairment				
User charges and fees	(222)	–	(66)	–
Infringements - Revenue NSW	(144)	(106)	(131)	(104)
Total provision for impairment – receivables	(366)	(106)	(197)	(104)
Total net receivables	34,673	1,484	27,737	1,311

(1) Interest was charged on overdue rates and charges at 9.00% (2023: 6.00%). 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

	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
Inventories at cost				
Stores and materials	1,374	-	1,404	-
Total inventories	1,374	-	1,404	-

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

	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
Work relating to infrastructure grants	7,393	-	2,735	-
Total contract assets	7,393	-	2,735	-

C1-7 Non-current assets classified as held for sale

	2024 \$ '000	2023 \$ '000
Non-current assets held for sale		
Buildings	-	1,233
Total non-current assets held for sale	-	1,233
Total non-current assets classified as held for sale	-	1,233

Details of assets and disposal groups

Settlement occurred during the financial year for the buildings previously classified as held for sale.

C1-8 Infrastructure, property, plant and equipment

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									
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	827,087	(450,799)	376,288	9,574	1,445	(3,295)	(16,599)	5,360	19,310	877,332	(485,249)	392,083
– Bridges	66,016	(35,471)	30,545	–	1	–	(742)	733	1,600	70,065	(37,928)	32,137
– Footpaths	223,747	(115,104)	108,643	767	963	(261)	(4,941)	2,204	5,587	238,937	(125,975)	112,962
– Bulk earthworks (non-depreciable)	227,909	–	227,909	–	–	–	–	–	11,019	238,928	–	238,928
– Stormwater drainage	325,562	(186,237)	139,325	1,748	700	(550)	(3,670)	4,731	4,417	340,223	(193,522)	146,701
– 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	3,293,714	(1,323,471)	1,970,243	43,320	72,542	(12,809)	(63,945)	(75)	76,608	3,510,717	(1,424,833)	2,085,884

(*) Comparatives have been changed to reflect prior period adjustments. Refer Note G3-1

C1-8 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period						At 30 June 2023		
	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	46,679	(1,558)	45,121	17,963	17,697	(243)	(375)	(17,196)	–	64,038	(1,071)	62,967
Plant and equipment	54,362	(35,387)	18,975	3,885	1,453	(1,262)	(6,043)	1,652	–	55,424	(36,764)	18,660
Office equipment	5,731	(2,901)	2,830	–	1,348	(204)	(1,091)	–	–	6,583	(3,700)	2,883
Furniture and fittings	20,498	(3,533)	16,965	37	189	(31)	(974)	172	–	20,845	(4,487)	16,358
Land:												
– Operational	145,834	(153)	145,681	–	111	–	–	(696)	19,049	164,145	–	164,145
– Community	79,492	–	79,492	–	–	–	–	(2,207)	11,042	88,327	–	88,327
– Crown	34,521	(618)	33,903	–	–	–	–	–	7,765	41,668	–	41,668
– Under roads (post 30/6/08)	10,132	–	10,132	–	80	–	–	–	4,753	14,965	–	14,965
– Depreciable land improvements	6,074	(2,176)	3,898	–	275	–	(274)	–	571	7,278	(2,808)	4,470
Infrastructure:												
– Buildings	414,609	(217,295)	197,314	314	696	(426)	(10,045)	(630)	37,707	436,106	(211,176)	224,930
– Other structures	175,246	(101,145)	74,101	2,025	4,322	(891)	(7,424)	5,768	9,095	209,996	(123,000)	86,996
– Roads	777,222	(416,695)	360,527	9,518	1,555	(4,168)	(15,800)	4,292	20,364	827,087	(450,799)	376,288
– Bridges	55,568	(30,361)	25,207	1,416	–	(247)	(616)	142	4,643	66,016	(35,471)	30,545
– Footpaths	208,457	(104,466)	103,991	251	2,135	(285)	(4,589)	1,264	5,876	223,747	(115,104)	108,643
– Bulk earthworks (non-depreciable)	215,826	–	215,826	–	7	(232)	–	–	12,308	227,909	–	227,909
– Stormwater drainage	309,744	(176,549)	133,195	846	2,544	(1,867)	(3,429)	1,499	6,537	325,562	(186,237)	139,325
– Swimming pools	35,206	(20,389)	14,817	–	–	–	(421)	–	2,106	40,357	(23,855)	16,502
– Other open space/recreational assets	34,948	(15,165)	19,783	1,561	1,619	(455)	(1,440)	1,417	2,643	43,224	(18,096)	25,128
– Other infrastructure	114,093	(56,929)	57,164	175	759	(45)	(1,802)	387	7,658	131,462	(67,166)	64,296
Other assets:												
– Heritage collections	81,837	–	81,837	–	248	–	–	–	–	82,085	–	82,085
– Library books	14,668	(7,004)	7,664	–	378	(57)	(442)	–	946	16,242	(7,753)	8,489
– Other	20	(20)	–	–	–	–	–	–	–	20	(20)	–
Waste management asset	28,179	(15,615)	12,564	–	(1,352)	–	(1,600)	–	–	26,828	(17,216)	9,612
Newcastle Airport *	131,814	(15,741)	116,073	–	19,060	(73)	(2,784)	(245)	23,021	173,800	(18,748)	155,052
Total infrastructure, property, plant and equipment	3,000,760	(1,223,700)	1,777,060	37,991	53,124	(10,486)	(59,149)	(4,381)	176,084	3,293,714	(1,323,471)	1,970,243

(*) Comparatives have been changed to reflect prior period adjustments. Refer Note G3-1

C1-8 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 cost, net of their residual values, over their estimated 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 50	Unsealed roads: surface	28
Buildings ¹	20 to 100	Bridge: substructure, superstructure	67 to 89
Other structures ²	3 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	2 to 150

¹ 100 year life is only applicable to the building shell on four culturally significant 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.

Land under roads

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.

C1-9 Investment properties

Owned investment property

	2024 \$ '000	2023 \$ '000
At fair value		
Opening balance at 1 July	16,060	14,990
Net gain/(loss) from fair value adjustments	1,000	(254)
Transfers from owner-occupied property	–	1,324
Closing balance at 30 June	17,060	16,060

Material accounting policy information

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

C1-10 Intangible assets

	2024 \$ '000	2023 \$ '000
Software		
Opening values at 1 July		
Gross book value	9,105	9,967
Accumulated amortisation	(8,036)	(7,603)
Net book value – opening balance	1,069	2,364
Movements for the year		
Purchases	31	–
Gross book value written off	(696)	(862)
Accumulated amortisation charges written off	568	859
Amortisation charges	(550)	(1,292)
Transfers	75	–
Closing values at 30 June		
Gross book value	8,515	9,105
Accumulated amortisation	(8,018)	(8,036)
Total software – net book value	497	1,069
Newcastle Airport		
Opening values at 1 July		
Gross book value	2,134	1,889
Accumulated amortisation	(547)	(422)
Net book value – opening balance	1,587	1,467
Movements for the year		
Amortisation charges	(119)	(125)
Transfers	–	245
Closing values at 30 June		
Gross book value	2,134	2,134
Accumulated amortisation	(665)	(547)
Total Newcastle Airport – net book value	1,469	1,587
Total intangible assets – net book value	1,966	2,656

Material accounting policy information

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

C1-11 Other

Other assets

	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
Prepayments	8,623	231	3,234	283
Security Deposits	12	–	12	–
Total other assets	8,635	231	3,246	283

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.

Waste

The lease for recycling services expired October 2023. A new lease commenced in October 2023 containing variable payments based on usage. This has been classified as variable lease expense disclosed in C2-1 (c)

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 2024 reflect the minimum value of future lease payments for the fixed component of the future lease payments 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 \$15.5M in potential future lease payments which are not included in 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
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
2023					
Opening balance at 1 July	88	30,163	449	332	31,032
Additions to right-of-use assets	1,622	–	2,555	–	4,177
Adjustments to right-of-use assets due to re-measurement of lease liability	–	1,124	–	18	1,142
Depreciation charge	(223)	(1,840)	(2,153)	(4)	(4,220)
Balance at 30 June	1,487	29,447	851	346	32,131
		2024	2024	2023	2023
		Current	Non-current	Current	Non-current
		\$ '000	\$ '000	\$ '000	\$ '000
Total lease liabilities		2,456	32,185	2,805	32,334

(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
2024					
Cash flows	3,393	17,246	21,418	42,057	34,641
2023					
Cash flows	3,750	13,752	25,673	43,175	35,139

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:

	2024 \$ '000	2023 \$ '000
Interest on lease liabilities	1,025	1,019
Variable lease payments based on usage not included in the measurement of lease liabilities	4,637	3,885
Income from sub-leasing right of use assets	(421)	(440)
Depreciation of right of use assets	3,226	4,220
Expenses relating to short-term leases	456	508
Expenses relating to leases of low-value assets	19	16
	8,942	9,208

(d) Statement of Cash Flows

Total cash outflow for leases	3,683	5,542
	3,683	5,542

(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 C1-9)
- property, plant and equipment – where the rental is incidental, or the asset is held to meet Council's service delivery objective (refer note C1-8).

	2024	2023
	\$ '000	\$ '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)	1,039	839
Direct operating expenses that generated rental income	(84)	–
Direct operating expenses that did not generate rental income	(186)	–
Total income relating to operating leases for investment property assets	769	839

(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 C1-8.

Lease income (excluding variable lease payments not dependent on an index or rate)	5,699	4,987
Total income relating to operating leases for Council assets	5,699	4,987

Amount of IPPE leased out by Council under operating leases

Buildings	60,507	58,381
Plant and Equipment	341	611
Newcastle Airport	1,526	2,018
Total amount of IPPE leased out by Council under operating leases	62,374	61,010

C2-2 Council as a lessor (continued)

	2024 \$ '000	2023 \$ '000
(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:		
< 1 year	3,297	3,488
1–2 years	3,014	3,040
2–3 years	2,440	2,861
3–4 years	2,319	2,131
4–5 years	2,118	2,012
> 5 years	33,242	29,656
Total undiscounted lease payments to be received	46,430	43,188

C3 Liabilities of Council

C3-1 Payables

	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
Goods and services	45,341	–	44,974	–
Accrued expenses:				
– Salaries and wages	4,700	–	3,539	–
– Other expenditure accruals	260	–	305	–
Security bonds, deposits and retentions	1,495	–	1,412	–
Government departments and agencies	371	–	390	–
Prepaid rates	3,343	–	3,007	–
Newcastle Airport accrued expenses	5,985	1,571	4,303	2,036
Total payables	61,495	1,571	57,930	2,036

	2024 \$ '000	2023 \$ '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

	Notes	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	9,016	3,927	3,583	6,024
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	1,000	–	490	–
Total grants received in advance		10,016	3,927	4,073	6,024
Other income received in advance:					
Funds received prior to performance obligations (AASB 15)	(ii)	2,660	–	3,351	–
Deposits received in advance of services provided	(iii)	7,080	335	4,679	285
Total other income received in advance		9,740	335	8,030	285
Total contract liabilities		19,756	4,262	12,103	6,309

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

	2024 \$ '000	2023 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	1,630	303
Operating grants (received prior to performance obligation being satisfied)	–	239
Other income received in advance:		
Funds received prior to performance obligations (AASB 15)	2,855	2,378
Deposits received in advance of services provided	4,513	4,879
Total revenue recognised that was included in the contract liability balance at the beginning of the period	8,998	7,799

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

	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
Loans – secured ¹	3,452	32,810	2,303	24,157
Loans – Newcastle Airport	–	49,000	–	34,500
Total borrowings	3,452	81,810	2,303	58,657

(1) Loans are secured over the general rating income of Council. Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1.

(a) Changes in liabilities arising from financing activities

	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 C2-1b)	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

	2022		Non-cash movements			2023
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	41,780	(15,320)	–	–	–	26,460
Loans - Newcastle Airport	24,400	10,100	–	–	–	34,500
Lease liability (Note C2-1b)	34,124	(4,304)	4,177	–	1,142	35,139
Total liabilities from financing activities	100,304	(9,524)	4,177	–	1,142	96,099

(b) Financing arrangements

	2024 \$ '000	2023 \$ '000
--	-----------------	-----------------

Total financing facilities available at reporting date:

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	36,262	26,459
– Loans - Newcastle Airport	117,500	117,500
Total financing arrangements	157,112	147,309

Drawn facilities at reporting date:

Financing facilities drawn down at the reporting date are:

– Credit cards/purchase cards	52	46
– Loans - secured	36,262	26,459
– Loans - Newcastle Airport	49,000	34,500
Total drawn financing arrangements	85,314	61,005

C3-3 Borrowings (continued)

	2024 \$ '000	2023 \$ '000
Undrawn facilities at reporting date:		
Undrawn financing facilities available to Council at the reporting date are:		
– Intraday facility	3,000	3,000
– Credit cards/purchase cards	298	304
– Loans - Newcastle Airport	68,500	83,000
Total undrawn financing arrangements	71,798	86,304

Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans.

C3-4 Employee benefit provisions

	2024 Current \$ '000	2024 Non-current \$ '000	2023 Current \$ '000	2023 Non-current \$ '000
Annual leave	12,135	–	11,132	–
Sick leave	4,549	–	4,780	–
Long service leave	19,914	1,509	19,551	1,115
Termination benefits	387	–	439	–
Other	48	–	55	–
Total employee benefit provisions	37,033	1,509	35,957	1,115

	2024 \$ '000	2023 \$ '000
Current employee benefit provisions not expected to be settled within the next 12 months	22,865	22,559

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

	2024 Current \$ '000	2024 Non-Current \$ '000	2023 Current \$ '000	2023 Non-Current \$ '000
Asset remediation	14,523	34,067	22,332	44,709
Self insurance – workers compensation	2,031	8,900	1,689	8,312
Other	–	24	–	20
Total provisions	16,554	42,991	24,021	53,041

Movements in provisions

	Self insurance \$ '000	Asset remediation \$ '000	Other \$ '000	Total \$ '000
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
2023				
At beginning of year	9,279	66,687	10	75,976
Changes to provision:				
– New provision	–	–	10	10
– Revised discount rate	91	(2,052)	–	(1,961)
– Revised costs	3,711	13,384	–	17,095
Unwinding of discount	–	310	–	310
Amounts used (payments)	(3,080)	(11,288)	–	(14,368)
Total provisions at end of year	10,001	67,041	20	77,062

Nature and purpose of provisions

Asset remediation

The provision for asset remediation represents the present value of the future estimated costs Council will incur to remove, restore and remediate sites as a result of past and/or current operations.

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 \$10.9M (Gross liability of \$13.2M combined with estimated future reinsurance recoveries of \$2.3M).

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

Infrastructure, property, plant and equipment 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

	Notes	Council's share of net assets	
		2024 \$ '000	2023 \$ '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	327	487
Associate - Newcastle Art Gallery Foundation		–	–
Total Council's share of net assets		327	487

D1-1 Interests in joint arrangements

Joint operations

Principal activity	Principal place of business	Percentage owned (%)		
		2024	2023	
(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

	Principal place of business	Nature of relationship	Percentage owned (%)	
			2024	2023
Arrow Collaborative Services Limited	Thornton, NSW	Associate	19%	19%
Newcastle Art Gallery Foundation	Newcastle, NSW	Associate	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 provided by Hunter councils and local government more broadly across NSW. The services provided focus on specialised planning and environmental law, and regional purchasing and procurement. 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.

The following information is provided for associates that are individually material to the group.

D1-2 Interests in associates (continued)

Summarised financial information for associates

	Arrow Collaborative Services Limited	
	2024 \$ '000	2023 \$ '000
Statement of financial position		
Current assets		
Cash and cash equivalents	1,413	2,808
Other current assets	1,772	1,997
Non-current assets	359	1,472
Current liabilities		
Payables	395	700
Other current liabilities	1,412	2,971
Non-current liabilities		
Other non-current liabilities	60	110
Net assets	1,677	2,496
Statement of income and other comprehensive income		
Income	9,195	9,411
Expenses	(10,014)	(9,725)
Profit/(loss) from continuing operations	(819)	(314)
Profit/(loss) for period	(819)	(314)
Total comprehensive income	(819)	(314)
Share of income – Council (%)	19%	19%
Profit/(loss) – Council (\$)	(160)	(61)
Total comprehensive income – Council (\$)	(160)	(61)
Reconciliation of carrying amount of interest in associate to summarised financial information for associates accounted for using the equity method		
Opening net assets (1 July)	2,496	2,810
Profit/(loss) for the period	(819)	(314)
Closing net assets	1,677	2,496
Council's share of net assets (%)	19%	19%
Council's share of net assets (\$) ^	327	487

(^) Council's share of net assets (\$) represent the quoted fair value of investment

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 2024 \$ '000	Carrying value 2023 \$ '000	Fair value 2024 \$ '000	Fair value 2023 \$ '000
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Financial assets

Measured at amortised cost

Investments

– Debt securities at amortised cost	279,779	279,379	279,413	277,206
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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

	2024	2023
	\$ '000	\$ '000
The impact on 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	2,996	2,654
Impact of a 10% movement in price of investments		
– Equity / Income Statement	5,367	4,851

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.

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	
2024				
Gross carrying amount	165	7,235	649	8,049
2023				
Gross carrying amount	109	6,230	615	6,954

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 2024 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		
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
2023						
Gross carrying amount	9,756	8,023	1,327	670	2,031	21,807
Expected loss rate (%)	0.00%	0.10%	3.34%	6.53%	10.09%	1.38%
ECL provision	–	8	44	44	205	301

(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:			Total cash outflows \$ '000	Actual carrying values \$ '000
			≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000		
2024							
Payables	0.00%	1,495	60,000	1,571	–	63,066	63,066
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	68,558	81,024	23,378	174,455	147,435
2023							
Payables	0.00%	1,412	56,518	1,700	336	59,966	59,966
Borrowings	5.77%	–	6,287	25,201	53,365	84,853	60,960
Derivatives - Interest rate swap contracts	3.52%	–	(291)	(726)	(54)	(1,071)	(996)
Total financial liabilities / (financial assets)		1,412	62,514	26,175	53,647	143,748	119,930

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

For the comparative period shown, Council measured the following asset class on a non-recurring basis:

- non-current assets classified as held for sale

(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:

\$ '000	Notes	Fair value measurement hierarchy				Total	
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		2024	2023
		2024	2023	2024	2023 Restated		
Recurring fair value measurements							
Financial investments and derivatives							
	C1-2						
At fair value through profit or loss		53,671	48,514	–	–	53,671	48,514
Derivatives - Newcastle Airport		893	996	–	–	893	996
Total financial investments and derivatives		54,564	49,510	–	–	54,564	49,510
Investment property							
	C1-9						
Commercial office and retail		17,060	16,060	–	–	17,060	16,060
Total investment property		17,060	16,060	–	–	17,060	16,060
Infrastructure, property, plant and equipment							
	C1-8						
Plant and equipment		–	–	17,351	18,660	17,351	18,660
Office equipment		–	–	2,256	2,883	2,256	2,883
Furniture and fittings		–	–	15,358	16,358	15,358	16,358
Operational land		–	–	161,765	164,145	161,765	164,145
Community land		–	–	91,507	88,327	91,507	88,327
Crown land		–	–	43,550	41,668	43,550	41,668
Land under roads		–	–	14,279	14,965	14,279	14,965
Depreciable land improvements		–	–	4,262	4,470	4,262	4,470
Buildings – non-specialised		–	–	–	2,669	–	2,669
Buildings – specialised		–	–	237,070	222,261	237,070	222,261
Other structures		–	–	85,022	86,996	85,022	86,996
Roads		–	–	392,083	376,288	392,083	376,288
Bridges		–	–	32,137	30,545	32,137	30,545
Footpaths		–	–	112,962	108,643	112,962	108,643
Bulk earthworks (non depreciable)		–	–	238,928	227,909	238,928	227,909
Stormwater drainage		–	–	146,701	139,325	146,701	139,325
Swimming pools		–	–	20,935	16,502	20,935	16,502

continued on next page ...

E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2024	2023	2024	2023 Restated	2024	2023
Other open space/rec assets		–	–	24,476	25,128	24,476	25,128
Other infrastructure		–	–	74,181	64,296	74,181	64,296
Heritage collections		–	–	84,749	82,085	84,749	82,085
Library books		–	–	8,516	8,489	8,516	8,489
Waste management asset		–	–	7,843	9,612	7,843	9,612
Newcastle Airport		–	–	189,635	155,052	189,635	155,052
Total infrastructure, property, plant and equipment		–	–	2,005,566	1,907,276	2,005,566	1,907,276
Non-recurring fair value measurements							
Non-current assets classified as held for sale	C1-7						
Land and buildings		–	–	–	1,233	–	1,233
Total Non-current assets classified as held for sale		–	–	–	1,233	–	1,233

(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

This asset class is comprised of funds invested into TCorp's Individually Managed Long Term Growth Fund, and Interest Rate Swaps (IRS) held by Newcastle Airport (NAP) of which Council holds 50% ownership.

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.

Valuation of IRS was 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

E2-1 Fair value measurement (continued)

30 June 2024, 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, Furniture & fittings and Other assets

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, refrigerators, cameras and photocopiers
- Other assets - musical instruments

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 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 carrying amount of assets is assessed against fair value for any material differences. This year, as at 30 June 2024, council performed a comprehensive revaluation by applying Valuer-General land values.

E2-1 Fair value measurement (continued)

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.

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.

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 Land Improvements - Depreciable occur at least every 5 years, the most recent performed internally at 30 June 2021. As at 30 June 2024, council performed a desktop valuation of Depreciable Land Improvements.

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 carrying amount of assets is assessed against fair value for any material differences. As at 30 June 2024, council performed a desktop valuation of Buildings - nonspecialised and specialised.

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

In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Engineering Equivalent Replacement Asset (MEERA) is adopted.

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

E2-1 Fair value measurement (continued)

In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Engineering Equivalent Replacement Asset (MEERA) is adopted. This asset class comprises Council's outdoor shelters, monuments, floodlighting systems, Summerhill waste disposal cells, fencing and other smaller structures.

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 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 2024, 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

In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Engineering Equivalent Replacement Asset (MEERA) is adopted.

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

The cost approach was utilised to value roads 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.

Full 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. The most recent comprehensive revaluation was performed at 30 June 2020 using the methodology outlined above. As at 30 June 2024, Council performed a desktop valuation of Road 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.

Bridges

In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Engineering Equivalent Replacement Asset (MEERA) is adopted.

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

The replacement cost for each bridge component has been supplied by Vasey Consulting based on unit rate calculations. 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. The most recent full revaluation was performed at 30 June 2020 using the methodology outlined above. As at 30 June 2024, council performed a desktop valuation of Bridges

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

Footpaths

In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Engineering Equivalent Replacement Asset (MEERA) is adopted. This asset class comprises the following road components – footpaths.

E2-1 Fair value measurement (continued)

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 carrying amount of assets is assessed against fair value for any material differences. The most recent full revaluation was performed internally as at 30 June 2020. As at 30 June 2024, council performed a desktop 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.

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

Bulk earthworks (non-depreciable)

In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Engineering Equivalent Replacement Asset (MEERA) is adopted.

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 carrying amount of assets is assessed against fair value for any material differences. The most recent full revaluation was performed internally as at 30 June 2020. As at 30 June 2024, Council performed a desktop 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.

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

Stormwater drainage

In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Engineering Equivalent Replacement Asset (MEERA) is adopted.

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 carrying amount of assets is assessed against fair value for any material differences. The most recent full revaluation was performed internally as at 30 June 2020. As at 30 June 2024, council performed a desktop 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.

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

Swimming pools

In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Engineering Equivalent Replacement Asset (MEERA) is adopted.

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 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 2024, council performed a desktop valuation of Swimming pools.

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.

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

Other open space/recreational assets

In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Engineering Equivalent Replacement Asset (MEERA) is adopted.

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.

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 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 2024, 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 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 2024, 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 engages independent valuers for the Art Gallery collection and Museum collections. These independent qualified valuers provided market valuations for the collections representing fair value at the end of a reporting period.

The most recent comprehensive revaluation of the Heritage collections was at 30 June 2020; with the valuation of the Art Gallery collection performed by Annette Larkin Fine Art and Daniel McOwan, while the valuation of the Museum collection was performed by Ravenswick.

Council performed its annual assessment as to whether the Heritage Collection was materially stated at fair value as at 30 June 2024. Council was able to conclude that the majority of the Collection was materially stated at fair value. The remaining items were assessed by Annette Larkin Fine Art and a revaluation made for the items not already materially held at 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.

E2-1 Fair value measurement (continued)

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 2024, council performed a desktop valuation of Library books.

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

An evaluation of costs for the landfill closure and post closure management was prepared by Summerhill's senior management during 2015. Council reviews and updates the cost model annually, which ensures the waste management asset reflects fair value at the end of each reporting period. 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 performed in the reporting period, and assets were revalued to fair value.

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.

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 is provided below:

	Total	
	2024 \$ '000	2023 \$ '000
Opening balance	1,908,509	1,747,295
Total gains or losses for the period		
Other movements		
Transfers from/(to) level 2 FV hierarchy	–	(14,990)
Transfers from/(to) WIP and other asset classes	28,013	15,627
Purchases (GBV)	69,458	55,455
Disposals (WDV)	(13,077)	(12,188)
Depreciation and impairment	(63,945)	(58,774)
Revaluation increment/(decrement)	76,608	176,084
Closing balance	2,005,566	1,908,509

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	<ul style="list-style-type: none"> • Current replacement cost of modern equivalent asset - Varies from asset to asset • Remaining useful life - 0 to 50 years
Operational land	Market approach	<ul style="list-style-type: none"> • Total value of land - Unit rates (\$ per sq metre) variable dependent on site
Community land & Crown land	Market approach	<ul style="list-style-type: none"> • Average unit rate based on VG valuations
Land under roads	Market approach, discounted average land value	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Market value - Varies significantly from asset to asset • Asset condition - Very poor to excellent
Buildings – Specialised	Cost approach	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Average unit rate - Unit rates (\$ per cubic metre)
Swimming pools, Other open space/ recreational assets	Cost approach	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Market Value - Varies significantly from asset to asset • Asset condition - Very poor to excellent
Library books	Cost approach Market approach	<ul style="list-style-type: none"> • 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
Waste management asset	Cost approach	<ul style="list-style-type: none"> • Discount rate - 4.077% • Cost escalation - 2.40%
Newcastle Airport	Cost approach - Infrastructure Market approach - Land	<ul style="list-style-type: none"> • Current replacement cost of modern equivalent asset - Varies significantly from asset to asset • Remaining useful life - 2 to 150 years • Asset condition - Very poor to excellent • 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

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme (Active Super), named The Local Government Superannuation Scheme – Pool B (the Fund) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for the 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% salaries
Division D	1.64 times member contributions

* For 180 point members, employers are required to contribute 8.5% of salaries for the year ending 30 June 2024 (increasing to 9.0% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, 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 2023. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

The adequacy of contributions is assessed at each triennial actuarial investigation, the next of which is due effective 30 June 2024, and monitored annually between triennials.

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 2024 was \$960,013. The last formal valuation of the Fund was undertaken by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2023.

E3-1 Contingencies (continued)

The amount of past service contributions included in the total employer contribution advised above is \$653,941. Council's expected contributions to the Fund (including past service contributions) for the next annual reporting period is \$633,214.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2024 is:

Defined Benefit reserves only*	\$millions	Asset Coverage
Assets	2,237.5	
Past Service Liabilities	2,141.9	104.5%
Vested Benefits	2,159.8	103.6%

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

The share of this funding position that is broadly attributed to Council is 3.30% as at 30 June 2024.

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 long term 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	3.5% for FY 23/24 2.5% per annum thereafter

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 Funds Actuary, the final end of year review will be completed by December 2024.

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 \$10.001 million to the State Insurance Regulatory Authority (SIRA). Subsequent to 30 June 2024, the security requirement has increased to \$10.931 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

Council has been named as the defendant in a number of proceedings by parties seeking compensation. Due to the considerable uncertainty in legal proceedings and the need to maintain legal professional privilege, the liability cannot be accurately determined at this time and as such has not been brought to account in the financial statements. While no determination can be made as to the outcome of any particular matter, Council considers that there are meritorious defences available in those matters currently the subject of litigation. Any liability, including any legal costs, which may arise, should not have a material adverse effect on the Council's consolidated financial position. Further, Council will investigate if these liabilities can be reimbursed through relevant insurance policies.

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:

	2024	2023
	\$ '000	\$ '000
Compensation:		
Short-term benefits	2,457	6,089
Post-employment benefits	206	544
Other long-term benefits	38	104
Termination benefits	104	497
Total ¹	2,805	7,234

(1) Council has limited the definition of KMP stated within its Related Party Disclosures Guideline to only include the CEO, Lord Mayor, Councillors and Executive Leadership Team (ELT) positions. This definition has been applied for the year ended 30 June 2024.

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
2024					
Employee expenses relating to close family members ¹	133	–	Enterprise Agreement 2023	–	–
Newcastle Art Gallery Foundation ²	5,849	4,051	Funding Deed	–	–
2023					
Employee expenses relating to close family members ¹	164	–	Enterprise Agreement 2019, Enterprise Agreement 2023	–	–
Newcastle Art Gallery Foundation ²	600	9,900	Funding Deed	–	–

A councillor is one of nine board members on the Board of Directors of Active Super formerly known as Local Government Super. Voting power based on the board composition at 30 June 2024 is 11%. City of Newcastle employees have the choice to nominate their preferred superannuation fund, of which Active Super is an available fund.

(1) Close family members of Council's KMP are employed by City of Newcastle under the current Enterprise Agreement on an arm's length basis. There were 3 close family members of KMP employed by Council during 2024 (2023: 4).

(2) 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 2023-24 financial year, Council received \$5.8M (2023:\$0.6M). The Foundation has committed to providing at least \$10.5M in funding, to a maximum of \$13.0M.

F1-2 Councillor and Mayoral fees and associated expenses

	2024 \$ '000	2023 \$ '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	104
Councillors' fees	473	453
Councillor superannuation (incl. mayor)	61	56
Councillor expenses (incl. mayor) – other (excluding fees above)	66	132
Total	707	745

F2 Other relationships

F2-1 Audit fees

	2024 \$ '000	2023 \$ '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	265	145
Total fees paid or payable to the NSW Auditor-General	265	145
Other services: Other firms		
(i) Audit and other assurance services		
Other audit and assurance services	189	218
Total fees paid or payable to other firms	189	218
Total audit fees	454	363

G Other matters

G1-1 Statement of Cash Flows information

(a) Reconciliation of Operating Result

	2024 \$ '000	2023 \$ '000
Net operating result from Income Statement	50,578	28,309
Add / (less) non-cash items:		
Depreciation and amortisation	67,718	64,203
(Gain) / loss on disposal of assets	12,405	9,078
Non-cash capital grants and contributions	(1,714)	(4,364)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as ‘at fair value’ or ‘held for trading’	(3,973)	(3,778)
– Investment property	(1,000)	254
– Revaluation decrements / impairments (reversals) of IPP&E direct to P&L	(102)	375
Amortisation of premiums, discounts and prior period fair valuations		
– Financial assets at amortised cost / held to maturity (2023)	(40)	(30)
Share of net (profits)/losses of associates/joint ventures using the equity method	160	61
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(7,280)	7,129
Increase / (decrease) in provision for impairment of receivables	171	(289)
(Increase) / decrease of inventories	30	(137)
Decrease/(increase) in other assets	(5,337)	12,050
(Increase) / decrease of contract asset	(4,658)	(2,699)
Increase / (decrease) in payables	367	4,705
Increase / (decrease) in other accrued expenses payable	1,116	750
Increase / (decrease) in other liabilities	1,617	2,138
Increase / (decrease) in contract liabilities	5,606	7,710
Increase / (decrease) in employee benefit provision	1,470	1,117
Increase / (decrease) in other provisions	(17,517)	1,086
Net cash flows from operating activities	99,617	127,668

(b) Non-cash investing and financing activities

Other dedications	1,714	4,364
Total non-cash investing and financing activities	1,714	4,364

G2-1 Commitments

Capital commitments (exclusive of GST)

	2024 \$ '000	2023 \$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	65,756	10,817
Plant and equipment	2,267	4,550
Open spaces	6,754	6,915
Land improvements	19,855	32,847
Road and drainage infrastructure	5,119	1,129
Other	1,971	3,337
Total commitments	101,722	59,595

Details of capital commitments

Building commitments relate to the terminal expansion at Newcastle Airport, the Newcastle Art Gallery redevelopment and construction of a new multipurpose community facility and cafe at Blackbutt Reserve.

Plant and equipment commitments comprise the purchase of a waste disposal vehicle and other miscellaneous equipment.

Open spaces commitments relate to upgrade project works for Smith Park sports field, Gregson Park playground and amenities, and the new Harbour Foreshore Precinct.

Land improvement commitments include expenses related to capping the former Astra Street landfill site, construction along Bathers Way and the Newcastle Ocean Baths upgrade.

Road and drainage infrastructure commitments predominantly comprise road embankment works at Memorial Drive, The Hill.

Other commitments relate to the funding of social and affordable housing in the Newcastle LGA.

G3 Changes from prior year statements

G3-1 Correction of errors

During the year ended 30 June 2024 Council re-examined the accounting treatment applied to infrastructure, property, plant and equipment (IPPE) assets of Newcastle Airport. In prior reporting periods the IPPE of Newcastle Airport has been measured at cost less any accumulated depreciation and accumulated impairment losses.

As a result of this re-examination Council has determined that the IPPE of Newcastle Airport should be measured at fair value on a recurring basis. During the year ended 30 June 2024 Council obtained valuations for Newcastle Airport IPPE. The valuation identified a significant difference in the value of IPPE assets when measured at fair value. An adjustment has been performed to correct for this, resulting in an increase to IPPE, accumulated surplus and revaluation reserves.

The matter identified above has been corrected by restating the balances at the beginning of the earliest period presented (1 July 2022) and taking the adjustment through to equity at that date.

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

Changes to the opening Statement of Financial Position at 1 July 2022

Statement of Financial Position

	Original Balance 1 July, 2022 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 1 July, 2022 \$ '000
Infrastructure, property, plant and equipment (IPPE)	1,719,662	57,398	1,777,060
Total assets	2,186,652	57,398	2,244,050
Net assets	1,911,342	57,398	1,968,740
IPPE revaluation reserve	413,873	57,398	471,271
Total equity	1,911,342	57,398	1,968,740

Adjustments to the comparative figures for the year ended 30 June 2023

Statement of Financial Position

	Original Balance 30 June, 2023 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2023 \$ '000
Infrastructure, property, plant and equipment (IPPE)	1,889,589	80,654	1,970,243
Total assets	2,382,086	80,654	2,462,740
Net assets	2,093,475	80,654	2,174,129
Accumulated surplus	1,526,208	235	1,526,443
IPPE revaluation reserve	566,271	80,419	646,690
Total equity	2,093,475	80,654	2,174,129

G3-1 Correction of errors (continued)

Income Statement

	Original Balance 30 June, 2023 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2023 \$ '000
Depreciation, amortisation and impairment of non-financial assets	64,813	(235)	64,578
Total expenses from continuing operations	376,487	(235)	376,252
Net operating result for the year	28,074	235	28,309

Statement of Comprehensive Income

	Original Balance 30 June, 2023 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2023 \$ '000
Net operating result for the year	28,074	235	28,309
Gain (loss) on revaluation of infrastructure, property, plant and equipment	152,517	23,021	175,538
Other comprehensive income	154,059	23,021	177,080
Total comprehensive income for the year	182,133	23,256	205,389

G4 Statement of developer contributions

G4-1 Summary of developer contributions

	Opening balance at 1 July 2023 \$ '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 2024 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000					
Traffic and transport	683	36	–	–	10	(495)	–	234	–
Social infrastructure	14,818	76	–	–	641	(8)	–	15,527	–
Open space and recreation	1,155	5,169	–	–	50	(5,166)	–	1,208	–
Transport	130	1,202	–	–	19	(912)	–	439	–
Community facilities	373	956	–	–	57	–	–	1,386	–
Plan preparation and administration	14	182	–	–	3	(135)	–	64	–
S7.11 contributions – under a plan	17,173	7,621	–	–	780	(6,716)	–	18,858	–
S7.12 levies – under a plan	5,333	3,404	–	–	330	(1,079)	–	7,988	–
Total S7.11 and S7.12 revenue under plans	22,506	11,025	–	–	1,110	(7,795)	–	26,846	–
S7.4 planning agreements	–	–	2	–	–	–	–	–	–
Total contributions	22,506	11,025	2	–	1,110	(7,795)	–	26,846	–

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. 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.

G4-2 Developer contributions by plan

	Opening balance at 1 July 2023 \$ '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 2024 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000						
Contribution plan – Western Corridor										
Traffic and transport	683	36	–	–	10	(495)	–	234	–	
Social infrastructure	14,818	76	–	–	641	(8)	–	15,527	–	
Total	15,501	112	–	–	651	(503)	–	15,761	–	
Contribution plan – Fern Bay cross boundary										
Open space and recreation	855	2	–	–	37	–	–	894	–	
Total	855	2	–	–	37	–	–	894	–	
Contribution plan - S7.11 Development contributions plan										
Transport	130	1,202	–	–	19	(912)	–	439	–	
Open space and recreation	300	5,167	–	–	13	(5,166)	–	314	–	
Community facilities	373	956	–	–	57	–	–	1,386	–	
Plan preparation and administration	14	182	–	–	3	(135)	–	64	–	
Total	817	7,507	–	–	92	(6,213)	–	2,203	–	

S7.12 Levies – under a plan

Development Contributions Plan - Jan 2022

Other	5,333	3,404	–	–	330	(1,079)	–	7,988	–
Total	5,333	3,404	–	–	330	(1,079)	–	7,988	–

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2024	Indicator 2024	Indicator Restated 2023	Benchmark
1. Operating performance				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	12,328	3.18%	3.76%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	387,737			
2. Own source operating revenue				
Total continuing operating revenue excluding all grants and contributions ¹	367,024	84.55%	85.79%	> 60.00%
Total continuing operating revenue inclusive of all grants and contributions ¹	434,116			
3. Unrestricted current ratio				
Current assets less all external restrictions	221,896	2.09x	1.99x	> 1.50x
Current liabilities less specific purpose liabilities	106,060			
4. Debt service cover ratio				
Operating results before capital excluding interest and depreciation/impairment/amortisation ^{1,2}	85,501	7.56x	3.38x	> 2.00x
Principal repayments (from the Statement of Cash Flows) + borrowing costs (from the Income Statement)	11,311			
5. Rates and annual charges outstanding percentage				
Rates and annual charges outstanding	8,673	3.82%	3.44%	< 10.00%
Rates and annual charges collectable	227,273			
6. Cash expense cover ratio				
Current year's cash and cash equivalents + term deposits	176,238	5.99 months	6.49 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	29,435			

(1) Excludes fair value increments, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets, and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements, impairment losses on receivables, net loss on disposal of assets, and net loss on share of interests in joint ventures and associates using the equity method

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 2024, the Statement of Financial Position as at 30 June 2024, 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 this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2024, 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 2024 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/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
- 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 2024
SYDNEY



Dr Ross Kerridge
 Lord Mayor
 Newcastle City Council
 12 Stewart Avenue
 NEWCASTLE WEST NSW 2302

Contact: Manuel Moncada
 Phone no: 02 9275 7333
 Our ref: [R008-2124742775-8667](#)

31 October 2024

Dear Lord Mayor

Report on the Conduct of the Audit for the year ended 30 June 2024 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 2024 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2024 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2024 \$m	2023* \$m	Variance %
Rates and annual charges revenue	219.1	208.5	↑ 5.1
Grants and contributions revenue	67.1	57.0	↑ 17.7
Operating result from continuing operations	50.6	28.3	↑ 78.8
Net operating result before capital grants and contributions	4.2	8.1	↓ 48.1

* The 2023 comparatives have been restated to correct a prior period error. Note G3-1 of the financial statements provides details of the prior period error.

Council's operating result from continuing operations of \$50.6 million including depreciation, amortisation and impairment expense of \$67.6 million was \$22.3 million higher than the 2022–23 result.

The net operating result before capital grants and contributions \$4.2 million was \$3.9 million lower than the 2022–23 result.

Rates and annual charges revenue (\$219.1 million) increased by \$10.6 million (5.1 per cent) in 2023–24 largely due to rate peg increase of 3.7 per cent.

Grants and contributions revenue (\$67.1 million) increased by \$10.1 million (17.7 per cent) in 2023–24 due to:

- increase of \$15.6 million in additional funds for the Airport terminal expansion,
- increase of \$6.2 million in funding received for the Newcastle Art Gallery expansion project
- decrease of \$11.7 million in contributions recognised from Transport for NSW for regional roadworks.

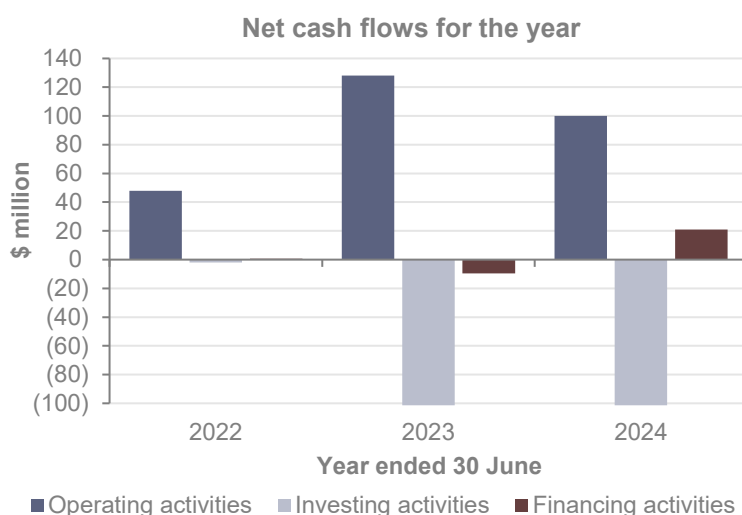
Compared to 2022-23, expenditure in the current year increased by \$12.4 million to \$388.6 million, primarily due to a \$10.3 million increase in employee benefits and on-costs.

STATEMENT OF CASH FLOWS

Cash flows from operating activities decreased by \$28.1 million compared to 2022–23, primarily due to higher payments to employees and an increase in the NSW State Waste Levy. This was partially offset by increased rates and annual charges and interest received.

Cash flows from investing activities decreased by \$5.4 million due to net changes in investments and spending on its infrastructure property plant and equipment.

Cash flows from financing activities increased due to the proceeds from additional borrowings during the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2024	2023	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	415.8	403.2	External restrictions include developer contributions, unspent specific purpose grants and unspent domestic waste levies.
Restricted and allocated cash, cash equivalents and investments:			Balances are internally allocated due to Council policy or decisions for forward plans including the works program.
• External restrictions	67.3	61.6	
• Internal allocations	319.1	315.1	

Debt

At 30 June 2024, Council had \$85.3 million in secured loans (\$61.0 million in 2022-23), with \$49.0 million (\$34.5 million in 2022-23) attributable to Council's joint operation, Newcastle Airport Partnership.

PERFORMANCE

Performance measures

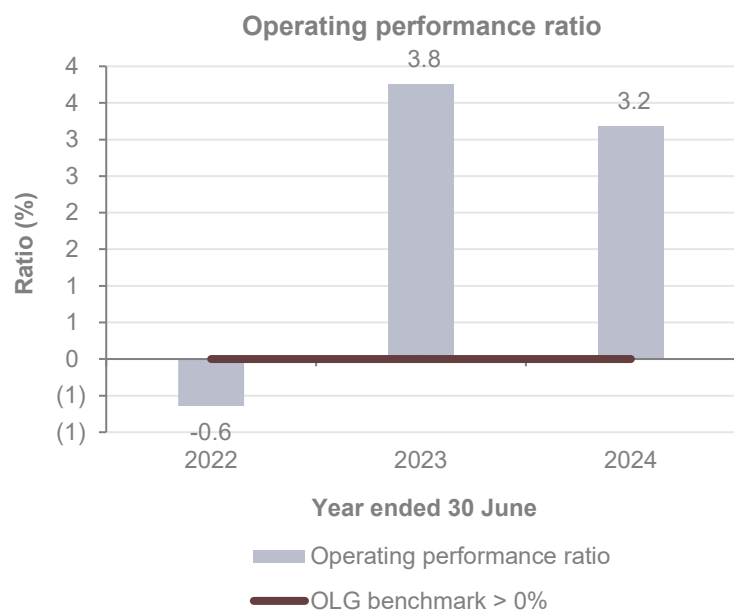
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Housing and Infrastructure.

Operating performance ratio

Council met the benchmark for the current reporting period.

The 2023 ratio was restated to correct a prior period error.

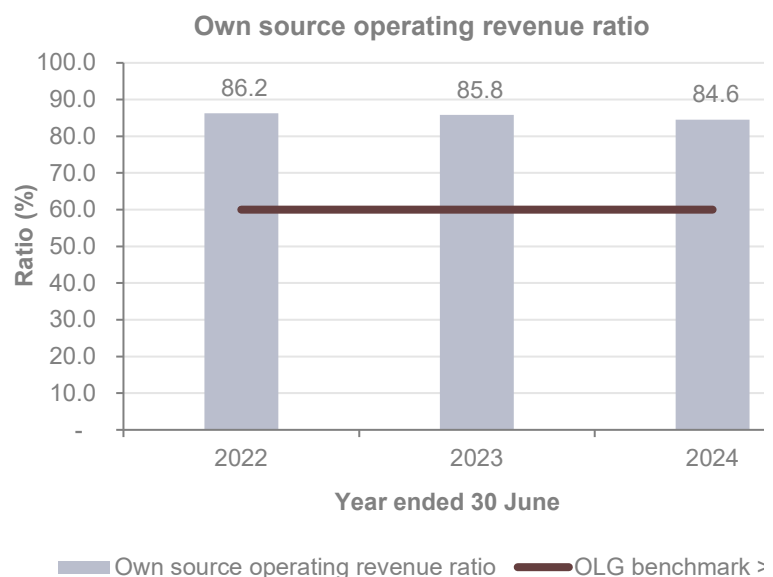
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

Council continues to exceed the benchmark for the current reporting period.

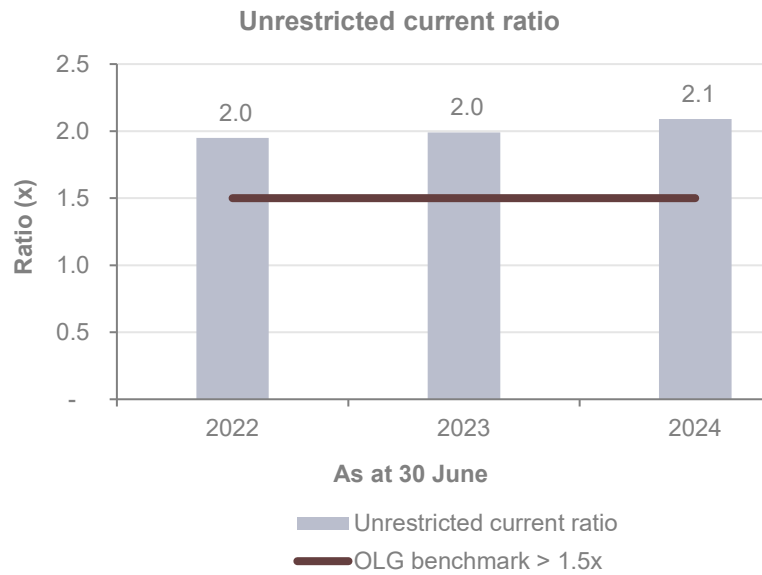
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council met the benchmark for the current reporting period.

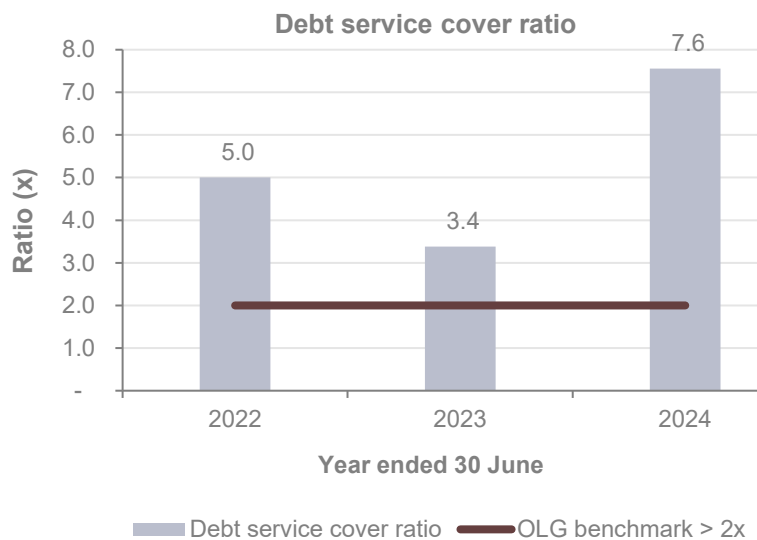
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council met the benchmark for the current reporting period.

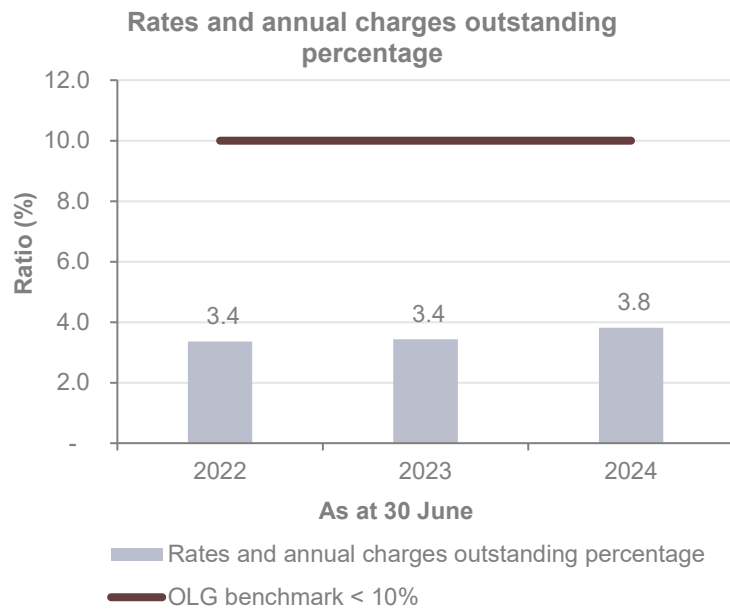
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

Council met the benchmark for the current reporting period.

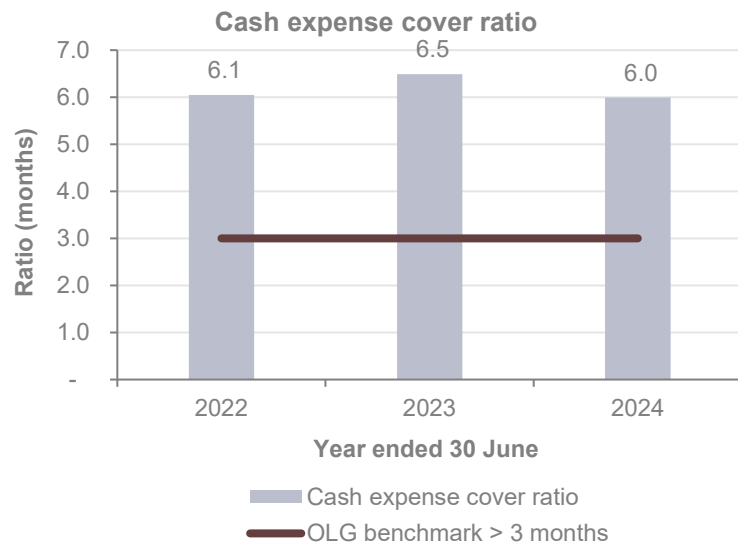
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

Council met the benchmark for the current reporting period.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.



Infrastructure, property, plant and equipment renewals

Council renewed \$43.3 million of infrastructure, property, plant and equipment during the 2023-24 financial year. This was mainly spent on buildings (\$5.0 million) and roads (\$9.6 million). A further \$72.5 million was spent on new assets. This was mainly for the Newcastle Airport (\$25.8 million) and other infrastructure assets (\$6.8 million).

OTHER MATTERS

Legislative compliance

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.



Manuel Moncada
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr Jeremy Bath, Chief Executive Officer
Mr Stephen Coates, Chair of the Audit, Risk and Improvement Committee
Michael Cassel, Secretary of the Department of Planning and Environment

Newcastle City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2024



City of
Newcastle

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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 2024

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:

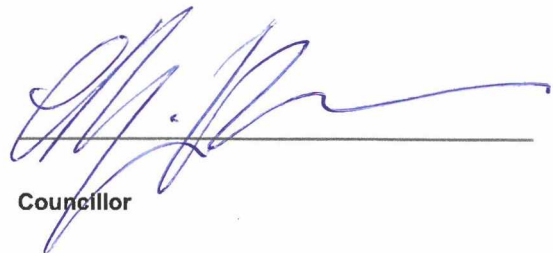
- present fairly the operating result and financial position for each of Council's declared business activities for the year,
- accord with Council's accounting and other records; and
- present overhead reallocation charges to the businesses as fair and reasonable.

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 29 October 2024.



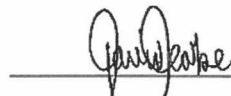
Lord Mayor



Councillor



Chief Executive Officer



Responsible Accounting Officer

Newcastle City Council

Income Statement of Waste Services

for the year ended 30 June 2024

	2024 Category 1 \$ '000	2023 Category 1 \$ '000
Income from continuing operations		
Annual charges	35,417	31,858
User charges and fees	62,106	56,512
Other revenue	860	–
Grants and contributions provided for operating purposes	–	120
Other income	45	398
Total income from continuing operations	98,428	88,888
Expenses from continuing operations		
Employee benefits and on-costs	9,560	8,565
Materials and services	22,992	18,031
Borrowing costs	95	79
Depreciation, amortisation and impairment	9,199	10,636
Calculated taxation equivalents	502	377
Other expenses	42,028	38,518
Total expenses from continuing operations	84,376	76,206
Surplus (deficit) from continuing operations before capital amounts	14,052	12,682
Surplus (deficit) from continuing operations after capital amounts	14,052	12,682
Surplus (deficit) from all operations before tax	14,052	12,682
Less: corporate taxation equivalent (30%) [based on result before capital] ¹	(4,216)	(3,410)
Surplus (deficit) after tax	9,836	9,272
Plus accumulated surplus	59,163	61,722
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	502	377
– Corporate taxation equivalent	4,216	3,410
Add:		
– Subsidy paid/contribution to operations	(22,543)	(15,618)
Closing accumulated surplus	51,174	59,163
Return on capital %	19.8%	16.8%

(1) In the 2022/23 reporting period, Waste Services was reported as two Category 1 business activities, Waste Management Collection Service and Waste Management Disposal Service.

Newcastle City Council

Statement of Financial Position of Waste Services

as at 30 June 2024

	2024 Category 1 \$ '000	2023 Category 1 \$ '000
ASSETS		
Current assets		
Investments	23,562	23,507
Receivables	7,958	3,959
Total current assets	31,520	27,466
Non-current assets		
Infrastructure, property, plant and equipment	71,386	75,805
Right of use assets	1,906	2,332
Total non-current assets	73,292	78,137
Total assets	104,812	105,603
LIABILITIES		
Current liabilities		
Payables	8,472	3,327
Contract liabilities	56	12
Lease liabilities	487	1,161
Employee benefit provisions	1,879	2,050
Total current liabilities	10,894	6,550
Non-current liabilities		
Lease liabilities	1,431	–
Employee benefit provisions	110	67
Provisions	28,130	28,577
Total non-current liabilities	29,671	28,644
Total liabilities	40,565	35,194
Net assets	64,247	70,409
EQUITY		
Accumulated surplus	51,174	59,163
IPPE revaluation reserve	13,073	11,246
Total equity	64,247	70,409

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* (Act), the *Local Government (General) Regulation 2021 and Amended Regulation 2022* (Regulation) 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 being 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*

In the 2022/23 reporting period, Waste Services was reported as two separate Category 1 business activities, Waste Management Collection Service and Waste Management Disposal Service.

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 25%, or 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 special purpose financial statements. 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 each reported business activity.

(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 rate of return is disclosed for each of Council's business activities on their respective Income Statement.

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 4.31% at 30 June 2024.

(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 the Declared Business Activity for the year ended 30 June 2024, the Statement of Financial Position of the Declared Business Activity as at 30 June 2024 and the Material accounting policy information note.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activity as at 30 June 2024, and its 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 2023–24 (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 2024 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 2024
SYDNEY

Newcastle City Council

SPECIAL SCHEDULES
for the year ended 30 June 2024



City of
Newcastle

Newcastle City Council

Special Schedules

for the year ended 30 June 2024

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Newcastle City Council

Permissible income for general rates

	Notes	Calculation 2023/24 \$ '000	Calculation 2024/25 \$ '000
Notional general income calculation ¹			
Last year notional income yield	a	174,762	181,525
Plus or minus adjustments ²	b	280	598
Notional general income	c = a + b	175,042	182,123
Permissible income calculation			
Percentage increase	d	3.70%	5.20%
Plus percentage increase amount ³	e = d x c	6,477	9,470
Sub-total	f = c + e	181,519	191,593
Plus (or minus) last year's carry forward total		13	7
Sub-total	g	13	7
Total permissible income	h = f + g	181,532	191,600
Less notional income yield	i	181,525	191,603
Catch-up or (excess) result	j = h - i	7	(3)
Plus income lost due to valuation objections claimed ⁴	k	–	20
Carry forward to next year ⁵	l = j + k	7	17

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 2025.

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 2023–24 (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 2024 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 2024.

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 2024
SYDNEY

Newcastle City Council

Report on infrastructure assets as at 30 June 2024

Asset Class	Asset Category	Estimated cost		2023/24 Required maintenance ^a	2023/24 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Buildings	Buildings	6,730	36,185	12,027	12,146	237,070	468,318	7.7%	50.5%	32.7%	6.5%	2.6%	
	Sub-total	6,730	36,185	12,027	12,146	237,070	468,318	7.7%	50.5%	32.7%	6.5%	2.6%	
Other structures	Other structures	1,779	2,840	566	340	85,022	220,608	11.0%	21.9%	60.9%	4.0%	2.2%	
	Sub-total	1,779	2,840	566	340	85,022	220,608	11.0%	21.9%	60.9%	4.0%	2.2%	
Roads	Sealed roads	5,612	42,749	9,720	9,490	392,065	877,056	16.1%	52.9%	25.0%	5.5%	0.4%	
	Unsealed roads	19	207	–	–	18	276	0.0%	15.6%	9.2%	75.2%	0.0%	
	Bridges	399	4,997	140	48	32,137	70,065	19.7%	57.4%	15.8%	7.1%	0.0%	
	Footpaths	154	1,444	2,285	2,125	112,962	238,937	10.3%	74.4%	14.6%	0.4%	0.2%	
	Other road assets (including bulk earthworks)	–	–	–	–	238,927	238,927	100.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	6,184	49,397	12,145	11,663	776,109	1,425,261	29.4%	47.9%	18.6%	3.8%	0.3%	
Stormwater drainage	Stormwater drainage	32,556	103,095	1,344	1,387	146,701	340,223	9.3%	43.3%	10.3%	6.8%	30.3%	
	Sub-total	32,556	103,095	1,344	1,387	146,701	340,223	9.3%	43.3%	10.3%	6.8%	30.3%	
Open space / recreational assets	Swimming pools	520	2,632	171	387	20,935	42,344	17.2%	14.1%	61.5%	7.2%	0.0%	
	Other Open Space/Rec Assets	62	276	9,246	9,189	24,476	44,052	19.0%	64.8%	15.4%	0.7%	0.2%	
	Sub-total	582	2,908	9,417	9,576	45,411	86,396	18.1%	39.9%	38.0%	3.9%	0.1%	
Other infrastructure assets	Other infrastructure assets	7,103	26,097	235	104	74,181	145,091	25.3%	34.6%	21.7%	1.9%	16.5%	
	Sub-total	7,103	26,097	235	104	74,181	145,091	25.3%	34.6%	21.7%	1.9%	16.5%	
Total – all assets		54,934	220,522	35,734	35,216	1,364,494	2,685,897	21.0%	44.6%	24.3%	4.6%	5.5%	

(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 2024

Infrastructure asset performance indicators (consolidated) *

	Amounts	Indicator	Indicator Restated	Benchmark
\$ '000	2024	2024	2023	
Buildings and infrastructure renewals ratio				
Asset renewals ¹	40,436	80.38%	74.30%	> 100.00%
Depreciation, amortisation and impairment	50,306			
Infrastructure backlog ratio				
Estimated cost to bring to satisfactory standard	54,934	4.03%	3.98%	< 2.00%
Net carrying amount of infrastructure assets	1,364,495			
Asset maintenance ratio				
Actual asset maintenance	35,216	98.55%	119.62%	> 100.00%
Required asset maintenance	35,734			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed level of service set by Council	220,522	8.21%	6.85%	
Gross replacement cost	2,685,897			

(*) 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.