



SOUTHERN METROPOLITAN
REGIONAL COUNCIL

ANNUAL REPORT 2019-20



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Introduction

The Southern Metropolitan Regional Council's Annual Report 2019-20 comprises of two parts, Part 1 – Overview and Achievements and Part 2 – Annual Financial Report. This Annual Report complies with the requirements of Section 5.53(1) of the *Local Government Act 1995*.

The full audited Annual Report (Part 2 – Annual Financial Report) 2019-20 is available to download from the SMRC's website www.smrc.com.au or in hard copy on request by contacting the SMRC on 9329 2700 or visiting the SMRC's Administration Office at 9 Aldous Place, Booragoon, WA.

2019-2020 Snapshot

JUL 2019



RRRC project participants began implementation of a **3-bin collection system**

Tim Youé appointed for a 3-year term on the Waste Authority Board

NOV 2019



New Recycle Right website and app launched

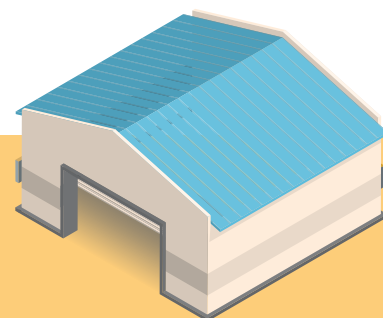


Cleanaway Fire – impacting increased loads to the MRF

DEC 2019



Divestment plans for RRRC terminated. Refurbishment of the WCF commences



APR 2020

#BinThankful campaign.
Decorate your bin for Easter



MAR 2020

Covid19 lockdown – m
home. RRRC business
social distancing and c

The Council of Australian Governments (COAG) released a Waste Response Strategy to implement the ban the export of waste plastic, paper, glass and tyres, and build Australia's capacity to generate high-value recycled commodities



AUG 2019

SEP 2019

OCT 2019



Two year agreement with Purearth for beneficial reuse of FOGO to further develop offsite and compost

Regional Councillors following Local Government elections



Recycling stations (organised by WREN) were launched at community locations



City of Melville was crowned champion of the Communication Engagement Success of the Year at the 2019 Waste and Resource Recovery (WARR) awards



JAN 2020

FEB 2020

George Street Festival recycling success using GO2CUP



Strategic Directions Workshop and adoption of outcomes

Many staff working from home continues as best it can with cleaning protocols in place



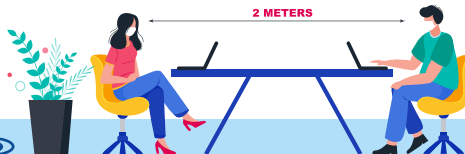
Agreement between SMRC and Cleanaway signed to receive 50,000 tonnes of recyclables per annum. WCF cleaned. Bin tagging commences



MAY 2020

JUN 2020

WCF roof removed. Staff return to office locations. Win a cubic metre of compost competition



About the SMRC

SMRC is a statutory local government authority established in 1991 by local governments in the southern part of metropolitan Perth cities of Fremantle, Melville, Kwinana and Town of East Fremantle. The City of Cockburn was a participant until the 30 June 2019.

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 City of Kwinana is not a participant in the RRRC project. In addition to the above two projects, support activities such as administration, education and research are also undertaken.

The Regional Resource Recovery Centre (RRRC) is an integrated waste precinct in Canning Vale, Perth. The RRRC is made up of the following:

1. Administration Office, Weighbridge and carparking;
2. Waste Composting Facility (WCF), which is currently decommissioned and being refurbished. During this time, the eastern-side Receiving Bay is receiving and pre-processing Food Organics and Garden Organics (FOGO) by the Participant Councils and commercial customers prior to transportation to Purearth for composting;
3. Maintenance workshop & amenities;
4. Waste audit building;
5. Green waste facility and hardstand, which turns green waste into mulch; and
6. Materials Recovery Facility (MRF), which processes recyclable waste collected by the Participant Councils and commercial customers.

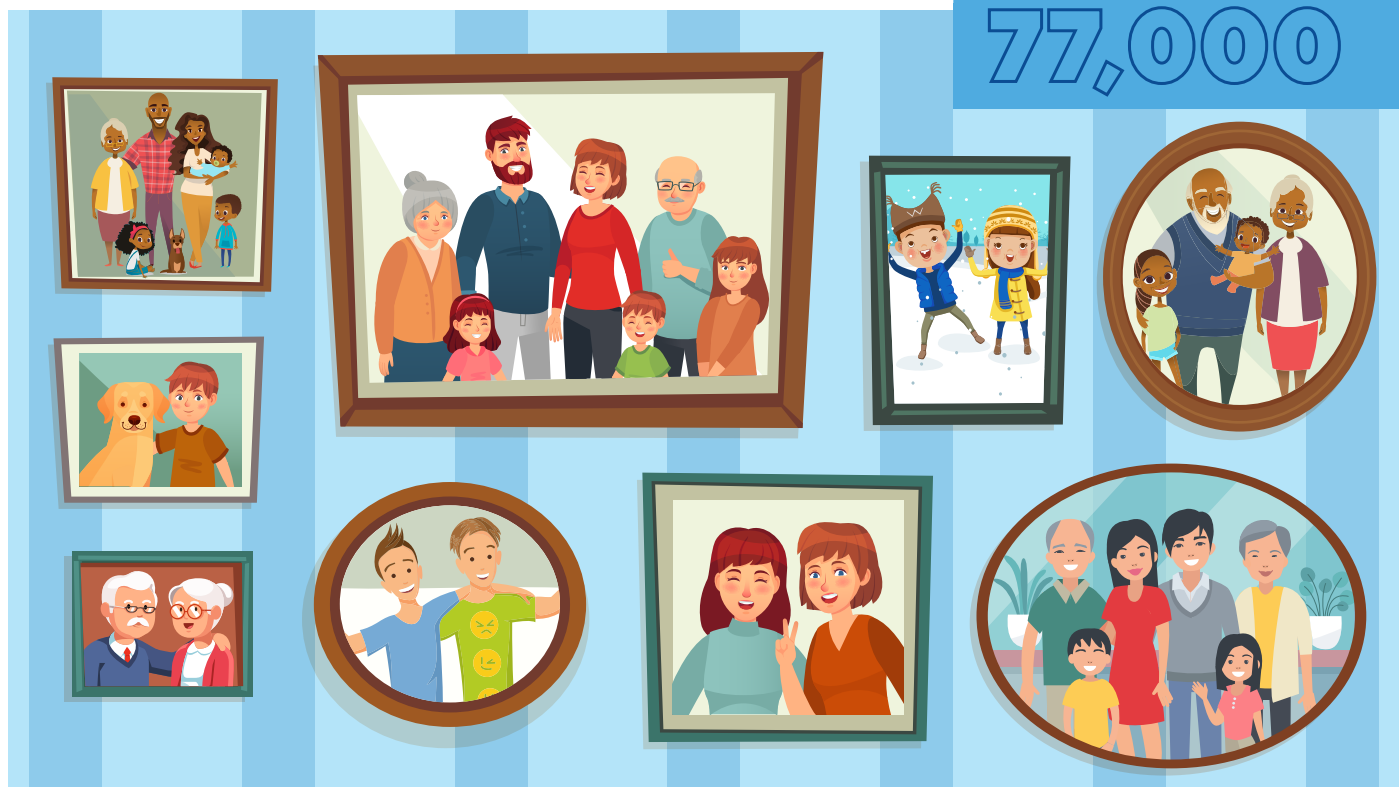
As an organisation, we inject over \$20 million per year into the economy, employ over 50 staff and provide work for 100 local small businesses and contractors each month.



2019-2020 Overview

The Region's households:

77,000



Population for June 2020 is approximately

190,000

for the four Councils in our region:

The **number of tonnes** of the region's waste processed at each of the RRRC's facilities during 2019/20:



Materials Recovery

50,287

81.3% recovered



Green Waste

10,346

100% recovered



Waste Composting

40,220

50.3% recovered

Excludes all RED bin General Waste

Includes all waste received and processed at RRRC including non-member Councils and commercials etc

70.9%

The Regional Resource Recovery Centre's **total recovery diversion from landfill**

Total 100,854 tonnes = 29,382 tonnes landfilled and 71,472 tonnes recovered (70.9%)



Employees:



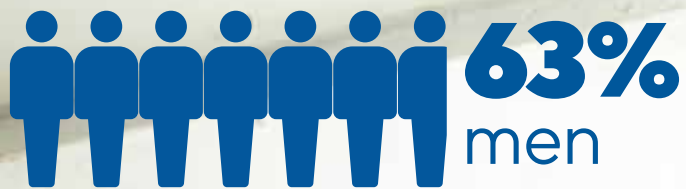
Total Employees:

54 (53 full-time equivalent)
as at 30 June 2020

55.6% permanent

18.4% fixed term

25.8% casual



50%
Culturally and
Linguistically
Diverse



Chairman's Report

As Chairman, I am pleased to present the Annual Report of the Southern Metropolitan Regional Council (SMRC) for 2019/20.

There have been many changes and challenges at the SMRC during the 2019/20 year but also many successes.

FOGO rollout and bin tagging

With the release of the WARR Strategy 2030 in early 2019, we have been able to move in a clear direction with respect to future waste and recovery in WA. SMRC has been at the forefront of the implementation of the Food Organics Garden Organics (FOGO) bin that is now a requirement by all local governments in the Perth and Peel regions by 2025. Following the very successful trial of 7,000 households by the City of Melville in 2017, the RRRC project participants (City of Melville, City of Fremantle, Town of East Fremantle) implemented the regional waste strategy of a three-bin collection system commencing in July 2019. This approach introduced a new 240L lime green- FOGO bin along with a 120L red-lidded General Waste bin. The 240L yellow-lidded Recycling Bin remained the same. A bin tagging auditing program began across 8,000 households in February 2020 to provide feedback to residents on how well they are separating and sorting their waste.

Engagement success

The City of Melville was announced winner of the Communication Engagement Success of the Year at the 2019 Waste and Resource Recovery (WARR) awards for its grassroots, ground up engagement program, 'Talking Trash the Melville Way'. They have changed the way they communicate, by creating a grass roots, ground up approach to engage the community. Understanding that it's not a 'one size fits all' situation has made a huge impact on not only diversion from landfill and contamination, but also in customer satisfaction.

Changing landscape

Global markets for commodities recovered from the yellow top recycling bin have faced downward price pressure for the past three years and are further challenged by looming export bans for unprocessed material to be implemented by the Federal government. Developing on shore secondary processing capacity is vital in achieving circular economy outcomes and a cleaner brighter future for generations to come.

Waste-to-Energy progressing

A preferred supplier has now been selected to provide a future Waste-To-Energy (WtE) solution for the SMRC.

WtE ranks higher than landfill in the waste hierarchy but below recycling and is identified as a viable disposal pathway for genuine residual waste remaining in the red lid bin after all reasonable efforts to remove recycling from the waste stream have been made. This residual waste will be diverted from landfill, achieving a total combined household waste diversion from landfill estimated at 85%.

I would like to thank my fellow regional councillors, the regional managers executive, Waste Recycling Education Network community members (WREN), Mr Andrew Burchfield, External Audit Committee Member and SMRC CEO and staff for their efforts and achievements throughout 2019/20. I look forward to another year working together toward achieving our vision.

Doug Thompson

Chairman

SMRC has been at the forefront of the implementation of the Food Organics Garden Organics (FOGO) bin that is now a requirement by all local governments in the Perth and Peel regions by 2025.



Chief Executive Officer's Report

Minimising waste to landfill and improving material recovery by delivering forward looking waste management solutions that are effective and efficient, has been the core of our business. We need to continue to develop partnerships to optimise the RRRC's capacity and help to identify and embed circular economy principles into the resource recovery sector at all levels.

Withdrawal of divestment

In 2019, the SMRC and its three project participants proposed to divest plant and equipment and sub-lease the leasehold developments relating to the Regional Resource Recovery Centre RRRC. The aim was to engage with experienced waste provider(s) in order to expand and enhance recycling, resource recovery and Food and Organics (FOGO) processing operations for the benefit of the communities of the region and beyond. The Council invited tenders and entered into discussions with a preferred tenderer. However, in December 2019, having failed to reach a satisfactory agreement, the SMRC resolved to terminate the tender process and to continue business as usual until opportunities for outsourcing the RRRC waste processing streams can be viably realised.

Refurbishment of the WCF

With the introduction of the FOGO process, the processing of mixed solid waste (MSW) from the dark green lidded General Waste bins is no longer required. This provided an opportune time to give the 20-year old WCF a much-needed overhaul as the digesters are nearing the end of their operating life. The facility has been cleaned, the roof is being replaced and plans to decommission redundant equipment are underway. Whilst this work is progressing, FOGO is being delivered from kerbside pickup and is being pre-processed onsite prior to transport for composting offsite. Options are still being considered to transition the WCF to a fully-fledged 100,000 tonne per annum FOGO processing and composting plant. This will reduce processing costs, enhance compost quality and further improve diversion from landfill.

Cleanaway fire

In November 2019, the Cleanaway Materials Recovery Facility (MRF) in South Guildford was destroyed by fire. At this difficult time, the SMRC's MRF has proven to be an essential component of Perth's recycling infrastructure. With support from the State Government, the MRF is now processing over 100,000 tonnes of recyclables per annum (by June 2020) and has absorbed the majority of the recycling capacity lost in the Cleanaway fire.

Recycle Right Program expands

The communication and community engagement team have been working hard to develop a new website and app that was launched in November 2019. These tools provide a simple and convenient way to look up an A-Z of waste, discover which bin to put it in, plus find recycling centres and drop off points throughout Perth. Catering for all three bin systems in Perth means this resource is useful and accessible for Councils beyond our member Councils. We are now offering membership to Recycle Right so that other councils may benefit from the shared resources and consistent communication messages.

Positive QEOHS

During this period of change, it is most pleasing to report that we recorded no lost time injuries and continue to maintain accreditation for Quality, Environment and Occupational Health and Safety.

Again, I would like to acknowledge the unwavering support of the Chairman Cr Doug Thompson, Regional Councillors, the Regional Executive Group and their teams and all SMRC employees, for their efforts and contribution throughout the year.



Minimising waste to landfill and improving material recovery by delivering forward looking waste management solutions that are effective and efficient, has been the core of our business.

I look forward to continuing to work with our progressive regional local government partners, community, industry and government leaders, councillors and staff to achieve a positive future for the SMRC's members and communities.

Tim Youé

Chief Executive Officer

Regional Councillor Profiles

Chairman, Cr Doug Thompson, City of Fremantle

Doug 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 32 years' service to the City.

He serves on the Western Australian Local Government Association (WALGA) State Council and chairs the South Metro WALGA Zone committee. He represents SMRC on, and chairs, WALGA's Municipal Waste Advisory Council. He has been involved in the implementation of the State Government's Container Deposit Scheme through his chairmanship of WALGA's Container Deposit Policy Forum.

Cr Thompson has consistently supported adoption of best practice waste processes at the City of Fremantle and at SMRC. He believes that facilitating cooperative action between councils is the most efficient way to address the waste and recycling challenges that face local governments.

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.

Deputy Chair, Cr Steve Kepert, City of Melville

Steve is Councillor for the Applecross-Mount Pleasant Ward and was elected to the City of Melville Council in 2017. He has been a SMRC Regional Councillor (and Deputy Chair) since 2019.

He is the City of Melville delegate on the South West Group: South West Corridor Development Foundation Incorporated, the Department of Biodiversity, Conservation and Attractions (Formerly the Swan River Trust), the Perth Airports Municipalities Group, and the Western Australian Local Government (WALGA) South Metropolitan Zone.

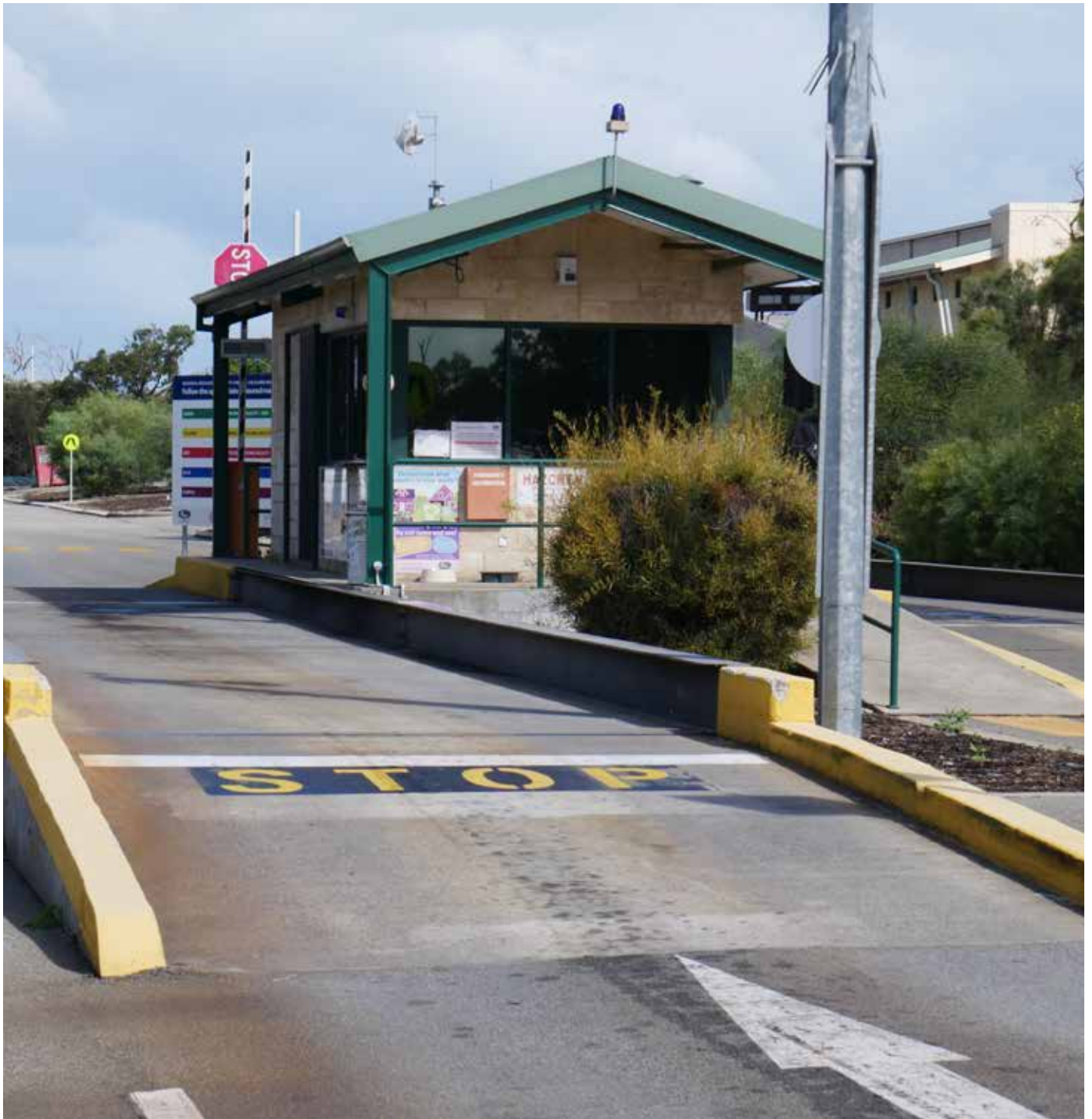
Steve is determined to reduce the negative impacts of waste, particularly by minimising waste destined for landfill and maximising recycling and compostables. To achieve this, the SMRC has the key role of educating the community and overseeing efficient operations, areas where Steve is keen to contribute.

"Community leaders have a pivotal role in educating the community on the impacts of waste management and encouraging behavioural changes where possible. Waste management begins with the household, the workplace and our purchasing decisions. Where we can improve our behaviours here the community can collectively realise the benefits down the line."

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 over 30 years and has been convenor of the Fremantle Oxfam group for the past 15 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.

**Cr Doug Thompson****Cr Steve Kepert****Cr Cliff Collinson****Cr Wendy Cooper**

Governance

	MEMBERS MEETING ATTENDANCE 2019/2020				
	Cr D Thompson (Chair)	Cr C Robartson AM	Cr S Kepert	Cr C Collinson	Cr W Cooper
Ordinary Council Meetings (5)	5	1	4	5	5
Special Council Meetings (5)	5	2	3	4	4
Audit & Risk Committee (3)	3	2	1	3	n/a
Stakeholder Relations Committee (2)	1	n/a	1	1	1
CEO Performance Committee (1)	1	1	n/a	1	1
RRRC Project Committee (5)	4	4	1	2	n/a
Total Meetings	19	10	10	16	11

RRRC Project

n/a denotes not a member of committee

Cr C Robartson was replaced by Cr S Kepert appointed in October 2019

Participant Councils' Representatives

Council	Regional Councillors	Regional Executive Group
City of Fremantle	Cr Doug Thompson	Mr Graham Tattersall
City of Melville	Cr Steve Kepert	Mr Mick McCarthy
Town of East Fremantle	Cr Cliff Collinson	Mr Gary Tuffin
City of Kwinana	Cr Wendy Cooper	Ms Maria Cooke

Committees and Their Members

Audit & Risk Committee	Stakeholder Relations Committee	RRRC Project Committee
The committee reviews the audit function and performance and risk management processes.	The committee reviews, considers and discusses the SMRC's communication strategy.	The committee considers project decisions to facilitate reviews, plans and advice pursuant to the RRRC Project Participants Agreement.
Cr Doug Thompson (Chair) Cr Steve Kepert Cr Cliff Collinson Mr Andrew Burchfield Observers: Mr Tim Youé Mr Chris Wiggins	Cr Steve Kepert Cr Cliff Collinson Cr Wendy Cooper Ms Isabelle Gagnon WREN Chairperson Observers: Mr Tim Youé Ms Teresa Belcher	Cr Doug Thompson (Chair) Cr Steve Kepert Cr Cliff Collinson Mr Graham Tattersall Mr Mick McCarthy Mr Gary Tuffin Observers: Mr Tim Youé Mr Chris Wiggins Mr Brendan Doherty Mr Craig Yardley

Planning For The Future Overview

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

Integrated Planning and Reporting Framework

The Annual Report measures our progress against priorities that were developed in consultation with the community and documented in the SMRC's long term vision, the Strategic Community Plan 2017-2027.

The SMRC's Corporate Business Plan 2020 -2024 (adopted in June 2020), provides clarity on the initiatives and services that the City is planning or implementing over the next five years, with emphasis on the delivery of the strategic priorities outlined in our Strategic Community Plan 2017-2027.

These two key strategic documents are then underpinned by a number of informing documents including, but not limited to, the Long Term Financial Plan, Asset Management Plans, Workforce Plan and issues or area-specific plans (see figure 1).

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.

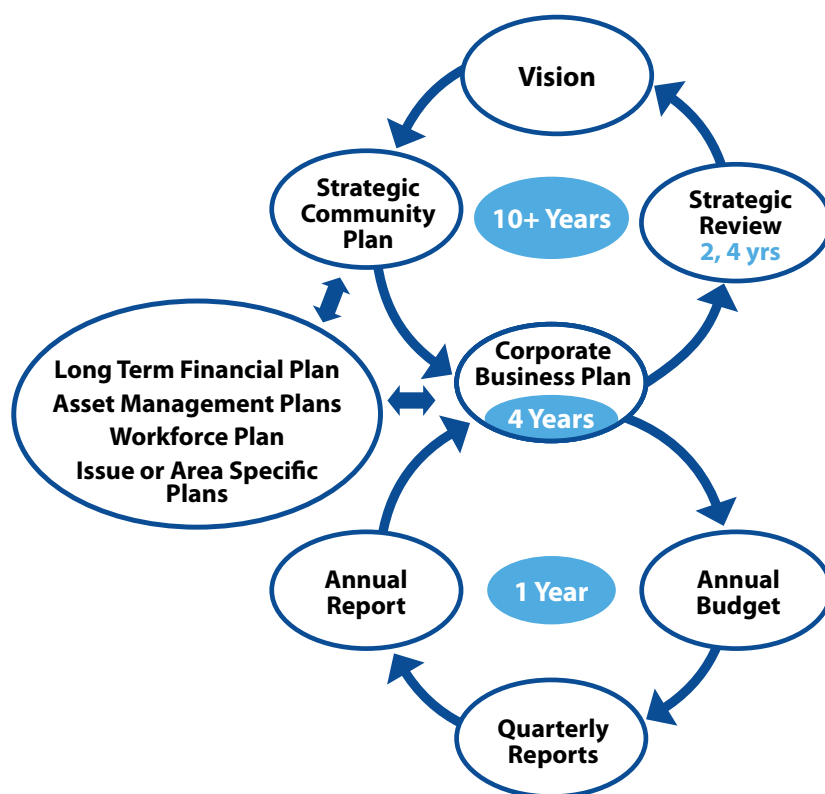
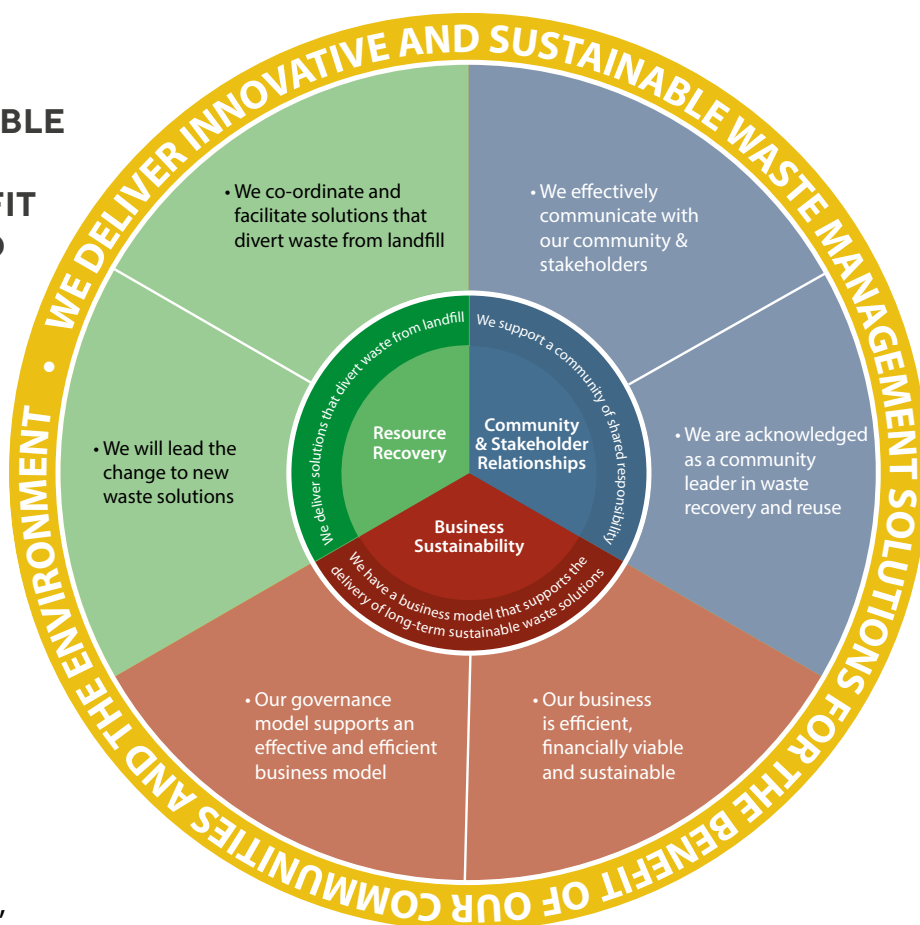


Figure 1: Source – Department of Local Government and Communities
Integrated Planning and Reporting Framework and Guidelines, September 2016

2019-20 Achievements

Resource Recovery

Our Vision – We are a leader in recovery and reuse

Objective 1.1

Our governance model supports an effective and efficient business model

- Optimise operations in recovery and reuse to add value
- Support and encourage members to implement the most effective collection solutions
- Lead initiatives to deal with problematic waste

Waste diverted from landfill

70.9%

The Regional Resource Recovery Centre's **total recovery diversion from landfill**

Total 100,854 tonnes = 29,382 tonnes landfilled and 71,472 tonnes recovered (70.9%)

The **number of tonnes** of the region's waste processed at each of the RRRC's facilities during 2019/20:



Materials Recovery

50,287

81.3% recovered



Green Waste

10,346

100% recovered



Waste Composting

40,220

50.3% recovered

Excludes all RED bin General Waste

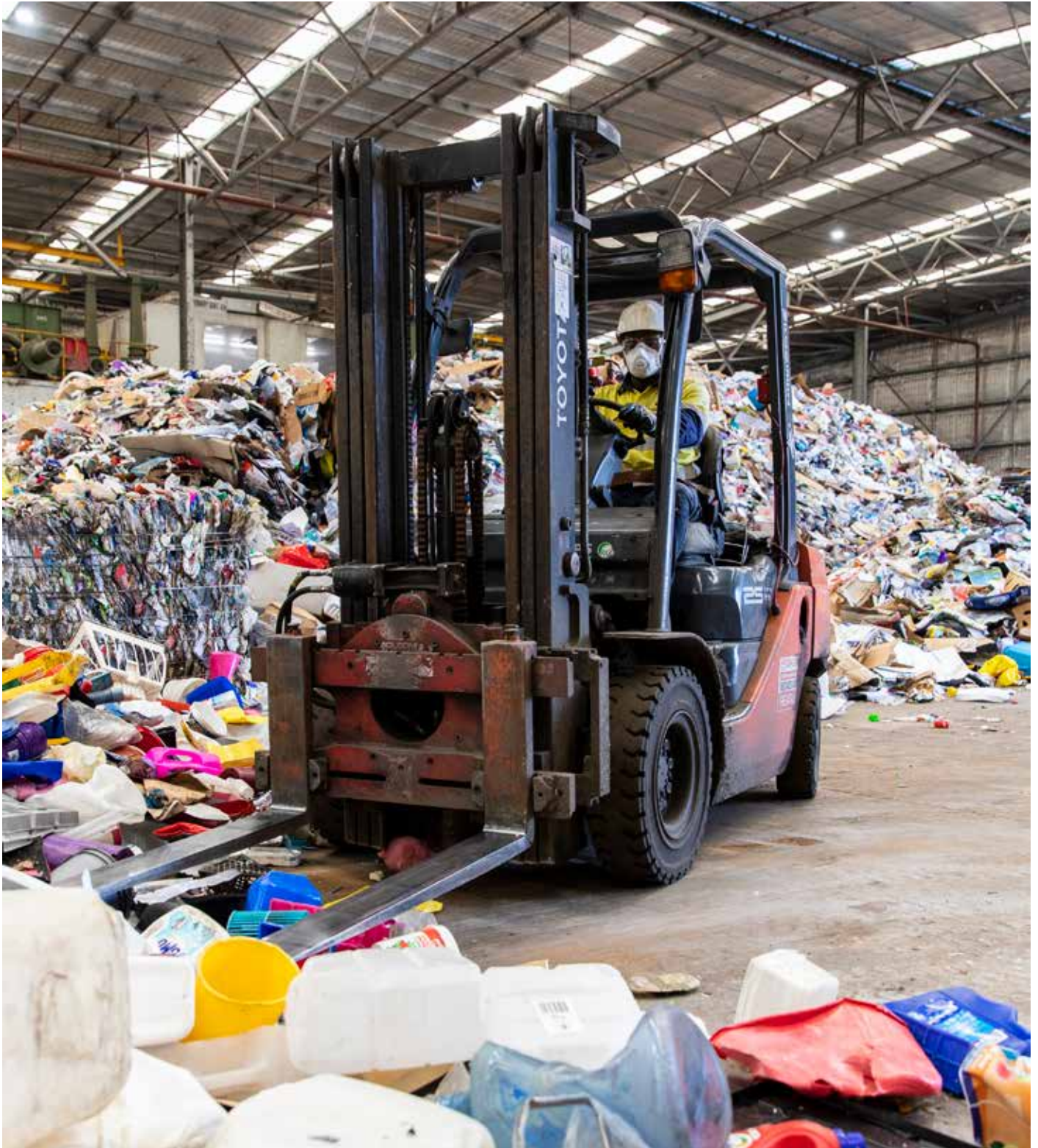
Includes all waste received and processed at RRRC including non-member Councils and commercials etc

Consistent Regional Collection

The SMRC has now achieved a consistent regional collection across the City of Melville, City of Fremantle and Town of East Fremantle. These three councils have the yellow recycling bin being processed at the Materials Recovery Facility (MRF), the green FOGO bin being pre-processed at the WCF and then made into compost by an external provider. The red general waste bins are sent to landfill.

Exploring sustainable recycling markets

SMRC has partnered with Recycling Plastics Australia in South Australia, who re-sort our mixed plastic bales by type and colour before starting the recycled plastic process to achieve an end product of the highest purity.



FOGO Compost production

In the Southern Metropolitan Region, the contents of the FOGO bin are first delivered to the Waste Composting Facility at the RRRC for pre-processing and initial removal of contamination. From here it is transported to our partners Purearth where it is turned into compost.

After preparation, composting, screening and maturation, the FOGO material is used to produce a number of FOGO-derived products such as compost, top soil and mulch.



FOGO Processing



Emissions Reduction Fund

The Waste Composting Facility (WCF) has continued to contribute to the reduction of greenhouse gases in 2019/20 as part of the Federal Government's Emissions Reduction Fund (ERF) Program. Over the course of the year, the WCF prevented 60,737 tonnes of carbon dioxide equivalent (CO₂e) from entering the atmosphere.



FOGO-derived compost being produced at Purearth

Objective 1.2

We will lead the change to new waste

- Investigate the viability of new technologies for waste recovery, including Energy from Waste
- Investigate best use scenarios for current technology and site in regards to FOGO

**Rollout of FOGO Initiative**

The *WARR Strategy 2030* requires that a consistent 3-bin kerbside collection system, including separation of food organics and garden organics (FOGO) from other waste categories, is provided by all local governments in the Perth and Peel region by 2025. It also introduces challenging targets for material recovery of 70% by 2025 and a target of only 15% of waste generated in Perth and Peel is landfilled by 2030.

The SMRC and its Member Councils has been leading the way by being the first Regional Council to rollout the FOGO bins. Following the very successful trial of 7,000 households by the City of Melville in October 2017, the RRRC project participants implemented the regional waste strategy of a three-bin collection system in the second half of 2019.

The SMRC worked with the three participating Councils for the rollout of the 3-bin Food Organic Garden Organic (FOGO) system. This is now complete except for a few Multi-Unit Developments (MUDs). This approach provides three separated waste streams at the kerbside: a new 240L lime green-lidded Food Organics Garden Organics (FOGO) bin, a new 120L red-lidded General Waste bin and the existing 240L yellow-lidded Recycling Bin.

The SMRC also undertook a study project, with funding from the State Waste Authority, surrounding the recovery of food organics from Multi-Unit Dwellings (MUDs) throughout the Cities of Fremantle, Melville and Town of East Fremantle. As part of this project, the SMRC has engaged consultant Metrix to undertake resident engagement with a number of individuals from these properties, including 5 focus group sessions and 10 in-depth video diaries. This project is complete, and a final report has been submitted.



Waste-to-Energy Strategy

The SMRC and its Member Councils are leading the way in Perth with the adoption of best practice waste management initiatives. These initiatives have been championed by the State Government and its regulatory agencies and amongst other things are setting ambitious targets for achieving waste reduction, reuse, recycling and minimising landfill.

The SMRC are already leading through the adoption of best practice waste segregation, recycling and FOGO (Food Organic and Green Organic) processing into compost. This has dealt with approximately two thirds of our waste. There is still currently one third of our ratepayers waste going to landfill.

Investigations into further technologies to deal with this residual waste stream has determined that Waste-to-Energy is the logical next step. This is a technology that has now been widely adopted in Europe, the USA and Asia. The technology is now relatively mature and regulatory frameworks have now been adopted in Western Australia to allow it to operate safely and effectively here.

The decision to invite responses to a Request for Proposal for the provision of Waste-to-Energy services followed a resolution at the Southern Metropolitan Regional Council Meeting of 24 August 2017. The SMRC has undertaken an extensive procurement process with the two projects now under construction in WA. A preferred supplier has now been selected, and consultation with the RRRC Participants is currently underway to implement this.

Resource Recovery Key Performance Indicators

Performance Indicator	How will it be measured	Actuals		Targets			
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Waste diverted from landfill	Percentage of waste diverted = $(1 - \text{total residuals} / \text{total waste processed} \times 100\%)^*$	65%	70.9%	65%	65%	65%	65%
Contaminations is reduced in the three waste streams collected.	Lime Bin FOGO <2% contamination (Waste Audits)	2%	N/A	<2%	<2%	<2%	<2%
	Yellow Bin Recycling <5% contamination	N/A	N/A	10%	10%	<5%	<5%
	Red Bin Residuals (Waste Audits)	N/A	N/A	<7%	<7%	<5%	<5%

*Figures for waste processed at RRRC

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

- Adapt and improve existing governance arrangements
- Investigate alternative business delivery models to ensure our business practices are reflective of the commercial environment
- Rebrand existing entities and operations to reflect vision & objectives

Divestment of the RRRC withdrawn

In 2019, the SMRC and its three project participant local governments proposed to divest plant and equipment and sub-lease the leasehold developments relating to the Regional Resource Recovery Centre (RRRC) to experienced waste provider(s) for recycling and FOGO processing operations on its site.

The Council invited tenders and resolved in May 2019 to enter into discussions with a preferred tenderer and in July 2019, accepted a business plan relating to the proposed land transaction and trading undertaking with the likely event of awarding to a prospective buyer.

In December 2019, the SMRC resolved on the recommendation of the participant local government evaluation panel representatives to terminate its discussions with the preferred tenderer and the tender process.

In February 2020, SMRC and its representatives for the participant local governments reviewed its strategic direction and agreed to continue business as usual until opportunities for outsourcing the RRRC waste processing streams are beneficial for its participants.

Governance arrangements

The review of the Establishment Agreement and the Project Participant Agreement were on hold due to the planned divestment.

Change to Regional Councillors

In October 2019, following the general local government elections, participant local governments nominated one elected member from each respective council as regional councillors. Cr Clive Robartson AM was replaced with Cr Steve Kepert City of Melville. SMRC thanks Cr Robartson for his dedicated service to the SMRC.

Continuing councillors are Cr Thompson, Fremantle, Cr Cooper, Kwinana, Cr Collinson, East Fremantle. The Chair and Deputy Chair were appointed from amongst the regional councillors, electing Cr Doug Thompson as Chair and Cr Steve Kepert as Deputy Chair.

Audit and Risk

The continuation of ISO accreditation for Environmental ISO 14001, OHS AS4801 and Quality ISO 9001 was successfully achieved. The SMRC will be transitioning from AS4801 to international standard ISO45001 to support the SMRC moving towards an integrated management system in 2021. This encompasses all elements of the safety management system and creates congruence in structures that are encompassed within ISO9001 and ISO14001.

The Office of Auditor General (OAG) selected SMRC for a Performance Audit in June 2019 for Local Government contract renewals, extensions and variations. OAG's findings include a number of improvements which SMRC is implementing to ensure it meets best practice and statutory compliance.

Business delivery

A Strategic Direction Forum was held on 13 February 2020 to agree on an Overall Strategic Direction. It was agreed that the SMRC should continue business as usual with pursuit of outsourcing options and processing contracts. There is no need to currently change the SMRC's regional purpose and objectives or current strategic direction.

Objective 2.2

Our business is efficient, financially viable and sustainable

- Identify and deliver process improvements
- Develop an appropriate and efficient asset management strategy
- Develop a sustainable long-term financial plan
- Being a responsible and considered employee

Refurbishment of the WCF

With the introduction of the FOGO process, the processing of mixed solid waste (MSW) from the dark green-lidded General Waste bins is no longer required. This provided an opportune time to give the 20-year old WCF a much-needed overhaul as the digesters are nearing the end of their operating life. The facility has been cleaned, the roof is being replaced and the digesters have been decommissioned. Whilst this work is underway, FOGO is being delivered from kerbside pickup and is being pre-processed onsite prior to transport for composting offsite. Options are still being considered to transition the WCF a modified Food and Organics (FOGO) processing plant and licensing amendments are being investigated. This will reduce processing costs, improve compost quality and further improve diversion from landfill.

Continuous Process Improvement

The SMRC continues to review and implement a continuous process improvement program. During 2019/20, substantial work has been undertaken in working with external partners to produce a FOGO compost that is of the highest standard, complying with AS4454 composts, soils and mulches. This Standard specifies requirements for organic products and mixtures of organic products that are to be used to amend the physical and chemical properties of natural or artificial soils and growing media.

Asset Management Strategy

A draft plan has been prepared for the Department of Water and Environmental Regulation (DWER) concerning licence amendments for transitioning assets from WCF to FOGO. This includes a new roof refurbishment, process layout, and decommissioning of obsolete assets.

The Materials Resource Facility (MRF) Maintenance Program has been reviewed as a result of accelerated utilisation from 25K tonnes per annum to 75K tonnes per annum.



Aerial view of the Waste Composting Facility during refurbishment with its roof removed



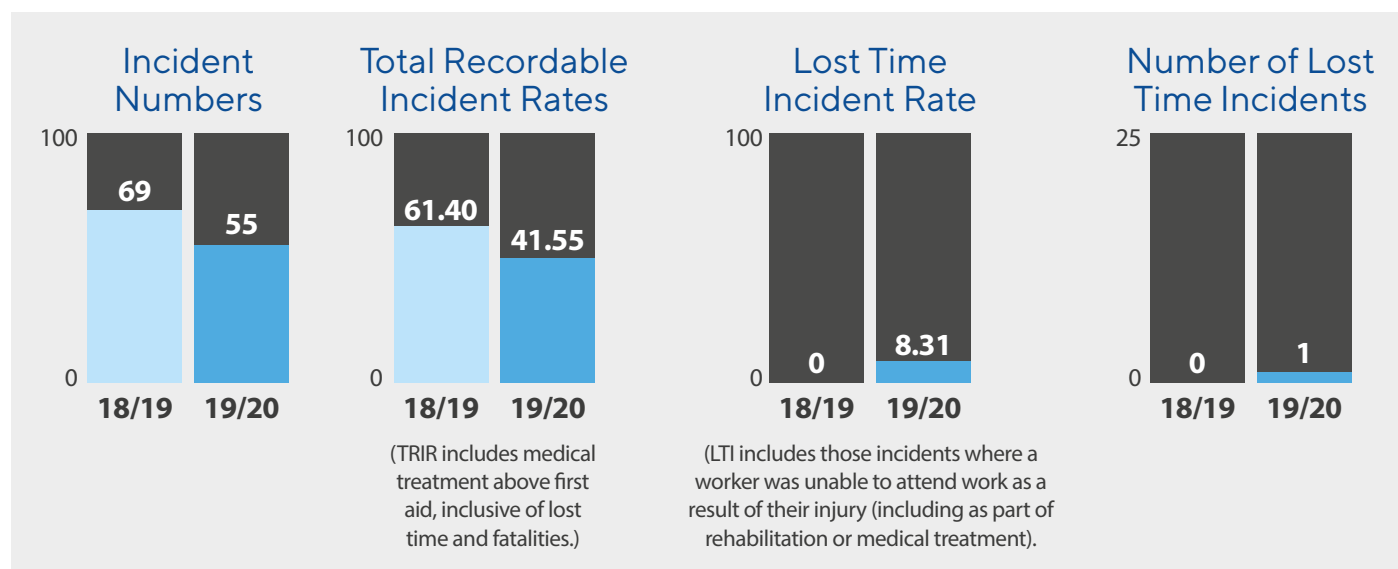


Long-Term Financial Plan

A draft forecast was presented to the Strategic Direction Forum held on 13 February 2020. Further forecasting during 2020/21 will be undertaken due to organisational changes planned—such as Waste Composting Facility (WCF) transition to FOGO processing on-site, the MRF additional short-term customer tonnes, the Container Deposit Scheme (CDS), and Asset Management plan Updates

Workforce Plan

Last review of the Workforce Plan was undertaken in November 2018 (2018–2022). The Plan identifies strategies to address future workforce challenges and the implications on current and future operating environments.



Employee Wellbeing

- Staff participated in the 'Get on Track Challenge', a free, team-based, online challenge helping people to implement healthy habits that can be continued long term. Four SMRC teams of four competed against each other as they progressed along a 'virtual track', inputting their daily fruit and vegetable intake and physical activity. The four teams managed to progress a total distance of 2,529.22km with team 'Admin Bees' winning the challenge and Xabier from 'Maintenance Madness' being the best individual. The challenge ran from Monday 02 September to Monday 30 September.
- A community talk from the Stroke Foundation in August 2019 helped staff to learn about what stroke is and how to recognise it, and what to do if someone is having a stroke.
- A series of posters have also been created for staff such as 10 Tips to Stress Less and 24 hours of Weight Loss. Staff are entitled to a corporate discount at Snap Fitness.

Occupational Health and Safety

The 2019-2020 financial year has seen many challenges, including the South Guildford waste facility burning down resulting in sudden increase in volumes of product coming through the gate and the COVID19 related disruptions.

The SMRC/RRRC Management Team continually review and strive to do better in matters of health and safety. With an increased reliance on contract and labour hire, the focus for 2020-2021 is the review of risks as posed to workers and looking at further prevention strategies that support incident and injury prevention.

In matters of safety performance, SMRC employee related incident statistics demonstrate that incident numbers have dropped across the board. For the 2020-2021 financial year, the target is to further reduce incident rates by 15% from 2019-2020 rates.

Environmental Performance

In terms of environmental performance, there was just one Odour Complaint from 1 July 2019-20 June 2020, in July 2019. The SMRC remains ever vigilant to ensure our odour management practices are of the highest possible standards.

Business Sustainability Key Performance Indicators

Performance Indicator	How will it be measured	Actuals		Targets			
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Key stakeholders are satisfied with our performance	Stakeholder survey	89%	85%	>80%	>80%	>80%	>80%
Plant availability	Percentage of member tonnes accepted at RRRC	100%	100%	>95%	>95%	>95%	>95%
Current Ratio	Current assets over current liabilities	1.46	1.06	=>1.10	=>1.10	=>1.10	=>1.10
Number of lost time incidents (LTIFR)	Number of lost time injuries	0	1.0	0	0	0	0

Stakeholder Engagement

Our Vision – We support a community of shared responsibility

Objective 3.1

We are acknowledged as a community leader in waste recovery & re-use

- Participate in Federal, State and Local Government forums to support the development of regional and metropolitan waste management policies and legislation

Moving in the right circles

During 2019/20, the Chair and Chief Executive Officer were on the following external boards, committee and working groups:

Chair – Cr Doug Thompson

- Municipal Waste Advisory Council, Chair
- WALGA CDS Policy Forum, Chair
- WALGA South Metropolitan Zone, Chair
- WALGA Environmental Policy Group, Member
- Waste Reform Advisory Group, Member



Chief Executive Officer – Mr Tim Youé

- Waste Authority Board, Member
- Waste Management and Resource Recovery Association of Australia (WMRR), National Director
- Metropolitan Regional Councils, CEO Working Group, Chair
- Municipal Waste Advisory Council (MWAC), Officers Advisory Group, Chair
- Waste Reform Advisory Group, Member
- CDS- Logistics, Resource Recovery and Local Government Technical Working Group, Member
- WALGA, CDS Policy Forum, Member



Objective 3.2

We effectively communicate with our community & stakeholders

- Develop and implement an effective community education program
- Partner with member councils and complementary organisations to promote behavioural change towards waste recovery and re-use

Communications and Community Engagement Team

The Communications and Community Engagement team has seen considerable change and staff turnover during the 2019/20 year. Three new staff members (Communications Manager, Waste Education & Projects Officer and Waste Education Officer came on board in the latter part of 2019.

SMRC Website

The SMRC website smrc.com.au/ holds all corporate information about the organisation. Statistics for the website visitors are as follows:

	Number of Visitors	Sessions	Average Duration (Mins: Sec)
Total 2019-2020 FY	8,935	14,422	2:33
Total 2018-2019 FY	14,487	12,516	1:44

Recycle Right® Education Program

The Recycle Right® waste education program teaches residents about waste, recycling and sustainability. The SMRC has developed the program over 18 years and it is now a standalone brand. It consists of a website and smartphone app as well as many education resources and graphics including social media channels, an eNewsletter, worksheets, factsheets and videos. Tours at the RRRC in Canning Vale are run through the program. External presentations and school incursions are also offered.

More recently, the SMRC have been in discussions with the CEOs of the Regional Councils in the Perth metropolitan area and the Consistent Communications Collective (CCC) —a group facilitated by WALGA and consisting of representatives from Local Government, State Government, the Waste Authority and Material Recovery Facility Operators—regarding the potential use of the Recycle Right program as the appropriate vehicle to deliver a consistent message in the Perth metro area regarding waste reduction and recycling. During 2019, the CCC agreed the Recycle Right® website recycleright.wa.gov.au and app be the main customer-facing location for the agreed Materials A-Z list.

At the same time, Recycle Right® has been offering 'memberships' to Regional Councils and Local Councils. As more Councils become members of Recycle Right®—Western Metropolitan Regional Council (WMRC), Eastern Metropolitan Regional Council (EMRC) and the City of Canning are currently on board—the program becomes an appropriate vehicle to deliver a consistent message in the Perth metro area (and beyond) regarding waste avoidance, reduction, recycling and disposal. It will and assist in optimising members current spend on waste education and community engagement.



Community tour group visiting the Community Garden at the RRRC



Tours and incursions

A visit to the RRRRC and the Recycle Right® Education Centre allow visitors to view first-hand what happens to their recyclable waste and learn also about the FOGO process and composting. A new Community Engagement Officer commenced in December 2019. While the position was being covered, tours and school incursions were on the lower side due to the handover of staff and the typically quieter months during the school holidays. In March 2020, Covid-19 restrictions came into place, and all school and community tours were put on hold.

	2019						2020						Total
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Total number of tours	4	15	10	4	8	4	4	7	7	0	0	0	63
Total number of participants	73	279	181	118	142	58	39	84	153	0	0	0	1,127
School/Community Incursions	9	9	1	3	1	2	0	2	0	0	0	0	28
# Incursion Participants	750	380	NK*	116	17	53	0	170	0	0	0	0	1,506

* East Fremantle Rotary Market visitors

This downtime has provided the perfect opportunity to review and plan new lessons. We have been working on activities for a 'full day' incursion where all year groups in a Primary school can attend a session with a six activity stations. Sessions will be targeted to each appropriate age group. Additionally, we will also offer two lessons—on bin sorting and on FOGO/Composting. Plans are also underway for a revamp of the Education Centre.

We anticipate continued interest in recycling and waste education activities especially with the successful rollout of the FOGO bins in 2019 throughout our Councils.



Website and Smartphone App

The Recycle Right website and app underwent a major re-development during 2019 and was (soft) launched during National Recycling Week (11-17 November 2019). The new resource (recycleright.wa.gov.au) encourages and assists residents and businesses in Western Australia to recycle, reduce their rubbish and buy more recycled products. It features:

- Which Bin – find out at a glance, what goes in which bin along with what doesn't belong there and the correct methods of disposal.
- An ever-growing A-Z list of specific items and what to do with them.
- Find My Nearest – an extensive database of drop-off locations or recycling facilities in Perth for items such as batteries, car parts, building/demolition waste, hazardous household waste and more.
- Bin Day Reminders – set an alert to remind you of which bin goes out on what day for your area.
- The website also provides a Resources Hub of worksheets, how-to guides, fact sheets and templates.

Information on both the app and website is tailored to the full assortment of bin systems found in the Perth metropolitan area: 3-bin FOGO (Food Organics, Garden Organics), 3-bin GO (Garden Organics) and 2-bin.

Statistics for the Recycle Right website visitors are as follows:

	Number of Visitors	Sessions	Average Duration (Mins: Sec)
Total 2019-2020 FY	43,624	59,198	1:50
Total 2018-2019 FY	77,043	77,498	2:00

The new Recycle Right app was uploaded to both IOS App Store and Google Play on 18 November 2019. Statistics so far for app downloads are as follows:

	Apple	Android	Total Downloads
Total Nov-Jun 2020 since relaunch	1,127	405	1,532
Total 2018-2019 FY	2,921	719	2,490
Total downloads since September 2013	21,812	4,329	25,765

*Note: we anticipate that website visits and app downloads are significantly greater than the figures reported due to software issues, and inconsistency in collection of data following launch.



E-newsletter

The E-newsletter had not been prepared since April 2019, but was re-established and sent out in November 2019, December 2019, March 2020 and May 2020. The e-News has 1,772 subscribers (as at 30 June 2020).

Media coverage

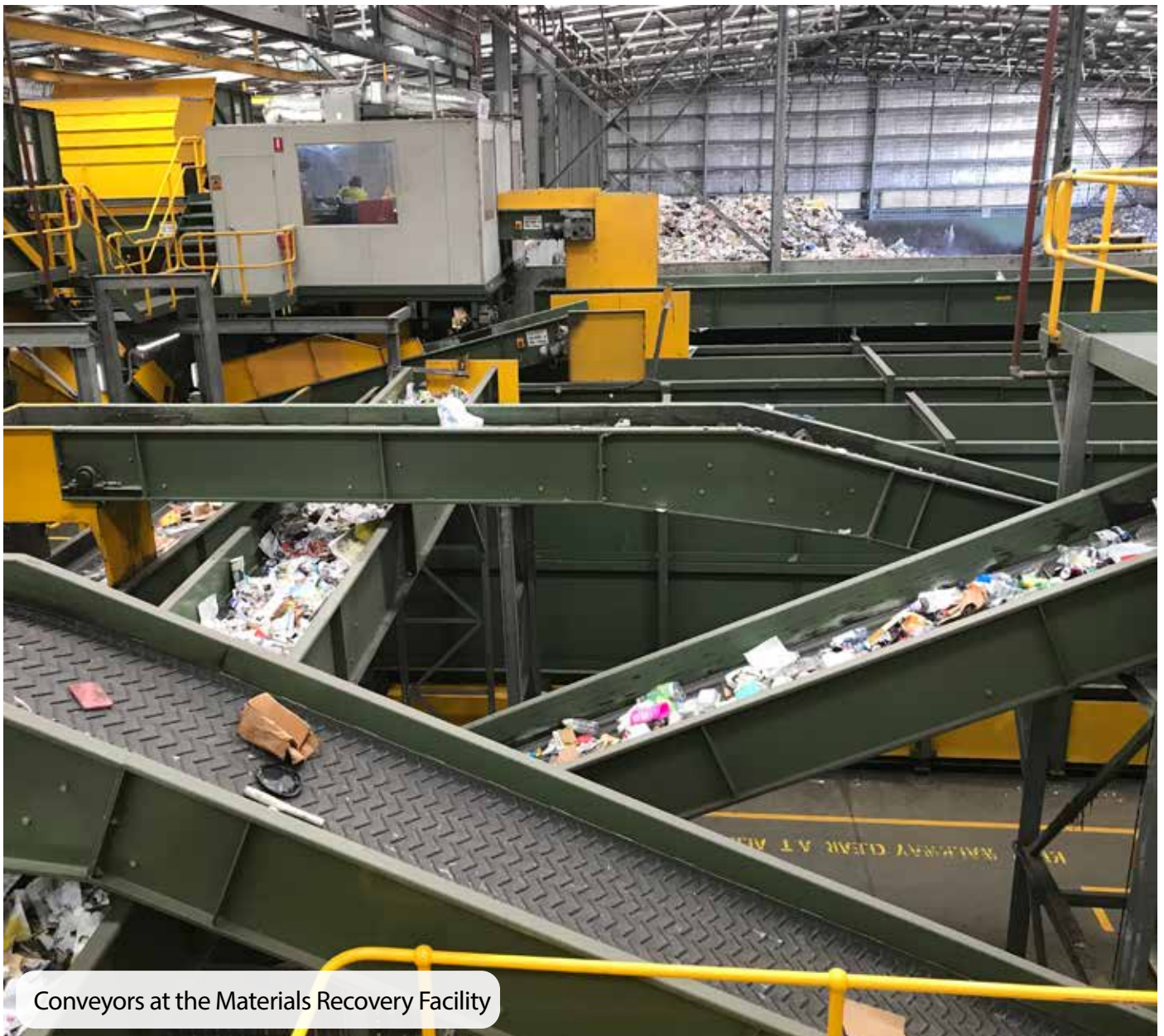
The SMRC received mention in a number of news stories since November 2019. In particular this was related to the Cleanaway fire, and the sorting/processing of recyclables. Given the confidential nature of the Cleanaway/SMRC agreement, no official media statement was released until we had a clear message to communicate.

- 1 February 2020 – SMRC helps to divert recyclables
- 13 February 2020 – SMRC reaches agreement with Cleanaway

For National Recycling Week, the SMRC participated in a joint advert in the West Australian with other Councils and Regional Councils in Perth.

In the lead up to Christmas, the SMRC together with the other three Regional Councils participated in a 'Green Christmas' campaign with 6PR. This involved a radio interview as well as a series of radio and social media adverts. **[6pr.com.au/just-how-much-do-we-throw-away-every-year/](https://www.6pr.com.au/just-how-much-do-we-throw-away-every-year/)**

CEO Tim Youé participated in ABC's Focus program with Jessica Strutt on 10 June 2020 to talk about recycling in Perth during the past months. Minister Dawson and Rebecca Prince-Ruiz (Plastic Free July) also spoke.



Social Media

Social media channels were set up in November 2019. This has allowed Recycle Right to branch out to reach members of the community.

- **Facebook Recycle Right:**

facebook.com/RecycleRightWA/ – the existing WREN page (that was not used) was rebranded. It currently (7/10/2020) has 866 followers

- **Facebook SMRC:** facebook.com/Southern-Metropolitan-Regional-Council-259535674382648/

- **Twitter:** twitter.com/RecycleRightWA

- **YouTube:** bit.ly/34QAU7E (41 subscribers)

- **LinkedIn:** linkedin.com/company/southern-metropolitan-regional-council/

- **Instagram:** instagram.com/RecycleRightWA/



#BinThankful campaign

A number of online initiatives have been shared on social media:

- **12 Zero Waste Christmas ideas**
- **Business as usual** – Facebook LIVE video
- **#EasterBinny competition** – decorate bins for Easter
- **#BinThankful** – decorate bins or leave a thank you sign for waste truck drivers
- **Making an Easter Baskets** (1 and 2) – craft out of recycled materials
- **Making a T-Shirt Tote Bag** – craft out of recycled materials
- **Make a Micro Composter** – composting at home
- **'Blinding Lights' TikTok at the RRRC**
- Many 'which bin' photos showing correct and incorrect items going into the 3-Bins

Waste Recycling Education Network (WREN)

The WREN 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 WREN finalised the report for the Recycling Drop-off Stations that was funded by the Community Grants Scheme (CGS) project. The CSG project has involved the creation of eight recycling stations for non-household bin items including batteries, mobile phones/chargers, printer cartridges and light globes. The stations were constructed by the Fremantle Men's Community Shed and the stations were distributed to the Cities of Fremantle, Melville, Kwinana and Town of East Fremantle from October-December 2019. The City of Kwinana stations were launched in October 2019 and received publicity in the Sound Telegraph. The launch of the City of Melville Recycling stations coincided with National Recycling Week in November 2019 and received publicity in the Melville Times.

A nomination for the 2020 Infinity Awards Category 1 – Community Waste Award, was submitted on 10 March 2020 on behalf of all collaborators in this project.

The Councils have been recording the amount of waste collected through the Community Recycling Hubs, and the following data is currently available:

Council	Batteries	Globes/Fluros	Mobile Phones	Printer Cartridges
Melville	1,108kg	110kg	Unknown	Not yet calculated
Fremantle	900kg (estimate)	300kg (estimate)	140kg	46.04kg
East Fremantle	0	0	0	0
Kwinana	726kg	43kg	78kg	61.96kg

The WREN has reviewed their Terms of Reference which, was endorsed by the SMRC Stakeholder Relations Committee and have voted on a change of name to the Waste Reduction and Recycling Education Network (WRREN)





Events

The following events were supported by the SMRC over 2019/20:

FOGO promotion at Garden City – 8 July 2019	Beach Clean Up (with East Fremantle) – 16 November 2019
East Fremantle Rotary Market – 15 September 2019	George Street Festival – 1 December 2019
Perth Royal Show 2019 – September 2019	Sustainable Gift Wrapping workshop – 18 December 2019
Garage Sale Trail – 19-20 October 2019	Visit to Total Green Recycling – 13 February 2020
Zero Waste parenting workshop – 13 November 2019	Recycling in the 20s Workshop – 14 February 2020



Households received 'happy' or 'sad' tags during the bin tagging program

Bin tagging program

A bin tagging auditing program began across 8,000 households in February 2020 which saw Community Waste Education Officers working in pairs to make a visual inspection of the bin's contents prior to pick up on collection day. A 'happy' or 'sad' tag is left on the handle of the bin to provide feedback about how well residents are using the bins or what can be improved. Unfortunately, this program was prematurely halted due to Covid-19 but will recommence in the latter half of 2020. A media release was distributed and video produced to advertise the program:

- 17 February 202 – Bin tagging helps residents to 'recycle right'
- A video on bin tagging youtu.be/wdQfTKBryyM



Awards

The City of Melville was crowned champion of the Communication Engagement Success of the Year at the 2019 Waste and Resource Recovery (WARR) awards for its grassroots, ground up engagement program, 'Talking Trash the Melville Way'. They have changed the way they communicate, by creating a grass roots, ground up approach to engage the community. Understanding that it's not a 'one size fits all' situation has made a huge impact on not only diversion from landfill and contamination, but also in customer satisfaction.



Community & Stakeholder Relationships Key Performance Indicators

Performance Indicator	How will it be measured	Actuals		Targets			
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
SMRC is acknowledged as a leader in waste management and resource recovery	Stakeholder survey Community survey	No survey	No survey	>80%	>80%	>80%	>80%
Community awareness of the Recycle Right brand	Community survey	No survey	No survey	>50%	>50%	>50%	>50%
Number of community contacts	Number of persons receiving waste education from SMRC e.g. RRRC tour visitors, community and school education, awareness programs run by SMRC	4,074	2,633*	>5,000	>5,000	>5,000	>5,000
Recycle Right Website	Number of hits on the Recycle Right website	77,498	43,624**	>60,000	>60,000	>60,000	>60,000

* Visitors due to Covid-19 lockdown

** Hits due to re-launch of website

Welcome to the
REGIONAL RESOURCE RECOVERY CENTRE



**SOUTHERN METROPOLITAN
REGIONAL COUNCIL**

We Deliver Innovative and Sustainable
Waste Management Solutions



**recycle
right**

recycleright.wa.gov.au

 **RECEPTION**



**SMOKING PROHIBITED
AT ALL TIMES**



REVERSE
PARKING
ONLY





Statutory Reporting

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 is reviewed and updated every two years, with the latest adoption in June 2020.

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 2019 to 30 June 2020.



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:

	2020	2019
Salary Range \$	\$	\$
280,000 - 289,999	1	-
270,000 - 279,999	-	1
190,000 - 199,999	1	1
180,000 - 189,999	1	1
170,000 - 179,999	-	1
160,000 - 169,999	1	-
120,000 - 129,999	1	-
110,000 - 119,999	-	2
100,000 - 109,999	2	-
Total	7	6

NUMBER OF EMPLOYEES

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

54

57

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.

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.

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.

- An Amended Record Keeping Plan (RKP) for the SMRC was approved by the State Records Commission (9/12/2016). The plan is next reviewed in December 2021.
- 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.

Disability Access & Inclusion Plan

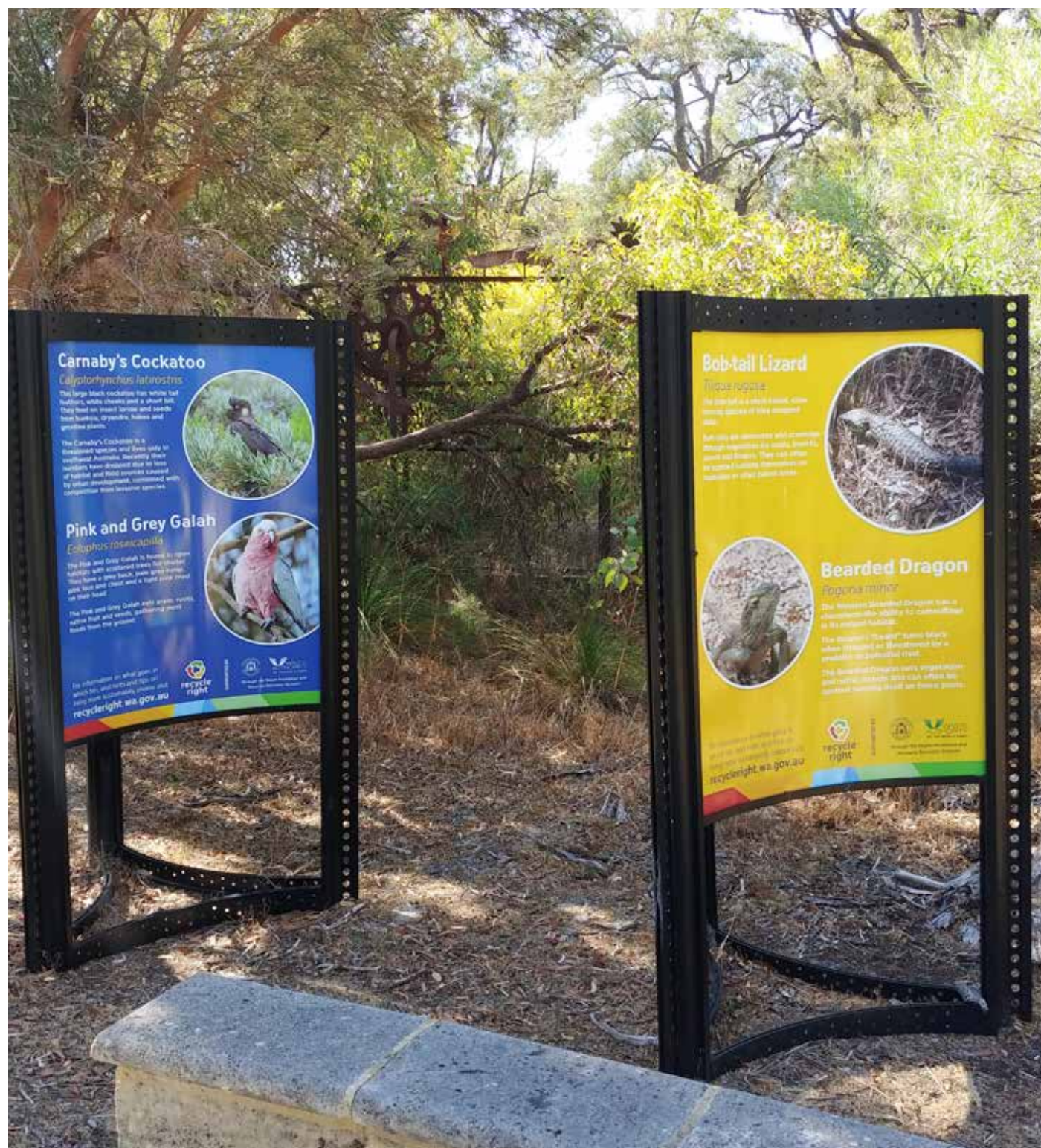
In accordance with S29(2) of the *Disability Services Act 1993* a public authority that has a Plan must report on the implementation of the Plan. The SMRC does not have a Plan, however, a draft document is currently being prepared.

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 2019.



Key Performance Indicators

Financial Ratios

Current Ratio

Measures the liquidity position of a local government.

	Target	Actual FY20	Actual FY19	Comments
Dept of Local Government Standard Benchmark	1.0 Higher is better	1.06	1.58	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)
$\frac{\text{Current assets minus restricted current assets}}{\text{Current liabilities minus restricted liabilities associated with restricted assets}}$				
FY20				
\$19.7 - \$9.1 = \$10.6 million				
\$11.0 - \$1.0 = \$10.0 million				
[Numbers taken from statement of financial position and cash and cash equivalents note]				

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 FY20	Actual FY19	Comments
Dept of Local Government Standard Benchmark	0.50 Higher is better	0.94	0.75	
$\frac{\text{Depreciated Replacement Cost of Depreciable Assets}}{\text{Current Replacement Cost of Depreciable Assets}}$				
FY20				
\$23.8 million				
\$25.2 million				
[Numbers taken from notes in financial statements – Property, Plant & Equipment]				

Asset Renewal Funding Ratio

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

	Target	Actual FY20	Actual FY19	Comments
Dept of Local Government Standard Benchmark	0.75 Higher is better	1.00	-	The 10 year capital renewals program will be funded from annual operations and cash backed reserve funds. Due to the nature and use of the assets only required renewals are determined in the Asset Management Renewal Plan and funded from reserve funds.
NPV of Planned Capital Renewals over 10 years				
NPV of Required Capital Expenditure over 10 years				
\$16 Million NPV over 10 years				
\$16 Million NPV over 10 years				
[Numbers drawn from Long Term Financial Plan (planned renewals) and Asset Management Plan (required renewals)]				

Key Performance Indicators

Financial Ratios

Asset Sustainability Ratio

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

	Target	Actual FY20	Actual FY19	Comments
Dept of Local Government Standard Benchmark	0.90 Higher is better	0.40	0.03	The SMRC's annual depreciation charge is \$3.1M, (\$5.1M FY19). It includes assets that will never be replaced and therefore an annual replacement program of \$3.1M 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.
Depreciated Replacement Cost of Depreciable Assets Current Replacement Cost of Depreciable Assets FY20 \$1.2 million \$3.1 million [Numbers taken capital expenditure & statement of comprehensive Income]				

Debt Service Cover

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

	Target	Actual FY20	Actual FY19	Comments
Dept of Local Government Standard Benchmark	2.0 Higher is better	2.20 1.70	(0.86) (0.19)	The RRRC Project loan is guaranteed and repaid by Participants. Therefore this ratio is not a true financial performance for the SMRC For FY20 disclosed above the ratio is further distorted by items relating to asset impairment loss and revaluations.
Annual Operating Surplus before interest and depreciation Principal and Interest FY20 $4.1 + \$4.0 = \8.1 million $\$3.2 + \$0.5 = \$3.7 \text{ million}$ [Numbers taken from statement of comprehensive income and statement of cash flows]				

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 FY20	Actual FY19	Comments
Dept of Local Government Standard Benchmark	0.01 Higher is better	0.17 0.10	(0.41) (0.29)	The reason for the SMRC's positive ratio is due short-term contracts. The financial structure of the SMRC does not budget to make a surplus or recover the annual depreciation charge as revenue from its participants because the participants contribute separately towards the capital assets through annual loan borrowings For FY20 disclosed above, the ratio is further distorted by asset revaluations.
Operating Revenue minus Operating Expenses Own source operating revenue FY20 $\$25.6 - \$23.3 = \$2.3 \text{ million}$ \$23.8 million [Numbers taken from statement of comprehensive income by nature or type]				

Key Performance Indicators

Financial Ratios

Own Source Revenue Coverage Ratio

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

	Target	Actual FY20	Actual FY19	Comments
Dept of Local Government Standard Benchmark	0.40 Higher is better	1.02 0.95	0.71 0.77	Additional revenue from fees and charges attributed to higher ratio. Ratio is adjusted to reflect asset revaluation reversals included in revenue.
Own source operating revenue				
Operating expense				
FY20				
\$23.8 million				
\$23.3 Million				
[Numbers taken from statement of comprehensive income by nature or type]				



Highlights

- Operating revenues for the year were \$2.4 million higher and operating expenditure \$1.2 million lower than the prior corresponding period attributing to a net surplus result before depreciation of \$3.6 million higher than the previous year.
- Operating revenues relates to the latter half of the year for the RRRC recycling plant reaching full capacity by receiving an additional 10 metropolitan local governments on a short-term contingency arrangement. A grant from the state government towards assisting plant maintenance and replacement program.
- Operating cashflow was \$1.8 million derived from the above net result, achieving benefits through continued and improved working capital management.
- Cash reserves balance of \$7.3 million, an increase by \$1.3 million from previous year.
- RRRC loan debt \$9.9 million reduced by \$3.2 million during the year.
- Net Assets and equity of \$32.4 million, an increase by \$6.8 million attributed to net surplus result \$4.2 million and the revaluation surplus of 2.6 million.

Results

	19/20 (\$M)	18/19 (\$M)	Change
Revenues	\$25.6	\$23.2	\$2.4
Expenses	\$21.4	\$32.7	-\$11.3
Net Result	\$4.2	-\$9.5	\$13.7
Add Back: Depreciation	\$3.1	\$5.1	-\$2.0
Add/Less Redundancy Provision	-\$1.6	\$1.9	-\$3.5
Add/Less Reval. Loss/Reversal	-\$1.9	\$2.7	-\$4.6
Result (EBITDA)	\$3.8	\$0.2	\$3.6
Cash in Bank	\$10.2	\$9.0	\$1.2
Reserves	\$7.3	\$6.0	\$1.3
Outstanding Loans	\$11.7	\$14.9	-\$3.2
Net Assets	\$32.4	\$25.6	\$6.8

1. Statement of Comprehensive Income

1.1 Revenue

The 2019/20 total operating revenue was \$25.6 million (\$23.2M FY 19)

23% of revenue \$5.9M (FY19 9% \$2.0M) is from non-participant customer tonnes, the increase in revenue is due to additional recycling tonnes.

11% of revenue \$2.8M (FY19 2% \$0.5M) is from other sources including sale of carbon credit units and government grants.

1.2 Expenditure

The 2019/20 total operating expenditure was \$21.4 million (\$32.7M FY 19)

The reduction compared to the previous year relates to the following: (\$11.3M)

- Employee costs \$0.4M
- Materials and contracts (\$1.6M)
- Employee redundancy provision (Net) (\$3.5M)
- Revaluation of plant & equipment (Net) (\$4.6M)
- Depreciation (\$2.0M)

The employee redundancies provision was reversed this year due to the RRRC divestment not proceeding.

Revaluation of plant & equipment includes reversal of prior year loss on revaluation of plant & equipment when being re-recognised from Assets held for sale.

The recognition of the site lease liability as required under AASB 16 Leases reduced the Materials and Contracts \$0.7M & increased interest expenses \$0.3M.

The reduction in depreciation relates to the decreased valuation in plant & equipment.

1.3 Net Result for the Year

Whilst the financial statements show a net result surplus of \$4.2 million. The following is an explanation for the surplus.

The SMRC uses EBITDA as an alternative internal measure for reporting its net result. Applying SMRC's EBITDA, the net result is a surplus of \$3.8 million (see table below).

Reconciling our financial results

Measure	Underlying (EBITDA)		
	EBITDA stands for: Earnings before interest, taxes, depreciation & amortisation.		
Why do we use this?	Underlying EBITDA is a key alternative performance measure that management uses internally to assess the financial performance by removing expenses that are irrelevant in understanding actual financial results for the year ended.		
Adjustment		FY20	FY19
	Net Result	\$4.2 M	(\$9.5 M)
	Add back depreciation	\$3.1 M	\$5.1 M
	Less reversal of employee redundancies provision	(\$1.6 M)	\$1.9 M
	Add/ (less) loss on recognition/ reversal revaluation of plant and equipment	(\$1.9 M)	\$2.7M
Result	EBITDA	\$3.8 M	\$0.2 M

2. Statement of Financial Position

2.1 **Cash** (note 3) \$10.2 million (\$9 million FY 19) is represented by \$7.3 million reserves, \$1 million bonds & deposits & \$0.8 million unspent grant.

2.2 The **Make good provision** (note 8) (RRRC project decommissioning and restoration) is \$3.6 million (\$3.5 million FY 19). The provision increases annually by an inflation interest charge.

2.3 **Property, plant and equipment** (note 9) carrying value as at 30 June 2020 was \$27.3 million (\$23.7 million FY19), the increase of \$3.6 million is due to the following:

Carrying value as at 30 June 2019		\$23.7 million
Add Revaluation increment	\$2.6 million	
Add Capital additions	\$1.2 million	
Add Reversal of prior year loss on revaluation	\$1.9 million	
Less Depreciation	<u>(\$2.1 million)</u>	\$3.6 million
Carrying Value as at 30 June 2020		\$27.3 million

2.4 **Right of Use Assets** (note 11) includes the RRRC ground lease, has a carrying amount as at 30 June 2020 of \$9.2 million (\$10.1 million recognised as on 1 July 2019), the decrease is due to the depreciation of \$0.9 million.

In accordance with the transition provisions of AASB 16, the Council has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 recognised on 1 July 2019. In applying AASB 16, under the specific transition provisions chosen, the Council will not restate comparatives for prior reporting periods.

2.5 **Lease Liabilities** (note 14) (current & non-current liabilities) is \$9.7 million (\$10.1 million recognised as on 1 July 2019), reduced by the capital repayments of (\$0.4 million).

2.6 **Borrowings** (note 15) balance (current & non-current liabilities) was \$11.7 million (\$14.9 million FY 19), made up of the following two project loans;

- RRRC Project outstanding balance of \$9.9 million (\$13.1 million FY 19) and;
- Office Accommodation Project, Office building in Booragoon \$1.8 million (\$1.8 million FY 19).

No new loans were raised during the year. RRRC project loans repaid during the year amounted to \$3.2 million (\$3.4 million FY 19). The RRRC Project borrowings will be fully repaid by 30 June 2023.

2.7 The Council's **net assets and total equity** is \$32.4 million (\$25.6 million FY 19). The increase of \$6.8 million is attributed to net surplus result \$2.3 million, the reversal of prior year loss on revaluation of \$2.7 million, less loss on re-recognition of \$0.9 million and this year's revaluation surplus of 2.6 million.

3. Statement of Changes in Equity

- 3.1 The changes in the **retained surplus** balance as at 30 June 2020 was \$9.9 million (\$7.1 million FY19). The explanation for the increase of \$2.8 million is below;
- The net surplus result from the statement of comprehensive income of \$4.1 million.
 - Net amount of (\$1.3 million) is transferred to the cash backed reserves.
- 3.2 The **changes in the cash-backed reserve** balance as at 30 June 2020 increased by \$1.3 million to \$7.3 million (\$5.9 million FY19).
- The reserve accounts are for the purposes of funding the asset renewal program, contingency & development initiatives, insurance, restoration costs associated with the RRRC lease conditions and provision for travel and conferences.
- 3.3 The **changes in the revaluation surplus** of \$2.6 million to \$15.2 million (\$12.6 million FY 19). The increase relates to a revaluation of RRRC Leasehold Improvements and buildings.

4. Statement of Cash Flows

- 4.1 The **net increase in the cash balances** of \$1.1 million is attributed to the following cash receipts and payments during the year.
- 4.2 The **cash receipts from operations** is \$24.7 million (\$25.8 million FY 19). The decrease of \$1.1 million is a result of FOGO operations processing and recycling sale prices.
- 4.3 The **cash payments for operations** is \$22.9 million (\$26.0 million FY 19). The decrease of \$3.1 million is a result of reduced plant maintenance expenses and utility charges.
- This resulted in a **net cash surplus from operating activities** of \$1.8 million (surplus of \$0.1 million FY 19).
- 4.4 The **cash used in investing activities** is \$0.2 million (\$1.1 million FY 19). The amount refers to capital expenditure and Cash term deposit investments exceeding three months. The classification of Cash term deposit investments exceeding three months is in accordance with the changes in accounting classification and measurement requirements for AASB 9 Financial instruments.
- 4.5 The **cash balance at the end of the financial year** has increased by \$1.1 million to \$10.1 million (\$9.0 million FY 19).

SOUTHERN METROPOLITAN REGIONAL COUNCIL
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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COMMUNITY VISION

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

Principal place of business:
9 Aldous Place
Booragoon WA 6154

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

*Local Government Act 1995
Local Government (Financial Management) Regulations 1996*

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Southern Metropolitan Regional Council for the financial year ended 30 June 2020 is based on proper accounts and records to present fairly the financial position of the Southern Metropolitan Regional Council at 30 June 2020 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the

15 th day of

December 2020



Chief Executive Officer

Tim Youe

Name of Chief Executive Officer

SOUTHERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Operating grants, subsidies and contributions	2(a)	4,647,494	1,114,848	1,704,917
Fees and charges	2(a)	20,801,868	16,095,000	21,334,691
Interest earnings	2(a)	100,467	142,500	178,609
Other revenue	2(a)	9,591	0	27,148
		25,559,420	17,352,348	23,245,365
Expenses				
Employee costs		(6,385,116)	(4,360,563)	(5,990,388)
Materials and contracts	2(b)	(11,528,575)	(10,392,127)	(13,132,022)
Utility charges		(1,262,819)	(1,069,882)	(1,614,672)
Depreciation on non-current assets	10(b)	(3,075,608)	(5,072,854)	(5,111,473)
Interest expenses	2(b)	(971,498)	(640,975)	(798,182)
Insurance expenses		(1,639,340)	(1,669,350)	(1,451,676)
Reversal/(Expense) of Redundancy provision	2(b)	1,596,321	0	(1,853,849)
		(23,266,635)	(23,205,751)	(29,952,262)
		2,292,785	(5,853,403)	(6,706,897)
Non-operating activities				
Profit on asset disposals	10(a)	0	0	145
(Loss) on revaluation of plant and equipment	9(a)	0	0	(2,741,453)
(Loss) on recognition of plant and equipment	8	(891,378)	0	0
Reversal of prior year loss on revaluation of plant and equipment	8	2,741,453	0	0
		1,850,075	0	(2,741,308)
Net result for the period		4,142,860	(5,853,403)	(9,448,205)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	2,634,912	0	(927,042)
Total other comprehensive income for the period		2,634,912	0	(927,042)
Total comprehensive income for the period		6,777,772	(5,853,403)	(10,375,247)

Note the prior period results of operations have been re-presented as continuing operations in accordance with Australian Accounting Standards.

This statement is to be read in conjunction with the accompanying notes.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Governance	2(a)	143,898	141,407	348,522
Community amenities		25,415,522	17,210,941	22,896,843
		25,559,420	17,352,348	23,245,365
Expenses				
Governance		(202,148)	(244,610)	(440,414)
Community amenities		(22,092,989)	(22,320,166)	(28,713,666)
		(22,295,137)	(22,564,776)	(29,154,080)
Finance Costs				
Governance	2(b)	(58,535)	(58,535)	(58,500)
Community amenities		(912,963)	(582,440)	(739,682)
		(971,498)	(640,975)	(798,182)
		2,292,785	(5,853,403)	(6,706,897)
Non-operating activities				
Profit on disposal of assets	10(a)	0	0	145
(Loss) on revaluation of plant and equipment	9(a)	0	0	(2,741,453)
(Loss) on recognition of plant and equipment	8	(891,378)	0	0
Reversal of prior year loss on revaluation of plant and equipment	8	2,741,453	0	0
		1,850,075	0	(2,741,308)
Net result for the period		4,142,860	(5,853,403)	(9,448,205)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	2,634,912	0	(927,042)
Total other comprehensive income for the period		2,634,912	0	(927,042)
Total comprehensive income for the period		6,777,772	(5,853,403)	(10,375,247)

Note the prior period results of operations have been re-presented as continuing operations in accordance with Australian Accounting Standards.

This statement is to be read in conjunction with the accompanying notes.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	NOTE	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents	3	10,174,250	9,030,098
Trade and other receivables	6	3,187,488	1,501,823
Other financial assets	5(a)	5,084,059	4,188,075
Inventories	7	1,190,166	299,324
Other assets	8	75,769	92,862
Assets classified as held for sale	8	0	4,400,000
TOTAL CURRENT ASSETS		19,711,732	19,512,182
NON-CURRENT ASSETS			
Other financial assets	5(b)	6,629,191	11,713,250
Property, plant and equipment	9	27,305,285	19,295,983
Right of use assets	11(a)	9,182,776	0
TOTAL NON-CURRENT ASSETS		43,117,252	31,009,233
TOTAL ASSETS		62,828,984	50,521,415
CURRENT LIABILITIES			
Trade and other payables	13	4,564,652	3,806,514
Lease liabilities	14(a)	638,765	0
Borrowings	15(a)	5,084,059	3,173,433
Employee related provisions	16	708,687	141,137
Other provisions	8	0	2,409,577
TOTAL CURRENT LIABILITIES		10,996,163	9,530,661
NON-CURRENT LIABILITIES			
Lease liabilities	14(a)	9,110,279	0
Borrowings	15(a)	6,629,191	11,713,250
Employee related provisions	16	78,427	124,399
Other provisions	17	3,606,611	3,522,564
TOTAL NON-CURRENT LIABILITIES		19,424,508	15,360,213
TOTAL LIABILITIES		30,420,671	24,890,874
NET ASSETS		32,408,313	25,630,541
EQUITY			
Retained surplus		9,911,328	7,108,598
Reserves - cash/financial asset backed	4	7,302,055	5,961,925
Revaluation surplus	12	15,194,930	12,560,018
TOTAL EQUITY		32,408,313	25,630,541

This statement is to be read in conjunction with the accompanying notes.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2018		16,683,177	5,245,685	14,055,674	35,984,536
Comprehensive income					
Net result for the period		(9,448,205)	0	0	(9,448,205)
Other comprehensive income	12	0	0	(927,042)	(927,042)
Total comprehensive income		(9,448,205)	0	(927,042)	(10,375,247)
Past Participant's Contribution on Withdrawal		21,252	0	0	21,252
Transfers from reserves	4	595,000	(595,000)	0	0
Transfers to reserves	4	(1,311,240)	1,311,240	0	0
Transfer from Revaluation Surplus	12	568,614	0	(568,614)	0
Balance as at 30 June 2019		7,108,598	5,961,925	12,560,018	25,630,541
Comprehensive income					
Net result for the period		4,142,860	0	0	4,142,860
Other comprehensive income	12	0	0	2,634,912	2,634,912
Total comprehensive income		4,142,860	0	2,634,912	6,777,772
Transfers from reserves	4	3,633,318	(3,633,318)	0	0
Transfers to reserves	4	(4,973,448)	4,973,448	0	0
Balance as at 30 June 2020		9,911,328	7,302,055	15,194,930	32,408,313

This statement is to be read in conjunction with the accompanying notes.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Operating grants, subsidies and contributions		4,310,361	1,114,848	2,052,878
Fees and charges		19,452,850	16,095,000	21,334,691
Interest received		100,467	142,500	178,609
Goods and services tax received		818,029	2,440,000	2,219,941
Other revenue		9,591	0	27,148
		24,691,298	19,792,348	25,813,267
Payments				
Employee costs		(6,396,446)	(4,360,563)	(6,069,795)
Materials and contracts		(11,840,001)	(10,392,127)	(14,464,414)
Utility charges		(1,262,819)	(1,069,882)	(1,614,672)
Interest expenses		(971,498)	(554,975)	(798,182)
Insurance paid		(1,639,340)	(1,669,350)	(1,451,676)
Goods and services tax paid		(818,029)	(2,440,000)	(1,579,551)
		(22,928,133)	(20,486,897)	(25,978,290)
Net cash provided by (used in) operating activities	18	1,763,165	(694,549)	(165,023)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for financial assets at amortised cost		0	0	(1,014,642)
Payments for purchase of property, plant & equipment	9(a)	(1,243,760)	0	(132,111)
Proceeds from financial assets at amortised cost - term deposits		1,014,642	0	0
Proceeds from sale of property, plant & equipment	10(a)	0	0	5,000
Net cash provided by (used in) investment activities		(229,118)	0	(1,141,753)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	15(d)	(3,173,433)	(3,173,001)	(3,395,954)
Payments for principal portion of lease liabilities	14(b)	(389,895)	0	0
Contributions from Project Participants for loan repayments		3,173,433	3,173,001	3,395,954
Net cash provided by (used in) financing activities		(389,895)	0	0
Net increase (decrease) in cash held		1,144,152	(694,549)	(1,306,776)
Cash at beginning of year		9,030,098	9,632,636	10,336,874
Cash and cash equivalents at the end of the year	18	10,174,250	8,938,087	9,030,098

This statement is to be read in conjunction with the accompanying notes.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
INDEX OF NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

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SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

On 1 July 2020 the following new accounting standards are to be adopted:

- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 2018-7 *Amendments to Australian Accounting Standards - Materiality*

AASB 1059 *Service Concession Arrangements: Grantors* is not expected to impact the financial report.

Specific impacts of AASB 2018-7 *Amendments to Australian Accounting Standards - Materiality*, have not been identified.

CRITICAL ACCOUNTING ESTIMATES

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

THE LOCAL GOVERNMENT REPORTING ENTITY

All funds through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 29 to these financial statements.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Determination of transaction price				Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
			Payment terms	Returns/Refunds/Warranties	Set by mutual agreement with the funding body	Based on the progress of works to match performance obligations			
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the funding body	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms	Output method based on project milestones and/or completion date matched to performance obligations	
Fees and charges - waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by council annually	Based on timing of entry to facility	Not applicable	On entry to facility	
Fees and charges - memberships	Project Participants Annual Contributions	Over time	Payment in advance (annual/quarterly)	Refund for unused portion on application	Adopted by council annually	Apportioned equally across the access period	Returns limited to repayment of transaction price of terms	Output method over 12 months	
Fees and charges - sale of stock	Recovered Recyclable Products	Single point in time	On normal trading terms - credit provided as agreed	Refund for faulty goods/ quality/ contamination percentages	Set by mutual agreement	Applied fully based on timing of provision/ dispatch of the goods (as customer as this is when customer obtains control of goods)	Returns limited to repayment of transaction price of terms	On dispatch of the goods (as customer as this is when customer obtains control of goods)	

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

2. REVENUE AND EXPENSES

(a) Grant revenue

Grants, subsidies and contributions are included as both operating and non-operating revenues in the Statement of Comprehensive Income:

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Operating grants, subsidies and contributions			
Governance			
Annual member's contributions	143,898	141,407	348,522
Reimbursements	0	0	0
Community amenities			
Annual member's contributions	462,824	462,001	482,045
Member's contributions towards interest	495,492	496,440	653,913
Member's RRRC transitional contributions	1,675,038	0	0
Grants	1,738,000	0	133,927
Other contributions	132,242	15,000	86,510
Total grants, subsidies and contributions	4,647,494	1,114,848	1,704,917
Fees and charges			
Community amenities			
Gate Fee - Participating Member Councils	12,164,698	12,848,500	17,105,624
Gate Fee - Others	5,938,208	1,168,000	2,016,977
Sale of Materials	1,781,792	2,073,500	1,880,139
Consultancy Fee	118,040	5,000	331,951
Others	799,130	0	0
Total fees and charges	20,801,868	16,095,000	21,334,691
Other revenue			
Sale of inventory	0	0	25,000
Other	9,591	0	2,148
	9,591	0	27,148
Interest earnings			
Interest on reserve funds	94,404	133,500	126,068
Other interest earnings	6,063	9,000	52,541
	100,467	142,500	178,609

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

Operating grants, subsidies and contributions are grants, subsidies or contributions that are not non-operating in nature.

Non-operating grants, subsidies and contributions are amounts received for the acquisition or construction of recognisable non-financial assets to be controlled by the local government.

Interest earnings

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Fees and Charges

Revenue (other than service charges) from the use of facilities and charges made for local government services, fee for service, sale of goods and administration fees.

Interest earnings (continued)

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	Note	2020 Actual	2020 Budget	2019 Actual
		\$	\$	\$
Employee costs		6,385,116	4,360,563	5,990,388
Reversal/(Expense) of Redundancy provision	17	(1,596,321)	0	1,853,849
Materials and contracts				
Advertising & Promotion		171,713	159,679	106,783
Consultants costs		491,285	596,478	435,218
Consumables and process costs		124,373	136,550	125,530
Contracted services		225,826	92,000	124,672
Disposal and transport costs		7,516,467	5,421,871	6,417,041
Equipment hire		234,555	73,366	287,891
Product transport costs		121,918	0	0
Project costs - WCF building cleaning		441,229	0	0
Maintenance expenses - routine		1,672,226	2,336,716	2,893,335
Maintenance expenses - non-routine		90,645	81,175	794,175
Site maintenance		389,638	376,975	409,461
Site lease rent*		650,000	684,800	649,999
Other costs		368,407	432,517	460,556
Provision for NRV Adjustment of Inventories		(265,541)	0	427,361
		12,232,741	10,392,127	13,132,022
*Less new recognition of site lease liability		(704,166)	0	0
		11,528,575	10,392,127	13,132,022
Auditors remuneration				
- Audit of the Annual Financial Report		22,100	35,000	22,100
- Additional costs relating to the prior year financial audit		8,000	0	0
- Other services		12,953	5,000	0
		43,053	40,000	22,100
Interest expenses (finance costs)				
- RRRC loans		495,492	496,440	653,913
- Admin building loan		58,535	58,535	58,500
Borrowings	15(d)	554,027	554,975	712,413
Change in interest accrual on borrowings		(486)	0	0
Interest on unwinding of discounts	17	84,047	86,000	85,769
Lease liabilities	14(b)	333,910	0	0
		971,498	640,975	798,182

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

3. CASH AND CASH EQUIVALENTS

NOTE	2020	2019
	\$	\$
Cash at bank and on hand	96,539	877,851
Call deposit	3,473,549	1,900,000
Term deposits	6,604,162	6,252,247
Total cash and cash equivalents	10,174,250	9,030,098
Restrictions		
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:		
- Cash and cash equivalents	9,119,103	5,818,617
- Financial assets at amortised cost	0	1,014,642
	9,119,103	6,833,259

The restricted assets are a result of the following specific purposes to which the assets may be used:

Reserves - cash/financial asset backed	4	7,302,055	5,961,925
Bonds and deposits held	13	1,027,913	871,334
Unspent grants, subsidies and contributions		789,135	0
Total restricted assets		9,119,103	6,833,259

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

Restricted assets

Restricted asset balances are not available for general use by the local government due to externally imposed restrictions. Externally imposed restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement.

4. RESERVES - CASH/FINANCIAL ASSET

RESERVES - CASH/FINANCIAL ASSET																					
	2020			2020			2020			2020			2020			2020			2020		
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	
	Opening	Transfer	Closing	Opening	Transfer	Closing	Opening	Transfer	Closing	Opening	Transfer	Closing	Opening	Transfer	Closing	Opening	Transfer	Closing	Opening	Closing	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
(a) RRRC Plant Reserve	1,874,318	0	(1,874,318)	0			1,874,318	(1,874,318)	0	0			1,843,318	51,000	(20,000)	1,874,318					
(b) RRRC Contingency & Development Reserve	1,925,367	4,973,448	(1,259,000)	5,639,815			1,925,367	2,374,318	0	4,299,685			1,602,367	873,000	(550,000)	1,925,367					
(c) Travel and Conference Reserve	25,000	0	0	25,000			25,000	0	0	25,000			50,000	0	(25,000)	25,000					
(d) Office Accommodation Reserve	271,252	0	0	271,252			250,000	0	0	250,000			250,000	21,252	0	271,252					
(e) Property Insurance Reserve	500,000	0	(500,000)	0			500,000	(500,000)	0	0			500,000	0	0	500,000					
(f) RRRC Restoration Reserve	1,365,988	0	0	1,365,988			1,365,988	0	0	1,365,988			1,000,000	365,988	0	1,365,988					
	5,961,925	4,973,448	(3,633,318)	7,302,055			5,940,673	0	0	5,940,673			5,245,685	1,311,240	(595,000)	5,961,925					

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserves - cash/financial assets backed.

In accordance with Council resolutions or adopted budget in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) RRRC Plant Reserve	Closed	reserve was no longer required, with the balance transferred to the RRRC Contingency Reserve and reserve account closed as adopted by Council in the Adopted Budget.
(b) RRRC Contingency & Development Reserve	Ongoing	to be used to fund shortfalls in operating expenditure, asset renewals and disposals, employment termination provisions and insurance claims below the excess for the Canning Vale RRRC Project.
(c) Travel and Conference Reserve	Ongoing	to be used to fund the requirements for staff and Councillors' travel and Conference attendance.
(d) Office Accommodation Reserve	Ongoing	to be used for funding capital renewal expenditure and non-recurrent maintenance expenditure for the SMRC property located at 9 Aldous Place Booragoon.
(e) Property Insurance Reserve	Closed	reserve was no longer required, with the balance transferred to the RRRC Contingency Reserve and reserve account closed as adopted by Council in the Adopted Budget.
(f) RRRC Restoration Reserve	Ongoing	to be used to meet lease obligations resulting from an early termination of the Ground Lease or at the expiry of the Ground Lease.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2020**

5. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

2020	2019
\$	\$
5,084,059	4,188,075
5,084,059	4,188,075

Other financial assets at amortised cost

Term deposits

Loans receivable - Project Participants

0	1,014,642
5,084,059	3,173,433
5,084,059	4,188,075

(b) Non-current assets

Financial assets at amortised cost

6,629,191	11,713,250
6,629,191	11,713,250

Financial assets at amortised cost

Loans receivable - Project Participants

6,629,191	11,713,250
6,629,191	11,713,250

Loans receivable from Project Participants relate to borrowings disclosed in Note 15(b).

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

The Council classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit and loss

The Council classifies the following financial assets at fair value through profit and loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the Council has not elected to recognise fair value gains and losses through other comprehensive income.

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 25.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

6. TRADE AND OTHER RECEIVABLES

Current

Trade and other receivables

2020	2019
\$	\$
3,187,488	1,501,823
3,187,488	1,501,823

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables include amounts due from gate fees and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 25.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

7. INVENTORIES

Current

Stock on hand - Fuel

Stock on hand - RRRC Critical Spares

Stock on hand - Finished Goods

Provision for Inventory (NRV Adjustment)

Transit stock

2020	2019
\$	\$
2,576	1,983
869,715	654,940
46,023	69,762
(161,820)	(427,361)
433,672	0
1,190,166	299,324
299,324	838,371
(499,941)	(704,435)
(161,820)	(427,361)
427,361	0
1,125,242	592,749
1,190,166	299,324

The following movements in inventories occurred during the year:

Carrying amount at beginning of period

Inventories expensed during the year

Write down of inventories to net realisable value

Reversal of write down of inventories to net realisable value

Additions to inventory

Carrying amount at end of period

SIGNIFICANT ACCOUNTING POLICIES

Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

8. OTHER ASSETS

		2020	2019
		\$	\$
Other assets - current			
Prepayments		19,861	18,646
Accrued income		55,908	74,216
		75,769	92,862
Non-current assets held for sale			
Plant & Equipment		0	4,400,000
		0	4,400,000
Liabilities classified as held for sale			
Employee related provisions	16	0	(555,728)
Provision for redundancy	17	0	(1,853,849)
		0	(2,409,577)

Discontinued operation relating to non-current assets classified as held for sale

In 2019 the Council proposed to dispose of the Plant and equipment relating to the Regional Resource Recovery Centre (RRRC).

The Regional Council resolved at its meeting 19 December 2019, to decline all tenders, subsequent to that a strategic direction workshop was held to seek feedback from members. It was resolved at the ordinary council meeting on 27 February 2020 to terminate the Major Land Transaction and Major Trading Undertaking process and continue business as usual.

Assets were subsequently re-recognised as Non-current assets.

Prior year assets held for sale		4,400,000
Reversal of prior year impairment		2,741,453
(Loss) on recognition of plant and equipment		(891,378)
Fair value recognised in Property, Plant & Equipment	9	6,250,075

Discontinued operation relating to liabilities classified as held for sale

Employee related provisions have been reversed and no longer recognised as a discontinued operation, refer note 17.

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Non-current assets held for sale

Assets are classified as held for sale where the carrying amount will be recovered through a sale rather than continuing use and the asset is available for immediate sale with a sale being highly probable.

Non-current assets held for sale (Continued)

Non-current assets classified as held for sale are valued at the lower of the carrying amount and fair value less costs to sell.

The fair value of land and buildings was determined using the sales comparison approach using comparable properties in the area. This is a level 2 measurement as per the fair value hierarchy set out in Note 32(h).

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land - freehold land and buildings -non- specialised	RRRC Leasehold Improvements - Buildings - specialised	Total land and buildings	Furniture and equipment	Plant and equipment	Information Technology Equipment	Capital work in progress (CWIP)	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	2,226,520	19,251,804	21,478,324	41,096	10,382,529	76,392	370,354	32,348,695
Additions	0	0	0	0	132,111	0	0	132,111
(Disposals)	0	0	0	0	(4,855)	0	0	(4,855)
Revaluation increments / (decrements) transferred to revaluation surplus	(602,694)	0	(602,694)	0	(324,348)	0	0	(927,042)
Impairment (losses) / reversals	0	0	0	0	(2,741,453)	0	0	(2,741,453)
Depreciation (expense)	(28,439)	(1,604,668)	(1,633,107)	(26,711)	(3,414,338)	(37,317)	0	(5,111,473)
Transfers from CWIP	0	0	0	0	370,354	0	(370,354)	0
Transfers to Assets held for sale	0	0	0	0	(4,400,000)	0	0	(4,400,000)
Carrying amount at 30 June 2019	1,595,387	17,647,136	19,242,523	14,385	0	39,075	0	19,295,983
Comprises:								
Gross carrying amount at 30 June 2019	1,600,000	22,788,363	24,388,363	47,564	0	119,451	0	24,555,378
Accumulated depreciation at 30 June 2019	(4,613)	(5,141,227)	(5,145,840)	(33,179)	0	(80,376)	0	(5,259,395)
Carrying amount at 30 June 2019	1,595,387	17,647,136	19,242,523	14,385	0	39,075	0	19,295,983
Change in accounting policy	0	0	0	0	0	0	0	0
Carrying amount at 1 July 2019	1,595,387	17,647,136	19,242,523	14,385	0	39,075	0	19,295,983
Additions	0	0	0	0	91,132	9,586	1,143,042	1,243,760
Revaluation increments / (decrements) transferred to revaluation surplus	0	2,634,912	2,634,912	0	0	0	0	2,634,912
Depreciation (expense)	(18,500)	(1,604,687)	(1,623,187)	(7,324)	(453,388)	(35,546)	0	(2,119,445)
Re-recognition of Plant and equipment	0	0	0	0	6,250,075	0	0	6,250,075
Carrying amount at 30 June 2020	1,576,887	18,677,361	20,254,248	7,061	5,887,819	13,115	1,143,042	27,305,285
Comprises:								
Gross carrying amount at 30 June 2020	1,600,000	19,450,269	21,050,269	47,564	6,341,207	129,038	1,143,042	28,711,120
Accumulated depreciation at 30 June 2020	(23,113)	(772,908)	(796,021)	(40,503)	(453,388)	(115,923)	0	(1,405,835)
Carrying amount at 30 June 2020	1,576,887	18,677,361	20,254,248	7,061	5,887,819	13,115	1,143,042	27,305,285

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land - freehold land and buildings - non-specialised	Level 2	Market approach using market value of similar assets adjusted to condition and comparability	Independent Valuation	01 April 2019	Observable open market value of assets, condition, comparison and highest and best use.
Buildings - non-specialised	Level 2	Market approach using market value of similar assets adjusted to condition and comparability	Independent Valuation	01 April 2019	Observable open market value of assets, condition, comparison and highest and best use.
RRRC Leasehold Improvements - Buildings - specialised	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	30 June 2020	Cost to reproduce or replace similar assets in new condition, depreciation accrued wear and tear, economic and functional obsolescence.
Plant and equipment	Level 3	Cost approach using depreciated replacement cost	Cost Model	30 June 2020	Purchase costs and current condition, residual values and remaining useful life assessments inputs

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

Following a change to Local Government (Financial Management) Regulation 17A, plant and equipment type assets (being plant and equipment, furniture and information technology equipment) are to be measured under the cost model, rather than at fair value. This change is effective from 1 July 2019 and represents a change in accounting policy. Revaluations carried out previously were not reversed as it was deemed fair value approximates cost at the date of change.

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

10. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

Each class of fixed assets within either plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Initial recognition and measurement between mandatory revaluation dates

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. These assets are expensed immediately.

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets that are land, buildings and infrastructure acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of land, buildings and infrastructure is determined at least every five years in accordance with the regulatory framework.

At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires land, buildings and infrastructure to be shown at fair value.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

10. FIXED ASSETS

(a) Disposals of Assets

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and equipment	0	0	0	0	4,855	5,000	145	0
	0	0	0	0	4,855	5,000	145	0

There are no disposal of fixed assets by the Council during the year.

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

10. FIXED ASSETS

(b) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - non-specialised	18,500	31,740	28,439
RRRC Leasehold Improvements -Buildings - specialised	1,604,687	1,604,317	1,604,668
Furniture and equipment	7,324	6,470	26,711
Plant and equipment	453,388	3,417,129	3,414,338
Information Technology Equipment	35,546	13,198	37,317
Right of use assets - plant and equipment	22,797	0	0
Right of use assets - RRRC Ground Lease	933,366	0	0
	3,075,608	5,072,854	5,111,473

Re-recognition and revaluation of plant and equipment

Non-current assets classified as held for sale as on 30 June 2019 were re-recognised to plant and equipment after the Council resolved to terminate the sale process in February 2020.

Depreciation was applied after the re-recognition of the non-current assets to plant and equipment from 1 March 2020.

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Asset Class	Useful life
Computer equipment	1 to 3 years
Furniture and equipment	1 to 3 years
Plant and equipment	3 to 6 years
Leasehold improvements	10 years
Freehold buildings	40 years
Right of use (buildings)	Based on the remaining lease
Right of use (plant and equipment)	Based on the remaining lease

Depreciation on revaluation

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Amortisation

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within Depreciation on non-current assets in the Statement of Comprehensive Income and in the note above.

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

11. LEASES

(a) Right of Use Assets

Movement in the carrying amounts of each class of right of use asset between the beginning and the end of the current financial year.

	Right of use assets - plant and equipment	Right of use assets - RRRC Ground Lease	Right of use assets Total
	\$	\$	
Carrying amount at 30 June 2019	0	0	0
Recognised on initial application of AASB 16	22,797	10,116,142	10,138,939
Depreciation (expense)	(22,797)	(933,366)	(956,163)
Carrying amount at 30 June 2020	0	9,182,776	9,182,776
(b) Cash outflow from leases			
Interest expense on lease liabilities	92	333,818	333,910
Lease principal expense	22,797	367,098	389,895
Total cash outflow from leases	22,889	700,916	723,805
(c) Other expenses and income relating to leases			
Short-term lease payments recognised as expense	243,699	0	243,699
	243,699	0	243,699

SIGNIFICANT ACCOUNTING POLICIES

Leases

At inception of a contract, the Council assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right-of-use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Council uses its incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a remaining term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Leases for right-of-use assets are secured over the asset being leased.

Right-of-use assets - valuation

Right-of-use assets are measured at cost. This means that all right-of-use assets under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position).

Right-of-use assets - depreciation

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Council anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

12. REVALUATION SURPLUS

	2020 Opening Balance	2020 Revaluation Increment	2020 Total Revaluation Movement on	2020 Closing Balance	2019 Opening Balance	2019 Revaluation (Decrement)	2019 Total Revaluation Movement on	2019 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land and buildings -non-specialised	218,039	0	0	218,039	820,733	(602,694)	(602,694)	218,039
Revaluation surplus - RRRC Leasehold Improvements -Buildings - specialised	12,341,979	2,634,912	2,634,912	14,976,891	12,341,979	0	0	12,341,979
Revaluation surplus - Plant and equipment	0	0	0	0	892,962	(892,962)	(892,962)	0
	12,560,018	2,634,912	2,634,912	15,194,930	14,055,674	(1,495,656)	(1,495,656)	12,560,018

In accordance with the Council's accounting policies, the Revaluation Surplus cannot be used except for adjustment to fixed assets on their revaluation, disposal or write-off.

13. TRADE AND OTHER PAYABLES

	2020	2019
	\$	\$
Current		
Sundry creditors	2,947,341	2,697,306
Accrued Interest	1,051	1,537
Accrued salaries and wages	118,954	96,135
Accrued Expenses	468,565	140,202
Bonds and deposits held	1,027,913	871,334
Payroll deductions Payable	828	0
	4,564,652	3,806,514

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Council prior to the end of the financial year that are unpaid and arise when the Council becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

14. LEASE LIABILITIES

(a) Lease Liabilities	
	2020
Current	\$ 638,765
Non-current	9,110,279
	9,749,044
	2019
	\$ 0
	0
	0

(b) Movements in Carrying Amounts

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term Months	30 June 2020		30 June 2020		30 June 2020		30 June 2020		30 June 2020	
					Actual Lease Principal 1 July 2019	Actual New Leases	Actual Lease Principal Repayments	Actual Lease Principal Outstanding	Actual Lease Interest Repayments	Budget Lease Principal 1 July 2019	Budget Lease Principal Repayments	Budget Lease Principal Outstanding	Budget Lease Interest Repayments	
Community amenities														
RRRC Ground Lease	1	City of Canning	3.40%	360	10,116,141	0	367,098	9,749,043	333,818	0	0	0	0	0
Toyota Hilux	2	Custom Service Leasing	2.00%	16	1,549	0	1,549	0	10	0	0	0	0	0
Volvo Hook Truck	3	SG Fleet	2.10%	12	12,013	0	12,013	0	42	0	0	0	0	0
Forlift Grab 3t & Rotator 2.5t	4	Toyota Material Handling	2.10%	24	9,235	0	9,235	0	40	0	0	0	0	0
					10,138,938	0	389,895	9,749,043	333,910	0	0	0	0	0

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

15. INFORMATION ON BORROWINGS

(a) Borrowings

	2020	2019
	\$	\$
Current	5,084,059	3,173,433
Non-current	6,629,191	11,713,250
	<u>11,713,250</u>	<u>14,886,683</u>

(b) Borrowings by Project

The Council has two lending facilities for the following projects:

The Regional Resource Recovery Centre Loan

The RRRC Project Participants have guaranteed by way of security, to the Western Australian Treasury Corporation, a charge over its general funds for the share of any outstanding debenture borrowings provided for the RRRC Project.

Project Participants' limit of its share of the loan liability is as follows:

	2020	2019	2020	2019
	%	%	\$	\$
City of Cockburn (Past Participant)	44.37%	43.98%	4,398,509	5,755,523
Town of East Fremantle	3.09%	3.12%	306,319	408,305
City of Fremantle	12.21%	12.28%	1,210,408	1,607,045
City of Melville	40.33%	40.62%	3,998,014	5,315,811
			<u>9,913,250</u>	<u>13,086,684</u>

Administration Building (9 Aldous Place, Booragoon) Loan

The SMRC Participants have guaranteed by way of security, to the Western Australian Treasury Corporation, a charge over its general funds for the share of any outstanding debenture borrowings provided for the SMRC Administration building at 9 Aldous Place, Booragoon. WA 6154.

Participants' limit of its share of the loan liability is as follows:

	2020	2019	2020	2019
	%	%	\$	\$
City of Cockburn (Past Participant)	0.00%	37.67%	0	678,060
Town of East Fremantle	4.24%	2.68%	76,320	48,240
City of Fremantle	16.76%	10.52%	301,680	189,360
City of Kwinana	23.64%	14.34%	425,520	258,120
City of Melville	55.36%	34.79%	996,480	626,220
			<u>1,800,000</u>	<u>1,800,000</u>

**(c) Undrawn Borrowing Facilities
Credit Standby Arrangements**

	2020	2019
	\$	\$
Credit card limit	155,000	400,000
Credit card balance at balance date	(22,385)	(32,115)
Total amount of credit unused	<u>132,615</u>	<u>367,885</u>

Loan facilities

	2020	2019
	\$	\$
Loan facilities - current	5,084,059	3,173,433
Loan facilities - non-current	6,629,191	11,713,250
Lease liabilities - current	638,765	0
Lease liabilities - non-current	9,110,279	0
Total facilities in use at balance date	<u>21,462,294</u>	<u>14,886,683</u>

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are recognised at fair value when the Council becomes a party to the contractual provisions to the instrument.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Borrowing costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

Risk

Information regarding exposure to risk can be found at Note 25.

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

15. INFORMATION ON BORROWINGS

(c) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual Principal 1 July 2019	Actual repayments 30 June 2020	Actual interest 30 June 2020	Actual Principal outstanding 30 June 2020	Budget Principal 1 July 2019	Budget repayments 30 June 2020	Budget interest 30 June 2020	Budget Principal outstanding 30 June 2020	Actual Principal 1 July 2018	Actual New Loans 30 June 2019	Actual repayments 30 June 2019	Actual interest 30 June 2019	Actual Principal outstanding 30 June 2019
General purpose funding																
Office Accommodation																
Community amenities																
RRRC Project																
	2-6	WATC	2.55%	1,800,000	0	58,535	1,800,000	1,800,000	0	58,535	1,800,000	1,800,000	0	0	58,500	1,800,000
	3-33	WATC	5.66%	0	0	0	0	0	0	0	0	339,670	0	339,670	10,667	0
	3-67	WATC	5.98%	0	0	0	0	0	0	0	0	499,931	0	499,931	31,505	0
	3-73	WATC	4.77%	413,041	96,125	20,603	316,916	413,041	96,125	20,605	316,916	504,768	0	91,727	25,554	413,041
	3-74	WATC	4.10%	1,574,694	366,469	78,546	1,208,225	1,574,694	366,469	78,554	1,208,225	1,924,398	0	349,704	97,425	1,574,694
	3-76	WATC	4.00%	469,893	110,556	20,351	359,337	469,893	110,556	20,353	359,337	576,135	0	106,242	25,305	469,893
	3-80	WATC	3.98%	673,587	183,024	28,670	490,563	673,587	183,024	28,674	490,563	849,505	0	175,918	36,840	673,587
	3-81	WATC	3.99%	1,187,280	322,602	50,534	864,678	1,187,280	322,602	50,541	864,678	1,497,357	0	310,077	64,934	1,187,280
	3-83	WATC	3.99%	528,407	124,386	22,782	404,021	528,407	124,386	22,784	404,021	647,953	0	119,546	28,344	528,407
	3-85	WATC	4.38%	791,728	185,123	36,934	606,606	791,728	185,122	36,937	606,606	968,959	0	177,231	45,895	791,728
	3-87	WATC	3.72%	609,785	144,086	24,716	465,699	609,785	144,086	24,718	465,699	748,635	0	138,850	30,790	609,785
	3-89	WATC	3.17%	1,041,379	248,147	36,899	793,232	1,041,379	248,147	36,904	793,232	1,281,814	0	240,435	46,061	1,041,379
	3-90	WATC	3.17%	799,478	190,505	28,205	608,973	799,478	190,505	28,209	608,973	984,062	0	184,584	35,425	799,478
	3-96	WATC	2.47%	318,068	76,605	9,181	241,463	318,068	76,605	9,183	241,463	382,809	0	74,741	11,570	318,068
	3-98	WATC	2.64%	943,639	226,682	28,707	716,957	943,639	226,682	28,713	716,957	1,164,432	0	220,793	36,145	943,639
	3-99	WATC	2.64%	960,605	230,756	29,223	729,849	960,605	230,757	29,229	729,848	1,185,369	0	224,764	36,795	960,605
	3-100	WATC	2.66%	1,022,282	245,499	31,287	776,783	1,022,282	245,499	31,293	776,783	1,261,539	0	239,257	39,211	1,022,282
	3-101	WATC	2.66%	1,341,367	322,126	41,052	1,019,241	1,341,366	322,126	41,060	1,019,240	1,655,301	0	313,934	51,447	1,341,367
	3-102	WATC	1.39%	411,450	100,742	7,802	310,708	411,451	100,310	8,683	311,141	0	411,450	0	0	411,450
LOAN NO 3-67 Refinanced				14,886,683	3,173,433	554,027	11,713,250	14,886,683	3,173,001	554,975	11,713,682	18,282,637	0	3,395,954	712,413	14,886,683
Less: Refinanced				0	0	0	0	0	0	0	0	0	0	0	0	0
WATC stands for Western Australian Treasury Corporation																
The interest rates stated above exclude the Guarantee fees payable to WATC.																
The interest repayments include the Guarantee fees paid.																

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

16. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2019			
Current provisions	248,291	448,574	696,865
Non-current provisions	0	124,399	124,399
	<u>248,291</u>	<u>572,973</u>	<u>821,264</u>
Comprises			
Continuing operations - Current	37,945	103,192	141,137
Continuing operations - Non-Current	0	124,399	124,399
Discontinued operations	210,346	345,382	555,728
	<u>248,291</u>	<u>572,973</u>	<u>821,264</u>
 Additional provision	262,162	41,719	303,881
Amounts used	(256,095)	(81,936)	(338,031)
Balance at 30 June 2020	<u>254,358</u>	<u>532,756</u>	<u>787,114</u>
Comprises			
Current	254,358	454,329	708,687
Non-current	0	78,427	78,427
	<u>254,358</u>	<u>532,756</u>	<u>787,114</u>
 Amounts are expected to be settled on the following basis:	2020	2019	
Less than 12 months after the reporting date	\$ 708,687	\$ 696,865	
More than 12 months from reporting date	78,427	124,399	
	<u>787,114</u>	<u>821,264</u>	

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

Provision is made for the Council's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Council's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

The Council's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at

Other long-term employee benefits (Continued)

rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Council's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Council does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Provisions

Provisions are recognised when the Council has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

17. OTHER PROVISIONS

	Note	Make Good Provision for Lease	Provision for Redundancy	Total
		\$	\$	\$
Opening balance at 1 July 2019				
Current provisions	8	0	1,853,849	1,853,849
Non-current provisions		3,522,564	0	3,522,564
		3,522,564	1,853,849	5,376,413
Amounts used		0	(257,528)	(257,528)
Unused amounts reversed		0	(1,596,321)	(1,596,321)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate		84,047	0	84,047
Balance at 30 June 2020		3,606,611	0	3,606,611
Comprises				
Current		0	0	0
Non-current		3,606,611	0	3,606,611
		3,606,611	0	3,606,611

Make Good Provision for Lease

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.

Provisions of this nature are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

The discount rate used to determine the present value is a pre-tax rate reflective of current market assessments of the time value of money and risks specific to the liability.

This estimated expenditure required to restore the land to its original condition has been capitalised in accordance with AASB 116. These costs are amortised over the shorter of the term of the lease or the remaining useful life of the assets.

Any increase in the provision due to the passage of time, is recognised in profit or loss as a finance (interest) cost.

Provision for redundancy

In view of the proposed divestment of RRRC Assets in 2019, the Council identified the need for a provision for severance pay, notice period and staff retention incentive.

Due to the decision to terminate the Divestment of RRRC Assets process during the year, the Council no longer expect to make any further redundancy payments.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

18. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Cash and cash equivalents	10,174,250	8,938,087	9,030,098
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	4,142,860	(5,853,403)	(9,448,205)
Non-cash flows in Net result:			
Depreciation on non-current assets	3,075,608	5,072,854	5,111,473
(Profit)/loss on sale of asset	0	0	(145)
Provision for Redundancy	(1,596,321)	0	1,853,849
Inventory write down	(161,820)	0	427,361
Impairment loss on revaluation of assets held for sale	0	0	2,741,453
Loss on revaluation of fixed assets	(1,850,075)	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(1,685,665)	50,000	347,960
(Increase)/decrease in other assets	17,093	106,000	(153,800)
(Increase)/decrease in inventories	(890,842)	100,000	539,047
Increase/(decrease) in payables	746,477	(150,000)	(1,624,878)
Increase/(decrease) in provisions	(34,150)	(20,000)	40,862
Net cash from operating activities	1,763,165	(694,549)	(165,023)

19. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020 \$	2019 \$
Community amenities	62,828,984	50,521,415
	62,828,984	50,521,415

20. CONTINGENT LIABILITIES

SMRC v Alloy Pipe Specialists

The Council has an ongoing case relating to a supply contract for equipment repairs currently listed for pre-trial including further mediation before the Supreme Court of Western Australia v Divinity Nominees Pty Ltd t/as Alloy and Pipe Specialists. The Council expects a favourable outcome and is holding funds in the event that it is unsuccessful.

Contaminated Sites

The Regional Resource Recovery Centre (RRRC) land is owned by the City of Canning Lot 78 Bannister road Canning Vale which is recorded on the DWER Contaminated Sites database.

The Council has no contaminated sites or liability to report.

Other than the above matter, there are no other contingent liabilities as on 30 June 2020.
(Nil as on 30 June 2019)

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

21. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- IT equipment purchases
- capital expenditure projects

2020	2019
\$	\$
0	8,814
1,381,773	0
1,381,773	8,814
1,381,773	8,814

Payable:

- not later than one year

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts (short term and low value leases).

Payable:

- not later than one year
- later than one year but not later than five years
- later than five years

2020	2019
\$	\$
13,550	681,375
0	2,665,000
0	7,887,993
13,550	11,234,368

SIGNIFICANT ACCOUNTING POLICIES

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Council, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leases (Continued)

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

22. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

The following fees, expenses and allowances were paid to council members and/or the President.

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Meeting fees	39,599	47,519	57,500
Chairman allowance	16,719	20,063	19,864
Deputy Chairman allowance	1,672	5,016	4,966
Other allowances	4,667	14,002	17,500
Other reimbursements	0	0	3,022
	62,657	86,600	102,852

Key Management Personnel (KMP) Compensation Disclosure

The total of remuneration paid to KMP of the Council during the year are as follows:

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	823,125	819,093
Post-employment benefits	109,329	110,164
Other long-term benefits	87,557	84,178
Termination benefits	0	379,225
	1,020,011	1,392,660

Short-term employee benefits

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above.

Post-employment benefits

These amounts are the current-year's estimated cost of providing for the Council's superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

These amounts represent termination benefits payable to KMP of the discontinued operations.

Transactions with related parties

Transactions between related parties and the Council are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

	2020 Actual	2019 Actual
	\$	\$
The following transactions occurred with related parties:		
Member Councils of SMRC		
Member Council Contributions and Gate Fees Received	14,960,319	18,590,104
Member Council Contributions for Loan Repayments Received	3,173,433	3,395,954
Member Council Contribution on Withdrawal	0	21,252
Member Council Cont. on Withdrawal - Amended Business Plan	0	6,884
Paid to Member Councils	(3,437)	(3,328)
Amounts outstanding from related parties:		
Trade and other receivables - member councils	1,790,356	869,531

Related Parties

The Council's main related parties are as follows:

i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

ii. Other Related Parties

The associate person of KMP was employed by the Council under normal employment terms and conditions.

iii. Entities subject to significant influence by the Council

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

The SMRC is an Associate of the five local governments (member Councils) formed under the Local Government Act 1995 and an Establishment Agreement. Member Councils pay contributions towards services it receives from the SMRC and contributes towards loan repayments for the assets purchased for these services.

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

23. MAJOR LAND TRANSACTIONS

A business plan, pursuant to Section 3.59 of the Local Government Act 1995 (WA), has been prepared for a Major Land Transaction and Major Trading Undertaking comprising the sub-leasing of the land and buildings, sale of plant and equipment and receipt and processing of recovered waste, via tender, of the Regional Resource Recovery Centre (RRRC) located at 350 Bannister Road, Canning Vale managed by the Southern Metropolitan Regional Council (SMRC).

The Regional Council resolved at its meeting 19 December 2019, to decline all tenders, subsequent to that a strategic direction workshop was held to seek feedback from members. It was resolved at the ordinary council meeting on 27 February 2020 to terminate the Major Land Transaction and Major Trading Undertaking process and continue business as usual.

24. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

REGIONAL RESOURCE RECOVERY CENTRE (RRRC), CANNING VALE

This project is undertaken on behalf of the SMRC's three participating councils and involves construction and operation of an administration and visitors centre, weighbridge, greenwaste processing and waste composting and recycling facility. Operating revenues is received from gate fees from participants / the private sector and sale of materials. Accounting for this undertaking is in accordance with the Local Government (Financial Management) Amendment Regulations 9 & 45.

STATEMENT OF COMPREHENSIVE INCOME	2020	2019
Revenues from Ordinary Activities	\$	\$
Education & Marketing	219,814	212,066
FOGO MUD Grant	0	130,457
RRRC Admin & Weighbridge	136,262	255,797
Recycling	10,542,157	3,394,787
Greenwaste	794,218	834,658
Waste Compost	12,005,011	16,799,639
Business Development	799,130	0
Waste Audit Service	118,040	331,951
Contributions for interest on loans	495,492	653,913
FOGO Transition	8,000	0
	<u>25,118,124</u>	<u>22,613,268</u>
Less Expenses from Ordinary Activities		
Education & Marketing	(306,408)	(265,922)
FOGO MUD Grant	0	(109,458)
RRRC Admin & Weighbridge	(1,567,710)	(1,189,769)
Recycling	(7,304,396)	(5,879,579)
Greenwaste	(403,171)	(943,234)
Waste Compost	(10,814,771)	(17,704,870)
Business Development	0	0
Waste Audit Service	(143,995)	(160,960)
FOGO Operations	(2,520,917)	0
FOGO Transition	(179,887)	(138,926)
	<u>(23,241,255)</u>	<u>(26,392,718)</u>
Add/ (Less): RRRC Revaluation Increment/ (Decrement)		
RRRC Property	1,850,075	(3,065,800)
Less: Borrowing Cost Expense		
RRRC Property	(495,006)	(653,913)
Less: Make Good Provision		
RRRC Property	(84,047)	(85,769)
Add/ (Less): Assets Held for sale adjustments		
Provision for NRV	265,541	(427,361)
Redundancy provision	1,084,796	(1,284,646)
Less: Right-of-use Interest expense		
RRRC Plant & Equipment	(333,910)	0
Net Profit or (Loss)	<u>4,164,318</u>	<u>(9,296,939)</u>

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
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24. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS (Continued)

REGIONAL RESOURCE RECOVERY CENTRE (RRRC), CANNING VALE (Continued)

STATEMENT OF FINANCIAL POSITION

CURRENT ASSETS

	2020	2019
	\$	\$
Cash and cash equivalents	8,490,908	6,741,703
Trade and other receivables	3,187,488	1,501,823
Other financial assets	3,284,059	4,188,075
Inventories	1,190,166	299,324
Other assets	71,220	89,660
Assets classified as held for sale	0	4,400,000
TOTAL CURRENT ASSETS	16,223,841	17,220,585

NON-CURRENT ASSETS

Other financial assets	6,629,191	9,913,250
Property, plant and equipment	25,721,674	17,661,521
Right of use assets	9,182,776	0
TOTAL NON-CURRENT ASSETS	41,533,641	27,574,771

TOTAL ASSETS

57,757,482	44,795,356
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CURRENT LIABILITIES

Trade and other payables	4,441,506	3,617,943
Lease liabilities	638,765	0
Borrowings	3,284,059	3,173,433
Employee related provisions	281,742	0
Other provisions	0	1,572,746
TOTAL CURRENT LIABILITIES	8,646,072	8,364,122

NON-CURRENT LIABILITIES

Lease liabilities	9,110,279	0
Borrowings	6,629,191	9,913,250
Employee related provisions	69,545	98,866
Other provisions	3,606,611	3,522,564
TOTAL NON-CURRENT LIABILITIES	19,415,626	13,534,680

TOTAL LIABILITIES

28,061,698	21,898,802
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NET ASSETS

29,695,784	22,896,554
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EQUITY

Opening Balance	22,896,554	31,503,970
Transfer of unspent FOGO funds to RRRC	0	689,523
Retained Surplus/(Deficit) for year	4,164,318	(9,296,939)
Fair value adjustment to Non-Current assets	2,634,912	0
TOTAL EQUITY	29,695,784	22,896,554

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

25. FINANCIAL RISK MANAGEMENT

This note explains the Council's exposure to financial risks and how these risks could affect the Council's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk - interest rate	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables and financial assets	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by the finance area under policies approved by the Council. The finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

(a) Interest rate risk

Cash and cash equivalents

The Council's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the Council to cash flow interest rate risk. The Council does not have any Short term overdraft facilities.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Council to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2020					
Cash and cash equivalents	0.65%	10,174,250	10,077,711	0	96,539
2019					
Cash and cash equivalents	1.93%	9,030,098	8,152,247	0	877,851
Financial assets at amortised cost	2.57%	1,014,642	1,014,642	0	0

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	101,743	90,301

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Council manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Council does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 15(d).

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

25. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

The Council's major receivables comprise gate fees, sale of materials and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Council manages this risk by monitoring outstanding debt and employing debt recovery policies.

Credit risk on some fee and charges is minimised by the Council by obtaining bank guarantees as a security. The Council is also able to charge interest on over due debts at higher than market rates, which further encourages payments of annual charges as well as gate fees.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

The Council applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of fees and charges over a period of 36 months before 1 July 2019 or 1 July 2020 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors

Based on the above, the loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as nil for trade receivables and Financial assets at amortised cost - Loans receivable - Project Participants.

The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2020					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	2,910,564	101,772	11,424	163,729	3,187,489

30 June 2019

Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%		
Gross carrying amount	1,408,470	22,755	70,598		1,501,823

The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for Financial assets at amortised cost - Loans receivable - Project Participants.

	Non-current	Current	More than 30 days past due	More than 60 days past due	Total
30 June 2020					
Financial assets at amortised cost - Loans receivable - Project Participants.					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	6,629,191	5,084,059	0	0	11,713,250

30 June 2019

Financial assets at amortised cost - Loans receivable - Project Participants.					
Expected credit loss	0.00%	0.00%	0.00%		
Gross carrying amount	11,713,250	3,173,433	0		14,886,683

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

25. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended if required.

The contractual undiscounted cash flows of the Council's payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2020					
Payables	4,564,652	0	0	4,564,652	4,564,652
Borrowings	5,477,373	6,944,150	0	12,421,523	11,713,250
Lease liabilities	638,765	4,066,762	5,043,517	9,749,044	9,749,044
	10,680,790	11,010,912	5,043,517	26,735,219	26,026,946
2019					
Payables	3,806,514	0	0	3,806,514	3,806,514
Borrowings	3,724,638	12,403,738	0	16,128,376	14,886,683
	7,531,152	12,403,738	0	19,934,890	18,693,197

26. MEMBERS WITHDRAWAL FROM THE SMRC

(a) City of Canning's withdrawal from the SMRC

Pursuant to a resolution of the City of Canning on 19 February 2009, the City of Canning, as a Participant under the Establishment Agreement and Project Agreements, gave notice of its intention to withdraw from the SMRC effective from 30 June 2010. In line with the Agreements the City of Canning withdrew from SMRC with effect from that date.

A settlement agreement in September 2012 was agreed between the remaining Participants and the City of Canning to allow the City of Canning to separate its share of the RRRC outstanding loans resulting in a separate loan agreement with the Western Australian Treasury Corporation.

The loan liability was reduced by terminating loans amounting to \$43,440,979, which included the share of the City of Canning and replacing loans that do not have a share of the City of Canning's liability amounting to \$31,286,786.

RRRC Project Agreement states that the assets acquired from borrowings are to be valued only when the borrowings are fully repaid. The appropriate share of City of Canning in these assets is valued at current book values. The share of City of Canning in these assets is still shown as a part of Equity as the City of Canning is not currently entitled for the amount as per the RRRC Project Agreement.

(b) City of Rockingham's withdrawal from the SMRC

Pursuant to a resolution of the City of Rockingham on 27 April 2011, the City of Rockingham, as a Participant under the Establishment Agreement and Office Accommodation Project Agreement, gave a notice of its intention to withdraw from the SMRC effective from 30 June 2012. In line with the Agreements, the City of Rockingham withdrew from SMRC on 30 June 2012.

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

26. MEMBERS WITHDRAWAL FROM THE SMRC (Continued)

(c) City of Cockburn's withdrawal from the SMRC

Pursuant to a resolution of the City of Cockburn on 9 June 2016, the City of Cockburn as a participant under the RRRC Project Agreement, has given notice of its intention to withdraw from the RRRC Project effective from 30 June 2017. In accordance with the RRRC Project Agreement, the SMRC prepared an amended business plan of the RRRC Project having regard to the effect of the withdrawal. The amended business plan was adopted by the SMRC on 19 April 2018.

The City of Cockburn's proportional loan liability at note 15(b) for the RRRC Project will continue to be paid by the City of Cockburn.

Pursuant to a resolution of the City of Cockburn on 10 May 2018, the City of Cockburn, as a Participant under the Establishment Agreement and Office Accommodation Project Agreement, gave a notice of its intention to withdraw from the SMRC effective from 30 June 2019. In line with the Agreements, the City of Cockburn withdrew from SMRC on 30 June 2019.

The City of Cockburn will no longer have a proportional loan liability for the Administration Building at note 15(b) from 1 July 2019.

(d) City of Kwinana's withdrawal from the SMRC

Pursuant to a resolution of the City of Kwinana on 24 June 2020, the City of Kwinana, as a Participant under the Establishment Agreement and Office Accommodation Project Agreement, gave a notice of its intention to withdraw from the SMRC effective from 30 June 2021. In line with the Office Accommodation Project, SMRC will prepare an amended business plan for the project having regard to the effect of the withdrawal and will arrive at amount payable or receivable from the City. This withdrawal is not expected to have a significant impact on the operations or on the financial position of the SMRC.

27. RRRC ISSUES

(a) FOGO Transition and Decommissioning Provision

In accordance with the RRRC Project Amended Business Plan 2018, Participants' have agreed to implement a third bin collection service consisting of a 'Food Organics Green Organics' (FOGO) bin commencing from July 2019. The decision to transition the Waste Composting Facility into a FOGO pre-sort transfer station and decommission plant has yet to be determined, however, the Amended Business Plan includes financial costings and revenue should this transition proceed.

(b) RRRC Licence

In April 2016, the Department of Environment Regulation amended our operating licence for the Regional Resource Recovery Centre by extending the expiry date till 30 March 2033. SMRC is complying with all the conditions and believes that the licence will be renewed when it is due for renewal.

28. EVENTS SUBSEQUENT TO THE REPORTING DATE

There have been no significant transactions or events of a material and unusual nature that have arisen since the end of the reporting date, likely to affect the operations, the results of operations or state of affairs of the Council except for the members withdrawal from the SMRC as disclosed in note 26 of the financial statements.

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

29. TRUST FUNDS

The Council does not have any trust funds on hand as at 30 June 2020. (As at 30 June 2019- Nil)

30. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

During the current year, the Council adopted all of the new and revised Australian Accounting Standards and Interpretations which were compiled, became mandatory and which were applicable to its operations.

(a) AASB 15: Revenue from Contracts with Customers

The Council adopted AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Council adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

Considering that there is no ongoing and continuing performance obligations of the transactions entered by the Council while transferring a promised good or service to a customer, there is no financial impact.

(b) AASB 1058: Income For Not-For-Profit Entities

The Council adopted AASB 1058 Income for Not-for-Profit Entities (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions AASB 1058, the Council adopted the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods was not restated in accordance with AASB 1058 transition requirements.

No financial impact when considering the nature of the transactions entered by the Council.

Refer to Note 2(a) for new revenue recognition accounting policies as a result of the application of AASB 15 and AASB 1058.

(c) AASB 16: Leases

The Council adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Council has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 recognised on 1 July 2019. In applying AASB 16, under the specific transition provisions chosen, the Council will not restate comparatives for prior reporting periods.

	Note	2020
		\$
Operating lease commitments at 30 June 2019 applying AAS 117		11,234,368
Discount applied using incremental borrowing rate		<u>(1,095,430)</u>
Lease liability recognised as 1 July 2019 discounted using the Council's incremental borrowing rate of 3.4%	14(b)	10,138,938
Lease liability - current		389,895
Lease liability - non-current		<u>9,749,043</u>
Right-of-use assets recognised at 1 July 2019		10,138,938

In applying AASB 16 for the first time, the Council will use the following practical expedient permitted by the standard.

- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

31. CHANGE IN ACCOUNTING POLICIES

(a) Change in Accounting Policies due to regulation changes

Effective 6 November 2020, *Local Government (Financial Management) Regulation 16* was deleted and *Local Government (Financial Management) Regulation 17A* was amended with retrospective application. The changes were effective for financial years ending on or after 30 June 2020 so are required to be applied retrospectively with cumulative effect applied initially on 1 July 2019.

In summary the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 July 2019):

	Note	Carrying amount 30 June 2019 \$	Reclassification \$	Carrying amount 01 July 2019 \$
Property, plant and equipment	9	19,295,983	0	19,295,983
Revaluation surplus	12	12,560,018	0	12,560,018

Also, following changes to *Local Government (Financial Management) Regulation 17A*, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change is effective from 1 July 2019 and represents a change in accounting policy. Revaluations carried out previously or during the year were not reversed as it was deemed fair value approximates cost at the date of the change.

(b) Changes in equity due to change in accounting policies

The impact on the Council's opening retained surplus due to the adoption of AASB 15 and AASB 1058 as at 1 July 2019 was as follows:

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			7,108,598
Adjustment to retained surplus from adoption of AASB 15	30(a)	0	0
Adjustment to retained surplus from adoption of AASB 1058	30(b)	0	0
Retained surplus - 1 July 2019			7,108,598

The impact on the Council's opening revaluation surplus resulting from *Local Government (Financial Management) Regulation 16* being deleted and the amendments to *Local Government (Financial Management) Regulation 17A* as at 1 July 2019 was as follows:

	Note	Adjustments	2019 \$
Revaluation surplus - 30 June 2019		0	12,560,018
Adjustment to revaluation surplus from deletion of FM Reg 17	31(a)	0	0
Revaluation surplus - 1 July 2019			12,560,018

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

32. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

b) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where the Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the Council's intentions to release for sale.

c) Rounding off figures

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar. Amounts are presented in Australian Dollars.

d) Comparative figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

e) Budget comparative figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

f) Superannuation

The Council contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Council contributes are defined contribution plans.

g) Fair value of assets and liabilities

Fair value is the price that the Council would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

h) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Council selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Council are consistent with one or more of the following valuation approaches:

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach

Valuation techniques that reflect the current replacement cost of the service capacity of an asset.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Council gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

i) Impairment of assets

In accordance with Australian Accounting Standards the Council's cash generating non-specialised assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash generating specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

33. ACTIVITIES/PROGRAMS

REGIONAL PURPOSE

Statement of Objective

The regional purposes for which the Regional Local Government is established are:

- (a) to plan, coordinate and implement the removal, processing, treatment and disposal of waste for the benefit of the communities of the participants;
- (b) to influence local, state and federal governments in the development of regional waste management policies and legislation.

The objectives of the Regional Local Government shall be:

- (a) without loss being incurred by the Regional Local Government, to carry out the regional purposes so that services and facilities are provided to the consumer at a reasonable cost and with due regard for community needs;
- (b) to reduce the quantity of waste disposed at landfill sites in accordance with targets set by the Regional Local Government.

The Council operations as disclosed in this report encompass the following service orientated programs.

Council operations as disclosed in these financial statements encompass the following service orientated activities/programs.

PROGRAM NAME AND OBJECTIVES GOVERNANCE

ACTIVITIES

Administration and operation facilities and services to Members of Council, other costs that relate to tasks of assisting the member councils and the public on matters which do not concern specific council services. In accordance with legislative changes effective 1 July 1997, the General Administration costs have been allocated to the various programs of the Council to reflect the true cost of the services provided.

COMMUNITY AMENITIES

To provide environmentally friendly waste management facilities to consumers at a competitive cost, mindful of community requirements, whilst aiming to greatly reduce the quantity of waste disposed at landfill sites. This includes the Regional Resource Recovery Centre at Canning Vale which is a Major Commercial Business Undertaking.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

34. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	1.06	1.58	1.21
Asset consumption ratio	0.94	0.75	0.76
Asset renewal funding ratio	1.00	-	1.00
Asset sustainability ratio	0.40	0.03	0.19
Debt service cover ratio	2.20	(0.86)	(0.18)
Operating surplus ratio	0.17	(0.41)	(0.27)
Own source revenue coverage ratio	1.02	0.71	0.79

The asset renewal program for the year 2019 was not reported as a result of the assets held for sale.

The Debt service cover ratio, Operating surplus ratio & Own source revenue coverage ratio for the year 2019 and 2020 disclosed above is distorted by items of significant expense totalling \$2,741,453 in 2019 relating to the impairment loss and \$1,850,075 in 2020 relating to the reversal of impairment loss and loss on recognition of plant and equipment in 2020. The impairment loss on revaluation of asset held for sale are in accordance with AASB 136 Impairment of Assets and Financial Management Regulations 17A (refer to Note 8 & 9(a) for further details). This amount has been included in the ratio calculations above.

If the Impairment loss on revaluation of asset held for sale in 2019 and the reversal of impairment and the loss on recognition of plant and equipment in 2020 are considered to be "one-off" and non-cash in nature and, if these are ignored, the following Ratios would have been shown as below:

Debt service cover ratio	1.70	(0.19)
Operating surplus ratio	0.10	(0.29)
Own source revenue coverage ratio	0.95	0.77

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Council of the Southern Metropolitan Regional Council

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Southern Metropolitan Regional Council which comprises the Statement of Financial Position as at 30 June 2020, and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, as well as notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Southern Metropolitan Regional Council:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Council for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Council in accordance with the *Auditor General Act 2006* and the relevant 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 my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the Council is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of the annual financial report that is free from material misstatement, whether due to fraud or error. In preparing the annual financial report, the CEO is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the Council.

The Council is responsible for overseeing the Council's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report.

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This includes the identification and assessment of the risk of material misstatement due to fraud arising from management override of controls. This description forms part of my auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Council:
 - a. The Asset Sustainability Ratio has been below the Department of Local Government, Sport and Cultural Industries standard for the past three financial years.
The financial ratios are reported in Note 34 of the financial report.
- (ii) The following material matters indicate non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:
 - a. For approximately 26% of purchase transactions we sampled, the purchasing policies allowed an employee to initiate/approve a purchase order and then further approve the associated invoice for payment. This practice increases the risk of fraud, error or omissions relating to purchased remaining undetected, which in turn could lead to misstatements in the financial report.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial ratios for 2018 in Note 34 of the annual financial report were audited by another auditor when performing their audit of the Council for the year ending 30 June 2018. The auditor expressed an unmodified opinion on the annual financial report for that year.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Southern Metropolitan Regional Council for the year ended 30 June 2020 included on the Council's website. The Council's management is responsible for the integrity of the Council's website. This audit does not provide assurance on the integrity of the Council's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



PATRICK ARULSINGHAM
ASSISTANT AUDITOR GENERAL
TECHNICAL AND AUDIT SUPPORT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
23 December 2020



SOUTHERN METROPOLITAN
REGIONAL COUNCIL

ANNUAL REPORT 2019-20

Southern Metropolitan Regional Council

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