



2008-2009 Annual Report



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Notes:

In this annual report, the abbreviation SMRC is used to describe the Southern Metropolitan Regional Council and RRRC for the Regional Resource Recovery Centre.

A carbon dioxide equivalent (CO₂-e) is a distinct measure for describing how much global warming a given type of greenhouse gas may cause, using the functionally equivalent amount or concentration of carbon dioxide as the reference.



The Southern Metropolitan Regional Council

The SMRC's member councils:

City of Canning
City of Cockburn
Town of East Fremantle
City of Fremantle
Town of Kwinana
City of Melville
City of Rockingham

Land area: 656km²
Households: 160,000
Population: 384,000
(Census 2006)



The SMRC at a glance

The Southern Metropolitan Regional Council (SMRC) is a community enterprise representing seven local councils south of Perth, Western Australia, including Canning*, Cockburn, East Fremantle, Fremantle, Kwinana, Melville and Rockingham, and their local communities.

A statutory Western Australian local government authority in its own right, the SMRC is responsible for planning, developing, coordinating and implementing sustainable waste management solutions and greenhouse gas abatement programs and is committed to finding solutions that benefit the environment and reduce climate change.

In 1998, the SMRC adopted a regional waste management strategy that led to the creation of a waste collection system. The Regional Resource Recovery Centre (RRRC), designed to recover 85% of household waste, was built and became operational in 2005.

The multi-million dollar facility is the largest in Australia and designed to recover resources from the region's domestic waste stream in the most effective manner possible. On 1 June 2009 the RRRC suffered a devastating fire, which destroyed the materials recycling centre. Contingency arrangements to maintain this vital community service were put in place immediately and plans to rebuild the centre have already commenced.

*Canning Council has announced its intention to opt out of the scheme and SMRC as of July 2010



Enabling legislation

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

SMRC structure

The SMRC comprises one elected councillor from each of the member councils. It holds ordinary meetings throughout the year, with special meetings called from time to time.

A Chairperson is elected by members for a term of two years. Each councillor has equal voting rights, except the Chairperson who may exercise a second vote in the event of a tie.

The SMRC appointed an audit committee, made up of three regional councillors and one external member; a Regional Executive Committee, comprising the SMRC's Chief Executive Officer and one senior officer from each member council; a Public Relations Committee, created to review the SMRC's communication strategy, and the CEO Performance Committee.

Committees established and appointed by the council. The standing committees are:

Audit Committee

The Audit Committee meets quarterly and is made up of Regional Councillors and members of the public. Its purpose is to review the audit function and performance and risk management processes.

Public Relations Committee

The Public Relations Committee was created to review, consider and discuss the SMRC's communication strategy. It is made up of Regional Councillors and holds regularly scheduled meetings throughout the year, calling additional meetings as needed.

Regional Executive Committee

The Regional Executive Committee consists of the SMRC's Chief Executive Officer and one senior officer responsible for waste management services from each of the member councils' senior management group.

This committee provides technical advice and communication networking for participating councils and the Regional Council. Its role is to review all technical matters relating to the RRRC for consideration by the Regional Council.

CEO Performance Committee

The CEO Performance Committee reviews the performance of the chief executive officer. This committee is made up of all Councillors and meets as needed during the year.



The SMRC has a number of officer advisory groups, including:

Operational Waste Managers Group

Consisting of operational waste managers, this group meets regularly to facilitate resources and information sharing, and to undertake joint inter-council projects such as waste audits and the Regional Landfill Airspace Study.

CCP Officers' Group

Comprising officers from each of the SMRC's member councils, this group is responsible for implementing the Cities for Climate Protection Program (CCP) within each of the local councils. The CCP Officers' Group initiated the Regional Community Greenhouse Strategic Plan and Regional Greenhouse Gases Project - both tasked with the crucial goal of reducing greenhouse gas .

Finance Managers' Group

The Finance Manager's Group comprises executive officers from each of the SMRC's member councils' corporate and financial divisions. The group meets to review the SMRC's financial affairs budget and strategic direction.





The SMRC is represented on a number of external committees and industry associations including:
Municipal Waste Advisory Council
Forum of Regional Councils
Waste Management Association of Australia





Chairman's Report

The SMRC weathered another tough year through 2008 – 2009, with the global financial crisis affecting export sales, a major fire destroying the Material Recovery Facility (MRF), and the Green Waste Processing Facility's (GWPF) three-month closure due to odour issues and operational process upgrades.

On the upside - contingency plans put in place by the SMRC team, together with continuing support from our standing committees and regional communities ensured we triumphed over the adversity.

Since the Regional Resource Recovery Centre (RRRC) began full operations in July 2005, it has diverted an incredible 399,000 tonnes of domestic waste from landfill, recovered 304,000 tonnes of products for sale, and abated more than 626,000 tonnes of Carbon Dioxide equivalent (CO₂e) in our fight against climate change.

With the total tonnage of recycled materials falling short just 6% of the 68% target, a total of 143,000 tonnes was processed during the year - reflecting the loss of capacity at the MRF and GWPF. This represented a minor 3.2% downturn compared with the total tonnage of waste recycled for the previous year - still well exceeding Western Australia's 25% average.

I would particularly like to thank my fellow Regional Councillors for their continued support this year.

The development of the Strategic Waste Management Plan for the region (excluding Canning) was a significant step forward in the member council's aligning to achieve the SMRC's strategic goal of 95% diversion of waste from landfill.


I would also like to thank the three member councils who participated in feasibility studies for rooftop solar photovoltaic systems (PVs). This resulted in installations at the City of Cockburn's Youth Centre at Gateway Shopping Complex, and the Town of East Fremantle lodging an application to Federal Government for a rebate.

The Climatewise team has also had another busy year with free Home Energy Assessment Toolkits being made available from local libraries for SMRC residents to conduct their own home energy assessments.

Interest in our Living Smart course increased, with 97 household participating and informing friends and relatives about ways to live a more sustainable life.

Our offer of free Home Energy Audits also enabled us to make direct contact with 610 households, with more than 200 home audits being carried out by trained auditors to target energy use, reduce emissions and increase awareness of sustainable energy options. This project alone is expected to help reduce 1,100+ CO₂e's over the next five years, which will equate to a \$200,000 total saving by SMRC households.

In addition, we were also delighted to have the then State Minister for Environment and Climate Change, David Templeman MLA, award 18 businesses across the region for their efforts in reducing greenhouse gas emissions as part of the ongoing Climatewise Actions program.



Concerns about odour issues continued to be a primary focus for the SMRC team.

We invested in an independent review of our waste composting facility to identify further areas of improvement in consultation with the Department of Environment and Conservation. The review confirmed our continuing efforts to engage the best possible technology and advice on odour management.

The Department of Health also released the Toxicology Report detailing findings on odour from the RRRC.

While the report verified emissions from the compost plant were not a direct threat to health, it recognised that a small number of residents sensitive to odour had experienced physical discomfort from emotional distress.

We also welcomed the recent Legislative Council Standing Committee report into waste management, which acknowledged the SMRC as a landmark in waste management in WA. The Committee found the SMRC had significantly reduced odour from RRRC and it was gratifying to be recognised as one of the few alternatives to landfill.

Our view is that any impact on the health of residents, physiologically or otherwise, is unacceptable, and we will continue to make every effort to remove that discomfort. More than \$2.4 million has been spent in the last two years on the re-design with upgrades of odour control equipment planned for 2009 - 2010.

Building on the previous year's achievements, we also continued to engage State and Federal members of Parliament in talks about the long-term alternatives to landfill, climate change and the uncertainty over the Federal government's carbon pollution reduction scheme.

I was particularly delighted to host a tour of the RRRC by Greg Combet, parliamentary secretary for climate change, and Federal MP for Fremantle, Ms Melissa Parke in May 2009. Mr Combet was seeking feedback from the Regional Council on the impact of the Federal Government's proposed carbon pollution reduction scheme.

We also urged the State Government to use a three-fold increase in landfill levies to extend community-based recycling services and keep their waste out of landfill.

This past year also saw the development of the regional battery recovery programme and completion of the electronic waste study project, which will provide the framework to recover the growing mound of electronic or 'e-waste'.

Whilst we had a tough year, I am particularly proud of the SMRC's outstanding contribution to the environment in our ongoing battle to fight climate change on behalf of the community, as demonstrated by the sheer volume of resources recovered from household waste and massive reduction in carbon pollution.

Cr Doug Thompson
Chairman



Regional Councillors



Chairman, Cr Doug Thompson, City of Fremantle

Cr Thompson has served on Fremantle City Council for 20 years and represented Fremantle on the SMRC since 1994. He was instrumental in testing options for best practice waste minimisation at the City of Fremantle and believes that working towards environmental waste solutions is the most important issue for local government today. Throughout his time on the Council, he has made a significant contribution in facilitating cooperation between councils to achieve this end.

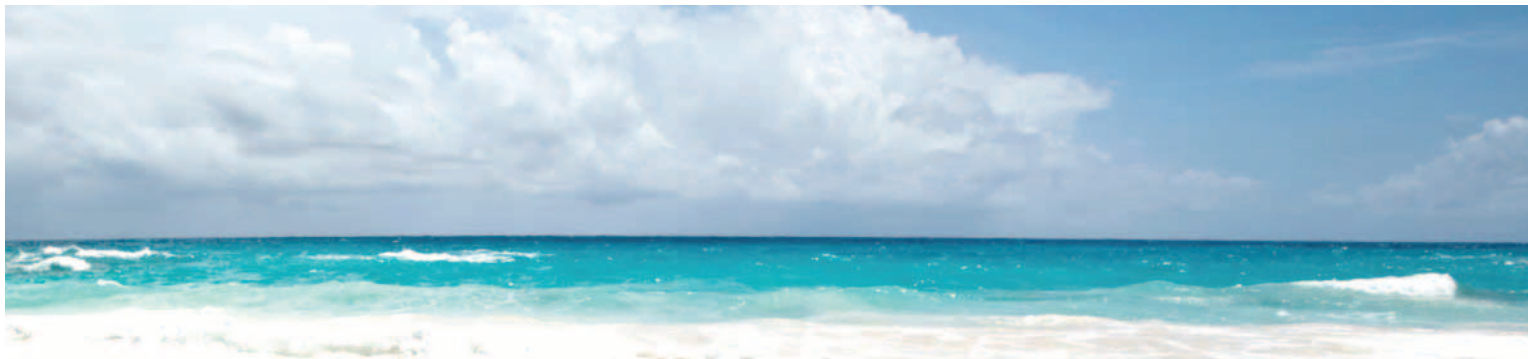


Deputy Chairman, Cr Clive Robartson, OAM, City of Melville

Cr. Robartson is a former Chairman and Deputy Chairman of the SMRC. He has served on the City of Melville Council for over 20 years and has extensive Local Government experience.

A former President of the Western Australian Local Government Association (WALGA) and long term member and Chairman of the Municipal Waste Advisory Council (MWAC), he has represented Local Government on many State and Federal committees that include the WA Waste Advisory Board, Perth Region Natural Resource Management Council, State Standards Panel, Australian Landcare Council and the Australian Local Government Association.

Cr Robartson recognised many years ago that domestic waste could be a valuable resource if collected, separated and marketed appropriately. He has been a strong advocate of the SMRC's regional waste management strategy.



Cr Tony Romano

A relative newcomer to the SMRC, Cr Romano has been a Cockburn City Councillor for over four years. Cr Romano brings with him many years of commercial experience, having worked in and held a number of senior positions in the financial services industry over the past 30 years. He continues to serve on a number of committees and boards both in the commercial and not-for-profit sectors. Cr Romano's business knowledge and experience are an extra value he brings to the Regional Council.



Cr Graham Barry

Cr Barry, who is married with three daughters, has lived in the Bentley/St James area for over 45 years. He is involved with a number of community groups and affiliations such as Rotary, Western Australian Veterans' Support Group, Disabilities Service Advisory Group and Boronia Pre-release Centre for Women (Community Engagement and Advisory Group).

Cr Barry believes in accountability and transparency in Local Government with service to ratepayers and residents a key and integral component. He is committed to strong, fair and equitable representation for all residents.



Cr Bruce Mason, City of Canning (until February 2009*)

Married with two teenage sons, Cr Mason has lived in Parkwood for more than 24 years. He works as manager of an environmental company in Osborne Park and has served on Canning City Council for the past nine years. During this time, he has served two terms as Deputy Mayor, representing the council and ratepayers on numerous council and local government committees.

Cr Mason vigorously pursues the protection of natural resources, while recognising the need for

**Cr Graham Barry replaced Cr Bruce Mason for the City of Canning from March 2009.*



Mayor Stephen Lee, City of Cockburn (until February 2009*)

Mayor Lee has been involved in local government for more than 15 years and has a strong interest in building social capital while beautifying and maintaining parklands and streetscapes.

The City of Cockburn has one of the few remaining landfill facilities – and with his keen interest in recycling and waste management, Mayor Lee understands the extreme importance of managing this asset responsibly. He is also a strong advocate of the SMRC's approach to waste management.

**Cr Tony Romano replaced Mr Stephen Lee for the City of Cockburn from February 2009.*



Mayor Alan Ferris, Town of East Fremantle

A councillor with the Town of East Fremantle for the past three years, Mayor Ferris has represented his local government on the SMRC since December 2006. A qualified accountant with a strong governance background, he also has significant experience as a senior executive in the State Government.

Mayor Ferris supports the SMRC member councils' cooperative approach to providing sustainable and effective waste management strategies for the region. He also believes that working together is the best way to meet growing expectation within the community for sustainable waste management.



Cr Sandra Lee, Town of Kwinana

Cr Lee has served the Town of Kwinana since 2005 and became an SMRC member in 2007. She has a strong interest and commitment to public health, particularly in the areas of waste management, environmental health and community education.

With landfill facilities reaching full capacity, she believes waste generated by society should be processed and recycled to produce sustainable outcomes to help reduce the impact on the earth's natural resources. Cr Lee recognises the important role the SMRC plays in recycling various materials and developing environmentally sustainable solutions.



Cr Richard Smith, City of Rockingham

A past Mayor of the City of Rockingham, Cr Richard Smith has a keenly growing interest in the issue of waste management, recycling, climate change and the need to strive for zero waste in the future, prompting him to commit dedicated time to the SMRC. He believes regional cooperation, supporting the SMRC is the only option for sustainable waste management within our growing communities.



SMRC Staff

Mr Stuart McAll

Chief Executive Officer

Mr Brendan Doherty

Manager Engineering Services

Mr Chris Wiggins

Manager Administration & Finance

Mr Tim Youe

Manager Business Development

Mr Chuck Ellis

Manager Communications

Mr Mike Pennington

Manager Operations RRRC



SMRC Staff (left to right) Brenden Doherty, Neil Husbands - Senior Mechanical Engineer, Chris Wiggins, Mike Pennington, Stuart McAll, Tim Youe, and Chuck Ellis.

Regional Executive Committee

The Regional Executive Committee comprise the SMRC's Chief Executive Officer and one senior officer from each member council (responsible for waste management). The committee provides technical advice and communication networking for participating councils and the SMRC. The 2008-2009 members are:

Mr Stuart McAll, Chief Executive Officer
SMRC REC Chairman

Mr Michael Littleton, Director Engineering
City of Cockburn

Mr Stuart Wearne, Chief Executive Officer
Town of East Fremantle

Mr Jim Duff, Technical Services Director,
City of Fremantle

Mr Glen Dougall, Director Finance
City of Fremantle

Mr Stewart Marshall (Deceased),
Manager Projects & Program Development,
City of Rockingham

Mr Graham Rose, Manager Waste Services
City of Rockingham

Mr Peter McKenzie, Manager Environmental
Health Service, Town of Kwinana

Mr Steven Atwell, Acting Executive Engineering
& Technical Services, City of Canning

Mr Mark Dacombe, Chief Executive Officer
City of Canning

Mr John Christie, Director Technical Services
City of Melville

Mr Paul Finn
External Member





Chief Executive Officer's Report

Despite the difficulties encountered in 2008 - 2009, we remained encouraged by new product developments, sound financial returns and continuing support for the South Metropolitan Regional Council (SMRC) as a quality service provider to its member councils and the community.

Fire, which is a well-documented risk within the recycling business, devastated the Materials Recovery Facility (MRF) at the Regional Resource Recovery Centre (RRRC) in Canning Vale on 1 June 2009.

Lessons learned from this experience will be used to rectify weaknesses in designs for the new facility, which will commence development while we seek planning permission, and is estimated will take approximately 18 months to rebuild.

The fire put our newly created Organisational Risk Register to test.

Now considered an essential service, it had become imperative for us to develop contingency plans to counter unexpected disruptions to operations.

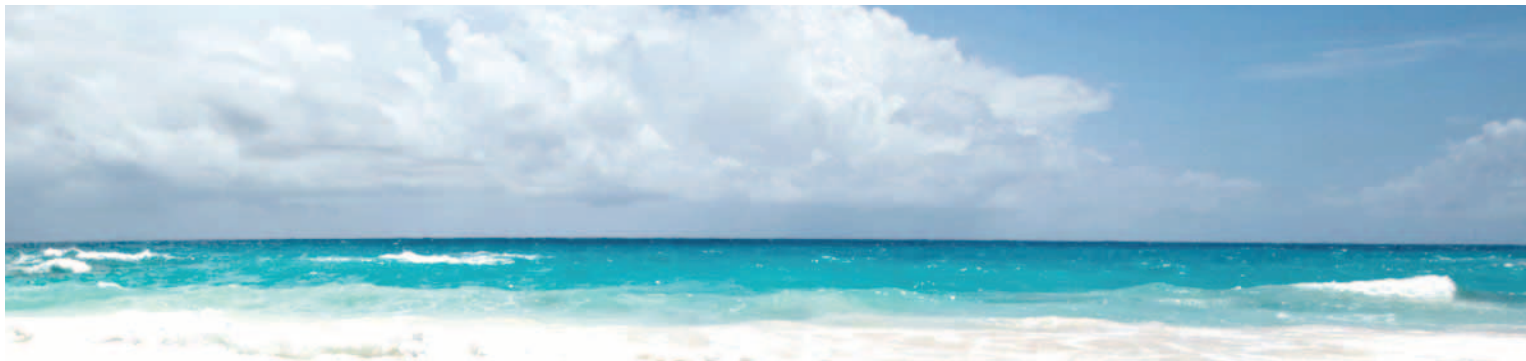
The Register identified all risks within the organisation and provided a platform to develop a full range of alternative solutions. Tested under live conditions in June 2009, the contingency plans proved highly effective with all materials destined for the MRF being diverted to other facilities, with no adverse affect to services to the community.

Although the setback affected overall productivity levels, we still diverted from landfill 62% of waste collected from our member council communities, just 6% short of our 68% target and well above the State's average of 25%.

Our 'big picture' contribution to the environment also remained positive, with a total carbon emissions footprint for 2008 – 2009 from the SMRC resulting in the abatement of 138,000 tonnes of Carbon Dioxide equivalents (CO₂e). This is comparable to an annual reduction in greenhouse gas emissions from approximately 40,000 cars.

We processed 143,000 tonnes of waste, compared with 174,000 for 2007 – 2008. This figure was down due to a combined 26,000 tonnes capacity reduction with the loss of the MRF due to the fire, and the temporary closure of the Green Waste Processing Facility as odour issues were investigated and processes redesigned.

Products from recycled waste were also well on target until the Global Financial Crisis affected nine of our 13 product lines, equating to a \$4million loss in revenue.



However, on a more positive note, a new product line was established in development with Pioneer Road Services glass crushing plant for the recycling of traditionally non-recyclable glass for reuse in Asphalt. This represents a significant step forward in reaching our goal of a 95% diversion of waste from landfill.

An innovative engineering solution was also developed to combat the tyre slippage issues on the digesters. The solution has reduced the cost from \$1.2million (as evidenced by the Cairns Recycling Facility) to an extraordinary low, \$40,000 per tyre.

Another key innovation was the restructuring of the Waste Composting Facility maturation floor management system, with the introduction of the new compost turner. This was recognised by the Department of the Environment and Conservation (DEC) as resulting in a significant reduction in anaerobic odour generated by the facility.

We also undertook a major review of our waste composting facility's odour management system, in conjunction with four independent consultants and the DEC. It targeted our odour management processes, systems management and current infrastructure, and was followed by a review conducted by an overseas specialist to provide an independent opinion of the system as a whole.

No quick fix solutions were unearthed as a result. However, findings recognised the SMRC's considerable efforts in engaging the best possible advice and technology available to tackle the ongoing challenges associated with odour management.

Another positive outcome was the conclusion of the Parliamentary enquiry into the SMRC, which found no negative recommendations, while also endorsing it as an essential service to the community.

The SMRC also emerged as a test case after the Department of Health (DOH) released its long-awaited findings on odour from the Regional Resource Recovery Centre.

While the DOH verified emissions from the compost plant were not a direct threat to health, it recognised that a small number of residents sensitive to odour had experienced physical discomfort from emotional distress.

The SMRC will work closely with the Department of Environment and Conservation to ensure the RRRRC continues to meet its license conditions as well as its environmental goals and the community's expectations.

Finally, I would like to thank the Regional Council and the SMRC staff for their hard work and continuing dedication, endurance and positive outlook throughout this tumultuous year.

Stuart McAll
Chief Executive Officer



Our Vision, Purpose and Principles

In 2008 – 2009 the SMRC's 2007-2012 strategic plan was revised to ensure it remains at the forefront of growing social and economic expectations for sustainable waste management solutions.

This was undertaken in consultation with the regional councils, the Regional Executive Committee and SMRC staff through a series of workshops.

Our **vision** is to be innovators in waste recovery.

Our **purpose** is to provide sustainable solutions in resource recovery and climate change.

Our business will be guided by the following **principles**:

- Employee value
- Innovative solutions
- Community-driven outcomes
- Forward-thinking
- Best economic value
- Integrity
- Adaptiveness
- Responsiveness

Our new vision, purpose and principles now incorporate 'research' into our key areas of focus. This new inclusion recognises the SMRC's growing status as a Centre of Excellence in resource recovery and climate change.

They are:

- Stakeholder Relationships
- Resource Recovery
- Climate Change
- Research
- Organisational Capability

The five areas encompass the triple bottom line of environmental (resource recovery, climate change and research), social (stakeholder relationships) and economic (organisational capability).



Strategic Goals and Key Performance Indicators (KPIs)

The difficulties encountered in 2008 – 2009 affected the SMRC's ability to reach some of the KPIs established by the Regional Council. An explanation and full breakdown of KPIs follow.

Goal 1: Stakeholder Relationships

To provide leadership through partnerships, alliances and relationships.

Key performance indicators - stakeholder relationships		Table 1	
		2008-2009 Target	2008-2009 Actual
LGA, State and Federal relationship management			
1	Member Council Councillor's % satisfied or greater	70%	NA
2	Meeting with State and Federal Members	12	20
3	Presentations to Member Councils	12	14
Effectiveness of community education			
4	Habitual & passionate recyclers %	35%	NA
5	Recyclables in MSW bin	25%	NA
6	Contaminates in recycling bin	6%	NA
7	Community awareness of the SMRC	50%	NA
8	Number of annual visitors to RRRC	3000	2204
9	RRRC visitor survey - % satisfied of very satisfied	90%	95%

Note: NA – not actioned

State, Federal and Member Council meetings

Presentations to State, Federal and Member Councils met and exceeded the SMRC target for 2008 – 2009. As a result, the SMRC has been able to provide valuable input on the future direction of waste management.

SMRC's discussions with Federal members, including Peter Garret in Canberra in March 2009 also appear to have had some effect, with respect to the Federal Government's position on carbon credits generated from the Waste Composting Facility.

The annual community survey was not completed this year due to funding issues as a result of the global financial crisis.

The member Council Councillor's survey was not completed in June 2009 as anticipated, but will be completed and reported in the 1st quarter results for the 2009 – 2010 KPI report.

Audits of the MSW (green) bin and the recycling (yellow) bin were not undertaken this year.

Community Education

Despite making significant progress in terms of services delivery, resource recovery, landfill diversion and the development of education programs, the SMRC recognised it was not communicating well with its stakeholders and commenced steps to address this issue in 2008 - 2009.

One major initiative was the re-launch of the SMRC website in December 2008. This website was re-designed to help residents easily access information on educational programs and SMRC activities and achievements.

Site visitors can also download pdf brochures on topics such as energy reduction, water saving and waste management.

Goal 2: Resource Recovery

To ensure maximum resource recovery to achieve 95% reduction in waste to landfill.

Key performance indicators – resources recovered					Table 2	
		2005-06 tonnes/yr	2006-07 tonnes/yr	2007-08 tonnes/yr	2008-09 tonnes/yr	4 year total tonnes
10	Resources recovered					
	MSW	81,093	74,244	91,863	87,774	334,974
	Bio-solids	1,530	800	2,082	1,946	6,358
	Recyclables	43,086	47,008	51,353	34,173	175,620
	Green waste	27,581	29,021	29,463	19,319	105,385
	Total	153,290	151,074	174,761	143,211	622,336
Total Waste Processed						
11	Waste diverted from landfill	97,010	99,593	113,879	88,695	399,177
12	% sent to landfill	36.7%	34.1%	34.8%	38.1%	35.9%

The RRRC encountered some major difficulties affecting productivity in 2008 – 2009.

On 1 June 2009, it suffered a devastating fire, which completely destroyed the Materials Recycling Facility (MRF). This resulted in a reduction of 16,000 tonnes of capacity. Despite the fire, services to the community continued without effect as the SMRC's contingency plan kicked into effect and waste was diverted to alternative processing facilities.

The Green Waste processing facility was also closed for three months due to odour issues and the redesign of operational processes losing a further 10,000 tonnes of capacity.

Despite this, the total tonnage of recycled materials fell just 6% short of the target, with a total of 143,000 tonnes processed during the year. This represents a minor 3.2% downturn compared with the total tonnage of waste recycled for the previous year - still more than doubling Western Australia's 25% average of waste diverted from landfill.

Overall, since the RRRC has been operating it has diverted 399,000 tonnes of domestic waste from landfill, recovered 304,000 tonnes of products for sale, and abated more than 626,000 tonnes of Carbon Dioxide equivalents (CO₂e).

Carbon abatement also exceeded this year's target of 55,000 tonnes of CO₂e, which is in direct relation to the quantity of waste processed.

Products recovered for sale					Table 3
	2005-06 tonnes/yr	2006-07 tonnes/yr	2007-08 tonnes/yr	2008-09 tonnes/yr	4 year total tonnes
Compost	14,746	20,245	17,330	20,303	72,624
Mulch	27,581	29,021	29,463	19,319	105,385
Recyclables	29,823	32,527	35,484	28,238	126,073
Total	72,150	81,793	82,277	67,861	304,081
Tonnes of CO ₂ e abated					
Waste composting	64,874	59,395	74,714	70,219	269,203
Recyclables	56,926	62,107	67,848	45,149	232,030
Green waste	32,821	34,536	34,980	22,990	125,327
Total	154,621	156,038	177,542	138,358	626,560

Table 3 shows the quantity of products produced by the RRRC last year. The significant drop from 82,000 to 68,000 of products produced is due to the temporary closure of the green waste processing facility and the fire at the materials recovery facility. This is also reflected in the quantity of CO₂e abated.

Goal 3: Climate Change

To provide leadership to assist and facilitate the reduction of greenhouse gases within the region.

Key performance indicators - climate change			Table 4
		2008-2009 Target	2008-2009 Actual
13	Greenhouse program attendance	1200	1757
14	Visitor survey satisfaction %	90%	95%
15	Net carbon credits achieved (tonnes/year)	65,000	70,219

Climate Actions for Business

Ten businesses in the Town of Cottesloe were helped by the Climatewise team to improve their energy efficiency. The Town of Cottesloe hired the team to engage their businesses and identify opportunities for energy efficiency improvement - encouraging them to take action.

Climatewise successfully engaged the businesses at a rate of 90%. The project is yet to be evaluated but early experiences suggest that this project will reduce 300 tCO₂e over the next five years.

Climatewise® Trade Mark

The Climatewise brand was trade marked in 2008 – 2009.



Energy audits

Free home energy audits for SMRC Member council residents were very well received in 2008-09. About 40% of the contacted households wanted to have their homes assessed and more than 200 audits were conducted.

The aim of the audits was to help householders:

- reduce energy use (electricity and gas),
- reduce greenhouse gas emissions,
- increase awareness of sustainable energy and energy efficiency technologies, and
- reduce household expenditure on energy bills.

The auditors were also able to answer specific questions and/or address issues raised during the audit, in addition to performing some on-the-spot actions including adjusting the hot water thermostat and helping householders sign-on for Green Power.

Free Home Energy Assessment Toolkits

Residents of SMRC Councils were also able to perform their own home energy assessment without having to pay experts to come to their homes. Developed by member councils and the SMRC's Climatewise team, Home Energy Assessment Toolkits were made available at local member council libraries. The toolkits are intended to empower households to improve their energy efficiency and the thermal performance of their homes.

Details about the toolkits and where to access them are on the new Climatewise website www.climatewise.net.au launched in 2008 – 2009.


Living Smart

Community interest in attending the Living Smart course rose from 76 in 2007 – 2008, to 97 participants for 2008-09. Course participants also informed friends and relatives about ways to live a more sustainable lifestyle. Living Smart courses are expected to reduce CO₂e equivalents by 2,000 over the next five years.

Running since 2004, this community environmental program empowers participants with skills and knowledge to take action to improve the sustainability of their home and their community. The course is delivered over a six weeks period with one lecture per week.

The SMRC also assisted other organisations to deliver Living Smart courses during the year, engaging a further 105 participants, bringing the total reduction of 2008 - 2009 greenhouse gas emissions to 253 CO₂e.

Table 5: Distribution of audits across member council areas	
Audit location	Audit distribution
East Fremantle	5
Fremantle	38
Cockburn	56
Canning	68
Rockingham	46
Kwinana	10
Number of completed audits	223



“I am passionate about this subject and even though I had already done a lot to improve my home’s energy efficiency, the auditor came up with things I had missed.” *Canning resident*

Recycling initiatives

This past year also saw the development of the regional battery recovery programme and completion of the Electronic Waste Study Project, which will provide the framework to recover the growing mound of electronic, or ‘e-waste’.

Renewable energy initiatives

Climatewise conducted feasibility studies for three member councils for the installation of rooftop solar photovoltaic systems. The studies resulted in a 5kW system being installed at the City of Cockburn’s Youth Centre at Gateway Shopping Complex. The Town of East Fremantle has also lodged an application to the Federal Government for a rebate.

Risk Assessment and Adaptation Plan

Climatewise completed a year-long project to identify the risks of climate change to the local government and developed an adaptation action plan. This was a great achievement for the member councils, as most are located in the coastal areas and likely to be impacted by climate change.

The process involved identifying and prioritising risk as a result of rigorous stakeholder consultation. The assessment was conducted using the Australian Standard for Risk Management (AS/NZS 4360:2004).

Once approved by the Department of Climate change, a detailed report will be presented to member councils and other stakeholders to encourage the development of strategies to address these risks.

Two major risks identified and in need of immediate action: The availability of water for park areas and natural wetlands.

Table 6: Summary of Greenhouse Gas emission achievements		
Projects/activity	GHG savings 2008-2009 (tCO ₂ e)	Total GHG saving over the next 5 years (tCO ₂ e)*
Climate actions – business	57	285
Energy audits – households	111	555
Energy actions flyers to households	54	109
Living Smart	136	679
People indirectly informed by the Living Smart participation	501	1,504
Households advised on rooftop PVs	7	68
Total	860	3,200



Goal 4: Research

To explore and research innovative solutions to ensure best practice in resource recovery and greenhouse gas abatement.

Recycling service value confirmed

In 2008 – 2009 the SMRC completed its research project on the weekly collection of recyclables (yellow top bin). After conducting a weekly recycling collection trial in Bibra Lake, results from the waste audits found a reduction in contamination in the green top bin and an improvement in the amount of recyclables collected in the yellow top bin. A survey of the trial community found residents valued the weekly recycling service and were willing to pay an extra fifty cents to one dollar for the service. The results of the trial have been presented to the SMRC Member Council for their consideration.

Residual waste to supply power to the RRRC

The SMRC has begun research into a pyrolysis/ gasification process, which would heat, without burning, the residual waste from the waste composting facility and use the gases created for power generation.

More research will be conducted in 2009-2010 - however early results are promising. If successful, this process could divert more waste from landfill, while supplying power to the RRRC.

Odour emissions study prompts process changes

As a result of SMRC research, we are changing the way green waste is handled at its Canning Vale recycling plant after a new study identified moist tree prunings, dry leaves and other garden clippings cause odour emissions.

Using a combination of onsite measurement, laboratory analysis and computer modelling, the study has challenged current thinking on green waste by revealing new information on the volume and speed of material decomposition and the concentration of odour produced during the grinding process.



Goal 5: Organisational Capability

To ensure the Southern Metropolitan Regional Council is efficient and effective.

The following key performance indicators were used in 2008 - 2009 to measure the SMRC's success in achieving this goal:

Table 7: Key performance indicator – organisational capability			
		2008-2009	2008-2009
		Target	Actual
16	Statutory compliance		
	External audit non-compliances	0	2
17	Internal audit non-compliances	0	N/A
	Total operating income	\$27,222,689	\$24,932,429
	Total operating expenditure	\$23,820,557	\$24,118,524
18	Operating result (before depreciation)	\$ 3,402,132	\$ 813,903
19	RRRC operating income	\$23,618,196	\$20,914,386
	Capital expenditure program		
	Capital expenditure %	100%	55%
20	Capital expenditure program \$	\$ 3,982,817	\$ 2,193,644
	RRRC net cost/tonne	\$ 122.58	\$ 127.81
21	Safety lost time injuries incidents	0	5
22	Environmental compliance incidents	0	2
23	Odour management audits (4 per year) non-compliances	0	4
24	Staff satisfaction survey – satisfied or greater	70%	68%

Note: NA – Not actioned

Statutory Compliance

The external auditor reported two non-compliance issues during an interim audit visit in May 2009. The matter referred to:

- Plan for the Future - not completed
- The Financial Management System Review – not completed

Plan for the Future

The plan was postponed due to a number of factors affecting the strategic directions of the SMRC. One factor was the compiling of the Regional Strategic Waste Management Plan and the other significant factor was the City of Canning's notice of intention to withdraw from the SMRC and the requirement to prepare an amended business plan. Following a review of the Strategic Plan and amended business plan by April 2010 a draft plan will be considered by the regional council.

Further information is available on the SMRC website: www.smrc.com.au
 The current SMRC Strategic Plan 2007-2012
 The Strategic Waste Management Plan adopted 27 Nov 2008.



Financial Results

SMRC has net assets of \$55.6 million and working capital surplus of \$3.3 million at of 30 June 2009. Due to the loss of the MRF assets, the SMRC has written down the depreciated asset value and increased receivables for future proceeds from insurance to cover the depreciated asset value of \$11million - refer to note 2(a) in the financial statements.

For the year ended 30 June 2009, the SMRC had revenue of \$25 million. Net operating surplus of \$1.5 million recorded before depreciation of \$4.4 million. Transfer to reserves of \$1.3 million is funded from the surplus.

The original budget approved in June 2008 reported a net operating surplus of \$3.4 million before depreciation of \$4.5 million. Transfer to reserves of \$2.5 million.

However due to the global financial crisis impacting on the MRF surplus and increased costs the original budget was not able to be achieved. This was reported to Council during its budget review in February 2009.

The cashflow statement ended 30 June 2009, reported a net decrease in cash used of approximately \$877,000 leaving cash in bank balance of \$3 million (\$3.8 million last year).

The SMRC's total outstanding loans as of 30 June 2009 were \$50.6 million. The borrowings were reduced by \$1.9 million during the year.

The balance in the reserve fund is \$2.8 million, an increase from last year of \$1 million.

The capital program was reviewed due to the GFC and cash flow requirements resulted in a \$0.4m carry forward to the 2009/10 financial year.

This has resulted in an average net cost per tonne for project participants of \$128 per tonne for all waste processed by the SMRC. This is \$5.00 above the budget forecast of \$123 per tonne.

Environmental Compliance

The RRRC had two environmental compliance issues in 2008 – 09. We received an Environment Protection Notice, as a result of odour emissions from the Waste Composting Facility and an Environmental Field Notice due to site contamination, as a result of the fire destroying the materials recycling facility.

Staff Satisfaction

The staff satisfaction survey indicated 68% of staff were satisfied or very satisfied with their employment at the SMRC in 2008 - 2009. This is just short of our 70% target.

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.

Application of Competitive Neutrality Principles

For significant business activities (business activities where annual income exceeds \$200,000) 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 centre meets the “public benefit test” in respect to “user pay charges” and the provision of services is beneficial to the regional community.

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.

- A Record Keeping Plan for the SMRC was submitted (2/3/2004) and approved by the State Records Commission (7/10/2004).
- Staff training programmes for new and existing staff are regularly undertaken to ensure staff comply with the Record Keeping Policy and Procedures.

Disability Access & Inclusion Plan

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



SOUTHERN METROPOLITAN REGIONAL COUNCIL
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

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SOUTHERN METROPOLITAN REGIONAL COUNCIL

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

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 being the annual financial report, supporting notes and other information for the financial year ended 30 June 2009 are in my opinion properly drawn up to present fairly the financial position of the Southern Metropolitan Regional Council at 30 June 2009 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995, as amended and Regulations under that Act.

Signed on the 12 October 2009



Stuart McAll
Chief Executive Officer

SOUTHERN METROPOLITAN REGIONAL COUNCIL

INCOME STATEMENT

BY NATURE & TYPE

FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 \$	2009 Budget \$	2008 \$
REVENUES FROM ORDINARY ACTIVITIES				
Operating Grants, Subsidies & Contributions	23	6,178,805	3,919,335	3,886,494
Fees and Charges	24	18,537,846	23,046,440	20,697,887
Interest Earnings	2(a)	215,778	256,914	229,669
		<u>24,932,429</u>	<u>27,222,689</u>	<u>24,814,050</u>
EXPENSES FROM ORDINARY ACTIVITIES				
Employee Costs		5,959,898	5,198,389	5,516,160
Materials and Contracts		12,766,502	12,559,956	10,200,746
Utilities		1,716,772	2,323,832	1,733,303
Depreciation on Non-current Assets	2(a)	4,400,207	4,500,000	4,435,323
Insurance		406,077	311,704	429,069
Other		-	108,100	-
Interest expense		3,269,277	3,318,576	3,374,594
		<u>28,518,733</u>	<u>28,320,557</u>	<u>25,689,195</u>
		<u>(3,586,304)</u>	<u>(1,097,868)</u>	<u>(875,145)</u>
Non-Operating Items				
Non-Operating Grants, Subsidies and Contributions	23	11,933,330	-	-
Profit on Asset Disposals	26	27,991	-	-
Fair value adjustments to financial assets at fair value through profit or loss	2(a)	(224,500)	-	(326,100)
Realised Loss on disposal of Financial Assets	4	-	-	(10,395)
Loss on Asset Disposal	26	(11,035,590)	-	(408,284)
OPERATING SURPLUS/(DEFICIT)		<u>(2,885,073)</u>	<u>(1,097,868)</u>	<u>(1,619,924)</u>

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

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
BALANCE SHEET
AS AT 30 JUNE 2009**

	NOTE	2009 \$	2008 \$
CURRENT ASSETS			
Cash & Cash Equivalents	3	2,979,015	3,855,654
Investments	4	450,000	1,174,500
Trade & Other Receivables	5	21,638,404	9,442,581
Inventories	6	549,908	202,938
TOTAL CURRENT ASSETS		25,617,327	14,675,673
NON-CURRENT ASSETS			
Trade & Other Receivables	5	44,688,673	45,872,377
Property, Plant and Equipment	7	41,302,542	54,547,967
TOTAL NON-CURRENT ASSETS		85,991,215	100,420,344
TOTAL ASSETS		111,608,542	115,096,017
CURRENT LIABILITIES			
Trade & Other Payables	8	4,988,483	3,700,630
Current portion of Long Term Borrowings	9	5,881,398	6,653,585
Provisions	10	387,562	353,125
TOTAL CURRENT LIABILITIES		11,257,443	10,707,340
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	44,688,673	45,872,377
Provisions	10	72,334	82,211
TOTAL NON-CURRENT LIABILITIES		44,761,007	45,954,588
TOTAL LIABILITIES		56,018,450	56,661,928
NET ASSETS		55,590,092	58,434,089
EQUITY			
Retained Surplus/(Deficit)		(16,830,894)	(16,151,095)
Participants Equity		61,357,537	61,316,461
Reserves - Cash backed	11	2,806,857	1,879,744
Asset Revaluation Reserve	12	8,256,592	11,388,979
TOTAL EQUITY		55,590,092	58,434,089

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009**

	NOTE	2009 \$	2008 \$
RETAINED SURPLUS (DEFICIT)			
Balance as at 1 July		(16,151,095)	(13,427,074)
Operating Surplus/(Deficit)		(2,885,073)	(1,619,924)
Transfer from/(to) Reserves	11	(927,113)	(1,104,097)
Transfer from/(to) Revaluation Reserve	12	3,132,387	-
Balance as at 30 June		<u>(16,830,894)</u>	<u>(16,151,095)</u>
PARTICIPANTS EQUITY			
Balance as at 1 July		61,316,461	60,396,014
Participants Contribution for the year		870,000	1,700,000
Less: Loans repaid from Equity		(828,924)	(779,553)
Balance as at 30 June		<u>61,357,537</u>	<u>61,316,461</u>
RESERVES - CASH BACKED			
Balance as at 1 July		1,879,744	775,647
Transfer from/(to) Retained Surplus	11	927,113	1,104,097
Balance as at 30 June		<u>2,806,857</u>	<u>1,879,744</u>
ASSET REVALUATION RESERVE			
Balance as at 1 July		11,388,979	11,388,979
Increments / (Decrements)	12	(3,132,387)	-
Balance as at 30 June		<u>8,256,592</u>	<u>11,388,979</u>
TOTAL EQUITY		<u><u>55,590,092</u></u>	<u><u>58,434,089</u></u>

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	2009 \$	2009 Budget \$	2008 \$
Cash Flows From Operating Activities				
Receipts				
Operating Grants, Subsidies & Contributions		4,128,511	6,592,355	3,886,494
Fees and Charges		18,727,623	23,072,354	20,293,899
Interest Earnings		227,073	81,000	229,669
		<u>2,498,047</u>	<u>700,000</u>	<u>2,680,394</u>
		25,581,254	30,445,709	27,090,456
Payments				
Employee Costs		(5,941,709)	(5,075,876)	(5,382,601)
Materials and Contracts		(11,689,619)	(12,422,245)	(10,991,699)
Utilities (gas, electricity, water, etc)		(1,716,772)	(2,323,832)	(1,733,303)
Insurance		(406,077)	(311,704)	(429,069)
Interest		(3,265,933)	(3,318,576)	(3,365,508)
Goods & Services Tax		(2,714,218)	(700,000)	(1,509,325)
Other		-	(108,100)	-
		<u>(25,734,328)</u>	<u>(24,260,333)</u>	<u>(23,411,505)</u>
Net Cash Provided By (Used In)				
Operating Activities	13(b)	<u>(153,074)</u>	<u>6,185,376</u>	<u>3,678,951</u>
Cash Flows from Investing Activities				
Payments for Purchase of				
Land and Buildings	7	(7,409)	-	-
Information Technology Equipment	7	(37,567)	(91,318)	(59,928)
Furniture & Fittings	7	(12,011)	(2,000)	-
Plant & Equipment	7	(1,951,608)	(3,214,000)	(1,188,377)
Payments for Construction of				
RRRC Leasehold Improvements	7	(213,786)	(675,500)	(105,458)
Payments for purchase of Investments	4	-	-	(1,000,940)
Proceeds for sale of Investments	4	500,000	-	991,195
Proceeds from Sale of				
Plant & Equipment	26	60,000	135,000	36,591
Grants and Contributions for the Development of Assets		<u>897,740</u>	<u>-</u>	<u>-</u>
Net Cash Provided By (Used In)				
Investing Activities		<u>(764,641)</u>	<u>(3,847,818)</u>	<u>(1,326,917)</u>
Cash Flows from Financing Activities				
Contributions from Project Participants				
for loan repayments		1,996,967	-	1,890,619
Repayment of Loans	31	(2,825,891)	(2,828,924)	(2,670,172)
Proceeds from New Loans	31	<u>870,000</u>	<u>-</u>	<u>1,700,000</u>
Net Cash Provided By (Used In)				
Financing Activities		<u>41,076</u>	<u>(2,828,924)</u>	<u>920,447</u>
Net Increase (Decrease) in Cash Held		<u>(876,639)</u>	<u>(491,366)</u>	<u>3,272,481</u>
Cash at Beginning of year		3,855,654	3,760,023	583,173
Cash at End of Year	13(a)	<u><u>2,979,015</u></u>	<u><u>3,268,657</u></u>	<u><u>3,855,654</u></u>

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), other mandatory professional reporting requirements and the Local Government Act 1995 and accompanying regulations.

The report has also been prepared on the accrual basis under the convention of historical cost accounting as modified by the accounting treatment relating to the revaluation of financial assets and liabilities at fair value through profit and loss and certain classes of non-current assets.

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 this experience and other factors combine to form the basis of making judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

(b) 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, but a separate statement of those monies appears at Note 19 to this financial report.

(c) Goods and Services Tax

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the Balance Sheet are stated inclusive of applicable GST.

(d) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity 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.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included as short-term borrowings in current liabilities on the balance sheet.

(e) Trade and Other Receivables

Trade receivables, which generally have 30 - 90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for uncollectible amounts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

(f) Inventories

Inventories are valued 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 cost necessary to make the sale.

Inventories held from trading are classified as current even if not expected to be realised in the next 12 months.

(g) Fixed Assets

Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed includes the cost of all materials, direct labour and variable and fixed overheads.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets (continued)

Revaluation

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from value. For asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on a basis to reflect the already consumed or expired future economic benefits of the asset.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ significantly from that determined using fair value at reporting date.

(h) Depreciation of Non-Current Assets

All non-current assets having a limited useful life where the cost / fair value exceeds \$500 for furniture, computer and electronic equipment and \$1,000 for vehicles, plant and equipment, buildings and infrastructure assets are systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

Depreciation is recognised on a straight line basis, using rates which are reviewed each reporting period. The fair value of leasehold improvements is capitalised and the fair value is amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

Major depreciation periods are:

Computer Equipment	3 to 5 years
Furniture and Equipment	5 to 10 years
Plant and Equipment	4 to 15 years
Leasehold Improvements	10 to 50 years
Freehold Buildings	40 years

(i) Investments and Other Financial Assets

Classification

Council classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Other Financial Assets (Continued)

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when Council's right to receive payments is established. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(j) Estimation of Fair Value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(k) Impairment

In accordance with Australian Accounting Standards the Council's 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 estimate of the recoverable amount of the asset is made in accordance with AASB 136 'Impairment of Assets' and appropriate adjustments made.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

(l) Trade and Other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the 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 and are usually 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 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee Benefits

The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, wages and salaries and are calculated as follows:

(i) Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)

The provision for employees' benefits to wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the Council has a present obligation to pay resulting from employees services provided to balance date. The provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.

(ii) Long Service Leave (Long-term Benefits)

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows. Where Council does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

(n) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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.

(o) Provisions

Provisions are recognised when: The council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(p) 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 equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(q) Grants, Donations and Other Contributions

Grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(e). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operation for the current reporting period.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Superannuation

The Council contributes to the Local Government Superannuation Scheme and other similar schemes. All the funds are defined contribution schemes.

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(s) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. 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 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 even if not expected to be realised in the next 12 months.

(t) Rates

The Council does not levy rates. Accordingly the rating statement and information as required by the Local Government Act (Financial Management Regulations) has not been presented in these financial statements.

(u) Participants Contribution

The Participants contributions towards the Regional Resource Recovery Centre (RRRC) is treated as an equity contribution. The Participants Equity is also credited when loans are taken which are guaranteed by SMRC/ RRRC participants. The corresponding liability of participants is shown as a receivable.

However, when a loan are repaid by the Council without seeking funds from the project participants, the receivables and equity are reduced by the amount of loan repaid.

(v) Rounding Off Figures

All figures shown in this financial report are rounded to the nearest dollar.

(w) Comparative Figures

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

(x) 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.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) New Accounting Standards and Interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2009.

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

Title and Topic	Issued	Applicable (*)	Impact
(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8	February 2007	1 January 2009	Nil – The Standard is not applicable to not-for-profit entities.
(ii) Revised AASB 123 Borrowing Costs (includes AASB 2009-1) and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	June 2007 and April 2009	1 January 2009	Nil – There have been two revisions to the Standard. The first removed the option to expense all borrowing costs and required the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The second (AASB2009-1) reinstated the choice to either expense or capitalise in the case of not-for-profit entities. There will be no impact on the financial report of the Council as it already capitalises borrowing costs relating to qualifying assets and will continue to do so.
(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101	September 2007 and December 2007	1 January 2009	Nil – The revised Standard requires the presentation of a Statement of comprehensive income and makes changes to the Statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If Council has made a prior period adjustment or has reclassified items in the financial statements, it is likely it will need to disclose a third balance sheet (Statement of Financial Position), being as at the beginning of the comparative period.
(iv) AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	July 2008	1 January 2009	Nil – The revisions are part of the AASBs annual improvement project to help ensure consistency with presentation, recognition and measurement criteria of IFRSs.
AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	July 2008	1 July 2009	The revisions embodied in these standards relate largely to terminology or editorial comments and will have a minimal effect on the accounting practices of the Council. It is not anticipated the more significant changes will have any effect on the financial report as the topics are not relevant to the operations of the Council.
(v) AASB 2008-11 Amendments to Australian Accounting Standard – Business Considerations Among Not-for-Profit Entities	November 2008	1 July 2009	Nil – Whilst this standard has the effect of applying AASB 3 Business Combinations to the Not-for-Profit sector, specific provisions are provided in respect of local government. These specific provisions are very similar to the previous requirements of AAS 27.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) New Accounting Standards and Interpretations (Continued)

Title and Topic	Issued	Applicable (*)	Impact
(vi) AASB 2008-1 Amendments to Australian Accounting Standard – Share-Based Payments: Vesting Conditions and Cancellations	February 2008	1 January 2009	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2008-2 Amendments to Australian Accounting Standards Puttable Financial Instruments and Obligations Arising on Liquidation	March 2008	1 January 2009	
AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	March 2008	1 January 2009	
AASB 2007-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	July 2008	1 January 2009	
AASB 2008-8 Amendments to Australian Accounting Standards – Eligible Hedged Items	August 2008	1 July 2009	
AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101	September 2008	1 January 2009	
AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-Cash Assets to Owners	December 2008	1 July 2009	
Interpretation 1 – Changes in Existing, Decommissioning, Restoration and Similar Liabilities	June 2007	1 January 2009	
Interpretation 12 – Service Concession Arrangements	June 2007	1 January 2009	
Interpretation 15 – Agreements for the Construction of Real Estate	August 2008	1 January 2009	
Interpretation 16 – Hedges of a Net Investment in a Foreign Operation	August 2008	1 October 2008	
Interpretation 17 – Distributions of Non-Cash Assets to Owners	December 2008	1 July 2009	
Interpretation 18 – Transfers of Assets from Customers	March 2009	Ending 1 July 2009	

Notes:

(*) - Applicable to reporting periods commencing on or after the given date.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

2 OPERATING REVENUES AND EXPENSES

2 OPERATING REVENUES AND EXPENSES		2009	2008
		\$	\$
(a) Result from Ordinary Activities			
The Result from Ordinary Activities includes:			
(i) Charging as Expenses:			
Auditors Remuneration			
Previous Auditors			
- Other Services		-	900
Current Auditors			
- Audit (Including \$12,000 for the previous year)		25,100	12,000
		<u>25,100</u>	<u>12,900</u>
Revaluations of Investments			
Revaluations of Investments valued at fair value through profit & loss. The Investments (Refer Note 4) have been impacted by the global financial market volatility since 1 July 2007. These investments have been revalued to fair values as at 30 June 2009.			
		224,500	326,100
		<u>224,500</u>	<u>326,100</u>
Amortisation			
- Leasehold Improvements		1,429,250	1,444,196
		<u>1,429,250</u>	<u>1,444,196</u>
Depreciation			
Computer Equipment		60,742	43,975
Furniture and Equipment		19,919	20,279
Plant and Equipment		2,857,484	2,891,795
Freehold Buildings		32,812	35,078
		<u>2,970,957</u>	<u>2,991,127</u>
Total Amortisation & Depreciation		<u>4,400,207</u>	<u>4,435,323</u>
Rental Charges - Operating Leases		<u>1,163,060</u>	<u>749,626</u>
MRF Fire Loss - Carrying amount of property, plant & equipment destroyed in MRF Fire Accident on 1 June 2009 (Refer to Note 29). The amount is also recognised as an insurance claim receivable as at balance date.		<u>11,035,590</u>	<u>-</u>
(ii) Crediting as Revenues:			
Interest Earnings	2009	2009	2008
	\$	Budget	\$
		\$	
- Reserve Funds	93,987	175,914	54,320
- Other Funds	121,791	81,000	175,349
	<u>215,778</u>	<u>256,914</u>	<u>229,669</u>

(b) Revenues and Expenses from Ordinary Activities Classified According to Function

	Note	2009 \$	2009 Budget \$	2008 \$
Revenues From Ordinary Activities				
Governance		449,672	426,363	404,668
Community Amenities		36,444,078	26,796,326	24,409,382
		<u>36,893,750</u>	<u>27,222,689</u>	<u>24,814,050</u>
Expenses From Ordinary Activities				
Excluding Borrowing Costs Expense				
Governance		492,159	469,818	410,134
Community Amenities		36,017,387	24,532,163	22,649,246
		<u>36,509,546</u>	<u>25,001,981</u>	<u>23,059,380</u>
Borrowing Costs Expense				
Governance		116,820	116,820	117,137
Community Amenities		3,152,457	3,201,756	3,257,457
		<u>3,269,277</u>	<u>3,318,576</u>	<u>3,374,594</u>
Operating Surplus/(Deficit)		<u>(2,885,073)</u>	<u>(1,097,868)</u>	<u>(1,619,924)</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

2. OPERATING REVENUES AND EXPENSES (Continued)

(d) 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:

GOVERNANCE

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. Directly attributable administration costs have been recorded in the relevant program while indirect costs have been allocated on the basis of Administration staff timesheets.

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.

(e) Conditions Over Contributions

Grants which were recognised as revenues in the previous reporting period, which were not expended at the close of the previous reporting period :

	2009 \$	2008 \$
Glass Contamination Reduction Programme	10,000	-
Zero Waste Plan	86,431	-
Residential Target Action Programme	6,477	-
Climate Actions	14,445	-
Local Adaptations Pathways Programme	49,682	-
	<u>167,035</u>	<u>-</u>

Add: New Grants which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

Glass Contamination Reduction Programme	-	10,000
Zero Waste Plan	-	86,431
Residential Target Action Programme	-	6,477
Climate Actions	-	14,445
Local Adaptations Pathways Programme	-	49,682

Less: Grants which were recognised as revenues in the previous reporting period and which were expended in the current reporting period in the manner specified by the contributor.

Glass Contamination Reduction Programme		
Zero Waste Plan	9,969	-
Residential Target Action Programme	2,332	-
Climate Actions	14,445	-
Local Adaptations Pathways Programme	40,356	-
Closing Balance of Unspent Grants	<u>99,933</u>	<u>167,035</u>

Comprises:

Glass Contamination Reduction Programme	10,000	10,000
Zero Waste Plan	76,462	86,431
Residential Target Action Programme	4,145	6,477
Climate Actions	-	14,445
Local Adaptations Pathways Programme	9,326	49,682
	<u>99,933</u>	<u>167,035</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

	2009 \$	2008 \$
3. CASH & CASH EQUIVALENTS		
Cash on Hand	1,150	1,150
Cash at Bank	340,720	1,947,410
Cash at Call	2,637,145	1,907,094
	<u>2,979,015</u>	<u>3,855,654</u>
Unrestricted	23,215	780,830
Restricted	2,955,800	3,074,824
	<u>2,979,015</u>	<u>3,855,654</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Unspent Grants	99,933	167,035
Unspent Loans	-	1,028,045
Retention & Bonds	49,010	-
Reserve Fund - RRRC Plant	2,737,256	1,840,143
Reserve Fund - RRRC Infrastructure	39,601	39,601
Reserve Fund - Conference Reserve	30,000	-
	<u>2,955,800</u>	<u>3,074,824</u>
4. INVESTMENTS		
Financial assets at fair value through profit and loss	<u>450,000</u>	<u>1,174,500</u>
Financial assets at fair value through profit and loss		
Balance as at 1 July	1,174,500	1,501,250
Additions during the year	-	1,000,940
Revaluations to Income Statement	(224,500)	(326,100)
Realised Loss to Income Statement	-	(10,395)
Disposals during the year	(500,000)	(991,195)
Balance as at 30 June	<u>450,000</u>	<u>1,174,500</u>
Held for Trading		
FRNs	425,000	895,700
CDOs	25,000	278,800
Total	<u>450,000</u>	<u>1,174,500</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Unspent Loans	343,819	-
Retention & Bonds	106,181	739,648
Total	<u>450,000</u>	<u>739,648</u>
5. TRADE & OTHER RECEIVABLES		
Current		
Sundry Debtors	2,430,236	2,375,714
Accrued Income	13,243,572	413,282
Prepaid expenses	83,198	-
Loan Debtors - Project Participants	5,881,398	6,653,585
	<u>21,638,404</u>	<u>9,442,581</u>
Non-Current		
Loan Debtors - Project Participants	44,688,673	45,872,377
	<u>44,688,673</u>	<u>45,872,377</u>
6. INVENTORIES		
Stock on Hand - Fuel	3,548	-
Stock on Hand - RRRC Critical Spares	546,360	202,938
	<u>549,908</u>	<u>202,938</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

	2009 \$	2008 \$
7. PROPERTY, PLANT AND EQUIPMENT		
RRRC Leasehold Improvements -at Fair Value	22,959,135	28,054,000
RRRC Leasehold Improvements -at Cost (In 2007-08 & 2008-9)	308,651	105,458
Less Accumulated Amortisation	<u>(2,485,118)</u>	<u>(1,444,196)</u>
At Fair Value & Cost less Accumulated Amortisation	20,782,668	26,715,262
Freehold Land & Buildings -at Fair Value	2,170,000	2,170,000
Freehold Land & Buildings -at Cost (In 2007-08 & 2008-9)	7,409	
Less Accumulated Depreciation	<u>(67,890)</u>	<u>(35,078)</u>
At Fair Value & Cost less Accumulated Amortisation	2,109,519	2,134,922
Information Technology Equipment - at cost	430,311	449,856
Less Accumulated Depreciation	<u>(330,832)</u>	<u>(293,895)</u>
	99,479	155,961
Furniture and Equipment - at cost	291,708	279,696
Less Accumulated Depreciation	<u>(203,079)</u>	<u>(183,159)</u>
	88,629	96,537
Plant and Equipment - at cost	29,829,123	35,912,396
Less Accumulated Depreciation	<u>(11,606,876)</u>	<u>(10,467,111)</u>
	18,222,247	25,445,285
Total Property, Plant and Equipment	<u>41,302,542</u>	<u>54,547,967</u>

Movements in carrying amounts

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

	Leasehold Improvements	Freehold Land & Buildings	Information Technology Equipment	Furniture & Equipment	Plant & Equipment	Total Property, Plant and Equipment
Balance at the beginning of the year	26,715,262	2,134,922	155,961	96,537	25,445,285	54,547,967
Additions	213,786	7,409	37,567	12,011	1,951,608	2,222,381
Disposals (note 26)	(4,717,130)	-	(33,307)	-	(6,317,162)	(11,067,599)
Depreciation/Amortisation expense	(1,429,250)	(32,812)	(60,742)	(19,919)	(2,857,484)	(4,400,207)
Carrying amount at the end of year	<u>20,782,668</u>	<u>2,109,519</u>	<u>99,479</u>	<u>88,629</u>	<u>18,222,247</u>	<u>41,302,542</u>

Freehold Land & Buildings and Leasehold improvements Valuation

Freehold Land & Buildings and Leasehold improvements were revalued at fair values as on 30 June 2007 by AVP Valuers, an independent valuer. The Revaluation Surplus was credited to Asset Revaluation Reserve.

The assets involved in revaluation were valued at the amount for which the asset could be exchanged between knowledgeable and willing parties in an arm's length transaction. The valuation is on a presumption that the entity is a going concern without any intention or need to liquidate its operation or undertakes the sale of assets on adverse terms. The fair value is measured having regard to the highest and best use of the asset for which market participants would be prepared to pay.

	2009 \$	2008 \$
8. TRADE & OTHER PAYABLES		
Current		
Sundry Creditors	4,315,728	1,986,335
Accrued Expenses	280,848	518,733
GST Payable	115,002	331,173
Accrued Salaries and Wages	109,284	115,655
Accrued Loan Interest	12,430	9,086
Retention & Bonds	<u>155,191</u>	<u>739,648</u>
	<u>4,988,483</u>	<u>3,700,630</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

9. LONG TERM BORROWINGS	2009	2008
	\$	\$
Current		
Debentures	5,881,398	6,653,585
	<u>5,881,398</u>	<u>6,653,585</u>
Non Current		
Debentures	44,688,673	45,872,377
	<u>44,688,673</u>	<u>45,872,377</u>

Additional detail on Debentures is provided in note 31.

The Council has two lending facilities for the following projects:

1. The Regional Resource Recovery Centre Loan Limit \$ 55 M

The RRRC Project Participants has 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.

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

	2009	2008		
City of Canning	27.98%	28.02%	13,644,465	14,214,050
City of Cockburn	26.95%	25.24%	13,144,612	12,804,733
Town of East Fremantle	2.42%	2.43%	1,181,855	1,230,598
City of Fremantle	8.99%	9.58%	4,383,773	4,858,191
City of Melville	33.66%	34.73%	16,415,366	17,618,390
			<u>48,770,071</u>	<u>50,725,962</u>

2. Administration Building (9 Aldous Place, Booragoon) Loan Limit \$2M

The SMRC Participants has 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.

\$1,800,000

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

	2009	2008		
City of Canning	20.14%	20.81%	362,520	374,580
City of Cockburn	19.40%	18.75%	349,200	337,500
Town of East Fremantle	1.74%	1.80%	31,320	32,400
City of Fremantle	6.47%	7.11%	116,460	127,980
Town of Kwinana	6.04%	5.88%	108,720	105,840
City of Melville	24.23%	25.80%	436,140	464,400
City of Rockingham	21.98%	19.85%	395,640	357,300
			<u>1,800,000</u>	<u>1,800,000</u>

10. PROVISIONS

Current

Provision for Annual Leave	299,421	272,974
Provision for Long Service Leave	88,141	80,151
	<u>387,562</u>	<u>353,125</u>

Non Current

Provision for Long Service Leave	72,334	82,211
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The charge to the operating result for the movement in the provision for employee entitlements during the year was \$24,560 (2008, \$85,068)

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

11. RESERVES- CASH BACKED

In accordance with the Council resolutions in relation to each reserve account, the purpose for which the funds are set aside are as follows:

RRRC Plant Reserve- to be used to fund the purchase of plant and equipment for the Canning Vale RRRC Project as per the adopted budget- Ongoing

RRRC Infrastructure Reserve- to be used to fund the capital expenditure requirements and/or loan borrowings for the Canning Vale RRRC Project and to be utilised as per the adopted budget- Ongoing

RRRC Travel & Conference Reserve- to be used to fund the requirements for staff & Councillors' travel and conference attendance- Ongoing

	2009 \$	2009 Budget \$	2008 \$
(a) RRRC Plant Reserve			
Balance as at 1 July	1,840,143	1,559,264	713,546
Transfers to Reserve	1,297,500	1,457,500	1,405,718
Transfers from Reserve	(400,387)	(1,350,000)	(279,121)
Balance as at 30 June	<u>2,737,256</u>	<u>1,666,764</u>	<u>1,840,143</u>
(b) RRRC Infrastructure Reserve			
Balance as at 1 July	39,601	39,601	39,601
Transfers to Reserve	-	1,000,000	-
Transfers from Reserve	-	-	-
Balance as at 30 June	<u>39,601</u>	<u>1,039,601</u>	<u>39,601</u>
(c) Travel & Conference Reserve			
Balance as at 1 July	-	-	22,500
Transfers to Reserve	30,000	30,000	-
Transfers from Reserve	-	(30,000)	(22,500)
Balance as at 30 June	<u>30,000</u>	<u>-</u>	<u>-</u>
Total Reserves- Cash backed	<u>2,806,857</u>	<u>2,706,365</u>	<u>1,879,744</u>

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this financial report.

SUMMARY OF RESERVE TRANSFERS

Transfers To Reserves- Cash Backed

RRRC Plant Reserve	1,297,500	1,457,500	1,405,718
RRRC Infrastructure Reserve	-	1,000,000	-
Travel & Conference Reserve	30,000	30,000	-
	<u>1,327,500</u>	<u>2,487,500</u>	<u>1,405,718</u>

SUMMARY OF RESERVE TRANSFERS

Transfers From Reserves- Cash Backed

RRRC Plant Reserve	(400,387)	(1,350,000)	(279,121)
RRRC Infrastructure Reserve	-	-	-
Travel & Conference Reserve	-	(30,000)	(22,500)
	<u>(400,387)</u>	<u>(1,380,000)</u>	<u>(301,621)</u>

Net Reserve Movement (Cash Backed)	<u>927,113</u>	<u>1,107,500</u>	<u>1,104,097</u>
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12. ASSET REVALUATION RESERVE

In accordance with the Council resolution, this non-cash backed reserve cannot be used except for adjustment to fixed assets on their revaluation, disposal or write-off.

(a) Freehold Land & Building

Balance as at 1 July	425,712	425,712	425,712
Increments / (Decrements)	-	-	-
Balance as at 30 June	<u>425,712</u>	<u>425,712</u>	<u>425,712</u>

(b) Leasehold Improvements

Balance as at 1 July	10,963,267	11,463,267	10,963,267
Transfer to Retained Surplus on disposal	(3,132,387)	-	-
Balance as at 30 June	<u>7,830,880</u>	<u>11,463,267</u>	<u>10,963,267</u>

Total Asset Revaluation Reserve	<u>8,256,592</u>	<u>11,888,979</u>	<u>11,388,979</u>
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SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

13. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks and investments, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Balance Sheet as follows:

	2009 \$	2009 Budget \$	2008 \$
Cash on Hand	1,150	1,800	1,150
Cash at Bank	340,720	266,857	1,947,410
Cash at Call	2,637,145	3,000,000	1,907,094
	<u>2,979,015</u>	<u>3,268,657</u>	<u>3,855,654</u>

(b) Reconciliation of Net Cash Provided By Operating Activities to Change in Net Assets Resulting from Operations

Change in Net Assets Resulting from Operations	(2,885,073)	(1,097,868)	(1,619,924)
Depreciation	4,400,207	4,500,000	4,435,323
(Profit)/Loss on Sale / Disposal of Asset	11,007,599	-	408,284
(Increase)/Decrease in Receivables	(12,884,812)	2,523,020	(403,988)
(Increase)/Decrease in Prepaid Expenses	(83,198)	24,467	-
(Increase)/Decrease in Inventories	(346,970)	-	11,799
Increase/(Decrease) in Creditors & Accruals	1,287,853	213,245	425,894
Increase/(Decrease) in Employee Provisions	24,560	22,512	85,068
Realised Loss on disposal of Financial Assets	-	-	10,395
Revaluations of Investments valued at fair value through profit & loss	224,500	-	326,100
Grants and Contributions for the Development of Assets	(897,740)	-	-
Net Cash from Operating Activities	<u>(153,074)</u>	<u>6,185,376</u>	<u>3,678,951</u>

	2009 \$	2008 \$
(c) Credit Standby Arrangements		
Credit Card limit	39,000	20,000
Credit Card balance at Balance Date	(14,718)	-
Total Amount of Credit Unused	<u>24,282</u>	<u>20,000</u>
(d) Loan Facilities		
Loan Facilities - Current	5,881,398	6,653,585
Loan Facilities - Non-Current	44,688,673	45,872,377
Total Facilities in Use at Balance Date	<u>50,570,071</u>	<u>52,525,962</u>
Unused Loan Facilities at Balance Date	<u>-</u>	<u>-</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

	2009 \$	2008 \$
14. CAPITAL AND LEASING COMMITMENTS		
(a) Capital Expenditure Commitments		
Capital expenditure commitments contracted for as at the balance date and which have not been recognised as liabilities in the Balance Sheet are as follows:		
Regional Resource Recovery Centre Contracts	<u>459,034</u>	<u>169,730</u>
Payable:		
- not later than one year	<u>459,034</u>	<u>169,730</u>
	<u>459,034</u>	<u>169,730</u>
(b) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	526,340	515,402
- later than one year but not later than two years	461,685	472,941
- later than two years but not later than five years	1,283,943	1,285,331
- later than five years	<u>6,720,000</u>	<u>7,140,000</u>
	<u>8,991,968</u>	<u>9,413,674</u>
15. CONTINGENT LIABILITIES		
There were no claims or pending claims or any other contingent liabilities as at the balance date. (2008- Nil)		
16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY		
Community Amenities	<u>111,608,542</u>	<u>115,096,017</u>
	<u>111,608,542</u>	<u>115,096,017</u>
17. EMPLOYEES' REMUNERATION		
The number of employees of the Council, in bands of \$10,000, entitled to an annual cash salary of \$100,000 or more:		
Salary Range \$		
180,000 - 189,999	1	-
170,000 - 179,999	-	1
120,000 - 129,999	2	1
110,000 - 119,999	-	1
100,000 - 109,999	<u>3</u>	<u>2</u>
Total	<u>6</u>	<u>5</u>
NUMBER OF EMPLOYEES		
The number of full-time and part-time employees as at the balance date.	<u>65</u>	<u>64</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

	2009 \$	2009 Budget \$	2008 \$
18. COUNCILLORS' REMUNERATION			
The following fees, expenses and allowances were paid to the Council members, the Chairman and Deputy Chairman.			
Meeting Fees	59,000	72,000	40,000
Chairman & Deputy Chairman Allowances	12,500	3,500	1,250
Other reimbursements	703	-	-
	<u>72,203</u>	<u>75,500</u>	<u>41,250</u>

19. TRUST FUNDS

The Council does not have any trust funds on hand as at 30 June 2009. (As on 30 June 2008- Nil)

20. BUDGET COMPARISON

(a) Operating Income and Expenditure

		2009 \$	2009 \$ Budget
Recycling Facility Surplus / (Deficit)	1	1,379,216	2,531,423
Waste Composting Facility Surplus / (Deficit)	2	162,138	900,000
Green Waste Facility Surplus / (Deficit)		73,633	183,318
Depreciation on non-current assets		(4,400,207)	(4,500,000)
Loss of disposal of assets	3	(11,007,599)	-
Insurance Claim accounted for loss of assets	4	11,035,590	-
Revaluation of investments	4	(224,500)	-
Others		96,656	(212,609)
		<u>(2,885,073)</u>	<u>(1,097,868)</u>

(Note: all variations to the budget have been reviewed by the Regional Council and amendments adopted during the year)

1. Reduced realisation to Global Financial Crisis and also lower sales volumes due to external processing.
2. Due to lower volumes and lower income.
3. Refer Note 26 & 29 for details.
4. Refer Note 2 (a)(i) for details.

(b) Non Operating Income and Expenditure

The following is a comparison of non-operating income and expenditure not included in the operating statement:

Non Operating Income

Proceeds on sale of assets		60,000	135,000
Loans raised	1	4,743,571	3,873,571
Loan Principal Contributions		1,996,967	2,000,000

Non Operating Expenditure

Principal repayment of loans		6,699,462	6,702,495
Construction/purchase of assets			
Land & Buildings		7,409	-
Furniture and Equipment		12,011	2,000
Computers and Equipment		37,567	91,318
Plant and Equipment	2	1,951,608	3,214,000
Leasehold Improvements		213,786	675,500

Comments - Reasons for variations from budgeted amounts:

1. As per the Revised budget.
2. Reduced as per approved Revised Budget.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

21. MAJOR TRADING UNDERTAKING

REGIONAL RESOURCE RECOVERY CENTRE (RRRC), CANNING VALE

This project is undertaken on behalf of the SMRC's five participating councils. The \$55 m project funded by borrowings and payable over 10-20 years by the five participants, involves the construction of an administration & 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.

INCOME STATEMENT

Revenues from Ordinary Activities

	2009 \$	2008 \$
Education & Marketing	412,080	395,604
RRRC Admin & Weighbridge	106	2,055
Recycling	7,235,500	7,443,488
Greenwaste	1,084,425	1,477,829
Waste Compost	12,501,238	11,746,600
Waste Audit Service	92,979	1,578
Contributions for interest on loans	2,545,357	2,595,561
Insurance Claim for MRF Fire Loss	11,035,590	-
Others	925,731	-
	<u>35,833,006</u>	<u>23,662,715</u>

Less Expenses from Ordinary Activities

Education & Marketing	585,645	358,921
RRRC Admin & Weighbridge	(387,112)	5,442
Recycling	6,555,156	6,235,580
Greenwaste	1,122,731	1,452,850
Waste Compost	16,002,727	13,879,973
Business Development	305,765	-
Waste Audit Service	132,617	130,686
MRF Fire Loss	11,035,590	-
	<u>35,353,119</u>	<u>22,063,452</u>

Less Borrowing Cost Expense

RRRC Property	3,152,457	3,257,457
Net Profit or (Loss)	<u>(2,672,570)</u>	<u>(1,658,194)</u>

BALANCE SHEET

Current Assets

Cash & Cash Equivalents	2,720,090	3,545,937
Investments	105,025	725,793
Trade & Other Receivables	21,507,572	9,314,703
Inventories	549,908	202,938
Total Current Assets	<u>24,882,595</u>	<u>13,789,371</u>

Non-Current Assets

Trade & Other Receivables	42,888,673	44,072,377
Property, Plant and Equipment	18,290,793	25,560,347
Leasehold Improvements	20,782,668	26,715,262
Total Non-Current Assets	<u>81,962,134</u>	<u>96,347,986</u>

Total Assets

	<u>106,844,729</u>	<u>110,137,357</u>
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Current Liabilities

Trade & Other Payables	4,734,250	3,408,023
Borrowings - current portion	5,881,398	6,653,585
Provisions	106,158	147,578
Total Current Liabilities	<u>10,721,806</u>	<u>10,209,186</u>

Non-Current Liabilities

Borrowings - non-current portion	42,888,673	44,072,377
Provisions	45,151	35,201
Total Non-Current Liabilities	<u>42,933,824</u>	<u>44,107,578</u>

Total Liabilities

	<u>53,655,630</u>	<u>54,316,764</u>
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Net Assets

	<u>53,189,099</u>	<u>55,820,593</u>
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Equity

Opening Balance	55,820,593	56,558,340
RRRC Participants Contribution towards Equity	870,000	1,700,000
Retained Surplus/(Deficit) for year	(2,672,570)	(1,658,194)
Less: Loans repaid from Equity	(828,924)	(779,553)
Total Equity	<u>53,189,099</u>	<u>55,820,593</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

22. ECONOMIC DEPENDENCY

A significant portion of revenue is received from the members as contributions as disclosed in note 23 and also in form of RRRC Gate fees as indicated in the note 24.

23. GRANT REVENUE

	2009 \$	2008 \$
Grants, Subsidies and Contributions are included as operating revenue in the Income Statement		
By Programme:		
Governance	449,672	404,688
Community Amenities	17,662,463	3,481,806
	<u>18,112,135</u>	<u>3,886,494</u>
By Nature & Type:		
Operating Grants, Subsidies and Contributions	6,178,805	3,886,494
Non-operating Grants, Subsidies and Contributions	11,933,330	-
	<u>18,112,135</u>	<u>3,886,494</u>

24 FEES & CHARGES

Community Amenities	<u>18,537,846</u>	<u>20,697,887</u>
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25. FINANCIAL RATIOS

	2009	2008	2007
Current Ratio	1.980	1.090	1.026
Debt Ratio	0.502	0.492	0.493
Debt Service Ratio	0.150	0.243	0.242
Gross Debt to Revenue Ratio	2.026	2.117	2.666
Untied Cash to Trade Creditors Ratio	0.005	0.393	0.176
Gross Debt to Economically Realisable Assets Ratio	0.453	0.456	0.458

The Regional Council does not levy rates and the Rate Coverage Ratio and Outstanding Rates Ratio are not applicable. The above rates are calculated as follows:

Current Ratio :
$$\frac{\text{Current assets minus restricted current assets}}{\text{Current liabilities minus liabilities associated with restricted assets}}$$

Purpose: To assess adequacy of working capital and the ability to satisfy short-term obligations.

Debt Ratio:
$$\frac{\text{Total liabilities}}{\text{Total assets}}$$

Purpose: To identify exposure to debts by measuring the proportion of assets funded by creditors.

Debt Service Ratio:
$$\frac{\text{Debt Service Cost (Principal & Interest)}}{\text{Available operating revenue}}$$

Purpose: To assess the ability to service debt (principal and interest) out of available operating revenue.

Gross Debt to Revenue Ratio:
$$\frac{\text{Gross Debt}}{\text{Total revenue}}$$

Purpose: To assess the ability to service debt in any given year out of total revenue.

Untied Cash to Trade Creditors Ratio:
$$\frac{\text{Untied Cash}}{\text{Unpaid Trade Creditors}}$$

Purpose: To assess the capacity to pay trade creditors with normal trading terms and conditions.

Gross Debt to Economically Realisable Assets Ratio:
$$\frac{\text{Gross Debt}}{\text{Economically realisable assets}}$$

Purpose: To assess whether there are sufficient realisable assets to cover the total debts.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

26. DISPOSALS OF ASSETS - 2008/09 FINANCIAL YEAR

Class of Asset	Net Book Value		Sale Price		Profit (Loss)	
	Actual	Budget	Actual	Budget	Actual	Budget
MRF Plant	11,035,590	-	-	-	(11,035,590)	-
Plant & Equipment	32,009	135,000	60,000	135,000	27,991	-
Total	11,067,599	135,000	60,000	135,000	(11,007,599)	-
2007/08	444,875	25,000	36,591	25,000	(408,284)	-

**27. MEMBER COUNCILS' EQUITY IN THE SOUTHERN METROPOLITAN REGIONAL COUNCIL
AS AT 30 JUNE 2009**

	SMRC	RRRC	TOTAL EQUITY (1)	Loan Liability	TOTAL EQUITY Less Loan
City of Canning	483,965	14,880,220	15,364,185	14,006,985	1,357,200
City of Cockburn	466,182	14,335,096	14,801,279	13,493,812	1,307,467
Town of East Fremantle	41,812	1,288,894	1,330,706	1,213,175	117,531
City of Fremantle	155,474	4,780,804	4,936,278	4,500,233	436,045
Town of Kwinana	145,141	-	145,141	108,720	36,421
City of Melville	582,247	17,902,077	18,484,324	16,851,506	1,632,818
City of Rockingham	528,180	-	528,180	395,640	132,540
	2,403,002	53,187,090	55,590,092	50,570,071	5,020,021
Equity (2008)	2,613,495	55,820,594	58,434,089	52,525,962	5,908,127

Reasons for Equity variation

1. Due to MRF Fire Loss, impact of Global Financial Crisis on sales realisations and lower volumes of WCF operations

28. Rating Information

Being a Regional Council, no rates were raised during the year ended 30 June 2009 and in the year ended 30 June 2008.

29. MRF Fire

On 1 June 2009, the MRF facility was totally destroyed in a fire accident. The carrying amount of property, plant & equipment of the facility (\$11,035,590) was written off from the books. As the assets are insured, the estimate for the amount expected to be received is recognised as an insurance claim receivable as at balance date.

30. Notice by a Participant of an Intention to Withdraw 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 accordance with the agreements, the SMRC is to prepare an amended business plan of its projects affected by the decision to withdraw. The amended business plans are expected to be finalised in March 2010.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

31. INFORMATION ON BORROWINGS

(a) Loan Repayments

Particulars	Principal 1-Jul-08	New Loans	Interest Repayments		Principal Repayments		Principal 30 Jun 09
			Budget	Actual	Budget	Actual	
Community Amenities							
RRRC							
LOAN NO 1-9	1,577,352	-	96,545	96,545	81,479	81,479	1,495,873
LOAN NO 1-15	1,202,475	-	40,097	40,097	1,202,475	1,202,475	-
LOAN NO 1-17	2,015,177	-	131,719	131,719	2,015,178	2,015,177	-
LOAN NO 1-19	813,644	-	52,083	52,083	40,091	40,091	773,553
LOAN NO 1-21	807,011	-	25,543	25,543	807,011	807,011	-
LOAN NO 1-22	807,937	-	50,970	50,970	41,202	41,202	766,735
LOAN NO 1-23	1,614,330	-	101,044	101,044	82,604	82,604	1,531,726
LOAN NO 1-27	805,151	-	49,360	49,360	41,563	41,563	763,588
LOAN NO 1-28	809,353	-	45,537	45,537	43,237	43,237	766,116
LOAN NO 1-29	807,860	-	44,655	44,655	43,447	43,447	764,413
LOAN NO 1-30	814,746	-	45,277	45,277	43,730	43,730	771,016
LOAN NO 1-31	1,658,819	-	93,659	93,659	88,499	88,499	1,570,320
LOAN NO 1-32	1,564,071	-	95,422	95,422	80,903	80,903	1,483,168
LOAN NO 1-33	1,575,743	-	88,636	88,636	84,631	84,631	1,491,112
LOAN NO 1-34	1,740,511	-	106,540	106,540	90,516	90,516	1,649,995
LOAN NO 1-35	1,292,412	-	73,983	73,983	69,043	69,043	1,223,369
LOAN NO 1-37	2,485,557	-	137,895	137,895	151,304	151,304	2,334,253
LOAN NO 1-40	866,496	-	48,305	48,305	46,725	46,725	819,771
LOAN NO 1-41	883,804	-	51,766	51,766	46,774	46,774	837,030
LOAN NO 1-42	876,844	-	50,318	50,318	46,780	46,780	830,064
LOAN NO 1-43	1,562,304	-	89,702	89,702	85,266	85,266	1,477,038
LOAN NO 1-49	1,589,328	-	100,157	100,157	65,920	65,920	1,523,408
LOAN NO 1-50	941,565	-	58,034	58,034	39,494	39,494	902,071
LOAN NO 1-51	936,082	-	57,413	57,413	39,390	39,390	896,692
LOAN NO 1-52	6,937,674	-	414,751	414,751	597,479	597,479	6,340,195
LOAN NO 1-53	1,572,246	-	99,121	99,121	65,312	65,312	1,506,934
LOAN NO 1-55	2,782,773	-	189,005	189,005	231,445	231,445	2,551,328
LOAN NO 1-56	809,208	-	55,159	55,159	32,185	32,185	777,023
LOAN NO 1-57	807,741	-	55,059	55,059	32,127	32,127	775,614
LOAN NO 1-58	3,100,317	-	214,395	214,395	122,413	122,413	2,977,904
LOAN NO 1-59	700,000	-	72,000	72,000	27,999	26,623	673,377
LOAN NO 1-60	1,553,946	-	108,512	108,512	76,125	76,125	1,477,821
LOAN NO 1-61	2,413,485	-	180,000	175,090	100,148	92,616	2,320,869
LOAN NO 1-62	-	1,959,568	79,094	51,780	40,000	45,876	1,913,692
LOAN NO 1-63	-	1,914,003	-	-	-	-	1,914,003
LOAN NO 1-64	-	870,000	-	-	-	-	870,000
Office Accommodation							
LOAN NO 2-3	1,800,000	-	116,820	116,820	-	-	1,800,000
	52,525,962	4,743,571	3,318,576	3,265,934	6,702,495	6,699,462	50,570,071
Add: Accrued Interest			-	3,343			
Net Interest			3,318,576	3,269,277			
Less: Loans refinanced		3,873,571			3,873,571	3,873,571	
Net Borrowings / Repayments		870,000			2,828,924	2,825,891	

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

31. INFORMATION ON BORROWINGS (Continued)
(b) New Borrowings

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate	Amount Used		Balance Unspent
	Budget	Actual						Budget	Actual	
Community Amenities										
RRRC Project										
LOAN NO 1-62		1,959,568	WATC	Debenture	6.00	45,876	5.23%	1,959,568	1,959,568	-
LOAN NO 1-63	1,914,003	1,914,003	WATC	Debenture	7.00	-	6.18%	1,914,003	1,914,003	-
LOAN NO 1-64	-	870,000	WATC	Debenture	6.50	-	6.06%	-	526,181	343,819
	3,873,571	4,743,571				45,876		3,873,571	4,399,752	343,819

(c) **Unspent Loans**

An amount of \$ 343,819 (2008 \$ 1,028,045) remained unspent out of the amount borrowed on the balance date and is shown as a part of restricted cash.

(d) **Overdraft**

Council does not have an overdraft facility with its bankers.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

32. FINANCIAL RISK MANAGEMENT

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

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 Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2009 \$	2008 \$	2009 \$	2008 \$
Financial Assets				
Cash and cash equivalents	2,979,015	3,855,654	2,979,015	3,855,654
Receivables	66,327,077	55,314,958	62,783,940	51,561,407
Financial assets at fair value through profit or loss	450,000	1,174,500	450,000	1,174,500
	<u>69,756,092</u>	<u>60,345,112</u>	<u>66,212,955</u>	<u>56,591,561</u>
Financial Liabilities				
Payables	4,988,483	3,700,630	4,988,483	3,700,630
Borrowings	50,570,071	52,525,962	47,026,934	48,722,411
	<u>55,558,554</u>	<u>56,226,592</u>	<u>52,015,417</u>	<u>52,423,041</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial Assets at Fair Value through profit and loss – based on quoted market prices at the reporting date or independent valuation.

(a) Cash and Cash Equivalents
Financial assets at fair value through profit or loss

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

The major risk associated with investments is price risk – the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments of their issuers or factors affecting similar instruments traded in a market.

Cash and investments are also subject to interest rate risk – the risk that movements in interest rates could affect returns. Another risk associated with cash and investments is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

32. FINANCIAL RISK MANAGEMENT (continued)

(a) Cash and Cash Equivalents (continued)

Financial assets at fair value through profit or loss (continued)

	2009	2008
	\$	\$
Impact of a 10% (*) movement in price of investments:		
- Equity	78,079	117,450
- Income Statement	78,079 (+)	117,450 (+)
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	30,605	20,527
- Income Statement	30,605	20,527

Notes:

(*) Sensitivity percentages based on management's expectation of future possible market movements. Recent market volatility has seen large market movements for certain types of investments.

(+) Maximum impact.

(b) Receivables

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. Council manages this risk by monitoring outstanding debt and employing debt recovery policies.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The Council has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the financial loss from defaults.

The Council makes suitable provision for doubtful receivables as required.

There are no material receivables that have been subject to a re-negotiation of repayment terms.

The profile of the Council's credit risk at balance date was:

	2009	2008
Percentage of Receivables		
- Current	95.66%	94.62%
- Overdue	4.34%	5.38%

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

32. FINANCIAL RISK MANAGEMENT (continued)

(c) 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. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

The contractual undiscounted cash flows of Council's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2009</u>					
Payables	4,988,483	-	-	4,988,483	4,988,483
Borrowings	8,958,055	37,634,915	15,508,072	62,101,042	50,570,071
	<u>13,946,538</u>	<u>37,634,915</u>	<u>15,508,072</u>	<u>67,089,525</u>	<u>55,558,554</u>
<u>2008</u>					
Payables	3,700,630	-	-	3,700,630	3,700,630
Borrowings	9,865,623	37,250,298	18,675,758	65,791,679	52,525,962
	<u>13,566,253</u>	<u>37,250,298</u>	<u>18,675,758</u>	<u>69,492,309</u>	<u>56,226,592</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

32. FINANCIAL RISK MANAGEMENT (continued)

(d) Payables and Borrowings (continued)

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs. 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 following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
2009								
Borrowings								
Fixed Rate								
Debentures	3,036,159	10,472,679	3,546,743	5,343,798	5,494,898	22,675,794	50,570,071	6.21%
Weighted Average								
Effective Interest Rate	6.26%	6.59%	6.24%	6.18%	6.57%	5.95%		
2008								
Borrowings								
Fixed Rate								
Debentures	4,024,663	3,198,933	10,988,394	3,732,923	5,653,833	24,927,216	52,525,962	6.28%
Weighted Average								
Effective Interest Rate	6.52%	6.26%	6.59%	6.23%	6.18%	6.13%		

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE SOUTHERN METROPOLITAN REGIONAL COUNCIL**

Report on the Financial Report

We have audited the accompanying financial report of the Southern Metropolitan Regional Council, which comprises the balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date and a summary of significant accounting policies and other explanatory notes.

Council's Responsibility for the Financial Report

Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements.

Auditor's Opinion

In our opinion, the financial report of Southern Metropolitan Regional Council is in accordance with the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), including:

- a. giving a true and fair view of the Council's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE SOUTHERN METROPOLITAN REGIONAL COUNCIL (Continued)

Other Matters

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Council.
- b) There are no matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) All necessary information and explanations were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.

UHY HAINES NORTON
CHARTERED ACCOUNTANTS



DAVID TOMASI
PARTNER

Address: Perth, WA
Date: 16 October 2009

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