

2025–2035

Long-Term Financial Plan

resourcing
NEWCASTLE 2040

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Enquiries

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Acknowledgement of Country

'Niirun Yalawa Awabakal dha Worimi burrai.'
We all sit on Awabakal and Worimi land.

The City of Newcastle (CN) acknowledges its Local Government Area (LGA) sits within the Country of the Awabakal and the Worimi peoples. We acknowledge that Country for Aboriginal peoples is an interconnected set of ancient relationships. The CN Acknowledges the custodianship of the Awabakal and Worimi peoples and the care and stewardship they have performed in this place since time immemorial.

'Wunyibu wunyibu warra wunyibu wunyibu gkuuba Aboriginal burrai.'
Always was, always will be Aboriginal land.

In recognition of Aboriginal cultural heritage, eight Newcastle landmarks are officially dual-named with their traditional Aboriginal names. These are based on Aboriginal references to the landmarks documented in maps, sketches and geological descriptions dating back as early as 1798:

- Nobbys Head – **Whibayganba**
- Flagstaff Hill – **Tahlbihn**
- Pirate Point – **Burrabihngarn**
- Port Hunter – **Yohaaba**
- Hunter River (South Channel) – **Coquun**
- Shepherds Hill – **Khanterin**
- Ironbark Creek – **Toohnbing**
- Hexham Swamp – **Burraghihnbihng**





CEO Foreword

Jeremy Bath



At City of Newcastle we are committed to ensuring a sustainable, liveable, and inclusive future for our community. A well-informed Long-Term Financial Plan is key to maintaining financial sustainability while delivering on the shared community vision outlined in *Newcastle 2040*.

The Plan outlines our strategic financial objectives, funding sources, and investment priorities that will drive our operations and decision-making into the future. During the past decade, Newcastle has experienced significant growth and transformation, with City of Newcastle playing an active role through strategic investment in infrastructure and programs to deliver community benefit. This plan continues that commitment; drawing on our strong cash and liquidity position, which has been built from prudent financial management and accumulated operating surpluses in recent years.

From this strong financial foundation, City of Newcastle is forecasting a small surplus for 2025/2026, while proposing an investment in essential infrastructure and capital works projects of approximately \$155 million that will continue to drive the long-term success of our city and region.

This Plan confirms our commitment to transparency and accountability in our financial management practices by providing insight into our financial performance, decision-making processes, future plans and engagement with the community through the public exhibition process. By anticipating future challenges, we aim to create a resilient framework that supports essential services, infrastructure development and community wellbeing.

As we look ahead, sustainability, strong governance and responsible investment will guide our financial planning and support the delivery of *Newcastle 2040*. I encourage you to review our long-term financial outlook and take part in the public exhibition process as we work together to shape Newcastle's future.

Jeremy Bath

Chief Executive Officer

Overview

What is this document?

The Long-Term Financial Plan (LTFP) is a forecast summarising City of Newcastle's (CN's) 10-year projections of revenue, expenditure, assets and liabilities. It allows CN to measure sustainability using key local government performance ratios. The plan is also the primary guide for allocating funds on an annual basis to implement capital works and transform our *Newcastle 2040* goals into reality.

Purpose

The purpose of the LTFP is to inform decision-making during the preparation and finalisation of the Community Strategic Plan (CSP) and development of the four-year Delivery Program. It evaluates the financial viability of providing the service levels specified in the Delivery Program, performs scenario analysis and sensitivity testing of key assumptions, and costs long-term strategic decisions.

Legislation

Section 403 of the *Local Government Act 1993* (the Act) requires that councils have a long-term Resourcing Strategy detailing the resources required to perform their functions.

Review cycle

The key assumptions and projections are reviewed annually as opportunities and challenges facing our city are always evolving. A detailed review is conducted every four years as part of the review of the CSP.

How to read the LTFP

This document should be read in conjunction with the Asset Management Strategy (AMS), Service Asset Management Plan (SAMP) and Workforce Development Strategic Plan (WDSP), which together form the Resourcing Strategy. The Resourcing Strategy should also be read in conjunction with CN's Operational Plan and Delivery Program, *Delivering Newcastle 2040*, which is updated annually.

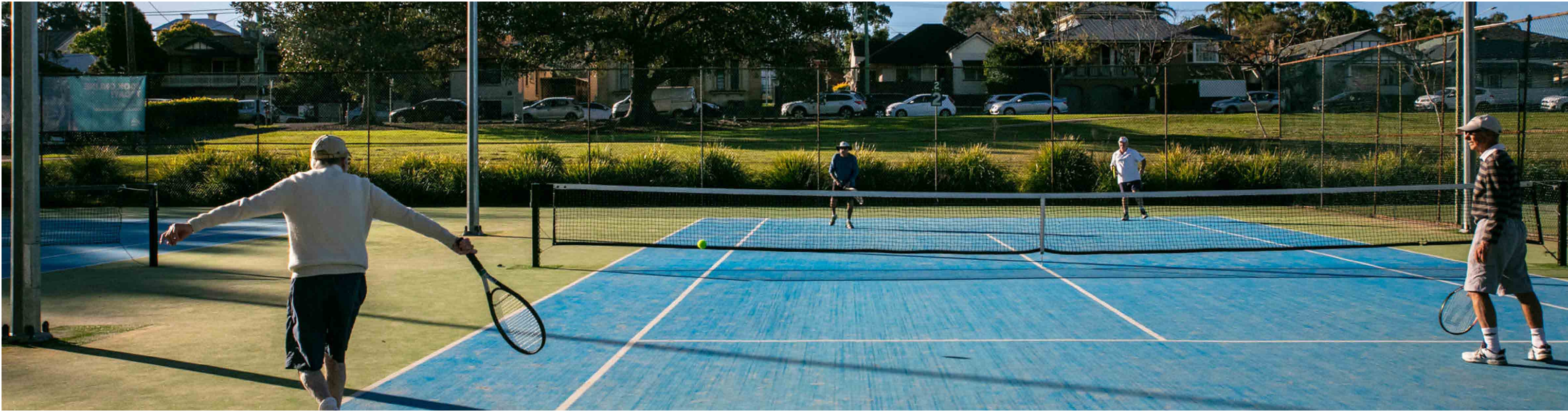
The LTFP document contains the following information:

- Key risks, opportunities and challenges
- Planning assumptions
- Sensitivity analysis, highlighting factors and assumptions most likely to impact the LTFP
- Projected income and expenditure, balance sheet and cash flow
- Performance monitoring
- Financial modelling across different scenarios
- Risk management.

Documents included

The LTFP projects a financial forecast for the 10 years 2025/2026 to 2034/2035 for the three primary statements:

- **Projected Income Statement**—Details the sources of CN's revenue and the expenses projected to be incurred to deliver projects and services across the planning horizon. The operating position before capital reflects CN's financial performance.
- **Projected Statement of Financial Position**—Provides information on the assets controlled by CN and the liabilities it owes. Together they provide the net worth of Council, which has been built up over many years. This net worth is also referred to as equity.
- **Projected Cash Flow Statement**—This statement summarises the cash payment and cash receipt movements across the year and signals Council's liquidity and capacity to fund operating obligations.



Our City

Newcastle is the seventh largest city in Australia and the largest regional centre in NSW. CN covers an area of 187 square kilometres, which is made up of 52 suburbs. CN manages a vast network of facilities and infrastructure including roads, pathways, sporting grounds, playgrounds, ocean baths and beaches, waste management and recycling, libraries, community centres, theatres and art galleries, childcare facilities and function centres, plus other services such as parking control, pet registration, town planning and administration.

The current estimated resident population is 174,294 and it is estimated that Newcastle's population will grow by more than 31,000 to reach 205,445 by 2046.



Liveability snapshot

52 suburbs
\$893,059 median house price (August 2023)
2.35 people average household size

Play

2 ocean baths
5 aquatic centres
10 beaches 6 patrolled beaches
8 lifeguard facilities
17 off-leash dog areas
4 outdoor exercise facilities
12 community gardens
14 libraries (11 CN-owned)
6 surf clubs
250 recreation parks
973km pathways
147 sporting grounds
63 sports venues
15 grandstands
14 BMX/skate parks
134 playgrounds (that contain either a playground or exercise equipment)

Invest

1 airport
1 holiday park
1 waste and resource recovery centre
125 early education and childcare centres (one CN-owned)
62 primary and secondary education facilities
\$934.89 million value of building approvals (2023/24)
\$21.06 billion Gross Regional Product (2022/23)
4.64 million visitors to our LGA (2023/24)
\$2.7 billion value of city-owned assets
\$67.1 million received in grants and subsidies (2023/24)
11 tertiary education facilities

Economic snapshot

Top 3 industry sectors by employment
Healthcare and social assistance – creating 29,683 jobs
Construction – creating 15,017 jobs
Education and training – creating 12,882 jobs

142,317 jobs in Newcastle
49.8% live within LGA
Median weekly household income \$1,802
Unemployment rate 4.9%
53.5% journey to work by car



Objectives

Long-Term Financial Plan objectives

The LTFP provides transparency and accountability to the community by forecasting the financial impacts of CN's plans, strategies and initiatives over a 10-year period, which can in turn be used to support the operational and capital decisions CN makes as part of the annual budget process.

CN is committed to the principles of sound financial management as outlined within the *Local Government Act 1993* (section 8B):

- *Council spending should be responsible and sustainable, aligning general revenue and expenses.*
- *Councils should invest in responsible and sustainable infrastructure for the benefit of the local community.*
- *Councils should have effective financial and asset management, including sound policies and processes for performance management and reporting, asset maintenance and enhancement, funding decisions and risk management practices.*
- *Councils should have regard to achieving intergenerational equity, including ensuring policy decisions are made after considering their financial effects on future generations and that the current generation funds the cost of its services.*



Our financial strategy

In addition to the principles set out in section 8B of the Act, the LTFP has four objectives to ensure CN's financial sustainability.

Maintain commitment towards achieving a net operating surplus—Each financial year, the budget has a net operating surplus before capital grants and contributions. This should be controlled through strong financial governance and budget management. It may be prudent to run responsible budget deficits in some financial years while balancing funding for appropriate levels of service to meet community expectations.

Renew and maintain assets within a sustainable range—Funding allocated to the annual asset renewal program will align to the equivalent levels of depreciation per asset class. Funding will also be applied to asset maintenance programs to the levels required in the asset management plans.

Maintain a strong cash and liquidity position—CN guarantees its financial stability by maintaining a strong cash position and maintaining reserves in line with internal policies. This assists with generating revenue and ensures there are sufficient assets to cover liabilities.

Financial legacy—CN ensures that considered financial decision-making creates and safeguards our financial legacy. This legacy is founded on prudent and responsible fiscal management.



Strategic alignment

Community Strategic Plan (Newcastle 2040) - This is the highest-level plan that CN prepares. Its purpose is to identify the community's main priorities and aspirations for the future and to plan strategies for achieving these goals. *Newcastle 2040* guides all other CN strategies and plans and must be developed with and on behalf of the community.

Community Engagement Strategy - This is a framework for how we will engage with our community to support the development of our plans, policies, programs and key activities. The framework enhances CN's capacity to make well-informed decisions that reflect community needs and priorities to help shape the future of our city.

Delivery Program - This is a statement of commitment to the community from our newly elected Council. It translates the community's vision and priorities into clear actions and is the primary reference point for all activities undertaken by Council during its term of office. It allows Council to determine what is achievable over the next four years, what the priorities are, and how programs will be scheduled. The delivery program covers the period 2025–2026 to 2028–2029.

Operational Plan - Including the annual budget, this is CN's action plan for achieving the community priorities outlined in *Newcastle 2040* and the Delivery Program. An Operational Plan is prepared each year and adopted by Council. It identifies the projects, programs and actions that CN will deliver to achieve the commitments in the Delivery Program.

CN's Delivery Program and Operational Plan document is referred to as *Delivering Newcastle 2040*.

Resourcing Strategies - These clearly articulate how CN will implement and resource our vision. The LTFP is one component of this strategy, together with:

Asset Management Strategy (AMS) and Service Asset Management Plan (SAMP) (10 years) - CN provides a range of services to its residents and visitors, the majority of which depend on CN infrastructure and natural assets such as roads, stormwater drainage, bridges, footpaths, public buildings, recreational facilities and public trees.

Effective management of these assets, including understanding levels of service, is essential to the delivery of priorities and objectives within *Newcastle 2040*. The AMS determines how CN's infrastructure portfolio will support the service delivery needs of our community, now and into the future. The SAMP aims to control risk around this asset service delivery and ensure sustainable levels of service for the community.

Workforce Development Strategic Plan (WDSP) - This takes an enterprise view of the capacity and capability of our workforce today and where it needs to be tomorrow to adapt to evolving community needs and expectations, and to achieve Council's strategic objectives as identified in *Newcastle 2040*.

It analyses current resources, anticipates future resource needs and details the priority actions needed to mitigate potential workforce-related risks, ensuring we have the

right people in the right roles with the right capabilities at the right time. CN is committed to becoming an employer of choice, where employees feel valued and cared for, grow and excel in their careers, and, together with our councillors, partners and community, co-create a liveable, sustainable, creative city where we work, live and play.

Community expectations, changing economic and social pressures and record levels of infrastructure projects continue to place pressure on our workforce to deliver more at a faster pace. Creating workforce agility, leveraging strong organisational health, growing our own talent, and cultivating skills in innovation, technology, creativity, critical thinking and problem-solving is paramount to our future success.

Other Informing Strategies - Various other plans, strategies and initiatives endorsed by Council have been reflected in the LTFP. Any strategy or plan under development while the LTFP was being drafted assumes that the expenditure will be funded from current operational allocations.



Our financial policies

Revenue Policy

Under Section 608 of the Act, CN may charge and recover an approved fee for any service it provides, other than a service proposed or provided on an annual basis covered by Sections 496 and 501 of the Act.

Services for which CN may charge a fee include:

- Supply of services and products
- Giving information
- Providing a service in connection with the exercise of CN's regulatory function (e.g. applications, inspections, certificates)
- Allowing admission to buildings.

CN's Revenue Policy states that CN fees and charges that are not subject to statutory control are to be reviewed on an annual basis, prior to finalisation of the annual Operating Plan. The equitable pricing methodology is progressively updated and applied to service delivery throughout the organisation. The application of activity-based cost management principles has facilitated a better understanding of service delivery costs and assisted in the fees and charges determination process.

In accordance with the Office of Local Government (OLG) guidelines on competitive neutrality, CN has identified its Category 1 businesses (those with a turnover exceeding \$2M) as Waste Services. This business is disclosed in CN's Annual Financial Statements.



Investment and Borrowing Policy

The purpose of this policy is to provide a framework to guide staff in performing CN's investment and borrowing functions.

The policy is regularly reviewed by staff and ensures CN's capital is managed in accordance with legislative requirements, prudent financial management and governance principles, and CN's strategic objectives, while establishing a framework for monitoring, managing and mitigating risk.

The policy commits CN to the following:

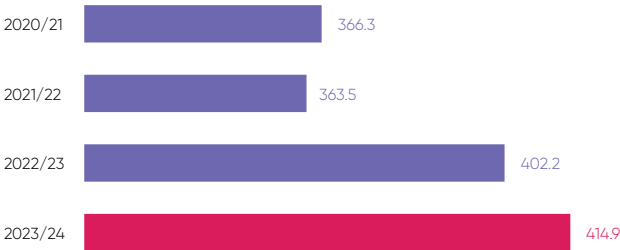
- **Preservation of capital** – Investments are to be placed in a manner that seeks to ensure security and safeguarding of the investment portfolio. This includes managing credit and interest rate risk within identified thresholds and parameters.
- **Liquidity** – Investments should be allocated to ensure there is sufficient liquidity to meet all reasonably anticipated cash flow requirements, as and when they fall due, without incurring the risk of significant costs due to the unanticipated sale of an investment.
- **Return on investments** – Investments are expected to achieve a market average rate of return in line with Council's risk tolerance.
- **Business model for managing financial assets** – Delegated officers are to manage all investments with a contracted term and maturity date as a hold-to-maturity investment. Deviation from this method of operation (e.g. sale or redemption of an investment prior to maturity) is permissible for risk management purposes, to meet unforeseen liquidity requirements, or if deemed advantageous to do so.
- **New borrowing for capital works purposes** – These should only occur when CN deems the annual debt service expense to be affordable in the context of the annual management planning process and CN's long-term financial capacity.
- **Debt Service Cover ratio** – It is considered that a Debt Service Cover ratio as per the industry benchmark of Greater than 2x is appropriate within current budget constraints and allows for current service levels to be maintained.

An investment report is tabled before Council monthly, confirming that investments have been made in accordance with the Act, detailing performance of CN's investment portfolio and summarising compliance with the risk management framework.

Investments outside the scope of this policy include land and buildings, along with activities under the Future Fund Policy and by Newcastle Airport entities.

CN's strong consolidated cash and investment reserves have supported its Capital Works Programs and significant investment in infrastructure.

Cash and investments (\$ millions)



Future Fund Policy

CN established a Future Fund policy to ensure clear governance, oversight and accountability for investment in certain types of assets. The objective of the Future Fund is to diversify CN's investments to maintain the long-term purchasing power of CN's reserves and enable delivery of the adopted CSP.

The Future Fund relates to the holding of the following types of assets:

- Land
- Improvements to land
- Operations performed by CN with a commercial rate of return
- Investments made in accordance with the prevailing Ministerial Investment Order and the Act.

The policy operates under section 186 of the Act, which sets out that Council may acquire land (including an interest in land) for the purpose of exercising any of its functions. The policy only applies to unrestricted cash or cash held as internal restrictions.

Over the life of the LTFP, CN will identify specific development, community and investment opportunities for consideration of the Governance Committee within the framework of the Future Fund policy. Each of these proposals could then lead to specific acquisition and divestment recommendations that would be brought to Council for their review and direction, subject to relevant community consultation where appropriate, before being formally approved or progressed. The performance of the Future Fund is reported to the Council and Asset Advisory Committee quarterly and via an annual report.

Restricted Cash Policy

Restricted and allocated cash are funds that have been set aside from operating and capital incomes to fund future expenditure. The value of these funds is reconciled against the combined balance of Cash, Cash Equivalents and Investments on the Statement of Financial Position. Balances are not available for use by CN for purposes other than those to which they are apportioned; however, internal allocations can be reassigned at the discretion of Council.

There are three categories of restrictions:

External restrictions: Funds subject to legal requirements that govern their usage. Specific restrictions include unexpended grants, developer contributions, contributions to specific works, domestic waste management, bequests and donations, special benefit rates, Rawson Crown Land Reserve, Building Better Cities deed, deferred salary scheme, childcare sinking fund and community facilities fund.

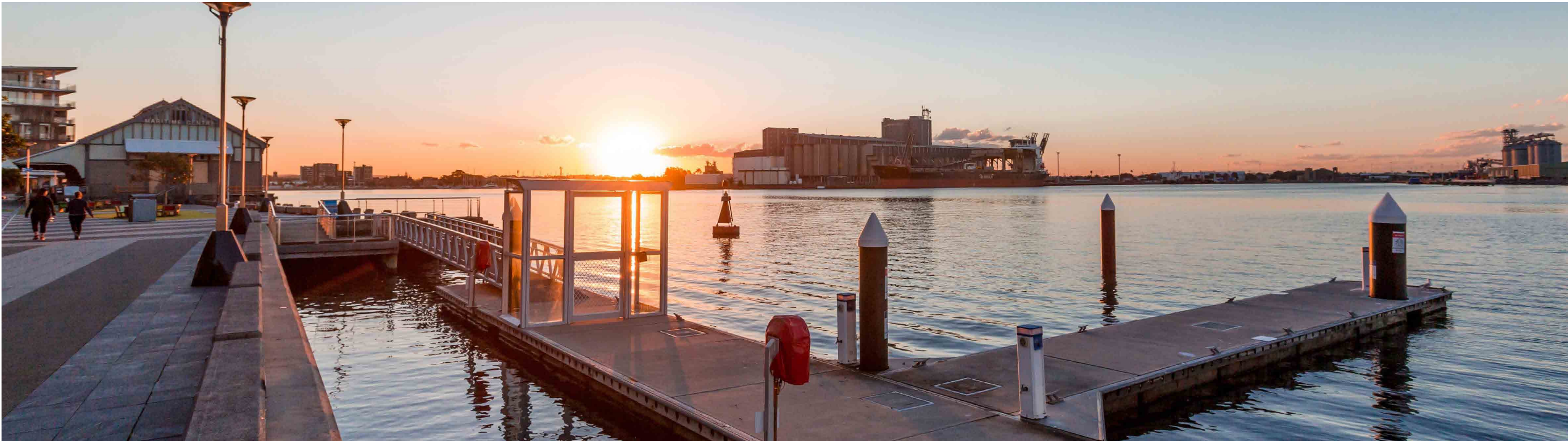
Internal allocations: Funds that are not subject to legal requirements that govern their usage. These are records of future obligations kept at CN's discretion to ensure sound financial management, which are only restricted by a resolution of Council. Specific internal allocations include the works program, waste management remediation provision, employee leave entitlements, unexpended loans, superannuation defined benefits, self-insurance claims, local committees and childcare, and inland pools reserve fund.

Unrestricted: A balance of funds subject to neither external restriction nor internal allocation that can be utilised to support CN's operational expenditure.

CN maintains cash restrictions and allocations to:

- Ensure sustainability and responsible financial management through consistent identification, administration and usage of funds subject to CN's control
- Ensure transparency and focus on achieving strategic goals via identification, measurement and monitoring of restricted and allocated cash requirements and available balances
- Ensure that, for those funds that have been received for a specific future purpose, CN establishes and maintains restricted and allocated cash balances that account for that income
- Establish requirements around the restricted and allocated cash categories required by CN, their purpose, the priorities, the target balance, ongoing balance maintenance and the tracking and disclosure of performance against benchmark (value held against value required)
- Ensure CN retains financial flexibility to respond to external shocks.

All funds held are required to be a compliant investment as per CN's prevailing Investment and Borrowing Policy.



Financial Management Policy

CN's Financial Management Policy is a framework for financial governance that supports open, transparent, evidence-based decision-making that is agile and consistent with CN's risk appetite. The policy is a governance mechanism and outlines controls to mitigate CN's strategic risk in relation to financial sustainability. It further safeguards against the risk of inadequate financial planning and management and ensures that the delivery of organisational and community services and CN's long-term financial sustainability are not negatively impacted.

This policy is supported by a framework of guidelines and procedures that provide staff with more detailed guidance, such as the Budget Management Guidelines and the Inward Grants Management Guidelines.

Budget Management Guidelines - These provide a structure and specific requirements for CN's budget management. The guidelines apply to revenue and expenditure of Service Unit and Works Program budgets, along with costings for new strategies, plans and major projects.

CN adheres to legislation and regulations as follows:

- Council is required, under the Act, to prepare and adopt an Annual Budget by 30 June each year.
- Budgets and authorised expenditure are covered in the *Local Government (General) Regulation 2005* (the Regulation). Council must not incur a liability for the expenditure of money unless it has approved the expenditure at an ordinary meeting.
- Requirements for quarterly reporting are also included in the Regulation. Budget review statements and revision of estimates must be presented to Council no later than two months after the end of each quarter.

CN maintains an Expenditure Review Committee to consider matters affecting CN's budget and recommend annual and long-term spending priorities against the financial strategy.

Inward Grants Management Guidelines - CN aims to reduce its reliance on rates revenue by leveraging other revenue sources such as grant funding. We have clear guidelines for inward grants management to assist with maximising CN's potential in accessing grant funding from State and Federal Governments, as well as other sources, to assist in the delivery of strategic priorities and objectives. The guidelines provide consistent and effective governance and control over the management of inward grants and enshrine CN's commitment to principles of sound financial management as outlined within Section 8B of the Act.

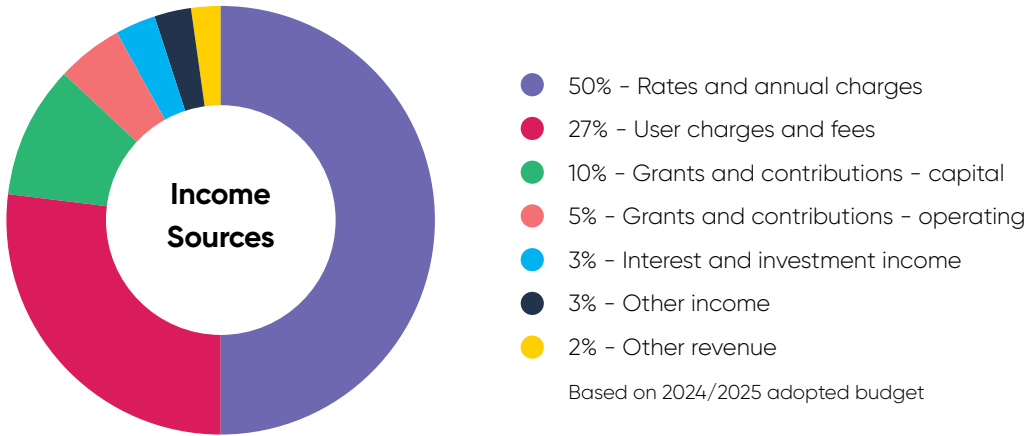


Current Financial Position

CN has delivered strong financial performance in recent years, recording a surplus of \$4.2 million for the year ended 30 June 2024 and meeting all the performance targets set by the OLG. CN's consecutive years of surpluses in 2023 and 2024 followed a period of adopted budget deficits throughout COVID-19, during which CN made deliberate decisions to increase investment in the city to support the local community.

This section uses the current 2024/2025 financial year adopted budget to illustrate the main sources of income and expenditure for CN.

Operating revenue and expenditure at a glance



Rates and annual charges

Rates income is one of the main sources of revenue for CN, making up 50% of total income in 2024/2025. Rates revenue includes rates levied on ratepayers and annual charges for domestic waste services. CN is required by legislation to levy annual charges for the provision of waste management services. These charges relate to the services provided for both domestic and non-domestic waste management.

Rating structure

CN acknowledges the importance of rate income as a funding source. However, this must be balanced against community sensitivity to rate increases, having regard to these two principles of equity:

- The extent to which those who receive the benefits of CN's services also pay for those services
- The extent to which those who pay for CN's services have the ability to pay for those services.

CN's rating structure is reviewed and updated annually. This revenue source allows Council to continue to deliver the services and facilities that the local community needs and expects.

Accordingly, CN's proposed rating structure contains the following:

- For residential ratepayers, a structure based on the continued use of a 50% base amount. This ensures both the above principles of equity are addressed and provides a fair distribution of rate levy relative to land value.
- For business ratepayers, a structure based on a minimum amount, along with the use of a range of sub-categories. This ensures that large-scale users and beneficiaries of CN's infrastructure continue to maintain rating contributions relative to the level of benefit these businesses receive.
- For farmland ratepayers, a structure based on a minimum amount.

CN's 6 special rates are proposed to continue to be based on an ad valorem rate only (that is, a cents in the dollar amount).. In line with legislation, special rates must be levied based on benefit to the ratepayer. To further address the benefit principle, these special rates are further dissected to 17 individual rates based on geographic area.

A measure that our ratepayers have the ability and willingness to pay for services provided by Council is CN's outstanding rates and annual charges percentage, which, at 30 June 2024, was 3.82%, well under the benchmark of 10%.

Every three years, the Valuer General is required to revalue all land within the Newcastle LGA. The calculation of rates in 2025/2026 use the most recent valuations as of 1 July 2024.

Councils may also apply for a special rate variation (SRV) if they believe they need to raise rates above the rate peg to meet specific financial needs, such as funding infrastructure projects or covering significant cost increases. Such variations require approval from the Independent Pricing and Regulatory Tribunal (IPART), ensuring that ratepayers' interests are safeguarded while allowing councils to maintain fiscal sustainability. CN is not forecasting to make an application to IPART for a SRV during the 10-year horizon of the LTFP.

User charges and fees

This contributes 27% of CN's total income and is made up of fees and charges associated with the provision of specific services to the community or businesses, such as waste tipping fees, Newcastle Airport operations, live performance and ticketing, parking, building and regulatory fees. A full listing of fees and charges is outlined in our annual fees and charges document on CN's website.

Interest and investment income

This represents 3% of total income for CN. CN has an investment portfolio that comprises an income producing/defensive fund (i.e. cash, bank term deposits, fixed rate bonds and floating rate notes) and capital growth funds (i.e. TCorp Individually Managed Funds), which are invested in line with CN's Investment and Borrowing Policy.

Grants and contributions

Grants and Contributions are external funds obtained from other levels of government, or other bodies that contribute to CN's cost of operations or support capital projects over the life of the LTFP. Total operating grants made up 5% of total income, while capital grant income made up 10%. The main grant received by CN is the Federal Government's annual Financial Assistance Grant (FAG), which councils can spend according to local priorities.

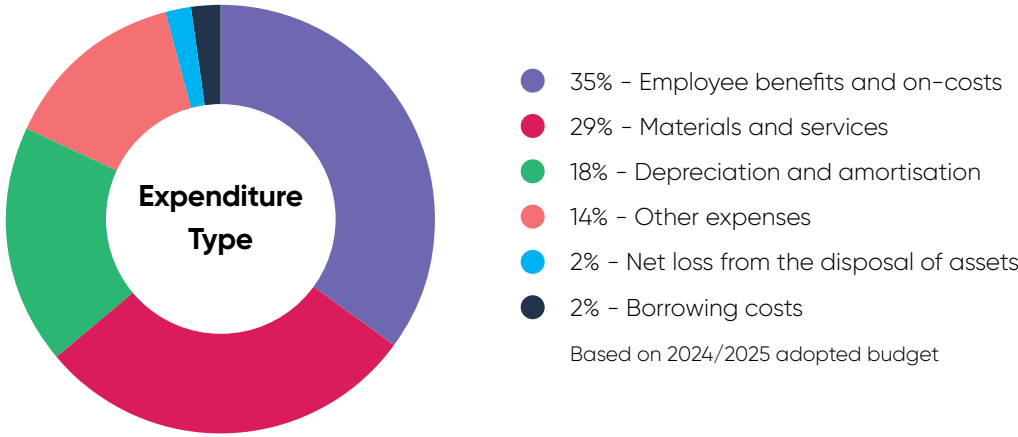
Developer contributions are one way that councils can require new development to contribute towards key local infrastructure, including open spaces, park embellishments, community facilities, local roads, paths and traffic management under sections 7.12, 7.11 and 7.4 of the *Environmental Planning and Assessment Act 1979*. Developer contributions may only be expended for the purposes for which the contributions were required, and CN applies the priorities in the work schedule to the contribution plan.

Other income

This includes rental income from leasing council owned buildings, fair value increments in investment properties and investments, which together comprise 3% of total income.

Other revenue

This makes up 2% of total income and includes revenue from fines, rebates, insurance recoveries and electricity generation.



Employee benefits and on-costs

Employee benefits and on-costs consist of salary and wages, superannuation, leave entitlement expenses and costs associated with CN's workers compensation self-insurance scheme. This equates to 35% of CN's total expenditure.

Materials and services

CN's materials and services expense primarily consists of raw materials and consumables, contractor and consultancy costs, rehabilitation and restoration expenses, variable lease expenses, communication, electricity, street lighting, insurance, and CN's share in the operating expenses of Newcastle Airport. Materials and services represent 29% of total expenditure of CN.

Depreciation

CN uses a straight-line method of depreciation. CN has a significant asset base valued at over \$2.2 billion, which contributes to depreciation expense accounting for 18% of CN's annual total expenditure. CN is required to adhere to asset accounting requirements, which are mandated through accounting standards and the OLG Code of Accounting Practice and Financial Reporting. Ongoing asset revaluations have an impact on depreciation expense.

Borrowing costs

CN's borrowing costs make up 2% of total expenditure and consist of interest on loans for CN and Newcastle Airport, interest on leases, and amortisation of discounts relating to movement in asset remediation provisions.

Other expenses

Other operating expenses consist of the NSW Government Waste Levy, fair value decrements on investments and investment properties, the emergency services levy, CN's share of interests in joint ventures and associates, impairment of receivables, other levies (including for Newcastle Airport), and donations, contributions and assistance to other organisations. These expenses contribute 14% of total expenditure.

Net loss from the disposal of assets

Net loss on disposal is where assets have been disposed of for less than the assets' carrying value. This equates to 2% of CN's total expenditure.

Future Financial Opportunities, Challenges and Key Risks

CN has a long history of maintaining a strong liquidity position. CN is committed to maintaining this strong financial position and performance to ensure its sustainability, resilience and ability to respond to ever-changing challenges.

We cannot deliver the priorities and objectives of *Newcastle 2040* without collaboration with other government agencies, community organisations, businesses and our local community. Many of the challenges and risks facing Newcastle are beyond the CN's direct control. In establishing our LTFP, we have considered potential opportunities, risks and challenges and how we can respond to these to continue to meet our community's needs.

Capacity for rates

In NSW, the rate peg is determined by the State Government agency IPART, which limits how much local councils can increase property rates each year. The rate peg is intended to ensure that rate increases remain reasonable and in line with inflation, preventing excessive financial burden on ratepayers.

IPART makes annual determinations of the maximum percentage increase for rates based on factors such as economic conditions and the cost of providing local government services. IPART engaged a new methodology in 2024/2025 to calculate the rate peg. While this new methodology has attempted to better reflect council diversity and increased cost, the reliance on the state government to set a local council rate peg may not be adequately reflecting the specific economic conditions and community needs of the Newcastle LGA.

The graph below highlights the inflexibility of the rate peg to keep pace with inflation in prior years, leaving councils with the financial challenge of delivering adequate services for their community with a constrained source of available rate funding. The change in IPART methodology in 2024/2025 has started to address this disparity.



Population forecast

We are anticipating substantial population growth over the next 10 years, with Newcastle's population to grow by more than 31,000 people by 2046.

Population growth places increased demands on public services and infrastructure, and Council is required to invest in these to maintain community needs and expectations. While there is a population growth factor in IPART's new calculation methodology, there is a risk that CN's population growth could be greater than the forecasted rate calculated for the rate peg. Should rates income not keep pace with the population growth and demand on services, or if there is a time lag in property valuations to increase rates, the revenue deficit would need to be funded by CN and would have a negative impact on operating income.

External contributions

Financial Assistance Grant

The Financial Assistance Grant (FAG) is a key source of funding received from the Federal Government to support local councils. Between the financial years 2017/2018 and 2024/2025, CN received between \$12.2M and \$14.9M per year in FAG funding (inclusive of payments in advance). The FAG is typically distributed in two components. One is for general-purpose funding, which can be used flexibly by councils for a range of services. The other component is the local roads grant, which is used for preserving road assets.

There are many challenges and risks that CN faces in respect of this funding, such as:

Inadequate funding—The FAG funding is not indexed, and with rising costs and inflation, the real value of funds has eroded over time. The Federal Government should address this as a matter of priority.

Cost shifting—Councils are no longer confined to the essential services of roads, infrastructure and waste. Councils are also now actively engaged in the broader policy areas of liveable communities, affordable housing, city economy and environmental sustainability. The expanding expectations around service delivery place additional financial burden on councils and constrain their capability to deliver upon these responsibilities within the existing level of FAG funding.

Reliance on Federal Government—The FAG is subject to political decisions and priorities at the Federal Government level. Councils have no control over changes to the amounts allocated, which compromises their ability to forecast and plan accurately in the medium to long term.

Other grants and contributions

CN has clear guidelines in place to expand its revenue sources beyond rates income and maximise the potential funding available from grant providers as a way to enhance the delivery of strategic priorities and objectives. CN has no control over the availability or eligibility criteria of external grants, and as such, there is the risk that funding levels could fluctuate and deviate from planned expectations within the LTFP.

CN's ability to secure grant opportunities has been constrained in recent years due to its classification status as a metropolitan-scale regional city, rather than regional. This classification recognises that CN delivers services and infrastructure for a broader regional population. It is critical that grant funding and eligibility set by the NSW government is consistent to give CN the opportunity to access funds for regional-sized infrastructure assets.

Affordable housing

Newcastle has a relatively high-cost housing market and a growing population. This growth will stimulate the need for new dwellings where the mix of affordable and sustainable future housing is imperative to meet the diverse needs of the community. CN has a commitment to increase the supply of affordable housing as outlined in our Housing Policy, Newcastle Local Housing Strategy and Newcastle Local Strategic Planning Statement.

CN's commitment to affordable housing is demonstrated by seeking expressions of interest from community housing providers to work with CN on the Rail Bridge Row project.

Monetary policy

There are several external economic conditions that could have a significant impact on CN's financial performance of CN:

Inflation - CPI has been applied in the model as a measure of inflation. It has been applied to both income and expenditure projections. Any significant variation from what was estimated to the actual CPI will impact the results in the Planned Case.

Financial markets - CN has a diverse portfolio of investments managed to ensure the security of community funds while achieving a market average rate of return in line with CN's risk tolerance. Investment returns are subject to market conditions and sensitive to volatility, which can positively or negatively impact the long-term outlook of the plan.

CN's investment property portfolio is exposed to the property market and any fluctuations in property performance could provide deviation from results forecasted in the Planned case.

Direct labour costs

CN employees are covered by CN's Enterprise Agreement (EA) and the *Local Government (State) Award*. The Award is negotiated every three years and sets out pay increases and additional award payments applicable to Local Government employees after 1 July each year (unless otherwise agreed in CN's EA). Award negotiations are undertaken by the Employer Association, being Local Government NSW, and three industry unions. Wages impacts arising from the Award are difficult to estimate accurately and can have a significant impact on the financial outcome in the Planned Case.

Newcastle Airport

Newcastle Airport, jointly owned by CN and Port Stephens Council, is the largest Australian airport remaining in public ownership, with any distribution returned to the communities it serves.

The Airport is serviced by all the major domestic airlines that provide services to the east coast of Australia.

In May 2021, the Federal Government announced \$66 million in funding for upgrading the Airport's runway to accept aircraft capable of completing long range international flights. Further to this, in April 2022, the Federal Government announced that Newcastle Airport would receive \$55 million in funding towards significantly expanding and upgrading its international passenger terminal.

The new international terminal is scheduled to be operational from August 2025/2026, with this transformative strategic investment expected to redefine the Hunter Region's tourism, trade and defence capabilities. The vision for a more connected region builds on the \$1.16 billion that Newcastle Airport already contributes to the NSW economy annually, \$300 million of which is direct to the visitor economy. This aligns with CN's priorities for a vibrant and creative city and an active tourism and visitor economy.





The visitor and city economy

The visitor economy plays a crucial role in the economic growth of the Newcastle Region. CN is dedicated to developing strategic partnerships with key stakeholders, building capacity and promoting the city as a vibrant and creative destination for tourists and events. CN recently presented a report to Council noting the contribution of major events to Newcastle's economy, vibrancy, liveability and community development and unanimously voted to endorse the investment of up to \$2 million annually from 2026/2027 to attract and retain major events through City of Newcastle's Strategic Event Partnership Program.

Our alignment with state and federal strategies and recent investments, such as the expansion of Newcastle Airport, increased accommodation, vibrant night-time economy reforms and successful major events, reflect growing confidence in the region. The city economy creates opportunities for the community and CN with a balanced, prosperous environment where businesses can thrive, residents have access to education, jobs and services, and the city is positioned for future growth and resilience.

Service delivery

CN delivers a wide range of services including waste collection, libraries, childcare, maintenance of local roads and public spaces, recreation facilities and programs, community support, special events and regulatory functions. To deliver successfully upon our objectives within *Newcastle 2040*, CN further builds strategic partnerships with federal and state government agencies and advocates on a wide range of issues outside of our control, giving a voice to the aspirations of our community.

CN actively engages in service planning to identify the services desired by our community and to deliver them in an equitable and sustainable manner. This planning approach ensures CN understands the people, processes, resources and tools we require to maintain and enhance our services to the community. CN infrastructure is key to the delivery of these services, and as such, effective asset management is central to our decision-making around resourcing, funding, levels of service and asset life cycle requirements.

NSW Government and Federal Government inquiries

The NSW Parliament's Standing Committee on State Development established an inquiry in March 2024 to examine if local councils have enough income to fund their services and infrastructure.

The findings highlighted that the legislative and regulatory framework councils operate within contributes to the revenue raising and cost pressures felt, thereby impacting their ability to adequately meet the needs of their communities. The evidence showed that the financial challenges councils are experiencing cannot be overcome through fiscal discipline alone and are threatening the long-term sustainability of the sector.

The committee has made recommendations that seek to address impacts on local government from the rating system, financial sustainability, federal assistance grant funding, developer contributions framework, depreciation, financial reporting and cost shifting.

Separately, the Federal Standing Committee on Regional Development, Infrastructure and Transport also commenced an inquiry into local government sustainability in 2024. This inquiry is ongoing.

Sources of revenue

Legislative constraints – Councils operate in a complex environment, with responsibilities under 67 different Acts, and direct relationships with more than 20 State and Commonwealth agencies.

There are many fees and charges that have legislative constraints on the maximum fees Council can charge. This restricts CN's ability to generate additional revenue from these income streams and further subjects CN to the risks of legislative changes negatively impacting operating income.

Other sources of revenue – Our ability to generate revenue fees, charges and commercial activities has supported our capacity to invest in infrastructure, services and community initiatives while maintaining financial sustainability.

Competition – CN's commercial operations constantly face threats from the private sector, which could negatively impact the level of income available.

Developer contributions – Developer contributions are fundamental in assisting CN to deliver necessary local infrastructure and manage the effects of new developments. While developer contributions are determined at the council level, legislation, regulation and ministerial directions oversee the framework. This framework can limit Council's income from developer contributions, making it difficult to accommodate the ongoing costs of assets and growth of development and populations. Additionally, there has been a general downward trend in development applications across the region and state. New developments face pressure from escalating building costs, higher interest rates and labour shortages, all of which impact foreseeable future development and place constraints on available revenue.

Waste and the circular economy

By aligning our strategies with community needs and government policy, CN is committed to leading the way in transforming waste management into a robust resource recovery system.

Despite our best efforts, waste generation and recovery rates are falling short of current goals. To bridge this gap, CN must embrace a paradigm shift – from viewing waste as a problem to recognising it as a valuable resource. This change in mindset is essential for accelerating recovery rates through innovative solutions and prudent investments.

As part of the Waste and Sustainable Materials Strategy issued by the Department of Planning, Industry and Environment, the NSW Government has set targets to halve the amount of organic waste sent to landfill by 2030. To achieve this, the NSW Government has mandated the separate collection of food and garden organics by all NSW households by 1 July 2030.

Triple planetary crisis

Climate change, biodiversity loss and pollution pose significant challenges and require substantial investment in mitigating and adapting strategies to address these issues. There is a growing emphasis on green finance, investment in renewal energy, carbon markets and sustainable infrastructure. There are ongoing challenges in balancing long-term environmental goals, economic pressures and costs to implement these strategies.

Broadmeadow Place Strategy

CN developed the Broadmeadow Place Strategy in collaboration with the Department of Planning, Housing and Infrastructure in response to the NSW Government's Rezoning Pathways Program. Broadmeadow, Hamilton, Hamilton North and Hamilton East suburbs are within the Broadmeadow precinct, which is one of 10 precincts identified as having potential to significantly contribute to the housing supply across NSW. The 30-year strategy provides a blueprint of opportunities in these areas. In partnership with the NSW Government, CN aims to deliver vital affordable housing, jobs and infrastructure in alignment with CN's Housing Strategy, while also enhancing access to quality open spaces and improved leisure facilities for the broader community.

Planning for the Future

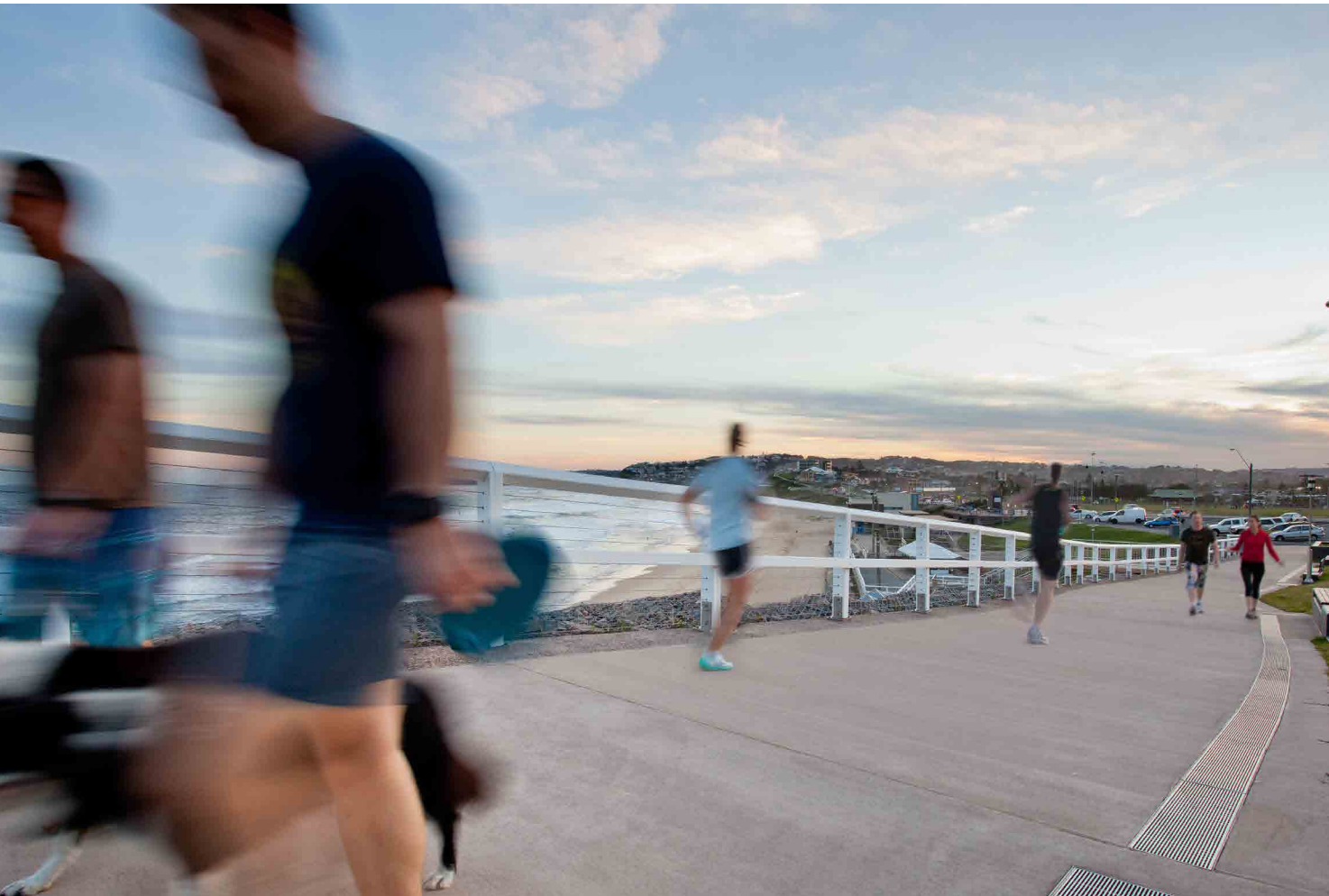
Planning assumptions and sensitivity analysis

It is inherently difficult to accurately forecast across a 10-year period. Many of the issues and concerns facing Newcastle and its community are complex and beyond the direct control and influence of CN. The state of public transport, health, education, housing, planning and employment all have the potential to impact CN's forecasted revenue and expenses.

The yearly Operational Plan underpins the projections in the LTFP. To ensure a dynamic forecasting model, the plan is reviewed annually in line with Integrated Planning and Reporting (IP&R) guidelines.

Specific revenue, expenditure, assets and liability assumptions have been applied to the Planned Case to forecast the 10-year horizon. Several indices have been researched and applied as detailed below. The best available information has been utilised at the time of preparation; however, it is fundamentally difficult to accurately forecast over the medium to long term, and therefore assumptions can be expected to fluctuate.

Some level of uncertainty and sensitivity to economic conditions is inherent in long-term planning. Confidence in the forecasting accuracy of the LTFP decreases in the years beyond the current council term and even more so in years 6-10, which is outside of the Council approved Delivery Program. A sensitivity analysis has also been prepared to provide insight into the potential impact of changes to the core assumptions.



Income statement assumptions and sensitivity analysis

Rating forecast

Impacts: Rates and annual charges

IPART has set the rate peg for the 2025/2026 financial year using a revised rate peg methodology.

The rate peg for each council is based on:

- The Base Cost Change for the council group, measuring labour, assets and other operating costs incurred by councils when providing goods and services
- An Emergency Services Levy factor
- Local government election costs
- A population factor to provide councils with additional income to meet the costs associated with a growing population.

Assumption: For 2025/2026, the rate peg for CN has been set at 5.1%. This rate is made up of the core rate peg at 3.7% and a population growth factor of 1.4%. In line with IPART recommendations, CN has applied an estimated rate peg of 2.7% for 2026/2027 and ongoing.

Rates and annual charges sensitivity analysis

The below sensitivity analysis provides insights into the potential impact on income if the rate peg varied by -1.00%, +1.00% and +2.00%.

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
•000S										
+2.00%	N/A	4,895	5,027	5,193	5,313	5,456	5,604	5,755	5,922	6,082
+1.00%	N/A	2,448	2,514	2,582	2,656	2,728	2,802	2,878	2,961	3,041
-1.00%	N/A	(2,448)	(2,514)	(2,582)	(2,656)	(2,728)	(2,802)	(2,878)	(2,961)	(3,041)

Inflation forecast

Impacts: User charges and fees, other revenue, grants and contributions, materials and services, other expenses (including the NSW Government Waste levy).

Assumption: Based on RBA forecasts, a CPI of 3.2% has been applied for the 2025/2026 financial year.

A rate of 2.5% has been assumed for the remainder of the planning horizon to align with the midpoint of the RBA's target inflation band.

Sensitivity analysis for income statement

The below sensitivity analysis reflects the impact of inflationary changes on each category of income and expenditure (that is, the impact of a -1.00%, +1.00% and +2.00% change in CPI).

Consolidated operating result

'000S	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
+2.00%	1,118	1,161	1,295	1,335	1,395	1,435	1,476	1,496	1,561	1,606
+1.00%	559	580	648	667	697	718	738	748	780	803
-1.00%	(559)	(580)	(648)	(667)	(697)	(718)	(738)	(748)	(780)	(803)

User charges and fees

Statutory fees are those where the fee is set by the State Government. CN planning fees, whose price increases are determined by legislation, have not been indexed by CPI.

All other user charges and fees have been indexed by at least CPI for 2025/2026, with a subset increasing by an additional margin to align with the rate peg.

For the remaining duration of the LTFP, user charges and fees have been indexed in tandem with the rate peg.

'000S	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
+2.00%	2,439	2,567	2,708	2,829	2,904	2,981	3,061	3,142	3,225	3,311
+1.00%	1,219	1,284	1,354	1,415	1,452	1,491	1,530	1,571	1,613	1,655
-1.00%	(1,219)	(1,284)	(1,354)	(1,415)	(1,452)	(1,491)	(1,530)	(1,571)	(1,613)	(1,655)

Materials and services

'000S	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
+2.00%	2,475	2,479	2,542	2,648	2,692	2,759	2,828	2,921	2,972	3,046
+1.00%	1,237	1,239	1,271	1,324	1,346	1,380	1,414	1,461	1,486	1,523
-1.00%	(1,237)	(1,239)	(1,271)	(1,324)	(1,346)	(1,380)	(1,414)	(1,461)	(1,486)	(1,523)

Grants and contributions

'000S	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
+5.00%	1,252	1,359	1,468	1,504	1,542	1,581	1,620	1,661	1,702	1,745
+2.00%	501	543	587	602	617	632	648	664	681	698
-2.00%	(501)	(543)	(587)	(602)	(617)	(632)	(648)	(664)	(681)	(698)
-5.00%	(1,252)	(1,359)	(1,468)	(1,504)	(1,542)	(1,581)	(1,620)	(1,661)	(1,702)	(1,745)
-10.00%	(2,505)	(2,717)	(2,935)	(3,009)	(3,084)	(3,161)	(3,240)	(3,321)	(3,404)	(3,489)

A greater sensitivity analysis has been applied for Grants and Contributions in recognition that the availability of grant funding could deviate beyond fluctuations in CPI.

Interest rate forecast

Impacts: Interest and investment revenue, other income (fair value increment on investments).

Assumption: Bank Bill Swap Rate (BBSW) estimates of between 3.62% and 3.81% have been utilised in the consideration of interest projections for the financial years 2025/2026 to 2028/2029.

For the financial years 2029/2030 to 2034/2035, BBSW has been estimated at 1% above forecasted CPI.

Returns on capital growth funds within CN’s investment portfolio have been indexed at a margin above CPI.

Interest forecast sensitivity analysis

'000s	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
+3.00%	9,650	8,785	9,155	9,529	9,856	10,210	10,549	10,896	11,229	11,619
+1.00%	2,953	2,928	3,052	3,176	3,285	3,403	3,516	3,632	3,743	3,873
-1.00%	(2,953)	(2,928)	(3,052)	(3,176)	(3,285)	(3,403)	(3,516)	(3,632)	(3,743)	(3,873)
-3.00%	(9,650)	(8,785)	(9,155)	(9,529)	(9,856)	(10,210)	(10,549)	(10,896)	(11,229)	(11,619)

Note: Sensitivity analysis on interest and investment revenue reflects CN's cash and investment portfolio only and does not include Newcastle Airport cash holdings.

Wages forecast

Impacts: Employee benefits and on-costs.

Assumption: Employee costs assumptions for 2025/2026 have been based on increases in rates of pay within the *Local Government (State) Award* as well as the 0.5% per annum increase in legislated Superannuation Guarantee contribution payments, which take superannuation to 12%, where it is scheduled to stay. Additionally, wages forecasts consider the capacity and capability of CN's workforce as outlined in the WDSP.

Annual increases of 3.0% are estimated for the remainder of the LTFP for the financial year 2026/2027 and beyond.

Wage forecast sensitivity analysis

'000s	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
+2.00%	3,154	3,252	3,371	3,507	3,611	3,718	3,828	3,941	4,058	4,178
+1.00%	1,577	1,626	1,686	1,753	1,805	1,859	1,914	1,970	2,029	2,089
-1.00%	(1,577)	(1,626)	(1,686)	(1,753)	(1,805)	(1,859)	(1,914)	(1,970)	(2,029)	(2,089)

Depreciation forecast

Depreciation expense has been calculated based on expected additions through CN's capital works program and the useful lives of existing assets. All known compulsory acquisitions have been considered. Depreciation levels are subject to ongoing review with each year's revision of the LTFP.

Lease amortisation has been calculated through the wind-down of the calculated right-of-use asset from the lease schedules.



Statement of Financial Position assumptions

Unless otherwise stated, the Statement of Financial Position has been forecasted using a CPI of 3.2% for 2025/2026. A rate of 2.5% has been assumed for the remainder of the planning horizon to align with the midpoint of RBA's target inflation band.

Cash and cash equivalents assumptions

Cash levels have been forecasted to ensure that adequate operational liquidity is maintained.

Borrowing assumptions

Repayments of interest and principal of existing loans are known from current repayment schedules. Lease borrowing costs have been included through lease amortisation schedules.

Capital works program assumptions

The LTFP is structured on a specific Planned Case scenario in which the proposed capital works program for 2025/2026 is \$154.5 million.

Significant planning is undertaken each year as part of the budget process to prioritise projects in line with the AMS and to continue to deliver on the priorities outlined within *Newcastle 2040*. For the years beyond the Operational Plan, where the composition of the program is not yet finalised, the LTFP has assumed an annual capital works program in the vicinity of \$125 million, adjusted annually for inflation. Programs are continuously subject to change, depending on new priorities, emerging works, emergency works, priorities of the elected Council, and availability of new funding sources such as grants. These changes can materially impact the proportion of operating expenditure spent on capital works and, consequently, the financial performance reflected in the LTFP.

We have considered CN's Project Portfolio Management Policy and the full life cycle costing of assets. The AMS details how our asset portfolio supports the service delivery needs of our community. In an asset management context, 'level of service' refers to a defined rating against which

service performance can be measured. Levels of service generally relate to quality, quantity, functionality, capacity, utilisation, location, accessibility and environmental factors. Condition ratings determine the maintenance required to bring the asset to the agreed level of service. Service levels articulate the link between providing the outcomes the community desires and the way in which CN provides the service. A higher level of service typically costs more to deliver than a lower level of service.

CN considers not only the annual operating costs for maintenance and operation, but also upfront capital costs associated with creating and acquiring new assets or renewing and upgrading existing assets. Corresponding depreciation impacts are factored into future results of the LTFP.

The Planned Case shows that there are sufficient funds to meet the expected operating and capital expenditure forecasts.



Our services and Delivery Program

CN provides extensive programs and services to the community, including waste collection, libraries, childcare, maintenance of local roads and public spaces, recreation facilities and programs, community support, special events and regulatory functions. As well as CN's core functions, we work with various stakeholders and partners, including other areas of government, local businesses and industries, educational institutions and community groups, to deliver our vision.

Our present levels of service aim to strike a balance between the community's desired level of service with CN's resource capacity and our strategic priorities outlined in *Newcastle 2040*. The projections in the LTFP Planned Case assume that the current levels of services will be maintained throughout the period of the LTFP.

CN delivers a wide range of services to meet our vision for a liveable, sustainable and inclusive global city.



- Environmental Strategy
- Climate Change and Sustainability
- Environmental Assets
- City Greening
- Blackbutt, Natural Areas and Invasive Species
- City-Wide Development Assessment
- City Significant Strategic Planning
- Compliance Operations
- Environmental Health
- Traffic Engineering and Transport Planning



- Asset Management
- Building Trade Services
- Facilities Management and City Presentation
- Fleet and Plant Management
- Project Management
- Civil Construction
- Road Maintenance
- Depot Management



- Corporate Finance
- Contracts and Procurement
- Property Services
- Rates and Debt Management
- Corporate Planning and Performance
- Information Technology
- Governance and Councillor Services
- Legal Services
- Records and Information Management
- Enterprise Risk and Audit
- Customer Service Centre
- Business and Customer Improvement
- Workforce Development
- Safety and Wellbeing
- Talent Diversity and Inclusion



- Landfill Management and Resource Recovery
- Waste Collection and Service Delivery
- Community Education Programs
- Waste Infrastructure and Assets



- City Events
- Marketing and Tourism
- Economic Development and Capacity Building
- Visitor Information Centre
- Media and Stakeholder Relations
- Museum and Libraries
- Children's Education Services
- Fort Scratchley Historic Site
- Art Gallery
- Civic Theatre including Civic Playhouse
- Civic Venues including City Hall and Fort Scratchley Function Centre
- Community Planning and Development
- Social Planning
- Community Halls and Cemeteries
- Aquatic Services – Inland Pools and Professional Lifeguards
- Sport and Recreation – Planning, Projects and Maintenance
- Parks, Playgrounds, Sporting Fields and Dog Parks

CN manages a diverse range of assets.

Arts & Cultural Facilities

- 1 Museum
- 1 Art Gallery
- 2 historical forts
- 1 Civic Theatre
- 1 City Hall

Stormwater

- 545km pipes and culverts
- 23,500 stormwater pits
- 326 water quality devices

Aquatic Centres

- 10 beaches
- 6 patrolled
- 5 inland swimming pools
- 2 ocean baths

Outdoor Spaces

- 134 playgrounds
- 250 recreation parks
- 147 sporting grounds
- 17 dog off-leash areas

Waste

- Summerhill Waste Management Facility

Natural Assets

- 79km creeks
- 102,799 street and park trees
- 91 bushland parcels
- 65 wetlands
- 4.5km sand dunes
- 3.5km coastal cliff line
- 8.7km river walls
- 3.7km sea walls

Transport

- 850km roads
- 1,487km kerb and gutter
- 117 bridges
- 972km pathways

Community Facilities

- 19 community halls and centres
- 6 surf clubs
- 10 Libraries
- 1 visitor centre
- 1 holiday park
- 3 cemeteries

- 176 public art, fountains and monuments
- 5.7km tracks and trails
- 20km retaining walls



Major projects

CN is committed to strong, sustainable financial management while delivering on the community priorities outlined in *Newcastle 2040*. Our annual capital works program reflects this commitment, driving investment in essential infrastructure and enhancing Newcastle as a great place to live, work, play and visit.

To ensure the ongoing sustainable delivery of our capital works program, asset management plans (including condition assessments) inform the development of asset renewal projects, which consider life cycle costing as supported by the Asset Management Strategy (AMS). In addition, strategic projects that revitalise, upgrade or deliver new assets or services are informed by CN's strategies and service reviews. CN follows the guidelines issued by the OLG and employs a systematic approach to capital expenditure prioritisation, which is an essential part of the capital budgeting process. In line with our Project Portfolio Management Policy, CN carefully identifies, prioritises and implements projects, programs and portfolios that align with our long-term vision and community needs.

The LTFP is reviewed and updated annually to ensure the estimates and assumptions remain relevant and responsive to Newcastle's evolving economy and growth. Detailed cost estimates for current and future projects are factored into the LTFP as they become available. CN's proposed works programs undergo community consultation and are reviewed and adopted by Council before they are enacted.

Our projects of significance within the proposed capital works program are:

Newcastle Art Gallery – Newcastle Art Gallery will reopen its doors in late September 2025 in time for CN's flagship arts and culture festival, New Annual. Housing over 7,000 works of art valued at \$126 million, this project will be a major driver of cultural tourism to the Newcastle and Hunter region.

The Gallery will combine a new building with the retrofit of an iconic 47-year-old structure, carefully respecting its heritage while ensuring compliance with modern-day requirements and standards. This includes an additional 1,600 square metres of exhibition space with dedicated areas for the collection on the lower level, while the upper level will cater for a variety of travelling exhibitions, including international shows. It will deliver a new café and retail shop as well as a multi-purpose and educational program space, and will extend the building's footprint east along Darby Street and Queen Street.

The expanded Art Gallery will provide a significant cultural tourism opportunity and is expected to attract 150,000 visitors per year. With its expanded offerings and world-class exhibitions, the Newcastle Art Gallery will be a destination for locals and tourists alike, solidifying its place as a premier cultural hub in the region.

Foreshore Park – The Harbour Foreshore Masterplan will deliver an inclusive space for all and enhance connectivity between the city and the harbour's edge around Foreshore Park and along Joy Cummings Promenade. The transformative project is supported by multiple grant programs: the NSW Government through round nine of the Resources for Regions program, Touched by Olivia Children's Charity, and funding received from the Newcastle Port Community Contribution Fund. The construction of the new amenities and kiosk is expected to be finished by mid-2025.

Longworth Avenue and Minmi Road, Wallsend – The city's growing Western Corridor has led to increased traffic over time. We are working to improve conditions along this important link to the city, by increasing the width of the road to two lanes in each direction at locations identified in the Western Corridor Transport and Traffic Study. In addition, we are making changes to some intersections to reduce bottlenecks.

Upgrades to the Western Corridor and the supporting road network will be delivered in stages:

- **Associated traffic changes** at some intersections in the surrounding area to support traffic flow before and during the major works at Longworth Avenue and Minmi Road, Wallsend.
- **Longworth Avenue, Wallsend** between Newcastle Road and Cameron Street.
- **Minmi Road, Wallsend** from Maryland Drive to west of the Summerhill Road roundabout.

Hunter Street Revitalisation East End Public Domain Plan (Hunter Street Mall) – Ongoing urban upgrades along Hunter Street include a bidirectional cycleway and enhancements to the Harbour to Cathedral corridor. Stage 9 construction is approaching completion, with Stages 2 and 5 underway. Feasibility studies are exploring the former mall carpark site at 92 King Street. Construction of Iris Stage 2 is nearly complete, with DAs for Stages 3 and 4 approved in November 2024.

Georgetown Local Centre – A multimillion-dollar upgrade to revitalise Georgetown has begun, enhancing safety, accessibility and the appeal of its neighbourhood shopping area. The first stage will upgrade speed control devices and add entry infrastructure to slow traffic, supporting the 40km/hour zone. Improvements to the bus stop will also enhance accessibility for commuters.

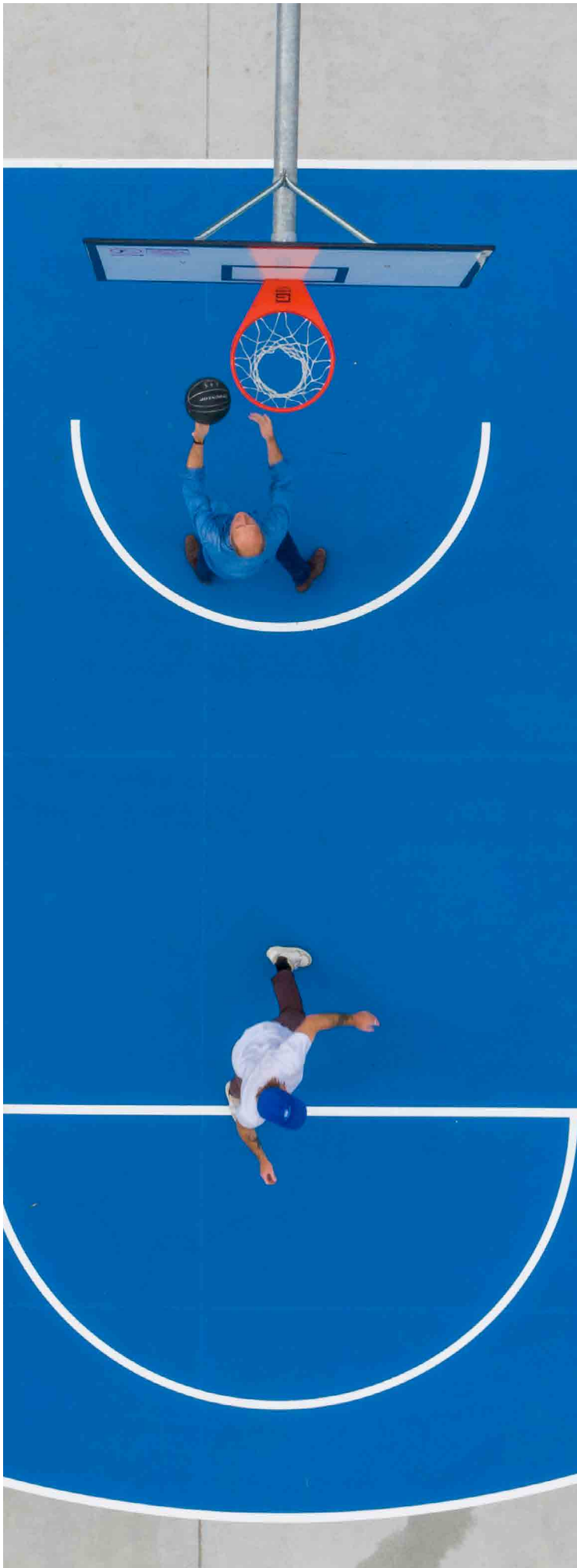
Future stages will add pedestrian refuges on Georgetown Road, improve drainage and upgrade utilities to prepare for the area's broader rejuvenation. When complete, the project will feature a new plaza on Moate Street, wider footpaths, an estimated 30 new street trees, and safer cycle access between Asher and Parkview streets.

Stage 2 works to upgrade No.1 Sportsground – Grant funding is being sought for Stage 2 works at No.1 Sportsground in National Park. This phase will upgrade the grandstand and amenities building to meet modern standards, creating a top-quality venue for both local and elite sports. Stage 1 works was funded by CN at a cost of \$8 million.

Bathers Way extension into King Edward Park – The King Edward Park section of Bathers Way will extend from the previous works at The Terrace carpark through King Edward Park, connecting to Shortland Esplanade and through to South Newcastle Beach. The design phase continues following broad community consultation to shape the outcomes of the project.

Queens Wharf – The iconic harbourside location of Queens Wharf includes two separate buildings, a public promenade and the Transport for NSW-owned ferry wharf. Originally constructed as a Bicentennial project, it was officially opened by Queen Elizabeth II in 1988 with an estimated life of 25 years. CN is currently conducting site investigations to support future redevelopment of the site with community consultation expected in late 2025.

Rail Bridge Row – The Rail Bridge Row site is the last remaining section of Newcastle's former heavy rail corridor land along Hunter Street set for redevelopment. It has been earmarked for a mixed-use affordable housing development, addressing key community concerns around housing affordability, population growth and the rising cost of living. CN identified housing as a key objective in *Newcastle 2040* and this project demonstrates our commitment to creating a more liveable city.





10-Year Outlook - Planned Case

The Planned Case scenario for CN's 10-year financial outlook is depicted in this next section.

The **Planned Case scenario** is focused on financial governance and aligns service delivery expectations with available funding. It is the most likely scenario based on the key assumptions outlined in this document. Investment in the capital works program is set at \$154.5 million for the 2025/2026 financial year and \$125 million from 2026/2027 onwards (adjusted annually for inflation). This has been determined as the required sustainable investment level to ensure our infrastructure is adequately maintained, while also allowing some capacity to provide for new and upgrade capital expenditure. Cash and investments are maintained at strong balances across the 10-year forecast.

The Income Statement, Statement of Financial Position and Statement of Cash Flows reflect the key assumptions outlined in this document.



Income Statement

The Income Statement includes estimates of revenues and expenditures required to support the operating activities of Council.

Income Statement	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Income from continuing operations										
Rates and annual charges	244,765	251,373	258,160	265,647	272,819	280,185	287,750	296,095	304,090	312,300
User charges and fees	121,933	128,372	135,390	141,470	145,222	149,073	153,027	157,085	161,252	165,529
Other revenue	12,114	12,392	12,731	13,069	13,389	13,731	14,074	14,426	14,787	15,156
Grants and contributions provided for operating purposes	25,758	27,174	29,353	30,087	30,839	31,610	32,400	33,210	34,041	34,892
Grants and contributions provided for capital purposes	32,750	32,915	33,738	34,581	35,446	36,332	37,240	38,171	39,126	40,104
Interest and investment income	13,660	10,701	11,353	11,789	11,944	12,361	12,763	13,174	13,571	14,030
Other income	13,837	11,701	12,578	13,308	13,670	14,050	14,430	14,821	15,212	15,530
Total income from continuing operations	464,817	474,628	493,303	509,951	523,329	537,342	551,684	566,982	582,079	597,541
Expenses from continuing operations										
Employee benefits and on-costs	158,882	162,583	168,554	175,345	180,534	185,877	191,379	197,044	202,878	208,884
Materials and services	123,546	123,929	127,121	132,391	134,601	137,966	141,415	146,050	148,602	152,317
Borrowing costs	8,118	7,946	7,819	7,913	7,804	7,726	7,674	7,610	7,639	7,727
Depreciation and amortisation	76,500	79,367	82,044	83,789	85,930	88,107	90,437	92,702	94,999	97,433
Other expenses	52,907	54,473	55,864	57,579	59,019	60,494	62,007	63,557	65,146	66,774
Net loss from the disposal of assets	11,856	12,931	13,257	13,623	13,963	14,313	14,670	15,037	15,413	15,798
Total expenses from continuing operations	431,809	441,229	454,659	470,640	481,851	494,483	507,582	522,000	534,677	548,933
Operating result from continuing operations	33,008	33,399	38,644	39,311	41,478	42,859	44,102	44,982	47,402	48,608
Net operating result for the year before grants and contributions provided for capital purposes	258	484	4,906	4,730	6,032	6,527	6,862	6,811	8,276	8,504

Statement of Financial Position

This statement provides a snapshot of the assets CN owns and its liabilities and obligations.

Statement of Financial Position	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Assets										
Current assets										
Cash and cash equivalents	37,020	41,862	49,321	52,118	52,810	54,090	52,859	50,895	48,507	54,694
Investments	87,540	89,997	92,391	94,171	96,153	97,897	99,639	101,148	103,147	105,250
Receivables	36,369	37,206	38,065	38,946	39,848	40,773	41,721	42,693	43,689	44,710
Inventories	1,418	1,453	1,489	1,527	1,565	1,604	1,644	1,685	1,727	1,770
Contract assets and contract cost assets	1,065	1,092	1,119	1,147	1,176	1,205	1,235	1,266	1,298	1,330
Other	8,576	8,791	9,011	9,236	9,467	9,703	9,946	10,195	10,449	10,711
Total current assets	171,988	180,401	191,396	197,145	201,019	205,272	207,044	207,882	208,817	218,465
Non-current assets										
Investments and derivatives	176,236	185,405	194,634	202,851	212,042	220,863	229,941	238,696	249,002	259,886
Receivables	1,531	1,570	1,609	1,649	1,690	1,733	1,776	1,820	1,866	1,913
Infrastructure, property, plant and equipment	2,339,356	2,351,729	2,385,341	2,409,250	2,468,042	2,505,227	2,523,489	2,564,774	2,595,679	2,666,152
Right-of-use assets	26,056	23,732	21,587	19,814	18,039	16,265	14,491	12,716	10,942	9,168
Investments accounted for using the equity method	337	346	354	363	372	381	391	401	411	421
Investment property	68,246	69,952	71,701	73,493	75,331	77,214	79,144	81,123	83,151	85,230
Intangible assets	994	956	916	874	828	780	791	780	790	781
Other	6,683	6,539	6,445	6,351	6,358	6,364	6,371	6,377	6,384	6,391
Total non-current assets	2,619,439	2,640,229	2,682,587	2,714,645	2,782,702	2,828,827	2,856,394	2,906,687	2,948,225	3,029,942
Total assets	2,791,427	2,820,630	2,873,983	2,911,790	2,983,721	3,034,099	3,063,438	3,114,569	3,157,042	3,248,407
Liabilities										
Current liabilities										
Payables	58,687	60,400	61,449	62,493	64,017	65,581	67,184	68,837	68,193	69,923
Contract liabilities	20,005	20,505	21,017	21,543	22,081	22,633	23,199	23,779	24,374	24,983
Lease liabilities	2,379	2,254	1,911	1,965	2,020	2,077	2,136	2,196	2,258	2,322
Borrowings	3,720	3,707	3,247	3,438	2,691	2,844	3,011	2,281	1,493	1,524
Employee benefit provisions	37,162	37,662	38,174	38,698	39,235	39,785	40,348	40,925	41,516	42,122
Provisions	2,330	2,378	2,428	2,480	2,532	2,587	2,643	2,700	2,759	2,819
Total current liabilities	124,283	126,906	128,226	130,617	132,576	135,507	138,521	140,718	140,593	143,693
Non-current liabilities										
Contract liabilities	4,399	4,509	4,621	4,737	4,855	4,977	5,101	5,229	5,359	5,493
Lease liabilities	26,953	24,699	22,788	20,824	18,804	16,727	14,591	12,394	10,136	7,814
Borrowings	119,206	115,499	112,252	103,814	96,123	88,279	80,268	72,988	66,494	64,970
Employee benefit provisions	1,429	1,436	1,443	1,451	1,458	1,465	1,472	1,480	1,487	1,495
Provisions	76,533	75,559	72,428	68,566	61,476	53,934	46,171	37,908	31,472	29,665
Total non-current liabilities	228,520	221,702	213,532	199,392	182,716	165,382	147,603	129,999	114,948	109,437
Total liabilities	352,803	348,608	341,758	330,009	315,292	300,889	286,124	270,717	255,541	253,130
Net assets	2,438,624	2,472,022	2,532,225	2,581,781	2,668,429	2,733,210	2,777,314	2,843,852	2,901,501	2,995,277
Equity										
Accumulated surplus	1,631,568	1,664,966	1,703,611	1,742,920	1,784,401	1,827,257	1,871,361	1,916,341	1,963,743	2,012,352
Revaluation reserves	806,182	806,182	827,740	837,987	883,154	905,079	905,079	926,637	936,884	982,051
Hedging reserve	874	874	874	874	874	874	874	874	874	874
Total equity	2,438,624	2,472,022	2,532,225	2,581,781	2,668,429	2,733,210	2,777,314	2,843,852	2,901,501	2,995,277

Statement of Cash Flows

The Statement of Cash Flows provides information on the cash receipts (inflows) and cash payments (outflows) of CN, classified broadly as operating activities, investing activities and financing activities.

- Cash flows from operating activities will include cash receipts and payments from the day-to-day operations of the Council.
- Cash flows from investing activities will normally include payments and receipts on the purchase and sale of investments, as well as the cash flows associated with capital works and the purchase of other non-current assets.
- Cash flows from financing activities will normally include loans drawn down and principal repayments made, including the cash flows associated with any leases.

Statement of Cash Flows	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Cash flows from operating activities										
Receipts										
Rates and annual charges	244,677	251,260	258,045	265,536	272,699	280,062	287,624	295,974	303,958	312,165
User charges and fees	121,491	128,018	135,025	141,096	144,840	148,680	152,624	156,673	160,829	165,095
Investment and interest revenue received	13,541	10,605	11,255	11,688	11,840	12,255	12,654	13,062	13,456	13,913
Grants and contributions	62,199	60,041	63,042	64,618	66,234	67,890	69,587	71,327	73,110	74,937
Bonds, deposits and retention amounts received	44	35	36	37	38	39	40	41	42	43
Other	25,111	22,192	23,361	24,381	25,012	25,683	26,355	27,043	27,740	28,371
Payments										
Payments to employees	(157,842)	(161,653)	(167,601)	(174,368)	(179,533)	(184,851)	(190,327)	(195,965)	(201,771)	(207,749)
Payments for materials and services	(122,747)	(123,437)	(128,749)	(134,711)	(140,111)	(143,891)	(147,518)	(152,614)	(153,293)	(152,336)
Borrowing costs	(8,118)	(7,946)	(7,819)	(7,913)	(7,804)	(7,726)	(7,674)	(7,610)	(7,639)	(7,727)
Other	(58,422)	(54,236)	(56,383)	(58,154)	(59,249)	(60,730)	(62,248)	(63,804)	(67,731)	(67,034)
Net cash flows from operating activities	119,934	124,879	130,212	132,210	133,966	137,411	141,117	144,127	148,701	159,678
Cash flows from investing activities										
Receipts										
Redemption of term deposits	203,120	187,697	192,390	197,200	202,130	207,183	212,362	217,672	223,113	228,691
Proceeds from the sale of infrastructure, property, plant and equipment	2,793	-	-	-	-	-	-	-	-	-
Payments										
Acquisition of term deposits	(152,412)	(199,324)	(204,012)	(207,197)	(213,303)	(217,747)	(223,183)	(227,935)	(235,418)	(241,678)
Purchase of investment property	(30,586)	-	-	-	-	-	-	-	-	-
Payments for infrastructure, property, plant and equipment	(130,200)	(102,311)	(105,170)	(109,258)	(111,698)	(115,856)	(121,606)	(125,681)	(129,307)	(136,753)
Net cash flows from investing activities	(107,285)	(113,938)	(116,792)	(119,255)	(122,871)	(126,420)	(132,427)	(135,944)	(141,612)	(149,740)
Cash flows from financing activities										
Receipts										
Proceeds from borrowings	2,700	-	-	-	-	-	-	-	-	-
Payments										
Repayment of borrowings	(3,531)	(3,720)	(3,707)	(8,247)	(8,438)	(7,691)	(7,844)	(8,011)	(7,281)	(1,493)
Principal component of lease payments	(2,493)	(2,379)	(2,254)	(1,911)	(1,965)	(2,020)	(2,077)	(2,136)	(2,196)	(2,258)
Net cash flows from financing activities	(3,324)	(6,099)	(5,961)	(10,158)	(10,403)	(9,711)	(9,921)	(10,147)	(9,477)	(3,751)
Net change in cash and cash equivalents	9,325	4,842	7,459	2,797	692	1,280	(1,231)	(1,964)	(2,388)	6,187
Cash and cash equivalents at beginning of year	27,695	37,020	41,862	49,321	52,118	52,810	54,090	52,859	50,895	48,507
Cash and cash equivalents at end of year	37,020	41,862	49,321	52,118	52,810	54,090	52,859	50,895	48,507	54,694
plus: Investments on hand (excluding derivatives) at end of year	262,883	274,509	286,132	296,129	307,302	317,866	328,687	338,951	351,256	364,243
Total cash, cash equivalents and investments (excluding derivatives)	299,903	316,371	335,453	348,247	360,112	371,956	381,546	389,846	399,763	418,937

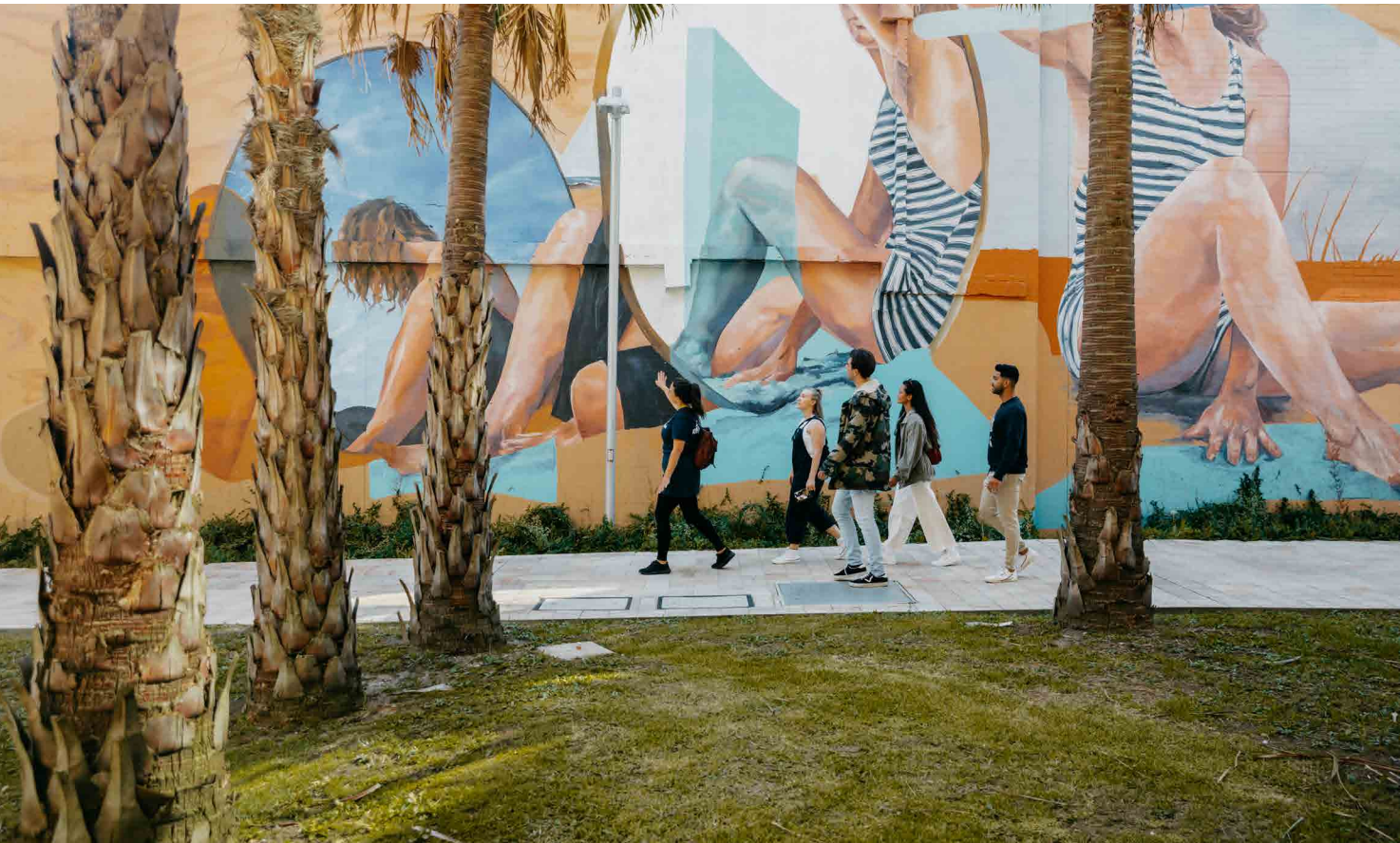
Performance Monitoring

Performance monitoring of the LTFP encourages proactive decision-making, mitigates risks and makes necessary adjustments to ensure CN is delivering the goals and objectives of *Newcastle 2040* in a financially sustainable way.

The LTFP is designed to adapt to changing economic conditions and community priorities. It is reviewed and adjusted annually, with in-depth assessment performed every four years in line with the requirements under the IP&R framework. Regular performance monitoring is completed through monthly performance reporting to Council, quarterly budget reviews in September, December and March, and our annual financial statements that are subject to external audit by the Audit Office of NSW.

CN utilises key performance ratio benchmarks set by the OLG to monitor and review financial performance and financial sustainability. These include:

- Operating performance ratio
- Own source operating revenue ratio
- Unrestricted current ratio
- Debt service cover ratio
- Rates and annual charges outstanding percentage
- Cash expense cover ratio.



The key performance ratios for the Planned Case scenario are set out below:

Operating performance ratio

What is it? The operating performance ratio measures how well Council contains operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments and the reversal of revaluation decrements).

Calculation:

Total continuing operating revenue
(excl. capital grants and contributions)
less operating expenses

Total continuing operating revenue
(excl. capital grants and contributions)

OLG Benchmark: >0.00%

Performance: CN is meeting performance targets

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
City of Newcastle	2.03%	2.06%	2.99%	2.90%	3.13%	3.19%	3.21%	3.16%	3.39%	3.38%
OLG benchmark	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%



Own source operating revenue ratio

What is it? 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.

Calculation:

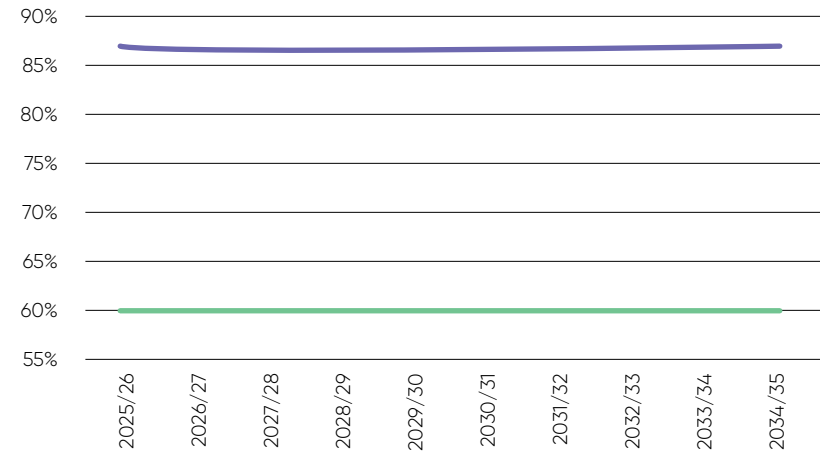
Total continuing operating revenue excl.
all grants and contributions

Total continuing operating revenue
inclusive of all grants and contributions

OLG Benchmark: >60.0%

Performance: CN is meeting performance targets

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
City of Newcastle	87.30%	87.22%	87.09%	87.20%	87.22%	87.24%	87.26%	87.29%	87.31%	87.33%
OLG benchmark	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%



Unrestricted current ratio

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

Calculation:

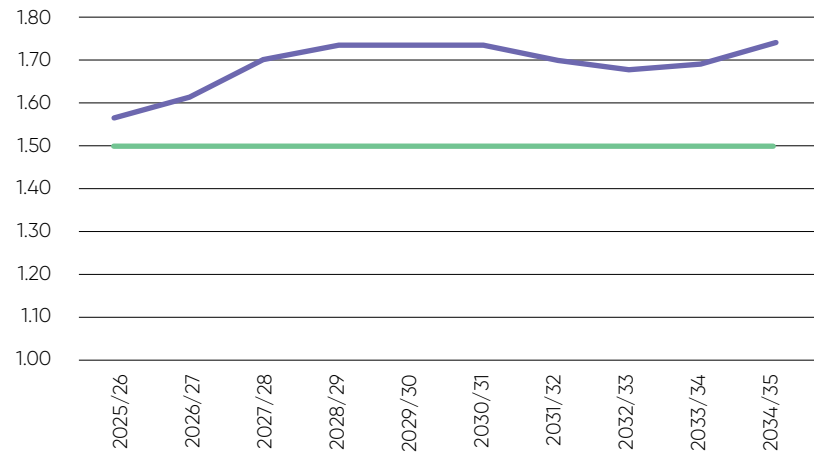
Current assets less all external restrictions

Current liabilities less specific purpose liabilities

OLG Benchmark: >1.50x

Performance: CN is meeting performance targets

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
City of Newcastle	1.57	1.61	1.70	1.72	1.73	1.72	1.69	1.67	1.68	1.72
OLG benchmark	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50



Debt service cover ratio

What is it? The debt service cover ratio measures the ability of operating cash to service debt including interest, principal and lease payments.

Calculation:

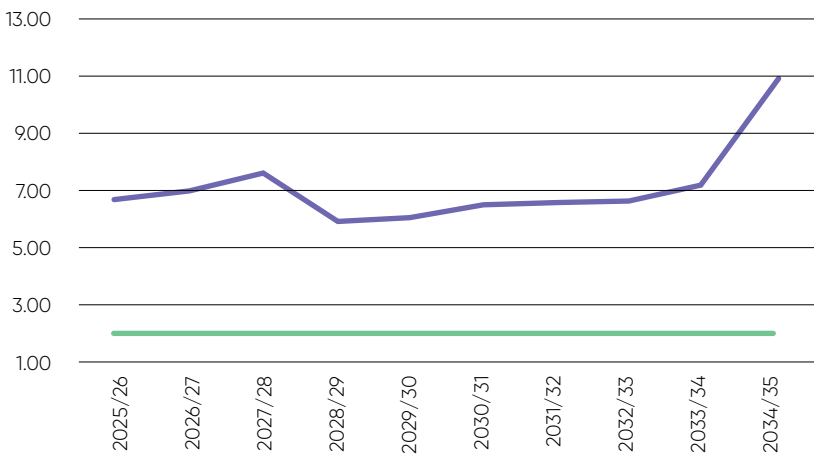
Operating result before capital (excl. interest and depreciation/ impairment/amortisation)

Principal repayment (from the Statement of Cash Flows) plus borrowing costs (from the Income Statement)

OLG Benchmark: >2.00x

Performance: CN is meeting performance targets

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
City of Newcastle	6.60	6.86	7.51	5.83	5.98	6.40	6.51	6.58	7.06	10.79
OLG benchmark	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00



Rates and annual charges outstanding percentage

What is it? The rates and annual charges outstanding ratio assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts.

Calculation:

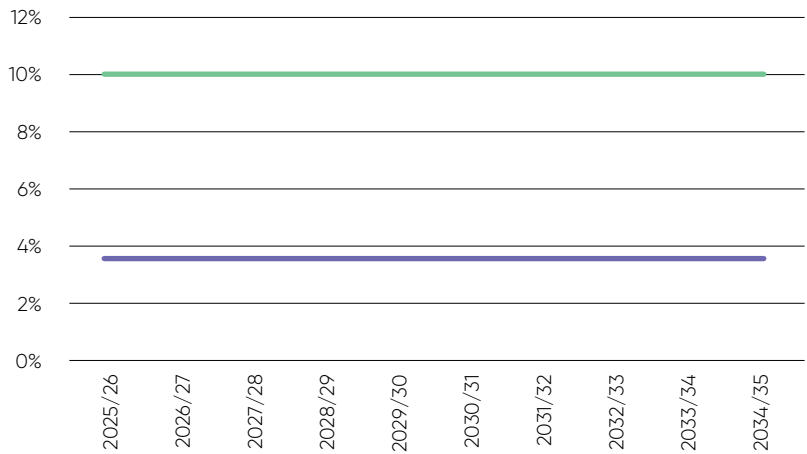
Rates and annual charges outstanding

Rates and annual charges collectable

OLG Benchmark: < 10.0% regional & rural

Performance: CN is meeting performance targets

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
City of Newcastle	3.52%	3.52%	3.52%	3.50%	3.50%	3.49%	3.48%	3.47%	3.46%	3.46%
OLG benchmark	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%



Cash expense cover ratio

What is it? This liquidity ratio indicates the number of months that Council can continue paying for its immediate expenses without additional cash inflow.

Calculation:

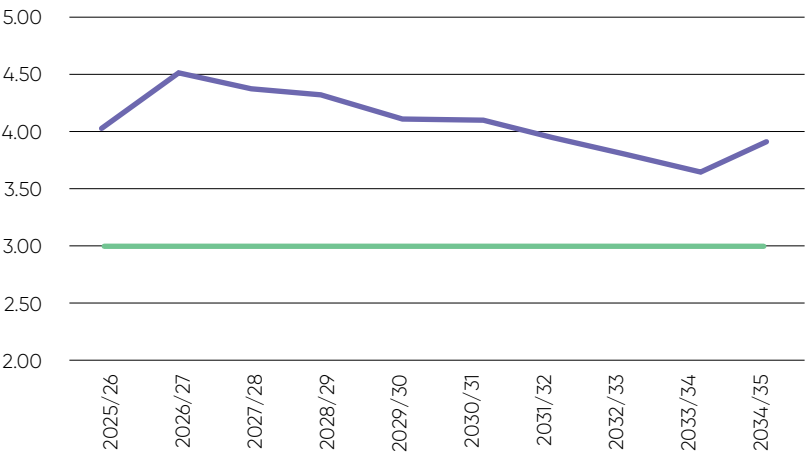
Current year's cash and cash equivalents plus all term deposits

Monthly payments from cash flow of operating and financing activities

OLG Benchmark: > 3 months

Performance: CN is meeting performance targets

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
City of Newcastle	4.03	4.50	4.40	4.36	4.16	4.10	3.96	3.79	3.64	3.82
OLG benchmark	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00



Scenario Modelling

The LTFP has been developed with consideration of a range of alternative scenarios, each with differing underlying assumptions in the forecast years beyond 2025/2026. The base year, reflecting the 2025/2026 budget, remains constant across all 3 scenarios.

Defensive	Planned Case	Growth
<p>Capital Works Program: \$110 million + CPI annually Focus on asset renewal spending</p> <p>Revenue Forecasts: Assumes adverse economic impacts with downward pressure on revenue forecasts</p>	<p>Capital Works Program: \$125 million + CPI annually</p> <p>Revenue Forecasts: Baseline assumptions</p>	<p>Capital Works Program: \$150 million + CPI annually</p> <p>Revenue Forecasts: Assumes strong confidence that revenue forecasts will exceed baseline and capacity for higher user charges and fees beyond CPI</p> <p>Diversified investment in property through the Future Fund</p> <p>Drive for additional operational grant funding</p>

The **Planned Case scenario** is our baseline. It reflects the key assumptions outlined in this document and is focused on financial governance, diversifying CN's reliance on rates revenue and financially sustainable spending across the 10 years. Refer to pages 47 to 53 for the financials depicting this scenario.

CN has considered two alternative scenarios.

The **Defensive scenario** recognises that there is a level of risk and uncertainty inherent in forecasting. This scenario tests the assumptions in the Planned Case; modelling revenue at a margin below the expected result. It proposes a reduced capital works program when compared with the Planned Case with an aim to address the growing gap between renewal demand and available funding. Renewal demand will continue to increase as CN acquires or builds more assets and continues to invest in new and upgraded assets for our community. The Defensive scenario reprioritises the capital works program towards projects which restore and renew assets to their original or required service level.

The **Growth scenario** assumes favourable revenue forecasts beyond the baseline assumptions through ambitious targets, a drive towards diversified income streams and investment in property with optimum financial returns. Under this scenario, cash reserves are directed into investment opportunities with higher returns and risk to support enhanced capacity to deliver infrastructure spending through the works program. This scenario has a higher risk profile, and performance goals are potentially beyond what is reasonably achievable within current market conditions. It additionally assumes there is widespread community support for CN fees and charges pricing to be indexed at a margin above CPI and the Planned Case across the 10 years, with ratepayers accommodating this strategy in return for improved services and programs.

Cash and investment balances are used to fund the strategy, trending downwards towards \$200 million, before increasing again in the final year of the plan. There is a substantial downside to this scenario with respect to CN's performance measures. All forecast years beyond 2025/2026 display Unrestricted Current Ratio indicators below the OLG target, highlighting the stress being placed on CN's ability to satisfy its obligations in the short term.

Alternate Models Financial Statements

Defensive Scenario

- Income Statement Appendix 1 pages 66-67
- Statement of Financial Position Appendix 1 pages 68-69
- Statement of Cash Flows Appendix 1 pages 70-71
- Performance Measurement Indicators Appendix 1 pages 72-73

Growth Scenario

- Income Statement Appendix 2 pages 74-75
- Statement of Financial Position Appendix 2 pages 76-77
- Statement of Cash Flows Appendix 2 pages 78-79
- Performance Measurement Indicators Appendix 2 pages 80-81



Risk Management

Enterprise Risk Management (ERM) is the process of identifying and addressing potential strategic risks that, if they were to eventuate, could impact the achievement of strategic objectives. The purpose of risk management is to identify potential problems before they occur, or, in the case of opportunities, to try to leverage them to cause them to occur.

CN's ERM Policy sets out the risk management principles, systems and processes that provide for the consistent, efficient and effective assessment of risk in CN's corporate planning, decision-making and operational processes. CN's ERM Framework comprises this policy, CN's risk appetite statement and supporting tools for the identification, monitoring and management of risks, as well as the following committees:

Governance and Risk (Executive) Committee (GREC): The purpose of GREC is to provide oversight and guidance to the CEO and Executive Leadership Team (ELT) to fulfil their responsibilities for CN's ERM and Corporate Governance Framework.

Audit and Risk and Improvement Committee (ARIC): The objective of ARIC is to provide independent assurance to CN by monitoring, reviewing and providing advice about CN's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance. ARIC has an advisory and assurance role only, providing independent advice to CN that is informed by CN's audit and risk management activities and information and advice provided by staff, relevant external bodies and subject matter experts.

CN has identified a strategic risk in relation to long-term financial sustainability, which is monitored and managed corporately:

Inadequate financial planning and management that significantly impacts the delivery of organisational and community services and long-term financial sustainability or limits the ability of CN to deliver Newcastle 2040



Inherent within the LTFP are sub-risks to this strategic risk, each with the potential to impact cash flows, revenue forecasts or service delivery. These risks have been rated according to CN's Enterprise Risk Management Policy.

RISK DESCRIPTION	LIKELIHOOD	CONSEQUENCE	RATING	MITIGATIONS
Rate peg movements Applicable rate peg could be lower than forecast and/or lower than CPI. CN would need to consider reducing service levels or find alternative funding sources to adequately meet the community's demand for services.	Possible	Major	High	CN will continue to investigate opportunities to increase alternative income streams and reduce reliance on rates revenue.
Interest rate movements Interest rates are affected by the monetary policy and cash rate decisions of the Reserve Bank of Australia. Movements in interest rates directly impact the returns earned by CN's investment portfolio and may have a significant impact on the operating result.	Likely	Moderate	High	CN regularly monitors investment portfolio performance and reports monthly to Council. This monitoring offers an opportunity to evaluate external factors such as changes in market conditions, inflation rates and other risk factors.
Inflation movements Inflation rates higher than forecast will impact the cost of services.	Likely	Moderate	High	CN pursues operational efficiencies and procurement strategies to limit the impact.
Natural disasters The effect of a natural disaster is largely unknown: however, it could impact CN through insurance risk and economic impacts.	Possible	Moderate	Medium	CN will continue to monitor and ensure adequate insurance cover to ensure it withstands any potential impacts of a natural disaster. CN's Business Continuity Management Policy, Business Continuity Plans and Crisis and Emergency Management Plan form the framework for the recovery from potential risk events that may significantly impact critical business activities, revenue, reputation and service delivery.

RISK DESCRIPTION	LIKELIHOOD	CONSEQUENCE	RATING	MITIGATIONS
Community needs and expectations Community expectations and needs are ever-increasing. There is a risk that in the future there is a disconnect between the level of service expected by the community and the extent to which CN can sustainably deliver services without burdening future generations. If rates do not keep pace with CPI, it will be difficult to manage community expectations and acceptance.	Likely	Moderate	High	CN remains committed to community engagement and consultation to ensure that our priorities align with the aspirations and goals outlined in <i>Newcastle 2040</i> . The Delivery Program and Operational Plan are placed on public exhibition annually, providing opportunity for the community to have their say around CN's proposed service and program delivery.
Changes in government priorities Council relies on federal and state government funding such as the FAG and transport grants to fund a range of services. A decrease in external funding can result in the reduction of these services or the requirement for CN to operationally fund the deficit.	Possible	Moderate	Medium	CN sets objectives to maximise external grant funding. CN's Inward Grants Management Guideline provides a commitment to access grant income from various sources. The plan assumes that government funding will remain at current levels, and where government priorities do change, new government grants will be available to replace any shortfall.
Global impacts Newcastle Airport, and the airline industry more broadly, is vulnerable to global impacts and external shocks, like what was witnessed during the COVID-19 pandemic. Additionally, Newcastle Airport is impacted by regulatory changes, security threats and economic conditions that slow travel demand	Possible	Moderate	Medium	The 2036 Newcastle Airport vision outlines that a key principle of their Master Plan is to be sufficiently flexible to deal with uncertainty in traffic evolution and operations, while future-proofing the development beyond 2036.
Changes to waste and resource management CN's largest commercial activity is Summerhill Waste Management Centre (SWMC), which contributes 50% of CN's total user charges and fees revenue. An increasing cost environment, the shift from waste management to resource recovery, and urban encroachment of the site placing constraints on further development present challenges and opportunities for the future profitability of this operation.	Likely	Moderate	High	Strategic and prudent decision-making regarding capital investment and contract management will be vital to maintaining SWMC profitability.

RISK DESCRIPTION	LIKELIHOOD	CONSEQUENCE	RATING	MITIGATIONS
Workforce management and wage expectations Material changes to the forecasted rates of wage growth or changes to the EA could have a material impact on the operating result. Skill shortages or high staff turnover will also impact service delivery and capacity.	Possible	Moderate	Medium	Workforce data and analysis are critical to making decisions about where roles need to shift in adapting to workforce trends. The ability to attract and retain skilled staff through a commitment to desirable workplace conditions and entitlements that align with the changing demographic and values of the available workforce. Identification of skill gaps and active workforce strategies to address these.
Significant fluctuations in construction prices ABS Construction Producer Price Indices (PPI) have not always constantly matched the patterns of inflation. The construction PPI are reflective of market conditions, which are subject to unforeseen fluctuations in material and labour costs, supply chain disruptions, and economic instability. Significant upward movements in the PPI result in higher asset revaluations, with future Income Statement impacts via higher depreciation charges. Capital projects under construction would also be subject to additional budgetary pressure. The risks of inaccurate cost estimations mean projects may potentially experience significant cost overruns if not properly monitored and managed.	Possible	Moderate	Medium	Maintain effective asset management processes and service planning. Strong financial governance and monitoring of works program performance and resultant Income Statement impacts across the asset life cycle.
Ability to fund infrastructure and services Local governments face financial challenges to meet the rising costs of service delivery and infrastructure maintenance. Asset portfolios continue to grow, and there are escalating costs for renewal and construction. Climate events and technological advancements also place pressure on councils to redevelop infrastructure to higher standards.	Possible	Moderate	Medium	Fiscal discipline to balance community priorities and objectives with appropriate cash and investment reserves into the future.

Appendices



Appendix 1: Financial Statements – Defensive Scenario

Income Statement	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Income from continuing operations										
Rates and annual charges	244,765	250,884	257,156	264,099	270,701	277,469	284,406	292,085	299,387	306,871
User charges and fees	121,933	125,364	130,419	134,521	138,159	140,832	143,559	146,340	149,176	152,068
Other revenue	12,114	12,381	12,718	13,056	13,384	13,725	14,068	14,420	14,781	15,150
Grants and contributions provided for operating purposes	25,758	27,174	29,353	30,087	30,839	31,610	32,400	33,210	34,041	34,892
Grants and contributions provided for capital purposes	32,750	32,915	33,738	34,581	35,446	36,332	37,240	38,171	39,126	40,104
Interest and investment income	13,660	10,664	11,761	12,589	13,110	13,849	14,541	15,208	15,823	16,458
Other income	13,837	11,506	12,490	13,319	13,936	14,413	14,881	15,347	15,803	16,173
Total income from continuing operations	464,817	470,888	487,635	502,252	515,575	528,230	541,095	554,781	568,137	581,716
Expenses from continuing operations										
Employee benefits and on-costs	158,882	161,869	167,823	174,595	179,766	185,090	190,572	196,217	202,029	208,014
Materials and services	123,546	120,184	123,282	128,456	130,568	133,832	137,177	141,707	144,150	147,753
Borrowing costs	8,118	7,946	7,819	7,913	7,804	7,726	7,674	7,610	7,639	7,727
Depreciation and amortisation	76,500	79,189	81,500	82,789	84,621	86,428	88,379	90,255	92,154	94,181
Other expenses	52,907	54,473	55,864	57,579	59,019	60,494	62,007	63,557	65,146	66,774
Net loss from the disposal of assets	11,856	13,434	13,773	14,152	14,506	14,868	15,240	15,621	16,011	16,412
Total expenses from continuing operations	431,809	437,095	450,061	465,484	476,284	488,438	501,049	514,967	527,129	540,861
Operating result from continuing operations	33,008	33,793	37,574	36,768	39,291	39,792	40,046	39,814	41,008	40,855
Net operating result for the year before grants and contributions provided for capital purposes	258	878	3,836	2,187	3,845	3,460	2,806	1,643	1,882	751

Defensive Scenario

Statement of Financial Position	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Assets										
Current assets										
Cash and cash equivalents	37,020	39,955	45,560	46,304	46,138	46,535	44,399	41,507	38,167	43,379
Investments	87,540	94,077	100,073	104,918	109,623	113,833	117,753	121,117	124,615	127,825
Receivables	36,369	37,206	38,065	38,946	39,848	40,773	41,721	42,693	43,689	44,710
Inventories	1,418	1,453	1,489	1,527	1,565	1,604	1,644	1,685	1,727	1,770
Contract assets	1,065	1,092	1,119	1,147	1,176	1,205	1,235	1,266	1,298	1,330
Other	8,576	8,791	9,011	9,236	9,467	9,703	9,946	10,195	10,449	10,711
Total current assets	171,988	182,574	195,317	202,078	207,817	213,653	216,698	218,463	219,945	229,725
Non-current assets										
Investments	176,236	194,927	212,559	228,280	244,473	259,635	274,313	287,837	301,999	315,730
Receivables	1,531	1,570	1,609	1,649	1,690	1,733	1,776	1,820	1,866	1,913
Infrastructure, property, plant and equipment	2,339,356	2,340,421	2,362,804	2,375,646	2,423,377	2,449,562	2,456,886	2,487,297	2,507,394	2,567,124
Right-of-use assets	26,056	23,732	21,587	19,814	18,039	16,265	14,491	12,716	10,942	9,168
Investments accounted for using the equity method	337	346	354	363	372	381	391	401	411	421
Investment property	68,246	69,952	71,701	73,493	75,331	77,214	79,144	81,123	83,151	85,230
Intangible assets	994	956	916	874	828	780	791	780	790	781
Other	6,683	6,539	6,445	6,351	6,358	6,364	6,371	6,377	6,384	6,391
Total non-current assets	2,619,439	2,638,443	2,677,975	2,706,470	2,770,468	2,811,934	2,834,163	2,878,351	2,912,937	2,986,758
Total assets	2,791,427	2,821,017	2,873,292	2,908,548	2,978,285	3,025,587	3,050,861	3,096,814	3,132,882	3,216,483
Liabilities										
Current liabilities										
Payables	58,687	60,694	61,736	62,771	64,287	65,842	67,437	69,080	68,425	70,145
Contract liabilities	20,005	20,505	21,017	21,543	22,081	22,633	23,199	23,779	24,374	24,983
Lease liabilities	2,379	2,254	1,911	1,965	2,020	2,077	2,136	2,196	2,258	2,322
Borrowings	3,720	3,707	3,247	3,438	2,691	2,844	3,011	2,281	1,493	1,524
Employee benefit provisions	37,162	37,662	38,174	38,698	39,235	39,785	40,348	40,925	41,516	42,122
Provisions	2,330	2,378	2,428	2,480	2,532	2,587	2,643	2,700	2,759	2,819
Total current liabilities	124,283	127,200	128,513	130,895	132,846	135,768	138,774	140,961	140,825	143,915
Non-current liabilities										
Contract liabilities	4,399	4,509	4,621	4,737	4,855	4,977	5,101	5,229	5,359	5,493
Lease liabilities	26,953	24,699	22,788	20,824	18,804	16,727	14,591	12,394	10,136	7,814
Borrowings	119,206	115,499	112,252	103,814	96,123	88,279	80,268	72,988	66,494	64,970
Employee benefit provisions	1,429	1,436	1,443	1,451	1,458	1,465	1,472	1,480	1,487	1,495
Provisions	76,533	75,559	72,428	68,566	61,476	53,934	46,171	37,908	31,472	29,665
Total non-current liabilities	228,520	221,702	213,532	199,392	182,716	165,382	147,603	129,999	114,948	109,437
Total liabilities	352,803	348,902	342,045	330,287	315,562	301,150	286,377	270,960	255,773	253,352
Net assets	2,438,624	2,472,115	2,531,247	2,578,261	2,662,723	2,724,437	2,764,484	2,825,854	2,877,109	2,963,131
Equity										
Accumulated surplus	1,631,568	1,665,059	1,702,633	1,739,400	1,778,695	1,818,484	1,858,531	1,898,344	1,939,350	1,980,206
Revaluation reserves	806,182	806,182	827,740	837,987	883,154	905,079	905,079	926,636	936,885	982,051
Hedging reserve	874	874	874	874	874	874	874	874	874	874
Total equity	2,438,624	2,472,115	2,531,247	2,578,261	2,662,723	2,724,437	2,764,484	2,825,854	2,877,109	2,963,131

Defensive Scenario

Statement of Cash Flows	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Cash flows from operating activities										
Receipts										
Rates and annual charges	244,677	250,765	257,033	263,980	270,572	277,336	284,271	291,953	299,244	306,726
User charges and fees	121,491	125,008	130,055	134,147	137,776	140,439	143,156	145,927	148,752	151,634
Investment and interest revenue received	13,541	10,568	11,662	12,488	13,007	13,743	14,432	15,097	15,709	16,341
Grants and contributions	62,199	60,041	63,042	64,618	66,234	67,890	69,587	71,327	73,110	74,937
Bonds, deposits and retention amounts received	44	35	36	37	38	39	40	41	42	43
Other	25,111	21,987	23,260	24,378	25,273	26,040	26,799	27,563	28,325	29,008
Payments										
Payments to employees	(157,842)	(160,940)	(166,870)	(173,618)	(178,764)	(184,064)	(189,520)	(195,138)	(200,923)	(206,880)
Payments for materials and services	(122,747)	(119,692)	(124,910)	(130,776)	(136,078)	(139,755)	(143,280)	(148,269)	(148,841)	(147,773)
Borrowing costs	(8,118)	(7,946)	(7,819)	(7,913)	(7,804)	(7,726)	(7,674)	(7,610)	(7,639)	(7,727)
Other	(58,422)	(54,236)	(56,383)	(58,154)	(59,249)	(60,730)	(62,248)	(63,804)	(67,731)	(67,034)
Net cash flows from operating activities	119,934	125,590	129,106	129,187	131,005	133,212	135,563	137,087	140,048	149,275
Cash flows from investing activities										
Receipts										
Redemption of term deposits	203,120	187,697	192,390	197,200	202,130	207,183	212,362	217,672	223,113	228,691
Proceeds from the sale of infrastructure, property, plant and equipment	2,793	-	-	-	-	-	-	-	-	-
Payments										
Acquisition of term deposits	(152,412)	(212,925)	(216,017)	(217,766)	(223,028)	(226,554)	(230,960)	(234,560)	(240,773)	(245,632)
Purchase of investment property	(30,586)	-	-	-	-	-	-	-	-	-
Payments for infrastructure, property, plant and equipment	(130,200)	(91,328)	(93,913)	(97,719)	(99,870)	(103,733)	(109,180)	(112,944)	(116,251)	(123,371)
Net cash flows from investing activities	(107,285)	(116,556)	(117,540)	(118,285)	(120,768)	(123,104)	(127,778)	(129,832)	(133,911)	(140,312)
Cash flows from financing activities										
Receipts										
Proceeds from borrowings	2,700	-	-	-	-	-	-	-	-	-
Payments										
Repayment of borrowings	(3,531)	(3,720)	(3,707)	(8,247)	(8,438)	(7,691)	(7,844)	(8,011)	(7,281)	(1,493)
Principal component of lease payments	(2,493)	(2,379)	(2,254)	(1,911)	(1,965)	(2,020)	(2,077)	(2,136)	(2,196)	(2,258)
Net cash flows from financing activities	(3,324)	(6,099)	(5,961)	(10,158)	(10,403)	(9,711)	(9,921)	(10,147)	(9,477)	(3,751)
Net change in cash and cash equivalents	9,325	2,935	5,605	744	(166)	397	(2,136)	(2,892)	(3,340)	5,212
Cash and cash equivalents at beginning of year	27,695	37,020	39,955	45,560	46,304	46,138	46,535	44,399	41,507	38,167
Cash and cash equivalents at end of year	37,020	39,955	45,560	46,304	46,138	46,535	44,399	41,507	38,167	43,379
plus: Investments on hand (excluding derivatives) at end of year	262,883	288,111	311,738	332,305	353,204	372,575	391,172	408,061	425,721	442,661
Total cash, cash equivalents and investments (excluding derivatives)	299,903	328,066	357,298	378,609	399,342	419,110	435,571	449,568	463,888	486,040

Defensive Scenario

Performance Measurement Indicators	Target	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
1. Operating performance ratio Measures the extent to which CN contains operating expenditure within operating income.	> 0.00%	2.03%	2.29%	2.88%	2.46%	2.76%	2.64%	2.47%	2.21%	2.24%	2.01%
		●	●	●	●	●	●	●	●	●	●
2. Own source operating revenue ratio Measures financial flexibility by indicating the degree of reliance on external funding sources.	> 60.00%	87.30%	87.12%	86.94%	87.00%	87.01%	87.00%	86.99%	86.99%	86.98%	86.96%
		●	●	●	●	●	●	●	●	●	●
3. Unrestricted current ratio Measures CN's ability to satisfy its obligations in the short term.	> 1.5x	1.57	1.63	1.74	1.77	1.79	1.80	1.78	1.77	1.78	1.83
		●	●	●	●	●	●	●	●	●	●
4. Debt service cover ratio Measures the availability of operating cash to service debt.	> 2x	6.60	6.91	7.42	5.65	5.80	6.14	6.16	6.15	6.51	9.81
		●	●	●	●	●	●	●	●	●	●
5. Rates and annual charges outstanding percentage Assesses the impact of uncollected rates and annual charges on liquidity and the efficiency of CN's debt recovery.	< 10.00%	3.52%	3.53%	3.53%	3.52%	3.52%	3.52%	3.52%	3.52%	3.52%	3.52%
		●	●	●	●	●	●	●	●	●	●
6. Cash expense cover ratio Indicates the number of months CN can continue paying for its immediate expenses without additional cash inflow.	> 3 months	4.03 months	4.49 months	4.33 months	4.23 months	4.01 months	3.93 months	3.76 months	3.57 months	3.40 months	3.56 months
		●	●	●	●	●	●	●	●	●	●



Appendices

Appendix 2: Financial Statements – Growth Scenario

Income Statement	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Income from continuing operations										
Rates and annual charges	244,765	251,373	258,160	265,647	272,819	280,185	287,750	296,095	304,090	312,300
User charges and fees	121,933	129,663	138,059	145,606	150,922	156,437	162,160	168,099	174,262	180,657
Other revenue	12,114	12,392	12,731	13,069	13,389	13,731	14,074	14,426	14,787	15,156
Grants and contributions provided for operating purposes	25,758	28,174	31,403	33,239	35,147	37,129	39,189	41,328	43,550	45,857
Grants and contributions provided for capital purposes	32,750	32,915	33,738	34,581	35,446	36,332	37,240	38,171	39,126	40,104
Interest and investment income	13,660	8,668	8,914	8,626	8,115	7,865	7,645	7,487	7,375	7,393
Other income	13,837	15,451	15,587	16,183	16,423	16,696	16,986	17,305	17,645	17,864
Total income from continuing operations	464,817	478,636	498,592	516,951	532,261	548,375	565,044	582,911	600,835	619,331
Expenses from continuing operations										
Employee benefits and on-costs	158,882	163,772	169,773	176,594	181,814	187,190	192,725	198,423	204,291	210,332
Materials and services	123,546	130,172	133,519	138,949	141,323	144,856	148,478	153,289	156,022	159,922
Borrowing costs	8,118	7,946	7,819	7,913	7,804	7,726	7,674	7,610	7,639	7,727
Depreciation and amortisation	76,500	79,481	82,387	84,711	86,907	89,322	91,897	94,411	96,965	99,662
Other expenses	52,907	54,473	55,864	57,579	59,019	60,494	62,007	63,557	65,146	66,774
Net loss from the disposal of assets	11,856	15,448	15,837	16,267	16,674	17,091	17,518	17,956	18,405	18,865
Total expenses from continuing operations	431,809	451,292	465,199	482,013	493,541	506,679	520,299	535,246	548,468	563,282
Operating result from continuing operations	33,008	27,344	33,393	34,938	38,720	41,696	44,745	47,665	52,367	56,049
Net operating result for the year before grants and contributions provided for capital purposes	258	(5,571)	(345)	357	3,274	5,364	7,505	9,494	13,241	15,945

Statement of Financial Position	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Assets										
Current assets										
Cash and cash equivalents	37,020	42,701	50,199	53,066	53,784	55,107	53,919	51,999	49,657	55,890
Investments	87,540	68,227	63,906	59,483	55,831	52,321	49,253	46,457	44,723	43,718
Receivables	36,369	37,206	38,065	38,946	39,848	40,773	41,721	42,693	43,689	44,710
Inventories	1,418	1,453	1,489	1,527	1,565	1,604	1,644	1,685	1,727	1,770
Contract assets and contract cost assets	1,065	1,092	1,119	1,147	1,176	1,205	1,235	1,266	1,298	1,330
Other	8,576	8,791	9,011	9,236	9,467	9,703	9,946	10,195	10,449	10,711
Total current assets	171,988	159,470	163,789	163,405	161,671	160,713	157,718	154,295	151,543	158,129
Non-current assets										
Investments and derivatives	176,236	134,608	128,170	121,201	115,903	111,215	107,923	105,607	106,315	109,208
Receivables	1,531	1,570	1,609	1,649	1,690	1,733	1,776	1,820	1,866	1,913
Infrastructure, property, plant and equipment	2,339,356	2,367,404	2,416,856	2,456,431	2,531,248	2,584,644	2,619,309	2,677,193	2,724,900	2,812,380
Right-of-use assets	26,056	23,732	21,587	19,814	18,039	16,265	14,491	12,716	10,942	9,168
Investments accounted for using the equity method	337	346	354	363	372	381	391	401	411	421
Investment property	68,246	119,952	122,951	126,025	129,175	132,405	135,715	139,108	142,585	146,150
Intangible assets	994	956	916	874	828	780	791	780	790	781
Other	6,683	6,539	6,445	6,351	6,358	6,364	6,371	6,377	6,384	6,391
Total non-current assets	2,619,439	2,655,107	2,698,888	2,732,708	2,803,613	2,853,787	2,886,767	2,944,002	2,994,193	3,086,412
Total assets	2,791,427	2,814,577	2,862,677	2,896,113	2,965,284	3,014,500	3,044,485	3,098,297	3,145,736	3,244,541
Liabilities										
Current liabilities										
Payables	58,687	60,701	61,750	62,793	64,318	65,881	67,485	69,137	68,493	70,223
Contract liabilities	20,005	20,505	21,017	21,543	22,081	22,633	23,199	23,779	24,374	24,983
Lease liabilities	2,379	2,254	1,911	1,965	2,020	2,077	2,136	2,196	2,258	2,322
Borrowings	3,720	3,707	3,247	3,438	2,691	2,844	3,011	2,281	1,493	1,524
Employee benefit provisions	37,162	37,662	38,174	38,698	39,235	39,785	40,348	40,925	41,516	42,122
Provisions	2,330	2,378	2,428	2,480	2,532	2,587	2,643	2,700	2,759	2,819
Total current liabilities	124,283	127,207	128,527	130,917	132,877	135,807	138,822	141,018	140,893	143,993
Non-current liabilities										
Contract liabilities	4,399	4,509	4,621	4,737	4,855	4,977	5,101	5,229	5,359	5,493
Lease liabilities	26,953	24,699	22,788	20,824	18,804	16,727	14,591	12,394	10,136	7,814
Borrowings	119,206	115,499	112,252	103,814	96,123	88,279	80,268	72,988	66,494	64,970
Employee benefit provisions	1,429	1,436	1,443	1,451	1,458	1,465	1,472	1,480	1,487	1,495
Provisions	76,533	75,559	72,428	68,566	61,476	53,934	46,171	37,908	31,472	29,665
Total non-current liabilities	228,520	221,702	213,532	199,392	182,716	165,382	147,603	129,999	114,948	109,437
Total liabilities	352,803	348,909	342,059	330,309	315,593	301,189	286,425	271,017	255,841	253,430
Net assets	2,438,624	2,465,668	2,520,618	2,565,804	2,649,691	2,713,311	2,758,060	2,827,280	2,889,895	2,991,111
Equity										
Accumulated surplus	1,631,568	1,658,612	1,692,004	1,726,943	1,765,663	1,807,358	1,852,107	1,899,770	1,952,136	2,008,186
Revaluation reserves	806,182	806,182	827,740	837,987	883,154	905,079	905,079	926,636	936,885	982,051
Hedging reserve	874	874	874	874	874	874	874	874	874	874
Total equity	2,438,624	2,465,668	2,520,618	2,565,804	2,649,691	2,713,311	2,758,060	2,827,280	2,889,895	2,991,111

Statement of Cash Flows	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Cash flows from operating activities										
Receipts										
Rates and annual charges	244,677	251,260	258,045	265,536	272,700	280,062	287,623	295,974	303,958	312,165
User charges and fees	121,491	129,307	137,694	145,232	150,539	156,044	161,758	167,686	173,838	180,223
Investment and interest revenue received	13,541	8,572	8,815	8,525	8,011	7,759	7,536	7,376	7,261	7,276
Grants and contributions	62,199	61,041	65,092	67,770	70,541	73,409	76,375	79,444	82,619	85,903
Bonds, deposits and retention amounts received	44	35	36	37	38	39	40	41	42	43
Other	25,111	24,692	25,121	25,975	26,452	26,983	27,531	28,113	28,724	29,219
Payments										
Payments to employees	(157,842)	(162,841)	(168,821)	(175,617)	(180,813)	(186,164)	(191,672)	(197,344)	(203,184)	(209,199)
Payments for materials and services	(122,747)	(129,679)	(135,147)	(141,270)	(146,834)	(150,779)	(154,580)	(159,852)	(160,713)	(159,941)
Borrowing costs	(8,118)	(7,946)	(7,819)	(7,913)	(7,804)	(7,726)	(7,674)	(7,610)	(7,639)	(7,727)
Other	(58,422)	(54,236)	(56,383)	(58,154)	(59,249)	(60,730)	(62,248)	(63,804)	(67,731)	(67,034)
Net cash flows from operating activities	119,934	120,205	126,633	130,121	133,581	138,897	144,689	150,024	157,175	170,928
Cash flows from investing activities										
Receipts										
Redemption of term deposits	203,120	187,697	192,390	197,200	202,130	207,183	212,362	217,672	223,113	228,691
Proceeds from the sale of infrastructure, property, plant and equipment	2,793	-	-	-	-	-	-	-	-	-
Payments										
Acquisition of term deposits	(152,412)	(126,756)	(181,631)	(185,807)	(193,180)	(198,984)	(206,002)	(212,560)	(222,088)	(230,579)
Purchase of investment property	(30,586)	(48,750)	-	-	-	-	-	-	-	-
Payments for infrastructure, property, plant and equipment	(130,200)	(120,616)	(123,933)	(128,489)	(131,410)	(136,062)	(142,316)	(146,909)	(151,065)	(159,056)
Net cash flows from investing activities	(107,285)	(108,425)	(113,174)	(117,096)	(122,460)	(127,863)	(135,956)	(141,797)	(150,040)	(160,944)
Cash flows from financing activities										
Receipts										
Proceeds from borrowings	2,700	-	-	-	-	-	-	-	-	-
Payments										
Repayment of borrowings	(3,531)	(3,720)	(3,707)	(8,247)	(8,438)	(7,691)	(7,844)	(8,011)	(7,281)	(1,493)
Principal component of lease payments	(2,493)	(2,379)	(2,254)	(1,911)	(1,965)	(2,020)	(2,077)	(2,136)	(2,196)	(2,258)
Net cash flows from financing activities	(3,324)	(6,099)	(5,961)	(10,158)	(10,403)	(9,711)	(9,921)	(10,147)	(9,477)	(3,751)
Net change in cash and cash equivalents	9,325	5,681	7,498	2,867	718	1,323	(1,188)	(1,920)	(2,342)	6,233
Cash and cash equivalents at beginning of year	27,695	37,020	42,701	50,199	53,066	53,784	55,107	53,919	51,999	49,657
Cash and cash equivalents at end of year	37,020	42,701	50,199	53,066	53,784	55,107	53,919	51,999	49,657	55,890
plus: Investments on hand (excluding derivatives) at end of year	262,883	201,942	191,183	179,790	170,841	162,642	156,282	151,171	150,145	152,033
Total cash, cash equivalents and investments (excluding derivatives)	299,903	244,643	241,382	232,856	224,625	217,749	210,201	203,170	199,802	207,923

Growth Scenario

Performance Measurement Indicators	Target	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
1. Operating performance ratio Measures the extent to which CN contains operating expenditure within operating income.	> 0.00%	2.03%	0.96%	2.27%	2.43%	3.04%	3.45%	3.84%	4.16%	4.78%	5.18%
		●	●	●	●	●	●	●	●	●	●
2. Own source operating revenue ratio Measures financial flexibility by indicating the degree of reliance on external funding sources.	> 60.00%	87.30%	87.08%	86.80%	86.75%	86.61%	86.48%	86.35%	86.24%	86.12%	86.01%
		●	●	●	●	●	●	●	●	●	●
3. Unrestricted current ratio Measures CN's ability to satisfy its obligations in the short term.	> 1.5x	1.57	1.39	1.42	1.38	1.34	1.29	1.23	1.17	1.14	1.17
		●	●	●	●	●	●	●	●	●	●
4. Debt service cover ratio Measures the availability of operating cash to service debt.	> 2x	6.60	6.53	7.30	5.77	6.02	6.57	6.80	7.01	7.67	11.94
		●	●	●	●	●	●	●	●	●	●
5. Rates and annual charges outstanding percentage Assesses the impact of uncollected rates and annual charges on liquidity and the efficiency of CN's debt recovery.	< 10.00%	3.52%	3.52%	3.52%	3.50%	3.50%	3.49%	3.48%	3.47%	3.46%	3.46%
		●	●	●	●	●	●	●	●	●	●
6. Cash expense cover ratio Indicates the number of months CN can continue paying for its immediate expenses without additional cash inflow.	> 3 months	4.03 months	4.44 months	4.34 months	4.31 months	4.11 months	4.05 months	3.91 months	3.75 months	3.60 months	3.78 months
		●	●	●	●	●	●	●	●	●	●



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