



**Southern Metropolitan
Regional Council**

We Deliver Innovative and Sustainable
Waste Management Solutions

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Southern Metropolitan Regional Council (SMRC) is a statutory local government authority representing local governments in the southern metropolitan area of Perth. It is responsible for delivering innovative and sustainable waste management solutions for our member local governments.

Our five member local governments are: City of Cockburn, Town of East Fremantle, City of Fremantle, City of Kwinana and City of Melville.

The member local governments have jointly agreed to establish the regional local government under an Establishment Agreement and each participant may participate in regional projects that are governed by a Participants' Project Agreement.

Resource recovery is one of three strategic focus areas of SMRC, with minimising waste to landfill a key priority. At the centre of SMRC's current resource recovery operations is the \$100 million Regional Resource Recovery Centre (RRRC) in Canning Vale.

The RRRC is made up of 3 resource recovery facilities:

1. A Materials Recovery Facility (MRF) for the sorting of comingled recyclables and recovery of paper, plastics, glass and metals (from kerbside yellow top bin);
2. A Waste Composting Facility (WCF) for composting MSW (from kerbside collected MGB's and commercial, source separated food and garden organics); and
3. A Green Waste Facility (GWF) (a green waste grinder) for processing source separated green waste into mulch.

The SMRC is committed to achieving the Western Australian State Government's Waste Strategy Plan and target of 65% diversion from landfill by 2020.

MRF

The MRF can process in excess of 90,000 t/year of source separated kerbside recyclable materials (rigid plastics, glass, paper, cardboard, aluminium and steel). The process is conducted with a series of conveyor belts and sorting screens, which sort the materials for baling prior to shipment to appropriate manufacturers who use the recycled materials.

WCF

The WCF has a capacity to process 109,200 t/year of household MSW. The MSW is sorted, digested through drums, screened and aerated to convert it into compost. The compost produced is taken offsite and blended for use. Whilst SMRC currently has a market for the compost output, the market value of this product is fairly low and the material is being transported significant distances for use. Therefore, the SMRC has invested in additional infrastructure to improve the quality of the material through additional screens to reduce the small plastics and glass particulates.

GWF

The GWF has a processing capacity of 30,000 t/year. The facility grinds clean source separated green waste from council verge collections into mulch, which is then collected and further processed by an external contractor. In addition to the verge collected material, residents and commercial operators can drop additional source separated green waste at the facility itself.

Maintenance and Audit Facility

The site also has a purpose built Maintenance and Audit Facility.

Enabling Legislation

The SMRC became a regional local government on 30 October 1991, pursuant to the Local Government Act 1960. By virtue of the transitional provisions of the Local Government Act 1995, it is constituted as a regional local government under that Act. On 22 April 1998, the constitution was replaced by an establishment Agreement made between the participants and approved by the Minister for Local Government. A regional local government has the same general function of a local government, including its legislative and executive functions, except as stated in section 3.66 of the Local Government Act 1995.

SMRC owns and operates the Regional Resource Recovery Centre (RRRC), located in Canning Vale on behalf of its Member Councils. The RRRC is central to waste management in the SMRC region. This infrastructure is financed by City of Fremantle, Melville and Town of East Fremantle, with the parties bound by a Project Participants Agreement.

The RRRC has been fully operational since 2005 and receives, recycles and processes household and business waste from the member councils as well as neighbouring councils. All of the member councils, with the exception of The City of Cockburn (Cockburn) and City of Kwinana (Kwinana), use the Waste Composting Facility (WCF), the Materials Recovery Facility (MRF) and the Green Waste Facility (GWF). Cockburn uses the WCF and Kwinana the MRF under contract with SMRC. Across all three facilities, the RRRC recovers over 65% of household waste.





All member local governments (with the exception of City of Kwinana) process Municipal Solid Waste (MSW) collected through the general waste kerbside bin at the Regional Resource Recovery (RRRC) waste composting facility.



The Region's area:

340km²



The Region's population:

278,000



The Region's households:

110,000



The Regional Resource Recovery Centre's Diversion Rate From Landfill

Materials Recovery Facility

37,000t

2016/2017

83% RECOVERED



Waste Composting Facility

82,000t

2016/2017

50% RECOVERED



Green Waste Facility

14,000t

2016/2017

100% RECOVERED





Total
Employees
62

Administrative

19



Operational

43

teamwork

STAR
values



Males

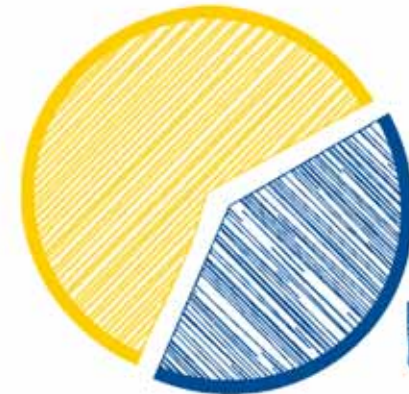
78%



Females

22%

English 2nd
Language



40%

As the Chair of the SMRC I am pleased to present the 2016/17 Annual Report of the Southern Metropolitan Regional Council ["SMRC"].

The SMRC commenced 2016/17 in a strong position following the earlier adoption of our Strategic Waste Management Plan. The plan marked a refreshed approach, and a new chapter in our history, which will ensure we can continue to provide innovative waste management solutions for our local government members and the community.

It's also a chapter that has seen a change in the makeup of our organisation. Over the past year, the SMRC has been preparing for the withdrawal of the City of Cockburn from the Regional Resource Recovery Centre (RRRC) Project Participants Agreement, effective as of July 1, 2017. Whilst the withdrawal will bring about substantial change for the SMRC, extensive planning and effective negotiation of terms, has ensured that the SMRC is equipped to move forward on a strong footing, ready to meet the current and future needs of the Council and its members. The City of Cockburn remain party to the SMRC Establishment Agreement and will continue to bring municipal waste to the RRRC for the next three years under contract.

In April 2017, after significant planning and consultation, it was announced that a trial of a three bin Food Organics Garden Organics system in the City of Melville, would commence in spring 2017. The project is the first of its kind in the Perth metropolitan area and is a collaboration between the SMRC, City of Fremantle, City of Melville and Town of East Fremantle. The announcement received substantial media coverage and positive feedback from the community, highlighting the importance of the project. The trial will be rigorously tested and evaluated and if successful, it's anticipated that the system will be rolled out to all participating councils, leading to a considerable change in the source separation of waste at household level and processing of organic materials.

SMRC has also expressed a disposition to follow the State waste hierarchy and Waste Authority position and only target *"genuine residual waste that could not with reasonable efforts be reused, reprocessed or recycled, and would otherwise go to landfill"* as potential feedstock for an energy from waste technology.

In May 2017, we surveyed our stakeholders to assess our performance. The survey found 82% of our stakeholders agree we are achieving our vision and 91% are satisfied with the performance of the Regional Resource Recovery Centre. The survey also found a 36% increase to 76%, in support for the direction of the SMRC. Among these results, our stakeholders identified effective waste processing, business sustainability and community education as the top three priorities for the SMRC into the future.



The survey also found a 36% increase to 76%, in support for the direction of the SMRC.



Throughout the year the SMRC continued a strong focus towards engaging and educating the community about the importance of resource recovery, working alongside the Waste Recycling Education Network (WREN) to help ensure our community is well informed about the importance of correct source separation.

In closing I would like to thank my fellow Regional Councillors and their SMRC member Councils, SMRC Chief Executive Officer Mr Tim Youé and all SMRC staff for their contributions and achievements over the past year. I look forward to continuing to work together with our members and their communities to remain at the forefront of resource recovery in Western Australia.

Cameron Schuster

Chair



Cameron Schuster, Chair
Speaking to the media



**Chair,
Cr Cameron Schuster,
City of Melville**

Cameron was elected to the City of Melville in 2013 and subsequently to the SMRC where he was elected as Chair in October 2013.

Cameron strongly supports the SMRC and its purpose and is committed to making an effective contribution to the efficient, safe and sustainable operations of the SMRC, while ensuring the Regional Council continues to build strong and transparent bonds with its various community and organisational stakeholders.

Over the past year as chairman of the SMRC, Cameron played a substantial role in the approval of the Strategic Waste Management plan, managing the financial costs flowing from the City of Cockburn's decision to withdraw from the RRRC Agreement in July 2017, and the planning and approval for a large trial of the 3-bin methodology to reduce waste to landfill and increase recycling in 2017/2018.

Following long term careers in the Western Australian public sector and the Wesfarmers Group, Cameron now operates his own consulting business in the areas of planning, sustainable business and environmental management.

He was also a General Manager with Greening Australia Limited until March 2017. He is a member of the Australian Institute of Company Directors, a Graduate of the AICD Company Director's program, a Fellow of the Australian Institute of Management and recently was awarded as a Life Member of Greening Australia. Cameron also chairs the Boards of companies involved in the food and medical testing industries.

Cameron lives in Mount Pleasant with his partner, has 5 adult children and 4 grandchildren making their way in life, and is active in community organisations. He is also a passionate member of the Essendon Football Club.



**Deputy Chair, Cr Doug Thompson,
City of Fremantle**

Cr Thompson is Deputy Chairman of the Regional Council and has served on the SMRC as the Fremantle City Council representative since its inception. He is the longest continuously serving Councillor in Fremantle's history with 29 years' service to the City. He serves on the WALGA State Council and is SMRC's representative on WALGA's Municipal Waste Advisory Council. He also chairs WALGA's Container Deposit Legislation Policy Forum, which is working closely with State Government to bring in a Container Deposit scheme in 2018.

Cr Thompson has been instrumental in adopting best practice waste minimisation at the City of Fremantle. He believes that working collectively towards environmentally responsible waste solutions is one of the most important challenges facing local government today. Throughout his time on the SMRC and on Fremantle Council he has made a significant contribution in facilitating cooperation between councils to achieve this end.



**Cr Michael McPhail, Deputy Mayor of
East Fremantle
Town of East Fremantle**

Michael is the Deputy Mayor of the Town of East Fremantle. A Regional Councillor since 2013, he is focused on ensuring the continued operational effectiveness and financial sustainability of the SMRC as it leads the generational transformation of Perth's resource recovery infrastructure.

Michael works for CBRE as a Marketing Coordinator, and serves as a Director of Australia's Youth Hostelling Association.

He has completed a BSc (Hons) in Urban Planning at UWA, and is a graduate of the Australian Institute of Company Directors.

Michael is firmly committed to the SMRC and its purpose, believing it is a much-needed champion of sustainability within the broader Perth metropolitan region.



Cr Kevin Allen, City of Cockburn

Kevin has been a local councillor and former Deputy mayor with the City of Cockburn since 2000 and a resident in the City of Cockburn for over 35 years. In addition to serving as a Councillor, Kevin is employed in private industry as a state manager of an American company operating and consulting to the finance, credit and risk sectors.

Before being elected to Council, Kevin was active in community issues, as the President of the Coogee Beach Progress Association and a community representative on the State Government's Coogee Master Plan committee.

Kevin has been a supporter of the SMRC since 2000 and undertook studies on the introduction of state-of-art MRF technology in 2004 and is committed to introducing and improving waste minimisation options to member Councils.

In 2016, Kevin was awarded a Long & Loyal Service award by WALGA.



Cr Wendy Cooper, City of Kwinana

Wendy has been a Councillor at the City of Kwinana since 2011 and was appointed to the SMRC in October 2015. For many years, Wendy has been passionate about community education to limit waste disposal through choices made in everyday purchasing, coupled with recycling and sustainable living.

"Each individual can make better choices if they understand the process of waste management and the part they play in the reduction of waste, especially to landfill and the targets that are in place."

As a Rotarian, Wendy, along with her husband Bob, have been able to contribute locally and overseas to positive care of the environment. A stronger focus on educating communities to curb disposal of unwanted materials is paramount. By being a member of the SMRC, Wendy hopes to influence behaviour to achieve positive outcomes.



Audit & Risk Committee

The Audit & Risk Committee reviews the audit function and performance and risk management processes. The committee is made up of Regional Councillors alongside members of the public and meets quarterly.

External Committee Members

- Mr Phillip Draber to Nov 2016
- Mr Andrew Burchfield from Feb 2017

Stakeholder Relations Committee

The Stakeholder Relations Committee reviews, considers and discusses the SMRC's communication strategy. The committee is made up of Regional Councillors and meets quarterly.

Regional Executive Group

The Regional Executive Group engages in a consultative and communication network between the Regional Council and its member local governments. The group is made up of two senior officers from each of the member local governments.

Waste Recycling Education Network (WREN)

The Waste Recycling Education Network (formerly known as the Community Advisory Group) acts as a two-way dialogue between the Southern Metropolitan Regional Council and its community. The over-arching aim of the WREN is to:

- Increase community understanding of the importance of recycling and living more sustainably through education
- Increase awareness of the operations and programs of both the SMRC and RRRRC.
- Gather community feedback and suggestions to assist with education and decision making.
- Help the SMRC to respond more effectively to issues and concerns arising in the community

CEO Performance Review Committee

The Chief Executive Officer Performance Review Committee is an established committee to review the performance of the CEO.

Operational Waste Managers Group

The Operational Waste Managers Group facilitates resources, information sharing and joint inter-council projects on a regional basis.

Municipal Waste Advisory Council

The Municipal Waste Advisory Council is a standing committee of the Western Australian Local Government Association (WALGA) with delegated authority on municipal waste issues. The SMRC is represented by Cr Doug Thompson as a member and CEO Tim Youé as a representative on the Officers Advisory Group (OAG).

Waste Management Association of Australia

The Waste Management Association of Australia (WMAA) is the national peak body for the waste and resource recovery industry. WMAA provides a range of services to its members including advocacy, conferences, networking events, high value information, learning and training.

	MEMBERS MEETING ATTENDANCE 2016/2017				
	Cr Cameron Schuster (Chair)	Cr Doug Thompson (Deputy Chair)	Cr Michael McPhail	Cr Kevin Allen	Cr Wendy Cooper
Ordinary Council Meetings	6/6	5/6	5/6	5/6	6/6
Special Council Meetings	1/1	1/1	1/1	1/1	1/1
Agenda Briefing Sessions	6/6	3/6	5/6	2/6	5/6
Audit & Risk Committee	4/4	2/4	4/4	2/4	
Stakeholder Relations Committee	4/4		4/4		4/4
CEO Performance Committee	2/2	2/2	1/2	2/2	2/2
Total Meetings	23/23	13/19	20/23	12/19	18/19

6/6 denotes attended 6 of 6 required meetings Blank denotes not a member of committee

Over the past year, the SMRC has continued to achieve its targets and provide sustainable waste management solutions to its members and the community. For the fifth year in a row, we have met the 2020 State Waste Strategy Target of 65% or more waste diversion from landfill.

Our employees continue to be at the forefront of our success. This year saw the adoption of a new Enterprise Agreement for the RRRC workforce, alongside a range of improvements in OH & S to ensure a safe and productive workplace for all.

The staff at the Regional Resource Recovery centre should also be commended for their hard work towards the constant improvement of our Quality, Environmental and OH & S Management Systems. In 2016/17 the RRRC achieved certification to the latest standards for ISO 19001, ISO 14001 and AS/NZ 48001 management systems, highlighting the SMRC's commitment to ensuring the RRRC operations are of the highest possible standard.

The Waste Composting Facility (WCF) continues to reduce the amount of organic waste being sent to landfill, preventing 32,000 tonnes of carbon dioxide equivalent from entering the atmosphere each year. The WCF was again found to be fully compliant with the Environmental Protection Act (1986) License issued by the Department of Water & Environmental Regulation (DWER) and we are constantly working to ensure our environmental management practices are of the highest possible standard.

The SMRC has ended the year in a sound financial position, continues to deliver improvements to our operations and are Local Government leaders in achieving state waste targets. With an exciting future ahead and through the full implementation of our Strategic Waste Management Plan, we will continue to optimise our assets, minimise risk and work closely with our member councils to explore opportunities to improve recycling in the region.

Education remains a strong priority and throughout the year, the Recycle Right team have engaged with more than 5000 members of the community, across tours of the RRRC, school visits and public events. Recycle Right also continues to provide information and support to residents across a number of platforms and the Recycle Right website and App have gone from strength to strength, well exceeding expectations and Key Performance Indicators.

There have been many highlights in 2016/17 and I would like to thank all SMRC staff, Regional Councillors, the Regional Executive Group and SMRC committees and groups for their hard work, input and inspiration over the past year. I look forward to another year of working together towards achieving our vision.

Tim Youré

Chief Executive Officer



The Waste Composting Facility (WCF) continues to reduce the amount of organic waste being sent to landfill, preventing 32,000 tonnes of carbon dioxide equivalent from entering the atmosphere each year.





Tim Youé,
Chief Executive Officer

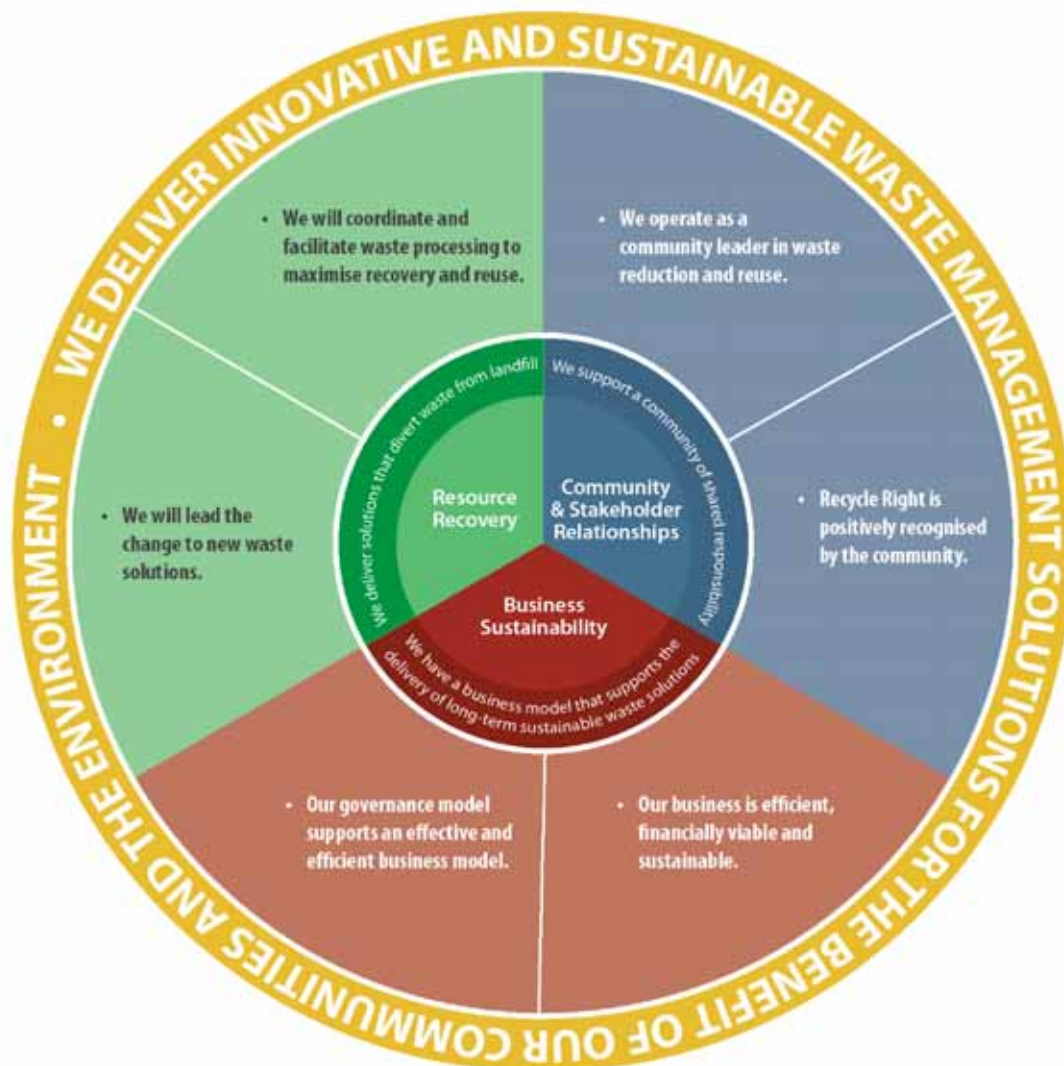
We deliver innovative and sustainable waste management solutions for the benefit of our communities and the environment

The delivery of the vision is achieved by undertaking actions across three Key Focus Areas, which are the core components of our business. The SMRC measures its ongoing performance against the objectives and goals set in each of these key three areas:

Resource Recovery – We deliver solutions that divert waste from landfill

Business Sustainability – We have a business model that supports delivery of long-term sustainable waste solutions

Stakeholder Relationships – We support a community of shared responsibility





Recycle Right at the Perth Royal Show

Objective 1.1 – We will co-ordinate and facilitate waste processing to maximise recovery and reuse**Five years in a row**

The SMRC has again met state government targets of 65% or more diversion from landfill by 2020 for the fifth year in a row. This achievement highlights the SMRC's commitment to providing its members with effective solutions to maximise resource recovery, both now and into the future.

**Energy from Waste position statement**

In October 2016, the SMRC adopted a position statement on Energy from Waste.

1. SMRC will consider Energy from Waste (EfW) for the residual municipal solid waste (MSW) bin and for processing residuals from the food organic and garden organic (FOGO) and dry recycling bins only if, a proven EfW technology satisfies the following criteria:
 - it is operational at the same scale required in an appropriate jurisdiction;
 - internationally proven;
 - on the same waste streams; and
 - has 3 years of continuous and reliable operation.
2. SMRC will work with all regional councils and other local governments to develop a protocol for any future EfW contracts in order to minimise supply risk.
3. SMRC will advocate for the implementation of state policies and in particular for the government to clarify how the EfW policy will operate in regard to two bin and three bin systems.

Emissions Reduction Fund (ERF)

In 2016/17 through the composting of organic materials, the WCF prevented 32,000 tonnes of carbon dioxide equivalent from entering the atmosphere, equal to taking around 7,000 vehicles off the road. This achievement is recognised through an ongoing agreement with the Federal Government to purchase the Carbon Credits generated from the Waste Composting Facility.

The Emissions Reduction Fund is a voluntary scheme that aims to provide incentives for a range of organisations and individuals to adopt new practices and technologies to reduce their emissions. It is enacted through the Carbon Credits (Carbon Farming Initiative) Act 2011.

A number of activities are eligible under the scheme and participants can earn Australian carbon credit units (ACCUs) for emissions reductions. One ACCU is earned for each tonne of carbon dioxide equivalent (tCO₂-e) stored or avoided by a project. ACCUs can be sold to generate income, either to the government through a carbon abatement contract, or in the secondary market.

Objective 1.2 - We will lead the change to new waste solutions**Implementation of Food Organics Garden Organics (FOGO) trial**

The SMRC has a strong history in placing a high value on organic waste as a resource. As part of the SMRC's Strategic Waste Management Plan the Council is undertaking a process to implement a Food Organics and Garden Organics (FOGO) Collection and Processing System.

The implementation of the system will begin with the system initially trialed to around 7000 households in the City of Melville. The residents involved in the trial will

move a standard 2-bin system, to a 3-bin system, allowing the separation of Food Organics and Garden Organics, Recyclables and General Rubbish items.

The transition towards the new collection system will present more options for improved source separation and in the long term, will lead to a cleaner compost, reduction in costs and less landfill.

The trial is part of a joint project between the Southern Metropolitan Regional Council, City of Melville, City of Fremantle, Town of East Fremantle and is the first of its kind

in the Perth metropolitan area. The findings and research undertaken during the trial will determine the further implementation throughout the region.



Objective 1.2 - We will lead the change to new waste solutions

Organics for Compost



Rubbish



Recycling



Objective 1.1 – We will co-ordinate and facilitate waste processing to maximise recovery and reuse

STRATEGIES	ACTIONS	PROGRESS IN 2016/17
1.1.1 Divest operations to enable focus on maximising recovery and reuse	a. Consider working with RRRC to develop a regional 'hub' for green waste processing at the GWF. (SWMP No 16)	Planned for 2017/18 and to include City of Canning
	b. Divest MRF, GWF and WCF	Council resolved in October to not accept any tenders for the sale of the MRF. Other facilities to be considered during the FOGO implementation period.
1.1.2 Advise members on most efficient waste collections mechanisms	a. Consider reverting to a fortnightly recycling collection service across all councils (SWMP No 5)	FOGO Steering Group Formed. City of Melville has resolved to revert to fortnightly recycling collection with the introduction of a third bin, commencing with its trial in 2017/18
	b. Harmonise collection systems	A feasibility study will commence in 2017/18
	c. Conduct a weekly to fortnightly recycling bin fullness study (SWMP No 4)	Members will offer options for bin sizes to meet residents demand
1.1.3 Lead initiatives to deal with problematic waste	a. Continue to explore sustainable recycling markets	Ongoing
	b. Work with State agencies, local governments, and commercial waste operators to identify uses for problematic materials	Ongoing
	c. Consider working with RRRC to develop a feasibility study for four regional processing 'hubs' for mattresses, HHW, batteries, C&D materials, whitegoods, e-waste, tyres, cars, asbestos and motor oil. (SWMP No 18)	Planned for 2017/18
	d. Work with EMRC and MRC to establish a regional mattress recycling and asbestos disposal point at Redhill and Balcatta Recycling Centre. (SWMP No 26)	Planned for 2017/18
	e. Continue to offer RRRC community based recycling services for HHW, batteries, polystyrene, etc (SWMP No 32)	Ongoing

Objective 1.2 – We will lead the change to new waste solutions

STRATEGIES	ACTIONS	PROGRESS IN 2016/17
1.2.2 Investigate best use scenarios for current technology and site in regards to FOGO	a. Conduct a 3 bin FOGO trial through the RRRC WCF (SWMP No 1)	City of Melville resolved to conduct a trial of 7,000 residents in 2017/18.
	b. Implement a 3 bin FOGO collection and composting system (SWMP No 2)	Planned for 2017/18
	c. Tender for FOGO processing and/or provision of composting technology (SWMP No 6)	Planned for 2017/18
	d. Optimise the use and revenue obtained from the RRRC be either leasing or converting vacant sheds into an alternative use eg FOGO. (SWMP No 7)	Planned for 2018/19
	e. Analyse the existing "operational management overheads" based on existing 73,000tpa MSW compared with 32,000tpa FOGO (SWMP No 8)	A report on FOGO business models is planned for 2017/18



Objective 2.1 – Our governance model supports an effective and efficient business model**Audit & Risk Committee**

The Audit & Risk Committee met on four occasions during the financial year and considered the following matters:

1. Annual Financial Report and Auditor's report
2. Risk and treatment plan relating to the City of Cockburn withdrawal notice from the RRRC Project
3. Financial Controls and Asset Management and Maintenance
4. Department of Environmental Regulation Site Audits
5. RRRC Assurance Program

Sale of the Materials Recovery Facility

In October of 2016, the SMRC resolved to accept the recommendation of the evaluation panel that no tenders be accepted for the sale of the Materials Recovery Facility (MRF). The likely introduction of a container deposit scheme in Western Australia has led to the SMRC reconsidering its position and is likely to make the MRF more economically viable in the longer term.

Deed of Settlement – City of Cockburn

The City of Cockburn and the RRRC Project Participants entered into a Deed of Settlement relating to the City of Cockburn variation to the RRRC project participants' Agreement due to the introduction of a new waste collection regime by the City of Cockburn from 7 October 2015.

Waste Supply Agreement – City of Cockburn

The City of Cockburn entered into a Waste Supply Agreement for delivering its MSW to the RRRC Waste Composting Facility following its withdrawal from the RRRC Project. This will ensure the supply of MSW to the WCF until 2020.



From left to right: Mayor Brad Pettit, Cr Cameron Schuster, Mayor Russell Aubrey, Mayor Jim O'Neill

Objective 2.2 – Our business is efficient, financially viable and sustainable

Our Employees

The SMRC's RRRC workforce concluded a successful negotiation for a four-year Enterprise Agreement (EA). The new EA is largely based on the existing EA, with minor changes made of mutual benefit to the SMRC and its employees.

The healthier workplace program continued to gain traction in 2016/17, with a number of learn sessions, workshops and activities focusing on healthy eating and wellness. The SMRC also resolved to implement a total ban on smoking across all sites, effective from July 1st, 2017.

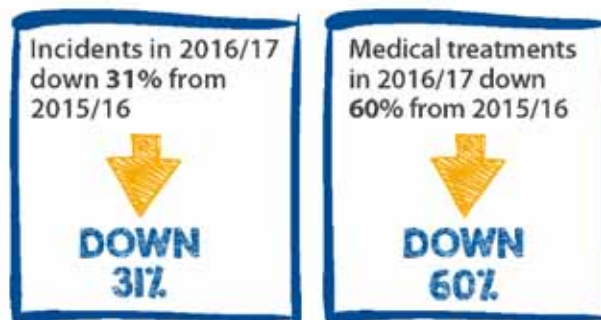


The SMRC continues to support learning and development for its employees. In 2016/17, two of our employees received a grant from the Government of Western Australia, Department of Local Government and Communities as part of the under 30s Metropolitan Youth Development Scholarship. Each employee received a grant contribution of \$11,000 towards their studies.

Occupational Health and Safety

Throughout 2016/17 a number of improvements were made to ensure a well prepared, safe workplace including:

- Incident investigation training for Managers, Supervisors and Safety Representatives;
- Root Cause Analysis training for Managers, Supervisors and Representatives;
- WCF Roof Access installation and training for relevant staff;
- Recertification of all loader operators;
- Re-design and commissioning of the MRF Fire System



Records Management



As part of the requirement to meet statutory compliance with its record keeping function under the State Records Act, the SMRC implemented a comprehensive refresher training program for all staff regarding the use of Spielberg File Director records management software.

RRRC Assurance Program

The RRRC received certification for the following management systems: ISO 9001 Quality Management Systems, ISO 14001 Environmental Management Systems and AS 4801 Health and Safety Systems. The RRRC is now certified to the latest certifications, highlighting the commitment the SMRC undertakes to ensure the RRRC adheres to the highest possible standards.



Improvements to RRRC site and facilities

Throughout the year, a range of improvements were undertaken at the RRRC to increase operational efficiencies and reduce the impact of our activities on the environment including:

- Installation of additional stormwater and leachate drainage to minimise the risk of stormwater and site contamination;
- Installation of WCF Roof Access to improve maintenance efficiencies;
- Re-design and certification of the MRF Fire system;
- Planting of 1400 additional trees in the RRRC bushland to re-establish vegetation.

Objective 2.1 – Our governance model supports an effective and efficient business model

STRATEGIES	ACTIONS	PROGRESS IN 2016/17
2.1.1 Review and improve our existing governance arrangements	a. Facilitate review of SMRC Establishment Agreement	Re-scheduled for 2017/18 after acceptance of Amended Business Plan
	b. Prepare a business plan on corporate structures	Re-scheduled for 2017/18 after acceptance of Amended Business Plan
2.1.2 Investigate alternative business delivery models to ensure our business practices are reflective of the commercial environment	a. Identify opportunities and investigate the feasibility of partnerships and contracts	Regional Council study tour to UK Sept 2016 FOGO Steering Group Interstate Study Tour April 2017 Ongoing
2.1.3 Rebrand existing entities and operations to reflect vision & objectives	a. Rebrand SMRC and RRRC	Planned for 2017/18

Objective 2.2 – Our Business is efficient, financially viable and sustainable

STRATEGIES	ACTIONS	PROGRESS IN 2016/17
2.2.3 Develop a sustainable long term financial plan	a. Schedule and deliver the Long Term Financial Plan	Plan in place with review re-scheduled for 2017/18 after acceptance of Amended Business Plan
	b. Conduct a full cost accounting study to differentiate SMRC governance and coordination overhead functions and costs from those as a waste and recycling service provider. (SWMP No 33)	Re-scheduled for 2017/18 after acceptance of Amended Business Plan
	c. If the FOGO bin collection system is adopted, explore cost reduction initiatives such as commercial rental of vacant shed space and reduction of any unnecessary management overhead expenses arising from the revised service delivery model. (SWMP No 34)	Planned for 2017/18
2.2.4 Being a responsible and considered employer	a. Schedule and deliver the Workforce Plan and OH&S Plan EBA Review	Revised Enterprise Agreement for Operational and Trades Employees, agreed by employees in February 2017 and approved by the Fair Work Commission. Contractor OHS Induction Program ensures all Contractors safety on the RRRC Site

Current Ratio

Measures the liquidity position of a local government.

	Target	Actual FY17	Actual FY16	Comments
Dept of Local Government Advanced Benchmark	1.0 Higher is better	1.22	1.25	The SMRC is in a solvent position and has ability to meet its short term financial obligations out of unrestricted assets. (nb: Cash reserves are not included in the ratio)
Current assets minus restricted current assets Current liabilities minus restricted liabilities associated with restricted assets FY17 $\$25.5 - \$6.5 = \$19.0$ million $\$16.1 - \$0.5 = \$15.6$ million [Numbers taken from statement of financial position and cash and cash equivalents note]				

Asset Sustainability Ratio

Measures whether assets are being replaced/renewed at the rate they are wearing out.

	Target	Actual FY17	Actual FY16	Comments
Dept of Local Government Advanced Benchmark	1.10 Higher is better	0.05	0.06	The SMRC's annual depreciation charge is \$4M, down from \$6M FY16 due to asset revaluations. It includes assets that will never be replaced within the 20 year life of the project and therefore an annual replacement program of \$4M is not required. This ratio has little meaning for the SMRC because the annual asset renewal program considers the RRRC Project life to 2023.
Capital renewal and replacement expenditure Depreciation Expense FY17 $\$0.2$ million $\$4.0$ million [Numbers taken from capital expenditure & statement of comprehensive income]				

Debt Service Cover

Measures a local government's ability to repay its debt including lease payments.

	Target	Actual FY17	Actual FY16	Comments
Dept of Local Government Advanced Benchmark	5.0 Higher is better	0.49	(0.35)	The RRRC Project loan is guaranteed and repaid by Participants. Therefore this ratio is not a true financial performance for the SMRC 1.32 For FY16 disclosed above the ratio is distorted by item of significant expense totalling \$8 million relating to the revaluation decrements of specialised plant & equipment. If this was not included the ratio would be 1.32 and not (0.35)
Annual Operating Surplus before interest and depreciation Principal and Interest FY17 $\$2.7 - \$5.1 = \$2.4$ million $\$3.7 - \$1.1 = \$4.8$ million [Numbers taken from statement of comprehensive income and statement of cash flows]				

Own Source Revenue Coverage Ratio

This ratio measures a local government's ability to cover its costs through its own revenue effort.

	Target	Actual FY17	Actual FY16	Comments
Dept of Local Government Advanced Benchmark	0.90 Higher is better	0.91	0.96	The SMRC receives little revenue from government allocations or grants and generates 91% of its revenue for providing a service to its members and commercial customers.
Own source operating revenue Operating expense FY17 $\$28.5$ million $\$31.2$ million [Numbers taken from statement of comprehensive income by nature or type]				

Operating Surplus Ratio

This ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes.

	Target	Actual FY17	Actual FY16	Comments
Dept of Local Government Advanced Benchmark	1.15 Higher is better	(0.10)	(0.03)	The reason for the SMRC's negative ratio is due to the financial structure of the SMRC. It does not budget to make a surplus or recover the annual \$4 million depreciation charge on its \$50 million assets as revenue from its participants as the participants contribute separately towards the loan borrowings
Operating Revenue minus Operating Expenses Own source operating revenue FY17 \$28.5 - \$31.2 = (\$2.7) million \$28.5 million [Numbers taken from statement of comprehensive income by nature or type]				

Asset Consumption Ratio

This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.

	Target	Actual FY17	Actual FY16	Comments
Dept of Local Government Advanced Benchmark	0.75 Higher is better	0.89	0.80	An asset re-valuation and depreciation adjustments for land & buildings and leasehold improvements was reviewed in 2017. assets as revenue from its participants as the participants contribute separately towards the loan borrowings
Depreciated Replacement Cost of Depreciable Assets Current Replacement Cost of Depreciable Assets FY17 \$32.1 million \$36.0 million [Numbers taken from note 6 – Property, Plant & Equipment]				

Asset Renewal Funding

This ratio is a measure of the ability of a local government to fund its projected asset renewal / replacements in the future.

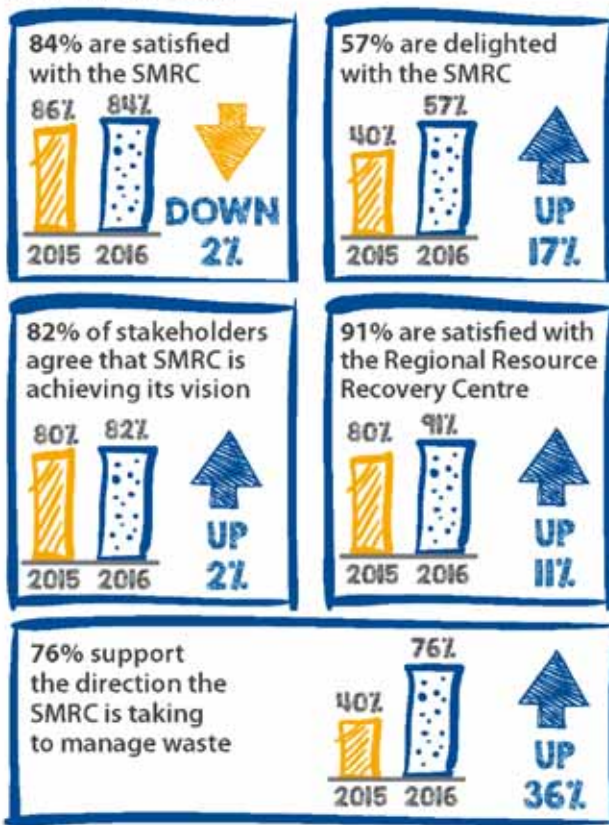
	Target	Actual FY17	Actual FY16	Comments
Dept of Local Government Advanced Benchmark	1.05 Higher is better	1.00	1.00	Required renewals are determined in the Asset Renewal Plan and are funded from the Plant Reserve Fund based on \$2M pa
NPV of Planned Capital Renewals over 10 years NPV of Required Capital Expenditure over 10 years FY17 \$17.4 Million NPV over 10 years \$17.4 Million NPV over 10 years [Numbers drawn from Long Term Financial Plan (planned renewals) and Asset Management Plan (required renewals)]				



Objective 3.1 – We operate as a community leader in waste reduction and reuse

Stakeholder Surveys

In May 2017, the SMRC undertook its annual survey of our stakeholders to evaluate a number of key performance areas. The survey is distributed to key stakeholders across local and state government and helps to provide strategic insights surrounding the current undertakings and future direction of the SMRC.



Our stakeholders identified key three focus areas moving forward:

1. Effective waste processing – introducing a 3-bin system, proactive regional planning with consideration of new technologies, and improving compost quality.
2. Business sustainability – attracting and retaining customers, and ensuring sound financial management.
3. Community education and behaviour change programs.

Odour Management

In 2016-17 the SMRC received 4 unverified odour complaints **DOWN 36% on 2015-16**

The SMRC remains ever vigilant to ensure our odour management practises are of the highest possible standard.

93% of RRRC local residents consider managing odours of high importance

91% of RRRC local residents are aware of the RRRC

89% of RRRC local residents agreed that odours from the RRRC had a low or moderate impact on their lives.



Biofilters at the RRRC

Objective 3.2 – Recycle Right is positively recognised by the community

The Southern Metropolitan Regional council undertakes community education through the Recycle Right program. Recycle Right is a multi-faceted behaviour change and waste education program, which provides waste and recycling information to the Western Australian community. The program has been developed with the aim of changing behaviour through communication and education through various platforms and communications, to reduce waste to landfill and increase recycling.

Recycle Right provides a range of resources to inform the community about waste avoidance, re-use and recycling. Throughout the year Recycle Right has looked to build on the success of previous years, through the expansion of resources and activities undertaken throughout the community.

Tours and Incursions

The SMRC offers free tours of the Regional Resource Recovery Centre to all members of the community and conducts incursions and presentations to schools and community groups within its member councils.

Throughout the year, Recycle Right achieved more than 5000 community contacts with tours and incursions continuing to prove popular across all ages and backgrounds.

Website and Smartphone App

The Recycle Right website saw a substantial increase in hits and activities in comparison to 2015/16.

Hits on the Recycle Right website



Tour visitors: **3,105** **DOWN 9%** on 2015-16

Individuals reached through incursions and presentations: **2052** **DOWN 40%** on 2015-16

E-newsletter

Produced every Month, the Recycle Right E-newsletter provides a snapshot into some of the activities undertaken by the Recycle Right team and the SMRC, as well activities, events and promotions around Perth.

Events

The Recycle Right team attended a range of events in 2016/17, helping to debunk common misconceptions and educate the public by undertaking children's recycling activities and games, community surveys and providing materials and information.

Some of the highlights for 2016-17 included National Science Week, Perth Royal Show, Rottneest Carnivale, Jacaranda Festival and the Whiteman Park Enviro Fest.



Patrick Hay at Whiteman Park Enviro Fest



Television and Video

Recycle Right featured on 3 episodes of the Garden Gurus segments and produced 1 video in 2016-17. The three television segments produced focused on three key areas:

- Recycle Right and its features
- The importance of reducing your waste
- What to do with hazardous and non-household materials

The episodes featured on Channel 9 and 9LIFE with an estimated audience of more than 130,000 viewers in Western Australia and 250,000 viewers Australia wide and resulted in substantial increases in website hits and app downloads.

A video was also created to help raise awareness and provide information about the 3-bin FOGO trial commencing later in 2017. The video received a fantastic response on both the Recycle Right website and participating councils' websites and social media channels, with a reach of more than 15,000 users on Facebook and in excess of 700 views on YouTube.

Filming for the 3 Bin Video



Joint Regional Council Campaigns

In November of 2016 the SMRC, in collaboration with Keep Australia Beautiful and the four other regional councils, kicked off a campaign to help to raise awareness about some of the issues created through the incorrect disposal of disposable nappies.

The campaign was launched in November 2017 at the RRRC by SMRC Chairman Cr Schuster and will see more than 10,000 new mothers in Western Australia receive a highly informative nappy information brochure in their 'bounty bags' throughout 2017. We hope to see a significant reduction in nappies in the recycling bin in years to come.

Waste Recycling Education Network

The Waste Recycling Education Network (WREN) continues to provide strong dialogue between the SMRC and its community. The group met 5 times in 2016/17 and has been actively providing feedback and input to the activities undertaken through the Recycle Right program. WREN members also volunteered at a range of community events throughout the year, including the Perth Royal Show, Rottneest Carnivale and the Applecross Jacaranda Festival.



WREN members with the Recycle Right team at the Rottneest Carnivale



WREN member Rosemary Harper at the Applecross Jacaranda Festival

Objective 3.1 – We operate as a community leader in waste reduction and reuse

STRATEGIES	ACTIONS	PROGRESS IN 2016/17
3.1.1 Proactively engage with member Councils on a regular basis	a. Identify & report key issues that apply to all members	Council Meeting summaries supplied to all members, South West Group CEO Group attendance throughout 2016/17
	b. Quarterly update on all key issues	On the 22 March 2016, the Department of Environment Regulation (DER) advised that its Guidance Statement on Licence Duration provides for the granting of licences for up to 20 years durations and therefore the RRRC licence renewal date had been amended under section 59(1)(k) of the Environmental Protection Act 1986 (EP Act) to 30 March 2033.
3.1.2 Engage with the community to affect behavioural change	a. Review and implement the Community Engagement Plan	Completed
	b. Continue to work with, and provide support to the Waste & Recycling Educators' Network (WREN)	Facilitated 5 WREN meetings throughout 2016/17 Participation from WREN members at several community events.
3.1.3 Partner with complementary organisations to facilitate behavioural change towards waste recovery and reuse	a. Promote consistent waste behaviour change with all partners (community, members, schools)	More than 5000 community contacts achieved through tours and incursions.
	b. Actively pursue funding and partnership opportunities for educational programs	Receival of grant funding through Keep Australia Beautiful for a campaign about incorrect nappy disposal.
	c. Lead trial projects to reuse recycled materials	Planned for 2017/18
	d. Continue to develop existing relationships with Waste Authority and DER	Ongoing
3.1.4 Influence Federal, State, and Local Governments in the development of regional and metropolitan waste management policies and legislation	a. Advocate for enhanced packaging design controls and extended producer responsibility for packaging and problematic materials	Ongoing
	b. Advocate for legislation that limits the disposal of unprocessed municipal solid waste (MSW)	Ongoing
	c. Lobby Federal, State, and Local Government for improved funding of environmental education programs	Ongoing

Objective 3.2 – Recycle Right is positively recognised by the community

STRATEGIES	ACTIONS	PROGRESS IN 2016/17
3.2.1 Build a brand identity that focuses on sustainable waste solutions	a. Promote the Recycle Right Program amongst member councils as the regional recycling initiative	Recycle Right plan review due for completion in 2017/18
	b. Continue to actively promote Recycle Right activities via media channels such as TV, brochures, radio, tours, apps and social media. (SWMP No 31)	3 television episodes featuring Recycle Right aired on commercial television 8 Bus back advertisements on Transperth buses Tours of the RRRC provided to schools and community groups throughout the year Recycle Right activities promoted across the Recycle Right website and E-newsletter
	c. Promote the Recycle Right brand at public events	Recycle Right was represented at a range of community events throughout the region and broader metropolitan area attended in 2016/17
3.2.2 Develop and implement a successful community education program	a. Continue to implement the Recycle Right Program to provide consistent messaging / guidance to the community	Recycle Right Plan review planned for 2017/18
3.2.3 Educate communities to understand the importance of correct waste separation and reuse	a. Develop an educational module for schools	Education module has been completed and is available on the Recycle Right website
	b. Develop a comprehensive resident behaviour change program for 3 bin FOGO through development of Recycle Right or similar model. (SWMP No 28)	Planned for 2017/18

Plan for the Future

Section 5.53(2)(e) of the Local Government Act 1995 requires local governments to provide an overview of the plan for the future of the district, made in accordance with s.5.56, including major initiatives that are proposed to commence, or to continue, in the next financial year (FY).

The Regional Council has adopted its Strategic Community Plan 2013-2023 and Corporate Business Plan 2013-2017 in accordance with the requirements of the Integrated Planning Framework as outlined by Regulation 19C (Strategic Community Plan) and Regulation 19DA (Corporate Business Plan) of the Local Government (Administration) Regulations 1996.

On the 30 June 2016, the Regional Council, through extensive consultation with its member local governments, undertook a 2-year review of its Plans and adopted an amended Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2020. The new actions commenced in 2016/17.



Refer to this report for detail and performance reporting on the current Plan's actions and KPIs.

Register of complaints in relation to minor breaches by Councillors

In accordance with section 5.53(2)(hb) of the Local Government Act 1995, it is a requirement to report any complaints in relation to minor breaches by Councillors received during the year. There were no complaints reported for the period 1 July 2016 to 30 June 2017.



Payment to Employees

The number of employees of the Council, in bands of \$10,000 that received an annual cash salary of \$100,000 or more.

	2017	2016
Salary Range \$	\$	\$
270,000 - 279,999 #	1	-
260,000 - 269,999 #	-	1
250,000 - 259,999 #	-	-
180,000 - 189,999 #	2	1
170,000 - 179,999 #	-	1
160,000 - 169,999 #	1	-
150,000 - 159,999 #	-	-
140,000 - 149,999 #	-	-
130,000 - 139,999 # *	-	1
120,000 - 129,999	-	-
110,000 - 119,999	-	-
100,000 - 109,999	4	3
Total	8	7

Employee receives cash vehicle allowance in lieu of council supplied car

* Part year 10 months (Full \$150-159k)

NUMBER OF EMPLOYEES

The number of full-time and part-time employees as at the balance date.

64 67

Reason for changes from previous year: positions vacant are either not replaced or temporarily replaced with agency staff.

National Competition Policy

Clause 7 of the Competition Principles Agreement sets out Local Government's responsibilities under the National Competition Policy. The clause deals with competitive neutrality, structural reform of public monopolies and regulation review.

Local Government is required to undertake a cost-benefit analysis to evaluate whether or not competitive neutrality principles should apply. The analysis must take into account all the quantitative and qualitative costs and benefits, which may include economic, social and environmental criteria. Where it is judged that the benefits of implementing competitive neutrality outweigh the costs, then the Local Government must impose costs that the private sector would be required to pay (i.e. payroll tax, Commonwealth & State taxes, debt guarantee fees and other regulatory requirements imposed on private but not government bodies).

The Regional Council has one significant business activity – Regional Resource Recovery Centre (RRRC).

The SMRC undertook a review of its legislative requirements under the National Competition Policy in 2014/15. The assessment has determined that, while RRRC's business activities meet the first criterion for the implementation of competitive neutrality principles, they do not meet the Public Benefit Test. For this reason, and consistent with the requirements of the Competition Principles Agreement, SMRC is not required to implement any competitive neutrality principles to the operations of RRRC. The report is available on the SMRC website.

Regulatory Review

Under clause 7 of the Competition Principles Agreement Local Governments are required to review their Local Laws. The intention of this clause is to ensure existing Local Laws set by Local Governments do not restrict competition unless there are benefits to the community as a whole.

The Southern Metropolitan Regional Council adopted its Standing Orders Local Law on 27 November 2008 and meets the principles of Clause 7.

Statutory Compliance Return

The Statutory Compliance Return for the period 1 January 2016 to 31 December 2016 was completed and lodged as required. There were no matters of non-compliance to report.

Record-Keeping Plans

Principal 6 of the State Records Commission of WA Standard 1/2001 (Record Keeping Plans) refers to compliance requirements by the Regional Council.

- A Record Keeping Plan (RKP) for the SMRC was approved by the State Records Commission (19/11/2010). An amended RKP was submitted to the SRO in May 2016.
- A new Electronic Document Record Management System eDRMS was implemented from July 2015.
- Staff training programmes for new and existing staff are regularly undertaken to ensure staff comply with the Record Keeping Policy and Procedures.
- An Independent internal audit for record keeping was completed in May 2016. The audit focused on the design and operational effectiveness, through detailed testing of the key controls in the following areas:
 - Documentation is aligned with the State Records Act (SRA) and has been reviewed and approved by the State Records Office;
 - The relevant record keeping documents are in place to ensure compliance at a high level with the SRA including Record-keeping Plan, Metadata Management Policy, Thesaurus and Retention and Disposal Plan and key requirements are complied with, including archiving and disposal;
 - Staff are aware of record keeping requirements and adequately trained;
 - Access to records is appropriately controlled either through a system or hard copy records; and
 - Record audits are performed by the records manager e.g. frequency, results and follow-up.

Disability Access & Inclusion Plan

Regional Local Governments are not required to prepare a plan in accordance with S29 of the Disability Services Act 1993.

Environmental Protection Act Licence

The SMRC has an environmental licence for a prescribed premises under the Environmental Protection Act 1986, granted by the Department of Water and Environmental Regulation (DWER) to the 30 March 2033.

The licence includes conditions, which are monitored and evaluated by Department of Water and Environmental Regulation (DWER). A full copy of the licence can be viewed on SMRC's website.

The Regional Resource Recovery Centre (RRRC) is required to provide an audit compliance report on an annual basis to the DWER. This is a legal requirement under part V of the Environmental Protection Act 1986 and stipulated as a condition in the RRRC operating licence. The report was forwarded to DWER in November 2016.



Statement of Comprehensive Income

The Council's total comprehensive income is a deficit of \$1.6 million (\$8.9 million deficit in FY 16 due to asset revaluation write-off).

The deficit includes depreciation of non-current assets \$4 million and increase in asset revaluation of \$1.1 million.

The operating revenues is \$28.5 million (\$28.2 million FY 16). Higher commodity prices for sale of recovered products resulted in an increase of income.

The operating expenses is \$31.2 million (\$29.1 million FY 16). The increase is due to higher plant maintenance expenses, both routine (\$2.1 million) and non-routine (\$1.5 million) and a reduction in depreciation (\$2.0 million) due to the asset revaluations.

Statement of Financial Position

The Council's net assets and total equity is \$42.3 million (\$44.8 million FY 16). The decrease of \$2.5 million is attributed to:

- net deficit result (\$2.7 million)
- increase in asset revaluation (\$1.1 million)
- decrease in borrowings (\$0.9 million)

The SMRC has two borrowing arrangements with its participants:

- RRRC Project outstanding balance of \$19.5 million (\$23.2 million FY 16) and;
- Office Accommodation Project, Head office building in Booragoon \$1.8 million (\$1.8 million FY 16).

No new loans were raised during the year. RRRC project loans repaid during the year amounted to \$3.7 million (\$3.5 million FY 16). The RRRC Project borrowings will be fully repaid by 30 June 2023.

Statement of Changes in Equity

During the financial year, the net deficit result from statement of comprehensive income of \$2.7 million is reduced from the retained surplus. Net amount of \$0.3 million is transferred from the retained surplus to cash backed reserves. Also, the MRF loans of \$0.9 million are paid from the retained surplus.

All the above transactions resulted in reduction of retained surplus in the financial year from \$25.5 million to \$22.2 million.

The cash backed reserve closing balance is \$6.0 million (\$6.3 million FY16). The net movement between the reserves is \$0.3 million. The reserve accounts are for the purposes of funding the asset renewal program, contingency & development initiatives, insurance replacement caused from damages or losses to RRRC assets, restoration costs associated with the RRRC lease conditions and provision for travel and conferences.

The revaluation surplus increased by \$1.1 million (\$0.1 million FY16) due to land & buildings (\$0.2 million) and leasehold improvements (\$0.9 million).



Statement of Cash Flows

The cash receipts from operations is \$31.3 million (\$29.9 million FY 16). The increase is mainly due to higher sales of recovered products and decrease in debtors.

The cash payments for operations is \$28.7 million (\$26.0 million FY 16). The increase is mainly due to higher materials and contracts in plant maintenance expenses.

This resulted in net cash generation from operating activities of \$2.6 million (\$3.9 million FY 16).

The cash used in investing activities is \$0.2 million (\$3.7 million in FY 16). The decrease is due to lower capital expenditure.

The cash used in financing activities, represents repayment of MRF Loans, is \$0.9 million (\$0.8 million FY 16).

The above activities resulted in net increase in the cash balances by \$1.5 million. The cash balances at the end of the financial year is \$11.6 million.

SOUTHERN METROPOLITAN REGIONAL COUNCIL

CONCISE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

LOCAL GOVERNMENT ACT 1995

LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT

The concise financial report of the Southern Metropolitan Regional Council is an extract of the full annual financial report for the year ended 30 June 2017. The concise financial report has been prepared in accordance with AASB 1039 "Concise Financial Reports".

The financial statements, specific disclosures and other information included in the concise financial report have been derived from and are consistent with the full financial report of the Council. A full description of the accounting policies adopted by the Council is provided within the 2017 full financial report. The accounting policies are consistent with those of the previous financial year.

Australian dollars is the presentation currency used in this financial report.

The concise financial report cannot be expected to provide a detailed understanding of the financial performance, financial position and financing and investing activities of the Southern Metropolitan Regional Council, as is provided by the full financial report. A copy of the full financial report and auditor's report is available for inspection at the Council's Administration Office and on the Council's website at www.smrc.com.au

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial statements comprising the concise financial report of the Southern Metropolitan Regional Council for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the Southern Metropolitan Regional Council at 30 June 2017 and the results of the operations for the financial year ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and Regulations under that Act.

Signed as authorisation of issue on the 16th day of August 2017



Tim Ypue
Chief Executive Officer

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

BY NATURE OR TYPE

FOR THE YEAR ENDED 30 JUNE 2017

	2017	2017 Budget	2016
	\$	\$	\$
REVENUE			
Operating Grants, Subsidies and Contributions	2,188,507	2,301,809	2,833,027
Fees and Charges	25,960,754	26,756,297	25,084,170
Interest Earnings	279,328	101,000	244,584
Other Revenues	34,340	47,250	61,218
	<u>28,462,929</u>	<u>29,206,356</u>	<u>28,222,999</u>
EXPENSES			
Employee Costs	(6,631,534)	(7,407,219)	(6,531,733)
Materials and Contracts	(16,808,759)	(18,082,159)	(12,469,956)
Utility Charges	(1,422,011)	(1,395,580)	(1,450,603)
Depreciation on Non-current Assets	(3,955,179)	(3,961,202)	(6,008,518)
Interest Expenses	(1,117,575)	(1,116,642)	(1,415,179)
Insurance Expenses	(1,248,712)	(1,256,400)	(1,292,148)
	<u>(31,183,770)</u>	<u>(33,219,202)</u>	<u>(29,168,137)</u>
	<u>(2,720,841)</u>	<u>(4,012,846)</u>	<u>(945,138)</u>
Loss on asset disposals	<u>0</u>	<u>0</u>	<u>(21,733)</u>
Asset Revaluation Decrements			
Specialised Plant and Equipment	0	0	(8,117,133)
Information Technology Equipment	<u>0</u>	<u>0</u>	<u>(33,285)</u>
NET RESULT	(2,720,841)	(4,012,846)	(9,117,289)
Other Comprehensive Income			
Asset Revaluation Increments			
Land and Buildings	222,800		
Leasehold Improvements	903,170		
Non-specialised Plant and Equipment	<u>0</u>	<u>0</u>	<u>149,719</u>
Total Other Comprehensive Income	1,125,970	0	149,719
TOTAL COMPREHENSIVE INCOME/(LOSS)	(1,594,871)	(4,012,846)	(8,967,570)

The full financials and accompanying notes are available on the Council's website at www.smrc.com.au

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

BY PROGRAM

FOR THE YEAR ENDED 30 JUNE 2017

	2017	2017 Budget	2016
	\$	\$	\$
REVENUE			
Governance	337,465	337,465	329,234
Community Amenities	<u>28,125,464</u>	<u>28,868,891</u>	<u>27,893,765</u>
	<u>28,462,929</u>	<u>29,206,356</u>	<u>28,222,999</u>
EXPENSES EXCLUDING FINANCE COSTS			
Governance	(295,816)	(490,465)	(217,293)
Community Amenities	<u>(29,770,379)</u>	<u>(31,612,095)</u>	<u>(27,535,665)</u>
	<u>(30,066,195)</u>	<u>(32,102,560)</u>	<u>(27,752,958)</u>
FINANCE COSTS			
Governance	(79,920)	(79,920)	(80,023)
Community Amenities	<u>(1,037,655)</u>	<u>(1,036,722)</u>	<u>(1,335,156)</u>
	<u>(1,117,575)</u>	<u>(1,116,642)</u>	<u>(1,415,179)</u>
Loss on asset disposals	<u>0</u>	<u>0</u>	<u>(21,733)</u>
Asset Revaluation Decrements			
Community Amenities	<u>0</u>	<u>0</u>	<u>(8,150,418)</u>
NET RESULT	(2,720,841)	(4,012,846)	(9,117,289)
Other Comprehensive Income			
Asset Revaluation Increments			
Community Amenities	<u>1,125,970</u>	<u>0</u>	<u>149,719</u>
Total Other Comprehensive Income	1,125,970	0	149,719
TOTAL COMPREHENSIVE INCOME/(LOSS)	(1,594,871)	(4,012,846)	(8,967,570)

The full financials and accompanying notes are available on the Council's website at www.smrc.com.au

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	2017 \$	2016 \$
CURRENT ASSETS		
Cash and Cash Equivalents	11,573,051	10,077,036
Trade and Other Receivables	13,279,892	11,366,923
Inventories	600,249	570,443
TOTAL CURRENT ASSETS	25,453,192	22,014,402
NON-CURRENT ASSETS		
Other Receivables	11,215,994	16,896,486
Property, Plant and Equipment	32,983,669	35,618,538
TOTAL NON-CURRENT ASSETS	44,199,663	52,515,024
TOTAL ASSETS	69,652,855	74,529,426
CURRENT LIABILITIES		
Trade and Other Payables	5,093,153	3,788,121
Current Portion of Long-term Borrowings	10,106,603	8,083,417
Provisions	862,839	831,321
TOTAL CURRENT LIABILITIES	16,062,595	12,702,859
NON-CURRENT LIABILITIES		
Long-term Borrowings	11,215,994	16,896,486
Provisions	116,768	162,455
TOTAL NON-CURRENT LIABILITIES	11,332,762	17,058,941
TOTAL LIABILITIES	27,395,357	29,761,800
NET ASSETS	42,257,498	44,767,626
EQUITY		
Retained Surplus	22,218,139	25,586,999
Reserves- Cash Backed	5,983,685	6,250,923
Revaluation Surplus	14,055,674	12,929,704
TOTAL EQUITY	42,257,498	44,767,626

The full financials and accompanying notes are available on the Council's website at www.smrc.com.au

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Retained Surplus \$	Reserves Cash Backed \$	Revaluation Surplus \$	Total Equity \$
Balance as at 1 July 2015	35,815,325	5,905,235	12,882,364	54,602,924
Comprehensive Income				
Net Result	(9,117,289)	0	0	(9,117,289)
Changes on Revaluation of Non-current Assets	0	0	149,719	149,719
Total Comprehensive Income	(9,117,289)	0	149,719	(8,967,570)
Transfer of Revaluation Surplus to Equity on sale of Assets	101,043	0	(101,043)	0
Reversal of Revaluation Surplus to offset reduction in fair value of assets	0	0	(1,336)	(1,336)
Loans Repaid from Equity	(866,392)	0	0	(866,392)
Transfer from / (to) Reserves	(345,688)	345,688	0	0
Balance as at 30 June 2016	25,586,999	6,250,923	12,929,704	44,767,626
Comprehensive Income				
Net Result	(2,720,841)	0	0	(2,720,841)
Changes on Revaluation of Non-current Assets	0	0	1,125,970	1,125,970
Total Comprehensive Income/(Loss)	(2,720,841)	0	1,125,970	(1,594,871)
Loans Repaid from Equity	(915,257)	0	0	(915,257)
Transfer from / (to) Reserves	267,238	(267,238)	0	0
Balance as at 30 June 2017	22,218,139	5,983,685	14,055,674	42,257,498

The full financials and accompanying notes are available on the Council's website at www.smrc.com.au

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	2017	2017 Budget	2016
	\$	\$	\$
Cash Flows From Operating Activities			
Receipts			
Operating Grants, Subsidies and Contributions	1,789,763	2,301,809	3,025,789
Fees and Charges	26,479,422	26,676,477	23,992,591
Interest Earnings	270,181	101,000	206,772
Goods and Services Tax	2,684,426	2,440,000	2,649,821
Other Revenues	34,340	47,250	58,995
	<u>31,258,132</u>	<u>31,566,536</u>	<u>29,933,968</u>
Payments			
Employee Costs	(6,613,942)	(7,300,995)	(6,487,607)
Materials and Contracts	(16,314,072)	(18,079,837)	(13,398,216)
Utility Charges	(1,422,011)	(1,395,580)	(1,450,603)
Interest Expenses	(1,118,079)	(1,116,642)	(1,416,032)
Insurance Expenses	(1,248,712)	(1,256,400)	(1,292,148)
Goods and Services Tax	(1,935,704)	(2,440,000)	(1,935,899)
	<u>(28,652,520)</u>	<u>(31,589,454)</u>	<u>(25,980,505)</u>
Net Cash Provided By Operating Activities	2,605,612	(22,918)	3,953,463
Cash Flows from Investing Activities			
Payments for Purchase of Information Technology Equipment	(43,138)	(80,000)	(2,428)
Plant and Equipment	(47,100)	(47,100)	(3,698,058)
Payments for Construction of RRRC Leasehold Improvements	(104,102)	(241,000)	0
Payments towards Capital Work In Progress	0	0	(22,992)
Proceeds from Sale of Assets	0	0	29,777
Net Cash Used In Investing Activities	(194,340)	(368,100)	(3,693,701)
Cash Flows from Financing Activities			
Repayment of Loans	(3,657,306)	(3,657,319)	(3,483,629)
Contributions from Project Participants for Loan Repayments	2,742,049	2,742,063	2,617,237
Net Cash Provided By (Used In) Financing Activities	(915,257)	(915,256)	(866,392)
Net Increase / (Decrease) in Cash Held	1,496,015	(1,306,274)	(606,630)
Cash and Cash Equivalents at Beginning of Year	10,077,036	10,077,036	10,683,666
Cash and Cash Equivalents at End of Year	11,573,051	8,770,762	10,077,036

The full financials and accompanying notes are available on the Council's website at www.smrc.com.au

BUTLER SETTINERI

INDEPENDENT AUDITOR'S REPORT TO SOUTHERN METROPOLITAN REGIONAL COUNCIL

Opinion

We have audited the accompanying concise financial report of Southern Metropolitan Regional Council ("Council"), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and the discussion and analysis.

In our opinion, the accompanying concise financial report of Southern Metropolitan Regional Council, complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section of our report. We are independent of the Council in accordance with the auditor independence requirements of the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the concise financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Concise Financial Report

The concise financial report does not contain all the disclosures required by the Australian Accounting Standards in the preparation of the full financial report. Reading the concise financial report and the auditor's report thereon, therefore, is not a substitute for reading the full financial report and the auditor's report thereon.

The Full Financial Report and Our Report Thereon

We expressed an unmodified audit opinion on the full financial report in our report dated 16 August 2017. That report also includes:

An Emphasis of Matter - *Supplementary Ratio Information* section that draws attention to Page 41 in the full financial report. Page 41 describes certain ratio information relating to the financial report. Management's calculation of these ratios includes assumptions about future capital expenditure and hence falls outside our audit scope. We do not therefore express an opinion on these ratios. However, we have reviewed the calculations as presented and in our opinion these are based on verifiable information and appear reasonable.

Council's Responsibilities for the Concise Financial Report

The Council is responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and for such internal control as the Council determine is necessary to enable the preparation of the concise financial report.

Auditor's Responsibilities for the Audit of the Concise Financial Report

Our responsibility is to express an opinion on whether the concise financial report, complies in all material respects, with AASB 1039 *Concise Financial Reports* based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

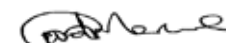
Report on Other Legal and Regulatory Requirements

We did not, during the course of our audit, become aware of any instances where the Council did not comply with the statutory requirements of the Local Government Act (1995) (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

In accordance with the Local Government (audit) Regulations 1996, we also report that:

- Apart from the operating surplus ratio, debt service cover ratio and asset sustainability ratio, that do not meet the minimum benchmark, there are no material matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Council.
- The Regional Council substantially complied with Part 6 of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).
- All information and explanations required were obtained by us.
- All audit procedures were satisfactorily completed in conducting our audit.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA

Director

Perth

Date: 16 August 2017



Annual Report 2016-17

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