2007-2008 Annual Report

Southern Metropolitan Regional Council

Contents

NOTES:

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

A carbon dioxide equivalent (CO_2e) is a distinct measure for describing how much global warming a given type of greenhouse gas may cause, using the functionally equivalent amount or concentration of carbon dioxide as the reference.

The Southern Metropolitan Regional Council

The SMRC's member councils are:

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

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

The SMRC at a glance

The Southern Metropolitan Regional Council, or SMRC, is a community enterprise specially-established to represent seven local councils south of Perth, Western Australia, including Canning, Cockburn, East Fremantle, Fremantle, Kwinana, Melville and Rockingham, and their local communities.

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

In 1998, the SMRC adopted a regional waste management strategy that led to the creation of a waste collection system. The Regional Resource Recovery Centre, designed to recover 85% of household waste, was built and became operational in 2005. The multi-million dollar facility is the largest in Australia and is designed to recover resources from the region's domestic waste stream in the most effective manner possible.

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.

Structure

The SMRC is made up of one elected councillor from each member council who has equal voting rights, except the Chairman who may exercise a second vote where the vote is a tie. The Chairman is elected every two years.

The SMRC has seven ordinary meetings of council throughout the year. Special meetings of council may be held from time to time.

An audit committee has been appointed by the SMRC, made up of three regional councillors and one external member. A regional executive committee has also been established, comprised of the SMRC's Chief Executive Officer and one senior officer from each member council, responsible for waste management.

Committees are established and appointed by the council. There are four standing committees, being:

Audit Committee

The Audit Committee is made up of Regional Councillors and members of the public, created to review the SMRC's finance and administration. The committee meets quarterly during the year.

Public Relations Committee

The Public Relations Committee is a committee of Regional Councillors created to review, consider and discuss the SMRC's communications strategy. The Public Relations Committee has regularly scheduled meetings with additional meetings called as needed.

Regional Executive Committee

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

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

RRRC Reference Group

The Regional Resource Recovery Centre (RRRC) Reference Group is made up of interested community members from the RRRC's neighbouring suburbs and across the Perth Southern Metropolitan Region. The RRRC Reference Group has an independent chairman and representatives from the SMRC and City of Melville.

The RRRC Reference Group's aim is to advise the Regional Council on community concerns and give feedback concerning the operations of the RRRC in Canning Vale.

Occasional Committees

Occasional committees are established to consider a specific task or review on behalf of the council. The CEO Salary & Performance Review Committee was established, consisting of all regional councillors to review the annual performance of the CEO.

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

Operational Waste Managers Group

This group consists of member council operational waste managers who meet regularly to facilitate resource-sharing and information and undertake joint inter-council projects, such as the Regional Landfill Airspace Study and waste audits.

CCP Officers' Group

This group comprises officers from each of the SMRC's member councils and is responsible for the implementation of the Cities for Climate Protection Program (CCP) within each of the local councils. It has initiated the Regional Community Greenhouse Strategic Plan and Regional Greenhouse Gases Project for achieving the crucial objective of reducing greenhouse gases.

Finance Managers' Group

The Finance Managers' Group is comprised of executive officers from each of the SMRC's member councils' corporate and financial divisions. The group met monthly in 2007-08 to review the SMRC's financial affairs and strategic direction.

Chairman's Report

It has been another challenging and rewarding financial year for the Southern Metropolitan Regional Council and I'm pleased to report that, thanks to the efforts of the regional community, 174,761 tonnes of household waste was recycled and processed, diverting 113,789 tonnes from landfill. This is an increase of 21,471 tonnes of waste being processed (+15%), compared to two years ago. The recovery rate is 65.2%, more than double the average for Western Australia.

As Chairman of the SMRC, I would personally like to extend my gratitude to the residents of Canning, Rockingham, East Fremantle, Melville, Kwinana, Cockburn and Fremantle for this achievement. The performance of our Materials Recovery Facility has exceeded the expectations of our Business Plan and a trial of weekly recycling collection also produced outstanding results, giving a 40% higher recovery rate of recyclable materials.

With the Regional Resource Recovery Centre taking material from 10 million wheelie bins annually from seven local councils, instead of it going to landfill, the SMRC is preventing greenhouse gas emissions and possible groundwater contamination while earning an enviable reputation as a credible carbon offset provider.

As a member of the Greenhouse Friendly program, the SMRC receives income for the sale of carbon credits. Our target for 2007-08 was 55,000 net carbon credits – a goal we surpassed, reaching 74,714 tonnes per year.

The SMRC has taken community concerns seriously over the past year and allocated $300,000 for odour management issues that included monitoring, community consultation and capital works at the Waste Composting Facility. Approximately $100,000 was also spent on compost quality and assurance.

In the past financial year, I headed a delegation that attended the Waste Summit Conference in China on behalf of the State Government. The conference was also attended by our Deputy Chairman and Chief Executive Officer, who presented a paper on waste management, highlighting the SMRC's many innovations. Regional councillors and staff also attended a national waste conference at Coffs Harbour, furthering their knowledge about waste management strategies in Australia.

Over the course of 2007-08 there was also an opportunity to engage with State and Federal members of parliament, allowing the SMRC to provide valuable input on the future of waste management and how it could work in tandem with new climate change legislation.

A carbon forum in March 2008 was another effort by the SMRC, WA Local Government Association and Municipal Waste Advisory Council to better prepare local governments for challenges in waste management, greenhouse gas abatement, carbon trading and sustainable energy.

I am also pleased to report that Climate Wise, our climate actions program, awarded 12 businesses in the region with Climate Change Action Awards for their efforts in reducing greenhouse gas emissions.

The SMRC itself was recognised by the Australian Greenhouse Office and Federal Department of Environment and Water Resources with a 2007 Greenhouse Challenge Plus Award. Recognising outstanding achievement in greenhouse gas abatement by government and essential services, the SMRC was acknowledged for preventing the yearly equivalent of emissions from 60,000 cars.

Climate change is the most important issue facing our community and it is essential the SMRC takes a leadership role in addressing it. By working together with our member councils and the local regional community, we will be better able to respond to the significant challenge the impact of climate change presents for all of us.

I continue to be proud to serve as Chairman of the SMRC, as it pushes the envelope with green solutions to help build a better future – and I look forward to continuing that work with my fellow regional councillors, our member councils and the 375,000 people across the southern metropolitan region.

Cr Doug Thompson
Chairman

Regional Councillors

Chairman, Cr Doug Thompson, City of Fremantle

Cr Thompson has been a Fremantle City Councillor for 20 years and has represented Fremantle on the SMRC since 1994. He has been heavily involved in waste minimisation issues and was instrumental in testing options for waste minimisation at the City of Fremantle, in order to determine best practices. Cr Thompson believes that cooperatively working towards environmental waste solutions is the most important issue facing local government. As such, he is committed to making a significant contribution in facilitating cooperation between councils to achieve this.

Deputy Chairman, Cr Clive Robartson OAM, City of Melville

Cr Robartson is a past president of WALGA, the Western Australian Local Government Association, an executive member of the Australian Local Government Association (ALGA) and a member of the State-Local Government Partnership Council. He is a member of the State Waste Management Board and was a past Chairman of the Municipal Waste Advisory Committee where he remains an active member.

Cr Robartson is also a member of the Australian Landcare Council, Gene Technology Community Consultative Committee and local government observer on the Australian and New Zealand Ministerial Food Council, as well as technologist in charge of the animal health laboratories at the Department of Agriculture and Food. He recognised many years ago that domestic waste could be a valuable resource if collected, separated and marketed appropriately and has been a strong advocate of the SMRC’s regional waste management strategy.

Cr Bruce Mason, City of Canning

Married with two teenage sons, Cr Mason has lived in Parkwood for more than 24 years. He works as manager of an environmental company in Osborne Park and has served on Canning City Council for the past nine years. During this time, he has served two terms as Deputy Mayor, representing the council and ratepayers on numerous council and local government committees. Cr Mason vigorously pursues the protection of natural resources, while recognising the need for proper planning. He supports the provision of services for ratepayers across the whole community.

Mayor Stephen Lee, City of Cockburn

Mayor Lee has been involved in local government for more than 15 years and has a strong interest in building social capital while beautifying and maintaining parklands and streetscapes. With a keen interest in recycling and waste minimisation before becoming Mayor, the City of Cockburn has one of the few remaining landfill sites in the metropolitan area – and Mayor Lee understands the extreme importance of managing this asset responsibly. He is also a strong supporter and advocate of the SMRC’s approach to waste management.

Mayor Alan Ferris, Town of East Fremantle

A councillor with the Town of East Fremantle for two years, Mayor Ferris has represented his local government on the SMRC since December 2006. He is a qualified accountant with a strong governance background and has significant experience as a senior executive in the State Government. Mayor Ferris supports the cooperative approach taken by the SMRC’s member councils in providing sustainable and effective waste management strategies for the region. He believes that working together is the best way to achieve growing expectations within the community for sustainable waste management.

Regional Councillors cont.

Cr Sandra Lee, Town of Kwinana

Serving the Town of Kwinana since 2005, Cr Lee 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. Her other portfolio areas at the council are economic development, built environment, natural environment and community development. With landfill facilities reaching full capacity, Cr Lee believes waste generated by society should be processed and recycled to produce sustainable outcomes, helping to reduce the impact on the earth's natural resources. She recognises the important role the SMRC plays in recycling various materials, assisting with environmentally sustainable solutions and results.

Cr Richard Smith, City of Rockingham

Currently Deputy Mayor of the City of Rockingham, he previously served as first Mayor of the City. A keen and growing interest in the issues of waste management, recycling, climate change and the need to strive for zero waste in the future prompted Cr Smith to commit time and dedicated interest to the SMRC. He believes regional cooperation, supporting the SMRC, is the only option for sustainable waste management in the growing community it serves.

SMRC Senior Staff

Mr Stuart McAll
Chief Executive Officer

Mr Brendan Doherty
Manager Engineering Services

Mr Chris Wiggins
Manager Administration & Finance

Mr Tim Youe
Manager Business Development

Mr Chuck Ellis
Manager Communications

Regional Executive Committee

This group is comprised of one senior officer from each member council, responsible for waste management, and the SMRC's Chief Executive Officer. The committee provides technical advice and communication networking for participating councils and the SMRC. The 2007-08 REC members are:

Mr Stuart McAll, Chief Executive Officer, SMRC REC Chairman

Mr Stephen Cain, Chief Executive Officer, City of Cockburn

Mr Stuart Wearne, Chief Executive Officer, Town of East Fremantle

Mr Jim Duff, Technical Services Director, City of Fremantle (from February 2008)

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

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

Mr Steven Atwell, Acting Executive Engineering and Technical Services, City of Canning (from June 2008)

Mr Robert Willis, Technical Services Director, City of Melville (to March 2008)

Mr Martin Tieleman, Executive Manager Corporate Services, City of Melville, (from March 2008)

Mr Silvia Trinca, Executive Engineering and Technical Services, City of Canning (to May 31, 2008)

Mr Ian Goodbody, City Works Manager, City of Fremantle (to November 2007)

Chief Executive Officer's Report

The Southern Metropolitan Regional Council has had a productive year with several significant achievements in 2007-2008, maintaining its reputation as a quality service provider for its seven member councils and the community.

Over the past 12 months, the SMRC has continued its concerted effort in delivering the best waste management strategies, helping to combat climate change, reduce greenhouse gases and promote sustainability through effective recycling.

The total carbon emissions footprint for the SMRC's entire operations resulted in negative 178,132 tonnes of carbon dioxide equivalents being produced – an outstanding result that puts the SMRC in a leading position in Western Australia in terms of carbon reduction.

Our Regional Resource Recovery Centre processed 175,000 tonnes of waste and produced 156,000 tonnes of products for sale into the market (including 74,700 tonnes of carbon credits). This represents a 17% increase in productivity for the facility, compared to the previous year.

There has also been an increase in the quantity of recyclables processed at the Materials Recovery Facility, due to expansion of the SMRC's markets and increased commodity prices. Carbon credits were also sold at higher-than-market prices, due to the pedigree of credits offered by the SMRC. Negotiation of the settlement with Recycling Design and Technology for the facility's contract has enabled the SMRC to complete the works under the original tender price.

The final submission to the Parliamentary Committee on Environment and Public Affairs provided a platform to show the SMRC's diligence and operational excellence. Through this forum, we were able to backup the submission with scientific evidence detailing the RRRC's performance.

The SMRC has also had a very successful year achieving, or exceeding, most of the 24 key performance indicators that were set and they are detailed elsewhere in this annual report (it should be noted four of the KPIs are not applicable this year). The operational budget also grew to $24.74 million in 2007-08 from $20.2 million in 2006-07, representing an increase of $4.54 million.

As a result, the SMRC has become widely recognised for its expertise on alternative waste treatments, odour management, climate change, carbon trading and many other topics relating to waste management. Our Climate Wise team is also pioneering many programs that are helping to promote sustainability and reduce greenhouse gas emissions among the local community, highlighting what can be done in the home and in small to medium-sized businesses.

Obviously, as with any organisation, there are challenges that must be faced each year and I believe we have adequately responded to them. A fire at the Waste Composting Facility in January 2008 was dealt with by SMRC staff with a high degree of proficiency, responding as appropriate to the situation at hand. I'm pleased to report we have also achieved and maintained world's best practice in bio-filter emissions, due to a high degree of dedication from SMRC staff.

There are many people that deserve thanks for their contribution and decision-making skills, including our Chairman, Regional Councillors and the SMRC's member councils, helping to pave the way for effective waste management strategies into the future.

These thanks are also extended to the Regional Executive Committee and many other staff from our member councils, who all take part in various working groups that offer important and valuable input while also supporting our staff.

The dedication of SMRC staff has continued through 2007-08 with all employees showing their professionalism through hard work and commitment, making them a credit to the organisation. I would personally like to extend my appreciation for their efforts.

Mr Stuart McAll
Chief Executive Officer

Our vision, purpose and principles

In 2004-05, the SMRC adopted a strategic plan that included a vision, purpose and principles, leading to the development of four key focus areas.

Our **vision** is for the SMRC to be leading the community in sustainable environmental management.

Our **purpose** is to provide sustainable solutions to resource recovery and greenhouse gas abatement for the regional community.

We will conduct our business guide by these **principles**:

- Partnerships
- Innovative solutions
- Community-driven outcomes
- Best value
- Integrity and transparency

From this, the SMRC has adopted four key focus areas:

- Resource recovery
- Greenhouse gas abatement
- Community
- Organisational excellence

The key focus areas encompass the triple bottom line of environmental (resource recovery and greenhouse gas abatement), social (community) and economic (organisational excellence). Environmental, social and economic factors and outcomes guide the SMRC throughout its decision-making, ensuring the best results are achieved for each area.

A review of the SMRC strategic plan for 2007-2012 began on September 15, 2007, with a day-long workshop at the City of Cockburn involving regional councillors, members of the Regional Executive Committee and SMRC senior staff. The draft strategic plan was presented to the Regional Council at its October 2007 meeting with councillors deciding to further consider the plan and its vision statement with a follow-up briefing session for regional councillors.

The briefing session was held on November 5, 2007, where a number of vision statements were explored for regional councillors to comment on.

Strategic Goals and Key Performance Indicators

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

Goal 1: Resource Recovery (environmental)

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

The following key performance indicators were adopted in 2007-08 to measure the SMRC's success in achieving this goal:

Table 1

Key Performance Indicator	2007-08 Annual Target	2007-08 Actual
Resource Recovery		
RRRC Service Provision		
MSW	96,931	91,863
Bio-solids	1000	2082
Recyclables	49,000	51,353
Green waste	29,000	29,463
Total waste diverted from landfill	70%	65.2%
% utilisation of RRRC	75%	74.6%

Overall, the Regional Resource Recovery Centre project in Canning Vale has generally met the KPIs set by the SMRC, as indicated in the table above. Table 2 below summarises the impact of the RRRC facility from an operational point of view, comparing it with the previous two years' performance. This is an excellent achievement, given the Waste Composting Facility was affected by fire for six weeks in the second half of the financial year.

The total waste processed by the RRRC (174,761 tonnes) in 2007-08 represents a 15% increase on the two previous years.

Table 2

Domestic waste processed at the RRRC (2005-2008)

	2005-06 Tonnes/year	2006-07 Tonnes/year	2007-08 Tonnes/year	3-Year Total tonnes
MSW	81,093	74,244	91,863	247,201
Bio-solids	1530	800	2082	4412
Recyclables	43,086	47,008	51,353	141,447
Green waste	27,581	29,021	29,463	86,066
Total	**153,290**	**151,074**	**174,761**	**479,125**
Waste saved from landfill	**97,010**	**99,593**	**113,879**	**310,482**
% sent to landfill	**36.7%**	**34.1%**	**34.8%**	**35.2%**

Strategic Goals and Key Performance Indicators cont.

The RRRC managed to divert an overall 65% of waste from landfill, 5% less than the target of 70%. This is due to an inability to recycle waste glass, which relies on Pioneer Services taking the glass for the manufacture of asphalt. The company indicated this service would become available in September-October 2008.

Since the RRRC has been fully operational, from July 2005 to June 2008, it has reduced the amount of waste sent to landfill by 310,000 tonnes. It has also reduced the amount of greenhouse gases that would have been produced by 488,000 tonnes if the waste had been sent to landfill.

Table 3 below shows the quantity of products produced by the RRRC over the past financial year, compared to performance over the past two years. The quantity of compost produced is down on the previous year because there are still 11,000 tonnes of material product on the maturation floor, compared to 5000 tonnes from the previous year (Note: design quantity of product on the maturation floor is 9000 tonnes).

In addition, the percentage recovery of recyclables from the new Materials Recovery Facility was 70% in 2007-08, the same as the two previous years. Had Pioneer Services been able to take the waste glass, the percentage recovery would have been 87%. [Note: the waste glass is meeting the glass specification required by Pioneer Services but, unfortunately, this material was sent to landfill due to lack of available storage space].

Table 3

Products recovered for sale

	2005-06 Tonnes/year	2006-07 Tonnes/year	2007-08 Tonnes/year	3-Year Total tonnes
Compost	14,746	20,245	17,330	52,321
Mulch	27,581	29,021	29,463	86,066
Recyclables	29,823	32,527	35,484	97,834
Total	**72,150**	**81,793**	**82,277**	**236,221**
Tonnes of CO_2-equivalents abated 2005-2008				
MSW	64,874	59,395	74,714	198,984
Recyclables	56,926	62,107	67,848	186,881
Green waste	32,821	34,536	34,980	102,337
Total	**154,621**	**156,038**	**177,542**	**488,202**

Carbon abatement for the Waste Composting Facility in 2007-08 exceeded its target of 55,000 tonnes of CO_2-equivalents, which directly relates to the quantity of waste processed.

The RRRC produced and sold 82,000 tonnes of products in the past financial year, representing about 20 sea containers of products sold per day into the markets.

The Green Waste Processing Facility achieved 100% diversion from landfill through its strong commercial contracts with three compost manufacturers. They use the SMRC's mulch as feedstock for their own compost manufacturing. The landfill diversion rate for the Waste Composting Facility was 52% – 1% up on the previous financial year.

In terms of their utilisation, the Green Waste Processing Facility operated at 96% for 2007-08 while the Materials Recovery Facility achieved an annual average of 52%. The Waste Composting Facility achieved an annual average of 84%, significantly higher than 68% for the previous financial year. The average percentage utilisation of the RRRC facility was 75%.

Quality assurance of RRRC products remained paramount over 2007-08. The recyclables had no non-compliances during the year and the mulch always met the required standard. Compost operations have been changed to provide an SMRC-specification product that meets market expectations. The green waste mulch also had no non-compliances.

Group tours of the RRRC continued to provide a communication and education role, highlighting how advanced technology ensures as much domestic waste as possible gets re-used and recycled. The tours help generate greater understanding of the recycling process and how the green-topped and yellow-topped bin systems should be used to make the procedure run more smoothly.

Goal 2: Greenhouse Gas Abatement (environmental)

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

The following key performance indicators were adopted in 2007-08 to measure the SMRC's success in achieving this goal:

Key Performance Indicator	2007-08 Annual Target	2007-08 Actual
Greenhouse Gas Abatement		
Greenhouse program attendance	1200	977
% Satisfaction of residents attending programs	85%	92%
Net carbon credits achieved (tonnes/year)	55,000	74,714

Strategic Goals and Key Performance Indicators cont.

In 2007-08, the amount of carbon credits generated by the SMRC was 74,714 of carbon dioxide-equivalents, against a target of 55,000. The SMRC won the 2007 Greenhouse Challenge Plus Award for outstanding achievement in greenhouse gas abatement by government and essential services. The awards recognise organisations that make a major impact in fighting climate change and global warming and are sponsored by the Federal Department of Environment and Water Resources and the Australian Greenhouse Office.

Greenhouse Gas Abatement KPIs (Climate Wise Project)

Climate Wise is a collaborative initiative from the Cities of Canning, Cockburn, Fremantle and Rockingham and the Towns of East Fremantle and Kwinana at the SMRC to help the community respond to climate change. The project focuses on households, small to medium-size businesses and light industries, providing advice on reducing energy use, water use and improving waste recycling through sustainable and innovative practices and technology.

Climate Wise seeks effective partnerships with universities, associations and governments, researches community needs and opinions, develops and pilots programs that can deliver a practical and valued service and then measures the effectiveness of these projects.

The following is a summary of the works undertaken by the SMRC's Climate Wise program.

Living Smart

This community environmental program empowers participants with skills and knowledge so they can take action to improve the sustainability of their homes and their community. Each course is delivered over six weeks with one lecture per week.

In 2007-08, courses were delivered in Cockburn, East Fremantle, Kwinana and Rockingham to 76 participants. Greenhouse gas reduction from Living Smart courses in 2007-08 equated to about 106 carbon dioxide-equivalents per year. Since the program's inception in 2004, the total figure has amounted to 477 CO_2e annually.

The SMRC also assisted other organisations to deliver Living Smart courses in 2007-08, engaging a further 105 participants. This brings the total reduction of 2007-08 greenhouse gas emissions to 253 CO_2e. The overall satisfaction rates in these courses are:

	Very satisfied (%)	Satisfied (%)	Dissatisfied (%)
Overall satisfaction of the course	92	8	0
Course lecture contents	90	5	5
In-class activities	65	35	0
Excursion	80	20	0

ClimateActions

The ClimateActions program is based on an enterprise facilitation model where small businesses are supported with free and confidential services to reduce their energy consumption and increase waste recycling. In 2007-08, the SMRC delivered this service to 70 businesses and it was anticipated they would contribute to about 1300 gigajoules of energy reduction per year.

During the past financial year, the program has helped to reduce greenhouse gas emissions by about 350 carbon dioxide-equivalents. Since 2004, ClimateActions has delivered services to 140 businesses, contributing to about a reduction of 700 CO_2eper year.

The program also engaged 831 households, which were supplied with information flyers to assist them with energy, water and waste reduction. It is estimated these households contributed to greenhouse gas reduction by 475 CO_2e annually.

The greenhouse gas reduction resulting from the ClimateActions program equated to 825 CO_2e per year.

Alternative Fuel

The main activity of this program is to identify opportunities for the use of alternative fuels, instead of conventional fuels, in the SMRC's member council vehicle fleets in the medium term.

Biodiesel helps to reduce greenhouse gas emissions because it produces emissions that are lower than conventional diesel. In 2007-08, the program encouraged the trials of about 420 kilolitres of biodiesel, resulting in the reduction of about 300 carbon dioxide-equivalents.

Renewable Energy Initiative

This program aims to increase the application of renewable energy in the region, including identifying opportunities to install roof-top solar and/or wind systems in community buildings to generate electricity.

It helps local governments use sustainable energy, reducing dependence on conventional energy. In 2007-08, the program completed a feasibility study for the installation of a 5 kilowatt photovoltaic system for three community buildings in the City of Cockburn. It is expected the council will plan for installation of the system in the next financial year.

Sustainable Public Lighting

A program designed to assist Climate Wise councils in identifying the barriers and opportunities to improve energy efficiency in the public lighting sector. Through a workshop in 2007-08, the program has assisted councils in establishing a direction towards implementing sustainable public lighting. Further works under this program are expected take place in coming years.

In 2007-08, the total amount of emissions that were reduced by the Climate Wise program was 1378 carbon dioxide-equivalents.

Strategic Goals and Key Performance Indicators cont.

Goal 3: Community (social)

- **To influence regional community environmental practices to build healthy communities.**

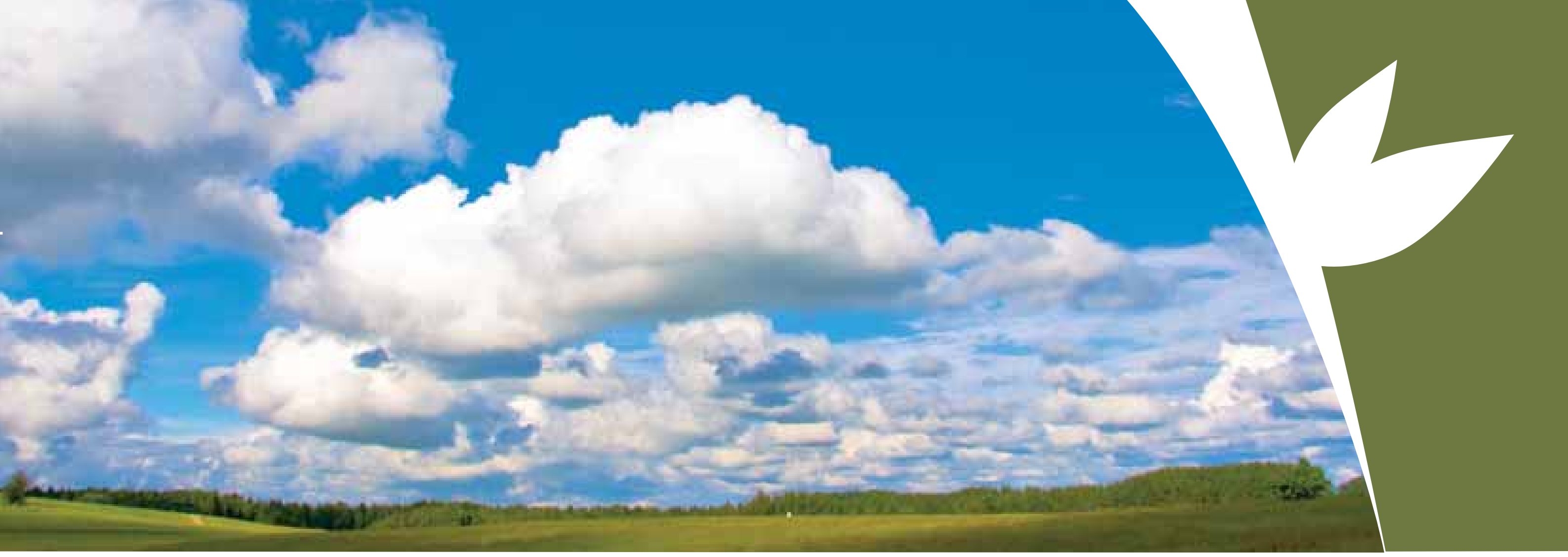
The following key performance indicators were adopted in 2007-08 to measure the SMRC's success in achieving this goal:

Key Performance Indicator	2007-08 Annual Target	2007-08 Actual
Community		
Member council/councillors satisfied or greater	70%	N/A
Meetings with State and Federal Members	12	17
Presentations to member councils	12	12
Meetings with chief financial officers of member councils	12	12
Effectiveness of community education		
% Habitual and passionate recyclers	30%	32%
Community awareness of the SMRC	50%	50%
Recyclables in green-topped bin	27%	32%
Contaminants in recycling bin	6%	8%
Number of annual visitors to RRRC	5000	2204
RRRC visitor survey – % satisfied or very satisfied	85%	95%

The member council/councillors survey was not completed in June as anticipated and will be undertaken in July-August. It will be reported in the first quarter results of the 2008-09 KPI report.

The amount of presentations to State and Federal members and member councils was met and exceeded the target for the SMRC. As a result, this gave the SMRC valuable opportunities to provide input into the future direction of waste management. The SMRC's discussions with Federal members appear to have been effective, in relation to the Federal Government's position on abatement carbon credits generated from the Waste Composting Facility.

About one-third of the community (32%) remains habitual and passionate recyclers. Tours of the RRRC and the degree of satisfaction with the tours exceeded targets set by the SMRC. A survey indicated 95% of visitors were either satisfied or very satisfied with the tour. However, the number of people visiting the facility is well below the target of 5000 with only 2204 people attending in 2007-08.



Community awareness of the SMRC has remained constant with 50% of the community aware of its existence. In 2006-07, this awareness was 51.4%; in 2005-06 it was 56%.

Audits of the green-topped bin showed the average quantity of recyclables lost in this bin was 32% while the average level of contaminants in the yellow-topped bin was 8%.

Goal 4: Organisational Excellence (economic)

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

The following key performance indicators were adopted in 2007-08 to measure the SMRC's success in achieving this goal:

Key Performance Indicator	2007-08 Annual Target	2007-08 Actual
Organisational Excellence		
Statutory compliance		
- External audit non-compliances	0	9
- Internal audit non-compliance	0	0
- Total operating income	$22,800,554	$24,743,248
- Total operating expenditure	$21,790,612	$22,545,851
- Operating result (before depreciation)	`$1,009,942	$2,197,397
- RRRC operating income	$19,012,800	$20,663,758
Capital expenditure program		
- % Capital expenditure	100%	37.32%
- Capital expenditure program	$3,632,595	$1,333,675
RRRC net cost/tonne for project participants	$110.56	$103.13
Safety/lost time/injuries incidents	0	5
Environmental compliance incidents	0	1
Odour management audits (4 per year)	4	4
Staff satisfaction survey – % satisfied or greater	70%	72%

The external auditor found the SMRC had nine non-compliances in the past financial year, scheduled to be presented in detail to the audit committee in July 2008.

The total operating income of the SMRC exceeded the annual budget by $1.94 million and operating expenditure exceeded the annual budget by $755,239. The financial operating and capital expenditure KPIs shown above are unaudited figures and will be finalised with the completion of an annual audit, due in September 2008.

The financial operational position highlights an excellent result for the SMRC with a net operational surplus of $2 million before depreciation, compared to the adopted budget forecast of $1 million. The primary reason for this additional income is the sale of commodities at the Materials Recovery Facility.

However, the capital expenditure program is significantly behind schedule and will result in a $2 million carry forward into the 2008-09 financial year. This has resulted in an average net cost of $103.13 per tonne for project participants. All waste processed by the SMRC is $7 below the budget forecast of $110.56 per tonne.

Strategic Goals and Key Performance Indicators cont.

Environmental Compliance and Safety KPIs

The RRRC has had one significant environment compliance issue in the past financial year – the nearby community's perception of odour emissions from the Waste Composting Facility.

The SMRC considers the odour management system operates to world's best practice standards and it was independently audited four times in 2007-08. In each case, the system was found to be operating very well with only minor issues presenting themselves, all of which have been corrected.

Safety: Five lost time incidents occurred in 2007-08. The annual KPI target is zero, indicating there is room for improvement in this area.

Staff satisfaction survey: this survey indicated that 72% of staff are satisfied or more than satisfied with their employment at the SMRC.

National Competition Policy

Clause 7 of the Competition Principles Agreement sets the responsibilities of local government under National Competition Policy. The clause deals with competitive neutrality, structural reform of public monopolies and regulation review.

Application of Competitive Neutrality Principles

For significant business activities (where annual income exceeds $200,000), local governments are 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 outweighs the costs, then the local government must impose costs the private sector would be required to pay (such as payroll tax, Commonwealth and State taxes, debt guarantee feeds and other regulatory requirements imposed on private but not government bodies).

The SMRC has one significant business activity – the Regional Resource Recovery Centre. The RRRC meets the "public benefit test" in relation to "user-pay charges" and the provision of services that are beneficial to the regional community.

Regulatory Review

The intention of this clause is ensure existing local laws set by local governments do not restrict competition unless there are benefits to the community as a whole.

The SMRC has not adopted any local laws.

Record-Keeping Plans

Principle 6 of the State Records Commission of WA Standard 1/2001 (Record-Keeping Plans) refers to the SMRC's compliance requirements.

- A record-keeping plan for the SMRC was submitted on March 2, 2004, and approved by the State Records Commission on October 7, 2004.
- Staff training programs for new and existing staff are regularly undertaken to ensure staff comply with the Record-Keeping Policy and Procedures.

Southern Metropolitan Regional Council Financial Report

for the year ended 30 June 2008

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LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Southern Metropolitan Regional Council being the annual financial report, supporting notes and other information for the financial year ended 30 June 2008 are in my opinion properly drawn up to present fairly the financial position of the Southern Metropolitan Regional Council at 30 June 2008 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995, as amended and Regulations under that Act.

Signed on the 30 October 2008

Stuart McAll
Chief Executive Officer

SOUTHERN METROPOLITAN REGIONAL COUNCIL

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	2008 $	2008 Budget $	2007 $
REVENUES FROM ORDINARY ACTIVITIES				
Governance		404,668	394,463	389,969
Community Amenities		24,409,382	22,406,091	19,678,729
TOTAL OPERATING REVENUE	2(b)	24,814,050	22,800,554	20,068,698
EXPENSES FROM ORDINARY ACTIVITIES EXCLUDING BORROWING COSTS EXPENSE				
Governance		410,134	332,296	363,061
Community Amenities		22,649,246	20,240,259	19,411,759
TOTAL OPERATING EXPENSE	2(b)	23,059,380	20,572,555	19,774,820
BORROWING COSTS EXPENSE				
Governance		117,137	116,820	110,180
Community Amenities		3,257,457	3,244,232	3,005,836
TOTAL BORROWING COSTS EXPENSE	2(c)	3,374,594	3,361,052	3,116,016
OPERATING SURPLUS/(DEFICIT)		(1,619,924)	(1,133,053)	(2,822,138)

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL

BALANCE SHEET

AS AT 30 JUNE 2008

	NOTE	2008 $	2007 $
CURRENT ASSETS			
Cash & Cash Equivalents	3	3,855,654	1,062,278
Investments	4	1,174,500	1,501,250
Trade & Other Receivables	5	9,442,581	13,905,700
Inventories	6	202,938	214,737
TOTAL CURRENT ASSETS		14,675,673	16,683,965
NON-CURRENT ASSETS			
Trade & Other Receivables	5	45,872,377	41,975,442
Property, Plant and Equipment	7	54,547,967	58,074,402
TOTAL NON-CURRENT ASSETS		100,420,344	100,049,844
TOTAL ASSETS		115,096,017	116,733,809
CURRENT LIABILITIES			
Trade & Other Payables	8	3,700,630	3,274,736
Borrowings - current portion	9	6,653,585	11,999,797
Provisions	10	353,125	253,219
TOTAL CURRENT LIABILITIES		10,707,340	15,527,752
NON-CURRENT LIABILITIES			
Borrowings - non-current portion	9	45,872,377	41,975,442
Provisions	10	82,211	97,049
TOTAL NON-CURRENT LIABILITIES		45,954,588	42,072,491
TOTAL LIABILITIES		56,661,928	57,600,243
NET ASSETS		58,434,089	59,133,566
EQUITY			
Retained Surplus/(Deficit)		(16,151,095)	(13,427,074)
Participants Equity		61,316,461	60,396,014
Reserves- Cash & Investment backed	11	1,879,744	775,647
Asset Revaluation Reserve	12	11,388,979	11,388,979
TOTAL EQUITY		58,434,089	59,133,566

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 2008

	NOTE	2008 $	2007 $
RETAINED SURPLUS (DEFICIT)			
Balance as at 1 July		(13,427,074)	(9,963,890)
Operating Surplus/(Deficit)	2	(1,619,924)	(2,822,138)
Transfer from/(to) Reserves	11	(1,104,097)	(641,046)
Balance as at 30 June		(16,151,095)	(13,427,074)
PARTICIPANTS EQUITY			
Balance as at 1 July		60,396,014	50,611,631
Participants Contribution for the year		1,700,000	9,784,383
Less: Loans repaid from Equity		(779,553)	-
Balance as at 30 June		61,316,461	60,396,014
RESERVES - CASH & INVESTMENT BACKED			
Balance as at 1 July		775,647	134,601
Transfer from/(to) Retained Surplus	11	1,104,097	641,046
Balance as at 30 June		1,879,744	775,647
ASSET REVALUATION RESERVE			
Balance as at 1 July		11,388,979	-
Increments / (Decrements)	12	-	11,388,979
Balance as at 30 June		11,388,979	11,388,979
TOTAL EQUITY		58,434,089	59,133,566

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	2008 $	2008 Budget $	2007 $
Cash Flows From Operating Activities				
Receipts				
Grants and Subsidies - operating		271,132	165,767	172,081
Contributions, Reimbursements & Donations		3,615,362	5,534,032	3,461,597
Fees and Charges		20,293,899	19,660,143	16,062,410
Interest Earnings		229,669	30,659	231,581
Goods & Services Tax		2,680,394	700,000	2,187,484
		27,090,456	26,090,601	22,115,153
Payments				
Employee Costs		(5,382,601)	(6,386,812)	(4,814,873)
Materials and Contracts		(10,991,699)	(9,932,673)	(7,985,234)
Utilities (gas, electricity, water, etc)		(1,733,303)	(1,543,089)	(1,703,188)
Insurance		(429,069)	(309,546)	(271,729)
Interest		(3,365,508)	(3,361,052)	(3,125,146)
Goods & Services Tax		(1,509,325)	(700,000)	(2,170,643)
Other		-	(65,505)	-
		(23,411,505)	(22,298,677)	(20,070,813)
Net Cash Provided By (Used In) Operating Activities	13(b)	3,678,951	3,791,924	2,044,340
Cash Flows from Investing Activities				
Payments for Purchase of				
Land and Buildings	7	-	-	(292,044)
Information Technology Equipment	7	(59,928)	(6,000)	(50,645)
Furniture & Fittings	7	-	(3,100)	(12,040)
Plant & Equipment	7	(1,188,377)	(2,325,149)	(8,784,093)
Payments for Construction of				
RRRC Leasehold Improvements	7	(105,458)	(508,000)	(1,122,484)
Payments for purchase of Investments	4	(1,000,940)	-	(1,510,505)
Grants and Contributions for the Development of Assets		1,890,619	-	1,738,637
Proceeds for sale of Investments	4	991,195	-	-
Proceeds from Sale of Plant & Equipment	27	36,591	25,000	-
Net Cash Provided By (Used In) Investing Activities		563,702	(2,817,249)	(10,033,174)
Cash Flows from Financing Activities				
Repayment of Loans	32	(2,670,172)	(2,739,864)	(1,738,637)
Proceeds from New Loans	32	1,700,000	1,700,000	9,784,383
Net Cash Provided By (Used In) Financing Activities		(970,172)	(1,039,864)	8,045,746
Net Increase (Decrease) in Cash Held		3,272,481	(65,189)	56,912
Cash at Beginning of year		583,173	1,885,189	526,261
Cash at End of Year	13(a)	3,855,654	1,820,000	583,173

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

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

Critical Accounting Estimates

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

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

(b) The Local Government Reporting Entity

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

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

All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 19 to this financial report.

(c) Goods and Services Tax

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

(d) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(e) Trade and Other Receivables

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

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

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale.

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

(g) Fixed Assets

Initial Recognition

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

1. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fixed Assets (continued)

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

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

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

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

Major depreciation periods are:

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

(i) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

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

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

(j) Estimation of Fair Value

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

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

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

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

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

(k) Impairment

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

Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with AASB 136 'Impairment of Assets' and appropriate adjustments made.

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

(l) Trade and Other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the prior to the end of the financial year that are unpaid and arise when the Council becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Employee Benefits

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

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

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

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

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

(n) Interest-bearing Loans and Borrowings

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

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

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

Borrowing Costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

(o) Provisions

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

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

(p) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the company, are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

(q) Grants, Donations and Other Contributions

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

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

(r) Superannuation

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

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

(s) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

(t) Rates

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

(u) Participants Contribution

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

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

(v) Rounding Off Figures

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

(w) Comparative Figures

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) New Accounting Standards and Interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2008.

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

	Title and Topic	Issued	Applicable (*)	Impact
(i)	AASB-I 12 Service Concession Arrangements, AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 12, revised UIG 4 Determining whether an Arrangement contains a Lease and revised UIG 129 Service Concession Arrangements: Disclosures	February 2007	1 January 2008	Nil – Council is not party to any Service Concession Arrangements.
(ii)	AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8	February 2007	1 January 2009	Nil – The Standard is not applicable to not-for-profit entities.
(iii)	Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising form AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	June 2007	1 January 2009	Nil – The revised Standard has removed the option to expense all borrowing costs. There will be no impact on the financial report of the Council as the Council already capitalises borrowing costs relating to qualifying assets.
(iv)	AASB-I 13 Customer Loyalty Programmes	August 2007	1 July 2008	Nil – Council has no Customer Loyalty Programmes.
(v)	AASB-I 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	August 2007	1 January 2008	Nil – The Council does not currently contribute to any defined benefit plans.
(vi)	Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101	September 2007 and December 2007	1 January 2009	Nil – The revised Standard requires the presentation of a Statement of comprehensive income and makes changes to the Statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If Council has made a prior period adjustment or has reclassified items in the financial statements, it is likely it will need to disclose a third balance sheet (Statement of financial position), being as at the beginning of the comparative period.
(vii)	AASB 1049 Whole of Government and General Government Sector Financial Reporting	October 2007	1 July 2008(+)	Nil – The Standard is not applicable to Local Governments.
(viii)	AASB 1050 Administered Items: AASB 1051 Land Under Roads, AASB 1052 Disaggregated Disclosures, revised AASB 1004 Contributions, AASB 2007-9 Amendments to Australian Accounting Standards arising from the review of AAS 27, AAS 29 and AAS 31 and revised interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities	December 2007	1 July 2008(+)	• AASB 1050 is only applicable to Government departments and will have no impact on Council. • AASB 1051 deals with accounting of land under roads. This will have no impact on the Council. • AASB 1052 requires disclosure of financial information by function or activity. Council already provides this information so there will be no additional impact on the financial statements. • AASB 1004 requires contributions made to Council to be recognised at fair value when they are controlled and to be appropriately disclosed. Council already accounts for contributions in this manner so there will be no additional impact on the financial statements.

Notes:
(*) - Applicable to reporting periods commencing on or after the given date.
(+) - Applicable to not-for-profit and/or public sector entities only.

2 OPERATING REVENUES AND EXPENSES

	2008 $	2007 $
(a) Result from Ordinary Activities		
The Result from Ordinary Activities includes:		
(i) Charging as Expenses:		
Auditors Remuneration		
Previous Auditors		
- Audit	-	7,500
- Other Services	900	500
Current Auditors		
- Audit	12,000	-
- Other Services	-	-
	12,900	8,000
Revaluations of Investments		
Revaluations of investments valued at fair value through profit & loss (Refer Note 4 for further details)	326,100	9,255
	326,100	9,255
Amortisation		
- Leasehold Improvements	1,444,196	1,057,756
	1,444,196	1,057,756
Depreciation		
Computer Equipment	43,975	51,538
Furniture and Equipment	20,279	21,682
Plant and Equipment	2,891,795	1,960,140
Freehold Buildings	35,078	37,316
	2,991,127	2,070,676
Total Amortisation & Depreciation	4,435,323	3,128,432
Rental Charges - Operating Leases	749,626	783,798

(ii) Crediting as Revenues:

Interest Earnings	2008 $	2008 Budget $	2007 $
- Reserve Funds	54,320	-	8,840
- Other Funds	175,349	30,659	222,741
	229,669	30,659	231,581

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

	Note	2008 $	2008 Budget $	2007 $
Revenues from Ordinary Activities				
Grants and Subsidies - operating	23	271,132	115,767	172,081
Contributions, Reimbursements and Donations	24	3,615,362	3,614,996	3,602,626
Fees and Charges	25	20,697,887	19,039,132	16,062,410
Interest Earnings	2(a)	229,669	30,659	231,581
		24,814,050	22,800,554	20,068,698
Expenses from Ordinary Activities				
Employee Costs		5,516,160	5,126,508	4,910,556
Materials and Contracts		10,200,746	9,979,194	9,751,660
Utilities (gas, electricity, water, etc)		1,733,303	1,543,089	1,703,188
Depreciation on Non-current Assets	2(a)	4,435,323	3,548,713	3,128,432
Loss on Asset Disposals	27	408,284	-	-
Realised Loss on disposal of Financial Assets		10,395	-	-
Fair value adjustment to Financial Assets at fair value through profit & loss	2(a)	326,100	-	9,255
Insurance		429,069	309,546	271,729
Other		-	65,505	-
		23,059,380	20,572,555	19,774,820

(c) **Borrowing Costs Expense**

		2008 $	2008 Budget $	2007 $
Borrowing Costs Expense comprises:				
Debentures		3,374,594	3,361,052	3,116,016
		3,374,594	3,361,052	3,116,016
Operating Surplus/(Deficit)		(1,619,924)	(1,133,053)	(2,822,138)

2. OPERATING REVENUES AND EXPENSES (Continued)

(d) Statement of Objective

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

(a) to plan, coordinate and implement the removal, processing, treatment and disposal of waste for the benefit of the communities of the participants;

(b) to influence local, state and federal governments in the development of regional waste management policies and legislation.

The objectives of the Regional Local Government shall be:

(a) without loss being incurred by the Regional Local Government, to carry out the regional purposes so that services and facilities are provided to the consumer at a reasonable cost and with due regard for community needs;

(b) to reduce the quantity of waste disposed at landfill sites in accordance with targets set by the Regional Local Government.

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

GOVERNANCE

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

COMMUNITY AMENITIES

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

(e) Conditions Over Contributions

	2008 $	2007 $
Grants which were recognised as revenues in the previous reporting period which were not expended at the close of the previous reporting period (i.e.. Opening Balance)		
- Nil	-	-
	-	-
Add: New Grants which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.		
Glass Contamination Reduction Programme	10,000	-
Zero Waste Plan	86,431	-
Residential Target Action Programme	6,477	-
Climate Actions	14,445	-
Local Adaptations Pathways Programme	49,682	-
Less: Grants which were recognised as revenues in the previous reporting period and which were expended in the current reporting period in the manner specified by the contributor.		
- Nil	-	-
Closing Balance of Unspent Grants	167,035	-
Comprises:		
Glass Contamination Reduction Programme	10,000	-
Zero Waste Plan	86,431	-
Residential Target Action Programme	6,477	-
Climate Actions	14,445	-
Local Adaptations Pathways Programme	49,682	-
	167,035	-

3. CASH & CASH EQUIVALENTS

	2008 $	2007 $
Cash on Hand	1,150	1,150
Cash at Bank	1,947,410	-
Investments at call & term deposits	1,907,094	1,061,128
	3,855,654	1,062,278
Unrestricted	780,830	286,631
Restricted	3,074,824	775,647
	3,855,654	1,062,278
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Unspent Grants	167,035	-
Unspent Loans	1,028,045	-
Reserve Fund - RRRC Plant	1,840,143	713,546
Reserve Fund - RRRC Infrastructure	39,601	39,601
Reserve Fund - Conference Reserve	-	22,500
	3,074,824	775,647

4. INVESTMENTS

Financial assets at fair value through profit and loss	1,174,500	1,501,250
Financial assets at fair value through profit and loss		
Balance as at 1 July	1,501,250	-
Additions during the year	1,000,940	1,510,505
Revaluations to Income Statement	(326,100)	(9,255)
Realised Loss to Income Statement	(10,395)	-
Disposals during the year	(991,195)	-
Balance as at 30 June	1,174,500	1,501,250
Held for Trading		
FRNs	895,700	1,000,920
CDOs	278,800	500,330
Total	1,174,500	1,501,250
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Retention & Bonds	739,648	706,755
Total	739,648	706,755

As a result of the current global financial market volatility and in accordance with SMRC's accounting policies, investments have been valued at fair value at 30 June 2008. This has resulted in a revaluation loss of $326,100.

5. TRADE & OTHER RECEIVABLES

Current		
Sundry Debtors	2,375,714	2,052,334
Less Doubtful Debts	-	(155)
Accrued Income	413,282	332,829
GST Receivable	-	-
Loan Debtors - Project Participants	6,653,585	11,520,692
	9,442,581	13,905,700
Non-Current		
Loan Debtors - Project Participants	45,872,377	41,975,442
	45,872,377	41,975,442

6. INVENTORIES

Stock on Hand - Fuel	-	-
Stock on Hand - RRRC Critical Spares	202,938	214,737
	202,938	214,737

7. PROPERTY, PLANT AND EQUIPMENT

	2008 $	2007 $
RRRC Leasehold Improvements -at Fair Value	28,054,000	28,054,000
RRRC Leasehold Improvements -at Cost (Additions 2007/08)	105,458	-
Less Accumulated Amortisation	(1,444,196)	-
At Fair Value less Accumulated Amortisation	26,715,262	28,054,000
Freehold Land & Buildings -at Fair Value	2,170,000	2,170,000
Less Accumulated Depreciation	(35,078)	
At Fair Value less Accumulated Amortisation	2,134,922	2,170,000
Information Technology Equipment - at cost	449,856	389,928
Less Accumulated Depreciation	(293,895)	(249,920)
	155,961	140,008
Furniture and Equipment - at cost	279,696	279,696
Less Accumulated Depreciation	(183,159)	(162,880)
	96,537	116,816
Plant and Equipment - at cost	35,912,396	35,527,746
Less Accumulated Depreciation	(10,467,111)	(7,934,168)
	25,445,285	27,593,578
Total Property, Plant and Equipment	54,547,967	58,074,402

Movements in carrying amounts

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

	Leasehold Improvements	Freehold Land & Buildings	Information Technology Equipment	Furniture & Equipment	Plant & Equipment	Total Property, Plant and Equipment
Balance at the beginning of the year	28,054,000	2,170,000	140,008	116,816	27,593,578	58,074,402
Additions	105,458	-	59,928	-	1,188,377	1,353,763
Disposals (note 27)	-	-	-	-	(444,875)	(444,875)
Reclassification	-	-	-	-	-	-
Depreciation/Amortisation expense	(1,444,196)	(35,078)	(43,975)	(20,279)	(2,891,795)	(4,435,323)
Carrying amount at the end of year	26,715,262	2,134,922	155,961	96,537	25,445,285	54,547,967

Freehold Land & Buildings and Leasehold improvements Valuation

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

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

8. TRADE & OTHER PAYABLES

	2008 $	2007 $
Current		
Sundry Creditors	1,986,335	1,628,180
Accrued Expenses	518,733	863,505
GST Payable	331,173	9,132
Accrued Salaries and Wages	115,655	67,164
Accrued Loan Interest	9,086	-
Retention & Bonds	739,648	706,755
	3,700,630	3,274,736

9. BORROWINGS

		2008 $	2007 $
Current			
Bank Overdraft		-	479,105
Debentures		6,653,585	11,520,692
		6,653,585	11,999,797
Non Current			
Debentures		45,872,377	41,975,442
		45,872,377	41,975,442

Additional detail on Debentures is provided in note 32.

The Council has two lending facilities for the following projects:

1. The Regional Resource Recovery Centre Loan Limit $ 55 M
The RRRC Project Participants has guaranteed by way of security, to the Western Australian Treasury Corporation, a charge over its general funds for the share of any outstanding debenture borrowings provided for the RRRC Project.
Participants limit of its share of the loan liability is as follows

City of Canning	28.02%	14,214,050	14,485,905
City of Cockburn	25.24%	12,804,733	13,049,634
Town of East Fremantle	2.43%	1,230,598	1,254,134
City of Fremantle	9.58%	4,858,191	4,951,108
City of Melville	34.73%	17,618,390	17,955,354
		50,725,962	51,696,134

2. Administration Building (9 Aldous Place, Booragoon) Loan Limit $2M
The SMRC Participants has guaranteed by way of security, to the Western Australian Treasury Corporation, a charge over its general funds for the share of any outstanding debenture borrowings provided for the SMRC Administration building at 9 Aldous Place, Booragoon. WA 6154. $1,800,000
Participants limit of its share of the loan liability is as follows

City of Canning	20.81%	374,580	374,580
City of Cockburn	18.75%	337,500	337,500
Town of East Fremantle	1.80%	32,400	32,400
City of Fremantle	7.11%	127,980	127,980
Town of Kwinana	5.88%	105,840	105,840
City of Melville	25.80%	464,400	464,400
City of Rockingham	19.85%	357,300	357,300
		1,800,000	1,800,000

10. PROVISIONS

Current		
Provision for Annual Leave	272,974	219,762
Provision for Long Service Leave	80,151	33,457
	353,125	253,219
Non Current		
Provision for Annual Leave		
Provision for Long Service Leave	82,211	97,049
	82,211	97,049

The charge to the operating result for the movement in the provision for employee entitlements during the year was $85,068 (2007, $89,669)

9. BORROWINGS

		2008 $	2007 $
Current			
Bank Overdraft		-	479,105
Debentures		6,653,585	11,520,692
		6,653,585	11,999,797
Non Current			
Debentures		45,872,377	41,975,442
		45,872,377	41,975,442

Additional detail on Debentures is provided in note 32.

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		2008 $	2007 $
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Town of East Fremantle	2.43%	1,230,598	1,254,134
City of Fremantle	9.58%	4,858,191	4,951,108
City of Melville	34.73%	17,618,390	17,955,354
		50,725,962	51,696,134

2. Administration Building (9 Aldous Place, Booragoon) Loan Limit $2M
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Participants limit of its share of the loan liability is as follows

		2008 $	2007 $
City of Canning	20.81%	374,580	374,580
City of Cockburn	18.75%	337,500	337,500
Town of East Fremantle	1.80%	32,400	32,400
City of Fremantle	7.11%	127,980	127,980
Town of Kwinana	5.88%	105,840	105,840
City of Melville	25.80%	464,400	464,400
City of Rockingham	19.85%	357,300	357,300
		1,800,000	1,800,000

10. PROVISIONS

	2008 $	2007 $
Current		
Provision for Annual Leave	272,974	219,762
Provision for Long Service Leave	80,151	33,457
	353,125	253,219
Non Current		
Provision for Annual Leave		
Provision for Long Service Leave	82,211	97,049
	82,211	97,049

The charge to the operating result for the movement in the provision for employee entitlements during the year was $85,068 (2007, $89,669)

11. RESERVES- CASH & INVESTMENT BACKED

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

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

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

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

	2008 $	2008 Budget $	2007 $
(a) RRRC Plant Reserve			
Balance as at 1 July	713,546	713,546	95,000
Transfers to Reserve	1,405,718	1,405,718	934,900
Transfers from Reserve	(279,121)	(560,000)	(316,354)
Balance as at 30 June	1,840,143	1,559,264	713,546
(b) RRRC Infrastructure Reserve			
Balance as at 1 July	39,601	60,649	39,601
Transfers to Reserve	-	-	-
Transfers from Reserve	-	-	-
Balance as at 30 June	39,601	60,649	39,601
(c) Travel & Conference Reserve			
Balance as at 1 July	22,500	22,500	-
Transfers to Reserve	-	-	22,500
Transfers from Reserve	(22,500)	(22,500)	-
Balance as at 30 June	-	-	22,500
Total Reserves- Cash & Investment backed	1,879,744	1,619,913	775,647
SUMMARY OF RESERVE TRANSFERS			
Transfers To Reserves- Cash & Investment Backed			
RRRC Plant Reserve	1,405,718	1,405,718	934,900
RRRC Infrastructure Reserve	-	-	-
Travel & Conference Reserve	-	-	22,500
	1,405,718	1,405,718	957,400
SUMMARY OF RESERVE TRANSFERS			
Transfers From Reserves- Cash & Investment Backed			
RRRC Plant Reserve	(279,121)	(560,000)	(316,354)
RRRC Infrastructure Reserve	-		-
Travel & Conference Reserve	(22,500)	(22,500)	-
	(301,621)	(582,500)	(316,354)
Net Reserve Movement (Cash & Investment Backed)	1,104,097	823,218	641,046

12. ASSET REVALUATION RESERVE

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

	2008 $	2008 Budget $	2007 $
(a) Freehold Land & Building			
Balance as at 1 July	425,712	425,712	-
Increments / (Decrements)	-	-	425,712
Balance as at 30 June	425,712	425,712	425,712
(b) Leasehold Improvements			
Balance as at 1 July	10,963,267	10,963,267	-
Increments / (Decrements)	-	-	10,963,267
Balance as at 30 June	10,963,267	10,963,267	10,963,267
Total Asset Revaluation Reserve	11,388,979	11,388,979	11,388,979

13. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash

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

	2008 $	2008 Budget $	2007 $
Cash on Hand	1,150	1,150	1,150
Cash at Bank / (Overdraft)	1,947,410	198,938	(479,105)
Investments at call & Term Deposits	1,907,094	1,619,912	1,061,128
	3,855,654	1,820,000	583,173

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

	2008 $	2008 Budget $	2007 $
Change in Net Assets Resulting from Operations	(1,619,924)	(1,133,053)	(2,822,138)
Depreciation	4,435,323	3,548,713	3,128,432
(Profit)/Loss on Sale of Asset	408,284	-	-
(Increase)/Decrease in Receivables	(403,988)	2,590,047	(141,029)
(Increase)/Decrease in Inventories	11,799	65,754	138,852
Increase/(Decrease) in Creditors & Accruals	425,894	(1,422,182)	1,641,299
Increase/(Decrease) in Employee Provisions	85,068	142,645	89,669
Realised Loss on disposal of Financial Assets	10,395	-	-
Revaluations of Investments valued at fair value through profit & loss	326,100	-	9,255
Net Cash from Operating Activities	3,678,951	3,791,924	2,044,340

	2008 $	2007 $
(c) Credit Standby Arrangements		
Credit Card limit	20,000	20,000
Credit Card balance at Balance Date	-	-
Total Amount of Credit Unused	20,000	20,000
(d) Loan Facilities		
Loan Facilities - Current	6,653,585	11,520,692
Loan Facilities - Non-Current	45,872,377	41,975,442
Total Facilities in Use at Balance Date	52,525,962	53,496,134
Unused Loan Facilities at Balance Date	-	-

	2008 $	2007 $
14. CAPITAL AND LEASING COMMITMENTS		
(a) Capital Expenditure Commitments		
Capital expenditure commitments contracted for as at the balance date and which have not been recognised as liabilities in the Balance Sheet are as follows:		
Regional Resource Recovery Centre Contracts	169,730	1,480,133
Payable:		
- not later than one year	169,730	1,480,133
	169,730	1,480,133
(b) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	515,402	502,116
- later than one year but not later than two years	472,941	487,726
- later than two years but not later than five years	1,285,331	1,296,264
- later than five years	7,140,000	8,400,000
	9,413,674	10,686,106

15. CONTINGENT LIABILITIES

There were no claims or pending claims or any other contingent liabilities as at the balance date. (2007- Nil)

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2008 $	2007 $
Community Amenities	115,096,017	116,733,809
	115,096,017	116,733,809

17. EMPLOYEES' REMUNERATION

The number of employees of the Council, in bands of $10,000, entitled to an annual cash salary of $100,000 or more:

Salary Range $	2008	2007
130,000 - 139,999	-	1
120,000 - 129,999	1	-
110,000 - 119,999	1	1
100,000 - 109,999	2	1
Total	5	3

NUMBER OF EMPLOYEES

	2008	2007
The number of full-time and part-time employees as at the balance date.	64	54

18. COUNCILLORS' REMUNERATION

The following fees, expenses and allowances were paid to the Council members, the Chairman and Deputy Chairman.

	2008 $	2008 Budget $	2007 $
Meeting Fees	40,000	40,000	24,000
Chairman & Deputy Chairman Allowances	1,250	1,250	1,150
	41,250	41,250	25,150

19. TRUST FUNDS

The Council does not have any trust funds on hand as at 30 June 2008. (As at 30 June 2007- Nil)

20. BUDGET COMPARISON

(a) Operating Income and Expenditure

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

1. Due to higher selling prices of paper, plastic and metals.
2. Fall in commercial volumes due to competition.
3. Higher depreciation as a consequence of the revaluation of Buildings with effect from 30 June 2007.
4. Due to higher interest on investments & unspent grants.

		2008 $	2008 $ Budget
Recycling Facility Surplus / (Deficit)	1	1,578,477	1,387,564
Waste Composting Facility Surplus / (Deficit)		929,681	882,000
Green Waste Facility Surplus / (Deficit)	2	160,903	264,000
Depreciation on non-current assets	3	(4,435,323)	(3,548,713)
Others	4	146,338	(117,904)
		(1,619,924)	(1,133,053)

(b) Non Operating Income and Expenditure

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

		2008 $	2008 $ Budget
Non Operating Income			
Proceeds on sale of assets		36,592	25,000
Loans raised		10,919,656	10,919,656
Loan Principal Contributions		1,890,619	1,949,518
Non Operating Expenditure			
Principal repayment of loans		11,889,828	11,959,519
Construction/purchase of assets			
Land & Buildings		-	-
Furniture and Equipment		-	3,100
Computers and Equipment		59,928	6,000
Plant and Equipment	1	1,188,377	2,325,149
Leasehold Improvements	1	105,458	508,000

Comments - Reasons for variations from budgeted amounts:
1. MRF/ WCF Capital Works programme funds will be carried forward to 2008/09

(c) Current Position at 1 July 2007

The net current assets carried forward from the previous financial year for the purpose of the 2007/08 budget was $1,266,211

The actual net current assets (liabilities) in the audited financial report as at 30 June 2007 was $1,226,952 less reserves of $775,647 & provisions of $219,762 and retentions of $ 706,755 = $1,377,822.

A 2007/08 budget amendment was approved , following the completion of the 2006/07 accounts. The opening funds as on 1 July 07 was amended from $1,266,211 to $1,377,822 with consequential changes to the estimated closing funds as at 30 June 08.

21. MAJOR TRADING UNDERTAKING

REGIONAL RESOURCE RECOVERY CENTRE (RRRC), CANNING VALE

This project is undertaken on behalf of the SMRC's five participating councils. The $47.5m project funded by borrowings and payable over 20 years by the five participants, involves the construction of an administration & visitors centre, weighbridge, greenwaste processing and household waste composting facility. Operating revenues is received from gate fees from participants and the private sector. Accounting for this undertaking is in accordance with the Local Government (Financial Management) Amendment Regulations 9 & 45.

INCOME STATEMENT	2008	2007
Revenues from Ordinary Activities	$	$
Education & Marketing	395,604	376,726
RRRC Admin & Weighbridge	2,055	20,793
Recycling	7,443,488	3,918,569
Greenwaste	1,477,829	1,204,638
Waste Compost	11,746,600	9,776,433
Waste Audit Service	1,578	13,800
Contributions	2,595,561	2,605,486
	23,662,715	17,916,445
Less Expenses from Ordinary Activities		
Education & Marketing	358,921	339,235
RRRC Admin & Weighbridge	5,442	413,020
Recycling	6,235,580	4,252,235
Greenwaste	1,452,850	1,293,510
Waste Compost	13,879,973	11,761,421
Waste Audit Service	130,686	62,234
	22,063,452	18,121,655
Less Borrowing Cost Expense		
RRRC Property	3,257,457	2,596,612
Net Profit or (Loss)	**(1,658,194)**	**(2,801,822)**

BALANCE SHEET	2008	2007
Current Assets		
Cash & Cash Equivalents	3,545,937	753,847
Investments	725,793	692,900
Trade & Other Receivables	9,314,703	13,867,080
Inventories	202,938	214,737
Total Current Assets	13,789,371	15,528,564
Non-Current Assets		
Trade & Other Receivables	44,072,377	40,175,442
Property, Plant and Equipment	25,560,347	27,712,590
Leasehold Improvements	26,715,262	28,054,000
Total Non-Current Assets	96,347,986	95,942,032
Total Assets	110,137,357	111,470,596
Current Liabilities		
Trade & Other Payables	3,408,023	3,112,644
Borrowings - current portion	6,653,585	11,520,692
Provisions	147,578	72,960
Total Current Liabilities	10,209,186	14,706,296
Non-Current Liabilities		
Borrowings - non-current portion	44,072,377	40,175,442
Provisions	35,201	30,518
Total Non-Current Liabilities	44,107,578	40,205,960
Total Liabilities	54,316,764	54,912,256
Net Assets	**55,820,593**	**56,558,340**
Equity		
Opening Balance	56,558,340	38,912,512

22. ECONOMIC DEPENDENCY

A significant portion of revenue is received from the members as contributions as disclosed in note 24 and also in form of RRRC Gate fees as indicated in the note 25.

23. GRANTS AND SUBSIDIES

	2008	2007
Operating		
Community Amenities - Federal Gov Grant	124,029	57,100
Community Amenities - State Gov Grant	147,103	114,981
Community Amenities - Other	-	-
	271,132	172,081
Non-operating		
Community Amenities -	-	-
	-	-

24. CONTRIBUTIONS, REIMBURSEMENTS

	2008	2007
Members Contributions towards operating	950,934	886,957
Contributions from other organisations	-	15,753
Members Contributions towards interest on loans	2,595,561	2,605,486
Reimbursements	68,867	94,430
	3,615,362	3,602,626

25. FEES & CHARGES

	2008	2007
Governance	-	-
Consultancies	29,970	40,840
RRRC Gate Fees	14,479,046	12,159,039
Service Provision Fees- Regional Greenwaste Collection	-	1,283,991
Sale of Products	6,188,871	2,578,540
	20,697,887	16,062,410

26. FINANCIAL RATIOS

	2008	2007	2006
Current Ratio	1.090	1.026	1.140
Debt Ratio	0.492	0.493	0.537
Debt Service Ratio	0.243	0.242	0.265
Gross Debt to Revenue Ratio	2.117	2.666	2.990
Untied Cash to Trade Creditors Ratio	0.393	0.176	0.260
Gross Debt to Economically Realisable Assets Ratio	0.456	0.458	0.520

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

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

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

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

$$\frac{\text{Total liabilities}}{\text{Total assets}}$$

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

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

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

$$\frac{\text{Gross Debt}}{\text{Total revenue}}$$

Untied Cash to Trade Creditors Ratio:
Purpose: To assess the capacity to pay trade creditors with normal trading terms and conditions.

$$\frac{\text{Untied Cash}}{\text{Unpaid Trade Creditors}}$$

Gross Debt to Economically Realisable Assets Ratio:
Purpose: To assess whether there are sufficient realisable assets to cover the total debts.

$$\frac{\text{Gross Debt}}{\text{Economically realisable assets}}$$

27. DISPOSALS OF ASSETS - 2007/08 FINANCIAL YEAR

Class of Asset	Net Book Value Actual	Net Book Value Budget	Sale Price Actual	Sale Price Budget	Profit (Loss) Actual	Profit (Loss) Budget
Mobile Plant (Vehicles)	33,435	25,000	21,591	25,000	(11,844)	
MRF Old Fixed Plant	411,440	-	15,000	-	(396,440)	
Total	**444,875**	**25,000**	**36,591**	**25,000**	**(408,284)**	
2006/07	-	300,000	-	300,000	-	

28. MEMBER COUNCILS' EQUITY IN THE SOUTHERN METROPOLITAN REGIONAL COUNCIL

	SMRC	RRRC	TOTAL EQUITY (1)	Loan Liability	TOTAL EQUITY Less Loan
City of Canning	543,868	15,641,630	16,185,498	14,588,630	1,596,868
City of Cockburn	490,030	14,090,769	14,580,799	13,142,233	1,438,566
Town of East Fremantle	47,043	1,354,192	1,401,235	1,262,998	138,237
City of Fremantle	185,820	5,346,121	5,531,940	4,986,171	545,769
Town of Kwinana	153,674	-	153,674	105,840	47,834
City of Melville	674,282	19,387,882	20,062,164	18,082,790	1,979,374
City of Rockingham	518,779	-	518,779	357,300	161,479
As at 30 June 2008	**2,613,495**	**55,820,594**	**58,434,089**	**52,525,962**	**5,908,127**
As at 30 June 2007	**2,575,225**	**56,558,341**	**59,133,566**	**53,496,134**	**5,637,432**

Reasons for Equity variation
1. Due to additional borrowings during the year 2007/08.

29. Rating Information

Being a Regional Council, no rates were raised during the year ended 30 June 2008 and in the year ended 30 June 2007.

30. Prior Period Errors

During the financial year 2004/05, the Council purchased old MRF plant and building as a package. At the time of purchase, the total cost was not allocated to plant and buildings based on their respective fair values. This error was noticed during the current financial year.

This error resulted in over valuation of Plant by $ 500,000 and under valuation of Buildings by a corresponding amount. However, the building valuation was corrected when it was revalued at its fair value on 30 June 2007

The impact of the error on various items of the financial statement are as under:

	2007 Reported Earlier $	Corrected Amount $	Change $
Operating Surplus (Deficit)	(2,822,138)	(2,822,138)	
RRRC Lease-hold improvements at fair value	28,054,000	28,054,000	
Plant & Equipment at cost less Acc. Depreciation	28,093,578	27,593,578	(500,
Property, Plant & Equipment	58,574,402	58,074,402	(500,
Total Assets	117,233,809	116,733,809	(500,
Equity	59,633,566	59,133,566	(500,
Retained Surplus (Deficit)	(13,427,074)	(13,427,074)	
Asset Revaluation Reserve	11,888,979	11,388,979	(500,

31. Events After the Balance Sheet Date

Since the year-end, the current global financial market volatility has resulted in events that may impact on the current investment valuations due to restricted trading of investments in the current market and the CDO investment disclosing three corporate defaults and a downgrade in its credit rating. The Council has reviewed its level of risk and resolved to trade these investments at a recovery fair value should an opportunity arise.

32. INFORMATION ON BORROWINGS

(a) Loan Repayments

Particulars	Principal 1-Jul-07	New Loans	Interest Repayments		Principal Repayments		Principal 30 Jun 08
			Budget	Actual	Budget	Actual	
Community Amenities							
RRRC							
LOAN NO 1-4	1,627,903	-	49,286	49,286	1,627,903	1,627,903	-
LOAN NO 1-9	1,653,939	-	101,437	101,437	76,587	76,587	1,577,352
LOAN NO 1-15	1,258,769	-	83,067	83,067	56,294	56,294	1,202,475
LOAN NO 1-16	2,527,798	-	163,050	163,050	2,527,798	2,527,798	-
LOAN NO 1-17	2,109,885	-	138,186	138,186	94,708	94,708	2,015,177
LOAN NO 1-19	851,224	-	54,593	54,593	37,580	37,580	813,644
LOAN NO 1-21	845,802	-	52,963	52,963	38,791	38,791	807,011
LOAN NO 1-22	846,593	-	53,516	53,516	38,656	38,656	807,937
LOAN NO 1-23	1,691,868	-	106,111	106,111	77,538	77,538	1,614,330
LOAN NO 1-27	844,214	-	51,860	51,860	39,063	39,063	805,151
LOAN NO 1-28	850,195	-	47,933	47,933	40,842	40,842	809,353
LOAN NO 1-29	848,941	-	47,022	47,022	41,081	41,081	807,860
LOAN NO 1-30	856,082	-	47,671	47,671	41,336	41,336	814,746
LOAN NO 1-31	1,742,398	-	98,578	98,578	83,579	83,579	1,658,819
LOAN NO 1-32	1,640,131	-	100,265	100,265	76,060	76,060	1,564,071
LOAN NO 1-33	1,655,749	-	93,261	93,261	80,006	80,006	1,575,743
LOAN NO 1-34	1,825,676	-	111,891	111,891	85,165	85,165	1,740,511
LOAN NO 1-35	1,357,630	-	77,808	77,808	65,218	65,218	1,292,412
LOAN NO 1-37	2,628,705	-	146,062	146,062	143,148	143,148	2,485,557
LOAN NO 1-40	910,694	-	50,833	50,832	44,198	44,198	866,496
LOAN NO 1-41	927,925	-	54,418	54,418	44,121	44,121	883,804
LOAN NO 1-42	921,024	-	52,918	52,918	44,180	44,180	876,844
LOAN NO 1-43	1,642,822	-	94,450	94,450	80,518	80,518	1,562,304
LOAN NO 1-47	1,795,517	-	-	-	1,795,517	1,795,517	-
LOAN NO 1-48	2,435,902	-	-	-	2,435,902	2,435,902	-
LOAN NO 1-49	1,651,248	-	104,158	104,158	61,920	61,920	1,589,328
LOAN NO 1-50	978,713	-	60,379	60,379	37,148	37,148	941,565
LOAN NO 1-51	973,147	-	59,737	59,737	37,065	37,065	936,082
LOAN NO 1-52	7,500,000	-	449,905	449,905	562,326	562,326	6,937,674
LOAN NO 1-53	1,633,595	-	103,085	103,084	61,349	61,349	1,572,246
LOAN NO 1-54	984,383	-	-	-	984,383	984,383	-
LOAN NO 1-55	-	3,000,000	171,844	203,212	228,019	217,227	2,782,773
LOAN NO 1-56	839,592	-	56,960	56,960	30,384	30,384	809,208
LOAN NO 1-57	838,070	-	56,986	56,857	30,200	30,329	807,741
LOAN NO 1-58	-	3,215,802	180,000	221,322	117,470	115,485	3,100,317
LOAN NO 1-59	-	700,000	64,000	-	36,000	-	700,000
LOAN NO 1-60	-	1,590,369	60,000	55,896	57,466	36,423	1,553,946
LOAN NO 1-61	-	2,413,485	-	-	-	-	2,413,485
Office Accommodation							
LOAN NO 2-3	1,800,000	-	116,820	116,820	-	-	1,800,000
	53,496,134	10,919,656	3,361,053	3,365,508	11,959,519	11,889,828	52,525,962
Less: Loans refinanced		9,219,656			9,219,656	9,219,656	
Net Borrowings / Repayments		1,700,000			2,739,863	2,670,172	

32. INFORMATION ON BORROWINGS (Continued)

(b) New Borrowings

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate	Amount Used		Balance Unspent
	Budget	Actual						Budget	Actual	
	$	$						$	$	$
Community Amenities										
RRRC Project										
LOAN NO 1-55	3,000,000	3,000,000	WATC	Debenture	3.25	217,227	6.91%	3,000,000	2,671,955	328,045
LOAN NO 1-58	3,215,802	3,215,802	WATC	Debenture	3.75	115,485	6.92%	3,215,802	3,215,802	-
LOAN NO 1-59	700,000	700,000	WATC	Debenture	4.00	-	7.38%	700,000		700,000
LOAN NO 1-60	1,590,369	1,590,369	WATC	Debenture	4.75	36,423	7.02%	1,590,369	1,590,369	-
LOAN NO 1-61	2,413,485	2,413,485	WATC	Debenture	6.00	-	7.27%	2,413,485	2,413,485	-
	10,919,656	10,919,656				369,135		10,919,656	9,891,611	1,028,045

(c) **Unspent Loans**

An amount of $ 1,028,045 (2007- Nil) remained unspent out of the amount borrowed on the balance date and is shown as a part of restricted cash.

(d) **Overdraft**

Council does not have an overdraft facility with its bankers.

33. 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	
	2008	2007	2008	2007
	$	$	$	$
Financial Assets				
Cash and cash equivalents	3,855,654	1,062,278	3,855,654	1,062,278
Receivables	55,314,958	55,881,142	51,561,407	51,596,732
Financial assets at fair value through profit or loss	1,174,500	1,501,250	1,174,500	1,501,250
	60,345,112	58,444,670	56,591,561	54,160,260
Financial Liabilities				
Payables	3,700,630	3,274,736	3,700,630	3,274,736
Borrowings	52,525,962	53,975,239	48,772,411	49,690,829
	56,226,592	57,249,975	52,473,041	52,965,565

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.

- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

- Financial Assets at Fair Value through profit and loss – based on quoted market prices at the reporting date or independent valuation.

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

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

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

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

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

33. **FINANCIAL RISK MANAGEMENT (continued)**

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

	2008 $	2007 $
Impact of a 10% (*) movement in price of investments:		
- Equity	117,450	150,125
- Income Statement	117,450	150,125
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	20,527	23,139
- Income Statement	20,527	23,139

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:

	2008	2007
Percentage of Receivables		
- Current	94.62%	96.43%
- Overdue	5.38%	3.57%

33. 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 $
2008					
Payables	3,700,630	-	-	3,700,630	3,700,630
Borrowings	9,865,623	37,250,298	18,675,758	65,791,679	52,525,962
	13,566,253	37,250,298	18,675,758	69,492,309	56,226,592
2007					
Payables	3,274,736	-	-	3,274,736	3,274,736
Borrowings	14,494,884	29,992,628	22,631,529	67,119,041	53,975,239
	17,769,620	29,992,628	22,631,529	70,393,777	57,249,975

33. 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 %
2008								
Borrowings								
Fixed Rate								
Debentures	4,024,663	3,198,933	10,988,394	3,732,923	5,653,833	24,927,216	52,525,962	6.28%
Weighted Average Effective Interest Rate	6.52%	6.26%	6.59%	6.23%	6.18%	6.13%		
2007								
Borrowings								
Fixed Rate								
Debentures	9,850,608	4,214,456	3,351,756	5,257,492	3,183,306	28,117,621	53,975,239	6.12%
Weighted Average Effective Interest Rate	6.29%	6.52%	6.26%	6.22%	5.97%	5.98%		

UHY Haines Norton
Chartered Accountants

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

Report on the Financial Report

We have audited the accompanying financial report of the Southern Metropolitan Regional Council, which comprises the balance sheet as at 30 June 2008 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date and a summary of significant accounting policies and other explanatory notes.

Council's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Qualified Auditor's Opinion

In our opinion, except for the effects on the financial statements of the matters referred to in the paragraph below titled Basis for Qualified Auditor's 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 2008 and of its performance for the year ended on that date; and

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

UHY Haines Norton
Chartered Accountants

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

Basis for Qualified Auditor's Opinion

Since 1 July 2007, global financial markets have experienced a period of high volatility led by events in the US housing market, particularly sub prime loans, which has impacted the value, recoverability, liquidity, cash flows and rates of return of many financial assets including Collateralised Debt Obligations (CDOs), Equity Linked Notes (ELNs) and certain other Managed Funds.

At 30 June 2008, the Southern Metropolitan Regional Council's investment portfolio of $1,174,500 included securities totalling $743,550 that have been impacted by the global market volatility. The impact on individual securities varies depending on their degree of exposure to affected markets.

These securities do not have market values that are independently quoted and they are not widely traded. Independent market valuations are not readily available and in many cases, values are assessed based on estimates from issuers and/or evaluation models for which there is limited market evidence available to verify their reasonableness. Further, the ongoing volatility of financial markets creates greater uncertainty to the valuation process.

These circumstances have resulted in our inability to obtain sufficient appropriate audit evidence to satisfy ourselves as to the fair value and recoverability of $278,800 of the Council's investment portfolio.

Other Matters

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

a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Council.

b) There are no matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.

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

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

UHY HAINES NORTON
CHARTERED ACCOUNTANTS

DAVID TOMASI
PARTNER

Address: Perth, WA
Date: 3 November 2008

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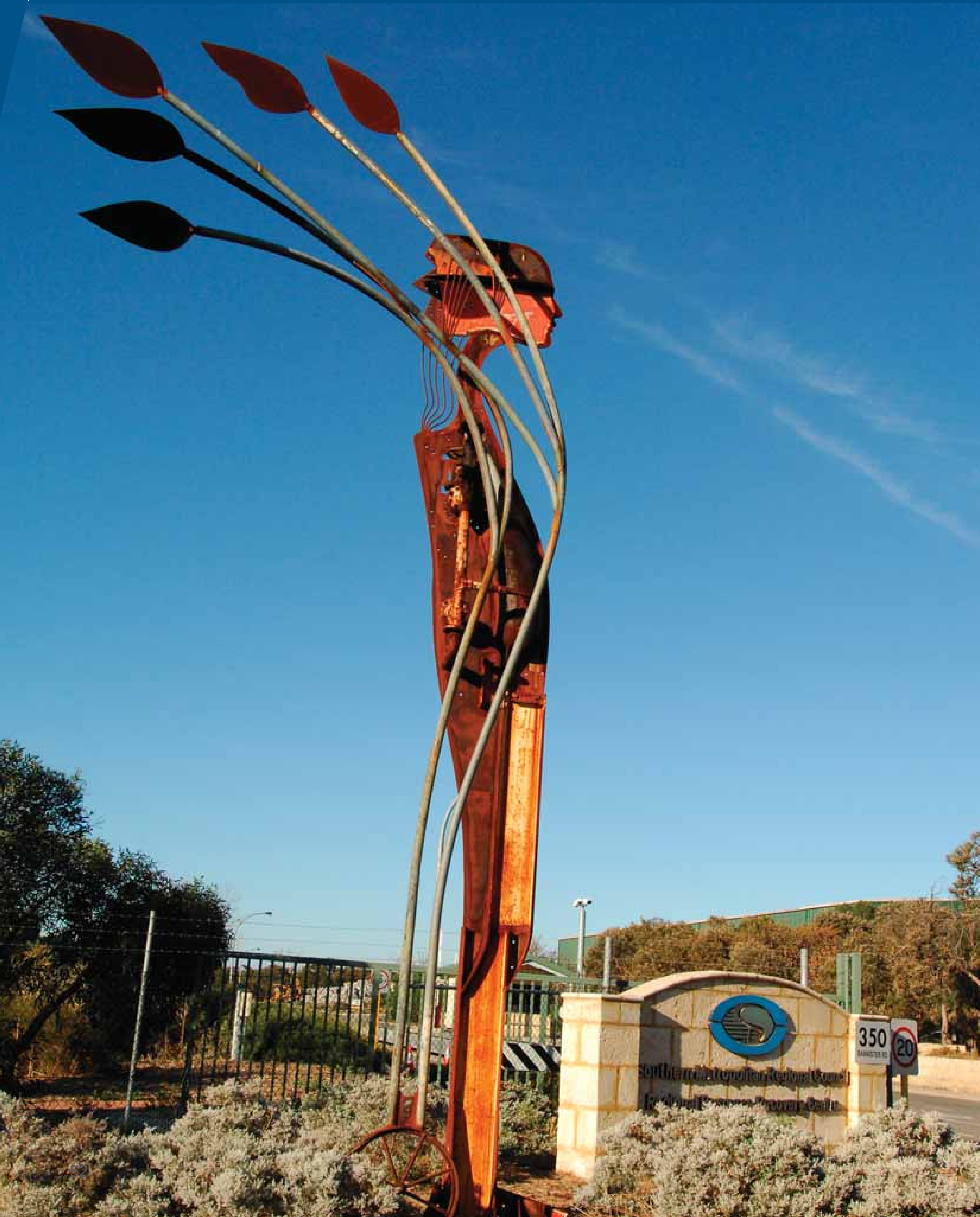
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Southern Metropolitan Regional Council
9 Aldous Place, Booragoon WA 6954
Tel: (08) 9329 2700   Fax: (08) 9330 6788
Web: www.smrc.com.au   Email: smrc@smrc.com.au