



SOUTHERN METROPOLITAN
REGIONAL COUNCIL

annual REPORT

2017-18



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ABOUT US

Our story

In 1991, the local governments of Canning, Cockburn, East Fremantle, Fremantle, Kwinana, Melville, and Rockingham came together to form a regional approach to waste management. The Councils realised that individual approaches for alternative waste options would be too expensive for a single council. A solution was required to manage the thousands of tonnes of waste that were being sent direct to landfill each year with little consideration of the future social, economic, and environmental implications.

As a result, the Councils formed the South West Waste Management Council to provide environmentally sustainable waste management solutions for the benefit of the community and member councils. In 1998, this was changed to the Southern Metropolitan Regional Council (SMRC).

Over the period the following local governments have since withdrawn from the regional group:

City of Canning in June 2010, City of Rockingham in June 2012 and the City of Cockburn's intention to withdraw in June 2019.

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 member local governments.

Our member local governments are: City of Cockburn (to June 2019), Town of East Fremantle, City of Fremantle, City of Kwinana and City of Melville.

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

There are two core projects, being:

1. The Regional Resource Recovery Centre (RRRC) Project and;
2. The Office Accommodation Project.

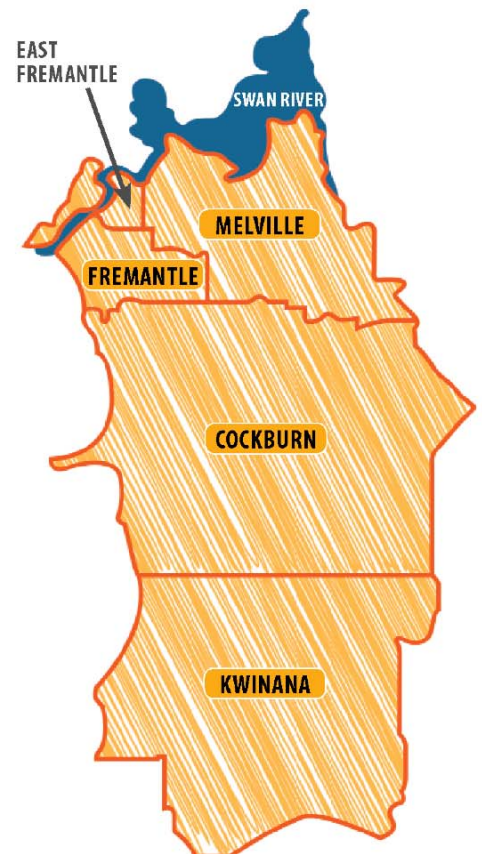
Both the projects were established through separate project participants' agreements. The Cities of Cockburn and Kwinana are not participants in the RRRC project. In addition to the above two projects, support activities such as administration, education and research are also undertaken.

Our \$100 million RRRC at Canning Vale was the first of its kind in Western Australia, and remains a model for other local, regional, and state governments seeking sustainable solutions for waste. RRRC comprises three resource recovery facilities:

1. **Organic waste** (household and small garden waste) is collected using the green top bins, processed and turned into compost at a Waste Composting Facility;
2. **Paper, plastics, glass and metals** are collected from households using the yellow top bins, and are sorted and recovered in the Materials Recovery Facility, then sold to domestic and international markets; and
3. **Green waste** is collected from the kerbside of households, and turned into mulch at the Green Waste Facility.

As an organisation, we inject over \$20 million per year into the economy, employ over 60 staff and provide work for 100 local small businesses and contractors each month.

The SMRC is committed to assisting the State Government to work towards achieving its State Waste Strategy target of 65% for Metropolitan Perth by 2020.



STATISTICS

2017-2018 Overview

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
POPULATION: **294,000**

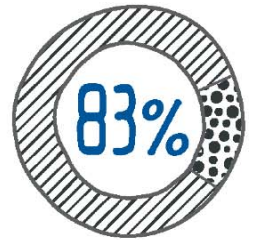


THE REGIONAL RESOURCE RECOVERY CENTRE'S
TOTAL RECOVERY DIVERSION FROM LANDFILL

MATERIALS RECOVERY FACILITY

26,441t
2017/2018

83% RECOVERED



WASTE COMPOSTING FACILITY

78,177t
2017/2018

50% RECOVERED



GREEN WASTE FACILITY

10,205t
2017/2018

100% RECOVERED



THE REGION'S
HOUSEHOLDS: **118,000**



EMPLOYEES

Workforce Profile

EMPLOYEES 68

ADMINISTRATIVE
25

MEN 70%

OPERATIONAL
43

WOMEN 30%

ENGLISH AS A
2ND LANGUAGE
37%

CHAIRMAN'S REPORT

As Chairman of the SMRC, I am delighted to present the 2017/18 Annual Report of the Southern Metropolitan Regional Council (SMRC).

2017/18 has been a year of great progress for the SMRC, as we begin to adjust our operations to meet the changing nature of the waste industry. Increased awareness and change in the waste sector has seen a high level of focus and importance placed on waste reduction and recycling initiatives, re-enforcing the direction we are taking.

In August 2017, we hosted Premier Mark McGowan alongside Minister Stephen Dawson MLC and Local MPs Mr Terence Healy MLA and Mr Yaz Mubarakai MLA for the launch of the Container Deposit Scheme at the Regional Resource Recovery Centre. The scheme is one which the SMRC strongly supports and believes will have a positive impact in reducing litter and increasing resource recovery moving forward.

In October 2017, a trial of a 3-bin Food Organics Garden Organics (FOGO) system commenced in the City of Melville to 7,000 households as part of a joint project between the RRRC Project Participants – the Cities of Fremantle, Melville and Town of East Fremantle. In the first six months of the trial, 66.5% of all household waste was recovered as compost or recycled into new products, above the State Government target of 65% of all household waste diverted from landfill by 2020 and has been accompanied by a high level of participation and support from residents.

In May 2018, we surveyed our stakeholders to assess our performance. The survey found 91% of stakeholders believe we are achieving our vision, 87% are satisfied with the SMRC and 84% are satisfied with the performance of the Regional Resource Recovery Centre (RRRC). The survey also found 71% of our Stakeholders support the direction of the SMRC.

Over the course of the year, community education has remained key to the success of our resource recovery efforts. By working alongside the Waste Recycling Education Network (WREN), the SMRC continues to engage with the community to spread the reuse and recycle message, placing a strong importance on resource recovery initiatives.

The year has not been without its challenges. The well-publicised restriction on the import of contaminated recyclables as part of the China National Sword Policy has had a significant impact on the industry. While these changes have not been unforeseen, they have highlighted the need to increase our efforts to reduce contamination in kerbside recycling bins and provided an opportunity to transform the recycling industry in Australia. Greater collaboration between government and industry can assist in developing local solutions as part of a necessary move towards a circular economy approach to waste and resource recovery.

I would like to acknowledge the work of the immediate past Chair, former Councillor Cameron Schuster, alongside Cr Michael McPhail and Cr Kevin Allen for the important contributions they have made to the SMRC during their tenure. I would also like to welcome newly appointed Councillors, Cr Cliff Collinson, Cr Clive Robartson and Cr Phillip Eva and alongside Cr Wendy Cooper, thank them for their contributions throughout the year.

I would like to thank SMRC Member Councils, SMRC Chief Executive Officer Mr Tim Youé and all SMRC staff for their efforts and achievements throughout 2017/18. I look forward to another year working together toward achieving our vision.

Doug Thompson

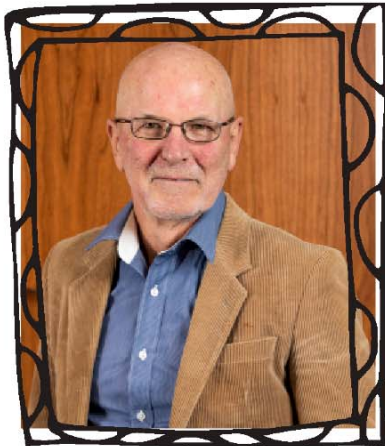
Chairman

INCREASED AWARENESS AND CHANGE
IN THE INDUSTRY HAS SEEN A HIGH
LEVEL OF FOCUS AND IMPORTANCE
PLACED ON WASTE REDUCTION AND
RECYCLING INITIATIVES, RE-EMPHASISING
THE DIRECTION WE ARE TAKING.



REGIONAL COUNCILLORS

Profiles



Chairman, Cr Doug Thompson, City of Fremantle

Cr Thompson is 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 2019.

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.



Deputy Chair, Cr Clive Robartson AM LGM, City of Melville

Clive has lived in the City of Melville for most of his life and since 1975 has resided in Bull Creek. He has a long and distinguished career in Local Government as a Councillor at the City of Melville. He served as President of the Local Government Association (LGA) and became State President of the WA Local Government Association (WALGA) shortly after its formation in 2002. He was appointed as a member of the Australian Local Government Association (ALGA) and served on the LG Insurance Scheme (LGIS) Board.

He has served on the Southern Metropolitan Regional Council (13 years), the Municipal Waste Advisory Council (5 years) and the State Government Advisory Council on Waste Management. Clive is proud to have been awarded the Local Government Medal (LGM) in 2007 for his services to Local Government. In 2010 he was appointed as a Member of the Order of Australia (AM) for his services to the community and Local Government.

Apart from his passion for his family and grandchildren, Clive is the State Vice President of the Royal Australian Air Force Association (WA Division) and has a great interest in aged care.



Cr Cliff Collinson, Town of East Fremantle

Cliff is a retired schoolteacher and a Councillor with the Town of East Fremantle since 2007. Over many years he has been active in numerous community and environmental groups including Radio Fremantle, presenting regular programs for thirty years and has been convenor of the Fremantle Oxfam group for the past eleven years.

He is passionately committed to environmental sustainability and believes the SMRC has a major role to play in this process by not only diverting waste from landfill, but also to educate the community on the importance of effective recycling and the role this plays in reducing greenhouse gas emissions. To this end, the financial sustainability of the SMRC is of paramount importance.

REGIONAL COUNCILLORS



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.



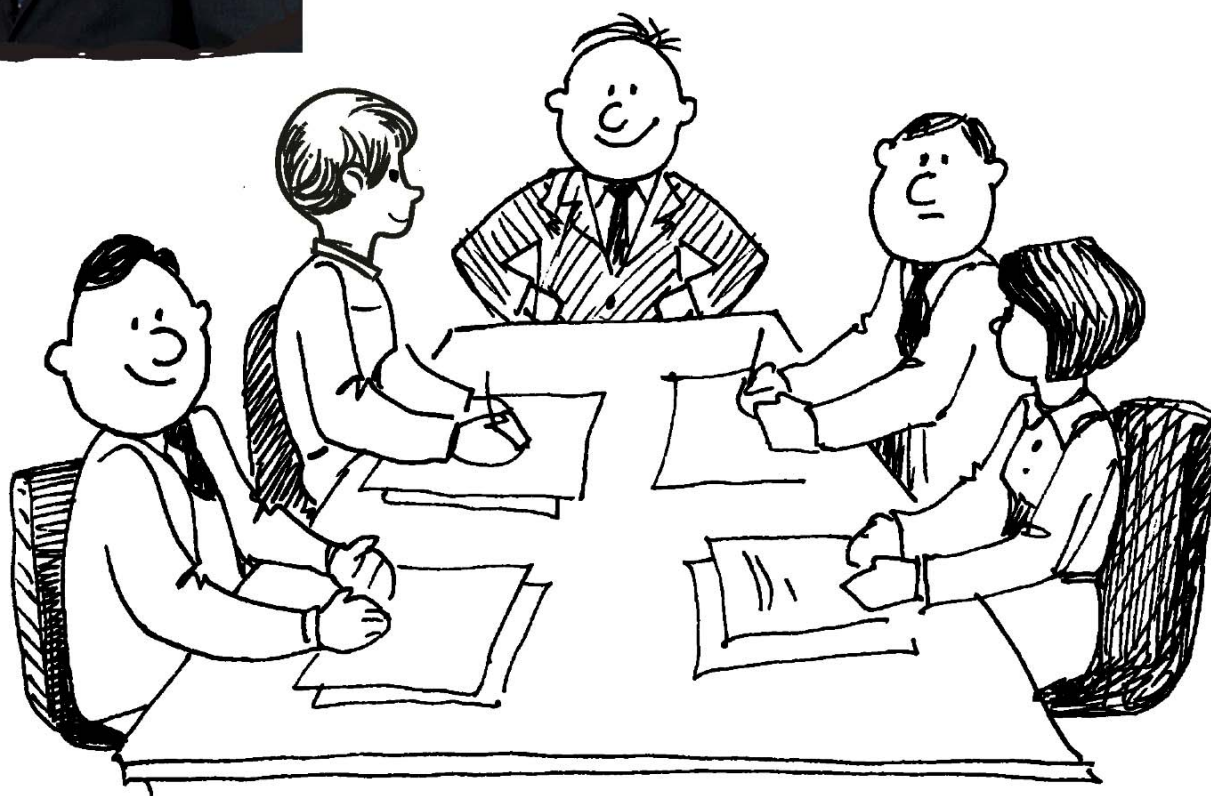
Cr Philip Eva,

City of Cockburn

Phillip has lived in Cockburn for the last 23 years having moved to Australia from Cornwall after meeting his wife Michele while working as a freight manager for a local shipping company. Phillip joined the SMRC in 2017 as the City of Cockburn representative.

Phillip has always had a passion for the community and is currently serving as an active member of several Community groups and Clubs; Yangebup Progress Association, Bibra Lake Residents Association, Friends of the Community, Dalmatinacs Club, Coolbellup Sporting Association and the Woodman's Points CRG and Beeliar Residents Association Group.

Phillip has a very strong passion for the environment and in his spare time, he enjoys gardening, fishing, the gym, and of course the Fremantle Dockers.



GOVERNANCE

MEMBERS MEETING ATTENDANCE 2017/2018

	Cr D Thompson (Chair)	Cr C Robertson (Deputy Chair)	Cr C Collinson	Cr W Cooper	Cr P Eva	Cr C Schuster	Cr M McPhail	Cr K Allen
Ordinary Council Meetings	6/6	5/5	5/5	6/6	4/5	1/1	1/1	1/1
Special Council Meetings	1/1			1/1		1/1	1/1	1/1
Audit & Risk Committee	4/4	2/3	3/3			1/1	1/1	1/1
Stakeholder Relations Committee	3/3		3/3	4/4		1/1	0/1	
CEO Performance Committee	1/1			1/1		1/1	1/1	0/1
RRRC Project Committee	2/2	2/2	2/2					
Total Meetings	17/17	9/10	13/13	12/12	4/5	5/5	4/5	3/5

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

AUDIT & RISK COMMITTEE

The committee reviews the audit function and performance and risk management processes. The committee is made up of Regional Councillors and one external member, Mr Andrew Burchfield and meets quarterly.

STAKEHOLDER RELATIONS COMMITTEE

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

CEO PERFORMANCE REVIEW COMMITTEE

The committee's purpose is to review the performance of the CEO.

RRRC PROJECT COMMITTEE

The committee considers project decisions to facilitate reviews, plans and advice pursuant to the RRRC Project Participants Agreement. The committee is made up of Project Participant Regional Councillors and Managers and meets monthly.

REGIONAL EXECUTIVE GROUP

The 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.

SMRC'S WASTE RECYCLING EDUCATION NETWORK (WREN)

This is a Community Advisory Group consisting of independent residents supported by SMRC administration to act as a two-way dialogue between the SMRC 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 RRRC.
- 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

OPERATIONAL WASTE MANAGERS GROUP

The group facilitates resources, information sharing and joint inter-council projects on a regional basis.

FOGO STEERING GROUP

The Food organics, Garden Organics (FOGO) group review and discuss the implementation program of the regional FOGO collection service.

The SMRC is represented on a number of external committees and industry associations including:

MUNICIPAL WASTE ADVISORY COUNCIL (MWAC)

MWAC is a standing committee of Western Australian Local Government Association (WALGA) with delegated authority on municipal waste issues. The SMRC is represented by Cr Doug Thompson and CEO Mr Tim Youé.

CONTAINER DEPOSIT SCHEME (CDS) STATE TASKFORCE

The Western Australian Government is introducing a state-wide container deposit scheme. The scheme will reduce litter, increase recycling and protect the environment. The taskforce membership consists of Cr Thompson as Chair of MWAC, Mr Tim Youé and other leading industry and government representatives.



STATE WASTE TASKFORCE

The Minister for Environment in April 2018 established a taskforce, chaired by his Parliamentary Secretary Mr Reece Whitby MLA, consisting of an 18-person membership which includes Cr Thompson as Chair of MWAC and Mr Tim Youé and other leading industry representatives. The Taskforce will prepare the Minister for Environment, advice on recycling market issues and opportunities in Western Australia. Reference groups may be formed to consider specific issues as needed.

WA Premier, Mark McGowan and Minister for Environment; Disability Services, Stephen Dawson at the Regional Resource Recovery Centre in August 2017, announcing the Container Deposit Scheme.

CHIEF EXECUTIVE OFFICER'S REPORT

Throughout the past year, the SMRC and its members have maintained their position at the forefront of resource recovery in Western Australia. We have continued to lead by example, diverting 62% of waste from landfill through our operations at the Regional Resource Recovery Centre (RRRC). This result is consistent with our long-term performance, which over the past 14 years has seen the RRRC achieve diversion from landfill well above State Government targets.

While achieving tangible environmental results, we have also worked hard to ensure standards at the RRRC are of the highest quality by maintaining certification in Health & Safety AS 4801, Environment ISO 14001 and Quality ISO 9001 management systems.

The Waste Composting Facility (WCF) continues to deliver strong environmental benefits and our agreement with the Federal Government through the Emissions Reduction Fund (ERF) recognises the significant contribution the WCF makes to the abatement of greenhouse gases. We have also maintained full compliance with the Environmental Protection Act (1986) License issued by the Department of Water and Environmental Regulation (DWER).

The planned implementation of a three-bin Food Organics Garden Organics (FOGO) system for the Cities of Fremantle, Melville and Town of East Fremantle, together with a transition to a lower cost operating framework as outlined in our Strategic Waste Management Plan (SWMP), has been the key focus moving forward. The transition towards this system will result in changes to our operations as we decommission ageing plant over the coming years but will ensure we continue to deliver outcomes that respond to community expectations.

Following the withdrawal of the City of Cockburn from the RRRC Project Participants Agreement, effective July 1, 2017, we have undertaken a number of reviews of our key strategic plans. Working with the remaining RRRC Project Participants we amended the RRRC Business Plan, and adopted a revised SMRC Corporate Business Plan 2018-2022. These plans clearly define our goals and objectives and provide a blueprint for the future.

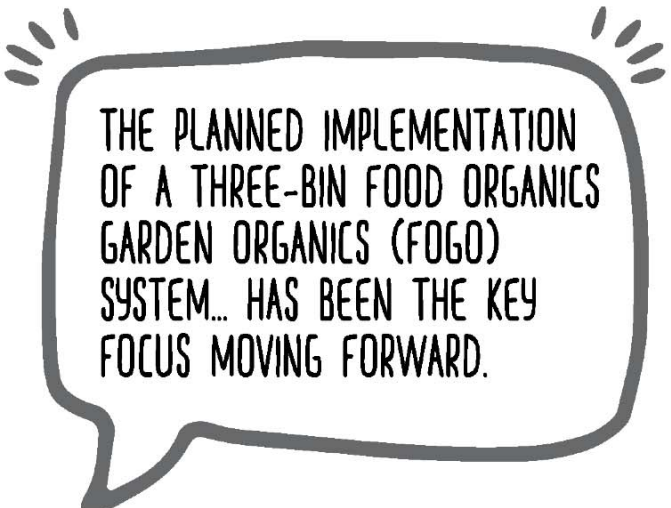
The SMRC continues to advocate on behalf of its members through a range of governance forums including: the Waste Management Association of Australia, Australian Council of Recyclers, Container Deposit Working Group and the State Government Waste Taskforce.

We continue to place a high value on keeping our stakeholders and community well informed. Throughout the year we have reached the community through a range of different channels, and our refreshed approach to education for the 3-Bin FOGO trial participants has provided an even stronger platform to build on in years to come.

This year has seen substantial momentum in delivering progressive resource recovery outcomes and I would like to thank all staff, the Regional Councillors, Regional Executive Group and SMRC committees and other stakeholders for their input to our collective achievements.

Tim Youé

Chief Executive Officer

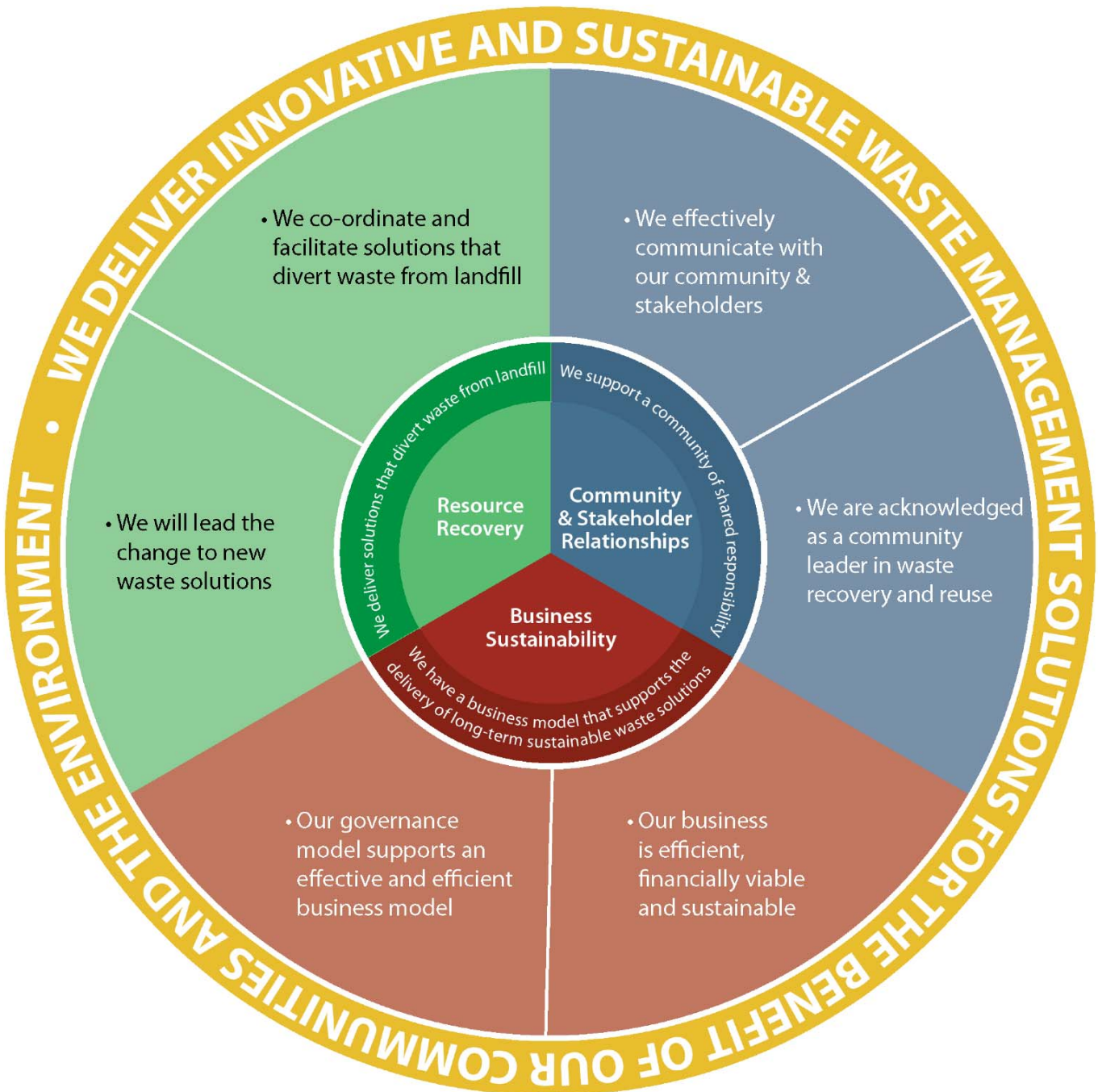


THE PLANNED IMPLEMENTATION
OF A THREE-BIN FOOD ORGANICS
GARDEN ORGANICS (FOGO)
SYSTEM... HAS BEEN THE KEY
FOCUS MOVING FORWARD.



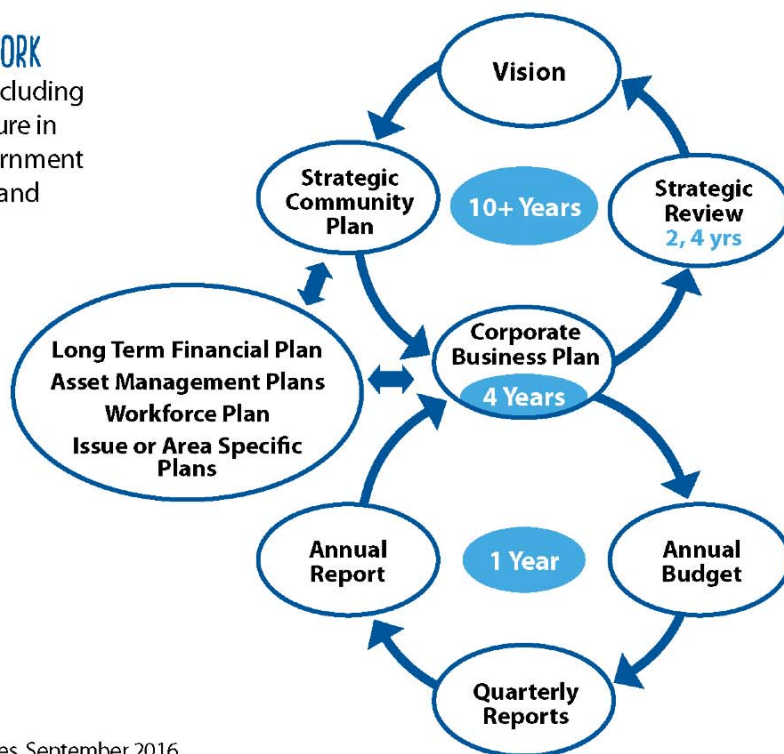
PLANNING FOR THE FUTURE

OUR VISION: WE DELIVER INNOVATIVE AND SUSTAINABLE WASTE MANAGEMENT SOLUTIONS FOR THE BENEFIT OF OUR COMMUNITIES AND THE ENVIRONMENT



INTEGRATED PLANNING AND REPORTING FRAMEWORK

All local governments within Western Australia, including Regional Councils, are required to plan for the future in accordance with section 5.56(1) of the Local Government Act 1995 (WA) and adopt an integrated planning and reporting framework.



Source: Department of Local Government and Communities

Integrated Planning and Reporting Framework and Guidelines, September 2016

The key challenges in the short term are:

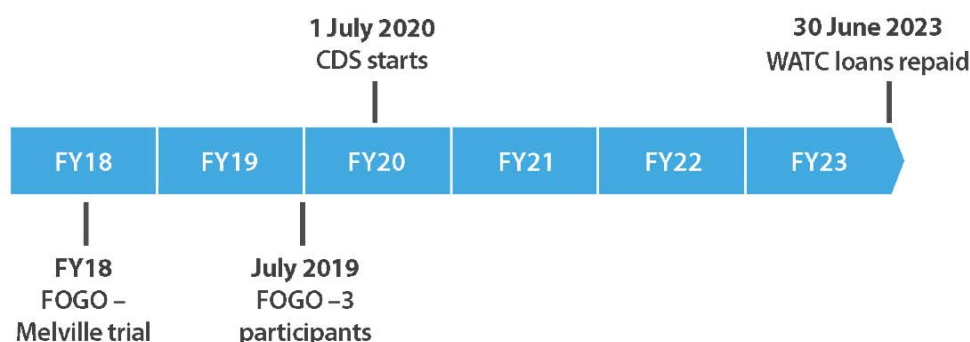
1. The existing RRRC project waste composting facility nearing the end of its operating life,
2. Changing market conditions for recovered recyclables, and
3. Changing membership

The two key underpinnings to the preference for reshaping the RRRC are;

1. Transition of the Waste Composting Facility from processing a mixed solid waste (MSW) to a food and organic (FOGO) waste stream. This is to reduce processing costs, improve compost quality and further improve diversion from landfill.
2. Leasing surplus space for additional revenue to provide a financial benefit to our stakeholders.

In support of this, the ongoing Participants are currently considering recommendations to implement a three-bin collection system to ensure improved financial and environmental outcomes for the whole of the RRRC project while continuing to achieve or exceed the state's waste diversion from landfill target of 65% by 2020.

Reshaping the RRRC





RESOURCE RECOVERY

OUR VISION: WE COORDINATE AND FACILITATE SOLUTIONS THAT DIVERT WASTE FROM LANDFILL

Objective 1.1 - we coordinate and facilitate solutions that divert waste from landfill

OPTIMISE RECOVERY

1. Joint Briefing Session for SMRC Member Local Governments – 5 April 2018

A briefing session organised by SMRC, and hosted by the City of Melville, provided our member councils with a progress report on the following:

- Actions in the Regional Strategic Waste Management Plan 2016,
- Food Organics Green Organics (FOGO) City of Melville trial and
- The current status and impacts with China's recycling import restrictions policy on recyclable contaminated material.

The session was well attended by members and provided informative progress on the SMRC's RRRC Project short to medium term strategic horizon.

2. Waste Diverted from Landfill



RECYCLABLES		MSW		GREEN WASTE	
Tonnes Received	% Diverted from landfill	Tonnes Received	% Diverted from landfill	Tonnes Received	% Diverted from landfill
26,441	83%	78,177	50%	10,205	100%

3. Emissions Reduction Fund (ERF)

The Waste Composting Facility (WCF) has continued to contribute to the reduction of greenhouse gases in 2017/18 as part of the Federal Government Emissions Reduction Fund (ERF) Program. Over the course of the year, the WCF prevented 32,000 tonnes of carbon dioxide equivalent (CO₂e) from entering the atmosphere, equal to taking around 7,000 vehicles off the road.



RESOURCE RECOVERY

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

1. IMPLEMENTATION OF FOOD ORGANICS GARDEN ORGANICS (FOGO) TRIAL

As part of the SMRC's Strategic Waste Management Plan, the SMRC, alongside three of its members, the Cities of Fremantle, Melville and Town of East Fremantle have undertaken a Food Organics and Garden Organics (FOGO) collection trial.

The system involves providing an additional bin to the existing recycling and general waste bins for all the natural materials from the kitchen and garden.

Commencing in October 2017, the system has been trialled to approximately 6,700 households across 5 areas in the City of Melville. Selection of the target areas was based on a detailed study and analysis of ABS data to measure the system across a range of demographics.

The provision of the bins was accompanied by a comprehensive education program, which provided residents with a range of accessible information and saw a percentage of residents receive direct household feedback through a bin audit and education program.

The initial results of the trial highlight strong diversion from landfill and a high level of support from the community. In the first 6 months of the project, the system delivered results above State Government 2020 targets:



OF ALL HOUSEHOLD
WASTE DIVERTED
FROM LANDFILL



TOTAL CONTAMINATION
IN THE FOGO BIN

In April 2018, independent consultancy Catalyse surveyed all 6,698 households involved in the trial, with an impressive 1,952 (or 30%) of all households choosing to have their say on the future of waste and recycling.



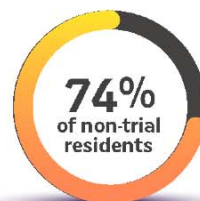
WANT THE FOGO
SERVICE TO CONTINUE



WERE HAPPY WITH THE
AMOUNT OF INFORMATION
THEY RECEIVED



RATE WEEKLY FOGO
BINS POSITIVELY



IN THE SMRC REGION
WANT A FOGO BIN

RESOURCE RECOVERY

We deliver solutions that divert waste from landfill

When people were asked why they wanted the service to continue:

"IT MAKES SENSE TO PRODUCE COMPOST 'EN MASSE' IF INDIVIDUAL HOUSEHOLDS ARE NOT PROVIDING THEIR OWN. WE NEED MORE GOOD SOIL, NOT LANDFILL."

"SO, EACH OF US CAN CONTRIBUTE TO A CLEANER ENVIRONMENT FOR FUTURE GENERATIONS, JUST LIKE HOW WE ENJOY LIVING ON EARTH IN A RELATIVELY CLEAN ENVIRONMENT."

"EVERY HOUSEHOLD SHOULD BE RESPONSIBLE TO REDUCE/RE-USE THEIR WASTE. THE FOGO SERVICE HELPS A LOT. WE SHOULD ALL DO WHAT WE CAN TO HELP THE ENVIRONMENT."

"WE HAVE DEFINITELY REDUCED OUR WASTE GOING INTO THE RED LID BIN BECAUSE OF THIS TRIAL. WE ALSO GOT A LARGER RECYCLING BIN BECAUSE WE HAD MORE RECYCLING GOING INTO THE YELLOW LID BIN. I LOVE THE KITCHEN CADDY FOR COMPOST."



An independent evaluation of the trial process will be completed by MRA Consultants during the second half of 2018, with participating councils to consider the report and full-scale implementation toward the end of 2018.

RESOURCE RECOVERY

2. WASTE TO ENERGY PLANTS REVIEW OF RESIDUAL WASTE DEFINITION BY EPA – 6 APRIL 2018

The Chair of the Environmental Protection Agency (EPA), Dr Tom Hatton, at the request of the minister advised that the EPA intends to undertake a review of approved waste to energy proposals relating to feedstocks and residual waste definitions.

The EPA requests that this information be conveyed to our member councils as it may have bearing to waste management strategies.

SMRC Chair, Cr Thompson, said "that this announcement is encouraging and sends a signal to local government and for those who attended the Waste presentation "What Counts as Residual" is an important issue in FOGO implementation".

In NSW, Energy from Waste solutions are acceptable after all reasonable steps have been taken to recover waste through avoidance, recycling and composting. The review may follow a similar path and find that a 3 bin FOGO collection system is fully compliant with the waste hierarchy and that residual waste from a 3 bin FOGO system is eligible feedstock for WtE. A more rigorous classification of what can and cannot go to WtE may cause some Councils who have signed WtE contracts to look more closely at the ramifications of such a review.

3. WASTE TO ENERGY REQUEST FOR TENDERS

In November 2017, SMRC invited public tenders for the provision of waste-to-energy services, for the receipt of residual waste defined as household waste, not able to be recycled or composted.

The tender evaluation panel has yet to make a determination and is continuing its assessment on tenderers' proposed corporate and contracting structure and matters influencing the certainty that the tenderers' proposed facility will be constructed (including financing and waste supply).



A waste-to-energy facility

RESOURCE RECOVERY

Progress on key actions identified in the Strategic Waste Management Plan (SWMP) are summarised in the following Table.

SUMMARY OF SWMP ACTIONS AND PROGRESS

SWMP Action reference	Actions	Update on Status
1	Conduct a 3 bin FOGO trial through the RRRC drums (the WCF) – retain or mothball the drums dependent on the outcome.	Commenced October 2017 and is continuing to run to date.
2	Implement a 3 bin FOGO collection and composting system.	For consideration following completion of MRA independent review in August 2018.
4	Conduct a weekly to fortnightly recycling bin fullness study.	Has been conducted as part of bin tagging operations during the FOGO trial and results to be provided in MRA independent review.
5	Consider reverting to a fortnightly recycling collection service across all councils	For consideration following completion of MRA independent review in August 2018.
6	Go to tender for FOGO processing and/or provision of composting technology.	<p>Tenders for the offtake of FOGO product were invited in June closing in the third week of July including a one-week extension requested by one prospective tenderer.</p> <p>The tenders are for an initial 12-month contract extendable to a total 3-year term and will market test the following options:</p> <ul style="list-style-type: none"> • Receive Unprocessed FOGO during WCF shutdown; • Receive Unprocessed FOGO on an ongoing basis; • Remove Unprocessed FOGO from WCF; and • Remove Processed FOGO from WCF. <p><i>Also refer to Action#12 re expressions of interest (EOI) for the possible use of the WCF by the private sector to process FOGO and other organics.</i></p>
7	Optimise the use and revenue obtained from the RRRC by either leasing or converting vacant sheds into an alternative use (e.g. FOGO processing if implemented).	Colliers International (commercial real estate specialists) have been engaged to market potentially available areas of the RRRC to the private sector for sub lease.
8	Analyse the existing “operational management overheads” based on the existing 73,000tpa MSW to the WCF compared to 32,000tpa of FOGO through the RRRC drums (WCF). Identify options to eliminate or mitigate these overheads.	Completed as part of RRRC Project Amended Business Plan.
11	Trial RRRC drums for FOGO	The digesters have been used to process FOGO material from the start of the Stage 1 trial in October 2017.
12	Tender WCF site for FOGO (with GW option)	<p>Subject to the outcome of the tender process under SWMP Action#6 expressions of interest (EOI) may be invited for the possible use of the waste composting facility (WCF) by the private sector to process FOGO and other organics.</p> <p><i>A total of 2,050 tonnes of FOGO material has been collected up to 25 May 2018 and processed through the WCF. The FOGO organics recovery rate using the digesters is currently averaging 78%. It is anticipated that the recovery rate using a pre-sort system in lieu of digesters could achieve a recovery rate of more than 90% given that the level of contamination measured to date is less than 3%.</i></p>
13	Review Green Waste processing (if >50,000 then roll the green waste into FOGO processing and retain commercial gate fees)	Subject to outcomes from SWMP Actions # 6, 7, 12 & 15.
15	Lease the vacant sheds as appropriate	As per SWMP Action#7
28	Develop a comprehensive resident behaviour change program for 3 bin FOGO through development of Recycle Right or similar model.	Program was developed and implemented for the Stage 1 FOGO trial and is now being refined for a full scale roll out.

BUSINESS SUSTAINABILITY

OUR VISION: WE HAVE A BUSINESS MODEL THAT SUPPORTS THE DELIVERY OF LONG-TERM SUSTAINABLE WASTE SOLUTIONS

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

INTEGRATED PLANNING AND REPORTING FRAMEWORK

1. Corporate Business Plan Review Workshop – 7 March 2018

The SMRC conducted a strategic workshop to review its Corporate Business Plan. The workshop was facilitated by the AEC Group, and attended by Regional Councillors, participant executive officers and SMRC executive.

Participants agreed with the current strategies and actions in the Plan with only minor wording amendment.

The key focus areas in the plan are:

- Introduction of FOGO
- Business sustainability
- Recycle Right education

MEETING STRUCTURES

1. Agenda Briefing Sessions

Following the October 2017 local government election, the Council reviewed its governance structures by changing the agenda briefing sessions to only engaging the regional executive group members in the agenda setting prior to Council decision. The purpose of this change strengthens the internal communication and relationship between the SMRC administration and participant local government senior officers.

2. RRRC Project Committee

A new committee was established called the *Regional Resource Recovery Centre (RRRC) Project Committee* consisting of project participant regional councillors and REG members as its membership. The committee meets monthly to discuss strategic matters of the RRRC Project and its transition beyond 2023.



BUSINESS SUSTAINABILITY

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

AUDIT & RISK

1. SMRC Three Year Assurance Program 2017 to 2020

Assurance Program	Risk Area	Responsibility	Status		
			17/18	Completed	
1. Statutory Financial Statements Audit	Internal Control Financial Legislative Compliance	Financial External Auditor	✓	✓	FY2018 Interim Audit – April 2018 Final Audit – August 2018
2. Financial Review	Internal Control Financial Legislative Compliance	Financial Internal Auditor			Due next audit plan FY 2018/19
3. The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to: (a) risk management; (b) internal control; and (c) legislative compliance	Internal Control Legislative Compliance	CEO			Due next audit Plan FY 2018/19
4. Local Government Compliance Audit Return Regional Local Government	Internal Control Legislative Compliance	CEO	✓	✓	Return completed & submitted to Dept of Local Govt in Feb 2018
5. EPA Operating Licence	Compliance	DER	✓	✓	EMS EPA Licence Report submitted to DWER in Nov 2017
6. Environmental	Compliance	ISO Auditor	✓	✓	EMS EPA Licence ISO 14001 Audit completed in March 2018
7. OH&S	Compliance	ISO Auditor	✓	✓	Worksafe WA AS4801 Audit completed in March 2018
8. Quality	Compliance	ISO Auditor	✓	✓	EMS EPA Licence ISO9000 Audit completed in March 2018
9. Procurement	Internal Control Compliance	Financial Internal Auditor	✓		Scheduled for June 2018 Request for deferment in FY 2018/19 due to IT implementation during FY2018/19

BUSINESS SUSTAINABILITY

Assurance Program	Risk Area	Responsibility	Status		
			17/18	Completed	
10. IT Vulnerability	Internal Control	IT Auditor	✓		ICT Plan to be reviewed in 2018 ICT BCP Plan completed in 2017 IT Vulnerability Test planned for Jun 2018
11. Business Continuity Planning (BCP)	Operational	BCP Auditor	✓	✓	RRRC BCP review completed in Nov 2017, Booragoon Office BCP completed in Nov 2017, RRRC testing and validation undertaken in March 2018 by LGIS
12. Corporate Credit Card Audit	Internal Control	Financial Internal Auditor	✓	✓	Audit completed in Aug 2017

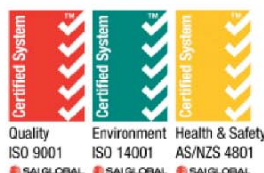
2. RRRC Assurance Program

The RRRC continued its independent audit certification program highlighting its commitment to ensure the RRRC adheres to the highest possible standards with the following management systems:

ISO 9001 Quality Management Systems

ISO 14001 Environment Management Systems

AS 4801 Health and Safety Systems.



3. Audit Reports

An independent audit on SMRC's documented policies and procedures relating to credit card use. The report confirmed that SMRC follows the local government guidelines and has established controls in place.

4. Business Continuity Management

SMRC reviewed its business continuity management plans for the RRRC operations, Booragoon office and Information, Communication and Technology (ICT) functions.

A RRRC Business Continuity Management Plan desktop test exercise was undertaken by key personnel and management crisis response team facilitated by LGIS's risk team.

The ICT Business Continuity Management Plan was reviewed and updated and a number of IT infrastructure improvements and new equipment installed to meet disaster recovery events.

POLICY AND POSITION STATEMENTS

1. Investment Policy

The Local Government (Financial Management) Regulations 1996 were amended in May 2017 to allow local governments to invest in term deposits for periods of up to three years (previously one year).

In addition, Regulation 19C further restricts cash investments to 'authorised institutions', limits where bonds may be invested, and prohibits investments in foreign currency.

2. Booragoon Office

The Regional Council adopted the Project Participants' position statement; that the two office locations continue as is with future reviews presented to the Participants should the need arise. The loan be rolled over for a further two years to 31 December 2020 with an option to either rollover the loan or sell the property in 2020.

BUSINESS SUSTAINABILITY

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

BUSINESS PLANS AND BUDGETS

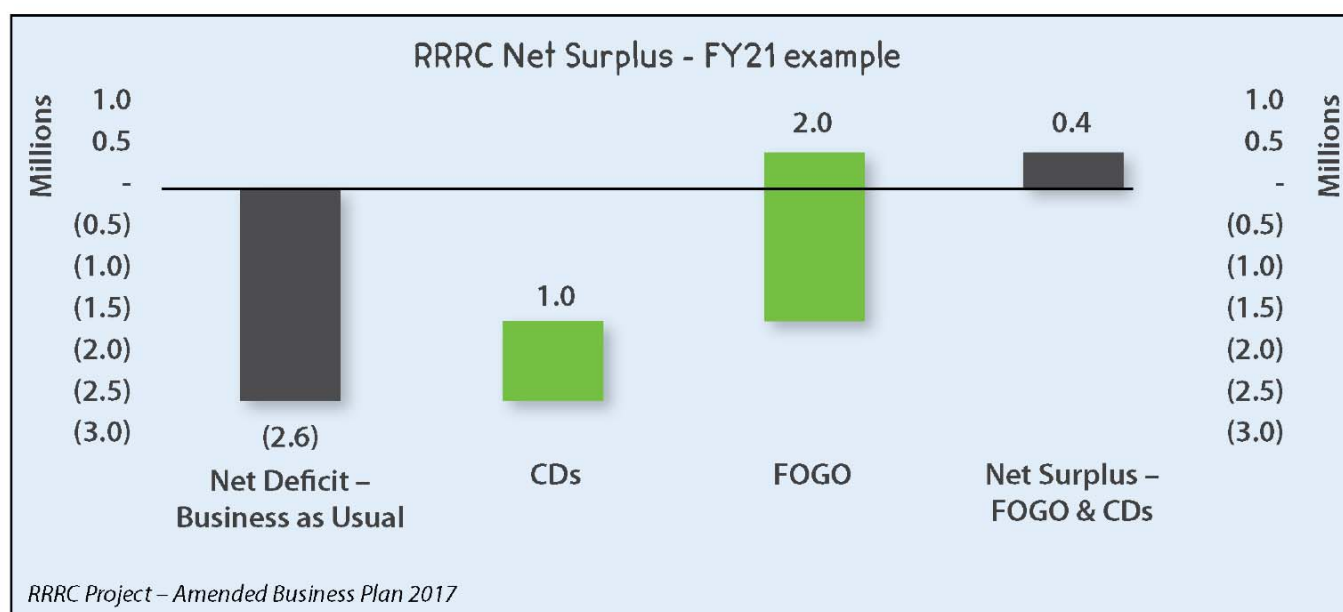
1. Regional Resource Recovery Centre (RRRC) Amended Business Plan

The ongoing project participants have endorsed the amended business plan for the RRRC following the withdrawal of the City of Cockburn as at 30 June 2017.

The RRRC Amended Business Plan assumes the complete transition of the WCF to a Pre-Sort and Transfer Station for FOGO processing by 1 July 2020.

The Plan envisages a container deposit scheme (CDS) and FOGO resulting in a break-even position for the RRRC; this is predicated on an annual rent being achieved for the 10,000 m² shed which will be surplus to requirements under the FOGO scenario.

These projections result in an overall surplus being generated by the RRRC Project over the forecast period as shown in the table below.



2. Mid-Year 2017-18 Budget Review

The mid-year budget review was adopted in February 2018 with the following key changes:

Additions:

- The actual opening funds was \$660,000 more than the adopted budget. The funds will be utilised in the budget towards several RRRC repair and upgrade works.

Favourable:

- Lower tendered prices for waste residuals has achieved favourable results from the savings in residual transport, and disposal budget costs by half a million dollars.

Unfavourable:

- Additional expenditure is required for RRRC plant maintenance due to several repairs required for the continued reliability of the WCF. The costs will be funded from cash backed reserves, reducing the balance by \$1.5 million.

All expenditure amendments were funded by SMRC cash in the bank with no additional monetary impact from members' contributions.



BUSINESS SUSTAINABILITY

3. Responsible Procurement

SMRC is committed to responsible good governance relating to the provision of goods and services, including tendering, contracting and purchasing, in line with best practice principles of business.

A Procurement Manager was appointed in October 2017, to oversee and give advice to employees charged with buying and spending with SMRC's average 100 suppliers and \$2 million spend per month.

Contractor relationships improvement and appointment of new pre-approved supplier panels such as:

- Fixed Plant Maintenance & Electrical Services
- Legal Services

OUR EMPLOYEES

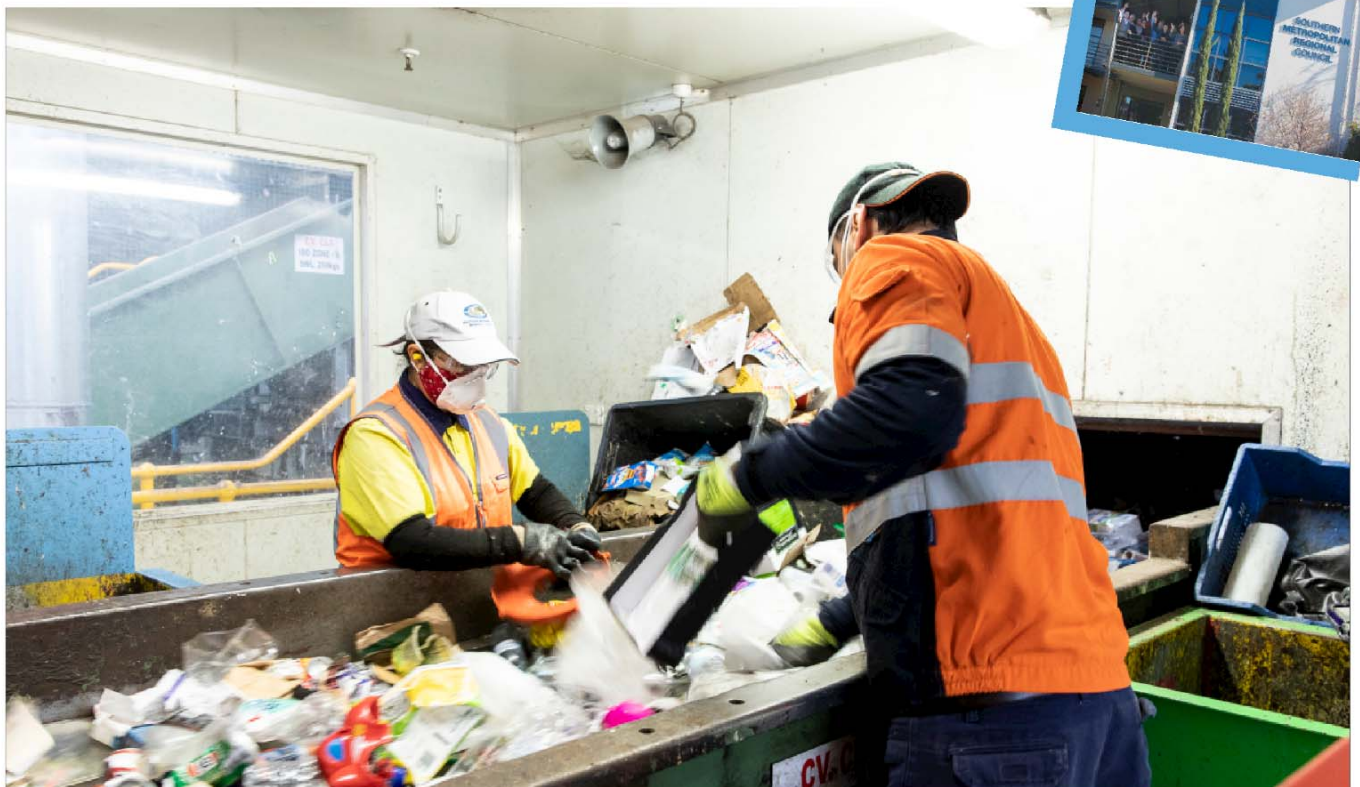
1. Our Employees are the key to our success

As a service business, our employees are the largest and most important assets we have. The success of maintaining ageing equipment, processing waste, providing waste education and achieving best practise corporate governance functions to our members, their communities and our customers, relies on the strength of our employees.

SMRC employs 68 people with diverse ethnic backgrounds, ages and skills.

41% of its workforce has been employed with the SMRC for over 5 years, with 10 of these employees due for long service leave.

We have a number of online videos for employees, including an induction video which provides employees with an overview on working for the SMRC. It is a 'feel good' visual employee handbook backed up with our hardcopy booklet.



BUSINESS SUSTAINABILITY

2. Professional Development

This year we continued to encourage and support our workforce in relation to personal development. Development is a structured approach to enable development conversations between employees and leaders. The process allows for staff to identify in-house and external development required to support career growth and enable organisational goals to be met.

Sessions to enable personal accountability and constructive behaviours have also been rolled out to all employees across the organisation. These sessions complement and support the leadership training that has been delivered.

3. Employee Wellbeing

Commitment to employee wellbeing opportunities offered include:

We aim to assist in providing information and services to enable informed life and wellbeing decisions such as:

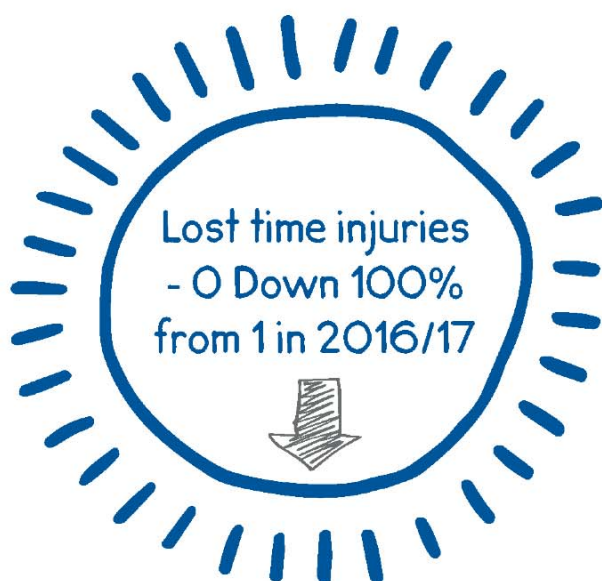
- flu immunisations which 34 employees received
- weekly free fruit box for all staff divisions
- 'HBF fun run for a reason' sponsored entry and tee-shirts in which 4 employees participated
- Lunch n' learn - Work Life Balance in which 14 employees participated

As well employee assistance counselling services dealing with stress and quitting smoking.



4. Occupational Health and Safety

Safety always comes first



KEY PERFORMANCE INDICATORS

Financial ratios

CURRENT RATIO

Measures the liquidity position of a local government.

	Target	Actual FY18	Actual FY17	Comments
Dept of Local Government Advanced Benchmark	1.0 Higher is better	1.21	1.22	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 FY18	Actual FY17	Comments
Dept of Local Government Advanced Benchmark	1.10 Higher is better	0.19	0.05	The SMRC's annual depreciation charge is \$5M, (\$4M FY17) due to plant assets change in useful life. It includes assets that will never be replaced and therefore an annual replacement program of \$5M is not required. This ratio has little meaning for the SMRC because the annual asset renewal program will not be realised to its full value.
Capital renewal and replacement expenditure Depreciation Expense FY18 $\$0.9$ million $\$5.0$ 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 FY18	Actual FY17	Comments
Dept of Local Government Advanced Benchmark	0.15 Higher is better	(0.27)	(0.10)	The RRRC Project loan is guaranteed and repaid by Participants. Therefore this ratio is not a true financial performance for the SMRC for FY18 disclosed above the ratio is further distorted by the utilisation of brought forward surplus and cash-backed reserves instead of operating revenue from participants.
Annual Operating Surplus before interest and depreciation Principal and Interest FY18 $\$6.6 + \$5.9 = \$12.5$ million $\$3.0 + \$0.9 = \$3.9$ million [Numbers taken from statement of comprehensive income and statement of cash flows]				

KEY PERFORMANCE INDICATORS

Financial Ratios

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 FY18	Actual FY17	Comments
Dept of Local Government Advanced Benchmark	0.15 Higher is better	(0.27)	(0.10)	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 \$5 million depreciation charge as revenue from its participants because the participants contribute separately towards the capital through annual loan borrowings
Operating Revenue minus Operating Expenses Own source operating revenue FY17 $\$24.4 - \$31.0 = (\$6.6) \text{ million}$ $\$24.4 \text{ million}$ [Numbers taken from statement of comprehensive income by nature or type]				

OWN SOURCE REVENUE COVERAGE RATIO

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

	Target	Actual FY18	Actual FY17	Comments
Dept of Local Government Advanced Benchmark	0.90 Higher is better	0.79	0.91	The reduction in this ratio is because in FY18 SMRC utilised brought forward surplus and cash backed reserves to fund its operations. If the SMRC did not undertake the above and generated revenue, the ratio would have been 0.90.
Own source operating revenue Operating expense FY18 $\$24.4 \text{ million}$ $\$31.0 \text{ million}$ [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 FY18	Actual FY17	Comments
Dept of Local Government Advanced Benchmark	0.75 Higher is better	0.76	0.89	Assets were last re-valued in 2016 and depreciation adjustments for fixed plant and equipment was reviewed in 2017.
Depreciated Replacement Cost of Depreciable Assets Current Replacement Cost of Depreciable Assets FY18 $\$28.0 \text{ million}$ $\$36.6 \text{ million}$ [Numbers taken from notes in financial statements – Property, Plant & Equipment]				

KEY PERFORMANCE INDICATORS

Financial Ratios

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 FY18	Actual FY17	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 funded from the Plant Reserve Fund.
NPV of Planned Capital Renewals over 10 years NPV of Required Capital Expenditure over 10 years FY18 \$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)]				





COMMUNITY & STAKEHOLDER RELATIONSHIPS

OUR VISION - WE SUPPORT A COMMUNITY OF SHARED RESPONSIBILITY

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

Participate in Forums to Support Waste Management Policies and Legislation

1. LOCAL GOVERNMENT WASTE INFO SESSIONS - 8 MARCH 2018

In conjunction with WALGA and MWAC, the SMRC hosted a local government waste industry information session focusing on potential impacts on MRF operators and local government waste contracts resulting from the China National Sword Policy. SMRC described the sustainable gate fee model and the impacts of China's import restrictions on markets, future prices for recyclable material and the need for a circular economy

"A Circular Economy is an alternative model that anticipates and designs for resources to be either safely returned to nature or back into systems where they can be reused or renewed.

It is a huge opportunity for businesses to transform their practices away from take, make and throw away, towards one that can designs for abundance not scarcity". Candice Quartermain leader of the Circular Economy Australia Network.

2. WARR STRATEGY REVIEW (WASTE AUTHORITY) SUBMISSION

SMRC responded to the Waste Authority's consultation on the review of the Western Australian Waste Avoidance and Resource Recovery (WARR) Strategy, which sets the long-term direction for improving waste and recycling performance.

SMRC's Chair and CEO are both members of WALGA's working group developing a sector submission to the review. The SMRC has adopted its submission paper with 22 recommendations. The SMRC and WALGA submissions are available on the SMRC website www.smrc.com.au

3. REVIEW OF THE WASTE LEVY

SMRC responded with its submission to the WA Government's consultation process on a review of the Waste Avoidance and Resource Recovery Levy (the Waste Levy).

There have been several changes to the Waste Levy since the 2009. These changes include a schedule of levy increases, a move away from charging different levies for inert and putrescible waste, a State Waste Strategy and the Auditor General's Report on the Implementation of the State Waste Strategy.

The Minister for the Environment has also requested that the Waste Authority undertake an economic analysis of the waste levy. These factors present the sector with an opportunity to discuss and reaffirm, or amend, the sectors policy position on the waste levy.

Given the current fiscal environment, it is unlikely that the current allocation of the waste levy to waste management will increase. Therefore, it is vital that the 25% of waste Levy funds that are allocated to the WARR Account are expended on strategic waste management initiatives.

COMMUNITY & STAKEHOLDER RELATIONSHIPS

The SMRC is represented on several external committees and industry associations including:

1. NOMINATION TO THE BOARD OF THE WASTE MANAGEMENT ASSOCIATION OF AUSTRALIA (WMAA)

SMRC's CEO, Mr Tim Youé, was recently appointed to the board of WMAA.

WMAA is the only national peak body for the \$14bn waste and resource recovery industry. WMAA has 1,500 members throughout Australia who come from all parts of the sector, including large and small private waste and resource recovery companies, State and local government, and private consultants.

2. STATE WASTE TASKFORCE

Formed as a response to growing concerns within the public and industry, a State Waste Taskforce was formed in early 2018. The task force is chaired by the Minister for Environment's Parliamentary Secretary Mr Reece Whitby MLA with the aim of informing and preparing the Minister for Environment, the Hon Stephen Dawson MLC, advice on recycling market issues and opportunities in Western Australia.

The SMRC is represented on the group by CEO Tim Youé, with Cr Doug Thompson representing the Municipal Waste Advisory Council (MWAC), as part of the 18-person group.



Left to right: Neil Foley, Tim Youé, Waste Authority Chairman Marcus Geisler, Waste Authority Deputy Chair Jenny Bloom, Glen McLeod and Bernard Ryan

COMMUNITY & STAKEHOLDER RELATIONSHIPS

Community Education Program

Objective 3.2 - We effectively communicate with our community & stakeholders

The SMRC provides information and education to its community through the Recycle Right Program. The Recycle Right program utilised a multi-faceted approach, aimed at providing consistent education to the community on how to recycle right and live more sustainably.

HOW HAVE WE REACHED THE COMMUNITY?

Tours and incursions

The SMRC offers free tours of the Regional Resource Recovery Centre and provides education to members of the community across a range of ages.

Throughout the year, more than 3,000 people across a range of ages and backgrounds were reached through tours and incursions conducted by an SMRC Waste Education Officer.

Tour visitors = 2,666

Individuals reached through incursions and presentations = 758

Total community contacts = 3,424



Umbrella Inc touring the MRF

Website and Smartphone App

The Recycle Right website and smartphone app saw a substantial increase in interest in comparison to 2016/17.

Hits on the Recycle Right website

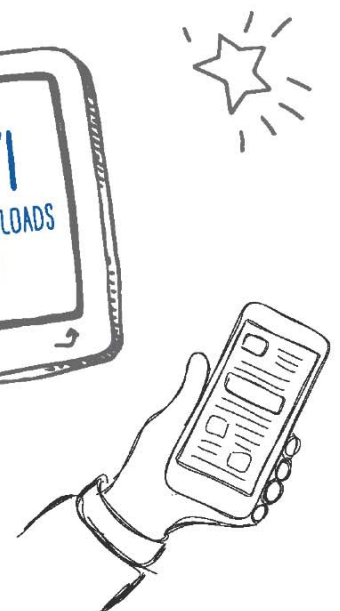
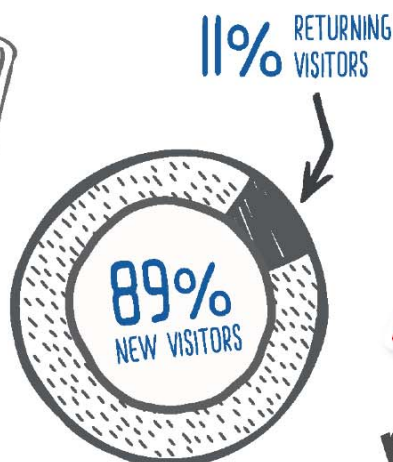
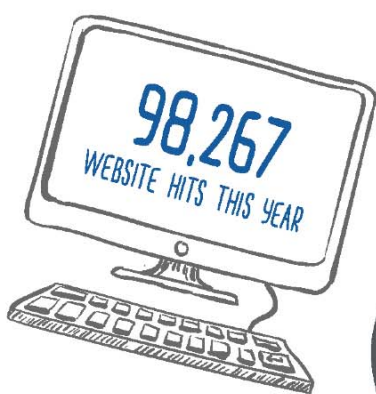
98,267 hits this year

89% New visitors 11% returning visitors

App Downloads

10,071 this year

Total Downloads to 30 June 2017 = 17,894



COMMUNITY & STAKEHOLDER RELATIONSHIPS

BIN AUDIT EDUCATION PROGRAM

As part of the 3-bin FOGO trial in the City of Melville, the SMRC conducted a bin audit education program to more than 2,000 households throughout the trial area. The program was aimed at providing additional education and information to residents on how to use the new system, resulting in significant improvements and reduction in contamination in the Recycling and FOGO streams



Community Waste Education Officer Richelle McCormack auditing a residents Recycling bin.

E-NEWSLETTER

A monthly publication, the Recycle Right E-newsletter provides a snapshot for both the community and our stakeholders into some of the activities on what's happening in the waste industry and throughout the organisation.

WASTE RECYCLING EDUCATION NETWORK

The Waste Recycling Education Network (WREN) continues to provide strong dialogue between the SMRC and its community. The group met 8 times in 2017/18 and has been actively providing feedback and input to the activities undertaken through the Recycle Right program, assisting at many events throughout the year.



Isabelle Gagnon, Rosemary Harper and David Meredith at the Fremantle Recycle Centre opening event



COMMUNITY & STAKEHOLDER RELATIONSHIPS

IN THE MEDIA

With growing interest on issues of waste and recycling in the community, the SMRC featured in a range of news stories across major media outlets throughout the year. Topics ranged from the 3-bin FOGO trial, to our response to the much-publicised China National Sword Policy.

Community & Stakeholder Surveys

What do our local residents think?

The SMRC surveys its local residents on an annual basis.

In May 2018, 845 households were invited to complete a survey to provide their feedback on the performance of the RRRC. In total, 112 responded.



What does broader the community think?

The SMRC surveys residents across all 5 member councils every two years. In April 5,000 households across all 5 member councils were invited to complete a survey on their perceptions on waste and recycle in their council and the SMRC region. In total, 826 responses were received.



COMMUNITY & STAKEHOLDER RELATIONSHIPS

HOW DOES THE COMMUNITY WANT TO RECEIVE INFORMATION ON WASTE AND RECYCLING?



HOW COULD WASTE MANAGEMENT BE IMPROVED OVER THE NEXT 5 YEARS?

- ☒ Provide a third bin for organic waste
- ☒ More education
- ☒ Tackle waste at the source
- ☒ Reduce and reuse initiatives



What do our stakeholders think?

The SMRC surveys key stakeholders across local and state government and industry to evaluate a number of key performance areas. In May 2018, 104 stakeholders were invited to complete a survey, with 34 choosing to respond.



AGREE THAT SMRC IS
ACHIEVING ITS VISION



ARE SATISFIED WITH
THE RRRC



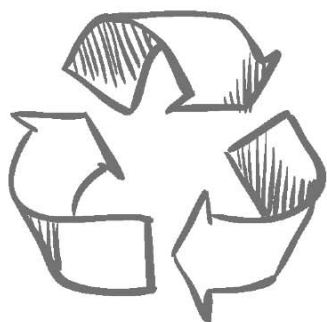
ARE SATISFIED WITH
THE SMRC



SUPPORT THE DIRECTION
THE SMRC IS TAKING TO
MANAGE WASTE

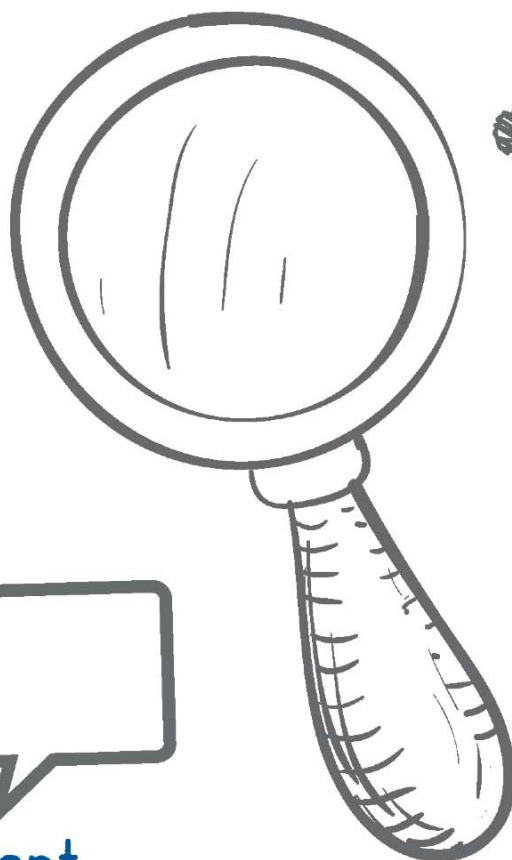
COMMUNITY & STAKEHOLDER RELATIONSHIPS

Moving forward, key stakeholders suggested the SMRC focuses on 4 priorities:



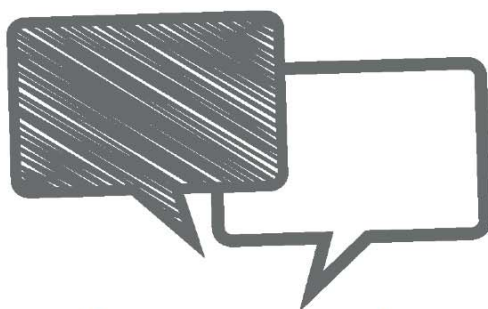
Recycling

improve education regarding recyclable materials, promote the use of recycled materials in manufacturing in WA and help to place pressure on manufacturers to reduce packaging and single use plastics.



Collaboration

with State Government and relevant organisations to improve and standardise waste management across WA.



Engagement with members

Business sustainability

– ensuring sound financial management, reducing costs and attracting new customers.



STATUTORY REQUIREMENTS

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 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.

Since that date, the Regional Council through extensive consultation with its member local governments has reviewed and adopted in June 2016, an amended Strategic Community Plan 2016-2026.

The Corporate Business Plan has been reviewed and updated every two years, with the latest adoption in June 2018.

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 2017 to 30 June 2018.

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.

	2018	2017
Salary Range \$	\$	\$
270,000 - 279,999 #	1	1
190,000 - 199,999 #	1	-
180,000 - 189,999 #	1	2
170,000 - 179,999 #	-	-
160,000 - 169,999 #	1	1
100,000 - 109,999	2	4
Total	6	8

Employee receives cash vehicle allowance in lieu of council supplied car

NUMBER OF EMPLOYEES

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

68 64

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

STATUTORY REQUIREMENTS

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 2017 to 31 December 2017 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 programs 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 Recordkeeping 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

In accordance with S29(2) of the Disability Services Act 1993 a public authority that has a Plan must report on the implementation of the Plan. The SMRC does not have a Plan.

ENVIRONMENTAL OPERATING 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 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 2017.

DISCUSSION AND ANALYSIS OF THE CONCISE FINANCIAL REPORT

STATEMENT OF COMPREHENSIVE INCOME

The reduction in revenue of \$4 million compared to FY17 is a result of reduced tonnes and subsidised recycling gate fees.

The operating expenses is \$31.1 million (\$31.2 million FY 17). A decrease in plant maintenance expenses (\$0.8 million) and disposal costs (\$0.3 million) has been compensated by higher depreciation costs of \$1.0 million.

The increase in depreciation of non-current assets \$5 million (\$4 million FY 17) is due to changes in the remaining useful life of the assets.

The net result deficit is funded from prior year brought forward surplus and cash backed reserves as adopted in the revised budget.

STATEMENT OF FINANCIAL POSITION

The Council's net assets and total equity is \$36.0 million (\$42.3 million FY 17). The decrease of \$6.3 million is attributed to net deficit result (\$6.6 million).

The SMRC has two borrowing arrangements with its participants;

- RRRC Project outstanding balance of \$16.5 million (\$19.5 million FY 17) and;
- Office Accommodation Project, Office building in Booragoon \$1.8 million (\$1.8 million FY 17).

No new loans were raised during the year. RRRC project loans repaid during the year amounted to \$3.0 million (\$3.7 million FY 17). The RRRC Project borrowings will be fully repaid by 30 June 2023.

The Council has identified the need for a provision in relation to the decommissioning and restoration (make good) provisions of the lease for the land upon which its operations are based. An amount of \$3.3 million is provided as of 30 June 2017 as a prior period adjustment.

STATEMENT OF CHANGES IN EQUITY

The changes in the retained surplus balance \$16.7 million (\$22.2 million FY17) is as follows;

- The net deficit result from the statement of comprehensive income of \$6.6 million
- Net amount of \$0.7 million is transferred from the cash backed reserves
- Income contribution \$0.4 million paid by a Past Participant on withdrawal

The changes in the cash-backed reserve balance of \$5.2 million (\$5.9 million FY17) is the net movement between the reserves and retained surplus of \$0.7 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

There are no changes to the opening balance of revaluation surplus of \$14.1 million.

STATEMENT OF CASH FLOWS

The cash receipts from operations is \$27.7 million (\$31.3 million FY 17). The decrease is a result of reduced tonnes and subsidised recycling gate fees.

The cash payments for operations is \$28.3 million (\$28.7 million FY 17). The decrease in materials & contracts relates to plant maintenance expenses and disposal costs.

This resulted in a net cash deficit from operating activities of \$0.6 million (surplus of \$2.6 million FY 17).

The cash used in investing activities is \$1.0 million (\$0.2 million FY 17). The amount refers to capital expenditure

The cash generated from financing activities is \$0.4 million, being amount paid by a Past Participant as a contribution on withdrawal.

The above activities resulted in net decrease in the cash balances by \$1.2 million. The cash balances at the end of the financial year is \$10.3 million.



FINANCIAL REPORT

SOUTHERN METROPOLITAN REGIONAL COUNCIL

CONCISE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

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 2018. 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 2018 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 then ended 30 June 2018 are in my opinion properly drawn up to present fairly the financial position of the Southern Metropolitan Regional Council at 30 June 2018 and the results of the operations for the financial year then 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 3rd day of August 2018



Tim Youé
Chief Executive Officer

FINANCIAL REPORT

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

BY NATURE OR TYPE

FOR THE YEAR ENDED 30 JUNE 2018

	2018	2018 Budget	2017
	\$	\$	\$
Revenue			
Operating Grants, subsidies and contributions	1,842,588	1,825,738	2,188,507
Fees and charges	22,363,197	22,625,008	25,960,754
Interest earnings	220,529	129,000	279,328
Other revenues	27,528	157,000	34,340
	<u>24,453,842</u>	<u>24,736,746</u>	<u>28,462,929</u>
Expenses			
Employee costs	(6,714,822)	(7,297,332)	(6,631,534)
Materials and contracts	(15,694,491)	(16,846,012)	(16,808,759)
Utility charges	(1,480,294)	(1,347,908)	(1,422,011)
Depreciation on non-current assets	(4,944,664)	(4,065,288)	(3,955,179)
Interest expenses	(996,398)	(925,066)	(1,117,575)
Insurance expenses	(1,262,123)	(1,266,928)	(1,248,712)
	<u>(31,092,792)</u>	<u>(31,748,534)</u>	<u>(31,183,770)</u>
	(6,638,950)	(7,011,788)	(2,720,841)
Net result	(6,638,950)	(7,011,788)	(2,720,841)
Other comprehensive income			
Asset revaluation increments			
Land and Buildings	0	0	222,800
Leasehold Improvements	0	0	903,170
Total other comprehensive income	0	0	1,125,970
Total comprehensive income / (loss)	<u>(6,638,950)</u>	<u>(7,011,788)</u>	<u>(1,594,871)</u>

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

FINANCIAL REPORT

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

BY PROGRAM

FOR THE YEAR ENDED 30 JUNE 2018

	2018	2018 Budget	2017
	\$	\$	\$
Revenue			
Governance	343,371	343,371	337,465
Community Amenities	24,110,471	24,393,375	28,125,464
	<u>24,453,842</u>	<u>24,736,746</u>	<u>28,462,929</u>
Expenses excluding finance costs			
Governance	(377,371)	(490,465)	(295,816)
Community Amenities	(29,719,023)	(30,333,003)	(29,770,379)
	<u>(30,096,394)</u>	<u>(30,823,468)</u>	<u>(30,066,195)</u>
Finance costs			
Governance	(68,769)	(79,920)	(79,920)
Community Amenities	(927,629)	(845,146)	(1,037,655)
	<u>(996,398)</u>	<u>(925,066)</u>	<u>(1,117,575)</u>
Net result	(6,638,950)	(7,011,788)	(2,720,841)
Other comprehensive income			
Asset revaluation increments			
Community Amenities	0	0	1,125,970
Total other comprehensive income	0	0	1,125,970
Total comprehensive income / (loss)	<u>(6,638,950)</u>	<u>(7,011,788)</u>	<u>(1,594,871)</u>

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

FINANCIAL REPORT

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	2018 \$	2017 \$
CURRENT ASSETS		
Cash and cash equivalents	10,336,874	11,573,051
Trade and other receivables	5,895,573	13,140,972
Inventories	838,371	739,169
TOTAL CURRENT ASSETS	17,070,818	25,453,192
NON-CURRENT ASSETS		
Other receivables	14,475,234	11,215,994
Property, plant and equipment	32,348,695	36,332,938
TOTAL NON-CURRENT ASSETS	46,823,929	47,548,932
TOTAL ASSETS	63,894,747	73,002,124
CURRENT LIABILITIES		
Trade and other payables	5,324,608	5,093,153
Current portion of long-term borrowings	3,807,403	10,106,603
Provisions	735,765	862,839
TOTAL CURRENT LIABILITIES	9,867,776	16,062,595
NON-CURRENT LIABILITIES		
Long-term borrowings	14,475,234	11,215,994
Provisions	3,567,201	3,466,037
TOTAL NON-CURRENT LIABILITIES	18,042,435	14,682,031
TOTAL LIABILITIES	27,910,211	30,744,626
NET ASSETS	35,984,536	42,257,498
EQUITY		
Retained surplus	16,683,177	22,218,139
Reserves- cash backed	5,245,685	5,983,685
Revaluation surplus	14,055,674	14,055,674
TOTAL EQUITY	35,984,536	42,257,498

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

FINANCIAL REPORT

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	RETAINED SURPLUS	RESERVES CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
	\$	\$	\$	\$
Balance as at 1 July 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
Comprehensive income				
Net result	(6,638,950)	0	0	(6,638,950)
Total comprehensive income / (loss)	(6,638,950)	0	0	(6,638,950)
Past Participant's Contribution on Withdrawal	365,988	0	0	365,988
Transfer from / (to) reserves	738,000	(738,000)	0	0
Balance as at 30 June 2018	16,683,177	5,245,685	14,055,674	35,984,536

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

FINANCIAL REPORT

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	2018	2018 Budget	2017
	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Operating Grants, subsidies and contributions	1,989,017	1,825,738	1,789,763
Fees and charges	23,172,429	23,148,297	26,479,422
Interest earnings	211,382	129,000	270,181
Goods and services tax	2,310,128	2,440,000	2,684,426
Other revenues	27,528	157,000	34,340
	<u>27,710,484</u>	<u>27,700,035</u>	<u>31,258,132</u>
Payments			
Employee costs	(6,831,243)	(7,356,938)	(6,613,942)
Materials and contracts	(15,857,223)	(16,738,917)	(16,314,072)
Utility charges	(1,480,294)	(1,347,908)	(1,422,011)
Interest expenses	(997,117)	(925,066)	(1,118,079)
Insurance expenses	(1,262,123)	(1,266,928)	(1,248,712)
Goods and services tax	(1,924,228)	(2,440,000)	(1,935,704)
	<u>(28,352,228)</u>	<u>(30,075,757)</u>	<u>(28,652,520)</u>
Net cash provided by operating activities	<u>(641,744)</u>	<u>(2,375,722)</u>	<u>2,605,612</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of			
information technology equipment	(50,913)	(60,000)	(43,138)
Plant and equipment	(491,590)	(1,075,000)	(47,100)
Furniture and Equipment	(47,564)	(60,000)	0
Payments for construction of			
RRRC leasehold improvements	0	(40,000)	(104,102)
Payments towards capital work In progress	(370,354)	0	0
Proceeds from sale of assets	<u>0</u>	<u>0</u>	<u>0</u>
Net cash used in investing activities	<u>(960,421)</u>	<u>(1,235,000)</u>	<u>(194,340)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans	(3,039,960)	(3,036,059)	(3,657,306)
Contributions from project participants			
for loan repayments	3,039,960	3,036,059	2,742,049
Past Participant's Contribution on Withdrawal	<u>365,988</u>	<u>0</u>	<u>0</u>
Net cash provided by (used in) financing activities	<u>365,988</u>	<u>0</u>	<u>(915,257)</u>
Net increase / (decrease) in cash held	<u>(1,236,177)</u>	<u>(3,610,722)</u>	<u>1,496,015</u>
Cash and Cash Equivalents at Beginning of Year	11,573,051	11,573,051	10,077,036
Cash and cash equivalents at end of year	<u>10,336,874</u>	<u>7,962,329</u>	<u>11,573,051</u>

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

FINANCIAL REPORT

BUTLER SETTINERI

Real People. Better Business.

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 2018, 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 6 August 2018. That report also includes:

An Emphasis of Matter - *Supplementary Ratio Information* section that draws attention to page 43 in the full financial report. Page 43 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.

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FINANCIAL REPORT

Council's Responsibilities for the Concise Financial Report

The Council are 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*.

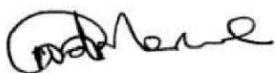
Report on Other Legal and Regulatory Requirements

We did not, during the course of our audit, become aware of any instances where the Regional 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:

- a) Apart from the operating surplus ratio, debt service cover ratio and asset sustainability ratio there are no material matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Regional Council.
- b) 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).
- c) All information and explanations required were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.

BUTLER SETTINERI (AUDIT) PTY LTD



MARIUS VAN DER MERWE CA
Director

Perth
Date: 6 August 2018



SOUTHERN METROPOLITAN
REGIONAL COUNCIL

ANNUAL REPORT 2017-18

Southern Metropolitan Regional Council

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