

11-12

Annual Report

The Southern Metropolitan Regional Council



SOUTHERN METROPOLITAN REGIONAL COUNCIL



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01 The SMRC at a glance

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

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

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

The region encompasses 340 square kilometres within Perth's southern metropolitan area and has a combined population of 258,687 people.

The SMRC operates a state of the art \$100 million Regional Resource Recovery Centre (RRRC) in Canning Vale, which receives, recycles, and processes waste from some of its member local governments and the community.

The SMRC is committed to assisting the State Government to work towards achieving its Zero Waste objective by 2020 and injects over \$20 million per year into the economy and employs 60 staff and provides work for 100 local small businesses and contractors each month.

Enabling legislation

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





The Southern Metropolitan Regional Council (SMRC) is a community enterprise representing six Local Councils South of Perth, Western Australia

SOUTHERN METROPOLITAN REGIONAL COUNCIL

02 Chairman's Report



I am pleased to present the 2011/12 Annual Report of the Southern Metropolitan Regional Council.

This year a number of critical issues faced the SMRC including: rebuilding the Materials Recovery Facility (MRF),

monitoring and continually improving the odour management systems at the Regional Resource Recovery Centre (RRRC), in Canning Vale and building and maintaining relationships with the Regional Council's key stakeholders: the Member Councils of Cockburn, East Fremantle, Fremantle, Kwinana, Melville and Rockingham.

While much work remains to be done, the organisation has embarked on a pathway of continuous improvement that is already yielding significant rewards. In this challenging year we achieved a recovery rate of 63% which exceeded the State Waste Strategy 2015 recovery target of 50%, and we expect this rate to continue to rise above the state 2020 target of 65% during the coming year.

An independent survey was conducted in November 2011 involving 700 interviews with residents surveying a range of issues surrounding the activities of the SMRC. It is pleasing to record that the majority of residents feel very positively toward RRRC waste processing methods;

- 86% positive about recycling and re-use of glass, plastics, paper and metals
- 83% positive about composting of organic materials
- 82% positive about Green waste processing

The survey also highlighted that odour emissions are a concern for those who reside in the RRRC area although most residents say things are improving with 69% reporting the odour problem has improved over the last year or two, with 15% saying it has stayed about the same and only 1% saying it has become worse.

The rebuilding of the new \$20 million Materials Recovery Facility commenced in October of 2011. This state of the art facility is due to be officially opened in November of 2012 and will establish a benchmark for community and commercial recycling and again increase the amount of waste diverted from landfill and recycled into new products.

The Department of Environment and Conservation amended the RRRC's operating licence in May this year to include a number of stringent conditions requiring significant capital upgrades to improve odour management at the waste composting facility. I would like to take this opportunity to

sincerely thank our member council's elected members and officers for their commitment and support in pursuing an improved environmental outcome for the facility and our community.

During the year we launched the RRRC Bulletin which provides useful updates including the status of the works required to comply with our licence conditions along with other information relating to the centre.

I would like to acknowledge a number of changes to the organisation that have occurred during this year including the departure of the Chief Executive Officer, Stuart McAll. During seventeen years Stuart made a huge contribution to the organisation which included overseeing the construction and operation of the Regional Resource Recovery Centre. The SMRC thanks Stuart for the contribution he has made in providing sustainable waste management solutions to our Member Councils and their communities.

I would also like to recognise the colossal contribution of outgoing Councillor Clive Robartson. Having served as SMRC Councillor, Chair and Deputy Chairperson for the past seventeen years, Clive was the driving force behind a regional approach to waste management. He and his colleagues were instrumental in realising a vision for a sustainable environment and the achievements of the SMRC could not have been reached without his dedication.

During the year Councillor Rob Willis was nominated to the SMRC by the City of Melville and the Town of East Fremantle nominated Cr Cliff Collinson. The year also saw the departure of City of Rockingham's Councillor and SMRC Deputy Chair, Cr Richard Smith and East Fremantle Councillor Richard Olson. I thank both of them for their valuable contributions during their tenure.

I would like to thank the Acting Chief Executive Officer Mr Tim Youé, the senior management team and the entire staff for their valuable contribution in achieving this year's key objectives.

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

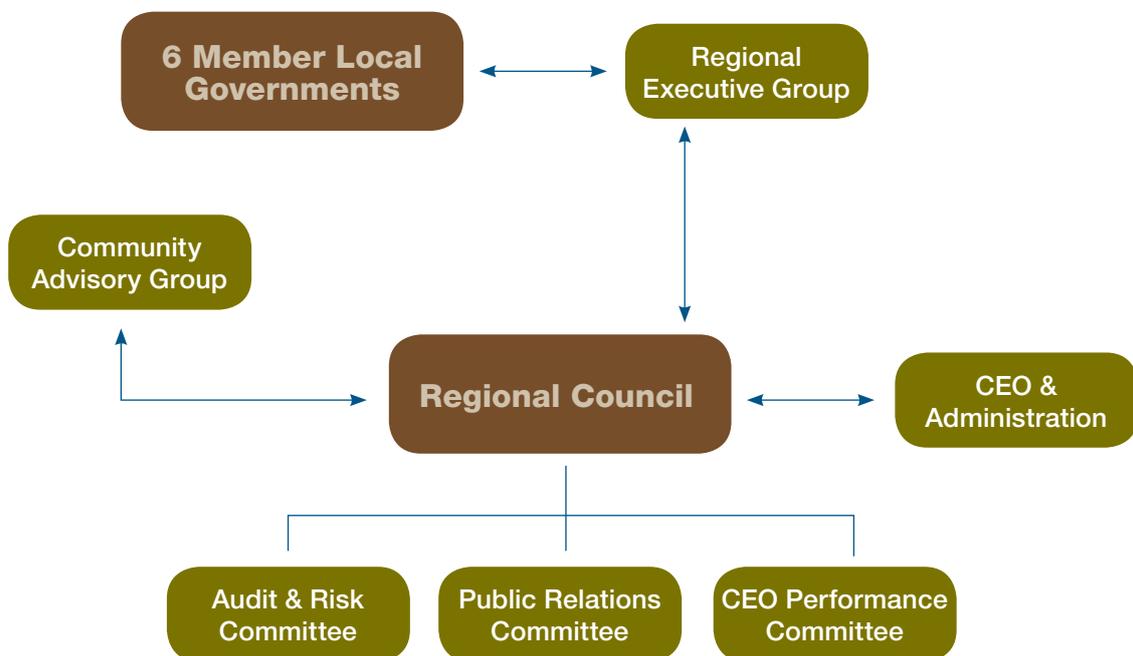
Cr Tony Romano, Chairman



03 Corporate Governance

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

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



04 Regional Councillors



Chair Cr Tony Romano, City of Cockburn

Cr Romano has been a Cockburn City Councillor for over four years. Cr Romano brings with him many years of commercial experience, having worked in and held a number of senior positions in the financial services industry over the past 30 years.

He continues to serve on a number of committees and boards both in the commercial and not-for-profit sectors. Cr Romano's business knowledge and experience are an extra value he brings to the Regional Council.



Cr Cliff Collinson, Town of East Fremantle

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



Deputy Chair Cr Doug Thompson, City of Fremantle

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



Cr Robert Willis, City of Melville

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



Cr Sandra Lee, City of Kwinana

Cr Lee has served the City of Kwinana since 2005 and became an SMRC member in 2007. She has a strong interest and commitment to public health, particularly in the areas of waste management, environmental health and community education. With landfill facilities reaching full capacity, she believes waste generated by society should be processed and recycled to produce sustainable outcomes to help reduce the impact on the earth's natural resources.

Cr Lee recognises the important role the SMRC plays in recycling various materials and developing environmentally sustainable solutions.



Cr Richard Smith, City of Rockingham Deputy Chair to October 2012

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





05 Committees established and appointed by the council are:

Audit & Risk Committee

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

Membership of Committee

Chair: Cr Tony Romano

Members: Cr Doug Thompson, Cr Sandra Lee, Cr Richard Olson to October 2011.

External Member of Public: Mr Phillip Draber

Public Relations Committee

The Public Relations Committee was created to review, consider and discuss the SMRC's communication strategy. It is made up of Regional Councillors and a member of the community advisory group.

Membership of Committee

Chair: Cr Tony Romano

Members: Cr Richard Smith, Cr Robert Willis, Cr Clive Robartson to October 2011.

External Member of Public: Mr Norman Holtzman



■ *Cr Tony Romano presents a Distinguished Service Award to Cr Clive Robartson.*

CEO Performance Committee

The CEO Performance Committee reviews the performance of the Chief Executive Officer. This committee is made up of all Councillors and meets as needed during the year.

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

Regional Executive Group

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

Membership of Committee

Members: Michael Littleton, Director Technical Services City of Cockburn; Stuart Wearne, CEO Town of East Fremantle; Peter Pikor, City Engineer City of Fremantle; Peter McKenzie, Manager Health Services City of Kwinana; John Christie, Director Technical Services City of Melville; Graham Rose, Waste Manger City of Rockingham.

Deputy Members: Stuart Downing, Director Finance City of Cockburn; Shelley Cocks, Principal Environmental Health Officer Town of East Fremantle; Glen Dougall, Director Corporate Services City of Fremantle; Maurice Ferialdi, Director Operations & Technical Services City of Kwinana; Marten Tieleman Director Corporate Services City of Melville; Chris Thompson, Director Technical Services City of Rockingham.

SMRC Community Advisory Group

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

Anyone interested in contacting the CAG or wishing to join the group is welcome to contact the CAG on smrccag@gmail.com, or the CAG can be found on Facebook.

Operational Waste Managers Group

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

Finance Managers' Group

The Finance Managers' Group comprises Executive Officers from each of the SMRC's member councils' corporate and financial divisions. The group meets to review the SMRC's financial affairs, budget and strategic direction.

The SMRC is represented on a number of external committees and industry associations including:

Municipal Waste Advisory Council

Forum of Regional Councils

Waste Management Association of Australia

Be Living Smart Inc

SMRC maintains a representative on the board of Be Living Smart Inc, an independently run body since the closure of the SMRC's ClimateWise program.



06 SMRC Senior Staff



Mr Tim Youé
Acting Chief Executive Officer



Mr Chris Wiggins
Director Corporate Services



Mr Brendan Doherty
Director Assets & Operations



Mr Chuck Ellis
Executive Manager Communications
(Until November 2011)

07 Chief Executive Officer's Report



The past year has required significant effort and dedication on the part of all our employees and I would like to give my heartfelt thanks to all of our staff for their support, strong work ethic and applaud their efforts in helping deliver on the organisation's key performance commitments.

During the year the SMRC has achieved a state leading waste diversion rate from landfill of 63% by processing and recovering the organic fraction of the municipal waste stream. This is a considerable achievement.

In October 2011, the SMRC commenced rebuilding the Materials Recovery Facility (MRF) at the RRRC. This facility sorts and processes the contents of the yellow top recycling bin into bales. The bales are then sold into domestic and international markets for manufacturing into new products. This will raise the recovery rate of material collected and processed at the Regional Resource Recovery Facility to in excess of 70% during 2012/13, thereby exceeding the State Government's 2020 target.

The Department of Environment and Conservation (DEC) amended the RRRC's operating licence on 7 May 2012. The Licence contains a number of key conditions related to odour management improvements which require significant capital works to be undertaken within very short time frames.

In order to keep our stakeholders and the community informed of progress with the works programme required to fulfil our licence conditions, we commenced producing and distributing RRRC Bulletins to advise stakeholders and the community on our progress. The bulletins along with an e-newsletter containing more general news and information are readily available from our website.

Another exciting development this year was the introduction of the Recycle Right website. Still in its infancy, it will take shape next year as a regional repository of information and fact sheets on recycling. Recycle Right is a campaign which encourages and assists residents and businesses in the South Metropolitan Region to recycle, reduce their rubbish and buy more recycled products.

In April 2012, the SMRC along with two other project proponents, jointly submitted a Carbon Farming Initiative (CFI) Methodology for our Waste Composting Facility. The methodology was accepted by the Domestic Offsets Integrity Committee for public consultation. We are anticipating final approval of the project methodology in 2012/13 thus allowing the SMRC to generate income from the sale of Australian Carbon Credit Units (ACCU's) into the formal emissions trading market.

I would also like to acknowledge the important feedback we received from our Community Advisory Group, our external audit committee member and all our other supporters and advisors during the year.

The Regional Council and its participant local governments are committed to ensuring the Regional Resource Recovery Centre continues to improve its operational performance and community engagement while delivering on the State Government's goal of reducing waste sent to landfill and maximising resource recovery.



Mr Tim Youé
Acting Chief Executive Officer



08 Our Purpose and Principles

Our Purpose

Leading in sustainable recycling and climate change solutions.

Our Principles

We will conduct our business guided by these Principles:-

Employee Value
Sustainability
Innovative Solutions
Integrity & Transparency
Community Driven Outcomes

Adaptiveness
Forward Thinking
Responsiveness
A Safe Work Environment

The SMRC's strategic plan review

The Key focus areas for the next 5 years are:

1. Resource Recovery

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

2. Climate Change

Goal: To reduce our corporate greenhouse gas emissions footprint.

3. Business Sustainability

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

4. Stakeholder Engagement

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

5. Research & Innovation

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

09 Key Performance Indicators

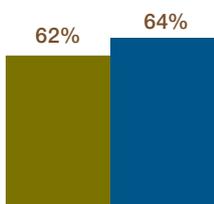
The SMRC has a strategic goal for each of its key focus areas, measured by a series of key performance indicators.

The following key performance indicators were adopted in August 2011 to measure the SMRC's success in achieving the goals:

Key Focus Area 1 – Resource Recovery

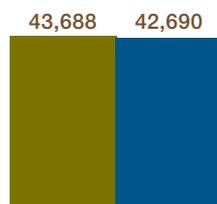
Goal: Ensure maximum resource recovery from waste generated from our municipality and domestic community.

Waste diverted from Landfill



■ Target ■ Actual

Recovered Products (tonnes pa)



■ Target ■ Actual

Key Area	Indicator	Measure	11/12 Target	11/12 Actual
Resource Recovery	Waste diverted from landfill	Percentage of waste diverted = $(1 - \text{total residuals} / \text{total waste processed} \times 100\%)$.	62%	64%
	Total amount of recovered products	Weight of recovered products as measured across the weighbridge for the 2 facilities at the RRRC	43,688 t	42,690 t

64% of waste was diverted from landfill during the year.

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

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

The SMRC is achieving the 2020 state target and is expected to recover approximately 70% in 2012 progressively moving toward a zero waste to landfill future.

The Regional Resource Recovery Centre (RRRC) located centrally in Canning Vale has two primary waste processing facilities operating during 2011/12, these being:

- An In-vessel composting plant designed to separate organic from in-organic waste material and produce compost. The weekly-collected household waste from the 240 litre green lid bin as well as commercial organic waste is processed in this facility. 57% of the waste entering this facility is recovered and diverted from landfill.
- Green Waste processing. This facility receives and processes clean green waste collected from the verge side collections, public and commercial customers. This material is used as mulch/soil amendment material, 100% of the material is recovered.



Strategy 1.1 Rebuilding MRF

The Materials Recovery Facility (MRF) was destroyed by fire in 2009. Following a protracted planning approval and insurance claim process the Council awarded the work to Australian Bale Press Company in October 2012 with a 10 month works program. Commissioning and testing commenced on 30 July 2012.



The MRF has a capacity of 90,000 tonnes per annum, recovering approximately 85% of waste collected from our participant local government's 240 litre yellow lid bin.

The sorting and processing is expected to recover and recycle:

- 98% Glass
- 91% Plastic
- 96% Paper
- 99% Metals (Aluminium and steel)

Strategy 1.3 Development of markets for residuals

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

- Quality mulch and woodchips from greenwaste shredding,
- Steel recycling and two different grades of compost from the waste composting facility.

We have contracts that extract the organic fraction for adding to compost production into known existing markets. This process provides the greatest overall benefit in landfill diversion, market development and risk mitigation.

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

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

process by which organic matter is broken up through micro-organisms and leads to an end product "compost" which can be used for soil improvement or as fertiliser.

Recycled Organics Standards

The Regional Council endorsed the seven (7) quality measures of the Recycled Organics Standards & Guidance paper to promote the quality measures as an appropriate methodology for the management of recycled organics applied to land.

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

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

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

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



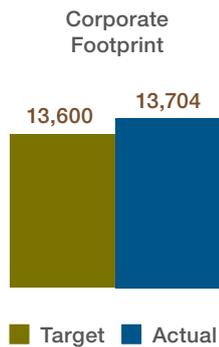
Leaders in Sustainable Recycling and Climate Change Solutions





Key Focus Area 2 – Climate Change

Goal: To reduce our corporate greenhouse gas emissions footprint.



Key Area	Indicator	Measure	11/12 Target	11/12 Actual
Climate Change	Corporate greenhouse gas emissions footprint	No of tonnes of CO2e	13,200 t CO2e	13,256 t CO2e

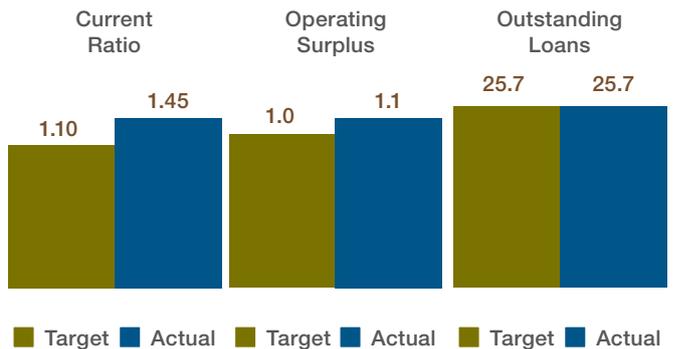
Strategy 2.3 Reduce Footprint

The SMRC's corporate greenhouse gas emissions footprint has been reduced by 3.3% during the year achieving the target of 3% for 2011/12. This is attributed to improved power efficiencies at the waste composting facility.

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

Key Focus Area 3 – Business Sustainability

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



Key Area	Indicator	Measure	11/12 Target	11/12 Actual
Business Sustainability	Current Ratio	Working Capital Assets/Liabilities	1.1	1.4
	Operating Surplus	Annual Operating Net Result	\$1.0 million	\$1.1 million
Finance	RRRC Project Loan	RRRC loans not incl Canning or MRF loan	\$ 25.7 million	\$ 25.7 million

Strategy 3.1 Financial Viability

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

Financial Results for the year ended 30 June 2012

Financial Results

Financial Position

Net Assets of \$58.3 million (\$62.1 million FY11) which includes working capital surplus of \$10 million (\$5.3 million relates to an insurance claim).

Current Ratio of 1.4 (Current Assets over Liabilities) Purpose: To assess adequacy of working capital and the ability to satisfy short-term obligations.

Financial Performance

Operating revenue of \$21 million resulting in a net operating surplus of \$1 million before depreciation and reserve transfers. An amount of \$1.7 million was transferred to reserves.

The actual results exceeded the annual budget estimates.

Cash backed reserves

The Reserves decreased during the year by \$0.9 million, to fund WCF capital equipment replacements and the fixed expenses during the loss of the MRF resulting in a balance of \$2.9 million.

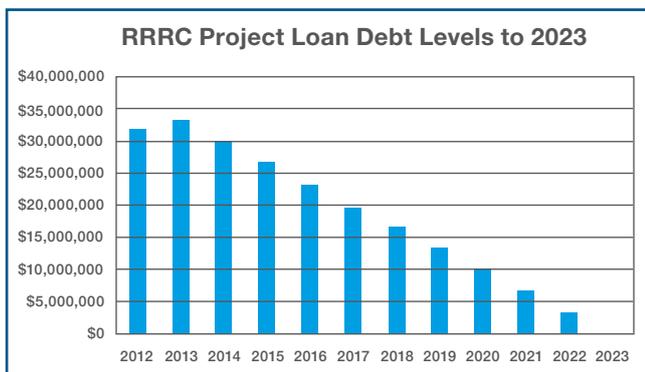
Borrowings

No new loans were raised during the year and an amount of \$2.6 million was repaid during the year. The outstanding loan balance for the RRRC Project (not including City of Canning's liability of \$12.4 million) was \$31.9 million and the Office Accommodation Project was \$1.8 million.

The SMRC's KPI for RRRC Project outstanding loans paid by project participants does not include the MRF loan or the City of Canning's liability total \$25.7 million.

This is in line with an annual target of \$25.7 million as at 30 June 2012.

The members' debt obligation will be reduced to zero by end of the project life (eg) 2023.



A profit of \$1.2 million was achieved through commercial customers. The target was \$1.3 million.

Two independent internal audits were carried out during the period as part of the SMRC's Internal Audit Program.

Cash Investments and Sales & Marketing audits received an "A" rating by the Auditor indicating that the control framework is effectively managing risks.

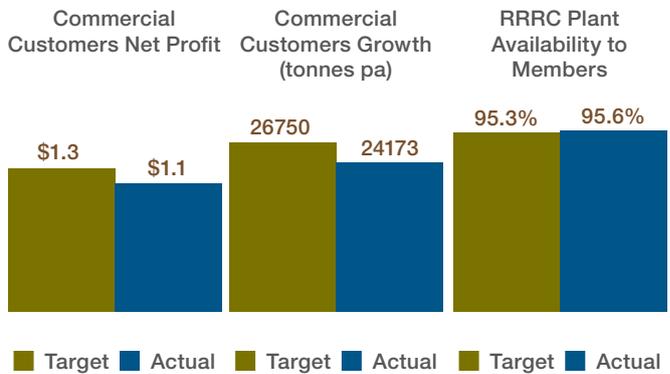
Strategy 3.2 Partner Planning

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

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

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

Sale of Greenhouse Friendly verified carbon credits



Key Area	Indicator	Measure	11/12 Target	11/12 Actual
Business Sustainability	Commercial Customers Net Profit	Profit = RRRC Gate Fee Income less variable costs	\$ 1.3 million	\$ 1.1 million
	Growth of customer base	% of annual increase in total customer tonnes (non-members) processed at RRRC	+ 30% to 26,000 tonnes	+ 18% to 24,173 t
Customers	Plant availability to members	Annual Operating Net Result	95.3%	95.6%



Strategy 3.3 Environmental Management

Continue to improve odour management systems.

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

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

Employee satisfaction

Survey results show 63% of the workforce are satisfied overall with working at the SMRC.

Lost Time Injuries

One lost time injury was recorded for the year, the SMRC sets an annual target of zero harm.



Key Area	Indicator	Measure	11/12 Target	11/12 Actual
Business Sustainability	Employee satisfaction	Percentage of employees who express satisfaction at the 75% percentile or above in employee engagement survey	75%	63%
	Lost time injuries	No of injuries	Zero Harm	1

Key Focus Area 4 – Stakeholder Engagement

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

Strategy 4.1 Brand Credibility

Rebuild and reaffirm our reputation with the community and key stakeholders.

Goal

To build sustainability through strengthened and expanded partnerships, alliances and relationships.

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

Inform

- The Recycle Right Website has been developed as a portal of recycling information for the SMRC Community www.recycleright.net.au
- Regional Resource Recovery Calendars inform the community about recycling in their Council.
- The SMRC E-news is emailed out to some 1,700 stakeholders and are available on the SMRC website.
- Meeting Summary Reports are provided to participant local governments after each Council Meeting.
- The RRRC Bulletin is sent out to stakeholders by the CEO every three weeks with a comprehensive update of the licence conditions.
- Media releases are sent out addressing new plans.

Consult

- Networking with participant local governments.
- A letter drop was conducted in the residential area adjacent to the RRRC.

Involve

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

Government Relations

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

Strategy 4.2 Transparent Stakeholder Management

To align with and clearly communicate to our key stakeholders.

Council adopted its updated Communication Strategy Plan and new Community Engagement Plan in early 2012.

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

Stakeholder Briefing Session – 5 April 2012

The Regional Council invited participants' Mayors, CEOs and senior executives to discuss and ask questions on the options available to the SMRC in light of the new licence conditions imposed by the DEC to cease receiving waste by June 2012. SMRC's solicitors responded to questions raised by members and SMRC executives provided capital works improvement solutions and contingency financial plans for further consideration.

A special council meeting of the SMRC was held on 11 April addressing the proposed amended licence application and odour improvement strategies and the short-term financial viability of the SMRC, resolving to seek participants' financial support in the interim.

Community Advisory Group

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

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





Strategy 4.3 Relationships with Regulatory Bodies

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

Regular meeting with the Department of Environment and Conservation (DEC) relating to the RRRC current and future improvements to meet environment licence conditions.

Odour Hotline

The Southern Metropolitan Regional Council has established a 24-hour telephone service to allow residents and businesses to report any odours they suspect may be originating from the Regional Resource Recovery Centre in Canning Vale.

Once an odour is reported to the 24-hour hotline, **1300 556 726**, details such as the location, time and character of the odour will be immediately forwarded to SMRC staff at the Regional Resource Recovery Centre, who will conduct an inspection of the waste composting facility to determine if odours are escaping the facility and take corrective action if needed.



Community Attitudes Survey

An independent survey was conducted in November of 2011 on 700 residents, comprising a mix of residents in areas adjacent to the RRRC facility, residents in SMRC local government areas and residents outside this catchment.

The Southern Metropolitan Regional Council Community Attitudes Survey, completed by JWS Research, included attitudes pertaining to the operation of the RRRC facility, awareness of the SMRC and support for recycling.

These results provide a benchmark for evaluating the effect of community engagement and providing benchmarks to measure its effectiveness.

The key findings of the survey were:

- The majority of residents feel very positively toward RRRC waste processing methods;
- Odour emissions are a concern for those who reside in the RRRC area;
- Most residents in the RRRC locale say things are improving; and
- Most people don't want the RRRC to be closed.

The majority of residents feel very positively toward RRRC waste processing methods:

- 86% positive about recycling and re-use of glass, plastics, paper and metals.
- 83% positive about **composting** of organic materials.
- 82% positive about **green waste** processing.
- 82% disagreed with **landfill** as a means of disposing of waste, with 57% having very strong feelings against landfill as a waste disposal option.

The survey recorded a majority of very positive sentiments toward RRRC waste processing methods, with residents ambivalent about high temperature incineration and very negatively disposed to waste disposal in land fill. These positive views toward RRRC waste processing techniques are shared by residents living near the RRRC.

The survey recorded that odour remains a community issue, particularly in areas adjacent to the RRRC, with about half of residents personally affected by odour. Outside of this catchment area just 6% of respondents recorded being impacted.

Most residents in the RRRC area say things are improving

- 69% say the odour problem has **improved** since 2009.
- 1% saying it has become **worse**, with 15% saying it has stayed about the **same**.
- 9% had lodged an odour **complaint** since the start of 2011.

- 3% of those who agree with **closure** of the RRRC had lodged an odour **complaint**.

Survey findings are in line with DEC figures that recorded an 89% reduction in odour complaints, between 2009 and 2011.

The survey revealed majority support for the RRRC remaining in operation.

- 56% of those surveyed that live in close proximity of the RRRC disagree with any proposal for closure.
- 74% of those aware of odour emissions disagree with any proposed closure of RRRC, as do 66% of those who have experienced odours in the last 12 months.
- Upon learning that DEC has reported there have been significant improvements in odour management since 2009, and a significant reduction in complaints, over the past 12 months; 84% of the total surveyed disagreed with closure of the RRRC, including 67% of those living in close proximity to the facility.

Notice by a participant to withdraw from the SMRC

City of Rockingham withdrew from the SMRC effective from 30 June 2012.

Following the withdrawal of the City of Rockingham from the SMRC, two business plans have been prepared to notify remaining participants of the impact of their withdrawal and to calculate the liability owed by City of Rockingham as part of the withdrawal notice. The City of Rockingham was not a project participant of the RRRC Project and therefore there are no financial obligations. The final calculations will be prepared after the annual audited financial accounts of the SMRC in October 2012.

Ken Hurst Park

An impressive number of volunteers from the Friends of Ken Hurst Park, DEC, Bullcreek/Leeming Scout Group, WA Wildflower Association as well as SMRC staff were not deterred by the storms and cold weather on the 10th of June 2012. The DEC funded project was intended to re-vegetate degraded areas of the park which had recently been covered with top soil rescued from the clearing of Banksia woodland near Jandakot Airport.

The 55 hectares of native 'bushland forever' is vested with the City of Melville. The bushland is one of the most diverse ecosystems in Perth and is home to many native species, including the Bandicoot. It is also a feeding ground for the endangered Carnaby's Black Cockatoo whose populations have declined by over 50% in the last 45 years.

The SMRC is proud to support such projects and we thank all our staff and the volunteers who attended.

November Charity

November is responsible for the sprouting of moustaches on thousands of mens' faces in Australia and around the world. The aim of which is to raise vital funds and awareness for mens' health and male mental health.

The Maintenance Team at the RRRC raised over \$700 by growing moustaches during November of 2011.



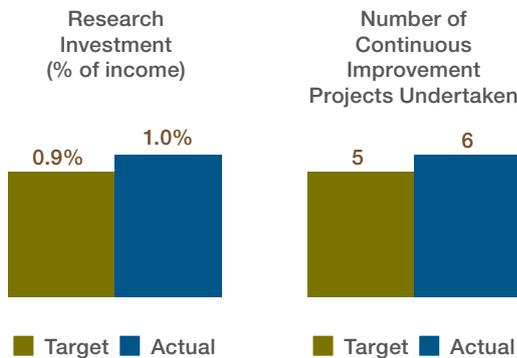


Key Focus Area 5 – Research & Innovation

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

Strategy 5.1 Forward Planning

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



Key Area	Indicator	Measure	11/12 Target	11/12 Actual
Research & innovation	Research Investment	Percentage of total turnover/ operating revenue dedicated to research investment	0.9%	1%
	Innovative Projects Undertaken	The number of innovative projects undertaken as signed off by the audit committee	\$5.0 million	\$6 million

Research Investment Goal

To conduct fundamental research to increase understanding of fundamental principles that will lead to pathways of innovation, and to conduct applied research to develop and prove commercial and practical implementation of new and innovative projects.

Result

Expenditure for Research and Development has been within the budget target of \$126k.

Summary of Continuous Improvement Projects Undertaken in 2011/12.

To be an innovative provider of business, resource recovery and greenhouse gas abatement solutions.

Six projects were undertaken during the year.

1. Biofilter Trials Improvement for odour management control
2. Biofilter Water Treatment Upgrade - Improvement for Odour management control
3. Water Treatment for Compost Windrows
4. Waste Composting Humidification Monitoring Systems
5. RRRRC Remnant Bushland Plan
6. Community Engagement Plan

10 SUMMARY OF CONTINUOUS IMPROVEMENT PROJECTS

1. Biofilter Trials Improvement

Biofilters are used to treat odorous air extracted from composting facilities. The material contained within bio-filters to support the natural bacteria that consume the odorous compounds is referred to as the biofilter media. The SMRC biofilters use wood chip material as media.

The installation of these advanced gauges and ducting systems have improved the control and measurement of air flow, thus enabling more reliable data on the biofilter's performance which can then be up scaled for the enhanced performance of future biofilter bed refurbishment.

2. Biofilter Water Treatment Upgrade

Biofilters are used to treat odours produced from composting domestic organic waste.

An improvement method of water treatment was investigated and installed in the largest of the four biofilters on site. Biofilter No 1 was upgraded with re-circulating pumps to reuse and recycle water on the biofilter cells rather than extracting new water supplies.

3. Water Treatment for Compost Windrows

Putrescible waste is aerobically treated within a fully enclosed rotating in-vessel digester and buildings and spread in windrows to mature with periodically turning in a fully enclosed aeration building for approximately six weeks.

SMRC invested in an improved water treatment system by installing pipes that recycle excess water from biofilter humidification to improve moisture composition for compost piles during the maturing process.



4. Waste Composting Humidification Monitoring System

Humidifier Probes were installed in June 2012 to chart and report relative humidity, temperature and pressure to ensure the aeration building maintains regular negative pressure.

The report is automatically logged into the facility's programme control software and is regularly charted 24 hours per day. The plant is manned 24 hours, 7 days by supervisors who regularly review the live chart reporting on monitors or by printout reports over the chart period.

5. RRRC Remnant Bushland Plan

A report was prepared to fulfil the requirement of the Regional Resource Recovery Centre (RRRC) to develop an Environmental Improvement Plan based on the sustainability, long term protection, conservation and restoration of the remnant vegetation onsite.

The report prepared by Randika Jayasinghe, Internship placement in September 2011 was carried out to fulfil the requirements of the AusAID Leadership Awards, as a Practice module component.

There are a number of management measures and recommendations to improve the site conditions in the report.

6. Community Engagement Plan

The Community Engagement Strategy details the SMRC communications and stakeholder relations activities pertaining specifically to the community as defined as those directly or indirectly affected by the SMRC operations including the RRRC facility.





10 Compliance

Plan for the Future

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

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

The SMRC will comply with the new requirements of the Integrated Planning Framework as outlined by Regulation 19C (Strategic Community Plan) and Regulation 19DA (Corporate Business Plan) of the Local Government (Administration) Regulations 1996 for each financial year commencing 1 July 2013.

Statutory Compliance Return

The Statutory Compliance Return for the period 1 January 2011 to 31 December 2011 was completed and lodged as required. There were no matters of non-compliance to report.

Payment to Employees

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

	2012	2011
Salary Range \$	\$	\$
200,000 - 209,999	1	1
140,000 - 149,999	2	1
130,000 - 139,999	1	1
120,000 - 129,999	-	-
110,000 - 119,999	1	2
100,000 - 109,999	1	1
Total	6	6

NUMBER OF EMPLOYEES

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

	50	56
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National Competition Policy

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

Application of Competitive Neutrality Principles for significant business activities (business activities where annual income exceeds \$200,000) Local Government is required to undertake a cost-benefit analysis to evaluate whether or not competitive neutrality principles should apply. The analysis must take into account all the quantitative and qualitative costs and benefits, which may include economic, social and environmental criteria. Where it is judged that the benefits of implementing competitive neutrality outweigh the costs, then the Local Government must impose costs that the private sector would be required to pay (i.e. payroll tax, Commonwealth & State taxes, debt guarantee fees and other regulatory requirements imposed on private but not government bodies).

The Regional Council has one significant business activity – Regional Resource Recovery Centre (RRRC). The centre meets the "public benefit test" in respect to "user pay charges" and the provision of services is beneficial to the regional community.

Regulatory Review

Under clause 7 of the Competition Principles Agreement Local Governments are required to review their Local Laws. The intention of this clause is to ensure existing Local Laws set by Local Governments do not restrict competition unless there are benefits to the community as a whole.

The Southern Metropolitan Regional Council adopted its Standing Orders Local Law on 27 November 2008 and meets the principles of Clause 7.



Record-Keeping Plans

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

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

Disability Access & Inclusion Plan

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

Environmental Operating Licence

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

The main part of the conditions relate to odour improvement or reduction management of the Centre and in particular, SMRC is required to install and commission, by 15 December 2012, a wet scrubbing or gas scrubbing system which is designed to achieve not less than 85% humidity in biofilter inlet gases. If this system is not be installed by 15 December 2012, SMRC shall cease accepting waste for composting at the premises and only commence the re-acceptance of putrescible waste at the premises for composting when the wet scrubbing or gas scrubbing system has been installed. Following the installation and commissioning of the wet scrubbing or gas scrubbing system, SMRC shall submit a compliance document to DEC certifying the system was constructed in accordance with the licence conditions.

By 15 March 2013, SMRC shall submit an Ambient Odour Assessment Plan Report detailing the results of measuring the odour improvement within the community surrounding the Centre. Should odour emissions not be reduced to DEC's satisfaction after the completion of the actions in the licence, SMRC will need to submit a works approval for new primary/secondary pollution control equipment in April 2013.

Updates on the status of works required to comply with those conditions along with other information relating to the centre is available on SMRC's website for further reading.

The Regional Resource Recovery Centre (RRRC) is required to provide an audit compliance report on an annual basis to the Department of Environment and Conservation (DEC). This is a legal requirement under part V of the Environmental Protection Act 1986 and stipulated as a condition in the RRRC operating licence. The report was forwarded to DEC in November 2011.





11 Financial Report

SOUTHERN METROPOLITAN REGIONAL COUNCIL

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2012

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Southern Metropolitan Regional Council being the annual financial report and supporting notes and other information for the financial year ended 30 June 2012 are in my opinion properly drawn up to present fairly the financial position of the Southern Metropolitan Regional Council at 30 June 2012 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and Regulations under that Act.

Signed on the 8 October 2012



Tim Youe
Acting Chief Executive Officer

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

BY NATURE OR TYPE

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2012 Budget	2011
		\$	\$	\$
REVENUE				
Operating Grants, Subsidies and Contributions	22	3,551,188	3,671,007	6,871,678
Fees and Charges	23	16,384,710	17,082,972	14,850,851
Interest Earnings	2(a)	925,117	540,000	265,978
Other Revenues		101,215	212,000	97,909
		<u>20,962,230</u>	<u>21,505,979</u>	<u>22,086,416</u>
EXPENSES				
Employee Costs		(4,741,949)	(5,110,153)	(4,569,378)
Materials and Contracts		(9,131,195)	(10,349,094)	(8,294,287)
Utility Charges		(1,955,452)	(1,922,028)	(1,738,982)
Depreciation on Non-current Assets	2(a)	(4,165,785)	(4,202,954)	(4,016,604)
Interest Expenses	31	(2,901,010)	(2,918,061)	(3,236,534)
Insurance Expenses		(1,219,392)	(1,401,643)	(683,787)
		<u>(24,114,783)</u>	<u>(25,903,933)</u>	<u>(22,539,572)</u>
		(3,152,553)	(4,397,954)	(453,156)
Non Operating Grants, Subsidies and Contributions	22	-	-	6,451,283
Fair value adjustment to financial assets at fair value through profit and loss	4	-	-	(25,000)
Realised gain on Investments	4	-	-	75,000
Profit on Asset Disposals	25	-	-	32,076
		<u>(3,152,553)</u>	<u>(4,397,954)</u>	<u>6,080,203</u>
NET RESULT		(3,152,553)	(4,397,954)	6,080,203
Other Comprehensive Income		-	-	-
Total Other Comprehensive Income		-	-	-
TOTAL COMPREHENSIVE INCOME		<u>(3,152,553)</u>	<u>(4,397,954)</u>	<u>6,080,203</u>

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



SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

BY PROGRAM

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2012	2011
		\$	Budget	\$
			\$	
REVENUE	2(a)			
Governance		316,750	361,750	333,692
Community Amenities		20,645,480	21,144,229	21,752,724
		<u>20,962,230</u>	<u>21,505,979</u>	<u>22,086,416</u>
EXPENSES EXCLUDING FINANCE COSTS	2(a)			
Governance		(306,553)	(361,750)	(257,934)
Community Amenities		(20,907,220)	(22,624,122)	(19,045,104)
		<u>(21,213,773)</u>	<u>(22,985,872)</u>	<u>(19,303,038)</u>
FINANCE COSTS	31			
Governance		(103,315)	(103,320)	(110,033)
Community Amenities		(2,797,695)	(2,814,741)	(3,126,501)
		<u>(2,901,010)</u>	<u>(2,918,061)</u>	<u>(3,236,534)</u>
Fair value adjustment to financial assets at fair value through profit and loss				
Governance		-	-	(25,000)
Non Operating Grants, Subsidies and Contributions				
Community Amenities		-	-	6,451,283
Realised gain on Investments				
Governance		-	-	75,000
Profit on Asset Disposals				
Governance		-	-	4,076
Community Amenities		-	-	28,000
		<u>-</u>	<u>-</u>	<u>28,000</u>
NET RESULT		(3,152,553)	(4,397,954)	6,080,203
Other Comprehensive Income		-	-	-
Total Other Comprehensive Income		-	-	-
TOTAL COMPREHENSIVE INCOME		<u>(3,152,553)</u>	<u>(4,397,954)</u>	<u>6,080,203</u>

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Note	2012 \$	2011 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	11,500,403	7,968,573
Investments	4	-	-
Trade and Other Receivables	5	13,633,370	30,788,226
Inventories	6	239,109	249,743
TOTAL CURRENT ASSETS		25,372,882	39,006,542
NON-CURRENT ASSETS			
Other Receivables	5	34,947,016	36,155,165
Property, Plant and Equipment	7	48,553,627	39,994,991
TOTAL NON-CURRENT ASSETS		83,500,643	76,150,156
TOTAL ASSETS		108,873,525	115,156,698
CURRENT LIABILITIES			
Trade and Other Payables	8	3,760,402	2,831,072
Current portion of Long-term Borrowings	9	11,262,523	13,582,317
Provisions	10	461,711	371,466
TOTAL CURRENT LIABILITIES		15,484,636	16,784,855
NON-CURRENT LIABILITIES			
Long-term Borrowings	9	34,947,016	36,155,165
Provisions	10	141,774	151,273
TOTAL NON-CURRENT LIABILITIES		35,088,790	36,306,438
TOTAL LIABILITIES		50,573,426	53,091,293
NET ASSETS		58,300,099	62,065,405
EQUITY			
Retained Surplus		47,135,063	49,952,635
Reserves- Cash backed	11	2,908,444	3,856,178
Reserves - Asset Revaluation	12	8,256,592	8,256,592
TOTAL EQUITY		58,300,099	62,065,405

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 2012

	Note	Retained Surplus \$	Reserves Cash Backed \$	Asset Revaluation Reserve \$	Total Equity \$
Balance as at 1 July 2010		46,370,227	1,982,917	8,256,592	56,609,736
Net Result		6,080,203	-	-	6,080,203
Total Other Comprehensive Income		-	-	-	-
Participants Contributions for the year (New Loans)		-	-	-	-
Loans repaid from Equity		(624,534)	-	-	(624,534)
Transfer from / (to) Reserves	11	(1,873,261)	1,873,261	-	-
Balance as at 30 June 2011		49,952,635	3,856,178	8,256,592	62,065,405
Net Result		(3,152,553)	-	-	(3,152,553)
Total Other Comprehensive Income		-	-	-	-
Participants Contributions for the year (New Loans)		-	-	-	-
Loans repaid from Equity		(612,753)	-	-	(612,753)
Transfer from / (to) Reserves	11	947,734	(947,734)	-	-
Balance as at 30 June 2012		47,135,063	2,908,444	8,256,592	58,300,099

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2012 Budget	2011
		\$	\$	\$
Cash Flows From Operating Activities				
Receipts				
Operating Grants, Subsidies and Contributions		3,540,312	3,547,971	11,428,353
Fees and Charges		16,228,384	17,082,972	14,993,613
Interest Earnings		886,044	540,000	259,372
Goods and Services Tax		1,828,650	2,192,755	2,080,343
Other Revenues		101,215	212,000	97,909
		<u>22,584,605</u>	<u>23,575,698</u>	<u>28,859,590</u>
Payments				
Employee Costs		(4,393,720)	(5,087,328)	(4,508,749)
Materials and Contracts		(8,457,203)	(9,485,055)	(11,041,345)
Utility Charges		(1,955,452)	(1,922,028)	(1,738,982)
Interest Expenses		(2,902,521)	(2,916,254)	(3,237,436)
Insurance Expenses		(1,219,392)	(1,352,615)	(683,787)
Goods and Services Tax		(2,461,423)	(2,192,755)	(1,447,614)
		<u>(21,389,711)</u>	<u>(22,956,035)</u>	<u>(22,657,913)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>1,194,894</u>	<u>619,663</u>	<u>6,201,677</u>
Cash Flows from Investing Activities				
Payments for Purchase of Information Technology Equipment	7	-	-	(5,387)
Furniture and Fittings	7	-	-	(6,621)
Plant and Equipment	7	(232,647)	(3,822,913)	(2,087,409)
Payments for Construction of RRRC Leasehold Improvements	7	-	(17,355,000)	(233,807)
Payments towards Capital Work-progress	7	(12,491,774)	-	(710,765)
Grants and Contributions for the Development of Assets		15,674,110	15,674,110	-
Proceeds from Sale of Plant and Equipment	25	-	-	46,182
Sale proceeds of investments	4	-	-	500,000
Net Cash Provided By (Used In) Investing Activities		<u>2,949,689</u>	<u>(5,503,803)</u>	<u>(2,497,807)</u>
Cash Flows from Financing Activities				
Repayment of Loans	31	(3,527,943)	(3,522,131)	(3,392,147)
Contributions from Project Participants for loan repayments		2,915,190	2,671,131	2,767,613
Proceeds from New Loans	31	-	1,500,000	-
Net Cash Provided By (Used In) Financing Activities		<u>(612,753)</u>	<u>649,000</u>	<u>(624,534)</u>
Net Increase (Decrease) in Cash Held		<u>3,531,830</u>	<u>(4,235,140)</u>	<u>3,079,336</u>
Cash and Cash Equivalents at Beginning of year	13(a)	7,968,573	7,968,573	4,889,237
Cash and Cash Equivalents at End of Year	13(a)	<u>11,500,403</u>	<u>3,733,433</u>	<u>7,968,573</u>

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



**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

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), Australian Accounting Interpretations, other authoritative pronouncements of Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations.

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

Critical Accounting Estimates

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

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

(b) The Local Government Reporting Entity

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

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, 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 18 to this financial report.

(c) Goods and Services Tax

Revenues, expenses and assets capitalised are stated net of any GST recoverable.

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

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

(d) Cash and Cash Equivalents

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

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) **Trade and Other Receivables**

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.

(g) **Fixed Assets**

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

Initial Recognition

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

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

Revaluation

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

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases in the same asset are charged against revaluation surplus directly in equity; all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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

Depreciation of Non-Current Assets

All non-current assets having a limited useful life where the cost / fair value exceeds \$2,000 for furniture, computer and electronic equipment, \$5,000 for vehicles, mobile plant and equipment, and \$10,000 for fixed plant and equipment, buildings and infrastructure assets are systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.



**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Depreciation of Non-Current Assets (Continued)

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

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

Major depreciation periods are:

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

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

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

(h) Financial Instruments

Initial Recognition and Measurement

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

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

Classification and Subsequent Measurement

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

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

Amortised cost is calculated as:

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

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

The effective interest method used is to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

(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.

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Council's management has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost.

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.



**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Impairment

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in profit or loss. Any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Derecognition

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

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

(i) Impairment

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

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

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

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

(j) Trade and Other Payables

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

(k) Employee Benefits

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

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Borrowing Costs

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

(m) Provisions

Provisions are recognised when

- a) The council has a present legal or constructive obligation as a result of past events,
- b) for which it is probable that an outflow of resources will be required to settle the obligation; and
- c) the amount has been reliably measured.

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

(n) Leases

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

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

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

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

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

(o) Grants, Donations and Other Contributions

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

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

(p) Superannuation

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



**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Current and Non-Current Classification

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

(r) Rates

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

(s) Participants Contribution

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

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

(t) Rounding of amounts

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

(u) Comparative Figures

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

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

(v) Budget Comparative Figures

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

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (w) New Accounting Standards and Interpretations for Application in Future Periods**
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 2012. Council's assessment of these new standards and interpretations is set out below:

S.No.	Title and topic	Issued	Applicable ⁽¹⁾	Impact
(i)	AASB 9 – Financial Instruments	Dec-09	1-Jan-13	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii)	AASB 1053 – Application of Tiers of Australian Accounting Standards	Jun-10	1-Jul-13	Nil – Due to its nature and statutory requirements the Council will be deemed a Tier 1 entity and will continue to prepare general purpose financial statements.
(iii)	AASB 2009 – 11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	Dec-09	1-Jan-13	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(iv)	AASB 2010 – 2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]	Jun-10	1-Jul-13	Nil – None of these amendments will have any effect on the financial report as the standard does not apply in the case of general purpose financial statements.
(v)	AASB 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	Dec-10	1-Jan-13	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(vi)	AASB 2010 – 8 Amendments to Australian Accounting Standards – Deferred Tax Recovery of Underlying Assets [AASB 112]	Dec-10	1-Jan-12	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
(vii)	AASB 2010 – 10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	Dec-10	1-Jan-13	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
(viii)	AASB 2011 – 2 Amendments to Australian Accounting Standards – Arising from the Trans – Tasman Consequence Project – Reduced Disclosure Requirements. [AASB 101 & AASB 1054]	May-11	1-Jul-13	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
	AASB 2011 – 3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to ABS GFS manual and related Amendments. [AASB 1049]	May-11	1-Jul-12	
	AASB 2011 – 6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, 128 & 131]	Jul-11	1-Jul-13	

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



**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

S.No.	Title and topic	Issued	Applicable ⁽¹⁾	Impact
(ix)	AASB 10 – Consolidated Financial Statements AASB 11 – Joint Arrangements AASB 12 – Disclosure of Interests in Other Entities AASB 127 – Separate Financial Statements AASB 128 – Investments in Associates and Joint Ventures AASB 2011 – 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 131, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	Aug-11	1-Jan-13	Nil – None of these amendments are expected to have significant application to the operations of the Council.
(x)	AASB 13 – Fair Value Measurement AASB 2011 – 8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	Sep-11	1-Jan-13	AASB 13 defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. AASB 13 requires:- Inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and enhanced disclosures regarding all assets and liabilities (including, but not limited to financial assets and financial liabilities) measured at fair value. AASB 13 will have particular relevance to the process of the Council adopting fair value methodology in relation to its fixed assets as mandated from 1 July 2012. Apart from the changes in value in relation to assets to be revalued (which are mandated by legislation and not changes to the standard) it is not expected to significantly impact the Council as the framework embodied in AASB 13 does not differ significantly from that which is present in existing standards.
(xi)	AASB 2011 - 9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	Sep-11	1-Jul-13	The main change embodied in this standard is the requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. It effects presentation only and is not expected to significantly impact the Council.
(xii)	AASB 119 – Employee Benefits AASB 2010 – 10 Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, 8, 101, 124, 134, 1049 & 2011 – 8 and Interpretation 14]	Sep-11	1-Jan-13	The changes in relation to defined benefit plans contained in this standard are not expected to significantly impact the Council nor are the changes to AASBs in relation to termination benefits.
(xiii)	AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	Sep-11	1-Jul-13	Nil – None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
	AASB 2011 – 12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]	Nov-11	1-Jan-13	
	AASB 2011 – 13 Amendments to Australian Accounting Standards – Improvements to AASB 1049	Dec-11	1-Jul-12	

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

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

AASB 124
AASB 1054
AASB 2009 – 12
AASB 2010 – 4
AASB 2010 – 5
AASB 2010 – 6
AASB 2010 – 9
AASB 2010 – 14
AASB 2011 - 1

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



SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

2 REVENUES AND EXPENSES

	2012	2011	
	\$	\$	
(a) Result from Ordinary Activities			
The Result from Ordinary Activities includes:			
(i) Charging as Expenses:			
Auditors Remuneration			
- Audit	17,000	13,000	
- Accounting Advice	11,500	3,000	
- Other Services	1,750	1,765	
	<u>30,250</u>	<u>17,765</u>	
Amortisation			
- Leasehold Improvements	1,311,384	1,276,918	
	<u>1,311,384</u>	<u>1,276,918</u>	
Depreciation			
Computer Equipment	23,780	50,915	
Furniture and Equipment	16,750	17,797	
Plant and Equipment	2,780,936	2,638,039	
Freehold Buildings	32,935	32,935	
	<u>2,854,401</u>	<u>2,739,686</u>	
Total Amortisation and Depreciation	<u>4,165,785</u>	<u>4,016,604</u>	
Rental Charges - Operating Leases	<u>837,743</u>	<u>828,726</u>	
(ii) Crediting as Revenues:			
	2012	2012	2011
	\$	Budget	\$
		\$	
Interest Earnings			
- Reserve Funds	199,417	95,000	154,736
- Other Funds	725,700	445,000	111,242
	<u>925,117</u>	<u>540,000</u>	<u>265,978</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

2. REVENUES AND EXPENSES (Continued)

(b) Statement of Objective

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

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

The objectives of the Regional Local Government shall be:

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

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

GOVERNANCE

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

COMMUNITY AMENITIES

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

	2012	2011
	\$	\$
(c) Conditions Over Grants / Contributions		
Grants which were recognised as revenues in the previous reporting period, which were not expended at the close of the previous reporting period :		
Glass Contamination Reduction Programme	10,000	10,000
Zero Waste Plan	76,462	76,462
	86,462	86,462
 Add: New Grants which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.		
Glass Contamination Reduction Programme	-	-
Zero Waste Plan	-	-
 Less: Grants which were recognised as revenues in the previous reporting period and which were expended in the current reporting period in the manner specified by the contributor.		
Glass Contamination Reduction Programme	-	-
Zero Waste Plan	-	-
 Closing Balance of Unspent Grants	86,462	86,462
 Comprises:		
Glass Contamination Reduction Programme	10,000	10,000
Zero Waste Plan	76,462	76,462
	86,462	86,462



SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$	2011 \$
3. CASH AND CASH EQUIVALENTS		
Cash on Hand	750	750
Cash at Bank	19,310	1,325,484
Call Deposits	1,760,000	2,114,852
Short Term Deposits	9,720,343	4,527,487
	<u>11,500,403</u>	<u>7,968,573</u>
Unrestricted	6,552,613	2,880,206
Restricted	4,947,790	5,088,367
	<u>11,500,403</u>	<u>7,968,573</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Unspent Grants	86,462	86,462
Unspent Loans	730,932	1,026,000
Retention and Bonds	1,221,952	119,727
Reserve Fund - RRRC Plant	2,303,444	2,606,577
Reserve Fund - RRRC Infrastructure	555,000	1,199,601
Reserve Fund - Conference Reserve	50,000	50,000
	<u>4,947,790</u>	<u>5,088,367</u>
4. INVESTMENTS		
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through profit or loss		
Balance as at beginning of the year	-	450,000
Additions during the year	-	-
Revaluations to Income Statement	-	(25,000)
Realised Income to Income Statement	-	75,000
Disposals during the year	-	(500,000)
Balance as at end of the year	<u>-</u>	<u>-</u>
5. TRADE AND OTHER RECEIVABLES		
Current		
Sundry Debtors	1,492,133	1,335,807
Accrued Income (refer note 27)	171,913	15,796,074
Prepaid expenses	74,028	74,028
GST Receivable	632,773	-
Loan Debtors - Project Participants	11,262,523	13,582,317
	<u>13,633,370</u>	<u>30,788,226</u>
Non-Current		
Loan Debtors - Project Participants	34,947,016	36,155,165
	<u>34,947,016</u>	<u>36,155,165</u>
6. INVENTORIES		
Stock on Hand - Fuel	20,314	15,499
Stock on Hand - RRRC Critical Spares	218,795	234,244
	<u>239,109</u>	<u>249,743</u>

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

	2012 \$	2011 \$
7. PROPERTY, PLANT AND EQUIPMENT		
RRRC Leasehold Improvements -at Fair Value	22,959,135	22,959,135
RRRC Leasehold Improvements -at Cost (In 2008 to 2011)	1,115,502	1,115,502
Less Accumulated Amortisation	<u>(6,342,069)</u>	<u>(5,030,685)</u>
At Fair Value & Cost less Accumulated Amortisation	17,732,568	19,043,952
Freehold Land and Buildings -at Fair Value	2,170,000	2,170,000
Freehold Land and Buildings -at Cost (In 2008 and 2009)	7,409	7,409
Less Accumulated Depreciation	<u>(166,695)</u>	<u>(133,760)</u>
At Fair Value & Cost less Accumulated Amortisation	2,010,714	2,043,649
Information Technology Equipment - at cost	474,203	474,203
Less Accumulated Depreciation	<u>(452,192)</u>	<u>(428,412)</u>
	22,011	45,791
Furniture and Equipment - at cost	298,329	298,329
Less Accumulated Depreciation	<u>(258,059)</u>	<u>(241,309)</u>
	40,270	57,020
Plant and Equipment - at cost	33,256,014	32,514,115
Less Accumulated Depreciation	<u>(17,243,635)</u>	<u>(14,462,699)</u>
	16,012,379	18,051,416
Capital Work-in-progress - at cost	12,735,685	753,163
Total Property, Plant and Equipment	<u>48,553,627</u>	<u>39,994,991</u>

Movements in carrying amounts

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

	Leasehold Improvements	Freehold Land and Buildings	Information Technology Equipment	Furniture and Equipment	Plant and Equipment	Capital Work- in-progress	Total Property, Plant and Equipment
Balance at the beginning of the year	19,043,952	2,043,649	45,791	57,020	18,051,416	753,163	39,994,991
Additions	-	-	-	-	232,647	12,491,774	12,724,421
Disposals (note 25)	-	-	-	-	-	-	-
Reclassification	-	-	-	-	509,252	(509,252)	-
Depreciation/Amortisation expense	(1,311,384)	(32,935)	(23,780)	(16,750)	(2,780,936)	-	(4,165,785)
Increase due to Revaluation at fair values	-	-	-	-	-	-	-
Carrying amount at the end of year	<u>17,732,568</u>	<u>2,010,714</u>	<u>22,011</u>	<u>40,270</u>	<u>16,012,379</u>	<u>12,735,685</u>	<u>48,553,627</u>

Freehold Land and Buildings and Leasehold improvements Valuation

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

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

	2012 \$	2011 \$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	1,864,421	1,979,459
Accrued Expenses	272,689	468,993
GST Payable	-	127,525
Accrued Salaries and Wages	394,658	127,175
Accrued Loan Interest	6,682	8,193
Retention and Bonds	<u>1,221,952</u>	<u>119,727</u>
	<u>3,760,402</u>	<u>2,831,072</u>



SOUTHERN METROPOLITAN REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2012

9. LONG TERM BORROWINGS	2012	2011
	\$	\$
Current		
Debentures	11,262,523	13,582,317
	<u>11,262,523</u>	<u>13,582,317</u>
Non Current		
Debentures	34,947,016	36,155,165
	<u>34,947,016</u>	<u>36,155,165</u>

Additional detail on Debentures is provided in Note 31.

The Council has two lending facilities for the following projects:

(a). The Regional Resource Recovery Centre Loan Limit \$ 55 M

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

Former / Present Participants limit of its share of the loan liability is as follows:

	2012	2011		
(i) Share of Former Participants				
City of Canning	27.98%	27.98%	12,424,513	13,411,530
			<u>12,424,513</u>	<u>13,411,530</u>
(ii) Share of Participants				
City of Cockburn	26.95%	26.95%	11,969,352	12,920,211
Town of East Fremantle	2.42%	2.42%	1,076,186	1,161,679
City of Fremantle	8.99%	8.99%	3,991,820	4,308,935
City of Melville	33.66%	33.66%	14,947,668	16,135,127
			<u>31,985,026</u>	<u>34,525,952</u>
			<u>44,409,539</u>	<u>47,937,482</u>

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

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

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

	2012	2011		
City of Cockburn	24.30%	24.30%	437,400	437,400
Town of East Fremantle	2.18%	2.18%	39,240	39,240
City of Fremantle	8.10%	8.10%	145,800	145,800
Town of Kwinana	7.57%	7.57%	136,260	136,260
City of Melville	30.34%	30.34%	546,120	546,120
City of Rockingham	27.51%	27.51%	495,180	495,180
			<u>1,800,000</u>	<u>1,800,000</u>

10. PROVISIONS

Current

Provision for Annual Leave	272,506	256,058
Provision for Long Service Leave	189,205	115,408
	<u>461,711</u>	<u>371,466</u>

Non Current

Provision for Long Service Leave	141,774	151,273
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The charge (credit) to the operating result for the movement in the provision for employee entitlements during the year was \$80,746 (2011- \$68,195).

SOUTHERN METROPOLITAN REGIONAL COUNCIL
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11. RESERVES- CASH BACKED

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

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

-to fund any shortfall in the MRF Operations Fixed Costs Budget 2011-12

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

-to fund any shortfall in the MRF Operations Fixed Costs Budget 2011-12

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

	2012 \$	2012 Budget \$	2011 \$
(a) RRRC Plant Reserve			
Balance as at 1 July	2,606,577	2,606,577	1,913,316
Transfers to Reserve	1,121,000	565,000	820,000
Transfers from Reserve	(1,424,133)	(2,048,333)	(126,739)
Balance as at 30 June	<u>2,303,444</u>	<u>1,123,244</u>	<u>2,606,577</u>
(b) RRRC Contingency & Development Reserve			
Balance as at 1 July	1,199,601	1,199,601	39,601
Transfers to Reserve	555,000	490,000	1,160,000
Transfers from Reserve	(1,199,601)	(1,199,601)	-
Balance as at 30 June	<u>555,000</u>	<u>490,000</u>	<u>1,199,601</u>
(c) Travel and Conference Reserve			
Balance as at 1 July	50,000	50,000	30,000
Transfers to Reserve	-	-	20,000
Transfers from Reserve	-	-	-
Balance as at 30 June	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Total Reserves- Cash backed	<u>2,908,444</u>	<u>1,663,244</u>	<u>3,856,178</u>

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

SUMMARY OF RESERVE TRANSFERS

Transfers To Reserves- Cash Backed

RRRC Plant Reserve	1,121,000	565,000	820,000
RRRC Contingency & Development Reserve	555,000	490,000	1,160,000
Travel and Conference Reserve	-	-	20,000
	<u>1,676,000</u>	<u>1,055,000</u>	<u>2,000,000</u>

SUMMARY OF RESERVE TRANSFERS

Transfers From Reserves- Cash Backed

RRRC Plant Reserve	(1,424,133)	(2,048,333)	(126,739)
RRRC Contingency & Development Reserve	(1,199,601)	(1,199,601)	-
Travel and Conference Reserve	-	-	-
	<u>(2,623,734)</u>	<u>(3,247,934)</u>	<u>(126,739)</u>

Net Reserve Movement (Cash Backed)	<u>(947,734)</u>	<u>(2,192,934)</u>	<u>1,873,261</u>
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12. ASSET REVALUATION RESERVE

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

(a) Freehold Land and Building

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

(b) Leasehold Improvements

Balance as at 1 July	7,830,880	7,830,880	7,830,880
Increments / (Decrements)	-	-	-
Balance as at 30 June	<u>7,830,880</u>	<u>7,830,880</u>	<u>7,830,880</u>

Total Asset Revaluation Reserve	<u>8,256,592</u>	<u>8,256,592</u>	<u>8,256,592</u>
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SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

13. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash

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

	2012 \$	2012 Budget \$	2011 \$
Cash on Hand	750	750	750
Cash at Bank	19,310	50,000	1,325,484
Call Deposits	1,760,000	682,683	2,114,852
Short Term Deposits	9,720,343	3,000,000	4,527,487
	<u>11,500,403</u>	<u>3,733,433</u>	<u>7,968,573</u>

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

Change in Net Assets Resulting from Operations	(3,152,553)	(4,397,954)	6,080,203
Add / (Less):			
Depreciation	4,165,785	4,202,954	4,016,604
(Profit)/Loss on Investments	-	-	(75,000)
(Profit)/Loss on Sale / Disposal of Asset	-	-	(32,076)
(Increase)/Decrease in Receivables	(839,048)	-	(1,758,452)
(Increase)/Decrease in Prepaid Expenses	-	(74,008)	(62,028)
(Increase)/Decrease in Inventories	10,634	9,743	(8,812)
Increase/(Decrease) in Creditors and Accruals	929,330	856,103	(2,051,957)
Increase/(Decrease) in Employee Provisions	80,746	22,825	68,195
Revaluations of Investments valued at fair value through profit or loss	-	-	25,000
Net Cash from Operating Activities	<u>1,194,894</u>	<u>619,663</u>	<u>6,201,677</u>

	2012 \$	2011 \$
(c) Credit Standby Arrangements		
Credit Card limit	20,000	20,000
Credit Card balance at reporting date	(5,459)	(1,960)
Total Amount of Credit Unused	<u>14,541</u>	<u>18,040</u>
(d) Loan Facilities		
Loan Facilities - Current	11,262,523	13,582,317
Loan Facilities - Non-Current	34,947,016	36,155,165
Total Facilities in Use at reporting date	<u>46,209,539</u>	<u>49,737,482</u>
Unused Loan Facilities at reporting date	<u>-</u>	<u>-</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$	\$
14. CAPITAL AND LEASING COMMITMENTS		
(a) Capital Expenditure Commitments		
Capital expenditure commitments contracted for as at the reporting date and which have not been recognised as liabilities in the Statement of Financial Position as follows:		
Regional Resource Recovery Centre Contracts	<u>4,775,801</u>	<u>34,740</u>
Payable:		
- not later than one year	<u>4,775,801</u>	<u>34,740</u>
	<u>4,775,801</u>	<u>34,740</u>
(b) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	779,053	766,544
- later than one year but not later than two years	671,785	725,973
- later than two years but not later than five years	2,307,176	1,964,819
- later than five years	13,000,000	14,000,000
	<u>16,758,014</u>	<u>17,457,336</u>
15. CONTINGENT LIABILITIES		
There were no claims or pending claims or any other contingent liabilities as at the reporting date. (2011- Nil)		
16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY		
Community Amenities	<u>108,873,525</u>	<u>115,156,698</u>
	<u>108,873,525</u>	<u>115,156,698</u>





SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$	2012 Budget \$	2011 \$
17. COUNCILLORS' REMUNERATION			
The following fees, expenses and allowances were paid to the Council members, the Chairman and Deputy Chairman.			
Meeting Fees	49,000	49,000	49,000
Chairman & Deputy Chairman Allowances	12,500	12,500	12,500
Other Allowances	12,000	12,000	6,000
Other reimbursements	-	2,500	-
	<u>73,500</u>	<u>76,000</u>	<u>67,500</u>

18. TRUST FUNDS

The Council does not have any trust funds on hand as at 30 June 2012. (As on 30 June 2011- Nil)

19. BUDGET COMPARISON

		2012 \$	2012 Budget \$
(a) Operating Income and Expenditure			
Recycling Facility Surplus / (Deficit)	1	(993,396)	(1,200,000)
Waste Composting Facility Surplus / (Deficit)	2	1,414,438	678,000
Green Waste Facility Surplus / (Deficit)	2	(5,282)	(113,000)
RRRC Administration	2	610,558	440,000
Depreciation on non-current assets		(4,165,785)	(4,202,954)
Others		(13,086)	-
		<u>(3,152,553)</u>	<u>(4,397,954)</u>

Comments - Reasons for variations from budgeted amounts:

1. Higher Interest income and savings in costs.
2. Operational efficiencies and savings in costs.

(b) Non Operating Income and Expenditure

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

Non Operating Income			
Loans raised	1	-	1,500,000
Loan Principal Contributions		2,915,190	2,671,131
Insurance Reimbursements		15,674,110	15,674,110
Non Operating Expenditure			
Principal repayment of loans		3,527,943	3,522,131
Construction/purchase of assets			
Plant and Equipment	2	232,647	3,822,913
Leasehold Improvements	2	-	17,355,000
Capital Work-in-progress	2	12,491,774	-

Comments - Reasons for variations from budgeted amounts:

1. Will be borrowed in FY 2012-13.
2. MRF rebuild expenditure carry forwarded to the FY 2012-13.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2012

20. MAJOR TRADING UNDERTAKING

REGIONAL RESOURCE RECOVERY CENTRE (RRRC), CANNING VALE

This project is undertaken on behalf of the SMRC's five participating councils. The \$55 m project funded by borrowings and payable over 10-20 years by the five participants, involves the construction of an administration and visitors centre, weighbridge, greenwaste processing and waste composting and recycling facility. Operating revenues is received from gate fees from participants / the private sector and sale of materials. Accounting for this undertaking is in accordance with the Local Government (Financial Management) Amendment Regulations 9 & 45.

STATEMENT OF COMPREHENSIVE INCOME

	2012	2011
	\$	\$
Revenues from Ordinary Activities		
Education & Marketing	227,703	217,864
RRRC Admin & Weighbridge	287,112	81,995
Recycling	823,908	2,980,797
Greenwaste	1,111,996	1,184,414
Waste Compost	15,068,252	13,669,127
Business Development	240,000	8,100
Waste Audit Service	21,401	-
Contributions for interest on loans	2,403,633	2,784,653
Profit on sale of Assets	-	28,000
MRF Insurance Reimbursements	-	6,451,283
	<u>20,184,005</u>	<u>27,406,233</u>
Less Expenses from Ordinary Activities		
Education & Marketing	187,421	147,983
RRRC Admin & Weighbridge	(259,770)	(335,678)
Recycling	1,828,544	1,387,556
Greenwaste	1,272,015	1,317,591
Waste Compost	17,425,606	15,660,614
Business Development	300,864	271,640
Waste Audit Service	126,528	115,758
	<u>20,881,208</u>	<u>18,565,464</u>
Less Borrowing Cost Expense		
RRRC Property	2,401,411	3,126,501
Net Profit or (Loss)	<u>(3,098,614)</u>	<u>5,714,268</u>

STATEMENT OF FINANCIAL POSITION

Current Assets		
Cash and Cash Equivalents	10,376,749	6,953,703
Trade and Other Receivables	11,588,771	30,649,163
Inventories	239,109	249,743
Total Current Assets	<u>22,204,629</u>	<u>37,852,609</u>
Non-Current Assets		
Trade and Other Receivables	34,947,016	34,355,165
Property, Plant and Equipment	28,766,394	18,855,522
Leasehold Improvements	17,732,568	19,043,952
Total Non-Current Assets	<u>81,445,978</u>	<u>72,254,639</u>
Total Assets	<u>103,650,607</u>	<u>110,107,248</u>
Current Liabilities		
Trade and Other Payables	3,353,213	2,633,866
Borrowings - current portion	9,462,523	13,582,317
Provisions	197,350	144,064
Total Current Liabilities	<u>13,013,086</u>	<u>16,360,247</u>
Non-Current Liabilities		
Borrowings - non-current portion	34,947,016	34,355,165
Provisions	107,480	97,444
Total Non-Current Liabilities	<u>35,054,496</u>	<u>34,452,609</u>
Total Liabilities	<u>48,067,582</u>	<u>50,812,856</u>
Net Assets	<u>55,583,025</u>	<u>59,294,392</u>
Equity		
Opening Balance	59,294,392	54,204,658
RRRC Participants Contribution towards Equity	-	-
Retained Surplus/(Deficit) for year	(3,098,614)	5,714,268
Less: Loans repaid from Equity	(612,753)	(624,534)
Total Equity	<u>55,583,025</u>	<u>59,294,392</u>



SOUTHERN METROPOLITAN REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2012

21. ECONOMIC DEPENDENCY

A significant portion of revenue is received from the members as contributions as disclosed in note 22 and also in form of RRRC Gate fees as indicated in the note 23.

22. GRANTS, SUBSIDIES AND CONTRIBUTIONS

	2012 \$	2011 \$
Grants, Subsidies and Contributions are included as in the Statement of Comprehensive Income		
By Programme:		
Governance		
Annual Member's Contributions	316,750	304,567
Reimbursements	11,402	29,125
Community Amenities		
Annual Member's Contributions	507,882	675,988
Member's Contributions towards interest	2,403,633	2,784,653
Grants	-	8,100
Insurance and Other Reimbursements	311,521	9,520,528
	<u>3,551,188</u>	<u>13,322,961</u>
By Nature or Type:		
Operating Grants, Subsidies and Contributions	3,551,188	6,871,678
Non-operating Grants, Subsidies and Contributions	-	6,451,283
	<u>3,551,188</u>	<u>13,322,961</u>

23. FEES AND CHARGES

Community Amenities		
RRRC Gate Fees	15,942,929	14,685,040
Sale of Products	420,380	165,811
Others	21,401	-
	<u>16,384,710</u>	<u>14,850,851</u>

24. FINANCIAL RATIOS

	2012	2011	2010
Current Ratio	1.432	2.035	1.624
Debt Ratio	0.465	0.461	0.508
Debt Service Ratio	0.269	0.266	0.278
Gross Debt to Revenue Ratio	1.935	1.993	2.307
Untied Cash to Trade Creditors Ratio	3.515	1.453	0.176
Gross Debt to Economically Realisable Assets Ratio	0.424	0.432	0.462

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.

Current assets minus restricted current assets

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.

Total liabilities
Total assets

Debt Service Ratio:

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

Debt Service Cost (Principal & Interest)
Available operating revenue

Gross Debt to Revenue Ratio:

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

Gross Debt
Total revenue

Untied Cash to Trade Creditors Ratio:

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

Untied Cash
Unpaid Trade Creditors

Gross Debt to Economically Realisable Assets Ratio:

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

Gross Debt
Economically realisable assets

SOUTHERN METROPOLITAN REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2012

25. DISPOSALS OF ASSETS - 2011/12 FINANCIAL YEAR

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

26. Rating Information

Being a Regional Council, no rates were raised during the year ended 30 June 2012 and in the year ended 30 June 2011.

27. MRF Fire Insurance Claims

The Accrued Income (Refer Note 5) as on 30 June 2011 included MRF fire damage claims of \$15,674,110. The amount was received during the current financial year.

28. City of Canning's withdrawal from the SMRC

- (a) Pursuant to a resolution of the City of Canning on 19 February 2009, the City of Canning, as a Participant under the Establishment Agreement and Project Agreements, gave notice of its intention to withdraw from the SMRC effective from 30 June 2010. In line with the Agreements the City of Canning withdrew from SMRC with effect from that date.
- (b) In accordance with the agreements, the City of Canning, as a Former Project Participant, shall continue to pay the borrowings until the borrowings have been repaid or satisfied. Accordingly the City of Canning will continue to pay their proportional loan liability of the RRRC Project as at 30 June 2012 at Note 9(a) amounting to \$12,424,513 (2011: \$13,411,530).
- (c) RRRC Project Agreement states that the assets acquired from borrowings are to be valued only when the borrowings are fully repaid. The appropriate share of City of Canning in these assets is valued at current book values. The share of City of Canning in these assets is still shown as a part of Equity as the City of Canning is not currently entitled for the amount as per the RRRC Project Agreement.

29. Notice by a Participant of an Intention to Withdraw from the SMRC

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

As required by the Office Accommodation Project, SMRC will prepare an amended Business Plan for the project having regard to the effect of the withdrawal of the City of Rockingham and will also arrive at amount payable or receivable from the City of Rockingham. This withdrawal is not expected to have any significant impact on the operations or on the financial position of the SMRC.

30. RRRC Licence

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

The main part of the conditions are relating to odour improvement or reduction management of the Centre and in particular, SMRC is required to install and commission, by 15 December 2012, a wet scrubbing or gas scrubbing system which is designed to achieve not less than 85% humidity in biofilter inlet gases. If this system is not installed by 15 December 2012, SMRC shall cease accepting waste for composting at the premises and only commence the reacceptance of putrescible waste at the premises for composting when the wet scrubbing or gas scrubbing system has been installed. Following the installation and commissioning of the wet scrubbing or gas scrubbing system, SMRC shall submit a compliance document to DEC certifying the system was constructed in accordance with the license conditions.

By 15 March 2013, SMRC shall submit an Ambient Odour Assessment Plan Report detailing the results of measuring the odour improvement within the community surrounding the Centre. Should odour emissions not be reduced to DEC's satisfaction after the completion of the actions in the licence, SMRC will need to submit a works approval for new primary/secondary pollution control equipment in April 2013.

Updates on the status of works required to comply with those conditions along with other information relating to the centre is available on SMRC's website for further reading.



**SOUTHERN METROPOLITAN REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2012**

31. INFORMATION ON BORROWINGS

(a) Loan Repayments

Particulars	Principal 1-Jul-11	New / Refinanced Loans	Interest Repayments		Principal Repayments		Principal 30 Jun 12
			Budget	Actual	Budget	Actual	
Community Amenities							
RRRC							
LOAN NO 1-23	1,349,973	-	83,770	83,770	99,878	99,878	1,250,095
LOAN NO 1-28	671,886	-	37,475	37,475	51,299	51,299	620,587
LOAN NO 1-29	669,867	-	36,706	36,706	51,396	51,396	618,471
LOAN NO 1-30	675,813	-	37,231	37,231	51,776	51,776	624,037
LOAN NO 1-31	1,377,389	-	77,095	77,095	105,062	105,062	1,272,327
LOAN NO 1-33	1,306,890	-	73,093	73,093	100,174	100,174	1,206,716
LOAN NO 1-34	1,451,544	-	45,020	45,020	1,451,544	1,451,544	-
LOAN NO 1-35	1,072,898	-	61,109	61,109	1,072,898	1,072,898	-
LOAN NO 1-37	2,005,288	-	110,530	110,530	178,669	178,669	1,826,619
LOAN NO 1-40	718,151	-	39,822	39,822	55,209	55,209	662,942
LOAN NO 1-41	734,880	-	42,814	42,814	55,725	55,725	679,155
LOAN NO 1-42	728,083	-	41,563	41,563	55,536	55,536	672,547
LOAN NO 1-43	1,291,128	-	73,714	73,714	101,254	101,254	1,189,874
LOAN NO 1-49	1,378,514	-	86,537	86,537	79,541	79,541	1,298,973
LOAN NO 1-50	815,444	-	50,070	50,070	47,457	47,457	767,987
LOAN NO 1-52	5,030,849	-	295,548	295,548	716,683	716,683	4,314,166
LOAN NO 1-53	1,363,378	-	85,626	85,626	78,807	78,807	1,284,571
LOAN NO 1-56	705,729	-	47,909	47,909	39,436	39,436	666,293
LOAN NO 1-57	704,452	-	47,822	47,822	39,364	39,364	665,088
LOAN NO 1-59	613,923	-	45,051	45,051	613,923	613,923	-
LOAN NO 1-60	1,308,714	-	90,838	90,838	93,799	93,799	1,214,915
LOAN NO 1-61	2,114,363	-	152,743	152,743	114,962	114,962	1,999,401
LOAN NO 1-62	1,717,791	-	89,457	89,457	105,855	105,855	1,611,936
LOAN NO 1-63	1,730,326	-	106,209	106,209	100,640	100,640	1,629,686
LOAN NO 1-64	789,136	-	47,525	47,525	46,237	46,237	742,899
LOAN NO 1-65	1,835,202	-	112,649	112,649	106,740	106,740	1,728,462
LOAN NO 1-66	3,446,527	-	214,298	214,298	199,355	199,355	3,247,172
LOAN NO 1-67	1,377,188	-	81,624	81,624	81,087	81,087	1,296,101
LOAN NO 1-68	1,344,016	-	81,478	81,478	78,507	78,507	1,265,509
LOAN NO 1-71	5,497,321	-	144,850	144,850	5,497,305	5,497,321	-
LOAN NO 1-72	2,110,819	-	55,618	55,619	2,110,819	2,110,819	-
LOAN NO 1-73	-	1,398,036	35,696	33,040	45,126	46,422	1,351,615
LOAN NO 1-74	-	5,329,931	136,464	125,964	173,479	176,979	5,152,952
LOAN NO 1-75	-	2,046,546	46,787	44,402	2,045,546	2,046,546	-
LOAN NO 1-76	-	1,571,752	-	-	-	-	1,571,752
LOAN NO 1-77	-	1,976,692	-	-	-	-	1,976,692
Office Accommodation							
LOAN NO 2-4	1,800,000	-	103,320	103,320	-	-	1,800,000
	49,737,482	12,322,957	2,918,061	2,902,521	15,845,088	15,850,900	46,209,539
Add: Accrued Interest			-	(1,511)			
Net Interest			2,918,061	2,901,010			
Less: Loans refinanced		12,322,957			12,322,957	12,322,957	
Net Borrowings / Repayments					3,522,131	3,527,943	

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

31. INFORMATION ON BORROWINGS (Continued)

(b) New / Refinanced 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 1-73 (Refinanced)	1,398,036	1,398,036	WATC	Debenture	11.00	429,587	4.71%	1,398,036	1,398,036	-
LOAN NO 1-74 (Refinanced)	5,329,931	5,329,931	WATC	Debenture	11.50	1,637,774	4.71%	5,329,931	4,598,999	730,932
LOAN NO 1-75 (Refinanced)	2,046,546	2,046,546	WATC	Debenture	0.50	44,401	4.30%	2,046,546	2,046,546	-
LOAN NO 1-76 (Refinanced)	1,571,752	1,571,752	WATC	Debenture	11.00	388,252	4.00%	1,571,752	1,571,752	-
LOAN NO 1-77 (Refinanced)	1,976,692	1,976,692	WATC	Debenture	0.50	35,836	3.59%	1,976,692	1,976,692	-
	12,322,957	12,322,957				2,535,850		12,322,957	11,592,025	730,932

(c) Unspent Loans

An amount of \$730,932 (2011- \$1,026,000) remained unspent out of the amount borrowed on the reporting date and is shown as a part of restricted cash.

(d) Overdraft

Council does not have an overdraft facility with its bankers.



SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

32. FINANCIAL RISK MANAGEMENT

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

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

Financial risk management is carried out by the finance area under policies approved by the Council.

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2012 \$	2011 \$	2012 \$	2011 \$
Financial Assets				
Cash and cash equivalents	11,500,403	7,968,573	11,500,403	7,968,573
Receivables	48,580,386	66,943,391	44,923,436	63,722,371
Financial assets at fair value through profit or loss	-	-	-	-
	<u>60,080,789</u>	<u>74,911,964</u>	<u>56,423,839</u>	<u>71,690,944</u>
Financial Liabilities				
Payables	3,760,402	2,831,072	3,760,402	2,831,072
Borrowings	46,209,539	49,737,482	42,552,589	46,516,462
	<u>49,969,941</u>	<u>52,568,554</u>	<u>46,312,991</u>	<u>49,347,534</u>

Fair value is determined as follows:

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

(a) Cash and Cash Equivalents

Financial assets at fair value through profit or loss

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

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

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

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

32. FINANCIAL RISK MANAGEMENT (continued)

(a) Cash and Cash Equivalents (continued)

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

	2012 \$	2011 \$
Impact of a 10% (*) movement in price of investments:		
- Equity	-	-
- Income Statement	- (+)	- (+)
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	178,890	49,285
- Income Statement	178,890	49,285

Notes:

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

(+) Maximum impact.

(b) Receivables

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

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

The Council makes suitable provision for doubtful receivables as required.

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

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

	2012	2011
Percentage of Receivables		
- Current	96.08%	99.50%
- Overdue	3.92%	0.50%



SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

32. FINANCIAL RISK MANAGEMENT (continued)

(c) Payables and Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2012</u>					
Payables	3,760,402	-	-	3,760,402	3,760,402
Borrowings	<u>13,702,644</u>	<u>30,487,064</u>	<u>10,519,692</u>	<u>54,709,400</u>	<u>46,209,539</u>
	<u>17,463,046</u>	<u>30,487,064</u>	<u>10,519,692</u>	<u>58,469,802</u>	<u>49,969,941</u>
<u>2011</u>					
Payables	2,831,072	-	-	2,831,072	2,831,072
Borrowings	<u>16,281,432</u>	<u>34,622,783</u>	<u>7,699,800</u>	<u>58,604,015</u>	<u>49,737,482</u>
	<u>19,112,504</u>	<u>34,622,783</u>	<u>7,699,800</u>	<u>61,435,087</u>	<u>52,568,554</u>

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

32. FINANCIAL RISK MANAGEMENT (continued)

(d) Payables and Borrowings (continued)

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs. Council manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

The following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	<u><1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
2012								
Borrowings								
Fixed Rate								
Debtentures	8,068,320	4,635,673	6,200,151	6,006,498	5,586,493	15,712,404	46,209,539	5.73%
Weighted Average Effective Interest Rate	5.45%	6.58%	6.02%	5.99%	6.03%	5.29%		
2011								
Borrowings								
Fixed Rate								
Debtentures	10,746,505	6,463,975	4,940,704	6,613,058	6,418,495	14,554,745	49,737,482	5.98%
Weighted Average Effective Interest Rate	5.53%	6.06%	6.58%	6.02%	5.99%	6.04%		



12 Independent Auditors Report



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

Report on the Financial Report

We have audited the accompanying financial report of the Southern Metropolitan Regional Council, which comprises the statement of financial position as at 30 June 2012, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Opinion

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

- a giving a true and fair view of the Council's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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

Report on Other Legal and Regulatory Requirements

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

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

Date: 8 October 2012
Perth, WA

UHY HAINES NORTON
CHARTERED ACCOUNTANTS


DAVID TOMASI
PARTNER



SOUTHERN METROPOLITAN REGIONAL COUNCIL

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