

SOUTHERN METROPOLITAN REGIONAL COUNCIL



ANNUAL REPORT 2013-14



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REGIONAL COUNCIL

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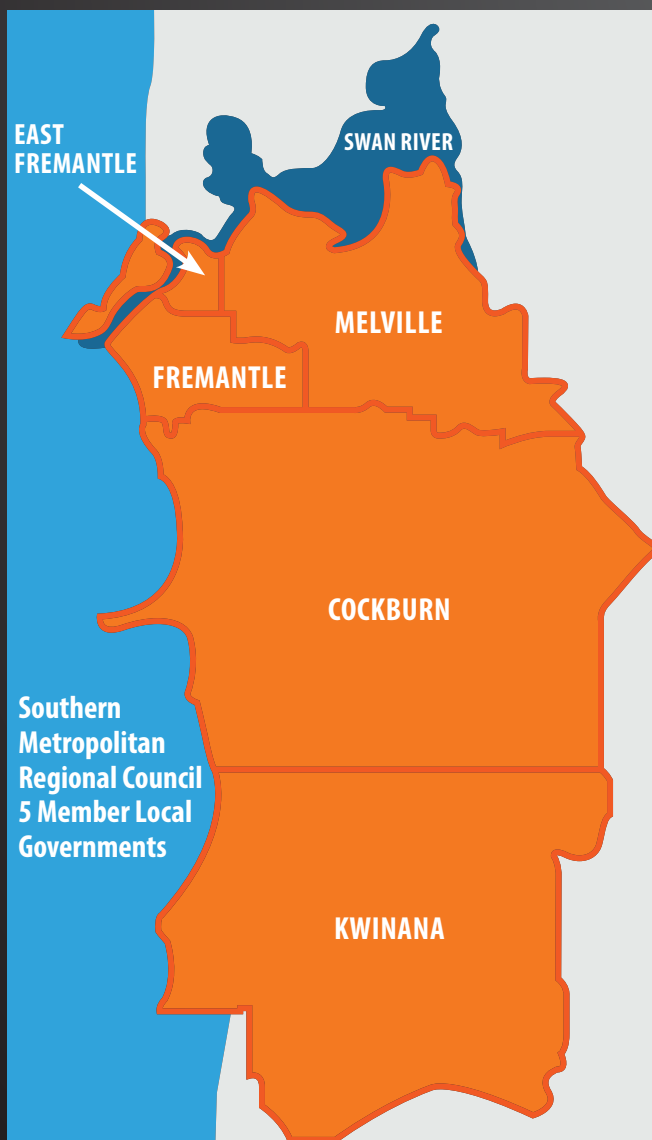
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THE SMRC AT A GLANCE

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

Our member councils are:

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



THE REGION ENCOMPASSES

340km²

within Perth's southern metropolitan area



COMBINED POPULATION OVER

275,000



COMBINED HOUSEHOLDS OVER

105,000



THE SMRC OPERATES THE

\$100m

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

... currently exceeding the targets set by the Waste Authority of 50% by 2015 and 65% by 2020. We are committed to continuing 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.



CAMERON SCHUSTER, CHAIRMAN

On behalf of the SMRC Council I am delighted to present the 2013/2014 Annual Report.

Having been elected to the City of Melville in 2013 and subsequently to the SMRC where I was elected as Chair in October 2013, I strongly support the SMRC and its purpose. We are striving to make a strong contribution to sustainable waste management while ensuring the Regional Council continues to build strong and transparent bonds with its various community and organisational stakeholders.

I would like to acknowledge the work of the immediate past Chair former Councillor Tony Romano and previous Regional Councillors Cr Cliff Collinson from the Town of East Fremantle and Cr Rob Willis from the City of Melville, in helping guide the SMRC on its path of continual improvement. At the same time, I would also like to welcome the new Councillors to the SMRC Cr Michael McPhail from the Town of East Fremantle and Cr Kevin Allen from the City of Cockburn and thank them for the important contribution they have made to the organisation over the last seven months. My thanks are also extended to our Deputy Chair Cr Doug Thompson from the City of Fremantle and Cr Sandra Lee from the City of Kwinana for their continuing support and wisdom as Regional Councillors.

Cr Leanne Smith from the City of Cockburn resigned from the SMRC during the year and I wish to thank her for her contribution whilst a Regional Councillor.

None of our successes this year would be possible without the support of the member councils, the regional executive group, management team and the entire staff who have all made a valuable contribution in addressing the challenges and seizing the opportunities that have arisen throughout the year and thereby achieving this year's key objectives.

The SMRC and its members continue to exceed the State Government's 2020 landfill diversion targets by recovering waste and reducing greenhouse gas emissions.

The efforts of our talented community education team were recognised at the Waste Authority Infinity Awards in 2013, where Recycle Right achieved a Highly Commended Award. It is wonderful to see this home grown program recognised at the State level for its innovation in waste education.

It has also been wonderful to see thousands of school students, community members and families taking a free tour of the Regional Resource Recovery Centre at Canning Vale and seeing first-hand how their waste is processed and recycled.

I acknowledge the support and participation of our Community Advisory Group under its current Chair Mr Norm Holtzman; our external audit committee member Mr Phillip Draber and all our other stakeholders and partners throughout the year.

In addition, as can be seen in this Annual Report, the SMRC has had a successful year financially and is continuing to improve our financial position, which ultimately will benefit our members and their communities.

The SMRC looks forward to continuing to deliver sustainable waste management solutions on behalf of the communities of its Member Councils and remains committed to reducing waste to landfill, while maintaining and enhancing our stakeholder relationships and financial sustainability.

Cr Cameron Schuster, Chairman

“**THE SMRC AND ITS MEMBERS CONTINUE TO EXCEED THE STATE GOVERNMENT’S 2020 LANDFILL DIVERSION TARGETS BY RECOVERING WASTE AND REDUCING GREENHOUSE GAS EMISSIONS.**”

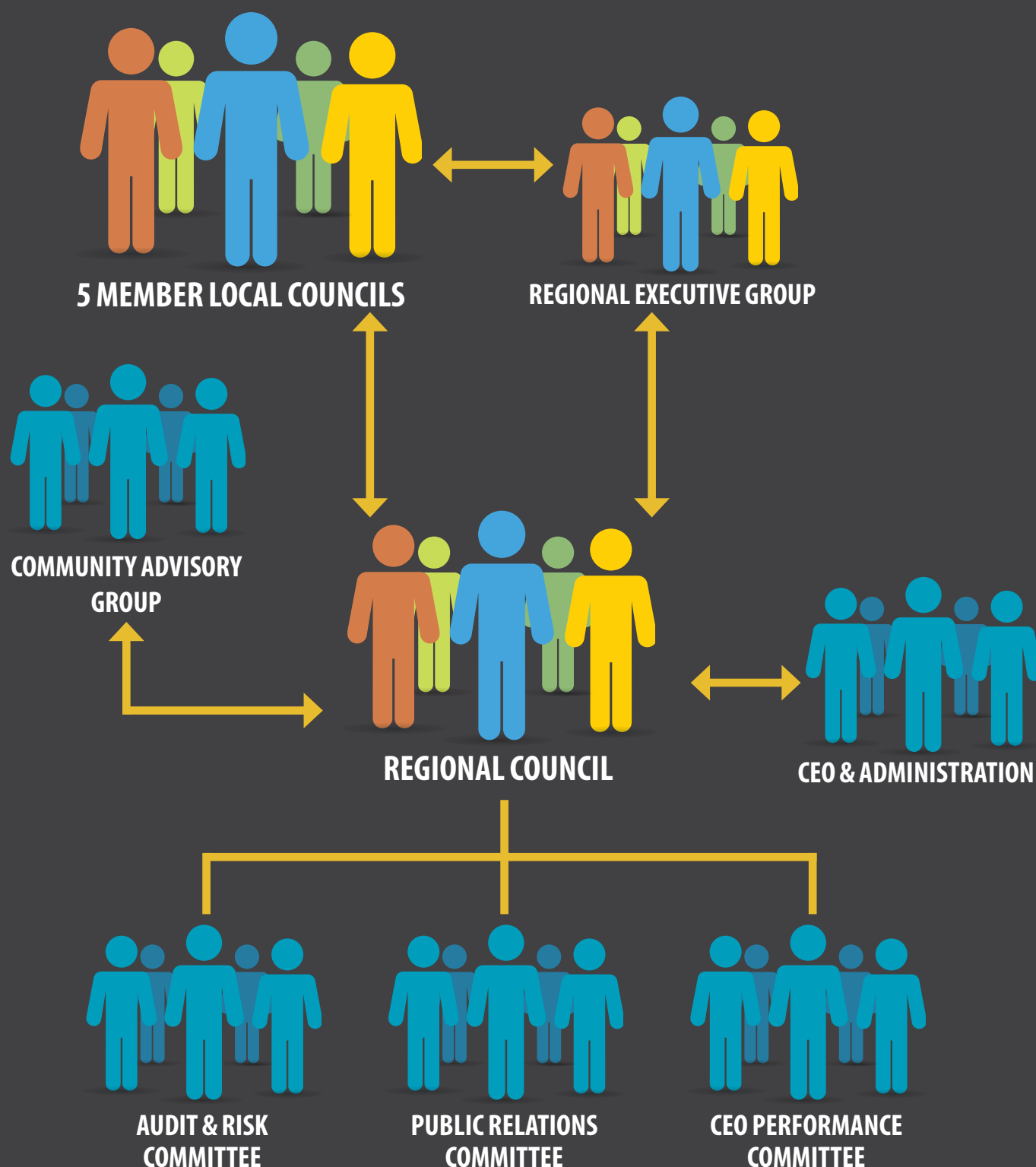
CORPORATE GOVERNANCE

SOUTHERN METROPOLITAN
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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.



REGIONAL COUNCILLORS



CHAIR CR CAMERON SCHUSTER, CITY OF MELVILLE

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

Cameron strongly supports the SMRC and its purpose and hopes to make a strong contribution to the efficient, safe and effective operations of the SMRC while ensuring the Regional Council continues to build strong and transparent bonds with its various community and organisational stakeholders.

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

He is a member of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management.

Cameron lives in Mount Pleasant with Robin and his family, and is active in community organisations. He is also a passionate member of the Essendon Football Club.



DEPUTY CHAIR, CR DOUG THOMPSON, CITY OF FREMANTLE

Cr Thompson is 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 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 KEVIN ALLEN, CITY OF COCKBURN

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

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

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



CR MICHAEL MCPHAIL, TOWN OF EAST FREMANTLE

Michael was elected to the East Fremantle Town Council, and subsequently the SMRC, in 2013. His belief in the need for society to make decisions in the interest of long-term sustainability drives his involvement in both Councils.

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

Having recently finishing a year of study at University College London, Michael is currently completing Honours in a BSc (Urban and Regional Planning) at UWA.

Michael is also a Director of Youth Hostels Australia (WA) and Chairman of its Fremantle Prison Development Committee, Speakers Co-ordinator at the Rotary Club of Crawley and President of the All Saints' College Alumni Association.

COMMITTEES ESTABLISHED AND APPOINTED BY THE COUNCIL

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 Cameron Schuster

Members: Cr Cameron Schuster, Cr Doug Thompson, Cr Sandra Lee

External Member of Public: Mr Phillip Draber

STAKEHOLDER RELATIONS COMMITTEE

The Stakeholder 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 Michael McPhail

Members: Cr Cameron Schuster, Cr Kevin Allen

External Member of Public: Mr Norman Holtzman

CEO PERFORMANCE REVIEW COMMITTEE

The CEO Performance Review Committee reviews the performance of the Chief Executive Officer. This committee is made up of all Councillors and meets annually, or 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 from each member council, 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

Australian Council of Recycling



CHIEF EXECUTIVE OFFICER'S REPORT

SOUTHERN METROPOLITAN
REGIONAL COUNCIL

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TIM YOUÉ, CHIEF EXECUTIVE OFFICER

The SMRC continues to deliver sustainable waste management solutions that meet and exceed state government targets on behalf of the communities of our member councils.

During the year, the operational performance at the Regional Resource Recovery Centre has improved. The overall diversion rate of waste from landfill from all of our three facilities has exceeded 70% – above the state government target of 65% by 2020.

This is testament to the commitment and dedication of our management team, staff, member councils, contractors and many supporters and I take this opportunity to thank each of them for their ongoing contribution.

Importantly, and in recognition of significantly improved environmental performance standards, the Waste Composting Facility operating licence was renewed for a three year term in March. This permits an increase in processing capacity of up to 95,000 tonnes of waste per annum, allowing us to divert even more waste from landfill. The Materials Recovery Facility continues to achieve an 85% recovery rate and the Green Waste Facility diverts 100% of the material received.

During 2013, in recognition of the greenhouse emissions prevented by diverting waste from landfill, the Waste

Composting Facility generated 33,187 Kyoto Australian Carbon Credit Units (KACCU's), which were then sold into the Australian Emissions Trading Scheme. SMRC remains the only local government entity to generate independently verified carbon offsets approved by the Federal Government.

The award winning Recycle Right education program, an initiative of the SMRC, supported by the Waste Authority through the Waste Avoidance and Resource Recovery Account, coupled with community events and our partnership with Channel 7's Greenfingers TV show, is now reaching hundreds of thousands of WA homes and is making a real difference to our waste recovery program.

These important partnerships along with the Recycle Right smart phone app that helps residents to make informed decisions about reducing waste, and living more sustainably are also making a difference to our waste recovery program.

I look forward to another successful year as we strive to reduce waste sent to landfill through community education programs, resource recovery solutions and effective partnerships.

Tim Youé, Chief Executive Officer

“THE 70% OVERALL DIVERSION RATE
OF WASTE FROM LANDFILL FROM
ALL OF OUR THREE FACILITIES HAS
EXCEEDED THE STATE GOVERNMENT
TARGET OF 65% BY 2020

70%

JULY 2013

Following an independent audit the Regional Resource Recovery Centre's environmental management system received re-certification to AS/NZS ISO 14001:2004.

The requirements include documented workflow processes, policies, procedures and document control.



A Healthier Workplace strategy was implemented promoting healthy eating, drinking and wellbeing programs. This included the provision of healthy catering at business meetings and events to help support our workers make healthy choices.

In addition, the SMRC applied and received a Grant for \$5,753 from Healthier Workplace WA – Small Grants Scheme in October 2013.

The grant covered:

Fresh Fruit Trial, Shop Smart Course, Cook Smart Course, Getting Wise on Portion Size Course, Healthy Eating Session, My Healthy Balance x 6 sessions



All sessions were well attended and enjoyed by staff.

Other work-place health initiatives for staff include:

Immunisations - Hep A & B; and Flu Vaccination

A Free Counselling service

AUGUST 2013

The Minister for Environment, the Hon. Albert Jacob visited the Regional Resource Recovery Centre. The Minister was accompanied by members of his staff, the Chairman of the Waste Authority, Marcus Geisler as well as staff from the new Department of Environment Regulation. The group took a tour through the conservation area at the RRRC and visited the various facilities, finishing at the Recycle Right Education Centre at the Materials Recovery Facility.



The SMRC received funding from the Waste Authority's Regional Funding Program, which partners City and Country local governments to share the Recycle Right program into the Avon Valley towns of Northam and Toodyay. The town's recycling is also processed at the RRRC MRF.

The SMRC conducted Waste Audits in the Cities of Cockburn and Melville to measure the impact of the introduction of weekly recycling to these areas. Funding for the Audit was part paid by a grant from the Waste Authority.

Recycle Right was awarded Highly Commended in the Local Government category of the Waste Authority's Infinity Awards. The dinner was attended by the SMRC Chairperson and staff from the SMRC, City of Cockburn and City of Fremantle.



SEPTEMBER 2013

The Recycle Right mobile app was launched at the State Waste and Recycle Conference. It is the first app dedicated to waste and recycling information in Perth. The app is available on the App Store and Google Play.



The Clean Energy Regulator issued a certificate of entitlement of 33,187 Kyoto compliant Australian Carbon Credit Units for the RRRRC alternative waste treatment facility under the Carbon Farming Initiative Act. All the carbon credit units have been sold in the Australian compliance market.

OCTOBER 2013

The RRRRC compost and Recycle Right programs were featured at this year's Royal Agricultural Show. The SMRC teamed up with the Garden Gurus and our compost partner Nutrarich to show how our blended compost and recycled glass can be used for waterwise gardens.



Following the Local Government elections, Participant local governments appointed representatives to the SMRC. Three new members joined the Council. They are:

Cr Lee-Anne Smith, City of Cockburn; Cr Michael McPhail, Town of East Fremantle; Cr Cameron Schuster, City of Melville

Current members; Cr Sandra Lee, City of Kwinana and Cr Doug Thompson, City of Fremantle were re-appointed.

Cr Schuster was appointed Chairperson of the SMRC and Cr Smith as Deputy Chair.

The Council acknowledged and recognised the services of past SMRC Councillors, Tony Romano, Chair; Cliff Collinson and Robert Willis for their services to the council and the residents of the region.

The SMRC held a free electronic waste (E-Waste) collection day at the RRRRC for members of the public. The event is funded by the Waste Authority as part of its E-Waste Recycling Grant Program.

The SMRC formed a partnership with Greenfingers TV, producing seven stories about the various facilities and processes at the RRRRC, as well as highlighting the Recycle Right education program.



NOVEMBER 2013

Perth Bin Hire was awarded the contract to transport glass to a construction and demolition recycling site located near Australind. All glass is crushed down to a minus 5mm aggregate and used as a sand replacement. The screen glass products are then combined with recycled road base mixes produced from recycled concrete and masonry products. The road base is sold locally for use in the construction and road making sector.

HIGHLIGHTS (CONTINUED)

New community members were welcomed on the SMRC Community Advisory Group along with current members, increasing the membership to 8. The group continues to enjoy being out in the community educating people about waste.



JANUARY 2014

The Minister for Environment, the Hon. Albert Jacob and the Chairman of the Waste Authority, Marcus Geisler, used the backdrop of the RRRC to announce the Government's Better Practice Kerbside Collections Guidelines and funding opportunities.



DECEMBER 2013

One of the segments on the Greenfingers TV was the establishment of the Recycle Right Sustainable Garden as part of the tour route at the RRRC. The garden is also a central point for staff, who may not normally see each other and work at different facilities, to have the opportunity to interact with each other. There is also the benefit of taking home some fresh vegetables, with staff contributing a small amount of time in the garden.



FEBRUARY 2014

The SMRC's Community Advisory Group has amended its purpose as follows:

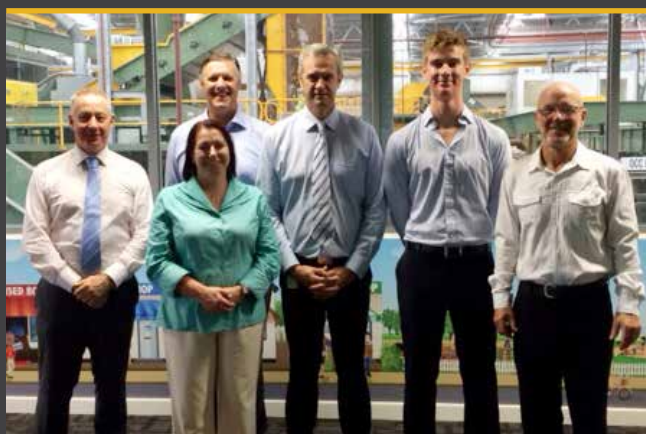
The over-arching aim of the SMRC's Community Advisory Group is to:

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

Business Continuity Plans (BCP) for ICT and RRRC operations were presented to the SMRC's Audit & Risk Committee for feedback and acceptance. The Plans form part of the Organisation's Risk Management policy.

MARCH 2014

The Minister for Local Government, the Hon. Tony Simpson visited the RRRC for a comprehensive tour of the facilities on Tuesday the 25th of March. The Minister was hosted by the SMRC's Chairman, Councillors and CEO.



The City of Cockburn appointed Cr Kevin Allen as member on the regional council following the resignation of Deputy Chair Cr Smith.

The members appointed Cr Doug Thompson as Deputy Chair of the SMRC.

The SMRC revamped its corporate website to allow easier access to navigate and improve adaptability with mobile devices.

APRIL 2014

The Department of Environment Regulation (DER) issued a new licence for the RRRC. The licence as issued contains the following key elements:

- increase in processing capacity at the Waste Composting Facility to 95,000 tonnes per annum;
- lifting of restrictions on Green Waste Processing during summer.

The Mayor and officers from Kuching City North in Malaysia visited the RRRC. The group were interested in researching long term waste management and alternative waste treatment options for their region.

MAY 2014

International Composting Awareness Week Australia (ICAW) is a week of activities, events and publicity to improve awareness of the importance of compost as a valuable organic resource and to promote compost use, knowledge and products.

The Leeming Bushranger Cadet Program came on a tour of the RRRC in early May to increase their knowledge about recycling. Each Cadet went home with a compostable 'I'm changing the world' bag and a DVD of our Greenfingers production.

27 Students and teachers from the Chua Chu Kang Primary School, Singapore visited the RRRC to learn about recycling in Western Australia. The group particularly enjoyed walking through the RRRC bushland on the way to the Waste Composting Facility and seeing the Banksias and Acacias.



JUNE 2014

The Recycle Right Plan has been developed in consultation with key stakeholder groups. The RecycleRight Plan will identify regional strategies for providing waste education and marketing messages in conjunction with the website and mobile app.

A free community tour day of the RRRC was open to the public. All visitors received a free sample of a compostable bin bag to trial at home for their kitchen bin.

SMRC employees again provided assistance to Friends of Ken Hurst Park by planting seedlings to re-generate the bushland area.

OUR PURPOSE AND PRINCIPLES

OUR VISION

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

The delivery of the vision is achieved by undertaking actions across three Key Focus Areas, which are the core components of our business.

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

Resource Recovery – We deliver solutions that divert waste from landfill

Stakeholder Relationships – We support a community of shared responsibility



KEY PERFORMANCE INDICATORS

CORPORATE BUSINESS PLAN – 2013/14 PROGRESS REPORT



MONITORING AND REPORTING

The Performance indicators listed under each Focus Area will ensure that our progress can be measured, and that we are heading in the right direction.

Each year we will report on how we are progressing in our Annual Report. Every 2 years we will undertake a desktop review of this Plan, and every 4 years, undertake a full review. As part of this 4 year review, we will renew the long-term visioning process, which will ensure the priorities and aspirations of our communities and stakeholders are kept up-to-date and remain relevant.

KEY PERFORMANCE INDICATORS

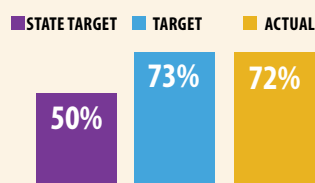
KEY FOCUS AREA 1 – RESOURCE RECOVERY

Our Vision: We deliver solutions that divert waste from landfill

OBJECTIVE 1.1 – WE WILL INCREASE THE VOLUME OF RECYCLABLE AND RECOVERED MATERIAL

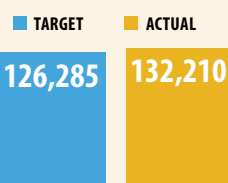
STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2013/14
1.1.1 Expanding the sources from where we receive recovered material	a) Prepare a Business Case to support the receipt of commercial waste at the WCF, MRF, GWF facilities	CEO	SMRC revised Marketing Plan was adopted by Council on 22 August 2013 MRF business options paper discussed with REG
	b) Apply for amended licence for WCF and GWF	Strategic Projects	Successful appeal lodged against conditions. REFIRE licence to be issued in 2014/15
	c) Apply for new operating licence for WCF and GWF	Strategic Projects	New licence approved by DER; commenced 30 March 2014
1.1.2 Extending our service offering to incorporate a wider catchment area and councils	a) Source new MRF and GWF waste streams from other local governments	CEO	New Commercial Contract Submission of tenders for the provision of a process service
	b) Prepare Feasibility Study on the opportunity for a three bin collection system including the impact on the customer, member council and SMRC	Strategic Projects	Three Bin Collection Model presented to Fremantle in Jan 2014 Assisted State Government and Waste Authority in modelling for the Better Bin Collection Systems Three Bin 'Hyder' Report was presented to Council and members in November 2013 Completed
1.1.3 Investigating new recycling opportunities to include streams such as e-waste, public place recycling and drop off services for problematic waste	a) Prepare Feasibility Study on establishing a drop off service for new recyclables (e.g. containers, e-waste) (1.3.2 & 2.2.3)	Strategic Projects	To be included in Regional Strategic Waste Management Plan (SWMP) scope 2014/15
	b) Develop a market assessment for reuse/recycling of Construction and Demolition waste (C&D)	Strategic Projects	Carried Forward
1.1.4 Educating our communities to understand the importance of correct waste separation	a) Implement the Recycle Right Program to provide consistent messaging / guidance to community groups and stakeholders on correct waste separation	Communications	SMRC workshop engaging Regional Waste Managers, Sustainability Officers and Communications teams from member councils to develop a strategy for implementing Recycle Right into their communities. The Recycle Right Plan was adopted at the SMRC Ordinary Council meeting in June 2014
	b) Promote the Recycle Right Program amongst member councils as the regional recycling initiative	Communications	The Recycle Right Plan was distributed to member councils with a request that each council considering adopting it in July 2014
	c) Promote the Recycle Right Program to other customers	Communications	Ongoing

WASTE DIVERTED FROM LANDFILL



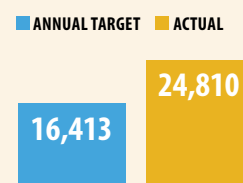
RECOVERY RATE MEETS TARGET

INCREASE IN VOLUME PROCESSED THROUGH RRRRC



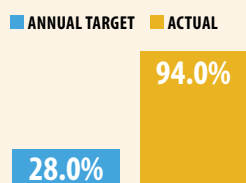
INCREASE IN GREENWASTE CUSTOMERS

GROWTH IN COMMERCIAL CUSTOMER BASE (TONNES)



EXCEEDED ANNUAL TARGET DUE TO INCREASE IN MRF AND GREEN WASTE CUSTOMERS

PERCENTAGE OF CUSTOMER GROWTH (TONNES)

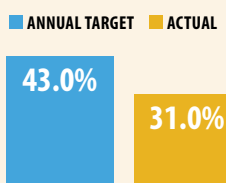


SHOWS % NON MEMBER GROWTH FROM LAST YEAR FIGURES.

GREEN WASTE TONNES UP 5,000 (73%)

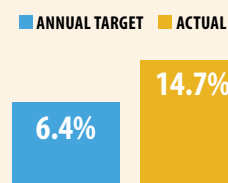
WASTE COMPOSTING TONNES UP 3,000 (100%)

PERCENTAGE OF RECYCLABLES IN MSW BIN



WASTE AUDIT RESULTS SHOW IMPROVED RECOVERY and represents % of recyclables placed in the MSW bins as a proportion of recyclables disposed by residents in the MSW and Recyclable bin.

PERCENTAGE OF NON-RECYCLABLE IN YELLOW BIN

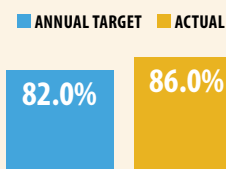


WASTE AUDIT RESULTS SHOW HIGHER NON RECYCLABLES IN BIN. This is due to asking residents to put all paper, metals, plastic and glass in their recycling bin regardless of condition or recyclability. The reason for this is to reduce contamination in the green topped bin, from which compost is made.



PUPILS AT ST EMILES SCHOOL ENJOYING A TOUR OF THE RRRRC

COMMUNITY UNDERSTAND THE IMPORTANCE OF CORRECT SEPARATION



COMMUNITY ATTITUDES SURVEY JUNE 2014

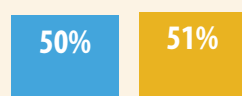
KEY PERFORMANCE INDICATORS

OBJECTIVE 1.2 – WE WILL ENSURE RESOURCES RECOVERED ARE REUSED

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2013/14
1.2.1 Expanding the options for the sale/reuse of the recovered material	a) Continue to explore sustainable recycling markets	Strategic Projects	The SMRC regularly tests the market by inviting tenders for the purchase of recovered recyclables every 3 – 4 months Glass for beneficial reuse contract with Perth Bin Hire Bulky plastic containers new market
	b) Work with State agencies, local governments, and commercial waste operators to identify uses for problematic materials	Strategic Projects	SMRC made a submission to the State Government on their Guidelines for Waste Derived Materials This issue will be included in the scope for the SWMP in 14/15
1.2.2 Educating our communities to understand the importance of the use of recovered materials	a) Increase the number of tour groups going through the RRRRC	Communications	Employment of new tour guides dedicated to tour group visits will increase the number of tour visits for 14/15
	b) Prepare Feasibility Study on the opportunity for a three bin collection system including the impact on the customer, member council and SMRC	Communications	Recycle Right Plan includes strategies and actions
	c) Promote the Recycle Right Program	Communications	Introduce new Recycling Mobile App Revised Website

PERCENTAGE RECOVERY RATE OF MATERIAL

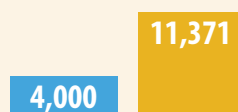
■ ANNUAL TARGET ■ ACTUAL



ALL RRRRC RECOVERED MATERIAL OUTPUT AS A PERCENTAGE OF INPUT MATERIAL

INCREASE IN TRAFFIC OF USERS ON RECYCLE RIGHT WEBSITE

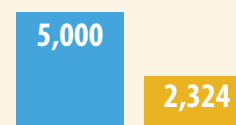
■ ANNUAL TARGET ■ ACTUAL



WEBSITE TRAFFIC HAS EXCEEDED ANNUAL TARGET DUE TO PROMOTION OF MOBILE DEVICE APP

THE NUMBER OF PEOPLE ATTENDING RRRRC TOURS

■ ANNUAL TARGET ■ ACTUAL



RRRC TOUR VISITORS DOWN DUE TO STAFF CHANGES DURING THE YEAR

OBJECTIVE 1.3 – WE WILL CONTINUE TO SOURCE AND DEVELOP INNOVATIVE OPTIONS FOR THE RECOVERY OF WASTE

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2013/14
1.3.1 Investigate the viability of new technologies for waste recovery	a) Evaluate the role of Waste to Energy for residual materials	CEO and Strategic Projects	Undertake a calorific value analysis for waste derived materials SMRC Staff, Councillors & REG members have engaged in discussion and research Continued in the SWMP scope for 14/15
	b) Develop Future Options Plan for RRRC project	CEO	Re-commencement of the REG meetings to focus on strategic relevance To be included in the scope for the SWMP for 14/15
	c) Work with Federal and State waste agencies, participate on working parties, research options	SMG and Strategic Projects	Participant on the State Government's Strategic Waste Infrastructure Project Participant in the Governance structures for Waste management
1.3.2 Investigate best use scenarios for current technology and site	a) Complete final screen upgrade for WCF	Operations	To be considered in 2015/16 budget
	b) Evaluate current site potential to provide improved resource recovery options (1.1.3 & 2.2.3)	Strategic Projects	Front end sort options considered and grant application submitted Ongoing

**MEMBER COUNCIL AND INDUSTRY PERCEPTIONS OF SMRC AS A LEADER IN WASTE RECOVERY**

■ ANNUAL TARGET ■ ACTUAL

75%

84%

STAKEHOLDER SURVEY JUNE 2014 UP FROM 74% LAST YEAR SURVEY

KEY PERFORMANCE INDICATORS

KEY FOCUS AREA 2 – BUSINESS SUSTAINABILITY

Our Vision: We have a business model that supports the delivery of long-term sustainable waste solutions

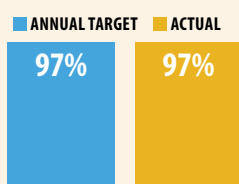
OBJECTIVE 2.1 – OUR GOVERNANCE MODEL SUPPORTS AN EFFECTIVE AND EFFICIENT BUSINESS MODEL

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2013/14
2.1.1 Reviewing and improving our existing governance arrangements	a) Facilitate review of SMRC Establishment Agreement (2.3.2)	CEO	Legal advice being sought on agreements with a view to potential local government reform impacts
	b) Prepare a briefing paper on viable alternative corporate structures	CEO	Carried forward pending outcomes of local government reform
2.1.2 Investigating alternative business delivery models to ensure our business practices are reflective of the commercial environment	a) Conduct a Feasibility Study for establishment of a 2nd waste treatment facility	Strategic Projects	Will be included in scope of SWMP
	b) Identify opportunities and investigate the feasibility of Public-Private-Partnerships and contracts	CEO	Included in MRF review

OBJECTIVE 2.2 – WE DELIVER OPERATIONAL ACTIVITIES EFFICIENTLY

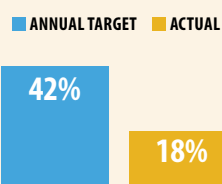
STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2013/14
2.2.1 Identifying and delivering process improvement opportunities	a) Undertake an Operational Process Improvement Review	Operations	Programs implemented – maintenance review; optimising digester operations; Electronic Document Records Management System
	b) Maintain Continuous Process Improvement	Operations	Waste Audits, Quality Assurance for recycled products, Fire Management Plans, Environmental Management Systems and Business Continuity
	c) Develop a plan to monitor the performance of key machinery via measuring output volume and input resource requirements i.e. electricity, water	Operations	Monitoring and managing water and electricity usage
2.2.2 Efficient management of our assets	a) Schedule and deliver an annual maintenance program for the assets	Operations	Maintenance Review Program included new positions for Maintenance planner, Supply and Stores & Maintenance clerk
	b) Develop and deliver a capital renewal plan as per the asset management and long term financial plans	Operations	Ongoing
2.2.3 Investigating alternative uses for our site and resources	a) Evaluate current site potential for alternative uses other than resource recovery (1.1.3 & 1.3.2)	Strategic Projects	Part of SWMP and Long Term Financial Plan (LTFFP)

PLANT AVAILABILITY TO MEMBERS



RESULT IS UNDER 100% DUE TO DER LICENCE RESTRICTIONS

EXTENT TO WHICH ASSETS ARE BEING REPLACED

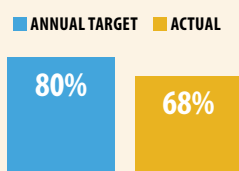


ASSET SUSTAINABILITY RATIO – ASSET REPLACEMENT EXPENDITURE / DEPRECIATION FOR PLANT & EQUIP
THE LOW RATIO INDICATES THAT ASSETS WERE NOT REPLACED DURING YEAR, HOWEVER, ARE CARRIED FORWARD TO 14/15

OBJECTIVE 2.3 – OUR MEMBERS COUNCILS ARE ENGAGED AND SUPPORT OUR DIRECTION

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2013/14
2.3.1 Engaging with member councils on a formal regular basis	a) Review of Regional Council Meeting structures	Corporate Services	REG meetings held regularly
	b) Implement relevant components of the Communications Plan	SMG and Communications	Ongoing
2.3.2 Operating within an appropriate governance structure	a) Facilitate review of SMRC Establishment Agreement (2.1.1)	CEO	Legal advice being sought on agreements with a view to potential local government reform impacts
	b) Regularly engage member council representatives in formal meetings	Corporate Services	26 meetings held during Financial Year REG members invited for contribution in formal council meetings

MEMBER COUNCILS SUPPORTING OUR DIRECTION



STAKEHOLDER SURVEY JUNE 2014
THIS DOWN FROM 73% LAST YEAR SURVEY

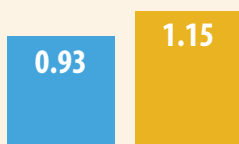
OBJECTIVE 2.4 – OUR BUSINESS IS FINANCIALLY VIABLE AND SUSTAINABLE

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2013/14
2.4.1 Achieving consensus on existing and future waste processing services business models	a) Continuously evaluate costing and funding models for each activity of the business	Corporate Services	Carried out as part of annual budget; LTFP; SWMP; Business Plan
	b) As required, develop Business Plans for new projects	Corporate Services	No new projects in 13/14
2.4.2 Developing a sustainable long term resourcing plan	a) Review the LTFP annually	Corporate Services	Ongoing
	b) Review AMP annually	Operations	Ongoing
	c) Integrate the capital works requirements from the AMP with the LTFP	Corporate Services	Ongoing
	d) Implement the Debt Management Strategy and Reserve Fund Strategy	Corporate Services	Included in LTFP

KEY PERFORMANCE INDICATORS

CURRENT RATIO

■ ANNUAL TARGET ■ ACTUAL

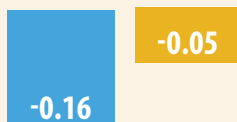


CURRENT ASSETS OVER CURRENT LIABILITIES
(WORKING CAPITAL) BENCHMARK IS > 1.00

The SMRC has liquidity and has ability to meet its short term financial obligations out of unrestricted assets (nb: Cash reserves are not included in the ratio)

OPERATING SURPLUS RATIO

■ ANNUAL TARGET ■ ACTUAL

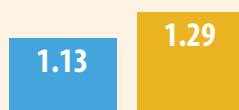


Operating revenue minus expenditure over own source operating revenue (SMRC TARGET IS 0)
Local Government Benchmark is 0 to 15.0

The reason for the SMRC's negative -0.05 ratio is due to the financial structure of the SMRC. It does not budget to make a surplus or recover the annual \$6 million depreciation charge on its \$50 million assets as revenue from its participants, as the participants contribute separately towards the loan borrowing

DEBT SERVICE COVER RATIO

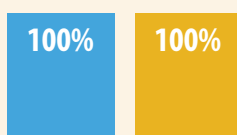
■ ANNUAL TARGET ■ ACTUAL



HIGHER OPERATING REVENUE HAS RESULTED IN A BETTER RATIO (DEBT SERVICES COSTS / OPERATING REVENUE) LOCAL GOVERNMENT BENCHMARK (BASIC) IS GREATER THAN OR EQUAL TO 2

ASSET RENEWAL FUNDING RATIO

■ ANNUAL TARGET ■ ACTUAL

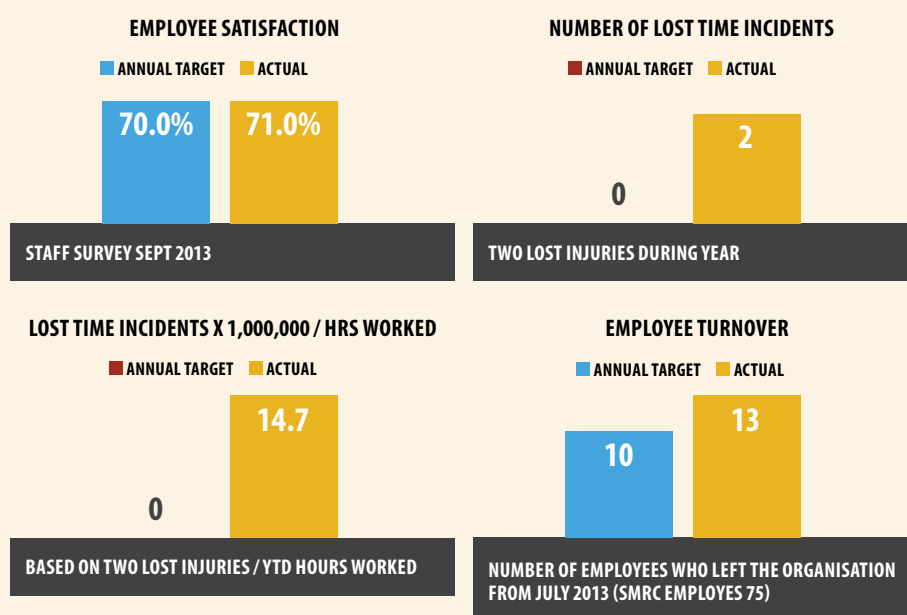


NVP 10 YEAR PLANNED ASSET RENEWAL /
NVP 10 YEAR REQUIRED ASSET EXPENDITURE
AS PER LONG TERM ASSET MANAGEMENT PLAN

THE SMRC HAS THE FINANCIAL CAPACITY TO FUND ASSET RENEWAL OVER A TEN YEAR PERIOD
E.G. IT WILL SPEND \$2M PA FUNDED FROM ITS PLANT CASH RESERVE

OBJECTIVE 2.5 – WE VALUE OUR HUMAN RESOURCES

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2013/14
2.5.1 Being a responsible and considerate employer	a) Review and implement Workforce Plan	Corporate Services	Completed
	b) Develop and implement a workforce attraction and retention policy	Corporate Services	Planned in 2014/15 Healthier Workplace Program
	c) Review and implement Annual Staff Training Program based on organisational and professional needs	Corporate Services	Completed for RRRC positions Using HR module in Synergysoft for recording training
2.5.2 Providing a safe working environment	a) Implement appropriate workplace training practices	Operations	Ongoing
	b) Review the OH&S Guidelines	Operations	Ongoing
	c) Conduct regular workplace safety meetings	Operations	Ongoing
	d) Implement behaviour-based safety evaluations in performance assessments	Corporate Services	Incorporated into performance review process Reinforced as an Employee Value



KEY FOCUS AREA 3 – COMMUNITY AND STAKEHOLDER RELATIONSHIPS

Our Vision: We support a community of shared responsibility

OBJECTIVE 3.1 – WE WILL REDUCE THE COMMUNITY'S GREENHOUSE GAS EMISSIONS FROM WASTE THROUGH BEHAVIOURAL CHANGE

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2013/14
3.1.1 Developing and implementing a successful community education program	a) Implement the Recycle Right Program to provide consistent messaging / guidance to the community	Communications	Recycle Right Plan adopted 26 June 14 Developed Mobile App and updated website
	b) Promote the Recycle Right Program amongst member councils as the regional recycling initiative	Communications	Member councils to adopt Recycle Right Plan as the brand for waste education in their council
	c) Actively pursue funding and partnership opportunities for educational programs	Communications	Partnership formed with Guru Productions to produce 7 segments on Greenfingers TV Funding applications with DER and the Waste Authority awaiting approval
3.1.2 Partnering with complementary organisations to facilitate behavioural change towards waste management and resource recovery	a) Integrate waste behaviour change programs with member councils' sustainability strategies	Communications	Utilise Recycle Right strategy to develop alignment between strategies used by member councils
	b) Engage with member councils' Education Officers and CAG	Communications	Regular meetings with Waste Educators and CAG
	c) Partner with the Waste Wise Schools Programs	Communications	Support Waste Wise school program with Recycle Right information kits/collateral school incursion program for Waste wise schools Promote 'Green fingers' TV segment on waste wise schools
	d) Engage with member councils' Education Officers and CAG	Communications	Attendance at the Waste Educators Networking Group Meetings, 2 x Ministers visited the RRRC, DER and Waste Authority attended RRRC during year

KEY PERFORMANCE INDICATORS

DEVELOP RECYCLE RIGHT PLAN

■ ANNUAL TARGET ■ ACTUAL

69%

75%

PLAN WAS ADOPTED BY COUNCIL ON 26 JUNE 2014

TONNES OF GREENHOUSE GAS ABATED

■ ANNUAL TARGET ■ ACTUAL

0.45

0.45

SAME METHODOLOGY AS LAST YEAR
CO₂e TONNES OF MSW WASTE PROCESSED

COMMUNITY IS AWARE OF THEIR RECYCLING EFFECTS IN REDUCING GREENHOUSE GASES

■ ANNUAL TARGET ■ ACTUAL

10

13

COMMUNITY ATTITUDES SURVEY JUNE 2014 UP FROM
64% LAST YEAR SURVEY

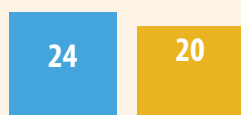


OBJECTIVE 3.2 – WE OPERATE AS A RELEVANT AND INNOVATIVE ORGANISATION THAT IS RESPONSIVE TO THE COMMUNITY

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2013/14
3.2.1 Engaging with the community	a) Review and implement the Community Engagement Plan	Communications	Adopted by Council on 26 June 2014
	b) Implement and review the Recycle Right Plan	Communications	Develop Recycle Right strategy in consultation with key stakeholder and the community
	c) Continue to work with, and provide support to the CAG	Communications	Reviewed CAG's Term of Reference Appointment of new members Facilitate CAG attendance at local events
3.2.2 Influencing Federal, State, and Local Governments in the development of regional and metropolitan waste management policies and legislation	a) Advocate for enhanced packaging design controls and extended producer responsibility for packaging and problematic materials	CEO	Ongoing
	b) Advocate for legislation that limits the disposal of unprocessed municipal solid waste (MSW)	CEO	Ongoing
	c) Lobby Federal, State, and Local Government on matters relating to prevailing council policies	CEO	Submission to Metro Local Government Reform Review on regional councils Support of WALGA's Waste Position Support of State Government's Waste Communication Plan

COMMUNITY FEEDBACK RESPONSE ANSWERED IN
LESS THAN HRS:

■ ANNUAL TARGET ■ ACTUAL



RESPONSES ARE MADE BY THE NEXT WORKING DAY

NUMBER OF SUBMISSIONS / POSITION PAPER
PRESENTATION

■ ANNUAL TARGET ■ ACTUAL



1. 3 BIN MODELLING TO FREM
2. AWT WORKING GROUP
3. 2 X WASTE CONFERENCE PRES

NUMBER OF PUBLIC EVENTS & CAG MEETINGS
ATTENDED

■ ANNUAL TARGET ■ ACTUAL



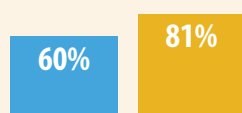
6 X CAG MEETINGS, ROYAL SHOW, MELVILLE
COMMUNITY FAIR, GARDEN SUSTAINABILITY DAY

OBJECTIVE 3.3 – OUR BRAND IS POSITIVELY RECOGNISED BY THE COMMUNITY

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2013/14
3.3.1 Building a brand identity that focuses on sustainable waste solutions	a) Promote the SMRC brand at public events	Communications	Adopted by Council on 26 June 2014
	b) Evaluate rebranding the SMRC	Communications	Develop Recycle Right strategy in consultation with key stakeholder and the community
	c) Evaluate rebranding the RRRC	Communications	Reviewed CAG's Term of Reference Appointment of new members Facilitate CAG attendance at local events
	d) Protect and promote the Recycle Right brand	Communications	Recycle Right trademark Licence Agreements with WALGA and others using the brand
3.3.2 Clearly articulating the environmental benefits we deliver to the broader community	a) Advocate for enhanced packaging design controls and extended producer responsibility for packaging and problematic materials	Communications	Ongoing

THE SMRC BRAND IS POSITIVELY RECOGNISED BY OUR
STAKEHOLDERS

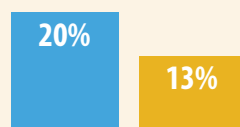
■ ANNUAL TARGET ■ ACTUAL



STAKEHOLDER SURVEY JUNE 2014
81% OF THOSE WHO KNOW SMRC ARE POSITIVELY
SATISFIED

THE RECYCLE RIGHT BRAND IS POSITIVELY
RECOGNISED

■ ANNUAL TARGET ■ ACTUAL



COMMUNITY ATTITUDES SURVEY JUNE 2014
UP FROM 5% IN PRIOR YEAR

PLAN FOR THE FUTURE

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

The Regional Council has adopted its Strategic Community Plan 2013-2023 and Corporate Business Plan 2013-2017 in accordance with the 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.

Refer to this report for detail and performance reporting.

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 2013 to 30 June 2014.

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	2014	2013
Salary Range \$	\$	\$
240,000 - 249,999 *#	1	-
190,000 - 199,999	-	1
170,000 - 179,999 #	1	-
160,000 - 169,999 #	1	-
150,000 - 159,999	-	1
140,000 - 149,999	-	1
130,000 - 139,999 ^	1	-
120,000 - 129,999	1	1
110,000 - 119,999	-	-
100,000 - 109,999	2	2
Total	7	6

Reason for change from previous year:

* Employee full term position

Employee receive cash vehicle allowance in lieu of council supplied car

^ 1 x new manager

NUMBER OF EMPLOYEES

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

75 69



EMPLOYEES AT THE RRRRC

NATIONAL COMPETITION POLICY

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

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

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

STATUTORY COMPLIANCE RETURN

The Statutory Compliance Return for the period 1 January 2013 to 31 December 2013 was completed and lodged as required. There were no matters of non-compliance to report.

RECORD-KEEPING PLANS

Principle 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 programs for new and existing staff are regularly undertaken to ensure staff comply with the Record Keeping Policy and Procedures.
- An Independent internal audit for record keeping was 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.

ENVIRONMENTAL OPERATING LICENCE

In March 2014, SMRC was granted a three-year operating licence for the Regional Resource Recovery Centre, (RRRC), which requires renewal in March 2017. The licence includes conditions, which are 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 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 2013.

FINANCIAL PERFORMANCE

**TOTAL OPERATING
REVENUE OF** **\$28m**

(\$22 million FY13). The reason for the increase in revenue relates to new commercial customers for the RRRC and the sale of carbon credits.

**TOTAL OPERATING
EXPENDITURE** **\$29.5m**

(\$26.1 million FY13). The reason for the increase in expenditure relates to additional tonnage from commercial customers.

**THE NET DEFICIT
RESULT OF** **\$1.4m**

is after deducting depreciation of \$5.8 million.

The net result before depreciation is a
**NET OPERATING
SURPLUS OF** **\$4.4m**

The surplus is used for principal loan repayments for the RRRC Material Recovery Facility, transfer to reserves and carried forward unspent expenditure to 14/15.

CASH BACKED RESERVES

**THE RESERVE ACCOUNT'S
CLOSING BALANCE OF** **\$4.6m**

(\$2.5 million FY13). The increase from last year is due to being postponed to 14/15, additional income from sale of carbon credits and settlement offer gains.

BORROWINGS

The SMRC has two borrowing arrangements with its participants:

**1) RRRC PROJECT
OUTSTANDING
BALANCE OF** **\$29.9m**

(\$32.1 million FY13) and;

**2) OFFICE ACCOMMODATION PROJECT
HEAD OFFICE BUILDING
IN BOORAGOON** **\$1.8m**

(\$1.8 million FY13)

**LOANS RAISED DURING
THE YEAR AMOUNTED TO** **\$800k**

for a recyclables storage shed.

**RRRC PROJECT LOANS REPAID
DURING THE YEAR AMOUNTED TO** **\$3m**

The RRRC Project borrowings will be fully repaid by 30 June 2023.

FINANCIAL POSITION

**NET ASSETS AS AT
30 JUNE 2014 WAS** **\$56.5m**

(\$57.7 million FY13)

Reasons for the decrease are:

**CURRENT ASSETS
INCREASED BY** **\$3.3m**

**DEPRECIABLE PROPERTY
ASSETS REDUCED BY** **\$4.5m**

FINANCIAL RATIOS

CURRENT RATIO

Measures the liquidity position of a local government.

Ratio	Target	Actual	Comments
	1.0 Higher is better	1.15	The SMRC is in a solvent position and has ability to meet its short term financial obligations out of unrestricted assets. (nb: Cash reserves are not included in the ratio)
$\frac{\text{Current assets minus restricted current assets}}{\text{Current liabilities minus restricted liabilities associated with restricted assets}}$ $\frac{\$20.1 - \$5.5}{\$12.9 - \$0.2} = \$14.6$ $\frac{\$20.1 - \$5.5}{\$12.9 - \$0.2} = \$12.7$ [Numbers taken from statement of financial position and cash and cash equivalents note]			

ASSET SUSTAINABILITY RATIO

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

Ratio	Target	Actual	Comments
	0.90 Higher is better	0.08	The SMRC's annual depreciation charge is \$6m. It includes assets that will never be replaced within the 20 year life of the project and therefore, an annual replacement program of \$6m is not required.
$\frac{\text{Capital renewal and replacement expenditure}}{\text{Depreciation Expense}}$ $\frac{\$0.5 \text{ million}}{\$5.8 \text{ million}}$ [Numbers taken from capital expenditure & statement of comprehensive income]			

DEBT SERVICE COVER

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

Ratio	Target	Actual	Comments
	2.0 Higher is better	1.30	The RRRC Project loan is guaranteed and repaid by the Project Participants.
$\frac{\text{Annual Operating Surplus before interest and depreciation}}{\text{Principal and Interest}}$ $\frac{(\$1.4) + \$1.7 + \$5.8}{\$3.0 + \$1.7} = \6.1 $\frac{(\$1.4) + \$1.7 + \$5.8}{\$3.0 + \$1.7} = 4.7$ [Numbers taken from statement of comprehensive income and statement of cashflows]			

OPERATING SURPLUS RATIO

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

Ratio	Target	Actual	Comments
	0.1 Higher is better	(0.05)	The reason for the SMRC's negative ratio is due to the financial structure of the SMRC. It does not budget to make a surplus or recover the annual \$6 million depreciation charge on its \$50 million assets as revenue from its participants, as the participants contribute separately towards the loan borrowings
$\frac{\text{Operating Revenue minus Operating Expenses}}{\text{Own source operating revenue}}$ $\frac{\$28 - \$29.5}{\$27.9} = (\$1.4)$ $\frac{\$28 - \$29.5}{\$27.9} = (\$1.4)$ [Numbers taken from statement of comprehensive income by nature or type]			

OWN SOURCE REVENUE COVERAGE RATIO

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

Ratio	Target	Actual	Comments
	0.90 Higher is better	0.95	The SMRC receives minimal revenue from government allocations or grants and covers 95% of its costs through self-generated revenue.
$\frac{\text{Own source operating revenue}}{\text{Operating expense}}$ $\frac{\$27.9 \text{ million}}{\$29.5 \text{ million}}$ [Numbers taken from statement of comprehensive income by nature or type]			

ASSET CONSUMPTION RATIO

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

Ratio	Target	Actual	Comments
	0.50 Higher is better	0.89	Re-valuation and depreciation adjustments were last reviewed in 2013, therefore the SMRC exceeds the benchmark
$\frac{\text{Depreciated Replacement Cost of Depreciable Assets}}{\text{Current Replacement Cost of Depreciable Assets}}$ $\frac{\$48.2 \text{ million}}{\$54.0 \text{ million}}$ [Numbers taken from note 6 – Property, Plant & Equipment]			

ASSET RENEWAL FUNDING

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

Ratio	Target	Actual	Comments
	0.75 Higher is better	1.00	Required renewals are determined in the Asset Renewal Plan and are funded from the Plant Reserve Fund based on \$2m per annum

NPV of Planned Capital Renewals over 10 years

NPV of Required Capital Expenditure over 10 years

\$18.7 million NPV over 10 years

\$18.7 million NPV over 10 years

[Numbers drawn from Long Term Financial Plan (planned renewals) and Asset Management Plan (required renewals)]





SOUTHERN METROPOLITAN REGIONAL COUNCIL

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

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SOUTHERN METROPOLITAN REGIONAL COUNCIL

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

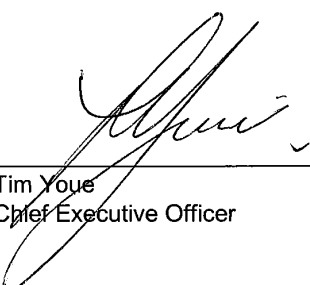
LOCAL GOVERNMENT ACT 1995

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 2014 are in my opinion properly drawn up to present fairly the financial position of the Southern Metropolitan Regional Council at 30 June 2014 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 15 October 2014



Tim Youe
Chief Executive Officer

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

BY NATURE OR TYPE

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$	2014 Budget \$	2013 \$
REVENUE				
Operating Grants, Subsidies and Contributions	21	3,181,068	2,428,540	3,064,042
Fees and Charges	22	24,594,781	24,444,282	18,606,678
Interest Earnings	2(a)	197,194	174,417	274,753
Other Revenues		109,405	31,800	58,492
		<u>28,082,448</u>	<u>27,079,039</u>	<u>22,003,965</u>
EXPENSES				
Employee Costs		(6,776,974)	(7,109,639)	(5,839,318)
Materials and Contracts		(11,022,136)	(11,555,304)	(9,186,268)
Utility Charges		(2,299,079)	(2,673,703)	(2,104,020)
Depreciation on Non-current Assets	2(a)	(5,789,083)	(6,254,798)	(5,051,846)
Interest Expenses	29	(1,740,867)	(1,756,189)	(2,099,966)
Insurance Expenses		(1,871,572)	(2,018,822)	(1,861,120)
		<u>(29,499,711)</u>	<u>(31,368,455)</u>	<u>(26,142,538)</u>
		(1,417,263)	(4,289,416)	(4,138,573)
Asset Revaluation Decrements				
Specialised Plant & Equipment	6	0	0	(3,514,865)
Furniture & Equipment	6	(3,932)	0	0
Profit on Asset Disposals	24	0	0	59,000
NET RESULT		(1,421,195)	(4,289,416)	(7,594,438)
Other Comprehensive Income				
Asset Revaluation Increments				
Freehold Land and Buildings	6	0	0	172,221
Leasehold Improvements	6	0	0	3,607,929
Non-Specialised Plant & Equipment	6	0	0	844,286
Information Technology Equipment	6	1,336	0	0
Total Other Comprehensive Income		1,336	0	4,624,436
TOTAL COMPREHENSIVE INCOME		<u>(1,419,859)</u>	<u>(4,289,416)</u>	<u>(2,970,002)</u>

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 2014

	Note	2014 \$	2014 Budget \$	2013 \$
REVENUE	2(a)			
Governance		262,421	284,171	292,028
Community Amenities		27,820,027	26,794,868	21,711,937
		<u>28,082,448</u>	<u>27,079,039</u>	<u>22,003,965</u>
EXPENSES EXCLUDING FINANCE COSTS	2(a)			
Governance		(222,062)	(365,921)	(265,722)
Community Amenities		(27,536,782)	(29,246,345)	(23,776,850)
		<u>(27,758,844)</u>	<u>(29,612,266)</u>	<u>(24,042,572)</u>
FINANCE COSTS	29			
Governance		(69,125)	(69,120)	(86,127)
Community Amenities		(1,671,742)	(1,687,069)	(2,013,839)
		<u>(1,740,867)</u>	<u>(1,756,189)</u>	<u>(2,099,966)</u>
Asset Revaluation Decrements				
Community Amenities	6	(3,932)	0	(3,514,865)
Profit on Asset Disposals				
Community Amenities	24	0	0	59,000
NET RESULT		(1,421,195)	(4,289,416)	(7,594,438)
Other Comprehensive Income				
Asset Revaluation Increments				
Governance	6	0	0	172,221
Community Amenities	6	1,336	0	4,452,215
Total Other Comprehensive Income		1,336	0	4,624,436
TOTAL COMPREHENSIVE INCOME		<u>(1,419,859)</u>	<u>(4,289,416)</u>	<u>(2,970,002)</u>

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	2014 \$	2013 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	8,340,081	7,066,880
Trade and Other Receivables	4	11,491,770	9,601,297
Inventories	5	300,981	218,353
TOTAL CURRENT ASSETS		20,132,832	16,886,530
NON-CURRENT ASSETS			
Other Receivables	4	23,194,760	26,892,979
Property, Plant and Equipment	6	49,371,436	53,783,173
TOTAL NON-CURRENT ASSETS		72,566,196	80,676,152
TOTAL ASSETS		92,699,028	97,562,682
CURRENT LIABILITIES			
Trade and Other Payables	7	3,648,131	5,138,434
Current Portion of Long-term Borrowings	8	8,566,863	7,055,928
Provisions	9	677,459	533,631
TOTAL CURRENT LIABILITIES		12,892,453	12,727,993
NON-CURRENT LIABILITIES			
Long-term Borrowings	8	23,194,760	26,892,979
Provisions	9	113,908	181,354
TOTAL NON-CURRENT LIABILITIES		23,308,668	27,074,333
TOTAL LIABILITIES		36,201,121	39,802,326
NET ASSETS		56,497,907	57,760,356
EQUITY			
Retained Surplus		39,034,331	42,385,141
Reserves- Cash Backed	10	4,581,212	2,494,187
Asset Revaluation Surplus	11	12,882,364	12,881,028
TOTAL EQUITY		56,497,907	57,760,356

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Retained Surplus \$	Reserves Cash Backed \$	Asset Revaluation Surplus \$	Total Equity \$
Balance as at 1 July 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		0	0	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		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
Comprehensive Income					
Net Result		(1,421,195)	0	0	(1,421,195)
Changes on Revaluation of Non-current Assets				1,336	1,336
Total Comprehensive Income		(1,421,195)	0	1,336	(1,419,859)
Participants Contributions for the Year (New Loans)		800,000	0	0	800,000
Past Participant's Contribution on Withdrawal	10	(187,122)	187,122	0	0
Loans Repaid from Equity		(642,590)	0	0	(642,590)
Transfer from / (to) Reserves	10	(1,899,903)	1,899,903	0	0
Balance as at 30 June 2014		39,034,331	4,581,212	12,882,364	56,497,907

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 2014

	Note	2014	2014 Budget	2013
		\$	\$	\$
Cash Flows From Operating Activities				
Receipts				
Operating Grants, Subsidies and Contributions		2,456,433	20,498,159	3,119,871
Fees and Charges		24,757,734	5,939,327	17,899,127
Interest Earnings		197,194	174,417	303,857
Goods and Services Tax		1,947,561	2,700,000	1,947,561
Other Revenues		109,405	153,800	58,492
		<u>29,468,327</u>	<u>29,465,703</u>	<u>23,328,908</u>
Payments				
Employee Costs		(6,665,992)	(6,909,639)	(6,122,476)
Materials and Contracts		(12,405,960)	(12,660,764)	(7,614,200)
Utility Charges		(2,299,079)	(2,673,703)	(2,104,020)
Interest Expenses		(1,741,135)	(1,750,810)	(2,102,027)
Insurance Expenses		(1,871,572)	(1,810,117)	(1,861,120)
Goods and Services Tax		(1,988,856)	(2,700,000)	(1,276,026)
		<u>(26,972,594)</u>	<u>(28,505,033)</u>	<u>(21,079,869)</u>
Net Cash Provided By Operating Activities	12(b)	<u>2,495,733</u>	<u>960,670</u>	<u>2,249,039</u>
Cash Flows from Investing Activities				
Payments for Purchase of Information Technology Equipment	6	(2,500)	0	0
Plant and Equipment	6	(384,173)	(982,719)	(8,847,152)
Payments for Construction of RRRC Leasehold Improvements	6	(833,190)	(1,500,000)	(209,869)
Payments towards Capital Work In Progress	6	(160,079)	(67,495)	(114,800)
Proceeds from Sale of Plant and Equipment	24	<u>0</u>	<u>0</u>	<u>59,000</u>
Net Cash Used In Investing Activities		<u>(1,379,942)</u>	<u>(2,550,214)</u>	<u>(9,112,821)</u>
Cash Flows from Financing Activities				
Repayment of Loans	29	(2,987,284)	(2,982,948)	(3,105,847)
Contributions from Project Participants for Loan Repayments		2,344,694	2,259,183	2,348,984
Past Participant's Contribution on Withdrawal		0	0	187,122
Proceeds from New Loans	29	<u>800,000</u>	<u>1,500,000</u>	<u>3,000,000</u>
Net Cash Provided By Financing Activities		<u>157,410</u>	<u>776,235</u>	<u>2,430,259</u>
Net Increase / (Decrease) in Cash Held		<u>1,273,201</u>	<u>(813,309)</u>	<u>(4,433,523)</u>
Cash and Cash Equivalents at Beginning of Year	12(a)	<u>7,066,880</u>	<u>7,066,880</u>	<u>11,500,403</u>
Cash and Cash Equivalents at End of Year	12(a)	<u><u>8,340,081</u></u>	<u><u>6,253,571</u></u>	<u><u>7,066,880</u></u>

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

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.

The Local Government Reporting Entity

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 17 to these financial statements.

(b) 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 investing or financing activities, which are recoverable from, or payable to, the ATO are presented as operating cash flows.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) **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.

(e) **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.

(f) **Fixed Assets**

Each class of fixed assets within either property, plant and equipment or infrastructure, 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

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

(a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and

(b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government –

(i) that are plant and equipment; and

(ii) that are –

(I) land and buildings; or

(II) infrastructure;

and

(c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

Thereafter, in accordance with the regulations, each asset class must be revalued at least every 3 years.

The Council has adopted fair values for freehold land and buildings, and leasehold improvements from the financial year ended on 30 June 2007. In line with the Local Government (Financial Management) Regulations, the Council adopted fair values for plant and machinery from the financial year ended on 30 June 2013. For all other fixed assets, the Council adopted fair values from 1 July 2013.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) **Fixed Assets – (Continued)*****Initial Recognition and Measurement between Mandatory Revaluation Dates***

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at 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 proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

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.

Transitional Arrangements

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 Methodology section as detailed above.

Early Adoption of AASB 13 – Fair Value Measurement

Whilst the new accounting standard in relation to Fair Value, AASB 13 – Fair Value Measurement only become applicable for the year ended 30 June 2014 (in relation to Council), given the legislative need to commence using Fair Value methodology in the previous reporting period (year ended 30 June 2013) 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 the previous reporting period (year ended 30 June 2013).

Depreciation

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) **Fixed Assets – (Continued)**

Depreciation

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

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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 used for each class of depreciable asset 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 disposed of, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

Capitalisation Threshold

Expenditure on items of furniture, computer and electronic equipment under \$2,000, vehicles, mobile plant and equipment under \$5,000 and fixed plant and equipment, building and infrastructure under \$10,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

(g) **Fair Value of Assets and Liabilities**

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

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

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) **Fair Value of Assets and Liabilities – (Continued)**

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

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

Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Council gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) **Fair Value of Assets and Liabilities – (Continued)**

Valuation techniques

Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability and considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

(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 or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

- the amount in which the financial asset or financial liability is measured at initial recognition;
- less principal repayments and any reduction for impairment; and
- 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;

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 are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

Assets in this category are classified as current assets.

(ii) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market 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.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) **Financial Instruments – (Continued)**

(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 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.

(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

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 (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, 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.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) **Financial Instruments – (Continued)**

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 they may be impaired.

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

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

For non-cash generating 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**

Short-Term Employee Benefits

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

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

Other Long-Term Employee Benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) **Employee Benefits - (Continued)**

Expected future payments incorporate anticipated future wage and salary levels, durations or service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

(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 until such time as the asset is substantially ready for its intended use or sale.

(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.

(o) **Grants, Donations and Other Contributions**

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

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 the Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for sale where it is held as non-current based on the Council's intentions to release for sale.

(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 or 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 annual financial report, other than a rate in the dollar, 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, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(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 2014**

1. SUMMARY OF 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	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i)	AASB 9 – Financial Instruments	December 2013	1 January 2017	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 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 2013	1 January 2017	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 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [Not-For-Profit entities] [AASB 1, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 131, 132, 133, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	December 2012	1 January 2014	Consequential changes to various standards arising from the issuance of AASB 10, 11, 12, 127 and 128. It is not expected to have a significant impact on Council.
(iv)	AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]	June 2012	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.
(v)	AASB 2013 - 3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets	June 2013	1 January 2014	This standard makes amendments to AASB 136 and includes requirements to disclose additional information when present value techniques are used to measure the recoverable amount of impaired assets. It is not expected to have a significant impact on Council.
(vi)	AASB 2013-8: Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049]	October 2013	1 January 2014	This standard adds Appendix E to AASB 10 to provide implementation guidance for Not-for-Profit entities regarding control criteria from the perspective of not-for-profit entities. It is not expected to have a significant impact on Council.

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 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

S. No.	Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(vi)	AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part A Conceptual Framework – 20 December 2013; Part B Materiality – 1 January 2014; Part C Financial Instruments – 1 January 2015]	December 2013	Refer Title column	Part A of this standard makes various editorial corrections to Australian Accounting Standards. Part B of this standard deletes references to AASB 1031 in various Australian Accounting Standards in advance of the withdrawal of AASB 1031. Part C of this standard makes consequential amendments to AASB 9 and numerous other standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value. As the bulk of changes related either to editorial or reference changes 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 were compiled, became mandatory and which were applicable to its operations.

These new and revised standards were:

AASB 10	AASB 128	AASB 2012 - 3
AASB 11	AASB 2011 - 7	AASB 2012 - 5
AASB 12	AASB 2011 - 9	AASB 2012 - 10
AASB 119	AASB 2011 - 10	
AASB 127	AASB 2012 - 2	

Most of the standards adopted had a minimal effect on the accounting and reporting practices of the Council as they did not have a significant impact on the accounting or reporting practices or 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.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

2 REVENUES AND EXPENSES

	2014 \$	2013 \$
(a) Result from Ordinary Activities		
The Result from Ordinary Activities includes:		
(i) Charging as Expenses:		
Auditors Remuneration		
- Audit of Financial Report	26,000	23,400
- Assistance with Finalisation of Annual Financial Report	5,000	450
- Audit of Acquittals	0	1,550
	<u>31,000</u>	<u>25,400</u>
Amortisation		
- Leasehold Improvements	<u>2,873,442</u>	<u>1,517,735</u>
	<u>2,873,442</u>	<u>1,517,735</u>
Depreciation		
Computer Equipment	5,069	15,269
Furniture and Equipment	6,491	14,041
Plant and Equipment	2,876,481	3,471,866
Freehold Buildings	<u>27,600</u>	<u>32,935</u>
	<u>2,915,641</u>	<u>3,534,111</u>
Total Amortisation and Depreciation	<u>5,789,083</u>	<u>5,051,846</u>
Rental Charges - Operating Leases	<u>978,105</u>	<u>998,904</u>
 (ii) Crediting as Revenues:		
Interest Earnings	2014 \$	2014 Budget \$
- Reserve Funds	125,587	119,000
- Other Funds	<u>71,607</u>	<u>55,417</u>
	<u>197,194</u>	<u>174,417</u>
	<u>197,194</u>	<u>174,417</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

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

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

	2014 \$	2013 \$
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
	<u>184,781</u>	<u>86,462</u>

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

Glass Contamination Reduction Programme	0	40,000
Educational Grant for Recycle Right	76,436	27,000
Educational Grant for Recycle Right in Avon Region	0	100,000
Educational Grant for Perth Royal Show	10,000	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	0	50,000
Educational Grant for Recycle Right	84,755	18,681
Educational Grant for Recycle Right in Avon Region	45,340	0
Closing Balance of Unspent Grants	<u>141,122</u>	<u>184,781</u>

Comprises:

Zero Waste Plan	76,462	76,462
Educational Grant for Recycle Right	0	8,319
Educational Grant for Recycle Right in Avon Region	54,660	100,000
Educational Grant for Perth Royal Show	10,000	0
	<u>141,122</u>	<u>184,781</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
3. CASH AND CASH EQUIVALENTS		
Cash on Hand	850	850
Cash at Bank	1,454,951	933,544
Call Deposits	1,080,000	2,215,000
Short Term Deposits	5,804,280	3,917,486
	<u>8,340,081</u>	<u>7,066,880</u>
Unrestricted	2,842,497	2,953,853
Restricted	5,497,584	4,113,027
	<u>8,340,081</u>	<u>7,066,880</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Unspent Grants	141,122	184,781
Unspent Loans	582,899	470,875
Retention and Bonds	192,351	963,184
RRRC Plant Reserve	3,075,723	1,889,187
RRRC Contingency & Development Reserve	1,268,367	555,000
Travel and Conference Reserve	50,000	50,000
Office Accommodation Reserve	187,122	0
	<u>5,497,584</u>	<u>4,113,027</u>
4. TRADE AND OTHER RECEIVABLES		
Current		
Sundry Debtors	2,036,731	2,199,684
Accrued Income	811,615	86,980
Prepaid expenses	74,028	258,705
GST Receivable	2,533	0
Loan Debtors - Project Participants	8,566,863	7,055,928
	<u>11,491,770</u>	<u>9,601,297</u>
Non-Current		
Loan Debtors - Project Participants	23,194,760	26,892,979
	<u>23,194,760</u>	<u>26,892,979</u>
5. INVENTORIES		
Stock on Hand - Fuel	6,195	3,687
Stock on Hand - RRRC Critical Spares	294,786	214,666
	<u>300,981</u>	<u>218,353</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
6. PROPERTY, PLANT AND EQUIPMENT		
Freehold Land - Independent Valuation - June 2013	950,000	950,000
Freehold Building - Independent Valuation - June 2013	1,200,000	1,200,000
Less Accumulated Depreciation	(27,600)	0
Total Freehold Land and Buildings	2,122,400	2,150,000
RRRC Leasehold Improvements - Independent Valuation - June 2013	26,201,300	26,201,300
Additions after valuation - Cost	865,925	0
Less Accumulated Amortisation	(2,873,442)	0
	24,193,783	26,201,300
Information Technology Equipment - Cost	0	474,203
Information Technology Equipment - Independent Valuation - July 2013	8,078	0
Additions after valuation - Cost	2,500	0
Less Accumulated Depreciation	(5,069)	(467,461)
	5,509	6,742
Furniture and Equipment - Cost	0	298,329
Furniture and Equipment - Independent Valuation - July 2013	22,297	0
Less Accumulated Depreciation	(6,491)	(272,100)
	15,806	26,229
Plant and Equipment - Independent Valuation - June 2013	25,284,102	25,284,102
Additions after valuation - Cost	466,238	0
Less Accumulated Depreciation	(2,876,481)	0
	22,873,859	25,284,102
Capital Work In Progress - Cost	160,079	114,800
Total Property, Plant and Equipment	49,371,436	53,783,173

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 Buildings (Level 2)	Leasehold Specialised Buildings (Level 3)	Total Buildings	Total Land and Buildings	Information Technology Equipment (Level 2)	Sub-Total Carried Forward
	\$	\$	\$	\$	\$	\$	\$
Balance at the beginning of the year	950,000	1,200,000	26,201,300	27,401,300	28,351,300	6,742	28,358,042
Additions	0	0	833,190	833,190	833,190	2,500	835,690
Disposals (note 24)	0	0	0	0	0	0	0
Reclassification	0	0	32,735	32,735	32,735	0	32,735
Depreciation/Amortisation expense	0	(27,600)	(2,873,442)	(2,901,042)	(2,901,042)	(5,069)	(2,906,111)
Revaluation increases / (decreases)	0	0	0	0	0	1,336	1,336
Carrying amount at the end of year	950,000	1,172,400	24,193,783	25,366,183	26,316,183	5,509	26,321,692

	Sub-Total Brought Forward	Furniture and Equipment (Level 2)	Non-specialised Plant and Equipment (Level 2)	Specialised Plant and Equipment (Level 3)	Total Plant and Equipment	Capital Work- in-progress	Total Property, Plant and Equipment
	\$	\$	\$	\$	\$	\$	\$
Balance at the beginning of the year	28,358,042	26,229	1,651,000	23,633,102	25,284,102	114,800	53,783,173
Additions	835,690	0	288,138	96,035	384,173	160,079	1,379,942
Disposals (note 24)	0	0	0	0	0	0	0
Reclassification	32,735	0	0	82,065	82,065	(114,800)	0
Depreciation/Amortisation expense	(2,906,111)	(6,491)	(368,001)	(2,508,480)	(2,876,481)	0	(5,789,083)
Revaluation increases / (decreases)	1,336	(3,932)	0	0	0	0	(2,596)
Carrying amount at the end of year	26,321,692	15,806	1,571,137	21,302,722	22,873,859	160,079	49,371,436

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014**

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.

Plant and Equipment

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

For non-specialised Plant and 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 method used for the valuation of Specialised Plant and 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 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.

Information Technology Equipment

The Information Technology Equipment was revalued at 1 July 2013 by independent valuers.

The 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).

These revaluations resulted in an overall increase of \$1,336 in the net value of the Council's Information Technology Equipment. This increase was credited to the revaluation surplus in the Council's equity (refer Note 11(d)) and was recognised as Changes on Revaluation of non-current Assets in the Statement of Comprehensive Income.

Furniture and Equipment

The Furniture and Equipment was revalued at 1 July 2013 by independent valuers.

The 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).

These revaluations resulted in a decrease of \$3,932 in the net value of the Council's Furniture and Equipment. This decrease is shown as a loss in the current year's Statement of Comprehensive Income.

7. TRADE AND OTHER PAYABLES	2014	2013
	\$	\$
Current		
Sundry Creditors	3,161,863	3,539,172
Accrued Expenses	254,964	592,695
GST Payable	0	38,762
Accrued Salaries and Wages	34,600	0
Accrued Loan Interest	4,353	4,621
Retention and Bonds	192,351	963,184
	<u>3,648,131</u>	<u>5,138,434</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

8. LONG TERM BORROWINGS	2014 \$	2013 \$
Current		
Debentures	8,566,863	7,055,928
	<u>8,566,863</u>	<u>7,055,928</u>
Non Current		
Debentures	23,194,760	26,892,979
	<u>23,194,760</u>	<u>26,892,979</u>

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 Million

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

	2014	2013		
City of Cockburn	41.72%	40.02%	12,499,989	12,865,993
Town of East Fremantle	3.12%	3.30%	934,803	1,060,914
City of Fremantle	12.24%	12.51%	3,667,303	4,021,828
City of Melville	42.92%	44.17%	12,859,528	14,200,172
			<u>29,961,623</u>	<u>32,148,907</u>

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

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:

	2014	2013		
City of Cockburn	36.63%	35.43%	659,340	637,740
Town of East Fremantle	2.74%	2.92%	49,320	52,560
City of Fremantle	10.74%	11.07%	193,320	199,260
Town of Kwinana	12.20%	11.47%	219,600	206,460
City of Melville	37.69%	39.11%	678,420	703,980
			<u>1,800,000</u>	<u>1,800,000</u>

9. PROVISIONS

Analysis of Total Provisions:

Current	677,459	533,631
Non current	113,908	181,354
	<u>791,367</u>	<u>714,985</u>

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance as at 1 July 2013	319,368	395,617	714,985
Additional Provisions	18,238	58,144	76,382
Balance as at 30 June 2014	<u>337,606</u>	<u>453,761</u>	<u>791,367</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
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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

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

Office Accommodation Reserve- to be used for funding capital renewal expenditure and non-recurrent maintenance expenditure for the SMRC property located at 9 Aldous Place Booragoon

	2014 \$	2014 Budget \$	2013 \$
(a) RRRC Plant Reserve			
Balance as at 1 July	1,889,187	1,889,187	2,303,444
Transfers to Reserve	1,420,000	735,000	0
Transfers from Reserve	(233,464)	(694,581)	(414,257)
Balance as at 30 June	<u>3,075,723</u>	<u>1,929,606</u>	<u>1,889,187</u>
(b) RRRC Contingency & Development Reserve			
Balance as at 1 July	555,000	555,000	555,000
Transfers to Reserve	713,367	713,367	0
Transfers from Reserve	0	0	0
Balance as at 30 June	<u>1,268,367</u>	<u>1,268,367</u>	<u>555,000</u>
(c) Travel and Conference Reserve			
Balance as at 1 July	50,000	50,000	50,000
Transfers to Reserve	0	0	0
Transfers from Reserve	0	(50,000)	0
Balance as at 30 June	<u>50,000</u>	<u>0</u>	<u>50,000</u>
(c) Office Accommodation Reserve			
Balance as at 1 July	0	0	0
Transfers to Reserve	187,122	187,122	0
Transfers from Reserve	0	0	0
Balance as at 30 June	<u>187,122</u>	<u>187,122</u>	<u>0</u>
Total Reserves- Cash backed	<u>4,581,212</u>	<u>3,385,095</u>	<u>2,494,187</u>

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

SUMMARY OF RESERVE TRANSFERS**Transfers To Reserves- Cash Backed**

RRRC Plant Reserve	1,420,000	735,000	0
RRRC Contingency & Development Reserve	713,367	713,367	0
Travel and Conference Reserve	0	0	0
Office Accommodation Reserve	187,122	187,122	0
	<u>2,320,489</u>	<u>1,635,489</u>	<u>0</u>

SUMMARY OF RESERVE TRANSFERS**Transfers From Reserves- Cash Backed**

RRRC Plant Reserve	(233,464)	(744,581)	(414,257)
RRRC Contingency & Development Reserve	0	0	0
Travel and Conference Reserve	0	0	0
Office Accommodation Reserve	0	0	0
	<u>(233,464)</u>	<u>(744,581)</u>	<u>(414,257)</u>
Net Reserve Movement (Cash Backed)	<u>2,087,025</u>	<u>890,908</u>	<u>(414,257)</u>

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11. ASSET REVALUATION SURPLUS	2014 \$	2014 Budget \$	2013 \$
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.			
(a) Land and Buildings			
Balance as at 1 July	597,933	597,933	425,712
Increments / (Decrements)	0	0	172,221
Balance as at 30 June	<u>597,933</u>	<u>597,933</u>	<u>597,933</u>
		\$	
(b) Leasehold Improvements			
Balance as at 1 July	11,438,809	11,438,809	7,830,880
Increments / (Decrements)	0	0	3,607,929
Balance as at 30 June	<u>11,438,809</u>	<u>11,438,809</u>	<u>11,438,809</u>
(c) Non-Specialised Plant and Equipment			
Balance as at 1 July	844,286	844,286	0
Increments / (Decrements)	0	0	844,286
Balance as at 30 June	<u>844,286</u>	<u>844,286</u>	<u>844,286</u>
(d) Information Technology Equipment			
Balance as at 1 July	0	0	0
Increments / (Decrements)	1,336	0	0
Balance as at 30 June	<u>1,336</u>	<u>0</u>	<u>0</u>
Total Asset Revaluation Surplus	<u>12,882,364</u>	<u>12,881,028</u>	<u>12,881,028</u>

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:

Cash on Hand	850	850	850
Cash at Bank	1,454,951	50,000	933,544
Call Deposits	1,080,000	1,000,000	2,215,000
Short Term Deposits	5,804,280	5,202,721	3,917,486
	<u>8,340,081</u>	<u>6,253,571</u>	<u>7,066,880</u>

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

Net result	(1,421,195)	(4,289,416)	(7,594,438)
Add / (Less):			
Depreciation	2,915,641	4,005,421	3,534,112
Amortisation	2,873,442	2,249,377	1,517,734
Asset revaluation decrements	3,932	0	3,514,865
(Profit)/Loss on Sale / Disposal of Asset	0	0	(59,000)
(Increase)/Decrease in Receivables	(564,215)	(313,336)	10,155
(Increase)/Decrease in Prepaid Expenses	184,677	208,705	(184,677)
(Increase)/Decrease in Inventories	(82,628)	(21,647)	20,756
Increase/(Decrease) in Creditors and Accruals	(1,490,303)	(878,434)	1,378,032
Increase/(Decrease) in Employee Provisions	76,382	0	111,500
Net Cash from Operating Activities	<u>2,495,733</u>	<u>960,670</u>	<u>2,249,039</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
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12. NOTES TO THE CASH FLOW STATEMENT (Continued)

	2014 \$	2013 \$
(c) Credit Standby Arrangements		
Credit Card limit	20,000	20,000
Credit Card balance at reporting date	(9,000)	(8,433)
Total Amount of Credit Unused	<u>11,000</u>	<u>11,567</u>
(d) Loan Facilities		
Loan Facilities - Current	8,566,863	7,055,928
Loan Facilities - Non-Current	23,194,760	26,892,979
Total Facilities in Use at reporting date	<u>31,761,623</u>	<u>33,948,907</u>
Unused Loan Facilities at reporting date	<u>0</u>	<u>0</u>

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	<u>30,187</u>	<u>527,707</u>
Payable:		
- not later than one year	<u>30,187</u>	<u>527,707</u>
	<u>30,187</u>	<u>527,707</u>

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

Payable:		
- not later than one year	724,795	720,793
- later than one year but not later than two years	702,664	693,489
- later than two years but not later than five years	3,011,843	2,687,190
- later than five years	11,000,000	12,000,000
	<u>15,439,302</u>	<u>16,101,472</u>

14. CONTINGENT LIABILITIES

There were no claims or pending claims or any other contingent liabilities as at the reporting date (2013- Nil).

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Community Amenities	92,699,028	97,562,682
	<u>92,699,028</u>	<u>97,562,682</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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	2014 \$	2014 Budget \$	2013 \$
16. COUNCILLORS' REMUNERATION			
The following fees, expenses and allowances were paid to the Council members, the Chairman and Deputy Chairman.			
Meeting Fees	54,167	56,650	42,000
Chairman Allowance	19,000	19,000	10,000
Deputy Chairman Allowance	4,750	4,750	2,500
Other Allowances	17,208	17,500	10,000
Other reimbursements	0	850	447
	<u>95,125</u>	<u>98,750</u>	<u>64,947</u>

17. TRUST FUNDS

The Council does not have any trust funds on hand as at 30 June 2014 (2013- Nil).

18. BUDGET COMPARISON

(a) Operating Income and Expenditure

	2014 \$	2014 Budget \$
Recycling Facility Surplus / (Deficit)	1,018,601	1,043,765
Waste Composting Facility Surplus / (Deficit)	1,251,122	360,000
Green Waste Facility Surplus / (Deficit)	359,793	105,000
RRRC Administration	(19,694)	(29,300)
Depreciation on non-current assets	(5,789,083)	(6,254,798)
Others	1,758,066	485,917
	<u>(1,421,195)</u>	<u>(4,289,416)</u>

Comments - Reasons for variations from budgeted amounts:

1. Lower operating costs.
2. Higher volumes.
3. Variation due to revaluation of assets.
4. Savings in costs, unspent grants and reimbursements

(b) Non Operating Income and Expenditure

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

Non Operating Income		
Loans raised	1 800,000	1,500,000
Loan Principal Contributions	2,344,694	2,259,183
Fair value increases to Non-Current assets	2 1,336	0
Non Operating Expenditure		
Principal repayment of loans	2,987,284	2,982,948
Fair value decreases to Non-Current assets	2 (2,596)	0
Construction/purchase of assets		
Information Technology Equipment	2,500	0
Plant and Equipment	3 384,173	982,719
Leasehold Improvements	4 833,190	1,500,000
Capital Work-in-progress	3 160,079	67,495

Comments - Reasons for variations from budgeted amounts:

1. Lower borrowings is due to change in the project cost as a result of lower tender prices.
2. Fair value adjustment during the year FY 2013-14 not budgeted.
3. Few capex projects deferred to FY 2014-15.
4. Lower tender prices.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2014

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 million 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

	2014	2013
	\$	\$
Revenues from Ordinary Activities		
Education & Marketing	342,867	363,620
RRRC Admin & Weighbridge	260,675	175,382
Recycling	6,869,110	5,498,503
Greenwaste	1,585,504	1,345,248
Waste Compost	15,353,857	12,169,609
Business Development	1,462,167	0
Waste Audit Service	122,774	28,988
Contributions for interest on loans	1,487,877	1,764,112
Profit on sale of Assets	0	59,000
	<u>27,484,831</u>	<u>21,404,462</u>
Less Expenses from Ordinary Activities		
Education & Marketing	312,481	286,741
RRRC Admin & Weighbridge	537,234	121,828
Recycling	7,773,221	5,915,644
Greenwaste	1,331,851	1,340,542
Waste Compost	17,558,514	16,134,040
Business Development	15,325	134,215
Waste Audit Service	156,324	137,921
	<u>27,684,950</u>	<u>24,070,931</u>
Less Borrowing Cost Expense		
RRRC Property	1,487,531	1,762,435
Net Profit or (Loss)	<u>(1,687,650)</u>	<u>(4,428,904)</u>

STATEMENT OF FINANCIAL POSITION

Current Assets		
Cash and Cash Equivalents	6,331,519	5,400,828
Trade and Other Receivables	11,474,063	9,544,798
Inventories	300,981	218,353
Total Current Assets	<u>18,106,563</u>	<u>15,163,979</u>
Non-Current Assets		
Trade and Other Receivables	21,394,760	25,092,979
Property, Plant and Equipment	23,047,796	25,403,156
Leasehold Improvements	24,193,783	26,201,300
Total Non-Current Assets	<u>68,636,339</u>	<u>76,697,435</u>
Total Assets	<u>86,742,902</u>	<u>91,861,414</u>
Current Liabilities		
Trade and Other Payables	3,499,451	4,978,157
Borrowings - Current Portion	8,566,863	7,055,928
Provisions	401,906	258,078
Total Current Liabilities	<u>12,468,220</u>	<u>12,292,163</u>
Non-Current Liabilities		
Borrowings - Non-current Portion	21,394,760	25,092,979
Provisions	74,218	141,664
Total Non-Current Liabilities	<u>21,468,978</u>	<u>25,234,643</u>
Total Liabilities	<u>33,937,198</u>	<u>37,526,806</u>
Net Assets	<u>52,805,704</u>	<u>54,334,608</u>
Equity		
Opening Balance	54,334,608	55,583,025
RRRC Participants Contribution towards Equity	800,000	3,000,000
Retained Surplus/(Deficit) for year	(1,687,650)	(4,428,904)
Fair value adjustment to Non-Current assets	1,336	937,350
Less: Loans repaid from Equity	(642,590)	(756,863)
Total Equity	<u>52,805,704</u>	<u>54,334,608</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
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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, SUBSIDIES AND CONTRIBUTIONS

	2014 \$	2013 \$
Grants, Subsidies and Contributions are included as in the Statement of Comprehensive Income		
By Programme:		
Governance		
Annual Member's Contributions	246,171	236,703
Reimbursements	16,250	55,325
Community Amenities		
Annual Member's Contributions	459,437	441,701
Member's Contributions towards interest	1,487,877	1,764,112
Grants	161,418	167,000
Reimbursements	809,915	399,201
	<u>3,181,068</u>	<u>3,064,042</u>
By Nature or Type:		
Operating Grants, Subsidies and Contributions	<u>3,181,068</u>	<u>3,064,042</u>
	<u>3,181,068</u>	<u>3,064,042</u>

22. FEES AND CHARGES

Community Amenities		
RRRC Gate Fees from Members	18,151,437	14,702,236
RRRC Gate Fees from Non-Members	1,959,128	1,090,919
Sale of Products	4,426,425	2,784,535
Others	57,791	28,988
	<u>24,594,781</u>	<u>18,606,678</u>

23. FINANCIAL RATIOS

	2014	2013	2012
Current Ratio	1.15	1.11	1.43
Asset Sustainability Ratio	0.08	0.22	0.16
Debt Service Cover Ratio	1.29	(0.09)	0.61
Operating Surplus Ratio	(0.05)	(0.04)	(0.18)
Own Source Revenue Coverage Ratio	0.95	0.66	0.74

The above ratios are calculated as follows:

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

Note: Information relating to Asset Consumption Ratio and Asset Renewal Funding Ratio can be found at Supplementary Ratio Information on Page 73 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
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24. DISPOSALS OF ASSETS - 2013/14 FINANCIAL YEAR

There are no disposal of fixed assets by the Council during the year (2013 - \$59,000).

25. Rating Information

Being a Regional Council, no rates were raised during the year ended 30 June 2014 and in the year ended 30 June 2013.

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 RRRRC 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 RRRRC 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 on 30 June 2012.

28. RRRRC Licence

In March 2013, SMRC was granted an amended three-year operating licence for the Regional Resource Recovery Centre, which requires renewal in 30 March 2017. 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
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29. INFORMATION ON BORROWINGS

(a) Loan Repayments

Particulars	Principal 1-Jul-13	New / Rollover Loans	Interest Repayments		Principal Repayments		Principal 30 Jun 14
			Budget	Actual	Budget	Actual	
Community Amenities							
RRRC							
LOAN NO 3-28	407,834	0	22,529	22,529	41,406	41,406	366,428
LOAN NO 3-29	406,275	0	22,048	22,048	41,403	41,403	364,872
LOAN NO 3-30	409,982	0	22,369	22,369	41,734	41,734	368,248
LOAN NO 3-31	836,211	0	46,355	46,355	84,835	84,835	751,376
LOAN NO 3-33	792,760	0	44,058	44,058	80,728	80,728	712,032
LOAN NO 3-37	1,179,521	0	0	0	1,179,521	1,179,521	0
LOAN NO 3-40	435,416	0	24,002	24,002	44,439	44,439	390,977
LOAN NO 3-41	446,582	0	13,262	13,262	446,582	446,582	0
LOAN NO 3-42	442,018	0	12,864	12,864	442,018	442,018	0
LOAN NO 3-43	779,724	0	44,236	44,236	81,776	81,776	697,948
LOAN NO 3-49	874,534	0	54,682	54,682	64,927	64,927	809,607
LOAN NO 3-50	516,767	0	31,608	31,608	38,631	38,631	478,136
LOAN NO 3-52	2,558,641	0	146,302	146,302	582,706	582,706	1,975,935
LOAN NO 3-53	864,724	0	27,552	27,552	864,724	864,724	0
LOAN NO 3-56	449,473	0	30,384	30,384	32,521	32,521	416,952
LOAN NO 3-57	448,659	0	30,329	30,329	32,462	32,462	416,197
LOAN NO 3-61	1,350,987	0	97,173	97,173	1,350,987	1,350,987	0
LOAN NO 3-62	1,080,614	0	56,078	56,078	84,586	84,586	996,028
LOAN NO 3-63	1,096,635	0	67,033	67,033	81,939	81,939	1,014,696
LOAN NO 3-64	499,672	0	29,971	29,971	37,556	37,556	462,116
LOAN NO 3-65	1,163,102	0	71,098	71,098	86,906	86,906	1,076,196
LOAN NO 3-66	2,185,822	0	135,315	135,314	162,599	162,599	2,023,223
LOAN NO 3-67	871,482	0	51,424	51,424	65,760	65,760	805,722
LOAN NO 3-68	851,344	0	51,391	51,391	63,831	63,831	787,513
LOAN NO 3-73	904,173	0	41,876	41,876	72,580	72,580	831,593
LOAN NO 3-74	3,447,105	0	159,651	159,651	276,709	276,709	3,170,396
LOAN NO 3-76	1,048,305	0	41,257	41,258	87,070	87,070	961,235
LOAN NO 3-78	1,292,551	0	0	0	1,292,551	1,292,551	0
LOAN NO 3-80	1,631,780	0	63,737	63,737	144,315	144,315	1,487,465
LOAN NO 3-81	2,876,214	0	112,343	112,343	254,372	254,372	2,621,842
LOAN NO 3-82 (3-78 MRF)	0	1,292,551	19,453	19,453	1,292,550	1,292,551	0
LOAN NO 3-83 (3-37)	0	1,179,521	49,020	46,248	11,118	98,147	1,081,374
LOAN NO 3-84 (3-82 MRF)	0	1,292,551	30,652	18,383	107,357	59,883	1,232,668
LOAN NO 3-85 (3-41,42,53)	0	1,677,340	34,285	37,003	73,368	71,850	1,605,490
LOAN NO 3-86 (New MRF)	0	800,000	2,732	0	33,702	0	800,000
LOAN NO 3-87 (3-61)	0	1,255,358	0	0	0	0	1,255,358
Office Accommodation							
LOAN NO 2-5	1,800,000	0	69,120	69,120	0	0	1,800,000
	33,948,907	7,497,321	1,756,189	1,741,134	9,680,269	9,684,605	31,761,623
Add: Accrued Interest			0	(267)			
Net Interest			1,756,189	1,740,867			
Less: Rollover of Loans		(6,697,321)			(6,697,321)	(6,697,321)	
Net Borrowings / Repayments		800,000			2,982,948	2,987,284	

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

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 3.82 (Rollover)	1,292,551	1,292,551	WATC	Debenture	0.50	19,453	2.91%	1,292,551	1,292,551	0
LOAN NO 3.83 (Rollover)	1,179,521	1,179,521	WATC	Debenture	10.00	263,090	3.99%	1,179,521	1,179,521	0
LOAN NO 3.84 (Rollover)	1,292,551	1,292,551	WATC	Debenture	1.00	35,931	2.78%	1,292,551	1,292,551	0
LOAN NO 3.85 (Rollover)	1,677,340	1,677,340	WATC	Debenture	9.50	391,168	4.38%	1,677,340	1,677,340	0
LOAN NO 3.86 (New)	1,500,000	800,000	WATC	Debenture	0.50	11,774	2.88%	1,500,000	687,976	112,024
LOAN NO 3-87 (Rollover)	1,255,358	1,255,358	WATC	Debenture	9.00	233,745	3.72%	1,255,358	1,255,358	0
	8,197,321	7,497,321				955,161		8,197,321	7,385,297	112,024

(c) Unspent Loans

An amount of \$ 582,899 (2013- \$470,875) remained unspent out of the amount borrowed on the reporting date and is shown as a part of restricted cash.

	Date Borrowed	Balance 01-Jul-13	Borrowed During Year	Expensed During Year	Balance 30-Jun-14
LOAN NO 3.81	31/12/2012	470,875	0	0	470,875
LOAN NO 3.86 (New)	30/06/2014	0	800,000	687,976	112,024
Total		470,875	800,000	687,976	582,899

(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 2014

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	
	2014 \$	2013 \$	2014 \$	2013 \$
Financial Assets				
Cash and cash equivalents	8,340,081	7,066,880	8,340,081	7,066,880
Receivables	34,686,530	36,494,276	33,194,055	35,075,609
	<u>43,026,611</u>	<u>43,561,156</u>	<u>41,534,136</u>	<u>42,142,489</u>
Financial Liabilities				
Payables	3,648,131	5,138,434	3,648,131	5,138,434
Borrowings	31,761,623	33,948,907	30,269,148	32,530,240
	<u>35,409,754</u>	<u>39,087,341</u>	<u>33,917,279</u>	<u>37,668,674</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

(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 2014

30. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents (Continued)

	2014 \$	2013 \$
Impact of a 1% (*) movement in interest rates on cash and cash equivalents		
- Equity	63,681	67,490
- Income Statement	63,681	67,490

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:

	2014	2013
Percentage of Receivables		
- Current	98.03%	93.36%
- Overdue	1.97%	6.64%

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

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 \$
2014					
Payables	3,648,131	0	0	3,648,131	3,648,131
Borrowings	10,009,224	19,719,827	6,874,154	36,603,205	31,761,623
	<u>13,657,355</u>	<u>19,719,827</u>	<u>6,874,154</u>	<u>40,251,336</u>	<u>35,409,754</u>
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
	<u>13,868,915</u>	<u>23,511,153</u>	<u>7,617,372</u>	<u>44,997,440</u>	<u>39,087,341</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

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 %
2014								
Borrowings								
Fixed Rate								
Debentures	5,847,537	3,677,107	2,727,310	4,977,164	1,517,754	13,014,751	31,761,623	5.05%
Weighted Average Effective Interest Rate	5.01%	6.08%	6.09%	5.38%	5.93%	4.20%		
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%		



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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 2014, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity and statement of cash flows for the year then ended, 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 management 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. Those 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 management, 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 2014 and of its performance and its cash flow for the year ended on that date; and
- b complying with Australian Accounting Standards (including Australian Accounting Interpretations).



**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 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 73 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

A handwritten signature in blue ink, appearing to read 'Wen-Shien Chai', written over a faint circular stamp.

WEN-SHIEN CHAI
PARTNER

Date: 15 October 2014
Perth, WA

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

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.

	2014	2013	2012
Asset Consumption Ratio	0.89	0.99	N/A
Asset Renewal Funding Ratio	1.00	1.00	N/A

The above ratios are calculated as follows:

Asset Consumption Ratio	$\frac{\text{Depreciated Replacement Cost of Assets}}{\text{Current Replacement Cost of Depreciated Assets}}$
Asset Renewal Funding Ratio	$\frac{\text{NPV of Planned Capital Renewals over 10 years}}{\text{NPV of Required Capital Expenditure over 10 years}}$

N/A - In keeping with amendments to Local Government (Financial Management) Regulation 50, comparatives for the financial year 2011-12 have not been reported as financial information is not available.

FAST FACTS

THE SOUTHERN METROPOLITAN REGIONAL COUNCIL'S (SMRC'S) REGIONAL RESOURCE RECOVERY CENTRE (RRRC) COMPRISES A MATERIALS RECOVERY FACILITY, WASTE COMPOSTING FACILITY, GREEN WASTE PROCESSING FACILITY AND AUDIT FACILITY

THE RRRC USES STATE OF THE ART TECHNOLOGY AND INFRASTRUCTURE TO PROCESS WASTE AND RECOVER RECYCLABLES FOR REUSE. IT IS AN INDUSTRY LEADER

IN 2013, **70%** OF WASTE THROUGH THE OVER FACILITY WAS DIVERTED FROM LANDFILL.

THIS EXCEEDS THE 2020 TARGET SET BY THE STATE GOVERNMENT OF **65%**

THE RRRC CURRENTLY DIVERTS MORE THAN ...
95,000 TONNES
OF WASTE PER YEAR FROM LANDFILL AND PREVENTS ABOUT

32,000 TONNES
OF CARBON DIOXIDE FROM ENTERING THE ATMOSPHERE, WHICH IS EQUIVALENT TO TAKING MORE THAN.....

7,000 CARS OFF THE ROAD

THE RRRC PRODUCES MORE THAN

20,000 TONNES

OF COMPOST EACH YEAR, WHICH IS REUSED IN AGRICULTURE, PARKS, GARDENS AND SOIL AMENDMENT PROGRAMS

THE SMRC IS INVESTING IN RESEARCH AND TECHNOLOGY AT ITS RRRC TO INCREASE EFFICIENCY AND WASTE RECOVERY MEASURES

KEY DRIVERS IN THE COMMUNITY FOR RECYCLING ARE PROTECTING THE ENVIRONMENT AND DOING THE RIGHT THING

RECYCLING IS CONSIDERED MORE IMPORTANT BY THE COMMUNITY THAN REDUCING WATER USAGE AND BUILDING WASTE TO ENERGY PLANTS

75% OF THE SMRC COMMUNITY IS AWARE THEIR RECYCLING EFFECTS THE REDUCTION OF GREENHOUSE GASES

IN SEPTEMBER 2013, THE SMRC LAUNCHED THE VERY FIRST SMART PHONE APP FOR RECYCLING INFORMATION FOR RESIDENTS ON THE APP STORE AND GOOGLE PLAY

THE SMRC'S RECYCLE RIGHT EDUCATION CAMPAIGN WAS HIGHLY COMMENDED IN THE 2013 WASTE AUTHORITY'S INFINITY AWARDS



SOUTHERN METROPOLITAN
REGIONAL COUNCIL

SOUTHERN METROPOLITAN REGIONAL COUNCIL

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