SOUTHERN **METROPOLITAN**
REGIONAL COUNCIL

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SOUTHERN **METROPOLITAN**
REGIONAL COUNCIL

annual report

2012-2013

contents

Image:
Bales of materials recovered from the Materials Recovery Facility

01 The SMRC at a glance

The Southern Metropolitan Regional Council (SMRC) is a statutory local government authority established in 1991 by local governments in the southern metropolitan region of Perth. The SMRC is responsible for developing environmentally sustainable waste management solutions and climate change abatement measures for the communities of:

- City of Cockburn
- Town of East Fremantle
- City of Fremantle
- City of Kwinana
- City of Melville

The region encompasses 340 square kilometres within Perth's southern metropolitan area and has a combined population of over 263,612 people and over 105,000 households.

The SMRC operates the $100 million Regional Resource Recovery Centre (RRRC) in Canning Vale, which receives and recovers waste from its member local governments and the community.

The SMRC's diversion rate from landfill is 74% and we are committed to continue to achieve and exceed the targets set by the Waste Authority of Western Australia and continue to be leaders in diversion of waste from landfill.

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.

The newly constructed Materials Recovery Facility

02 Chairman's Report

Tony Romano, Chairman

I am pleased to present the 2012/13 Annual Report of the Southern Metropolitan Regional Council.

This year the SMRC has achieved a number of important milestones including the successful completion in March 2013 of a $3 million capital upgrade programme that has delivered significant improvements to the odour management systems at the waste composting facility.

The newly constructed $20 million Materials Recovery Facility was officially opened in November 2012 by the Chair of the Waste Authority, Mr Marcus Geisler and provides much needed capacity to recycle kerbside collected recyclables from the region and beyond.

> **"This year the SMRC has achieved a number of important milestones including the successful completion in March 2013 of a $3 million capital upgrade programme."**

Following on from his time as Acting CEO, the appointment of Chief Executive Officer, Mr Tim Youé was confirmed in November 2012 and I congratulate Tim on his appointment.

Early in 2013 the SMRC engaged AEC group to facilitate the development of a Strategic Community Plan and a Corporate Business Plan, as required under the Department of Local Government's Integrated Planning and Reporting Framework.

This process requires all strategies and actions of a local government, or regional council, to be aligned and linked with community priorities.

The SMRC submitted a response to the Robson Report in April and we await further response from the government on the direction Regional Councils will take in the future.

In last year's Chairman's report, I said that the organisation had embarked on a pathway of continuous improvement and I am pleased to report that this process continues to yield significant rewards in terms of improved community amenity and environmental outcomes in achieving the State Waste Strategy and reducing Greenhouse Gas emissions.

I would like to acknowledge the support and input from our Community Advisory Group, our external audit committee member and all stakeholders during the year.

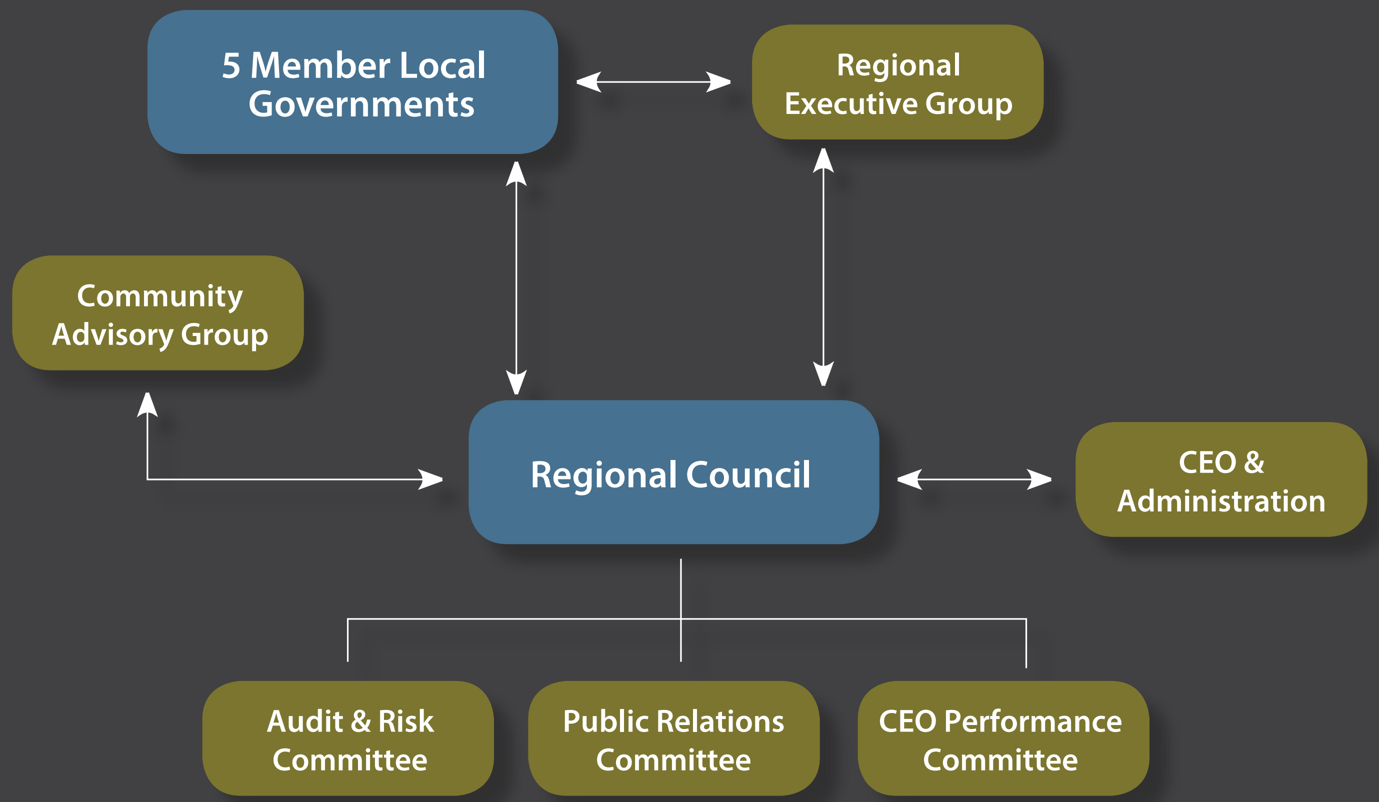
I would also like to thank the Member Councils, senior management team and the entire staff for their valuable contribution in achieving this years' key objectives.

The SMRC looks forward to continuously achieving sustainable waste management solutions on behalf of the communities of its Member Councils and remains committed to improving stakeholder communications and educating the community about the importance of recycling.

03 Corporate Governance

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.



04 Regional Councillors

Chair Cr Tony Romano, City of Cockburn

Cr Romano has been a Cockburn City Councillor for over five 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.

Deputy Chair Cr Doug Thompson, City of Fremantle

Cr Thompson is a former Chairman and Deputy Chairman of the Regional Council and has served on Fremantle City Council for 20 years, representing 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.

Cr Cliff Collinson, Town of East Fremantle

Cr Collinson has been an East Fremantle Councillor since 2007. He has many years of involvement with numerous community groups including Radio Fremantle, Oxfam, Amnesty International, various green groups as well as serving on the Executive of the State School Teachers Union. He is committed to Green issues and greenhouse gas abatement and believes Local Government and the SMRC have a major role to play in dealing with these vital issues.

Cr Sandra Lee, City of Kwinana

Cr Lee has served the City 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 Robert Willis, City of Melville

Cr Robert Willis is newly appointed to the SMRC and is a former Director Technical and Development Services, employed by the City of Melville for 38 years. He has a comprehensive knowledge of waste recycling having attended the World Waste Conference – Waste to Energy in 2007 in Amsterdam. This was followed by a study tour of Great Britain looking at different waste facilities. He is also on the Municipal Waste Advisory Council (MWAC) and believes we need to do more to educate and involve the community in making decisions on sustainable waste management to reduce and divert waste from landfill sites.

Recycled art in the Banksia woodland at the RRRC

05 Committees established and appointed by the council are:

Audit & Risk Committee

The Audit & Risk 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.

Membership of Committee

Chair: Cr Tony Romano

Members: Cr Doug Thompson, Cr Sandra Lee

External Member of Public: Mr Phillip Draber

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 regular scheduled meetings throughout the year, calling additional meetings as needed.

Membership of Committee

Chair: Cr Tony Romano

Members: Cr Rob Willis, Cr Cliff Collinson

External Member of Public: Mr Norman Holtzman

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 also has a number of community and officer advisory groups, including:

Regional Executive Group

Consists of two senior officers (one is a deputy) from each of the member local governments. The Regional Council appoints members to the group from recommendations from each member local government. Its purpose is to engage in a consultative and communication network between the Regional Council and its member local governments.

SMRC Community Advisory Group

The SMRC Community Advisory Group (CAG) is made up of interested community members from the Perth Southern Metropolitan Region. The CAG has an independent Chairman, and Deputy Chair. No Regional Council elected members or staff are members of the CAG. The CAG's role is to be a trusted advisor to the SMRC, advising the Regional Council on community concerns and feedback concerning the activities of the SMRC and the RRRC.

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 other cross regional projects.

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

06 Chief Executive Officer's Report

The past year has seen the organisation achieve its key performance and deliver on its commitment to continuously improve stakeholder communications and achieve enhanced operational outcomes. These achievements would not have been possible without the strong support of our Member Councils and SMRC staff to whom I extend my thanks.

During the year, the SMRC has increased its state leading waste diversion rate from landfill to 63% by processing and recovering the organic fraction of the municipal waste stream and processing recyclables in the newly constructed Materials Recovery Facility, which has been operational since August 2012.

The Waste Composting Facility operating licence was amended on 7 May 2012, to require a number of key conditions related to odour management to be undertaken within very short time frames and I am pleased to report that all of these licence obligations have been fulfilled and we continue to focus on improving our management oversight of the facilities we operate.

"Recycle Right, the SMRC's waste education program, has had an enormous year with the success of funding from the Waste Authority to develop and implement the program."

The Waste Composting project generates carbon credits by avoiding methane emissions at landfill and in recognition of this, was declared an eligible offsets project by the Clean Energy Regulator under section 27 of the CFI Act. The project accords with the *Diversion of Legacy Waste to an Alternative Waste Treatment Facility* methodology determination issued in January 2013 and we have commenced the required independent external audit process and anticipate being issued with Kyoto compliant Australian Carbon Credit Units in the coming financial year.

Tim Youé, Chief Executive Officer

A new three year Enterprise Agreement for the RRRC operational and trades employees was negotiated and agreed in May 2013.

Recycle Right, the SMRC's waste education program has had an enormous year with the success of funding from the Waste Authority to develop and implement the program. The SMRC are currently developing a Smart Phone App, which will be the first app dedicated to waste and recycling in Perth and will revolutionise waste education for the region.

During the year, we also re-launched a bi-monthly eNewsletter that provides stakeholders with important information about the Regional Resource Recovery Centre, as well as broader recycling and sustainability issues.

The Regional Council and its participant local governments, remain committed to delivering exceptional operational performance and community engagement, while delivering on the State Government's goal of reducing waste sent to landfill and maximising resource recovery.

Mr Tim Youé
Chief Executive Officer

07 Our Purpose and Principles

Our Purpose

Leading in sustainable recycling and climate change solutions.

Our Principles

We will conduct our business guided by these Principles:-

- Employee Value
- Sustainability
- Innovative Solutions
- Integrity & Transparency
- Community Driven Outcomes
- Adaptiveness
- Forward Thinking
- Responsiveness
- A Safe Work Environment

The SMRC's strategic plan review

The Key focus areas are:

1. Resource Recovery

Goal: Ensure maximum resource recovery from waste generated from our municipality and domestic community.

2. Climate Change

Goal: To reduce our corporate greenhouse gas emissions footprint.

3. Business Sustainability

Goal: Ensure the short and longer term sustainability of the Southern Metropolitan Regional Council.

4. Stakeholder Engagement

Goal: Build sustainability through strengthened and expanded partnerships, alliances and relationships.

5. Research & Innovation

Goal: Be an innovative provider of resource recovery and greenhouse gas abatement solutions.

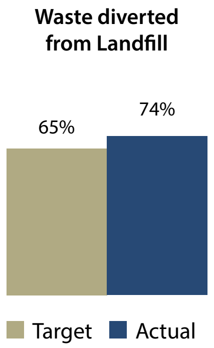
08 Key Performance Indicators

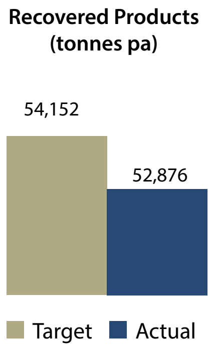
The SMRC has a strategic goal for each of its key focus areas, measured by a series of key performance indicators.

The following key performance indicators were adopted in September 2012, to measure the SMRC's success in achieving the goals:

Key Focus Area 1 – Resource Recovery

Goal: Ensure maximum resource recovery from waste generated from our municipality and domestic community.





Key Area	Indicator	Measure	12/13 Target	12/13 Actual
Resource Recovery	Waste diverted from landfill	Percentage of waste diverted = (1 – total residuals/ total waste processed x 100%).	65%	74%
	Total amount of recovered products	Weight of recovered products as measured across the weighbridge for the 2 facilities at the RRRC	54,152 t	52,876 t

74% of waste was diverted from landfill during the year.

The West Australian State Waste Strategy establishes recovery targets for Municipal Solid Waste (MSW) for metropolitan Perth:

- 50% by 30 June 2015 (up from 36%)
- 65% by 30 June 2020

The SMRC, on behalf of its participant local governments in the Regional Resource Recovery Centre (RRRC), is achieving the 2020 state target.

The RRRC in Canning Vale had three primary waste processing facilities during 2012/13, these being:

Waste Composting Facility – an in-vessel composting plant designed to separate organic from inorganic waste material and produce compost. The weekly collected household waste from the 240 litre green-topped bin as well as commercial organic waste is processed at the facility. 59% of the waste entering this facility is recovered and diverted from landfill.

Materials Recovery Facility – the newly built Materials Recovery Facility is a state of the art facility processing the contents of the yellow-topped bin for Member Councils as well as some recyclables from other local governments. 83% of the waste entering this facility is recovered and diverted from landfill.

Green Waste processing. This facility receives and processes clean green waste collected from the verge side collections, public and commercial customers. This material is used as mulch/soil amendment material. 100% of this material is recovered.

Strategy 1.1 Rebuilding MRF

Newton Primary School students singing 'don't put it all in the green-topped bin' at the opening of the MRF

The Materials Recovery Facility (MRF) was rebuilt in 2012 and was officially opened by the Chair of the Waste Authority, Mr Marcus Geisler on the 20th of November 2012.

The event was attended by over 200 guests who were charmed by a performance by the students at Newton Primary School singing 'don't put it all in the green-topped bin'.

Colourful art was also on display by local artist Nidia Hansen, who made a piece from materials collected from the Materials Recovery Facility.

The MRF recovers approximately 83% of waste collected from our participant local governments' 240 litre yellow lid bin.

A view from the MRF Education Centre

Strategy 1.3 Development of markets for residuals

The RRRC has developed markets for all the waste it diverts from landfill into the following recovered products:

- quality mulch and woodchips from greenwaste shredding,
- steel recycling & scrap metal recycling,
- glass from the MRF has a beneficial reuse for the purpose of road base,
- further compost processing by our external compost partner, ensures a rich blended product suitable for agricultural use.

Product development and marketing of beneficial re-use of recovered municipal waste.

The Waste Composting Facility at the RRRC is an anaerobic process for turning organic waste into compost.

It is a process by which organic matter is broken down and leads to an end product of compost, which can be used for soil improvement and as fertiliser.

Piles of compost at the Waste Composting Facility

Recycled Organics Standards

The Regional Council endorsed the seven quality measures of the Recycled Organics Standards & Guidance paper, to promote the quality measures as an appropriate methodology for the management of recycled organics applied to land.

In order to provide regulatory and market certainty in the use of mixed waste derived compost, the SMRC seeks clarification and support that the following quality measures are appropriate to ensure the safety of human health and the environment, at the same time enhancing market confidence:

1 Adherence to the prevailing relevant Australian Standard™.
2. Adherence to the WA Biosolids Guidelines for contamination limits.
3. Adherence to a prescribed quality assured processing, sampling and testing regime.
4. Regular and independent auditing of quality systems.
5. Open and transparent product labelling and product disclosure.
6. Provision of consumer advice on application methods and application rates.
7. Annual production and quality report to DER.

The SMRC has long considered that an outcomes based approach to product quality is consistent with the need to ensure the safety of human health and the environment, at the same time as enhancing market confidence.

General Waste, mainly from household green bins, is discharged from the aerobic digesters after a 3 day process via conveyor belts and sent for further screening to separate non-organic residuals.

Newton Primary School students and teachers with artwork made from materials recovered from the MRF at the official opening

08 Key Performance Indicators (continued)

Key Focus Area 2 – Climate Change

Goal: Provide leadership by assisting and facilitating in the redirection of greenhouse gases.

Carbon Farming Initiative (CFI)

CFI – The waste composting project generates carbon credits by avoiding methane emissions at landfill and was declared an eligible offsets project by the Clean Energy Regulator under section 27 of the CFI Act. The project accords with the Diversion of Legacy Waste to an Alternative Waste Treatment Facility methodology determination issued in January 2013 and SMRC will be seeking Aust Carbon Credit Units (ACCU's) utilising this methodology, which was developed by industry collaboration.

Strategy 2.2 Develop & Deliver Community Behaviour Change and Communications in the Region

recycleright.net.au

The Recycle Right program aims to educate the community to understand the importance of waste separation, to ensure a better outcome for our environment. The early development of this program is offered through our member local governments, school visits, our website www.recycleright.net.au and the RRRC tour program.

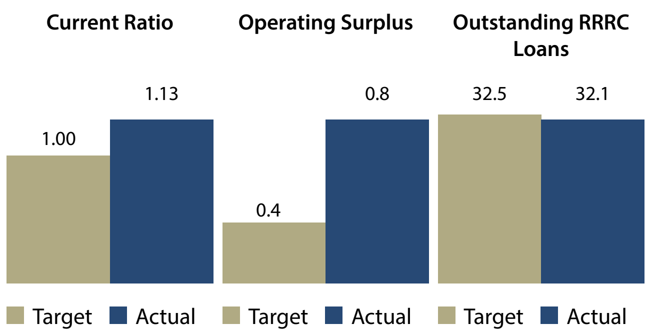
Living Smart Inc

Living Smart is a community environmental education program which adopts a holistic approach to sustainability, including environment, lifestyle and community.

The SMRC takes an active part on the board of Living Smart through our representative Cr Cliff Collinson.

Key Focus Area 3 – Business Sustainability

Goal: Ensure the short and longer term sustainability of the Southern Metropolitan Regional Council



Key Area	Indicator	Measure	12/13 Target	12/13 Actual
Business Sustainability	Current Ratio	Working Capital Assets/Liabilities	1	1.13
	Operating Surplus	Annual Operating Net Result	$0.4 million	$0.8 million
Finance	RRRC Project Loan	RRRC loans not including Canning or MRF loan	$32.5 million	$32.1 million

Children taking a tour of the RRRC

Strategy 3.1 Financial Viability

Build the short and longer term financial sustainability of the SMRC.

Financial Results

Financial Performance

Total operating revenue of $22 million is $0.4 million above the 12/13 budget and $1 million above the previous year 11/12. The reason for the increase in the budget is additional commercial customers delivering recyclables. The reason for the increase compared to the previous year is the commencement of recycling operations from August 2012.

The total operating expenditure is $21.1 million before depreciation and transfers. This is in line with budget estimates and is $1.1 million above the previous year 11/12. The reason for the variance is the commencement of recycling operations from August 2012.

This has resulted in a net operating surplus of $0.8 million before depreciation and reserve transfers. The surplus is used for principal loan repayments for the RRRC Material Recovery Facility and carried forward unspent expenditure to 13/14.

Cash backed reserves

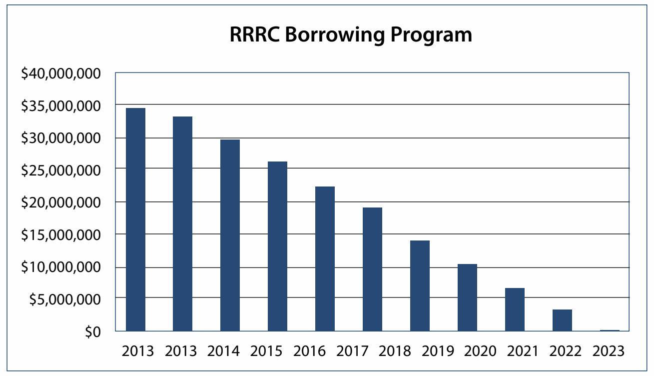
The Reserve account's closing balance of $2.5 million is for the purposes of funding asset renewal program, contingency & development initiatives and provision for travel and conferences.

Asset Revaluation

Freehold Land and Buildings, Leasehold improvements and plant and equipment were revalued at 30 June 2013 by independent valuers. Overall there is an increase in fair values of $1.1 million, which is recognised as changes to revaluation of non-current assets in the Statement of Comprehensive Income and credited to the Asset Revaluation Reserve.

Borrowings

The SMRC has two borrowing arrangements with its participants: 1) RRRC Project outstanding balance of $32.1 million and; 2) Office Accommodation Project, Head office building in Booragoon $1.8 million. Loans raised during the year for the RRRC Project of $3 million were used towards odour management equipment. Loans repaid during the year amounted to $3 million. The RRRC Project borrowings will be fully repaid by 30 June 2023.



Financial Position

Net Assets as at 30 June 2013 was $57.7 million ($58.3 million FY12).

STATEMENT OF FINANCIAL POSITION	Act 2013	2012
Cash & Investments (1)	7,066.880	11,500,403
Receivables	2,763,722	2,609,956
Payables	(5,138,434)	(3,760,402)
Property & Assets (2)	53,783,173	48,553,627
Borrowings (3)	(33,948,907)	(46,209,539)
Leave Provisions	(714,985)	(603,485)
Equity	23,811,449	12,090,560
Add Loan Debtors (4)	33,948,907	46,208,539
Equity	57,760,356	58,300,099

1. Cash Reduction due to MRF construction payments
2. Property Assets include new MRF and WCF humidifier equipment and asset fair valuation review
3. Borrowings reduction resulting from Canning withdrawal $12m, Principal repayments of $3m and new loans of $3m
4. 'Add Loan Debtors' refers to Participant's liability for all borrowings. The SMRC borrows on behalf of its Participants to purchase capital expenditure.

08 Key Performance Indicators (continued)

Long Term Financial Plan

The SMRC's Long Term Financial Plan was adopted by Council in June 2013. The goal is to continually improve our financial position and the plan summarises a number of key strategies, such as:

- Achieving 'balanced' operating budgets with full cost recovery for its projects;
- Exploring opportunities to increase the level of commercial return from our projects;
- Increasing capacity and broadening the range of products and services within our regional purpose;
- Continuing to implement operational efficiencies across the organisation.

The four year projection shows an estimated increase in tonnage throughput from commercial customers will result in net surpluses transferred to cash-backed reserves to meet business sustainability.

The figures do not consider any future growth through the Local Government reform, and this will be adjusted on final announcement of any RRRC participant's area increase/decrease through amalgamations in subsequent reviews of the plan.

Asset Management Plan

The Asset Management Plan identifies assets that are critical to SMRC's operations and outlines three management strategies, such as:

1. Annual Maintenance Program – planned and unplanned program
2. Asset Renewals Program
3. New Assets Program

Strategy 3.2 Partner Planning

Goal: Seek new members and commercial opportunities in building a plan for the future

The Regional Council endorsed the SMRC's 2012 Marketing Plan, which outlines the marketing and business development approach during the period and endeavours to maintain a clear linkage between the relevant strategies and KPIs set by Council.

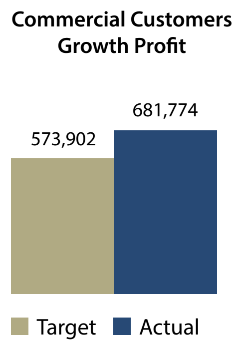
Our customers deliver recyclables, green waste and organic waste for processing at our three waste facilities. We also undertake waste audits in our purpose-built audit facility.

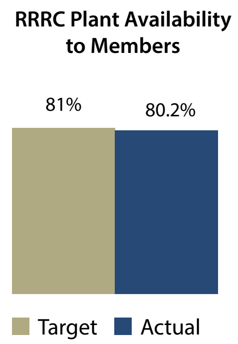
Commercial Customers Gross Profit

We achieved an increase in MRF and green waste customers during the year, which provides financial funding towards our operations of approximately $0.7 million.

RRRC Plant Availability to Members

As a result of the DEC licence condition restrictions for the waste composting facility capped at 1,365 tonnes per week, members' waste exceeding this limit was not processed at the RRRC. The other licence conditions included the temporary stopping of receiving MSW from 17 December to 6 March 2013 until the new gas scrubbing equipment was fully commissioned. This resulted in our overall availability to members utilising the RRRC at approximately 80%.





Strategy 3.3 Environmental Management

Goal: Continue and improve odour management systems

The SMRC Environmental Policy provides the framework for setting and reviewing environmental objectives and targets. The SMRC maintains an environmental management system (EMS) consistent with ISO 14001:2004. The Policy is reviewed every two years. The Policy is located under key documents on www.smrc.com.au

The management of odour from the RRRC facility is an operational and community engagement priority for the SMRC. To facilitate an effective and accountable odour management evaluation process, SMRC established an Odour Complaint Hotline in 2009. Complaints collected via this hotline are assessed by SMRC staff and independent consultants and recorded as part of the SMRC's regulation.

The SMRC is trialling a number of odour reduction initiatives, aimed at reducing the odour's effect on the community and will inform and consult and involve the community to determine the effectiveness of these trials.

Humidifiers

- Drying out of biofilters is the single largest reason for reduced biofilter performance, due to foul air shortcircuiting through the dry patches, where biological activity is lowest and resistance to airflow is low:
- The odour removing bugs in a biofilter operate in the liquid phase, in the water film on each particle of biofilter medium;
- Humidifiers are the most efficient way of adding this water evenly throughout the biofilter;
- Biofilters are more efficient in their operation and easier to monitor and maintain.

Strategy 3.4 Develop Effective Human Resources Management

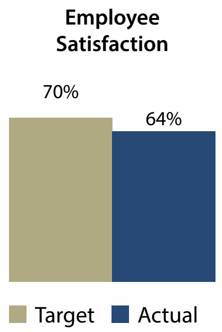
Goals: • Employee attraction and retention
• Safety in the workplace.

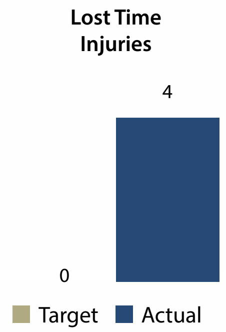
Employee satisfaction

Survey results improved by 1% from last year, where 64% of employees are overall satisfied with working with the SMRC.

Lost Time Injuries

Four lost time injuries were recorded for the year. Our target is zero harm.





Key Area	Indicator	Measure	12/13 Target	12/13 Actual
Business Sustainability	Employee satisfaction	Percentage of employees who express satisfaction at the 75% percentile or above in employee engagement survey	70%	64%
Employees	Lost time injuries	Number of injuries	Zero Harm	4

08 Key Performance Indicators (continued)

Strategy 3.5 Governance Structures

City of Rockingham 's withdrawal from the SMRC

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

As required by the Office Accommodation Project, SMRC prepared an amended Business Plan for the project, having regard to the effect of the withdrawal of the City of Rockingham and arrived at a net receivable from the City of Rockingham.

Key Focus Area 4 – Stakeholder Engagement

Goal: Build sustainability through strengthened and expanded partnerships, alliances and relationships

Strategy 4.1 Brand Credibility

Rebuild and reaffirm our reputation with the community and key stakeholders

Goal: to build sustainability through strengthened and expanded partnerships, alliances and relationships

The following actions were carried out during the year under the strategy:

Inform

- The Recycle Right website has been further developed as the central point of recycling information for the SMRC Community – www.recycleright.net.au
- Regional Resource Recovery Calendars inform the community about recycling in their Council
- The SMRC E-news is emailed out to stakeholders and is available on the SMRC website
- Meeting Summary Reports are provided to participant local governments after each Council Meeting
- Tours of the RRRC are conducted to educate schools and the community about what happens to their waste

Consult

- Networking with participant local governments about Garage Sale Trail and Recycle Right
- Letters and newsletters have been delivered to 900 residents adjacent to the RRRC
- The Community Advisory Group have been involved in the development of the Strategic Community Plan

Involve

- Tours are conducted at the RRRC free of charge and are attended by educational institutions, community organisations, industry groups and members of the public
- A community tree planting day was held in Ken Hurst Park, adjacent to the RRRC
- The SMRC Community Advisory Group meets regularly and educate the community about recycling

SMRC staff at the community tree planting day in Ken Hurst Park

Waste Education – Recycle Right

Recycle Right has been further developed in 12/13 and has become an integrated education program using a suite of resources to educate the community and provide information to assist the community to recycle right and live more sustainably. The SMRC has begun developing the first smartphone app for waste and recycling to inform residents about which bin they put their waste in. The app is being developed in-house by the Communications Design Officer, which is a new position created to assist with brand credibility.

The new Materials Recovery Facility now houses the Education Room. The SMRC has been working closely with schools to tailor waste education to the needs of the class, as well as providing incursions to schools with over 1,000 children attending talks by the Community Engagement and Communications Officer. Kits and factsheets have also been developed to assist teachers to maximise the learning experience after bringing a class on a tour of the facility.

Government Relations

- The CEO regularly attends each South West Group CEO meeting, providing updates on the SMRC activities
- The CEO and Cr Willis attend meetings of the Municipal Waste Advisory Council
- The Chair and the CEO attend the Forum of Regional Councils
- The Chair and the CEO attend meetings with Ministers and local Members of Parliament

Strategy 4.2 Transparent Stakeholder Management

To align with and clearly communicate to our key stakeholders.

Council adopted its updated Communication Strategy Plan and new Community Engagement Plan in early 2013.

This Community Engagement Strategy details the SMRC communications and stakeholder relations activities, pertaining specifically to the community as defined as those directly or indirectly affected by the SMRC operations including the RRRC facility. This document outlines the delivery of this strategy for the three year period (2012-2015). It is intended to be a working document, referred to throughout the years and updated regularly.

Integrated Planning Workshops

A number of facilitated workshops were held in January 2013:

- SMRC Management team
- Chief Executive Officers and members of the Regional Executive Group (REG) SMRC Member Councils
- SMRC Community Advisory Group (CAG)
- Regional Councillors, REG members and SMRC management

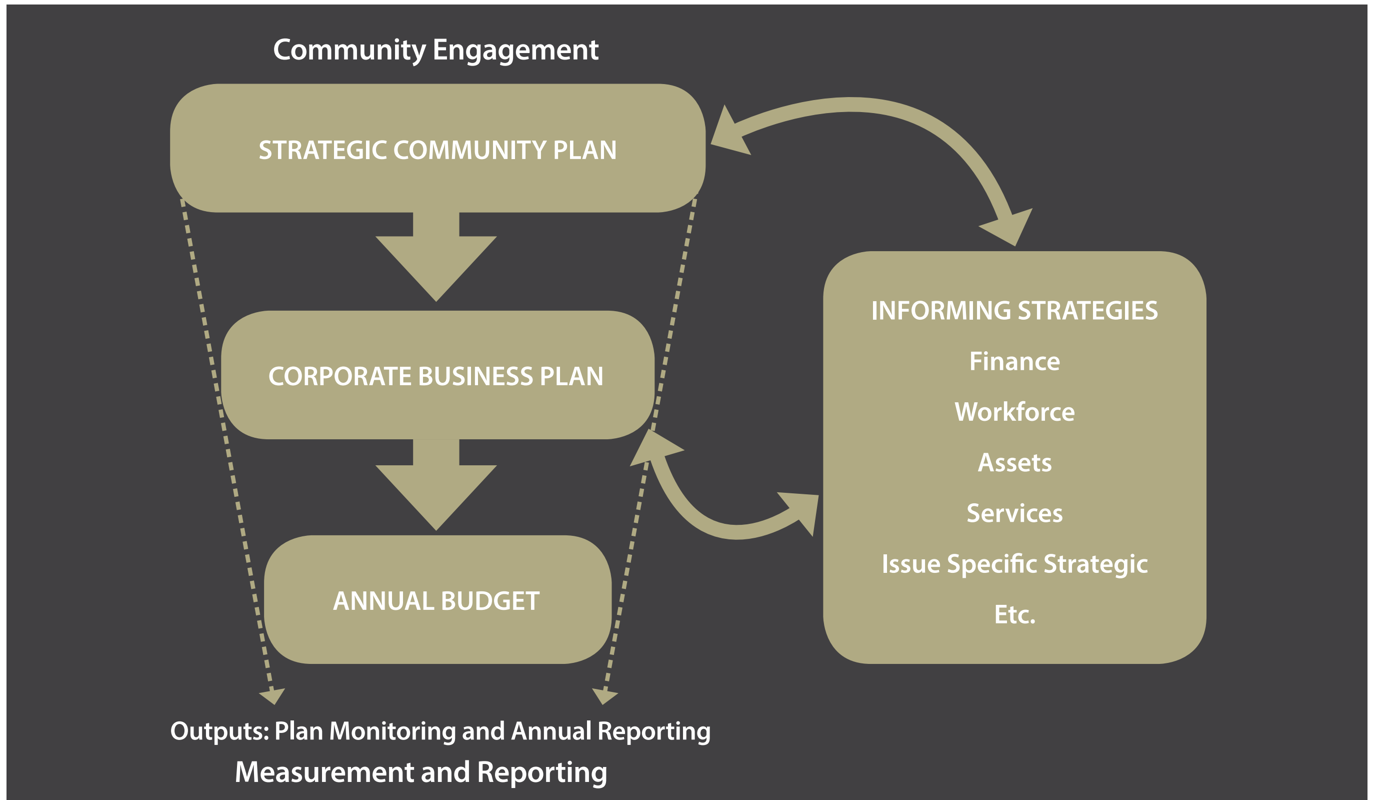
The Draft Strategic Community Plan represents the consolidation of the outcomes of those workshops and the draft Plan was presented to the Regional Council in April and May 2013. Following comments received from participants and the positive response, the regional council adopted the Strategic Community Plan and its Corporate Business Plan at its meeting held 27 June 2013.

The Department of Local Government's diagram overleaf depicts the different elements of the integrated planning process, which all local governments in WA shall implement.

Stakeholder Briefing

Senior staff attended briefing sessions during the year with all RRRC participant local governments' elected members to update on the environmental capital improvements and financial position of the RRRC.

08 Key Performance Indicators (continued)



Source: Department of Local Government, Integrated Planning and Reporting Guidelines, 2010.

Community Advisory Group

The SMRC Community Advisory Group provides the conduit for a two-way dialogue between the Southern Metropolitan Regional Council and its regional community, with the goal of providing both parties with the informed advice and guidance necessary to enhance decision-making.

The Community Advisory Group's purpose is to increase the community understanding of the importance of recycling, gather community feedback and suggestions and help the SMRC respond more effectively to issues and concerns arising in the community.

Strategy 4.3 Relationships with Regulatory Bodies

Build relationships with regulatory bodies based upon the promise of ethical behaviour, sensitivity to needs and mutual respect.

The SMRC senior staff have regular meetings with the Department of Environment and Conservation (DEC) relating to the RRRC current and future improvements in meeting the environment licence conditions.

Community Feedback Hotline

At the SMRC, we welcome feedback from the community about our operations at the Regional Resource Recovery Centre in Canning Vale. With your assistance, we can improve how we work and achieve our vision of delivering sustainable waste management solutions for the benefit of our communities and the environment.

The SMRC's Community Feedback Hotline is open to the public 24 hours a day, 7 days a week, 365 days a year. You can use the Community Feedback Hotline to:

- Report an odour you suspect may be coming from the RRRC;
- Tell us what you think about recycling in the Southern Region of Perth;
- Give us feedback about a tour you have been to at our facility;
- Give us feedback about your waste calendar and how you would like to receive your information about recycling.

Once an odour is reported to the Community Feedback Hotline, details such as the location, time and character of the odour will be immediately sent to the staff at the Regional Resource Recovery Centre, who will conduct an inspection of the Waste Composting Facility, as well as investigate the location where the odour was reported.

Incidences of odour are also immediately sent to the DEC so their officers can attend to determine the source of the odour.

A call to our feedback line will receive a personal response by the next working day.

Odours reported hours or days after they have been experienced cannot be verified.

The Community Feedback Hotline, **1300 556 726,** is answered 24 hours a day, 7 days a week, all year round.

Community Attitudes Survey

Community Attitudes towards recycling

In June 2013, SMRC conducted a survey of community attitudes towards recycling. Here's what we found out:

- SMRC residents rate Regional Resource Recovery Centre methods of waste processing most positively, with recycling and reuse of glass, plastics, paper and metals at 89%, composting of organic materials at 86% and green waste processing at 82%.
- These positive views are consistently high across all SMRC councils.
- 89% of residents recycle to save the environment, 84% agree that is makes resources last longer and 82% agree it will make the world a better place for future generations.
- 82% of residents say their recycling behaviours are largely habitual, which is supported by the fact that 81% of residents don't have to constantly remind themselves to recycle.
- 75% of SMRC residents agree that when they have separated their garbage from their recycling they have done a good job.
- Most residents do not find either the green and yellow bin system or the collection dates confusing, although the capacity of the yellow bin has become more of a problem as residents seek to recycle more.
- The two bin system in the kitchen has been rising steadily as the preferred means of sorting waste, with 68% having space in their kitchen for a bin for rubbish and a second bin for recycling. Others take yellow bin recyclables directly outside or put them in a tub.
- Residents are gradually becoming more aware that glass items do not belong in the green bin with 68% of residents being aware.
- 80% of residents are aware that construction and building rubble is not appropriate for either bin.
- Those residents who did recall receiving their recycling calendar, 89% have placed it on the fridge or another prominent place in their home.
- Residents most prefer to receive information on recycling included with rates notices (50%).

Community attitudes towards odour

In June 2013, the SMRC also conducted a survey of 100 residents adjacent to the RRRC. Here's what we found out:

- 74% of people surveyed have lived in the area for 7 years or more and a further 11% have lived in the area for between 4-7 years.
- Awareness of the RRRC is slightly more definite than in 2011.
- Total awareness of odour emissions from the RRRC is down by 3% since 2011.
- A majority of RRRC area residents continue to say odour emissions from RRRC are on the improve.
- About 1-in-10 RRRC area residents that are aware of emissions from the RRRC have lodged official complaints, however, incidence of multiple complaints are down.

The Waste Audit Facility at the RRRC

'Redusa' sculpture at the RRRC

08 Key Performance Indicators (continued)

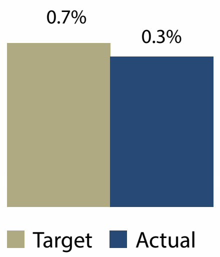
Key Focus Area 5 – Research & Innovation

Goal: Be an innovative provider of resource recovery and greenhouse gas abatement solutions

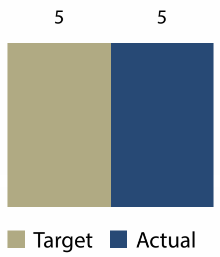
Strategy 5.1 Forward Planning

Through research and development, develop and implement structures and business models to support forward planning

Research Investment (% of income)



Number of Continuous Improvement Projects Undertaken



Key Area	Indicator	Measure	12/13 Target	12/13 Actual
Research & Innovation	Research Investment	Percentage of total turnover/ operating revenue dedicated to research investment	0.7%	0.3%
	Innovative Projects Undertaken	The number .of innovative projects undertaken as signed off by the audit committee	5	5

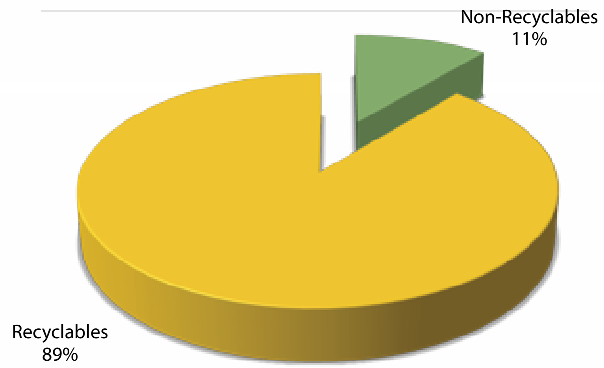
Recycling Composition Waste Audit

Project Summary

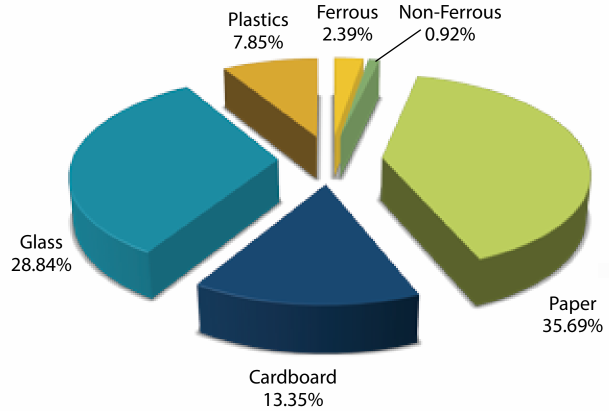
In March 2013, the RRRC Auditing Facility conducted an audit on 100 yellow topped recycling bins collected separately in a side loader truck by councils from selected areas within the City of Cockburn, Town of East Fremantle, City of Fremantle and City of Melville.

Results from the audits will help to inform the councils and SMRC of a snapshot representation of the percentages of both recyclable and non-recyclable materials collected from residential kerbside pickups, delivered to the RRRC's Material Recovery Facility for processing. The results form a benchmark to measure the success of future education and resident source separation behavioural changes as part of our Recycle Right campaign.

Combined Councils – Recyclables Contamination Percentage March 2013



Combined Councils – Recyclables Component Percentage March 2013



08 Key Performance Indicators (continued)

SUMMARY OF INNOVATIVE PROJECTS

1. Investigate Water Treatment on RRRC Site
2. Biofilter Humidification Systems
3. Residual Waste Bin Storage
4. Acoustic Lagging to Ducting
5. Dieback Treatment Program RRRC Bushland

1. Investigate Water Treatment on RRRC Site

Project Summary

The first phase of the waste water treatment plant is now in commissioning. Waste water from the Waste Composting Facility was previously discharged to ponds. The waste water is now diverted to a collection and solids settling system, where the solids will be returned back to the composting process and the clear effluent recycled back to the plant for use in biofilter humidification. Any excess to requirement treated effluent is now able to be discharged to sewer, under a new Water Corp Effluent Discharge Permit recently acquired as part of the project.

Project Outcomes

To reduce reliance and consumption of Scheme and Bore water in the Waste Composting Plant and improve the overall performance of the odour treatment plant and processes.

2. Biofilter Humidification Systems

Project Summary

Install six humidifiers to the waste composting facility's two odour treatment biofilters and fans for improved odour management.

Drying out of biofilters is the single largest reason for reduced biofilter performance.

The RRRC Operating Licence May 2013 requires the installation and operation of humidification equipment (Condition 122 (c)).

Project Outcomes

The equipment ensures consistent, sustainable humidity to biofilters, able to cope with extreme ambient temperature changes.

Sustainable humidity means sustainable biofilter performance and uniform moisture delivered to all parts of biofilter.

Consistently achieving ≥ 85%Relative Humidity.

Continue to improve odour management systems of the facility for better performance.

3. Residual Waste Bin Storage Building

Project Summary

Construct a fully enclosed bin storage area by 15 December 2012.

The bin storage area is connected to the main tipping building's negative air pressure system, thus ensuring an odour tight storage area for bins containing residual non-compostable waste, prior to being taken off site for disposal.

This was included as a condition in the RRRC's amended Operating Licence May 2013 - Condition 26 (b).

Project Outcomes

Ensures an odour tight storage area for bins containing residual non-compostable waste.

4. Acoustic Lagging to Odour Extraction Ductwork

Project Summary

Install acoustic lagging and insulation to odour extraction horizontal ductwork to 6 fans for the waste composting facility.

Specialist acoustic consultants and suppliers have assisted the SMRC to reduce plant noise emissions to comply with regulations of a conservative cumulative sound power level of 100dB (A).

Project Outcomes

This has resulted in a measured reduction in sound power level and a reduction in community complaints.

5. Die Back Treatment RRRC Bushland

Project Summary

As part of the Environmental Management System conducted at the Regional Resource Recovery Centre (RRRC), the Landscape Improvement Plan identifies the management of native bush land for treatment of Phytophthora (Dieback).

SMRC maintains this vegetation by complying with the Office of Environmental Protection Authority objective for the RRRC to maintain the abundance, species diversity, geographic distribution and productivity of vegetation communities on site.

Two of the three areas sampled were positive for the introduced water mould Phytophthora (Dieback). Sample site 2 outer rim of the central vegetation area and sample site 3 surrounding the administration building.

After the vegetation area was mapped out for treatment, stem injection and spray treatment with phosphite was conducted in the affected areas. Re-treatment recommendations are every three years. Next treatment is due December 2015.

Project Outcomes

To maintain the abundance, species diversity, geographic distribution and productivity of vegetation communities on site.

Bush land at the RRRC

Bush land at the RRRC

The biofilters at the RRRC

09 Compliance

Payment to Employees

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

EMPLOYEE'S REMUNERATION	2013	2012
Salary Range $	**$**	**$**
200,000 - 209,999	-	1
190,000 - 199,999	1	-
150,000 - 159,999	1	-
140,000 - 149,999	1	2
130,000 - 139,999	-	1
120,000 - 129,999	1	-
110,000 - 119,999	-	1
100,000 - 109,999	2	1
Total	**6**	**6**

NUMBER OF EMPLOYEES		
The number of full-time and part-time employees as at the balance date.	69	50

Plan for the Future

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

The SMRC's major initiative in its current Strategic Plan is Strategy 1.2 – the re-build of the Material Recovery Facility at a cost of $20 million funded from insurance claim proceeds. The capital project commenced in FY 2012 and was completed and operated in FY 2013.

The Regional Council has adopted its Strategic Community Plan 2013-2023 and Corporate Business Plan 2013-2017 in accordance will the new requirements of the Integrated Planning Framework as outlined by Regulation 19C (Strategic Community Plan) and Regulation 19DA (Corporate Business Plan) of the Local Government (Administration) Regulations 1996 for each financial year commencing 1 July 2013.

Register of complaints in relation to minor breaches by Councillors

In accordance with section 5.53(2)(hb) of the Local Government Act 1995, it is a requirement to report any complaints in relation to minor breaches by Councillors received during the year. There were no complaints reported for the period 1 July 2012 to 30 June 2013.

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.

09 Compliance (continued)

Statutory Compliance Return

The Statutory Compliance Return for the period 1 January 2012 to 31 December 2012 was completed and lodged as required. There were no matters of non-compliance to report.

Record-Keeping Plans

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

- A Record Keeping Plan for the SMRC was approved by the State Records Commission (19/11/2010).
- Staff training programmes for new and existing staff are regularly undertaken to ensure staff comply with the Record Keeping Policy and Procedures.
- An Independent internal audit for record keeping was conducted in October 2010. The audit scope included:
  - Assessing the level of compliance with the Council's policies and practices in relation to Record Management.
  - Assessing the adequacy of controls which ensure compliance with relevant State Records Act legislation.

Disability Access & Inclusion Plan

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

Aerial view of the RRRC

Environmental Operating Licence

In May 2012, SMRC was granted an amended two-year operating licence for the Regional Resource Recovery Centre, which requires renewal in 30 March 2014. The licence includes 54 conditions, which is monitored and evaluated by the Department of Environment and Regulation (DER). A full copy of the licence can be viewed on SMRC's website.

The table below shows performance against the licence conditions:

The Regional Resource Recovery Centre (RRRC) is required to provide an audit compliance report on an annual basis to the Department of Environment and Regulation (DER) This is a legal requirement under part V of the Environmental Protection Act 1986 and stipulated as a condition in the RRRC operating licence. The report was forwarded to DER in November 2012.

Waste Composting Facility				
Due Date	**Licence Condition No.**	**Action**	**Status**	**Reported In Update**
7-May-12	2	Install temporary humidification	Complete	Y
7-May-12	3	Limit waste intake to 1365 tonnes pw	Ongoing	Y
18-May-12	22 (a)	Submit a schedule of works for refurbishment of Biofilter 1	Complete	Y
1-Jun-12	24 (a)	Submit Ambient Odour Assessment Plan	Complete	Y
29-Jun-12	17 (a)	Submit proposal for wet scrubbing	Complete	Y
30-Jun-12	19 (b)	Install & commission continuous monitoring equipment in all humidifier wet scrubbing and biofilter inlet gases	Complete	Y
30-Jun-12	21 (a)	Submit Biofilter Monitoring and Management plan	Complete	Y
27-Jul-12	22 (c)	Implement & complete Biofilter 1 refurbishment	Complete	Y
27-Jul-12	24 (b) (v)	Commence monthly Ambient Odour Surveys	Complete	Y
28-Sep-12	23 (a)	Undertake Site Odour System Review	Complete	Y
11-Oct-12	23 (b)	Submit Site Odour System Report	Complete	Y
22-Nov-12	5 (a)	Submit Annual Environmental Report	Complete	Y
28-Nov-12	50	Submit Annual Audit Compliance Report	Complete	Y
15-Dec-12	17 (b)	Install & Commission wet scrubbing	Complete	Y
15-Dec-12	26 (b)	Construct fully enclosed bin storage area	Complete	Y
15-Dec-12	24 (b) (v)	Commence weekly Ambient Odour Surveys	In progress	Y
15-Mar-13	24 (d)	Submit Ambient Odour Assessment Plan Report	Complete	Y
Green Waste Facility (GWF) Key Actions				
Prior to commencement	44	Implement new storage protocols and procedures	Complete	Y
Prior to commencement	45	Implement new operational procedures	Complete	Y
Ongoing	46	Suspend shredding of greenwaste between 15 December and 31 March each year	Ongoing	Y

The Materials Recovery Facility

10 Financial Report

SOUTHERN METROPOLITAN REGIONAL COUNCIL

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

TABLE OF CONTENTS

SOUTHERN METROPOLITAN REGIONAL COUNCIL

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

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 and supporting notes and other information for the financial year ended 30 June 2013 are in my opinion properly drawn up to present fairly the financial position of the Southern Metropolitan Regional Council at 30 June 2013 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and Regulations under that Act.

Signed on the 21 November 2013

Tim Youe
Chief Executive Officer

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

BY NATURE OR TYPE

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2013 Budget $	2012 $
REVENUE				
Operating Grants, Subsidies and Contributions	21	3,064,042	3,038,220	3,551,188
Fees and Charges	22	18,606,678	18,162,766	16,384,710
Interest Earnings	2(a)	274,753	324,000	925,117
Other Revenues		58,492	36,664	101,215
		22,003,965	21,561,650	20,962,230
EXPENSES				
Employee Costs		(5,839,318)	(5,857,720)	(4,741,949)
Materials and Contracts		(9,186,268)	(9,122,796)	(9,131,195)
Utility Charges		(2,104,020)	(2,345,918)	(1,955,452)
Depreciation on Non-current Assets	2(a)	(5,051,846)	(5,190,697)	(4,165,785)
Interest Expenses	29	(2,099,966)	(2,102,027)	(2,901,010)
Insurance Expenses		(1,861,120)	(1,794,681)	(1,219,392)
		(26,142,538)	(26,413,839)	(24,114,783)
		(4,138,573)	(4,852,189)	(3,152,553)
Asset Revaluation Decrements				
Specialised Plant & Equipment	6	(3,514,865)	0	0
Profit on Asset Disposals	24	59,000	0	0
NET RESULT		**(7,594,438)**	**(4,852,189)**	**(3,152,553)**
Other Comprehensive Income				
Asset Revaluation Increments				
Freehold Land and Buildings	6	172,221	0	0
Leasehold Improvements	6	3,607,929	0	0
Non-Specialised Plant & Equipment	6	844,286	0	0
Total Other Comprehensive Income		**4,624,436**	0	0
TOTAL COMPREHENSIVE INCOME		**(2,970,002)**	**(4,852,189)**	**(3,152,553)**

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

BY PROGRAM

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2013 Budget $	2012 $
REVENUE	2(a)			
Governance		292,028	278,703	316,750
Community Amenities		21,711,937	21,282,947	20,645,480
		22,003,965	21,561,650	20,962,230
EXPENSES EXCLUDING FINANCE COSTS	2(a)			
Governance		(265,722)	(288,900)	(306,553)
Community Amenities		(23,776,850)	(24,022,912)	(20,907,220)
		(24,042,572)	(24,311,812)	(21,213,773)
FINANCE COSTS	29			
Governance		(86,127)	(86,220)	(103,315)
Community Amenities		(2,013,839)	(2,015,807)	(2,797,695)
		(2,099,966)	(2,102,027)	(2,901,010)
Asset Revaluation Decrements				
Community Amenities	6	(3,514,865)	0	0
Profit on Asset Disposals				
Community Amenities	24	59,000	0	0
NET RESULT		**(7,594,438)**	**(4,852,189)**	**(3,152,553)**
Other Comprehensive Income				
Asset Revaluation Increments				
Governance	6	172,221	0	0
Community Amenities	6	4,452,215	0	0
Total Other Comprehensive Income		**4,624,436**	0	0
TOTAL COMPREHENSIVE INCOME		**(2,970,002)**	**(4,852,189)**	**(3,152,553)**

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	2013 $	2012 $
CURRENT ASSETS			
Cash and Cash Equivalents	3	7,066,880	11,500,403
Trade and Other Receivables	4	9,601,297	13,633,370
Inventories	5	218,353	239,109
TOTAL CURRENT ASSETS		16,886,530	25,372,882
NON-CURRENT ASSETS			
Other Receivables	4	26,892,979	34,947,016
Property, Plant and Equipment	6	53,783,173	48,553,627
TOTAL NON-CURRENT ASSETS		80,676,152	83,500,643
TOTAL ASSETS		**97,562,682**	**108,873,525**
CURRENT LIABILITIES			
Trade and Other Payables	7	5,138,434	3,760,402
Current portion of Long-term Borrowings	8	7,055,928	11,262,523
Provisions	9	533,631	461,711
TOTAL CURRENT LIABILITIES		12,727,993	15,484,636
NON-CURRENT LIABILITIES			
Long-term Borrowings	8	26,892,979	34,947,016
Provisions	9	181,354	141,774
TOTAL NON-CURRENT LIABILITIES		27,074,333	35,088,790
TOTAL LIABILITIES		**39,802,326**	**50,573,426**
NET ASSETS		**57,760,356**	**58,300,099**
EQUITY			
Retained Surplus		42,385,141	47,135,063
Reserves- Cash backed	10	2,494,187	2,908,444
Asset Revaluation Surplus	11	12,881,028	8,256,592
TOTAL EQUITY		**57,760,356**	**58,300,099**

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

10 Financial Report (continued)

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Retained Surplus $	Reserves Cash Backed $	Asset Revaluation Surplus $	Total Equity $
Balance as at 1 July 2011		**49,952,635**	**3,856,178**	**8,256,592**	**62,065,405**
Comprehensive Income					
Net Result		(3,152,553)	0	0	(3,152,553)
Changes on revaluation of non-current assets		0	0	0	0
Total Comprehensive Income		**(3,152,553)**	**0**	**0**	**(3,152,553)**
Loans repaid from Equity		(612,753)	0	0	(612,753)
Transfer from / (to) Reserves	10	947,734	(947,734)	0	0
Balance as at 30 June 2012		**47,135,063**	**2,908,444**	**8,256,592**	**58,300,099**
Comprehensive Income					
Net Result		(7,594,438)	0	0	(7,594,438)
Changes on revaluation of non-current assets				4,624,436	4,624,436
Total Comprehensive Income		**(7,594,438)**	**0**	**4,624,436**	**(2,970,002)**
Participants Contributions for the year (New Loans)		3,000,000	0	0	3,000,000
Past Participant's Contribution on withdrawal	27	187,122	0	0	187,122
Loans repaid from Equity		(756,863)	0	0	(756,863)
Transfer from / (to) Reserves	10	414,257	(414,257)	0	0
Balance as at 30 June 2013		**42,385,141**	**2,494,187**	**12,881,028**	**57,760,356**

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013	2013 Budget	2012
Cash Flows From Operating Activities		**$**	**$**	**$**
Receipts				
Operating Grants, Subsidies and Contributions		3,119,871	2,943,333	3,540,312
Fees and Charges		17,899,127	16,943,299	16,228,384
Interest Earnings		303,857	324,000	886,044
Goods and Services Tax		1,947,561	2,700,000	1,828,650
Other Revenues		58,492	115,064	101,215
		23,328,908	23,025,696	22,584,605
Payments				
Employee Costs		(6,122,476)	(6,122,378)	(4,393,720)
Materials and Contracts		(7,614,200)	(8,029,976)	(8,457,203)
Utility Charges		(2,104,020)	(2,345,918)	(1,955,452)
Interest Expenses		(2,102,027)	(2,098,709)	(2,902,521)
Insurance Expenses		(1,861,120)	(1,820,653)	(1,219,392)
Goods and Services Tax		(1,276,026)	(2,700,000)	(2,461,423)
		(21,079,869)	(23,117,634)	(21,389,711)
Net Cash Provided By (Used In) Operating Activities	12(b)	**2,249,039**	**(91,938)**	**1,194,894**
Cash Flows from Investing Activities				
Payments for Purchase of Plant and Equipment	6	(8,847,152)	(10,534,577)	(232,647)
Payments for Construction of RRRC Leasehold Improvements	6	(209,869)	(1,537,939)	0
Payments towards Capital Work In Progress	6	(114,800)	0	(12,491,774)
Grants and Contributions for the Development of Assets		0	0	15,674,110
Proceeds from Sale of Plant and Equipment	24	59,000	0	0
Net Cash Provided By (Used In) Investing Activities		**(9,112,821)**	**(12,072,516)**	**2,949,689**
Cash Flows from Financing Activities				
Repayment of Loans	29	(3,105,847)	(3,105,847)	(3,527,943)
Contributions from Project Participants for loan repayments		2,348,984	2,348,983	2,915,190
Past Participant's Contribution on withdrawal		187,122	0	0
Proceeds from New Loans	29	3,000,000	4,500,000	0
Net Cash Provided By (Used In) Financing Activities		**2,430,259**	**3,743,136**	**(612,753)**
Net Increase (Decrease) in Cash Held		**(4,433,523)**	**(8,421,318)**	**3,531,830**
Cash and Cash Equivalents at Beginning of year	12(a)	11,500,403	11,500,403	7,968,573
Cash and Cash Equivalents at End of Year	12(a)	7,066,880	3,079,085	11,500,403

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 2013

1. **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies, which have been adopted in the preparation of this financial report, are presented below and have been consistently applied unless stated otherwise.

(a) **Basis of Preparation**

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

Except for the cash flow information, the report has also been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Critical Accounting Estimates

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making judgements about carrying values of assets and liabilities that are 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 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 17 to this financial report.

(c) **Goods and Services Tax**

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

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

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

(d) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, cash at bank, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

Bank overdrafts are shown as short-term borrowings in current liabilities on the statement of financial position.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Trade and Other Receivables

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

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

Collectability 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 measured at the lower of cost and net realisable value.

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

(g) Fixed Assets

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

Mandatory Requirement to Revalue Non-Current Assets

The Council has adopted fair value for freehold land and buildings, and leasehold improvements from the financial year ended on 30 June 2007. In line with amendments to the Local Government (Financial Management) Regulations, the Council has adopted fair value for plant and equipment from the financial year ending 30 June 2013. The Council will be adopting fair values for all other assets prior to the financial year ending 30 June 2015.Thereafter, in accordance with the regulations, each asset class will be revalued at least every 3 years. Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs 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 by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate portion of variable and fixed overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the statement of comprehensive income in the period in which they are incurred.

Revaluation

When performing a revaluation, the Council uses a mix of both independent and management valuations using the following as a guide:

Revalued assets are carried at their fair value being the price that would be received to sell the asset, in an orderly transaction between market participants at the measurement date (Level 1 inputs in the fair value hierarchy).

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets – (Continued)
Revaluations (continued)

For land and buildings, fair value will be determined based on the nature of the asset class. For land and non-specialised buildings, fair value is determined on the basis of observable open market values of similar assets, adjusted for conditions and comparability at their highest and best use (Level 2 inputs in the fair value hierarchy). For land and buildings, fair value will be determined based on the nature of the asset class. For land and non-specialised buildings, fair value is determined on the basis of observable open market values of similar assets, adjusted for conditions and comparability at their highest and best use (Level 2 inputs in the fair value hierarchy).

With regards to specialised buildings, fair value is determined having regard for current replacement cost and both observable and unobservable costs. These include construction costs based on recent contract prices, current condition (observable Level 2 inputs in the fair value hierarchy), residual values and remaining useful life assessments (unobservable Level 3 inputs in the fair value hierarchy).

For infrastructure and other asset classes, fair value is determined to be the current replacement cost of an asset (Level 2 inputs in the fair value hierarchy) less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset (Level 3 inputs in the fair value hierarchy).

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

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount 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 materially from that determined using fair value at reporting date.

In addition, the amendments to the Financial Management Regulations mandating the use of Fair Value impose a further minimum of 3 years revaluation requirement. As a minimum, all assets carried at a revalued amount, will be revalued at least every 3 years.

Transitional Arrangement

During the time it takes to transition the carrying value of non-current assets from the cost approach to the fair value approach, the Council may still be utilising both methods across differing asset classes.

Those assets carried at cost will be carried in accordance with the policy detailed in the *Initial Recognition* section as detailed above.

Those assets carried at fair value will be carried in accordance with the *Revaluation* section as detailed above.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Early Adoption of AASB 13 – Fair Value Measurement
Whilst the new accounting standard in relation to Fair Value, AASB 13 – Fair Value Measurement does not become applicable until the year ended 30 June 2014 (in relation to Council), given the legislative need to commence using Fair Value methodology for this reporting period, the Council chose to early adopt AASB 13 (as allowed for in the standard).

As a consequence, the principles embodied in AASB 13 – Fair Value Measurement have been applied to this reporting period (year ended 30 June 2013).Due to the nature and timing of the adoption (driven by legislation) the adoption of this standard has had no effect on previous reporting periods.

Depreciation of Non-Current Assets
All non-current assets having a limited useful life where the cost / fair value exceeds $2,000 for furniture, computer and electronic equipment, $5,000 for vehicles, mobile plant and equipment, and $10,000 for fixed 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.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use.

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 20 years
Leasehold Improvements	10 to 50 years
Freehold Buildings	40 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

(h) Financial Instruments

Initial Recognition and Measurement
Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit of loss', in which case transaction costs are expensed to profit or loss immediately.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement
Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or cost.

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:
a) the amount in which the financial asset or financial liability is measured at initial recognition;
b) less principal repayments;
c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method; and
d) less any reduction for impairment.

The effective interest method used is to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(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. They are subsequently measured at fair value with changes to carrying amount being included in profit or loss.

(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 and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Council's management has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

(iv) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

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

Impairment
At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired.

A financial asset is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial instruments, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Council no longer has any significant continual involvement in the risks and benefits associated with the asset.

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

(i) 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 that they may be impaired.

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

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment (Continued)
accordance with another standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

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

(k) Employee Benefits
Provision is made for the Council's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

(l) 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.

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

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

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

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

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

Lease payments for 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.

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Grants, Donations and Other Contributions
Grants, donations and other contributions are recognised as revenues when the Council 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(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of Council's operation for the current reporting period.

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

(q) 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.

(r) 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 reports.

(s) 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 loans are repaid by the Council without seeking funds from the project participants, the receivables and equity are reduced by the amount of loans repaid.

(t) Rounding of amounts
All figures shown in this financial report are rounded to the nearest dollar.

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

When the Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, a statement of financial position as at the beginning of the earliest period will be disclosed.

(v) Budget Comparative Figures
Unless otherwise stated, the budget comparative figures shown in this financial report relate to the approved revised 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 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New Accounting Standards and Interpretations for Application in Future Periods
The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Council.
Management's assessment of the new and amended pronouncement that are relevant to the Council, applicable to future reporting periods and which have not yet been adopted are set out as follows.

S. No.	Title and topic	Issued	Applicable[(1)]	Impact
(i)	AASB 9 – Financial Instruments AASB 2012 – 6 Amendments to Australian Accounting Standards – Mandatory effective date of AASB 9 and Transition Disclosures	December 2009 September 2012	1 January 2013 Deferred AASB 9 until 1 January 2015	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii)	AASB 2009 – 11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	December 2009	1 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(iii)	AASB 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	December 2010	1 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(iv)	AASB 10 – Consolidated Financial Statements AASB 11 – Joint Arrangements AASB 12 – Disclosure of Interests in Other Entities AASB 127 – Separate Financial Statements AASB 128 – Investments in Associates and Joint Ventures AASB 2011 – 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 131, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	August 2011	1 January 2013	Nil – None of these are expected to have significant application to the operations of the Council.
(v)	AASB 2011 - 9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	September 2011	1 July 2013	The main change embodied in this standard is the requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. It effects presentation only and is not expected to significantly impact the Council.
(vi)	AASB 119 – Employee Benefits AASB 2011 – 10 Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, 8, 101, 124, 134, 1049 & 2011 – 8 and Interpretation 14]	September 2011	1 January 2013	The changes in relation to defined benefit plans contained in this standard are not expected to significantly impact the Council nor are the changes to AASBs in relation to termination benefits.

Note: (1) 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 2013

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New Accounting Standards and Interpretations for Application in Future Periods (Continued)

S. No.	Title and topic	Issued	Applicable[1]	Impact
(vii)	AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 32]	June 2012	1 January 2013	Principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This Standard is not expected to significantly impact on the Council's financial statements.
(viii)	AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	June 2013	1 January 2014	This Standard adds application guidance to AASB 132: *Financial Instruments: Presentation* to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. This Standard is not expected to significantly impact the Council's financial statements.
(ix)	AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle . [AASB1,101,116,132,134 and Interpretation 2]	June 2012	1 January 2013	Outlines changes to the various standards and interpretations as listed. These topics are not currently relevant to Council, nor are they expected to be in the future. As a consequence, this Standard is not expected to significantly impact on the Council's financial statements.
(x)	AASB 2012-10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments. [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Interpretation 12]	December 2012	1 January 2013	Mainly consequential changes relating to transition guidance. It is not expected to have a significant impact on Council.

Note: (1) Applicable to reporting periods commencing on or after the given date.

(x) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

AASB 2010 – 8
AASB 2011 – 3
AASB 2011 – 13

The standards adopted had a minimal effect on the accounting and reporting practices of the Council as they were either not applicable, largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

The Council also chose to early adopt *AASB 13 – Fair Value Measurement* as allowed for in the standard. For further details with respect to this early adoption, refer to Note 1(g).

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

2 REVENUES AND EXPENSES	2013 $	2012 $
(a) Result from Ordinary Activities		
The Result from Ordinary Activities includes:		
(i) Charging as Expenses:		
Auditors Remuneration		
- Audit of Financial Report	23,400	17,200
- Assistance with finalisation of annual financial report	450	0
- Audit of Acquittals	1,550	0
- Agreed upon procedures	0	7,500
	25,400	24,700
Amortisation		
- Leasehold Improvements	1,517,735	1,311,384
	1,517,735	1,311,384
Depreciation		
Computer Equipment	15,269	23,780
Furniture and Equipment	14,041	16,750
Plant and Equipment	3,471,866	2,780,936
Freehold Buildings	32,935	32,935
	3,534,111	2,854,401
Total Amortisation and Depreciation	5,051,846	4,165,785
Rental Charges - Operating Leases	998,904	837,743

(ii) Crediting as Revenues:

Interest Earnings	2013 $	2013 Budget $	2012 $
- Reserve Funds	131,257	155,240	199,417
- Other Funds	143,496	168,760	725,700
	274,753	324,000	925,117

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

2. REVENUES AND EXPENSES (Continued)

(b) 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.

(c) Conditions Over Grants / Contributions

	2013 $	2012 $
Grants which were recognised as revenues in the previous reporting period, which were not expended at the close of the previous reporting period :		
Glass Contamination Reduction Programme	10,000	10,000
Zero Waste Plan	76,462	76,462
	86,462	86,462
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	40,000	0
Educational grant for Recycle Right	27,000	0
Educational grant for Recycle Right in Avon Region	100,000	0
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	50,000	0
Educational grant for Recycle Right	18,681	0
Closing Balance of Unspent Grants	184,781	86,462
Comprises:		
Glass Contamination Reduction Programme	0	10,000
Zero Waste Plan	76,462	76,462
Educational grant for Recycle Right	8,319	0
Educational grant for Recycle Right in Avon Region	100,000	0
	184,781	86,462

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

	2013 $	2012 $
3. CASH AND CASH EQUIVALENTS		
Cash on Hand	850	750
Cash at Bank	933,544	19,310
Call Deposits	2,215,000	1,760,000
Short Term Deposits	3,917,486	9,720,343
	7,066,880	11,500,403
Unrestricted	2,953,853	6,552,613
Restricted	4,113,027	4,947,790
	7,066,880	11,500,403
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Unspent Grants	184,781	86,462
Unspent Loans	470,875	730,932
Retention and Bonds	963,184	1,221,952
RRRC Plant Reserve	1,889,187	2,303,444
RRRC Contingency & Development Reserve	555,000	555,000
RRRC Travel and Conference Reserve	50,000	50,000
	4,113,027	4,947,790
4. TRADE AND OTHER RECEIVABLES		
Current		
Sundry Debtors	2,199,684	1,492,133
Accrued Income	86,980	171,913
Prepaid expenses	258,705	74,028
GST Receivable	0	632,773
Loan Debtors - Project Participants	7,055,928	11,262,523
	9,601,297	13,633,370
Non-Current		
Loan Debtors - Project Participants	26,892,979	34,947,016
	26,892,979	34,947,016
5. INVENTORIES		
Stock on Hand - Fuel	3,687	20,314
Stock on Hand - RRRC Critical Spares	214,666	218,795
	218,353	239,109

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

6. PROPERTY, PLANT AND EQUIPMENT

	2013 $	2012 $
Freehold Land - Independent Valuation 2013	950,000	0
Freehold Building - Independent Valuation 2013	1,200,000	0
Freehold Land - Independent Valuation 2010	0	1,190,000
Freehold Building - Independent Valuation 2010	0	980,000
Freehold Buildings - Cost (In 2008 and 2009)	0	7,409
Less Accumulated Depreciation	0	(166,695)
Total Freehold Land & Buildings	2,150,000	2,010,714
RRRC Leasehold Improvements - Independent Valuation 2013	26,201,300	0
RRRC Leasehold Improvements - Independent Valuation 2010	0	22,959,135
RRRC Leasehold Improvements - Cost (From 2008 to 2011)	0	1,115,502
Less Accumulated Amortisation	0	(6,342,069)
	26,201,300	17,732,568
Information Technology Equipment - Cost	474,203	474,203
Less Accumulated Depreciation	(467,461)	(452,192)
	6,742	22,011
Furniture and Equipment - Cost	298,329	298,329
Less Accumulated Depreciation	(272,100)	(258,059)
	26,229	40,270
Plant and Equipment - Independent Valuation 2013	25,284,102	0
Plant and Equipment - Cost	0	33,256,014
Less Accumulated Depreciation	0	(17,243,635)
	25,284,102	16,012,379
Capital Work In Progress - Cost	114,800	12,735,685
Total Property, Plant and Equipment	53,783,173	48,553,627

Movements in carrying amounts

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

	Freehold Land (Level 2)	Freehold non-specialised Buidlings (Level 2)	Leasehold Specialised Buildings (Level 3)	Total Buildings	Total Land & Buildings	Information Technology Equipment	Sub-Total Carried Forward
	$	$	$	$	$	$	$
Balance at the beginning of the year	980,000	1,030,714	17,732,568	18,763,282	19,743,282	22,011	19,765,293
Additions	0	0	209,869	209,869	209,869	0	209,869
Reclassification	0	0	6,168,669	6,168,669	6,168,669	0	6,168,669
Depreciation/Amortisation expense	0	(32,935)	(1,517,735)	(1,550,670)	(1,550,670)	(15,269)	(1,565,939)
Revaluation increases / (decreases)	(30,000)	202,221	3,607,929	3,810,150	3,780,150	0	3,780,150
Carrying amount at the end of year	950,000	1,200,000	26,201,300	27,401,300	28,351,300	6,742	28,358,042

	Sub-Total Brought Forward	Furniture & Equipment	Non-specialised Plant & Equipment (Level 2)	Specialised Plant & Equipment (Level 3)	Total Plant & Equipment	Capital Work-in-progress	Total Property, Plant and Equipment
	$	$	$	$	$	$	$
Balance at the beginning of the year	19,765,293	40,270	933,805	15,078,574	16,012,379	12,735,685	48,553,627
Additions	209,869	0	288,138	8,559,014	8,847,152	114,800	9,171,821
Reclassification	6,168,669	0	0	6,567,016	6,567,016	(12,735,685)	0
Depreciation/Amortisation expense	(1,565,939)	(14,041)	(415,229)	(3,056,637)	(3,471,866)	0	(5,051,846)
Revaluation increases / (decreases)	3,780,150	0	844,286	(3,514,865)	(2,670,579)	0	1,109,571
Carrying amount at the end of year	28,358,042	26,229	1,651,000	23,633,102	25,284,102	114,800	53,783,173

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Freehold Land and Buildings & RRRC Leasehold improvements

Freehold Land and Buildings & Leasehold improvements were revalued at 30 June 2013 by independent valuers.

In relation to freehold land and non-specialised buildings, valuations were determined on the basis of market values of similar assets adjusted for condition and comparability, at their highest and best use (Level 2 inputs in the fair value hierarchy).

The method used for the valuation of the specialised buildings, where there is no market sales evidence available, is the "Depreciated Replacement Cost" (DRC) approach. The "DRC" approach considers the cost to reproduce or replace similar assets with an asset in new condition, including allowance for installation, less an amount for depreciation in the form of accrued physical wear and tear, economic and functional obsolescence (Level 3 inputs in the fair value hierarchy). Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

These revaluations resulted in an overall increase of $3,780,150 in the net value of the Council's freehold land and buildings & RRRC leasehold improvements. All this increase was credited to the revaluation surplus in the Council's equity (refer Note 11(a) & (b)) and was recognised as Changes on Revaluation of non-current Assets in the Statement of Comprehensive Income.

Plant and Equipment

The Plant and Equipment was revalued at 30 June 2013 by independent valuers.

For non-specialised Plant & Equipment, valuation was determined on the basis of market values of similar assets adjusted for condition and comparability (Level 2 inputs in the fair value hierarchy).

The revaluation resulted in an increase of $844,286 in the net value of the Council's non-specialised Plant & Equipment. All this increase was credited to the revaluation surplus in the SMRC's equity (refer Note 11(c)) and was recognised as Changes on Revaluation of non-current Assets in the Statement of Comprehensive Income.

The method used for the valuation of Specialised Plant & Equipment, where there is no market sales evidence available, is the "Depreciated Replacement Cost" (DRC) approach. The "DRC" approach considers the cost to reproduce or replace similar assets The "DRC" approach considers the cost to reproduce or replace similar assets with an asset in new condition, including allowance with an asset in new condition, including allowance for installation, less an amount for depreciation in the form of accrued physical wear and tear, economic and functional obsolescence (Level 3 inputs in the fair value hierarchy). Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

The revaluation resulted in a decrease of $3,514,865 in the net value of the Council's plant and equipment. All of this decrease is shown as a loss in the current year's Statement of Comprehensive Income.

7. TRADE AND OTHER PAYABLES

	2013 $	2012 $
Current		
Sundry Creditors	3,539,172	1,864,421
Accrued Expenses	592,695	272,689
GST Payable	38,762	0
Accrued Salaries and Wages	0	394,658
Accrued Loan Interest	4,621	6,682
Retention and Bonds	963,184	1,221,952
	5,138,434	3,760,402

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

8. LONG TERM BORROWINGS

	2013 $	2012 $
Current		
Debentures	7,055,928	11,262,523
	7,055,928	11,262,523
Non Current		
Debentures	26,892,979	34,947,016
	26,892,979	34,947,016

Additional detail on Debentures is provided in Note 29.

The Council has two lending facilities for the following projects:

(a). 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.
Former / Present Participants limit of its share of the loan liability is as follows:

	2013	2012	2013 $	2012 $
(i) Share of Former Participants				
City of Canning	0%	27.98%	0	12,424,513
			0	12,424,513
(ii) Share of Participants				
City of Cockburn	40.02%	26.95%	12,865,993	11,969,352
Town of East Fremantle	3.30%	2.42%	1,060,914	1,076,186
City of Fremantle	12.51%	8.99%	4,021,828	3,991,820
City of Melville	44.17%	33.66%	14,200,172	14,947,668
			32,148,907	31,985,026
			32,148,907	44,409,539

(b). 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.
Participants limit of its share of the loan liability is as follows

	2013	2012	2013 $	2012 $
City of Cockburn	35.43%	24.30%	637,740	437,400
Town of East Fremantle	2.92%	2.18%	52,560	39,240
City of Fremantle	11.07%	8.10%	199,260	145,800
Town of Kwinana	11.47%	7.57%	206,460	136,260
City of Melville	39.11%	30.34%	703,980	546,120
City of Rockingham	0%	27.51%	0	495,180
			1,800,000	1,800,000

9. PROVISIONS

Analysis of Total Provisions:	2013 $	2012 $
Current	533,631	461,711
Non current	181,354	141,774
	714,985	603,485

	Provision for Annual Leave $	Provision for Long Service Leave $	Total $
Opening balance as at 1 July 2012	272,506	330,979	603,485
Additional Provisions	46,862	64,638	111,500
Balance as at 30 June 2013	319,368	395,617	714,985

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

10. 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 Contingency & Development 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 and Conference Reserve- to be used to fund the requirements for staff and Councillors' travel and conference attendance- Ongoing

	2013 $	2013 Budget $	2012 $
(a) RRRC Plant Reserve			
Balance as at 1 July	2,303,444	2,303,444	2,606,577
Transfers to Reserve	0	40,000	1,121,000
Transfers from Reserve	(414,257)	(876,102)	(1,424,133)
Balance as at 30 June	1,889,187	1,467,342	2,303,444
(b) RRRC Contingency & Development Reserve			
Balance as at 1 July	555,000	555,000	1,199,601
Transfers to Reserve	0	0	555,000
Transfers from Reserve	0	0	(1,199,601)
Balance as at 30 June	555,000	555,000	555,000
(c) Travel and Conference Reserve			
Balance as at 1 July	50,000	50,000	50,000
Balance as at 30 June	50,000	50,000	50,000
Total Reserves- Cash backed	2,494,187	2,072,342	2,908,444

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.

	2013 $	2013 Budget $	2012 $
SUMMARY OF RESERVE TRANSFERS			
Transfers To Reserves- Cash Backed			
RRRC Plant Reserve	0	40,000	1,121,000
RRRC Contingency & Development Reserve	0	0	555,000
	0	40,000	1,676,000
SUMMARY OF RESERVE TRANSFERS			
Transfers From Reserves- Cash Backed			
RRRC Plant Reserve	(414,257)	(876,102)	(1,424,133)
RRRC Contingency & Development Reserve	0	0	(1,199,601)
	(414,257)	(876,102)	(2,623,734)
Net Reserve Movement (Cash Backed)	(414,257)	(836,102)	(947,734)

11. ASSET REVALUATION SURPLUS

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

	2013 $	2013 Budget $	2012 $
(a) Land and Buildings			
Balance as at 1 July	425,712	425,712	425,712
Increments / (Decrements)	172,221	0	0
Balance as at 30 June	597,933	425,712	425,712
(b) Leasehold Improvements			
Balance as at 1 July	7,830,880	7,830,880	7,830,880
Increments / (Decrements)	3,607,929	0	0
Balance as at 30 June	11,438,809	7,830,880	7,830,880
(c) Non-Specialised Plant & Equipment			
Balance as at 1 July	0	0	0
Increments / (Decrements)	844,286	0	0
Balance as at 30 June	844,286	0	0
Total Asset Revaluation Surplus	12,881,028	8,256,592	8,256,592

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

12. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, 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 Statement of Financial Position as follows:

	2013 $	2013 Budget $	2012 $
Cash on Hand	850	850	750
Cash at Bank	933,544	50,000	19,310
Call Deposits	2,215,000	500,000	1,760,000
Short Term Deposits	3,917,486	2,528,235	9,720,343
	7,066,880	3,079,085	11,500,403

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

	2013 $	2013 Budget $	2012 $
Net result	(7,594,438)	(4,852,189)	(3,152,553)
Add / (Less):			
Depreciation	3,534,112	3,672,963	2,854,400
Amortisation	1,517,734	1,517,734	1,311,385
(Profit)/Loss on Sale / Disposal of Asset	(59,000)	0	0
(Increase)/Decrease in Receivables	10,155	(603,181)	(839,048)
(Increase)/Decrease in Prepaid Expenses	(184,677)	(25,972)	0
(Increase)/Decrease in Inventories	20,756	(40,891)	10,634
Increase/(Decrease) in Creditors and Accruals	1,378,032	239,598	929,330
Increase/(Decrease) in Employee Provisions	111,500	0	80,746
Asset revaluation decrements	3,514,865	0	0
Net Cash from Operating Activities	2,249,039	(91,938)	1,194,894

	2013 $	2012 $
(c) Credit Standby Arrangements		
Credit Card limit	20,000	20,000
Credit Card balance at reporting date	(8,433)	(5,459)
Total Amount of Credit Unused	11,567	14,541
(d) Loan Facilities		
Loan Facilities - Current	7,055,928	11,262,523
Loan Facilities - Non-Current	26,892,979	34,947,016
Total Facilities in Use at reporting date	33,948,907	46,209,539
Unused Loan Facilities at reporting date	0	0

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

	2013 $	2012 $
13. CAPITAL AND LEASING COMMITMENTS		
(a) Capital Expenditure Commitments		
Capital expenditure commitments contracted for as at the reporting date and which have not been recognised as liabilities in the Statement of Financial Position as follows:		
Regional Resource Recovery Centre Contracts	527,707	4,775,801
Payable:		
- not later than one year	527,707	4,775,801
	527,707	4,775,801
(b) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	720,793	779,053
- later than one year but not later than two years	693,489	671,785
- later than two years but not later than five years	2,687,190	2,307,176
- later than five years	12,000,000	13,000,000
	16,101,472	16,758,014

14. CONTINGENT LIABILITIES

There were no claims or pending claims or any other contingent liabilities as at the reporting date. (2012- Nil)

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2013 $	2012 $
Community Amenities	97,562,682	108,873,525
	97,562,682	108,873,525

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

	2013 $	2013 Budget $	2012 $
16. COUNCILLORS' REMUNERATION			
The following fees, expenses and allowances were paid to the Council members, the Chairman and Deputy Chairman.			
Meeting Fees	42,000	42,000	49,000
Chairman Allowance	10,000	10,000	10,000
Deputy Chairman Allowance	2,500	2,500	2,500
Other Allowances	10,000	10,000	12,000
Other reimbursements	447	2,500	0
	64,947	67,000	73,500

17. TRUST FUNDS

The Council does not have any trust funds on hand as at 30 June 2013. (2012- Nil)

18. BUDGET COMPARISON

(a) Operating Income and Expenditure

		2013 $	2013 $ Budget
Recycling Facility Surplus / (Deficit)	1	353,084	666,864
Waste Composting Facility Surplus / (Deficit)	2	(26,667)	(200,000)
Green Waste Facility Surplus / (Deficit)	3	130,278	40,000
RRRC Administration	4	220,395	168,144
Depreciation on non-current assets		(5,051,846)	(5,190,697)
Others	5	295,183	(336,500)
		(4,079,573)	(4,852,189)

Comments - Reasons for variations from budgeted amounts:
1. Higher operating costs
2. Operational efficiencies and savings in costs.
3. Higher volumes, operational efficiencies and savings in costs.
4. Savings in costs.
5. Savings in costs and unspent grants.

(b) Non Operating Income and Expenditure

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

		2013 $	2013 $ Budget
Non Operating Income			
Loans raised	1	3,000,000	4,500,000
Loan Principal Contributions		2,348,984	2,348,983
Fair value increases to Non-Current assets	2	4,624,436	0
Non Operating Expenditure			
Principal repayment of loans		3,105,847	3,105,847
Fair value decreases to Non-Current assets	2	3,514,865	0
Construction/purchase of assets			
Plant and Equipment	3	8,847,152	10,534,577
Leasehold Improvements	4	209,869	1,537,939
Capital Work-in-progress		114,800	0

Comments - Reasons for variations from budgeted amounts:
1. Will be borrowed in FY 2013-14
2. Fair value adjustment at the end of FY 2013-14 not budgeted
3. Few Capex projects deferred to FY 2013-14
4. MRF Bale shed construction is now planned in FY 2013-14

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

19. 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 and visitors centre, weighbridge, greenwaste processing and waste composting and recycling facility. Operating revenues is received from gate fees from participants / the private sector and sale of materials. Accounting for this undertaking is in accordance with the Local Government (Financial Management) Amendment Regulations 9 & 45.

STATEMENT OF COMPREHENSIVE INCOME	2013 $	2012 $
Revenues from Ordinary Activities		
Education & Marketing	363,620	227,703
RRRC Admin & Weighbridge	175,382	287,112
Recycling	5,498,503	823,908
Greenwaste	1,345,248	1,111,996
Waste Compost	12,169,609	15,068,252
Business Development	0	240,000
Waste Audit Service	28,988	21,401
Contributions for interest on loans	1,764,112	2,403,633
Profit on sale of Assets	59,000	0
	21,404,462	20,184,005
Less Expenses from Ordinary Activities		
Education & Marketing	286,741	187,421
RRRC Admin & Weighbridge	121,828	(259,770)
Recycling	5,915,644	1,828,544
Greenwaste	1,340,542	1,272,015
Waste Compost	16,134,040	17,425,606
Business Development	134,215	300,864
Waste Audit Service	137,921	126,528
	24,070,931	20,881,208
Less Borrowing Cost Expense		
RRRC Property	1,762,435	2,401,411
Net Profit or (Loss)	**(4,428,904)**	**(3,098,614)**

STATEMENT OF FINANCIAL POSITION		
Current Assets		
Cash and Cash Equivalents	5,400,828	10,376,749
Trade and Other Receivables	9,544,798	11,588,771
Inventories	218,353	239,109
Total Current Assets	15,163,979	22,204,629
Non-Current Assets		
Trade and Other Receivables	25,092,979	34,947,016
Property, Plant and Equipment	25,403,156	28,766,394
Leasehold Improvements	26,201,300	17,732,568
Total Non-Current Assets	76,697,435	81,445,978
Total Assets	91,861,414	103,650,607
Current Liabilities		
Trade and Other Payables	4,978,157	3,353,213
Borrowings - current portion	7,055,928	9,462,523
Provisions	258,078	197,350
Total Current Liabilities	12,292,163	13,013,086
Non-Current Liabilities		
Borrowings - non-current portion	25,092,979	34,947,016
Provisions	141,664	107,480
Total Non-Current Liabilities	25,234,643	35,054,496
Total Liabilities	37,526,806	48,067,582
Net Assets	**54,334,608**	**55,583,025**
Equity		
Opening Balance	55,583,025	59,294,392
RRRC Participants Contribution towards Equity	3,000,000	0
Retained Surplus/(Deficit) for year	(4,428,904)	(3,098,614)
Fair value adjustment to Non-Current assets	937,350	0
Less: Loans repaid from Equity	(756,863)	(612,753)
Total Equity	**54,334,608**	**55,583,025**

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

20. ECONOMIC DEPENDENCY

A significant portion of revenue is received from the members as contributions as disclosed in note 21 and also in form of RRRC Gate fees as indicated in the note 22.

21. GRANTS, SUBSIDES AND CONTRIBUTIONS

Grants, Subsidies and Contributions are included as in the Statement of Comprehensive Income

	2013 $	2012 $
By Programme:		
Governance		
Annual Member's Contributions	236,703	316,750
Reimbursements	55,325	11,402
Community Amenities		
Annual Member's Contributions	441,701	507,882
Member's Contributions towards interest	1,764,112	2,403,633
Grants	167,000	0
Reimbursements	399,201	311,521
	3,064,042	3,551,188
By Nature or Type:		
Operating Grants, Subsidies and Contributions	3,064,042	3,551,188
Non-operating Grants, Subsidies and Contributions	0	0
	3,064,042	3,551,188

22. FEES AND CHARGES

	2013 $	2012 $
Community Amenities		
RRRC Gate Fees from Members	14,702,236	13,854,302
RRRC Gate Fees from Non-Members	1,090,919	2,088,627
Sale of Products	2,784,535	420,380
Others	28,988	21,401
	18,606,678	16,384,710

23. FINANCIAL RATIOS

	2013	2012	2011
Current Ratio	1.11	1.43	2.04
Asset Sustainability Ratio	0.22	0.16	0.46
Debt Service Cover Ratio	(0.09)	0.61	1.04
Operating Surplus Ratio	(0.04)	(0.18)	(0.01)
Own Source Revenue Coverage Ratio	0.66	0.74	1.10

The above ratios are calculated as follows:

Current Ratio	Current assets minus restricted current assets / Current liabilities minus liabilities associated with restricted assets
Asset Sustainability Ratio	Capital Renewal and Replacement Expenditure / Depreciation Expense
Debt Service Cover Ratio	Annual Operating Surplus before interest and depreciation / Principal and Interest
Operating Surplus Ratio	Operating Revenue minus Operating Expense / Own Source Operating Revenue
Own Source Revenue Coverage Ratio	Own Source Operating Revenue / Operating Expense

Note: Information relating to Asset Consumption Ratio and Asset Renewal Funding Ratio can be found at Supplementary Ratio Information on Page 71 of this document.

Three of the 2013 ratios disclosed above are distorted by item of significant expense totalling $3,514,865 relating to the revaluation decrement of specialised plant & equipment in accordance with Financial Management Regulations 17A (refer to Note 6 for further details). This item forms part of operating expenses and has been included in the calculations above. This item of significant expense is considered to be "one-off" and are non-cash in nature and, if they were ignored, the calculations disclosed in the 2013 column above would be as follows:

	2013
Debt Service Ratio	0.59
Operating Surplus Ratio	(0.21)
Own Source Revenue Coverage Ratio	0.74

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

24. DISPOSALS OF ASSETS - 2012/13 FINANCIAL YEAR

Assets Disposed	Net Book Value Actual	Net Book Value Budget	Sale Price Actual	Sale Price Budget	Profit (Loss) Actual	Profit (Loss) Budget
RRRC Mobile Plant	0	0	59,000	0	59,000	0
Total	0	0	**59,000**	0	**59,000**	0

By Program	Net Book Value Actual $	Net Book Value Budget $	Sale Price Actual $	Sale Price Budget $	Profit (Loss) Actual $	Profit (Loss) Budget $
Community Amenities	0	0	59,000	0	59,000	0
	0	0	**59,000**	0	**59,000**	0

By Class	Net Book Value Actual $	Net Book Value Budget $	Sale Price Actual $	Sale Price Budget $	Profit (Loss) Actual $	Profit (Loss) Budget $
Plant and Equipment	0	0	59,000	0	59,000	0
	0	0	**59,000**	0	**59,000**	0

25. Rating Information

Being a Regional Council, no rates were raised during the year ended 30 June 2013 and in the year ended 30 June 2012.

26. City of Canning's withdrawal from the SMRC

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

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

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

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

27. City of Rockingham 's withdrawal from the SMRC

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

As required by the Office Accommodation Project, SMRC prepared an amended Business Plan for the project having regard to the effect of the withdrawal of the City of Rockingham and arrived at a net receivable from the City of Rockingham of $ 187,122. The amount was received and shown as a Past Participant's Contribution on withdrawal in the Statement of Changes in Equity.

28. RRRC Licence

In May 2012, SMRC was granted an amended two-year operating licence for the Regional Resource Recovery Centre, which requires renewal in 30 March 2014. The licence includes 54 conditions, which are monitored and evaluated by the Department of Environment Regulation (DER).

SMRC is complying with all the conditions and believes that the licence will be extended when it is due for renewal.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

29. INFORMATION ON BORROWINGS

(a) Loan Repayments

Particulars	Principal 1-Jul-12	New / Rollover Loans	Interest Repayments		Principal Repayments		Principal 30 Jun 13
			Budget	Actual	Budget	Actual	
Community Amenities							
RRRC							
LOAN NO 1-23	1,250,095	0	19,939	19,939	25,973	1,250,095	0
LOAN NO 1-28	620,587	0	8,905	8,905	13,288	620,587	0
LOAN NO 1-29	618,471	0	8,720	8,720	13,305	618,471	0
LOAN NO 1-30	624,037	0	8,846	8,846	13,406	624,037	0
LOAN NO 1-31	1,272,327	0	18,322	18,322	27,218	1,272,327	0
LOAN NO 1-33	1,206,716	0	17,381	17,381	25,936	1,206,716	0
LOAN NO 1-37	1,826,619	0	26,064	26,064	46,236	1,826,619	0
LOAN NO 1-40	662,942	0	9,469	9,469	14,289	662,942	0
LOAN NO 1-41	679,155	0	10,188	10,188	14,447	679,155	0
LOAN NO 1-42	672,547	0	9,887	9,887	14,387	672,547	0
LOAN NO 1-43	1,189,874	0	17,509	17,509	26,233	1,189,874	0
LOAN NO 1-49	1,298,973	0	20,844	20,844	20,676	1,298,973	0
LOAN NO 1-50	767,987	0	12,057	12,057	12,325	767,987	0
LOAN NO 1-52	4,314,166	0	66,993	66,993	186,065	4,314,166	0
LOAN NO 1-53	1,284,571	0	20,623	20,623	20,485	1,284,571	0
LOAN NO 1-56	666,293	0	11,553	11,553	10,283	666,293	0
LOAN NO 1-57	665,088	0	11,532	11,532	10,265	665,088	0
LOAN NO 1-60	1,214,915	0	21,672	21,672	24,488	1,214,915	0
LOAN NO 1-61	1,999,401	0	36,868	36,868	30,058	1,999,401	0
LOAN NO 1-62	1,611,936	0	21,494	21,494	27,334	1,611,936	0
LOAN NO 1-63	1,629,686	0	25,573	25,573	26,139	1,629,686	0
LOAN NO 1-64	742,899	0	11,440	11,440	12,000	742,899	0
LOAN NO 1-65	1,728,462	0	27,124	27,124	27,724	1,728,462	0
LOAN NO 1-66	3,247,172	0	51,606	51,606	51,807	3,247,172	0
LOAN NO 1-67	1,296,101	0	19,643	19,643	21,035	1,296,101	0
LOAN NO 1-68	1,265,509	0	19,614	19,614	20,382	1,265,509	0
LOAN NO 1-73	1,351,615	0	16,109	16,109	23,622	1,351,615	0
LOAN NO 1-74	5,152,952	0	61,416	61,416	90,056	5,152,952	0
LOAN NO 1-76	1,571,752	0	15,933	15,933	28,613	1,571,752	0
LOAN NO 1-77	1,976,692	0	18,421	18,421	90,487	1,976,692	0
LOAN NO 3-23	0	881,613	14,062	14,062	881,613	881,613	0
LOAN NO 3-28	0	437,376	18,409	18,409	29,542	29,542	407,834
LOAN NO 3-29	0	435,840	18,023	18,023	29,565	29,565	406,275
LOAN NO 3-30	0	439,776	18,283	18,283	29,794	29,794	409,982
LOAN NO 3-31	0	896,728	37,876	37,876	60,517	60,517	836,211
LOAN NO 3-33	0	850,398	35,953	35,953	57,637	57,637	792,760
LOAN NO 3-37	0	1,282,232	53,501	53,501	102,710	102,710	1,179,521
LOAN NO 3-40	0	467,161	19,586	19,586	31,744	31,744	435,416
LOAN NO 3-41	0	478,723	21,085	21,085	32,141	32,141	446,582
LOAN NO 3-42	0	474,007	20,458	20,458	31,989	31,989	442,018
LOAN NO 3-43	0	838,054	36,179	36,179	58,330	58,330	779,724
LOAN NO 3-49	0	920,630	43,611	43,611	46,096	46,096	874,534
LOAN NO 3-50	0	544,228	25,219	25,219	27,460	27,460	516,767
LOAN NO 3-52	0	2,973,059	132,338	132,338	414,418	414,418	2,558,641
LOAN NO 3-53	0	910,395	43,148	43,148	45,671	45,671	864,724
LOAN NO 3-56	0	472,458	24,193	24,193	22,986	22,986	449,473
LOAN NO 3-57	0	471,603	24,150	24,150	22,944	22,944	448,659
LOAN NO 3-60	0	857,345	15,298	15,298	857,345	857,345	0
LOAN NO 3-61	0	1,418,320	77,268	77,268	67,333	67,333	1,350,987
LOAN NO 3-62	0	1,141,231	44,881	44,881	60,616	60,616	1,080,614
LOAN NO 3-63	0	1,154,875	53,490	53,490	58,240	58,240	1,096,635
LOAN NO 3-64	0	526,393	23,924	23,924	26,721	26,721	499,672
LOAN NO 3-65	0	1,224,872	56,734	56,734	61,769	61,769	1,163,102
LOAN NO 3-66	0	2,301,302	107,954	107,954	115,480	115,480	2,185,822
LOAN NO 3-67	0	918,303	41,067	41,067	46,821	46,821	871,482
LOAN NO 3-68	0	896,740	41,020	41,020	45,396	45,396	851,344
LOAN NO 3-73	0	956,421	33,595	33,595	52,248	52,248	904,173
LOAN NO 3-74	0	3,646,298	128,078	128,078	199,193	199,193	3,447,105
LOAN NO 3-76	0	1,111,369	33,180	33,180	63,066	63,066	1,048,303
LOAN NO 3-77	0	1,358,445	12,542	12,542	1,358,445	1,358,445	0
LOAN NO 3-78 (3-77)	0	1,292,551	21,401	21,401	0	0	1,292,551
LOAN NO 3-80 (3-23, 3-60)	0	1,702,008	33,985	33,985	70,228	70,228	1,631,780
LOAN NO 3-81	0	3,000,000	59,572	59,572	123,786	123,786	2,876,214
Office Accommodation							
LOAN NO 2-4	1,800,000	0	51,660	51,660	1,800,000	1,800,000	0
LOAN NO 2-5	0	1,800,000	34,560	34,560	0	0	1,800,000
	46,209,539	39,080,753	2,102,027	2,102,027	7,900,406	51,341,385	33,948,907
Add: Accrued Interest			0	(2,061)			
Net Interest			2,102,027	2,099,966			
Transfer of City of Canning Loans		(31,286,193)			0	(43,440,979)	
Less: Rollover of Loans		(4,794,559)			(4,794,559)	(4,794,559)	
Net Borrowings / Repayments		3,000,000			3,105,847	3,105,847	

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

29. INFORMATION ON BORROWINGS (Continued)

(b) New / Rollover of 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 3.78 (Rollover)	1,292,551	1,292,551	WATC	Debenture	0.50	21,401	3.23%	1,292,551	1,292,551	0
LOAN NO 3.80 (Rollover)	1,702,008	1,702,008	WATC	Debenture	10.00	378,694	3.98%	1,702,008	1,702,008	0
LOAN NO 3.81 (New)	3,000,000	3,000,000	WATC	Debenture	10.00	667,155	3.98%	3,000,000	2,529,125	470,875
LOAN NO 2-5 (Rollover)	1,800,000	1,800,000	WATC	Debenture	5.00	345,600	3.74%	1,800,000	1,800,000	0
	7,794,559	7,794,559				1,412,850		7,794,559	7,323,684	470,875

(c) Unspent Loans

	Date Borrowed	Balance 01-Jul-12	Borrowed During Year	Expensed During Year	Balance 30-Jun-13
LOAN NO 3.74	30/12/2011	730,932	0	730,932	0
LOAN NO 3.81 (New)	31/12/2012	0	3,000,000	2,529,125	470,875

(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 2013

30. 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	
	2013	2012	2013	2012
	$	$	$	$
Financial Assets				
Cash and cash equivalents	7,066,880	11,500,403	7,066,880	11,500,403
Receivables	36,494,276	48,580,386	35,075,609	44,923,436
	43,561,156	60,080,789	42,142,489	56,423,839
Financial Liabilities				
Payables	5,138,434	3,760,402	5,138,434	3,760,402
Borrowings	33,948,907	46,209,539	32,530,240	42,552,589
	39,087,341	49,969,941	37,668,674	46,312,991

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.

(a) Cash and Cash Equivalents

Council's objective is to maximise its return on cash portfolio 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.

Cash is subject to interest rate risk – the risk that movements in interest rates could affect returns. Another risk associated with cash 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 investing its funds with recognised Australian Banks.

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

30. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents (Continued)

	2013	2012
	$	$
Impact of a 1% (*) movement in interest rates on cash and cash equivalents		
- Equity	67,490	178,890
- Income Statement	67,490	178,890

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.

(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:

	2013	2012
Percentage of Receivables		
- Current	93.36%	96.08%
- Overdue	6.64%	3.92%

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

30. 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 $
2013					
Payables	5,138,434	0	0	5,138,434	5,138,434
Borrowings	8,730,481	23,511,153	7,617,372	39,859,006	33,948,907
	13,868,915	23,511,153	7,617,372	44,997,440	39,087,341
2012					
Payables	3,760,402	0	0	3,760,402	3,760,402
Borrowings	13,702,644	30,487,064	10,519,692	54,709,400	46,209,539
	17,463,046	30,487,064	10,519,692	58,469,802	49,969,941

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

30. 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 %
2013								
Borrowings								
Fixed Rate								
Debentures	5,576,383	4,149,772	4,011,083	3,394,851	5,245,000	11,571,818	33,948,907	5.43%
Weighted Average Effective Interest Rate	5.70%	6.12%	6.07%	6.10%	5.43%	4.62%		
2012								
Borrowings								
Fixed Rate								
Debentures	8,068,320	4,635,673	6,200,151	6,006,498	5,586,493	15,712,404	46,209,539	5.73%
Weighted Average Effective Interest Rate	5.45%	6.58%	6.02%	5.99%	6.03%	5.29%		

UHY Haines Norton
Chartered Accountants

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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 statement of financial position as at 30 June 2013, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL REPORT

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal control as Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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 about 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 judgement, 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 Council's preparation of the financial report that gives a true and fair view 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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

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

AUDITOR'S OPINION

In our opinion, the financial report of the 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 2013 and of its performance for the year ended on that date; and

b. complying with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

UHY Haines Norton
Chartered Accountants

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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) No other 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) In relation to the Supplementary Ratio Information presented at page 71 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest they are not:
   i) reasonably calculated; and
   ii) based on verifiable information.

d) All necessary information and explanations were obtained by us.

e) All audit procedures were satisfactorily completed in conducting our audit.

UHY HAINES NORTON
CHARTERED ACCOUNTANTS

WEN-SHIEN CHAI
PARTNER

Date: 21 November 2013
Perth, WA

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

SUPPLEMENTARY RATIO INFORMATION

The following information relates to those ratios which only require attestation that they have been checked and are supported by verifiable information.

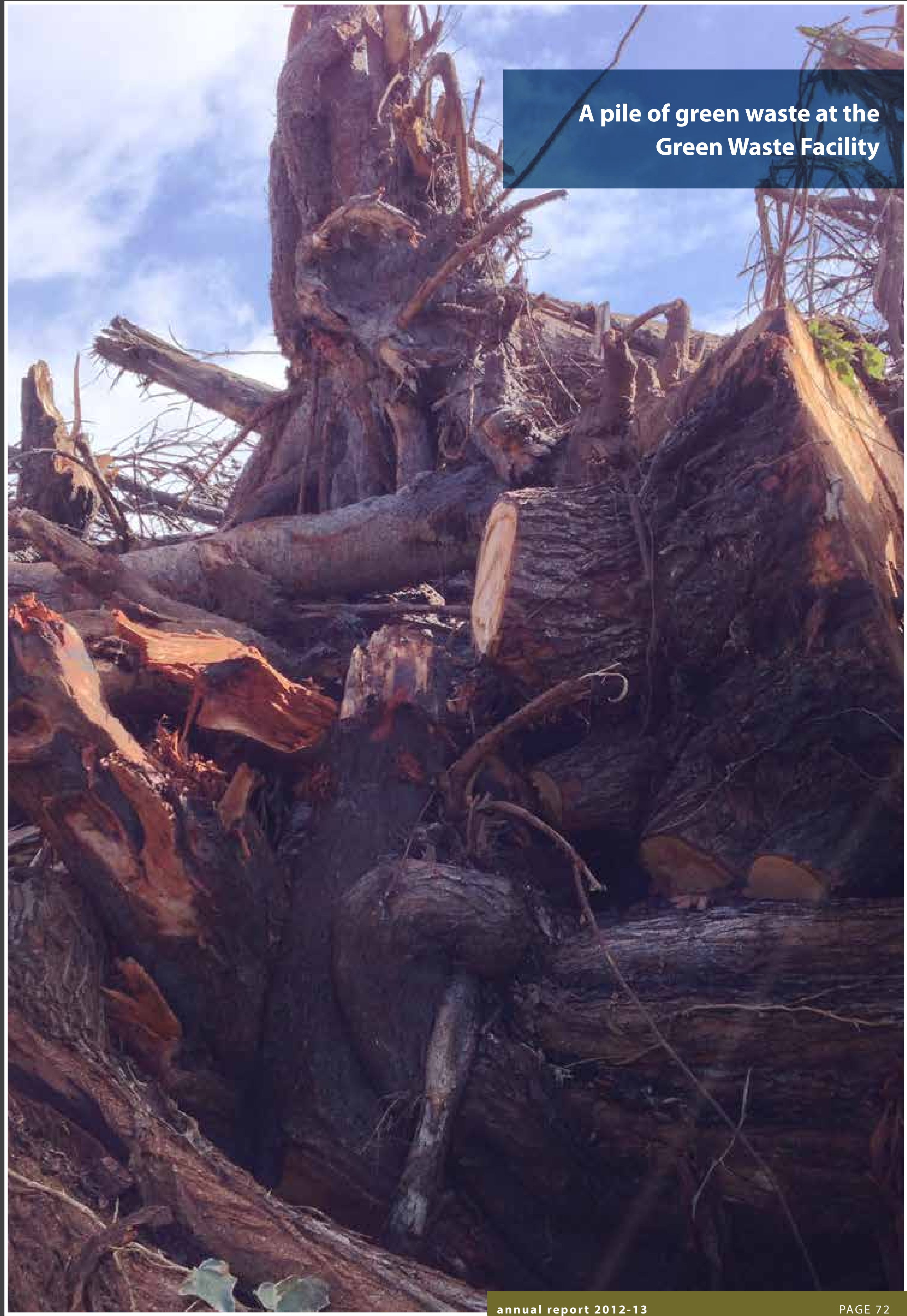
	2013	2012	2011
Asset Consumption Ratio	0.99	N/A	N/A
Asset Renewal Funding Ratio	1.00	N/A	N/A

The above ratios are calculated as follows:

Asset Consumption Ratio $\quad \dfrac{\text{Depreciated Replacement Cost of Assets}}{\text{Current Replacement Cost of Depreciated Assets}}$

Asset Renewal Funding Ratio $\quad \dfrac{\text{NPV of Planned Capital Renewals over 10 years}}{\text{NPV of Required Capital Expenditure over 10 years}}$

N/A - In keeping with amendments to Local Government (Financial Management) Regulation 50, comparatives for the two preceding years (being 2012 and 2011) have not been reported as financial information is not available.



A pile of green waste at the Green Waste Facility

Tipping floor at the Waste Composting Facility