

Southern Metropolitan Regional Council

Annual Report & Accounts 2014-15



SOUTHERN METROPOLITAN
REGIONAL COUNCIL



City of Melville Rebranded Waste Truck

Contents

PAGE

The SMRC: Who We Are & What We Do	02
Chairman's Report	03
Regional Councillors	05
Corporate Governance	06
Committees established and appointed by the Council	07
Chief Executive Officer's Report	09
The Year in Review	11
Our Purpose and Principles	15
Key Points from the 2015 Community Perception and Stakeholder Surveys	16
Key Performance Indicators	16
Compliance	30
Financial Report	33
Independent Auditor's Report	71



“

Batteries and other hazardous waste shouldn't go in any bin. For drop off locations, download the free Recycle Right app.

”

Recycle Right Campaign 2015

The SMRC: Who We Are

The Southern Metropolitan Regional Council (SMRC) is a statutory local government authority established in 1991 by local governments in the southern metropolitan region of Perth.

Our member councils are: City of Cockburn, Town of East Fremantle, City of Fremantle, City of Kwinana, City of Melville

What We Do

We deliver innovative and sustainable waste management solutions for the benefit of our communities and the environment at the Regional Resource Recovery Centre (RRRC) in Canning Vale. There are three resource recovery facilities at the site which form the RRRC:

- **Waste Composting Facility:** Where contents of the green topped bin are processed and turned into compost
- **Materials Recovery Facility:** Where recyclable materials are collected from the yellow topped bin, before being sorted and sold to domestic and international markets
- **Green Waste Facility:** Where garden waste is collected and turned into mulch, before being sold to domestic markets



The region encompasses

340km²

within Perth's southern metropolitan area



Combined population over

288,000



Combined households over

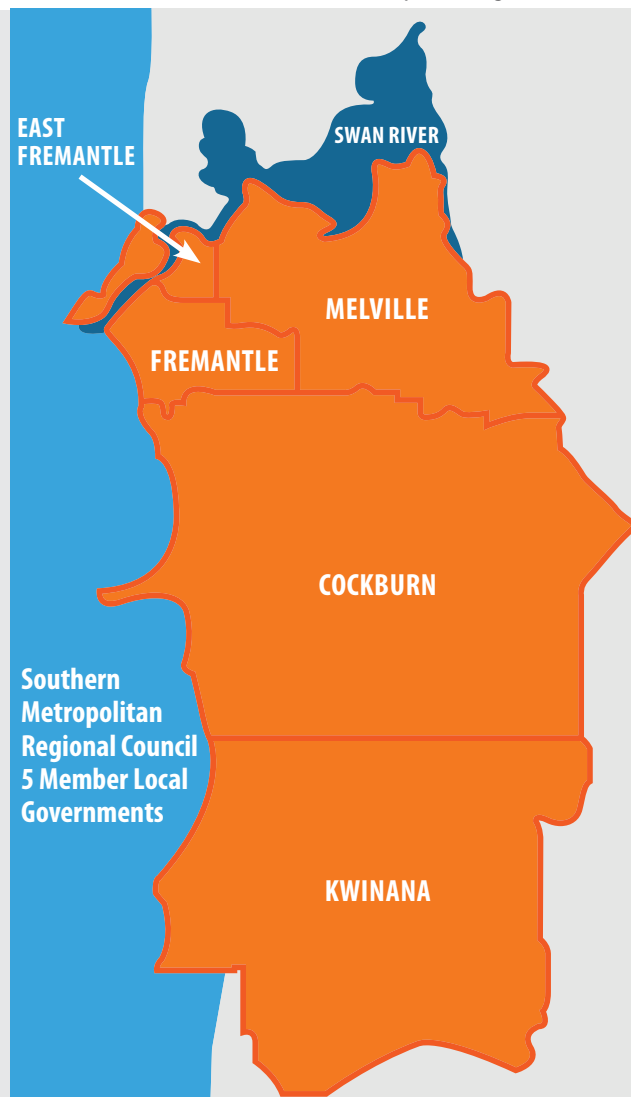
107,000



The SMRC operates the

\$100m

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



THE SMRC'S DIVERSION RATE FROM LANDFILL

... currently exceeding the targets set by the Waste Authority of 50% by 2015 and 65% by 2020. We are committed to continuing to be leaders in diversion of waste from landfill.

Enabling Legislation

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

Chairman's Report



Cameron Schuster, Chairman

On behalf of the SMRC Council, I am pleased to present the 2014/2015 Annual Report.

The 2014/2015 period has been significant for the SMRC with a continuation of the change processes that are going to continue in the waste industry in the coming years. This applies to not just the operating industry, in terms of new sustainable waste technologies, but also the policy environment and community attitudes. With significant change on the horizon, it is important for Council to remain vigilant and be prepared for any operational or structural change while continuing to serve its members.

With this in mind, the SMRC has identified the need for a robust future plan to ensure waste targets are met and the organisation remains sustainable, whilst responding to emerging technologies in the waste processing environment. A Regional Strategic Waste Management Plan was developed requiring intensive research. It is expected to be completed for consideration by Council in October 2015.

An example of our response to change is the potential sale by tender of the Materials Recovery Facility at Canning Vale. Following extensive consultation, sale to a private entity operating in the field was identified as an option to make the facility more commercially viable and reduce costs to members. A business plan will be prepared for public consultation and consideration by the Member Councils in October/November 2015.

On 30 June 2015 the SMRC received notification from the City of Cockburn of its intention to withdraw from Green Waste operations, requiring the Project Participants to agree to amend the Project Participants Agreement. This matter will

be considered by the project participant Councils in due course during 2015/16.

This year the SMRC responded to the *Waste Avoidance and Resource Recovery Act 2007* Review ["WARR Act"]. The WARR Act is the principal legislation for waste management in Western Australia. Potential issues and reforms included the collection and processing of waste, infrastructure planning and governance of waste groups. As part of this review, the SMRC supports the transition of the five metropolitan Regional Councils into three metropolitan waste groups. This could either use existing governance structures or a Regional Subsidiaries governance model. Outcomes of the review are eagerly awaited.

The SMRC's Waste Composting Facility (WCF) has a strong record of carbon emission reductions. This commenced with the Greenhouse Friendly (GF) programme during 2005-10, followed by the Carbon Farming Initiative (CFI) during 2010-12 and most recently, the Emissions Reduction Fund (ERF). The SMRC has successfully navigated the complex and various programme rules, external and internal audit regimes. To date we have sold almost 450,000 carbon credits worth \$3.4 million into both the voluntary and compliance markets, with a further 118,000 carbon credits over the next five years.

A significant achievement this year was successfully receiving a contract above the average price in the Emission Reduction Fund first round auction for Australian Carbon Credits. This recognised the ongoing work of the SMRC and member councils towards reducing greenhouse gas emissions by diverting organic waste from going to landfill. The net income from these credits, combined with legacy diversion from 2010-2012, is estimated to be \$1.6 million over the next five years.

Whilst planning for the future, the SMRC has enjoyed a successful year with many achievements. As can be seen in this report, we remain in a strong financial position, ultimately benefiting our members and their communities, while now managing to constrain cost increases for the SMRC's services. I am also pleased that the SMRC and its members continue to exceed the State Government's 2015 and 2020 landfill diversion targets by achieving an overall diversion rate of over 70% at all three facilities.

The SMRC looks forward to building on these successes, preparing for future challenges and continuing to deliver sustainable waste management solutions on behalf of the communities of its member councils.

In conclusion I wish to thank my Regional Council colleagues and the staff of the SMRC for the contribution they have made to ensuring a successful year for the SMRC.

“ TO DATE WE HAVE SOLD ALMOST
45,000 CARBON CREDITS WORTH
\$3.4 MILLION
INTO BOTH THE VOLUNTARY AND
COMPLIANCE MARKETS WITH A
FURTHER 118,000 CARBON CREDITS
OVER THE NEXT FIVE YEARS ”

Regional Councillors



Chair, Cr Cameron Schuster, City of Melville

Cameron was elected to the City of Melville in 2013 and subsequently to the SMRC where he was elected as Chair in October 2013. Cameron strongly supports the SMRC and its purpose and hopes to make a strong contribution to the efficient, safe and effective operations of the SMRC while ensuring the Regional Council continues to build strong and transparent bonds with its various community and organisational stakeholders. Achievements this year included the development of the Strategic Waste Management plan and preparations for the tender to purchase the SMRC's Materials Recovery Facility. Both will hold the SMRC in good stead in the years ahead.

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

with Greening Australia Limited and a member of the Governing Council of the Challenger Institute of Technology.

He is a member of the Australian Institute of Company Directors, a Graduate of the AICD Company Director's program and a Fellow of the Australian Institute of Management.

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



Deputy Chair, Cr Doug Thompson, City of Fremantle

Cr Thompson is currently Deputy Chairman of the Regional Council and has served on the SMRC as the Fremantle City Council representative since its beginning. He is

currently the longest serving Councillor with Fremantle, having given 25 years service to the City. He currently serves on the WALGA State Council and is the chair of the Municipal Waste Advisory Council. Cr Thompson has been instrumental in adopting best practice waste minimisation at the City of Fremantle and believes that working collectively towards environmentally responsible waste solutions is the most important issue for local government today. Throughout his time on the SMRC and Fremantle councils, he has made a significant contribution in facilitating cooperation between councils to achieve this end.



Cr Kevin Allen, City of Cockburn

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

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

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



Cr Michael McPhail, Town of East Fremantle

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

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

Michael is currently completing Honours in a BSc (Urban and Regional Planning) at UWA.



Cr Sandra Lee, City of Kwinana

Cr Lee has been serving the City of Kwinana since 2005. In 2007, Cr Lee became a member on the Regional Council. Cr Lee has a strong interest and commitment to Public Health particularly in the areas of Waste Management, Environmental Health and Community Education. Other portfolio areas at Council are Economic Development/ Built Environment, Natural Environment and Community Development.

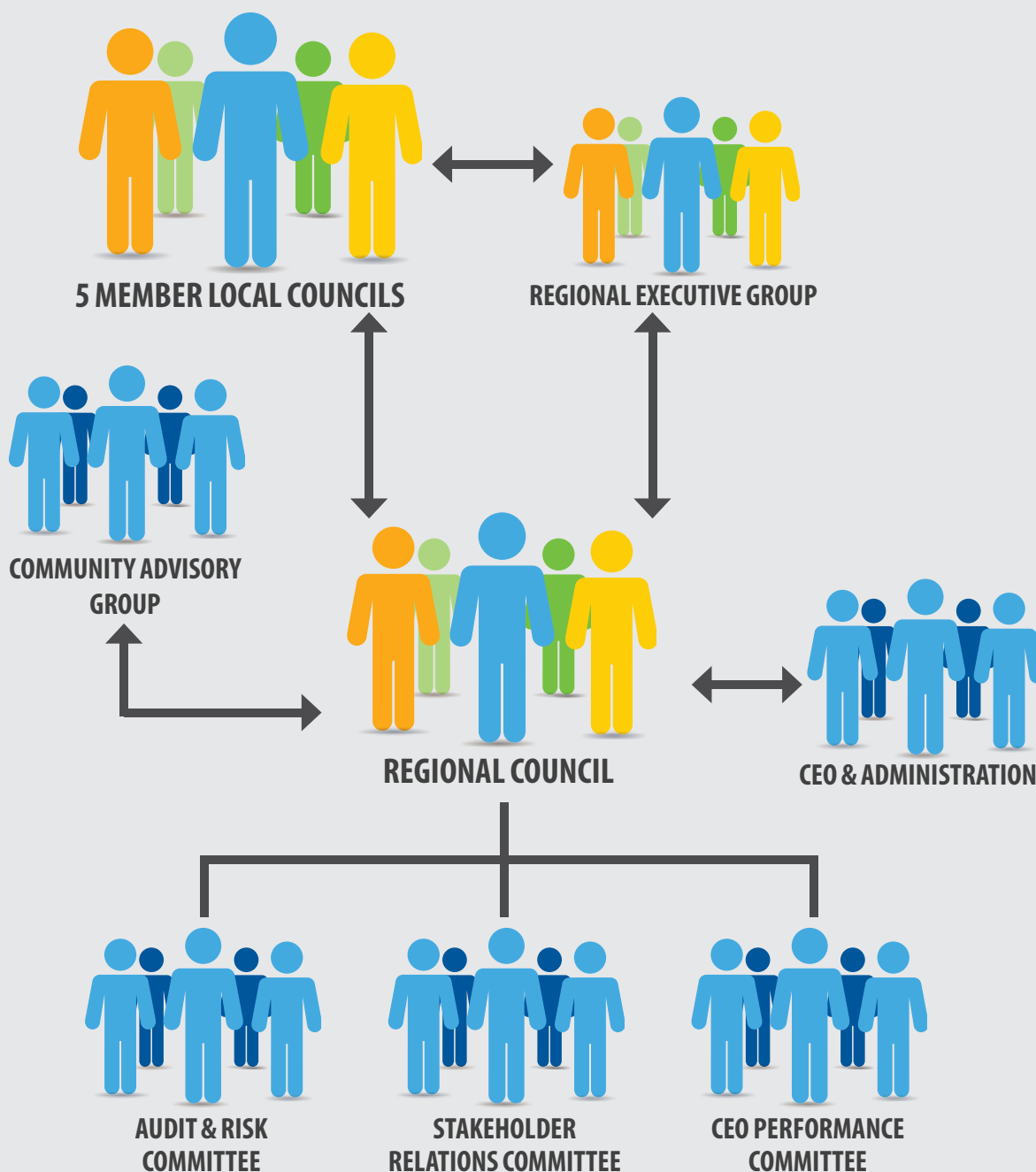
It is widely recognised by community leaders that landfill facilities are reaching full capacity. Therefore, Cr Lee believes it is desirable that waste which is generated by society be processed and recycled to produce sustainable outcomes to reduce the impact on the earth's natural resources. Thus ensuring valuable resources are saved to benefit future generations.

Cr Lee recognises the paramount importance that the SMRC's role plays in recycling various materials to assist in environmentally sustainable solutions and results.

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.



Committees established and appointed by the Council

Audit & Risk Committee

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

Membership of Committee

Chair: Cr Cameron Schuster

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

External Member of Public: Mr Phillip Draber

Stakeholder Relations Committee

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

Membership of Committee

Chair: Cr Michael McPhail

Members: Cr Michael McPhail, Cr Cameron Schuster, Cr Kevin Allen

External Member of Public: Mr Norman Holtzman

CEO Performance Review Committee

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

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

Regional Executive Group

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

SMRC Community Advisory Group

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

Operational Waste Managers Group

Consisting of operational waste managers from each member council, this group meets regularly to facilitate resources and information sharing, and to undertake joint inter-council projects such as waste audits and other cross regional projects.

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

Municipal Waste Advisory Council

Forum of Regional Councils

Waste Management Association of Australia

Australian Council of Recycling



Chief Executive Officer's Report



Tim Youé, Chief Executive Officer

In the past year, the SMRC has remained committed to its core functions to delivering sustainable waste management solutions for the benefit of its communities, member councils and the environment.

Operational performance at the Regional Resource Recovery Centre remains strong, with the overall diversion rate of waste from landfill continuing to exceed 70%. This is well above the state government target of 65% by 2020.

In recognition of improved environmental performance standards, the Waste Composting Facility Environmental Protection Act (1986) Licence was amended by the Department of Environmental Regulation (DER). From 1 April 2015 the facility was able to operate to a capacity of 109,200 tonnes per year, representing a 14.9% increase from the previous capacity of 95,000 tonnes.

Workplace safety for all staff and contractors remains a priority. In October 2014 SMRC commenced the process to have our safety management system comply with, and become accredited to, an internationally recognised standard. A review led to the adoption of AS/NZS 4801:2001 Occupational Health and Safety Management Systems.

The SMRC gained AS/NZS 4801:2001 accreditation in June 2015 and received two industry awards: a Gold Diligence in Safety Award from the Local Government Insurance Services (LGIS) and a Gold Certificate of Achievement from WorkSafe.

The Recycle Right waste education program continues to affect behaviour change in our catchment communities. With the support of the Waste Authority, Recycle Right activities ensure residents can make informed decisions at a household level to reduce, reuse and recycle their waste.

The Recycle Right brand received a boost this year, with a refreshed logo, new website domain name and significant updates to the app and website. Waste and recycling messages were displayed on public transport buses and waste collection trucks to target common household mistakes regarding source separation.

All of these achievements would not be possible without the valuable contributions of our management team, staff, member councils, Community Advisory Group, contractors, supporters and residents of the region. Thank you to these people for their dedication and commitment to the SMRC's vision.

As we continue our efforts to make a positive environmental impact, I look forward to another year of continuous improvement at the SMRC.

“ OPERATIONAL PERFORMANCE AT THE REGIONAL
RESOURCE RECOVERY CENTRE REMAINS STRONG,
WITH THE OVERALL DIVERSION RATE OF WASTE
FROM LANDFILL CONTINUING TO EXCEED
70 PER CENT ”

The Year in Review

July 2014

The SMRC met with the Office of Appeals Convenor to seek amendment of the Environmental Protection Act (1986) license for operations at the Waste Composting Facility.



The SMRC Healthier Workplace strategy continues to target employee health and wellbeing, with activities including healthy catering, health assessments, flu shots and vaccinations and education workshops and seminars.

August 2014

Upon invitation from City of Fremantle, SMRC CEO Tim Youé presented at the Energy from Waste Public Forum. Other speakers included the Chairman of the Waste Authority, General Manager of New Energy, Managing Director of Phoenix Energy and Lee Bell from the National Toxics Network.

The SMRC considers privatisation of the Materials Recovery Facility in the interests of making it more commercially viable. It is proposed that a business plan is prepared and advertised with details of the potential transaction.



September 2014

SMRC representatives attended the Waste and Recycle Conference 2014 in Fremantle. The Recycle Right education program was promoted with an information display and inclusion in the presentation program.

People at the Perth Royal Show were encouraged to Recycle Right when the SMRC partnered with Greenfingers to appear in the garden display. The compost used in the Greenfingers Garden was a blend of SMRC compost.



Recycle Right was Highly Commended in the Waste Authority's 2014 Infinity Awards in the Local Government Category.



The SMRC met with WALGA and other Regional Councils to discuss the establishment of a Municipal Waste Advisory Council (MWAC) Working Group, which incorporates the Forum of Regional Councils (FORC).

A new Performance Management Program was introduced for all SMRC staff.

October 2014

At the request of the SMRC the City of Canning authorised the closure of the Bannister Road Reserve until 31 December 2024.

Representatives of SMRC attended a Waste to Energy Workshop at the Town of Victoria Park.

November 2014

The SMRC celebrated achievements of the past year with a cocktail party at the RAAF Association of WA Aviation Heritage Museum in Bull Creek.



Recycle Right took part in Sustainability Week at Scitech Discovery Centre. Students learned about recycling and avoiding waste through the "Right or Rubbish" quiz.



In November and December seven segments were aired on Channel 9's Greenfingers TV, educating people about waste and recycling in their homes.



The SMRC supported Movember with seven staff participating in the fundraising campaign. A grand total of \$1710 was raised for men's health. These funds will help improve the lives of men affected by prostate cancer, testicular cancer and mental health issues.



December 2014

A Strategic Directions Forum was held to consider issues affecting the SMRC following the proposed Local Government Reform, including the future of waste disposal and regional waste strategies.

The SMRC initiated a review of its Competitive Neutrality position and developed a three-year information and communication technology strategic plan.

The SMRC attended the WA Local Government Association's Waste Avoidance and Resource Recovery (WARR) Act review forum.

All staff had the opportunity to participate in an Executive Health Assessment to check their cardiovascular disease risk factors and fitness. The assessment provided them with strategies to improve their health. 20 employees participated in the program.

The Year in Review (continued)

January 2015

\$132,000 in funding was received from the Waste Authority to implement a range of communication activities. These included bus and truck advertising, a virtual tour video, new projector for the education centre and an animated waste video.

February 2015



The Regional Resource Recovery Centre hosted 40 guests for a tour of its facilities. The visit formed part of a study tour for members of Compost Victoria and the Australian Organics Recycling Association (AORA).

Bush fire risk at the Regional Resource Recovery Centre was reviewed and an action plan was developed to mitigate any potential fire risk.

There were zero non-compliance items reported in the Department of Local Government Compliance Audit for the January to December 2014 period.

March 2015

Some households in the City of Kwinana participated in a rubbish bin research and education program which aimed to improve household recycling and bin contamination. The bin tagging project was coordinated by WALGA, co-branded Recycle Right and modelled on a similar program in South Australia.

MRA Consulting was awarded the tender to develop a Regional Strategic Waste Management Plan. With new sustainable waste management alternatives available, the Plan considers SMRC programs and policies. The Plan is the first step in a process to improve the sustainability, cost and performance of SMRC waste practices to continue to achieve the State's waste diversion targets.

April 2015

Approval was received from the Department of Environmental Regulation (DER) to amend the Environmental Protection Act (1986) license for operations at the Waste Composting Facility. From 1 April 2015 the facility was able to operate to a capacity of 109,200 tonnes per year. This represented a 14.9% increase from the previous capacity of 95,000 tonnes. The independent specialists Odour Unit reported, "the increase in throughput will not have a negative impact on biofilter emissions to atmosphere".

The SMRC successfully received a contract above the average price in the Emissions Reduction Fund first round auction. This recognises the significant contribution of the SMRC and its members towards reducing annual greenhouse gas emissions by diverting of organic waste from landfill.

The SMRC was recognised for its commitment to workplace safety, receiving two industry awards. These included the Gold Diligence in Safety Award from LGIS and a Gold Certificate of Achievement from WorkSafe. This is in addition to receiving AS ISO4801 accreditation, the benchmark used to assess Occupational Health & Safety Management systems.



The SMRC facilitated a meeting between Mission Australia and the Regional Executive Group regarding mattress recycling.

May 2015



The Recycle Right brand is updated with new colours to reflect the Waste Authority's preferred three bin colours. A new government domain name is launched: recycleright.wa.gov.au

recycleright.wa.gov.au

SMRC delegates participated in a study tour and attended the Energy from Waste City Summit in the United Kingdom.

SAI Global successfully audited the SMRC's Environmental Management System and continued certification was received.

Water saving measures were recognised at the RRRC when a Gold Award was received from the Water Corporation.

The SMRC commenced refurbishment of the Waste Composting Facility digesters as part of its long term maintenance program.

June 2015

Recycle Right visited the Avon Valley to educate children at local schools. This activity was run with funding from the Waste Authority's Regional Funding Program.



On behalf of the Waste Wise Schools program, the SMRC conducted audits of the waste and recycling streams of three primary schools and two high schools within the region. The audit provided data to assist in developing knowledge of the amount and type of wastes and recyclables generated by schools and to assess the effectiveness of waste minimisation strategies.

The annual Community Perception and Key Stakeholder surveys were conducted. The results assisted with performance evaluation and strategic decision making.

Recycle Right embarked on a large scale advertising campaign by displaying waste and recycling messages on public transport buses and waste collection trucks. Each message targeted a common household mistake, suggesting a simple solution.



Channel 7's WA Weekender lifestyle program featured Recycle Right in two segments.



Our Purpose and Principles

Our vision

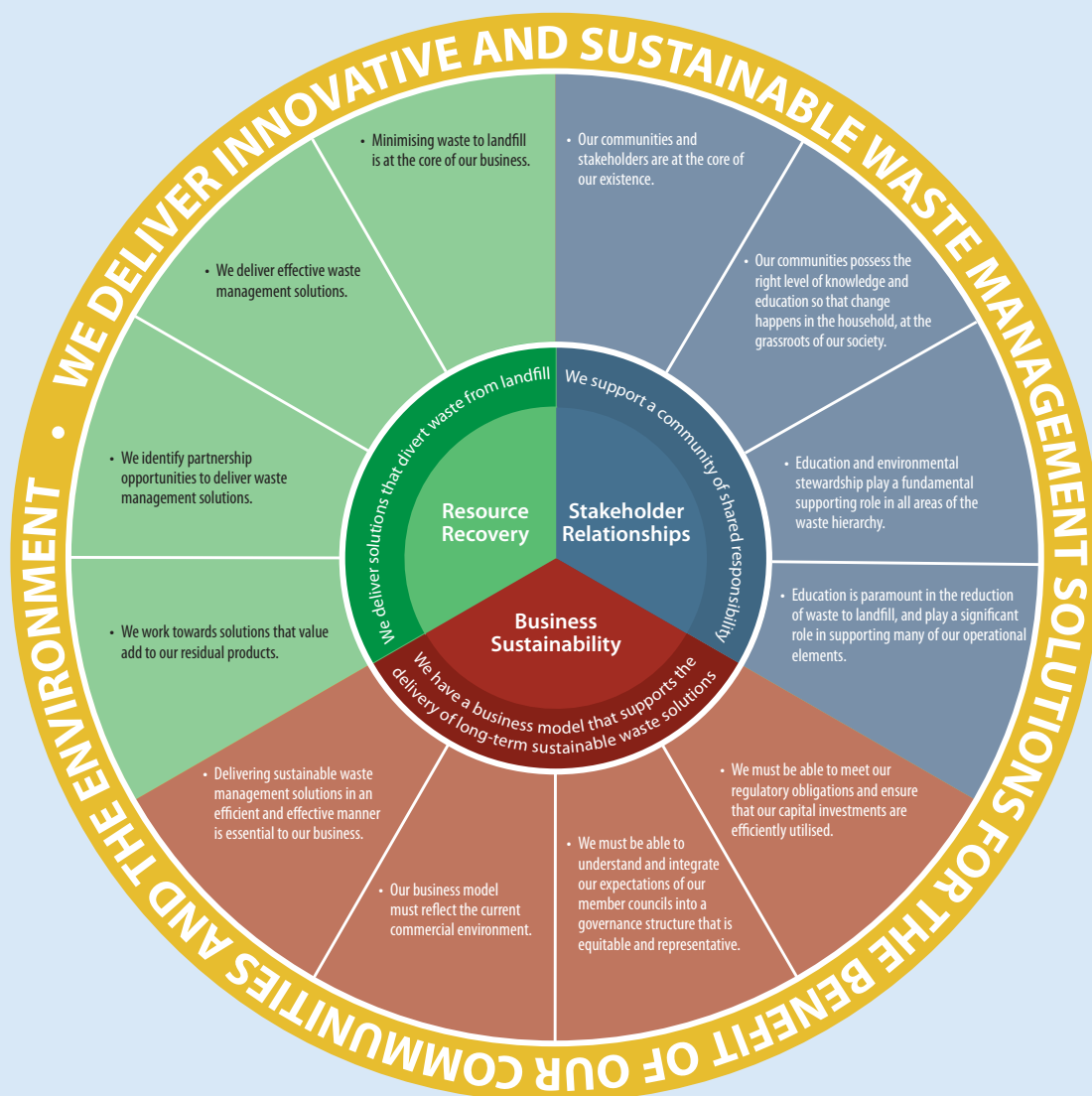
We deliver innovative and sustainable waste management solutions for the benefit of our communities and the environment.

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

Resource Recovery – We deliver solutions that divert waste from landfill

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

Stakeholder Relationships – We support a community of shared responsibility



Key Points from the 2015 Community Perception and Stakeholder Surveys

Community perception survey

The community indicated they would like the SMRC to focus on removing contaminants, recycling, reducing landfill and education.

52% want more information on waste collection via flyers / brochures in the mail

96% keep their waste calendar, mainly on the fridge

Compared to last year:

UP 16% More people put non-rinsed items in the recycling bin

DOWN 9% Less people put broken glass in the green topped bin

UP 11% More people take e-waste to drop off points

UP 23% 75% of residents near the RRRC said odour had little impact

Key stakeholder survey

Stakeholders indicated they want the SMRC to develop a long term, sustainable strategy for the future. They would like the SMRC to continue improving business efficiencies, waste management and community education.

Compared to last year:

73% of key stakeholders support the direction the SMRC is taking in relation to waste management (up 5%)

91% agree the SMRC is achieving its vision to lead waste management and resource recovery (up 7%)

77% are satisfied with SMRC and RRRC

Results were provided by Catalyse following extensive telephone and email surveys.

Community Perception Survey: 501 residents and 102 RRRC local residents
Key Stakeholder Survey: 22 respondents

Key Performance Indicators

Corporate Business Plan – 2014/15 Progress Report



Monitoring and Reporting

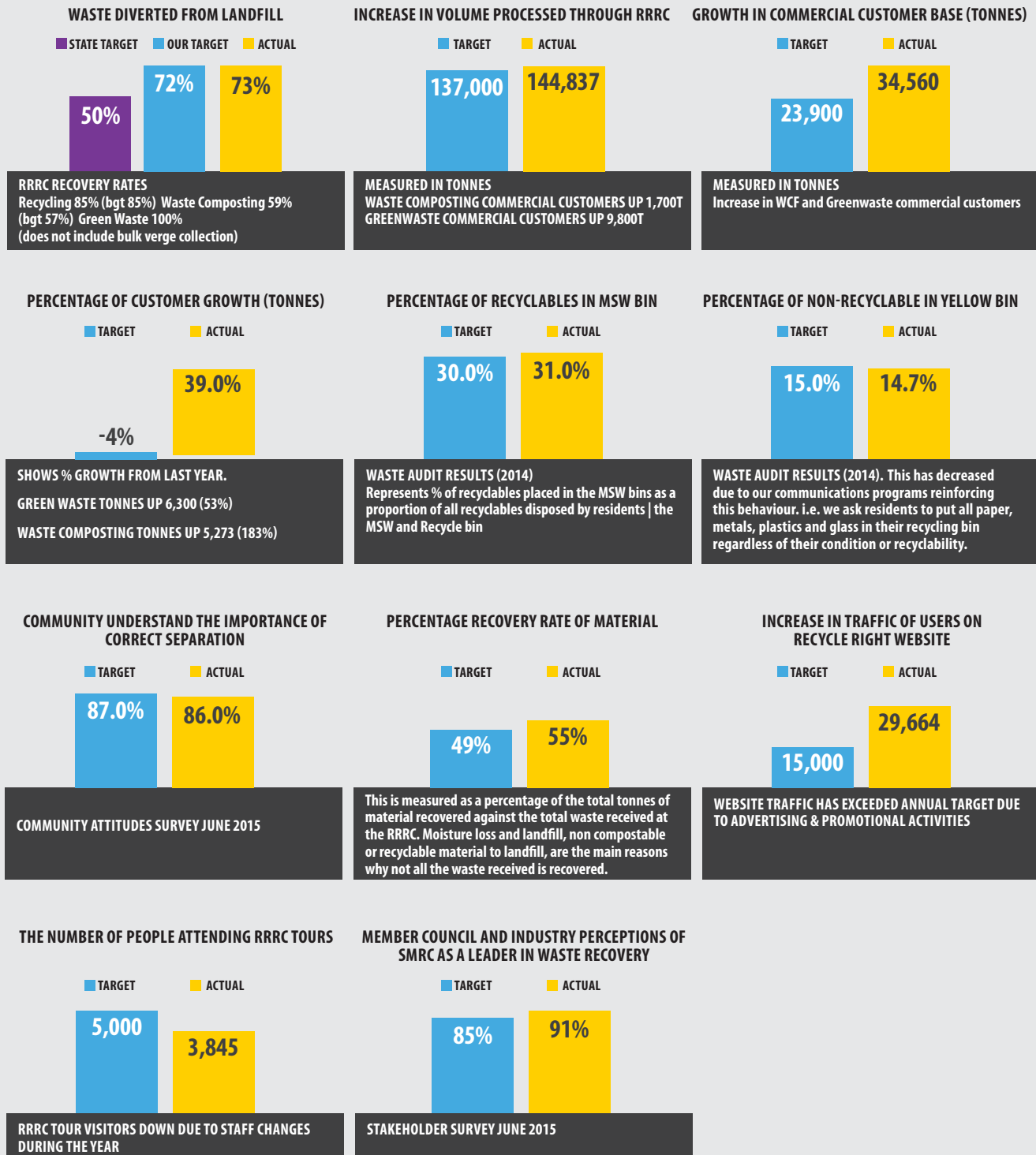
The Performance Indicators listed under each Focus Area will ensure that our progress can be measured, and that we are heading in the right direction.

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

Key Performance Indicators

Key Focus Area 1 – Resource Recovery

Our Vision: We deliver solutions that divert waste from landfill



Objective 1.1 – We will increase the volume of recyclable and recovered material

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2014/15
1.1.1 Expanding the sources from where we receive recovered material	a) Prepare a Business Case to support the receipt of commercial waste at the WCF, MRF, GWF facilities	CEO	SMRC revised Marketing Plan was adopted by Council on 24 August 2014 MRF Disposal Options and Business Plan.
	b) Apply for amended licence for WCF and GWF	Strategic Projects	Amended licence issued by DER
1.1.2 Extending our service offering to incorporate a wider catchment area and councils	a) Source new MRF and GWF waste streams from other local governments	CEO	Submission of tenders for the MRF. Increased commercial tonnes at the GWF by 9,800 tonnes.
1.1.3 Investigating new recycling opportunities to include streams such as e-waste, public place recycling and drop off services for problematic waste	a) Prepare Feasibility Study on establishing a drop off service for new recyclables (e.g. containers, e-waste) (1.3.2 & 2.2.3)	Strategic Projects	Strategic Regional Waste Management Plan recommendation No 18 & 19.
1.1.4 Educating our communities to understand the importance of correct waste separation	a) Implement the Recycle Right Program to provide consistent messaging / guidance to community groups and stakeholders on correct waste separation	Communications	Ongoing
	b) Promote the Recycle Right Program amongst member councils as the regional recycling initiative	Communications	The Recycle Right Plan website and App assist residents in each member council.
	c) Promote the Recycle Right Program to other customers	Communications	Ongoing



“Even broken glass should go in your yellow-topped bin.”

Recycle Right Campaign 2015

Key Performance Indicators

Objective 1.2 – We will ensure resources recovered are reused

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2014/15
1.2.1 Expanding the options for the sale/reuse of the recovered material	a) Continue to explore sustainable recycling markets	Strategic Projects	The SMRC regularly tests the market by inviting tenders for the purchase of recovered recyclables every 3 - 4 months Glass for beneficial reuse contract with Perth Bin Hire
	b) Work with State agencies, local governments, and commercial waste operators to identify uses for problematic materials	Strategic Projects	
1.2.2 Educating our communities to understand the importance of the use of recovered materials	a) Increase the number of tour groups going through the RRRC	Communications	3,845 persons in 2014/15 (2,324 2013/14)
	b) Develop an educational module for schools	Communications	Recycle Right Plan includes strategies and actions
	c) Promote the Recycle Right Program	Communications	Recycling Mobile App and Website

Objective 1.3 – We will continue to source and develop innovative options for the recovery of waste

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2014/15
1.3.1 Investigate the viability of new technologies for waste recovery	a) Evaluate the role of Waste to Energy for residual materials	CEO and Strategic Projects	SMRC Staff, Councillors & REG members have engaged in discussion and research
	b) Develop Future Options Plan for RRRC project	CEO	MRF Business Plan
	c) Work with Federal and State waste agencies, participate on working parties, research options	SMG and Strategic Projects	Relationship with Waste Authority and Department.
1.3.2 Investigate best use scenarios for current technology and site	a) Evaluate current site potential to provide improved resource recovery options (1.1.3 & 2.2.3)	Strategic Projects	

“
Place all plastics in
your yellow-top bin.”
”

Recycle Right Campaign 2015

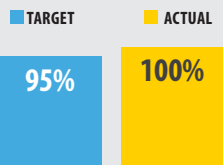


Key Performance Indicators

Key Focus Area 2 – Business Sustainability

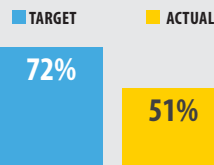
Our Vision: We have a business model that supports the delivery of long-term sustainable waste solutions

PLANT AVAILABILITY TO MEMBERS



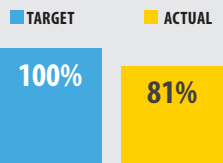
RRRC PLANT WAS 100% AVAILABLE TO MEMBERS FOR 2014/15

EXTENT TO WHICH ASSETS ARE BEING REPLACED



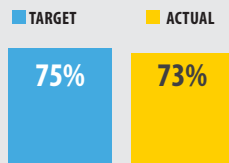
REASON FOR LOWER % IS DUE TO UNSPENT CAP EX EXPENDITURE PROGRAM. TARGET REPRESENTS 72% OF ANNUAL PLANT DEPRECIATION OF \$0.5M TO BE SPENT ON ASSET RENEWAL EXPENDITURE IN 2014/15. THE UNSPENT EXPENDITURE IS CARRIED FORWARD TO 2015/16

RATIO OF PLANNED TO UNPLANNED MAINTENANCE



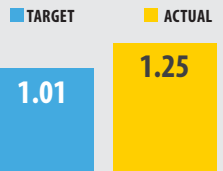
SCHEDULED WORK IS A MEASURE OF THE EXTENT TO WHICH THE MAINTENANCE WORK COMMENCE WITHIN EACH WEEK WAS PRE-PLANNED AND SCHEDULED

MEMBER COUNCILS SUPPORTING OUR DIRECTION



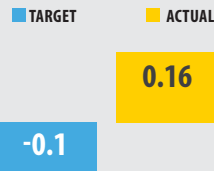
STAKEHOLDER SURVEY JUNE 2015

CURRENT RATIO



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

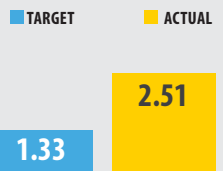
OPERATING SURPLUS RATIO



OPERATING REVENUE MINUS EXPENDITURE OVER OWN SOURCE OPERATING REVENUE (SMRC TARGET IS 0) LOCAL GOVERNMENT BENCHMARK IS 0 TO 15.0

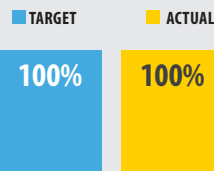


DEBT SERVICE COVER RATIO



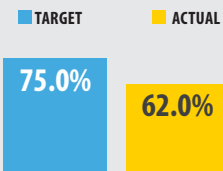
HIGHER OPERATING REVENUE HAS RESULTED IN A BETTER RATIO

ASSET RENEWAL FUNDING RATIO



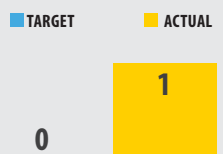
BASED ON 10 YEAR ASSET RENEWAL PLAN

EMPLOYEE SATISFACTION



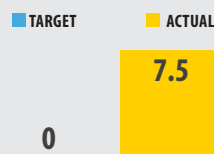
EMPLOYEE SURVEY OCTOBER 2014

NUMBER OF LOST TIME INCIDENTS



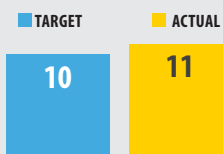
ONE LOST TIME INCIDENT REPORTED

LOST TIME INCIDENTS X 1,000,000 / HRS WORKED



BASED ON TWO LOST TIME INJURIES / YTD HOURS WORKED

EMPLOYEE TURNOVER



NUMBER OF EMPLOYEES WHO LEFT THE SMRC SINCE JULY 2014 (SMRC EMPLOYEES 75) (15% TURNOVER RATE)

Objective 2.1 – Our governance model supports an effective and efficient business model

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2014/15
2.1.1 Reviewing and improving our existing governance arrangements	a) Facilitate review of SMRC Establishment Agreement (2.3.2)	CEO	On hold during local government reform
	b) Prepare a briefing paper on viable alternative corporate structures	CEO	On hold during local government reform
2.1.2 Investigating alternative business delivery models to ensure our business practices are reflective of the commercial environment	a) Identify opportunities and investigate the feasibility of Public-Private-Partnerships and contracts	CEO	MRF review

Objective 2.2 – We deliver operational activities efficiently

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2014/15
2.2.1 Identifying and delivering process improvement opportunities	a) Undertake an Operational Process Improvement Review	Operations	Programs implemented – maintenance review; optimising digester operations; Electronic Document Records Management System
	b) Maintain Continuous Process Improvement	Operations	Waste Audits, Quality Assurance for recycled products, Bush Fire Management Plan, Environmental Management Systems
	c) Develop a plan to monitor the performance of key machinery via measuring output volume and input resource requirements i.e. electricity, water	Operations	Monitoring and managing water and electricity usage Gold Award in water savings measures recognised by the Water Corporation
2.2.2 Efficient management of our assets	a) Schedule and deliver an annual maintenance program for the assets	Operations	Implement Maintenance Review Program
	b) Develop and deliver a capital renewal plan as per the asset management and long term financial plans	Operations	Ongoing
2.2.3 Investigating alternative uses for our site and resources	a) Evaluate current site potential for alternative uses other than resource recovery (1.1.3 & 1.3.2)	Strategic Projects	

Objective 2.3 – Our MEMBERS COUNCILS ARE ENGAGED AND SUPPORT OUR DIRECTION

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2014/15
2.3.1 Engaging with member councils on a formal regular basis	a) Implement relevant components of the Communications Plan	SMG and Communications	Strategic Directions Forum held Dec 2014
2.3.2 Operating within an appropriate governance structure	a) Facilitate review of SMRC Establishment Agreement (2.1.1)	CEO	On hold during local government reform
	b) Regularly engage member council representatives in formal meetings	Corporate Services	Ongoing

Key Performance Indicators

Objective 2.4 – Our Business is financially viable and sustainable

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2014/15
2.4.1 Achieving consensus on existing and future waste processing services business models	a) Continuously evaluate costing and funding models for each activity of the business	Corporate Services	Ongoing
	b) As required, develop Business Plans for new projects	Corporate Services	MRF Disposal Options and Business Plan
2.4.2 Developing a sustainable long term resourcing plan	a) Review the LTFP annually	Corporate Services	Ongoing
	b) Review AMP annually	Operations	Ongoing
	c) Integrate the capital works requirements from the AMP with the LTFP	Corporate Services	Ongoing
	d) Implement the Debt Management Strategy and Reserve Fund Strategy	Corporate Services	Ongoing

Objective 2.5 – We value our human resources

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2014/15
2.5.1 Being a responsible and considerate employer	a) Review and implement Workforce Plan	Corporate Services	Ongoing
	b) Develop and implement a workforce attraction and retention policy	Corporate Services	Ongoing Healthier Workplace Program
	c) Review and implement Annual Staff Training Program based on organisational and professional needs	Corporate Services	Ongoing
2.5.2 Providing a safe working environment	a) Implement appropriate workplace training practices	Operations	Ongoing
	b) Review the OH&S Guidelines	Operations	Gold Diligence in Safety Award from LGIS, Gold Certificate of Achievement from WorkSafe & AS/NZA 4801 accreditation.
	c) Conduct regular workplace safety meetings	Operations	Ongoing
	d) Implement behaviour-based safety evaluations in performance assessments	Corporate Services	Incorporated into performance review process Employee STAR Values S afety T ogether A ttitude R esponsibility

Financial Performance

TOTAL OPERATING REVENUE OF **\$28.9m**

(\$28.1 million FY14). The reason for the increase in revenue is due to higher volumes of receipts and sales.

TOTAL OPERATING EXPENDITURE **\$30.0m**

(\$29.5 million FY14).

THE NET DEFICIT RESULT OF **\$1.1m**

includes depreciation charge of \$5.9 million.

The net result before depreciation is a

NET OPERATING SURPLUS OF **\$4.8m**

The surplus is used for principal loan repayments for the RRRC Material Recovery Facility, transfer to reserves and carried forward unspent expenditure to 15/16.

Cash Backed Reserves

THE RESERVE ACCOUNT'S CLOSING BALANCE OF **\$5.9m**

(\$4.6 million FY14) is for the purposes of funding asset renewal program, contingency & development initiatives, repair and replacement of damages or losses to RRRC assets up to 1 million, and provision for travel and conferences.

Borrowings

The SMRC has two borrowing arrangements with its participants:

1) RRRC PROJECT

OUTSTANDING BALANCE OF **\$26.7m**
(\$30.0 million FY14 and;

2) OFFICE ACCOMMODATION PROJECT

HEAD OFFICE BUILDING IN BOORAGOON **\$1.8m**
(\$1.8 million FY14)

LOANS RAISED DURING THE YEAR **\$0**

RRRC PROJECT LOANS REPAYD DURING THE YEAR AMOUNTED TO **\$3.3m**

(\$3.0 million FY14). The RRRC Project borrowings will be fully repaid by 30 June 2023.

Financial Position

NET ASSETS AS AT 30 JUNE 2015 WAS **\$54.6m**
(\$56.5 million FY14)

Reasons for the decrease are:

CURRENT ASSETS INCREASED BY **\$1.2m**

DEPRECIABLE PROPERTY ASSETS REDUCED BY **\$3.4m**

Key Performance Indicators

Financial Ratios

Current Ratio

Measures the liquidity position of a local government.

Ratio	Target	Actual	Comments
Dept of Local Government Advanced Benchmark	1.0 Higher is better	1.23	The SMRC is in a solvent position and has ability to meet its short term financial obligations out of unrestricted assets. (nb: Cash reserves are not included in the ratio)
$\frac{\text{Current assets minus restricted current assets}}{\text{Current liabilities minus restricted liabilities associated with restricted assets}}$ $\frac{\$21.5 - \$6.1}{\$12.7 - \$0.2} = \$15.4$ $\frac{\$21.5 - \$6.1}{\$12.7 - \$0.2} = \$12.5$ [Numbers taken from statement of financial position and cash and cash equivalents note]			

Asset Sustainability Ratio

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

Ratio	Target	Actual	Comments
Dept of Local Government Advanced Benchmark	1.10 Higher is better	0.17	The SMRC's annual depreciation charge is approx. \$6M. It includes assets that will never be replaced within the 20 year life of the project and therefore an annual replacement program of \$6M is not required. The estimated annual asset renewal program is \$2.5M
$\frac{\text{Capital renewal and replacement expenditure}}{\text{Depreciation Expense}}$ $\frac{\$1.0 \text{ million}}{\$5.9 \text{ million}}$ [Numbers taken from capital expenditure & statement of comprehensive income]			

Debt Service Cover

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

Ratio	Target	Actual	Comments
Dept of Local Government Advanced Benchmark	5.0 Higher is better	1.33	The RRRC Project loan is guaranteed and repaid by the Project Participants. Therefore this ratio is not a true measure for the SMRC.
$\frac{\text{Annual Operating Surplus before interest and depreciation}}{\text{Principal and Interest}}$ $\frac{(\$1.1) + \$1.6 + \$5.9}{\$3.3 + \$1.5} = \6.4 $\frac{(\$1.1) + \$1.6 + \$5.9}{\$3.3 + \$1.5} = \4.8 [Numbers taken from statement of comprehensive income and statement of cashflows]			

Operating Surplus Ratio

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

Ratio	Target	Actual	Comments
Dept of Local Government Advanced Benchmark	0.15 Higher is better	(0.04)	The reason for the SMRC's negative ratio is due to the financial structure of the SMRC. It does not budget to make a surplus or recover the annual \$6 million depreciation charge on its \$50 million assets as revenue from its participants, as the participants contribute separately towards the loan borrowings
$\frac{\text{Operating Revenue minus Operating Expenses}}{\text{Own source operating revenue}}$ $\frac{\$28.9 - \$30.0}{\$28.9} = (\$1.1)$ [Numbers taken from statement of comprehensive income by nature or type]			

Own Source Revenue Coverage Ratio

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

Ratio	Target	Actual	Comments
Dept of Local Government Advanced Benchmark	0.90 Higher is better	0.96	The SMRC does not receive revenue from government allocations or grants and generates 95% of its revenue for providing a service to its members and commercial customers.
$\frac{\text{Own source operating revenue}}{\text{Operating expense}}$ $\frac{\$28.9 \text{ million}}{\$30.0 \text{ million}}$ [Numbers taken from statement of comprehensive income by nature or type]			

Asset Consumption Ratio

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

Ratio	Target	Actual	Comments
Dept of Local Government Advanced Benchmark	0.75 Higher is better	0.79	Re-valuation and depreciation adjustments were last reviewed in 2013, therefore the SMRC exceeds the benchmark
$\frac{\text{Depreciated Replacement Cost of Depreciable Assets}}{\text{Current Replacement Cost of Depreciable Assets}}$ $\frac{\$43.5 \text{ million}}{\$55.3 \text{ million}}$ [Numbers taken from note 6 – Property, Plant & Equipment]			

Asset Renewal Funding

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

Ratio	Target	Actual	Comments
Dept of Local Government Advanced Benchmark	1.05 Higher is better	1.00	Required renewals are determined in the Asset Renewal Plan and are funded from the Plant Reserve Fund based on \$2m per annum
NPV of Planned Capital Renewals over 10 years NPV of Required Capital Expenditure over 10 years \$15.6 million NPV over 10 years \$15.6 million NPV over 10 years [Numbers drawn from Long Term Financial Plan (planned renewals) and Asset Management Plan (required renewals)]			



Pachamama Students Visiting the Education Centre at the RRRC

Key Performance Indicators

Key Focus Area 3 – Community and Stakeholder Relationships

Our Vision: We support a community of shared responsibility

DEVELOP RECYCLE RIGHT PLAN

TARGET ACTUAL

THE ACTION WAS COMPLETED IN 2013/14

TONNES OF GREENHOUSE GAS ABATED

TARGET ACTUAL

NO CHANGE FROM LAST YEAR

COMMUNITY IS AWARE OF THEIR RECYCLING EFFECTS IN REDUCING GREENHOUSE GASES

TARGET ACTUAL

COMMUNITY ATTITUDES SURVEY JUNE 2015

COMMUNITY FEEDBACK RESPONSE ANSWERED IN LESS THAN HRS:

TARGET ACTUAL

9 COMPLAINTS RECEIVED ON SMRC HOTLINE SINCE 1 JULY 2014
AVERAGE RESPONSE TIME IS 17 HOURS (INC NON WORKING DAYS) (COMPLAINTS NOT VERIFIED AS SMRC ODOUR)

THE SMRC BRAND IS POSITIVELY RECOGNISED BY OUR STAKEHOLDERS

TARGET ACTUAL

STAKEHOLDER SURVEY JUNE 2015

NUMBER OF SUBMISSIONS / POSITION PAPER PRESENTATION

TARGET ACTUAL

4 PRESENTATION:
1) WASTE EDUCATION - STATE WASTE & RECYCLING CONFERENCE SEPTEMBER 2014
2) MANAGING ODOUR RRRRC CASE STUDY – ENVIRO 14 CONFERENCE ADELAIDE – SEPTEMBER 2014
3) RECYCLE RIGHT RADIO INTERVIEW
4) SUBMISSION TO WARR ACT REVIEW

THE RECYCLE RIGHT BRAND IS POSITIVELY RECOGNISED

TARGET ACTUAL

COMMUNITY ATTITUDES SURVEY JUNE 2015

NUMBER OF PUBLIC EVENTS & CAG MEETINGS ATTENDED

TARGET ACTUAL

CHALLENGER TAFE OPEN DAY, BOOTH AT W&R CONFERENCE, ROTARY CRAWLEY, ROYAL SHOW, SUSTAINABLE LIVING EXPO, PALMYRA MARKETS, AND SCITECH SUSTAINABILITY WEEK, MURDOCH STUDENT CAREER DAY, GROWERS GREEN FARMERS MARKET, FREMANTLE PLASTIC FREE FESTIVAL, CELEBRATING SUSTAINABILITY IN THE EARLY YEARS EVENT, SCITECH SCIENCE COMMUNICATIONS EVENT, CSIRO SCIENCE AND MATHS TEACHERS EVENT, ROTARY GUEST SPEAKER, GREEN SKILLS TRAINING CENTRE EVENT, EARTH DAY EXPO, RAC RETIREES ASSOCIATION, ALCOA AND HONEYWELL SAFETY AND ENVIRONMENT MEETING, 12 X SCHOOL INCURSIONS, 5 X CAG MEETINGS



Objective 3.1 – We will reduce the community's greenhouse gas emissions from waste through behavioural change

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2014/15
3.1.1 Developing and implementing a successful community education program	a) Implement the Recycle Right Program to provide consistent messaging / guidance to the community	Communications	Implement Recycle Right Plan Mobile App and Website Discussions with WA Waste Authority regarding the potential for using the Recycle Right Programme as a consistent state-wide message in support of a State Waste Strategy communication and engagement objectives
	b) Promote the Recycle Right Program amongst member councils as the regional recycling initiative	Communications	Recycle Right Plan is the brand for waste education
	c) Actively pursue funding and partnership opportunities for educational programs	Communications	Successful Waste Authority Grants inc: 1. \$10,000 towards the production of 2 Channel 9 Greenfingers TV segments. 2. \$132,000 Engagement in Action funding program.
3.1.2 Partnering with complementary organisations to facilitate behavioural change towards waste management and resource recovery	a) Integrate waste behaviour change programs with member councils' sustainability strategies	Communications	Recycle Right Plan includes alignment between strategies used by member councils
	b) Engage with member councils' Education Officers and CAG	Communications	Regular meetings with Waste Educators and CAG
	c) Partner with the Waste Wise Schools Programs	Communications	Support Waste Wise school program with Recycle Right information kits/collateral school incursion program for Waste wise schools Promote 'Green fingers' TV segments
	d) Develop existing relationships with Waste Authority and Department for Environmental Regulation (DER)	Communications	Meetings with Ministers, DER and Waste Authority

Your green bin is composted. Organic material only please.

Recycle Right Campaign 2015



Key Performance Indicators

Objective 3.2 – We operate as a relevant and innovative organisation that is responsive to the community

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2014/15
3.2.1 Engaging with the community	a) Review and implement the Community Engagement Plan	Communications	Ongoing
	b) Implement and review the Recycle Right Plan	Communications	The Plan was adopted by Council in February 2015
	c) Continue to work with, and provide support to the CAG	Communications	Appointment of new members Facilitate CAG attendance at local events
3.2.2 Influencing Federal, State, and Local Governments in the development of regional and metropolitan waste management policies and legislation	a) Advocate for enhanced packaging design controls and extended producer responsibility for packaging and problematic materials	CEO	
	b) Advocate for legislation that limits the disposal of unprocessed municipal solid waste (MSW)	CEO	
	c) Lobby Federal, State, and Local Government on matters relating to prevailing council policies	CEO	

Objective 3.3 – Our brand is positively recognised by the community

STRATEGIES	ACTIONS	RESPONSIBILITY	PROGRESS 2014/15
3.3.1 Building a brand identity that focuses on sustainable waste solutions	a) Promote the SMRC brand at public events	Communications	Stalls at Waste and Recycling Conference, Royal Show, local community fairs
	b) Evaluate rebranding the SMRC	Communications	Deferred to 15/16
	c) Evaluate rebranding the RRRC	Communications	Deferred to 15/16
	d) Protect and promote the Recycle Right brand	Communications	Recycle Right trademark Licence Agreements with WALGA and others using the brand
3.3.2 Clearly articulating the environmental benefits we deliver to the broader community	a) Promoting the outcomes SMRC achieves through public and corporate communications	Communications	Monthly ENews Direct mail campaigns to local residents Leeming

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

Refer to this report for detail and performance reporting.

Register of Complaints in Relation to Minor Breaches by Councillors

In accordance with section 5.53(2)(hb) of the Local Government Act 1995, it is a requirement to report any complaints in relation to minor breaches by Councillors received during the year. There were no complaints reported for the period 1 July 2014 to 30 June 2015.

Payment to Employees

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

EMPLOYEE'S REMUNERATION	2015	2014
Salary Range \$	\$	\$
250,000 - 259,999 #	1	-
240,000 - 249,999 #	-	1
190,000 - 199,999	-	-
170,000 - 179,999 #	2	1
160,000 - 169,999 #	-	1
150,000 - 159,999	-	-
140,000 - 149,999 #	1	-
130,000 - 139,999	1	1
120,000 - 129,999	-	1
110,000 - 119,999	-	-
100,000 - 109,999	3	2
Total	8	7

Reason for change from previous year:

Employee receive cash vehicle allowance in lieu of council supplied car

NUMBER OF EMPLOYEES

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

75 75



The Staff Garden at the Regional Resource Recovery Centre

Compliance (continued)

National Competition Policy

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

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

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

The SMRC undertook a review of its legislative requirements under the National Competition Policy in 2014/15. The assessment has determined that, while RRRC's business activities meet the first criterion for the implementation of competitive neutrality principles they do not meet the Public Benefit Test. For this reason, and consistent with the requirements of the Competition Principles Agreement, SMRC is not required to implement any competitive neutrality principles to the operations of RRRC. The report is available on the SMRC website.

Regulatory Review

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

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

Statutory Compliance Return

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

Record-Keeping Plans

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

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

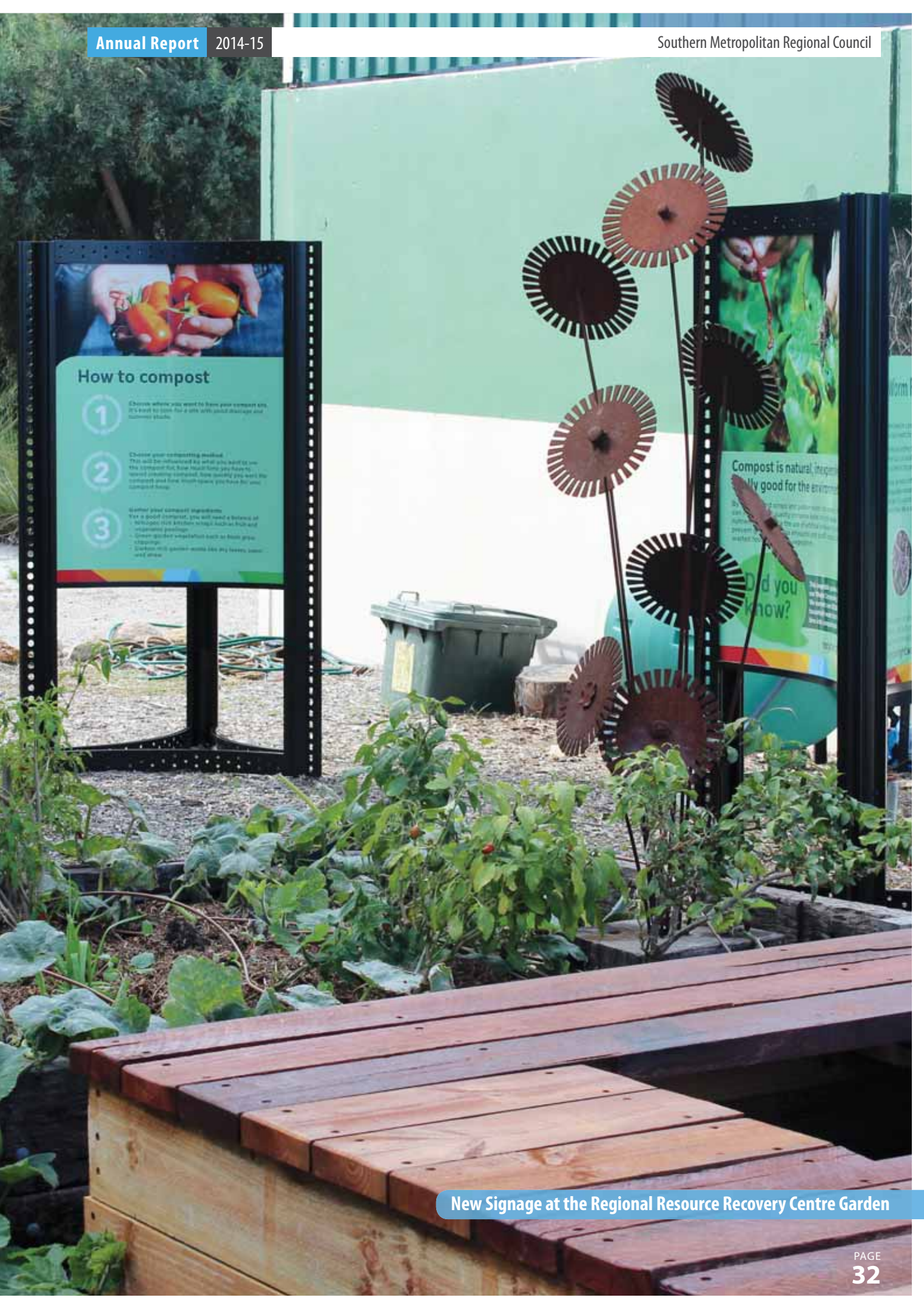
Disability Access & Inclusion Plan

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

Environmental Operating Licence

In March 2014, SMRC was granted a three-year operating Environmental Protection Act (1986) licence for the Regional Resource Recovery Centre, (RRRC) which requires renewal in 30 March 2017. The licence includes conditions, which are monitored and evaluated by the Department of Environment and Regulation (DER). The licence was amended in April 2015 increasing its annual waste composting facility throughput from 95,000t to 109,200t (the original design capacity). A full copy of the licence can be viewed on SMRC's website.

The RRRC is required to provide an audit compliance report on an annual basis to the Department of Environment and Regulation (DER). This is a legal requirement under part V of the Environmental Protection Act (1986) and stipulated as a condition in the RRRC operating licence. The report was forwarded to DER in November 2014.



New Signage at the Regional Resource Recovery Centre Garden

SOUTHERN METROPOLITAN REGIONAL COUNCIL
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

TABLE OF CONTENTS

Statement by Chief Executive Officer	34
Statement of Comprehensive Income by Nature or Type	35
Statement of Comprehensive Income by Program	36
Statement of Financial Position	37
Statement of Changes in Equity	38
Statement of Cash Flows	39
Notes to and Forming Part of the Financial Report	40 to 70
Independent Auditor's Report	71 to 72
Supplementary Ratio Information	73

SOUTHERN METROPOLITAN REGIONAL COUNCIL

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015


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 other information for the financial year ended 30 June 2015 are in my opinion properly drawn up to present fairly the financial position of the Southern Metropolitan Regional at 30 June 2015 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 as authorisation of issue on the 23rd day of September 2015



Tim Youe
Chief Executive Officer

SOUTHERN METROPOLITAN REGIONAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

BY NATURE OR TYPE

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 \$	2015 Budget \$	2014 \$
REVENUE				
Operating Grants, Subsidies and Contributions	21	2,476,010	2,392,506	3,181,068
Fees and Charges	22	26,096,526	26,827,078	24,594,781
Interest Earnings	2(a)	305,942	182,000	197,194
Other Revenues		69,814	180,550	109,405
		<u>28,948,292</u>	<u>29,582,134</u>	<u>28,082,448</u>
EXPENSES				
Employee Costs		(6,949,889)	(7,197,580)	(6,776,974)
Materials and Contracts		(12,621,668)	(14,011,259)	(11,022,136)
Utility Charges		(1,490,399)	(1,775,720)	(2,299,079)
Depreciation on Non-current Assets	2(a)	(5,938,508)	(6,515,130)	(5,789,083)
Interest Expenses	29	(1,511,753)	(1,512,494)	(1,740,867)
Insurance Expenses		(1,510,608)	(1,517,626)	(1,871,572)
		<u>(30,022,825)</u>	<u>(32,529,809)</u>	<u>(29,499,711)</u>
		(1,074,533)	(2,947,675)	(1,417,263)
Asset Revaluation Decrements				
Furniture & Equipment	6	0	0	(3,932)
NET RESULT		(1,074,533)	(2,947,675)	(1,421,195)
Other Comprehensive Income				
Asset Revaluation Increments				
Information Technology Equipment	6	0	0	1,336
Total Other Comprehensive Income		0	0	1,336
TOTAL COMPREHENSIVE INCOME		<u>(1,074,533)</u>	<u>(2,947,675)</u>	<u>(1,419,859)</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 2015

	Note	2015 \$	2015 Budget \$	2014 \$
REVENUE	2(a)			
Governance		319,500	319,500	262,421
Community Amenities		<u>28,628,792</u>	<u>29,262,634</u>	<u>27,820,027</u>
		28,948,292	29,582,134	28,082,448
EXPENSES EXCLUDING FINANCE COSTS	2(a)			
Governance		(285,865)	(392,500)	(222,062)
Community Amenities		<u>(28,225,207)</u>	<u>(30,624,815)</u>	<u>(27,536,782)</u>
		(28,511,072)	(31,017,315)	(27,758,844)
FINANCE COSTS	29			
Governance		(69,120)	(69,120)	(69,125)
Community Amenities		<u>(1,442,633)</u>	<u>(1,443,374)</u>	<u>(1,671,742)</u>
		(1,511,753)	(1,512,494)	(1,740,867)
Asset Revaluation Decrements				
Community Amenities	6	<u>0</u>	<u>0</u>	<u>(3,932)</u>
NET RESULT		(1,074,533)	(2,947,675)	(1,421,195)
Other Comprehensive Income				
Asset Revaluation Increments				
Community Amenities	6	<u>0</u>	<u>0</u>	<u>1,336</u>
Total Other Comprehensive Income		0	0	1,336
TOTAL COMPREHENSIVE INCOME		<u>(1,074,533)</u>	<u>(2,947,675)</u>	<u>(1,419,859)</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 2015

	Note	2015 \$	2014 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	10,683,666	8,340,081
Trade and Other Receivables	4	10,375,939	11,491,770
Inventories	5	422,803	300,981
TOTAL CURRENT ASSETS		21,482,408	20,132,832
NON-CURRENT ASSETS			
Other Receivables	4	20,434,470	23,194,760
Property, Plant and Equipment	6	45,957,123	49,371,436
TOTAL NON-CURRENT ASSETS		66,391,593	72,566,196
TOTAL ASSETS		87,874,001	92,699,028
CURRENT LIABILITIES			
Trade and Other Payables	7	3,825,610	3,648,131
Current Portion of Long-term Borrowings	8	8,029,062	8,566,863
Provisions	9	826,677	677,459
TOTAL CURRENT LIABILITIES		12,681,349	12,892,453
NON-CURRENT LIABILITIES			
Long-term Borrowings	8	20,434,470	23,194,760
Provisions	9	155,258	113,908
TOTAL NON-CURRENT LIABILITIES		20,589,728	23,308,668
TOTAL LIABILITIES		33,271,077	36,201,121
NET ASSETS		54,602,924	56,497,907
EQUITY			
Retained Surplus		35,815,325	39,034,331
Reserves- Cash Backed	10	5,905,235	4,581,212
Revaluation Surplus	11	12,882,364	12,882,364
TOTAL EQUITY		54,602,924	56,497,907

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 2015

	Note	Retained Surplus	Reserves Cash Backed	Revaluation Surplus	Total Equity
		\$	\$	\$	\$
Balance as at 1 July 2013		42,385,141	2,494,187	12,881,028	57,760,356
Comprehensive Income					
Net Result		(1,421,195)	0	0	(1,421,195)
Changes on Revaluation of Non-current Assets		0	0	1,336	1,336
Total Comprehensive Income		(1,421,195)	0	1,336	(1,419,859)
Participants Contributions for the Year (New Loans)		800,000	0	0	800,000
Past Participant's Contribution on Withdrawal		(187,122)	187,122	0	0
Loans Repaid from Equity		(642,590)	0	0	(642,590)
Transfer from / (to) Reserves	10	(1,899,903)	1,899,903	0	0
Balance as at 30 June 2014		39,034,331	4,581,212	12,882,364	56,497,907
Comprehensive Income					
Net Result		(1,074,533)	0	0	(1,074,533)
Total Comprehensive Income		(1,074,533)	0	0	(1,074,533)
Loans Repaid from Equity		(820,450)	0	0	(820,450)
Transfer from / (to) Reserves	10	(1,324,023)	1,324,023	0	0
Balance as at 30 June 2015		35,815,325	5,905,235	12,882,364	54,602,924

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 2015

	Note	2015	2015 Budget	2014
		\$	\$	\$
Cash Flows From Operating Activities				
Receipts				
Operating Grants, Subsidies and Contributions		3,084,526	3,104,121	2,456,433
Fees and Charges		26,047,152	25,663,809	24,757,734
Interest Earnings		268,130	182,000	197,194
Goods and Services Tax		2,686,167	2,700,000	1,947,561
Other Revenues		72,037	180,550	109,405
		<u>32,158,012</u>	<u>31,830,480</u>	<u>29,468,327</u>
Payments				
Employee Costs		(6,759,417)	(7,192,180)	(6,665,992)
Materials and Contracts		(12,513,231)	(13,916,923)	(12,405,960)
Utility Charges		(1,490,399)	(1,775,720)	(2,299,079)
Interest Expenses		(1,512,493)	(1,506,847)	(1,741,135)
Insurance Expenses		(1,510,608)	(1,493,598)	(1,871,572)
Goods and Services Tax		(2,683,634)	(2,700,000)	(1,988,856)
		<u>(26,469,782)</u>	<u>(28,585,268)</u>	<u>(26,972,594)</u>
Net Cash Provided By Operating Activities	12(b)	<u>5,688,230</u>	<u>3,245,212</u>	<u>2,495,733</u>
Cash Flows from Investing Activities				
Payments for Purchase of				
Information Technology Equipment	6	(62,025)	(181,692)	(2,500)
Furniture and Fittings	6	(3,338)	(3,338)	0
Plant and Equipment	6	(900,381)	(3,326,342)	(384,173)
Payments for Construction of				
RRRC Leasehold Improvements	6	(93,943)	(317,317)	(833,190)
Payments towards Capital Work In Progress	6	(1,464,508)	0	(160,079)
Net Cash Used In Investing Activities		<u>(2,524,195)</u>	<u>(3,828,689)</u>	<u>(1,379,942)</u>
Cash Flows from Financing Activities				
Repayment of Loans	29	(3,298,091)	(3,298,091)	(2,987,284)
Contributions from Project Participants for Loan Repayments		2,477,641	2,477,641	2,344,694
Proceeds from New Loans	29	0	0	800,000
Net Cash Provided By (Used In) Financing Activities		<u>(820,450)</u>	<u>(820,450)</u>	<u>157,410</u>
Net Increase / (Decrease) in Cash Held		<u>2,343,585</u>	<u>(1,403,927)</u>	<u>1,273,201</u>
Cash and Cash Equivalents at Beginning of Year	12(a)	8,340,081	8,340,081	7,066,880
Cash and Cash Equivalents at End of Year	12(a)	<u>10,683,666</u>	<u>6,936,154</u>	<u>8,340,081</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 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

Critical Accounting Estimates

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

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

The Local Government Reporting Entity

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

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

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

(b) Goods and Services Tax

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

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

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

(c) Cash and Cash Equivalents

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

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) **Trade and Other Receivables**

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

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

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

(e) **Inventories**

Inventories are measured at the lower of cost and net realisable value.

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

(f) **Fixed Assets**

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

Mandatory Requirement to Revalue Non-Current Assets

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

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

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

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

(i) that are plant and equipment; and

(ii) that are –

(I) land and buildings; or

(II) infrastructure;

and

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

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

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

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) **Fixed Assets (Continued)**

Initial Recognition and Measurement between Mandatory Revaluation Dates

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

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

Revaluation

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

Depreciation

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

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

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

Major depreciation periods used for each class of depreciable asset are:

Computer Equipment	3 to 5 years
Furniture and Equipment	5 to 10 years
Plant and Equipment	4 to 20 years
Leasehold Improvements	10 to 50 years
Freehold Buildings	40 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) **Fixed Assets (Continued)**

Capitalisation Threshold

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

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

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

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

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

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

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

Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Council gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability and considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

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

(h) **Financial Instruments**

Initial Recognition and Measurement

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

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

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Classification and Subsequent Measurement (continued)

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

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

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

(ii) *Loans and receivables*

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

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

(iii) *Held-to-maturity investments*

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

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

(iv) *Available-for-sale financial assets*

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

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

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

(v) *Financial liabilities*

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

Impairment

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) **Financial Instruments (Continued)**
Impairment (continued)

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

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

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

Derecognition

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

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

(i) **Impairment**

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

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

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

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

(j) **Trade and Other Payables**

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) **Employee Benefits**

Short-Term Employee Benefits

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

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

Other Long-Term Employee Benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations or service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

(l) **Borrowing Costs**

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

(m) **Provisions**

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

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

(n) **Leases**

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

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

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) **Leases (Continued)**

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

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

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

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

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

(p) **Superannuation**

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

(q) **Current and Non-Current Classification**

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

(r) **Rates**

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

(s) **Participants Contribution**

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

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

(t) **Rounding Off Figures**

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar.

(u) **Comparative Figures**

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) **Comparative Figures (Continued)**

When the Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(v) **Budget Comparative Figures**

Unless otherwise stated, the budget comparative figures shown in this annual 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 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

S. No.	Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i)	AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the Standard will have any material effect.
(ii)	AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	September 2012	1 January 2018	Nil – The revisions embodied in this Standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(iii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effect of this Standard will depend upon the nature of future transactions the Council has with those third parties it has dealings with. It may or may not be significant.
(iv)	AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative date: Part C Financial Instruments – 1 January 2015]	December 2013	Refer title column	Part C of this Standard makes consequential amendments to AASB 9 and numerous other Standards and amends the permissions around certain applications relating to financial liabilities issued at fair value. As the bulk of changes relate either to editorial or reference changes it is not expected to have a significant impact on the Council.
(v)	AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	August 2014	1 January 2016	This Standard amends AASB 11: Joint Arrangements to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Council's financial statements.
(vi)	AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]	August 2014	1 January 2016	This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. Given the Council currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.

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 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

S. No.	Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(vi)	AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	Consequential changes to various Standards arising from the issuance of AASB 15. It will require changes to reflect the impact of AASB 15.
(vii)	AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1040]	January 2015	1 January 2016	This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column. It is not anticipated it will have any significant impact on disclosures.
(ix)	AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality	January 2015	1 July 2015	This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing it to be completely withdrawn. It is not anticipated it will have a significant impact as the principles of materiality remain largely unchanged.
(x)	AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1040]	March 2015	1 July 2016	The objective of this Standard is to extend the scope of AASB 124 Related Party Disclosures to include not-for-profit sector entities. The Standard is expected to have a significant disclosure impact on the financial report of the Council as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.

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

(x) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

AASB 2011-7
AASB 2012-3
AASB 2013-3
AASB 2013-8
AASB 2013-9 Parts A & B

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

2 REVENUES AND EXPENSES

2 REVENUES AND EXPENSES	2015 \$	2014 \$	
(a) Result from Ordinary Activities			
The Result from Ordinary Activities includes:			
(i) Charging as Expenses:			
Auditors Remuneration			
- Audit of Financial Report	20,000	26,000	
- Assistance with Finalisation of Annual Financial Report	4,500	5,000	
	<u>24,500</u>	<u>31,000</u>	
Amortisation			
- Leasehold Improvements	2,934,751	2,873,442	
	<u>2,934,751</u>	<u>2,873,442</u>	
Depreciation			
Computer Equipment	8,356	5,069	
Furniture and Equipment	7,157	6,491	
Plant and Equipment	2,960,644	2,876,481	
Freehold Buildings	27,600	27,600	
	<u>3,003,757</u>	<u>2,915,641</u>	
Total Amortisation and Depreciation	<u>5,938,508</u>	<u>5,789,083</u>	
Rental Charges - Operating Leases	<u>1,052,477</u>	<u>978,105</u>	
(ii) Crediting as Revenues:			
Interest Earnings	2015 \$	2015 Budget \$	2014 \$
- Reserve Funds	258,053	132,000	125,587
- Other Funds	47,889	50,000	71,607
	<u>305,942</u>	<u>182,000</u>	<u>197,194</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

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.

	2015 \$	2014 \$
(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 :		
Zero Waste Plan	76,462	76,462
Educational Grant for Recycle Right	0	8,319
Educational Grant for Recycle Right in Avon Region	54,660	100,000
Educational Grant for Perth Royal Show	10,000	
Waste Educational Regional Funding Grant	0	0
	<u>141,122</u>	<u>184,781</u>
Add: New Grants which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.		
Zero Waste Plan	0	0
Educational Grant for Recycle Right	0	76,436
Educational Grant for Recycle Right in Avon Region	0	0
Educational Grant for Perth Royal Show	0	
Waste Educational Regional Funding Grant	34,166	10,000
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.		
Zero Waste Plan	76,462	0
Educational Grant for Recycle Right	0	84,755
Educational Grant for Recycle Right in Avon Region	46,313	45,340
Educational Grant for Perth Royal Show	10,000	
Waste Educational Regional Funding Grant	27,705	
Closing Balance of Unspent Grants	<u>14,808</u>	<u>141,122</u>
Comprises:		
Zero Waste Plan	0	76,462
Educational Grant for Recycle Right	0	0
Educational Grant for Recycle Right in Avon Region	8,347	54,660
Educational Grant for Perth Royal Show	0	
Waste Educational Regional Funding Grant	6,461	10,000
	<u>14,808</u>	<u>141,122</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

	2015 \$	2014 \$
3. CASH AND CASH EQUIVALENTS		
Cash on Hand	650	850
Cash at Bank	976,930	1,454,951
Call Deposits	1,060,000	1,080,000
Short Term Deposits	8,646,088	5,804,280
	<u>10,683,668</u>	<u>8,340,081</u>
Unrestricted	4,559,747	2,842,497
Restricted	6,123,919	5,497,584
	<u>10,683,666</u>	<u>8,340,081</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Unspent Grants	14,808	141,122
Unspent Loans	0	582,899
Retention and Bonds	203,876	192,351
RRRC Plant Reserve	3,117,661	3,076,723
RRRC Contingency & Development Reserve	2,068,367	1,268,367
Travel and Conference Reserve	50,000	50,000
Office Accommodation Reserve	209,907	187,122
Property Insurance Reserve	459,000	0
	<u>6,123,919</u>	<u>5,497,584</u>
4. TRADE AND OTHER RECEIVABLES		
Current		
Sundry Debtors	2,086,105	2,036,731
Accrued Income	240,911	811,615
Prepaid Expenses	19,861	74,028
GST Receivable	0	2,533
Loan Debtors - Project Participants	8,029,062	8,566,863
	<u>10,375,939</u>	<u>11,491,770</u>
Non-Current		
Loan Debtors - Project Participants	20,434,470	23,194,760
	<u>20,434,470</u>	<u>23,194,760</u>
5. INVENTORIES		
Stock on Hand - Fuel	2,824	6,195
Stock on Hand - RRRC Critical Spares	419,979	294,786
	<u>422,803</u>	<u>300,981</u>
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Freehold Land - Independent Valuation - June 2013	950,000	950,000
Freehold Building - Independent Valuation - June 2013	1,200,000	1,200,000
Less Accumulated Depreciation	(55,200)	(27,600)
Total Freehold Land and Buildings	<u>2,094,800</u>	<u>2,122,400</u>
RRRC Leasehold Improvements - Independent Valuation - June 2013	26,201,300	26,201,300
Additions after valuation - Cost	959,868	865,925
Less Accumulated Amortisation	(5,808,193)	(2,873,442)
	<u>21,352,975</u>	<u>24,193,783</u>
Information Technology Equipment - Independent Valuation - July 2013	8,078	8,078
Additions after valuation - Cost	87,175	2,500
Less Accumulated Depreciation	(13,425)	(5,069)
	<u>81,828</u>	<u>5,509</u>
Furniture and Equipment - Independent Valuation - July 2013	22,297	22,297
Additions after valuation - Cost	3,338	0
Less Accumulated Depreciation	(13,648)	(6,491)
	<u>11,987</u>	<u>15,806</u>
Plant and Equipment - Independent Valuation - June 2013	25,284,102	25,284,102
Additions after valuation - Cost	1,504,048	466,238
Less Accumulated Depreciation	(5,837,125)	(2,876,481)
	<u>20,951,025</u>	<u>22,873,859</u>
Capital Work In Progress - Cost	1,464,508	160,079
Total Property, Plant and Equipment	<u>45,957,123</u>	<u>49,371,436</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Freehold land	950,000	0	0	0	0	0	0	950,000
Total land	950,000	0	0	0	0	0	0	950,000
Non-specialised buildings	1,172,400	0	0	0	0	(27,600)	0	1,144,800
Specialised buildings	24,193,783	93,943	0	0	0	(2,934,751)	0	21,352,975
Total buildings	25,366,183	93,943	0	0	0	(2,962,351)	0	22,497,775
Total land and buildings	26,316,183	93,943	0	0	0	(2,962,351)	0	23,447,775
Information Technology Equipment	5,509	62,025	0	0	0	(8,356)	22,650	81,828
Furniture and Equipment	15,806	3,338	0	0	0	(7,157)	0	11,987
Non-specialised Plant and Equipment	1,939,138	18,261	0	0	0	(380,210)	0	1,577,189
Specialised Plant and Equipment	20,934,721	882,120	0	0	0	(2,580,434)	137,429	19,373,836
Capital Work In Progress	160,079	1,464,508	0	0	0	0	(160,079)	1,464,508
Total property, plant and equipment	49,371,436	2,524,195	0	0	0	(5,938,508)	0	45,957,123

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Freehold land	Level 2	Market approach using market value of similar assets adjusted to condition and comparability	Independent Valuation	30 June 2013	Observable open market value of assets, condition, comparison and highest and best use.
Non-specialised buildings	Level 2	Market approach using market value of similar assets adjusted to condition and comparability	Independent Valuation	30 June 2013	Observable open market value of assets, condition, comparison and highest and best use.
Specialised buildings	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	30 June 2013	Cost to reproduce or replace similar assets in new condition, depreciation accrued wear and tear, economic and functional obsolescence.
Information Technology Equipment	Level 2	Market approach using market value of similar assets adjusted to condition and comparability	Independent Valuation	1 July 2013	Observable open market value of assets, condition and comparison.
Furniture and Equipment	Level 2	Market approach using market value of similar assets adjusted to condition and comparability	Independent Valuation	1 July 2013	Observable open market value of assets, condition and comparison.
Non-specialised Plant and Equipment	Level 2	Market approach using market value of similar assets adjusted to condition and comparability	Independent Valuation	30 June 2013	Observable open market value of assets, condition and comparison.
Specialised Plant and Equipment	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	30 June 2013	Cost to reproduce or replace similar assets in new condition, depreciation accrued wear and tear, economic and functional obsolescence.

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

7. TRADE AND OTHER PAYABLES	2015 \$	2014 \$
Current		
Sundry Creditors	3,146,124	3,161,863
Accrued Expenses	435,270	254,964
Accrued Salaries and Wages	34,504	34,800
Accrued Loan Interest	3,613	4,353
Income in Advance	2,223	0
Retention and Bonds	203,876	192,351
	<u>3,825,610</u>	<u>3,648,131</u>

8. LONG TERM BORROWINGS

Current		
Debentures	8,029,062	8,566,863
	<u>8,029,062</u>	<u>8,566,863</u>
Non Current		
Debentures	20,434,470	23,194,760
	<u>20,434,470</u>	<u>23,194,760</u>

Additional detail on Debentures is provided in Note 29 (a) and (b)

The Council has two lending facilities for the following projects:

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

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

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

	2015	2014		
City of Cockburn	42.20%	41.72%	11,252,011	12,499,989
Town of East Fremantle	3.10%	3.12%	826,569	934,803
City of Fremantle	12.23%	12.24%	3,260,950	3,667,303
City of Melville	42.47%	42.92%	11,324,002	12,859,528
			<u>26,663,532</u>	<u>29,961,623</u>

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

The SMRC Participants have 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:

	2015	2014		
City of Cockburn	36.91%	36.63%	664,380	659,340
Town of East Fremantle	2.71%	2.74%	48,780	49,320
City of Fremantle	10.70%	10.74%	192,600	193,320
Town of Kwinana	12.52%	12.20%	225,360	219,600
City of Melville	37.16%	37.69%	668,880	678,420
			<u>1,800,000</u>	<u>1,800,000</u>

9. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance as at 1 July 2014			
Current provisions	337,606	339,853	677,459
Non-current provisions	0	113,908	113,908
	<u>337,606</u>	<u>453,761</u>	<u>791,367</u>
Additional Provisions	66,155	85,774	151,929
Amounts used	0	0	0
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	0	38,639	38,639
Balance as at 30 June 2015	<u>403,761</u>	<u>578,174</u>	<u>981,935</u>
Comprises			
Current	403,761	422,916	826,677
Non-current	0	155,258	155,258
	<u>403,761</u>	<u>578,174</u>	<u>981,935</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

10. RESERVES- CASH BACKED

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

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

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

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

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

Property Insurance Reserve- to be used fund repair and replacement expenses resulting from an event causing damage or loss to RRRC assets up to the value of \$1 million- Ongoing

	2015 \$	2015 Budget \$	2014 \$
(a) RRRC Plant Reserve			
Balance as at 1 July	3,075,723	3,075,723	1,889,187
Transfers to Reserve	1,836,000	1,836,000	1,420,000
Transfers from Reserve	(1,793,762)	(2,397,026)	(233,464)
Balance as at 30 June	<u>3,117,961</u>	<u>2,514,697</u>	<u>3,075,723</u>
(b) RRRC Contingency & Development Reserve			
Balance as at 1 July	1,268,367	1,268,367	555,000
Transfers to Reserve	800,000	700,000	713,367
Transfers from Reserve	0	0	0
Balance as at 30 June	<u>2,068,367</u>	<u>1,968,367</u>	<u>1,268,367</u>
(c) Travel and Conference Reserve			
Balance as at 1 July	50,000	50,000	50,000
Transfers to Reserve	0	0	0
Transfers from Reserve	0	0	0
Balance as at 30 June	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
(d) Office Accommodation Reserve			
Balance as at 1 July	187,122	187,122	0
Transfers to Reserve	22,785	0	187,122
Transfers from Reserve	0	0	0
Balance as at 30 June	<u>209,907</u>	<u>187,122</u>	<u>187,122</u>
(e) Property Insurance Reserve			
Balance as at 1 July	0	0	0
Transfers to Reserve	459,000	459,000	0
Transfers from Reserve	0	0	0
Balance as at 30 June	<u>459,000</u>	<u>459,000</u>	<u>0</u>
Total Reserves- Cash backed	<u>5,905,235</u>	<u>5,179,186</u>	<u>4,581,212</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	1,836,000	1,836,000	1,420,000
RRRC Contingency & Development Reserve	800,000	700,000	713,367
Travel and Conference Reserve	0	0	0
Office Accommodation Reserve	22,785	0	187,122
Property Insurance Reserve	459,000	459,000	0
	<u>3,117,785</u>	<u>2,995,000</u>	<u>2,320,489</u>

SUMMARY OF RESERVE TRANSFERS

Transfers From Reserves- Cash Backed

RRRC Plant Reserve	(1,793,762)	(2,397,026)	(233,464)
RRRC Contingency & Development Reserve	0	0	0
Travel and Conference Reserve	0	0	0
Office Accommodation Reserve	0	0	0
Property Insurance Reserve	0	0	0
	<u>(1,793,762)</u>	<u>(2,397,026)</u>	<u>(233,464)</u>
Net Reserve Movement (Cash Backed)	<u>1,324,023</u>	<u>597,974</u>	<u>2,087,025</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

11. REVALUATION SURPLUS	2015 \$	2015 Budget \$	2014 \$
In accordance with the Council resolution, the Revaluation Surplus cannot be used except for adjustment to fixed assets on their revaluation, disposal or write-off.			
(a) Land and Buildings			
Balance as at 1 July	597,933	597,933	597,933
Increments / (Decrements)	0	0	0
Balance as at 30 June	<u>597,933</u>	<u>597,933</u>	<u>597,933</u>
(b) Leasehold Improvements			
Balance as at 1 July	11,438,809	11,438,809	11,438,809
Increments / (Decrements)	0	0	0
Balance as at 30 June	<u>11,438,809</u>	<u>11,438,809</u>	<u>11,438,809</u>
(c) Non-Specialised Plant and Equipment			
Balance as at 1 July	844,286	844,286	844,286
Increments / (Decrements)	0	0	0
Balance as at 30 June	<u>844,286</u>	<u>844,286</u>	<u>844,286</u>
(d) Information Technology Equipment			
Balance as at 1 July	1,336	1,336	0
Increments / (Decrements)	0	0	1,336
Balance as at 30 June	<u>1,336</u>	<u>1,336</u>	<u>1,336</u>
Total Revaluation Surplus	<u>12,882,364</u>	<u>12,882,364</u>	<u>12,882,364</u>

12. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash

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

Cash on Hand	650	650	850
Cash at Bank	976,930	50,000	1,454,951
Call Deposits	1,080,000	1,000,000	1,080,000
Short Term Deposits	8,646,086	5,885,504	5,804,280
	<u>10,683,666</u>	<u>6,936,154</u>	<u>8,340,081</u>

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

Net result	(1,074,533)	(2,947,675)	(1,421,195)
Add / (Less):			
Depreciation	3,003,757	4,265,753	2,915,641
Amortisation	2,934,751	2,249,377	2,873,442
Asset revaluation decrements	0	0	3,932
(Increase)/Decrease in Receivables	(46,841)	(1,260,736)	160,420
(Increase)/Decrease in Accrued Income	570,704	711,615	(724,635)
(Increase)/Decrease in Prepaid Expenses	54,167	24,028	184,677
(Increase)/Decrease in Inventories	(121,822)	(99,019)	(82,628)
Increase/(Decrease) in Creditors and Accruals	177,479	301,869	(1,490,303)
Increase/(Decrease) in Employee Provisions	190,568	0	76,382
Net Cash from Operating Activities	<u>5,688,230</u>	<u>3,245,212</u>	<u>2,495,733</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

12. NOTES TO THE CASH FLOW STATEMENT (Continued)

	2015 \$	2014 \$
(c) Credit Standby Arrangements		
Credit Card limit	20,000	20,000
Credit Card balance at reporting date	(5,700)	(9,000)
Total Amount of Credit Unused	<u>14,300</u>	<u>11,000</u>
(d) Loan Facilities		
Loan Facilities - Current	8,029,062	8,566,863
Loan Facilities - Non-Current	20,434,470	23,194,760
Total Facilities in Use at reporting date	<u>28,463,532</u>	<u>31,761,623</u>
Unused Loan Facilities at reporting date	<u>0</u>	<u>0</u>

13. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Capital expenditure commitments contracted for as at the reporting date and which have not been recognised as liabilities in the Statement of Financial Position as follows:

Regional Resource Recovery Centre Contracts	<u>3,057,065</u>	<u>30,187</u>
Payable:		
- not later than one year	<u>3,057,065</u>	<u>30,187</u>
	<u>3,057,065</u>	<u>30,187</u>

(b) Operating Lease Commitments

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

Payable:		
- not later than one year	869,817	724,795
- later than one year but not later than two years	833,680	702,664
- later than two years but not later than five years	2,185,680	3,011,843
- later than five years	10,000,000	11,000,000
	<u>13,889,177</u>	<u>15,439,302</u>

14. CONTINGENT LIABILITIES

There were no claims or pending claims or any other contingent liabilities as at the reporting date (2014- Nil).

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Community Amenities	87,874,001	92,699,028
	<u>87,874,001</u>	<u>92,699,028</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

	2015 \$	2015 Budget \$	2014 \$
16. COUNCILLORS' REMUNERATION			
The following fees, expenses and allowances were paid to the Council members, the Chairman and Deputy Chairman.			
Meeting Fees	56,650	56,650	54,167
Chairman Allowance	19,570	19,570	19,000
Deputy Chairman Allowance	4,893	4,893	4,750
Other Allowances	17,500	17,500	17,208
Other reimbursements	0	1,387	0
	<u>98,613</u>	<u>100,000</u>	<u>95,125</u>

17. TRUST FUNDS

The Council does not have any trust funds on hand as at 30 June 2015 (2014- Nil).

18. BUDGET COMPARISON

	2015 \$	2015 \$ Budget
(a) Operating Income and Expenditure		
Recycling Facility Surplus / (Deficit)	1 775,913	993,450
Waste Composting Facility Surplus / (Deficit)	2 2,808,985	2,200,000
Green Waste Facility Surplus / (Deficit)	3 740,737	563,000
RRRC Administration Surplus / (Deficit)	2 163,442	(37,084)
Depreciation on non-current assets	4 (5,938,508)	(6,515,130)
Others	2 374,898	(151,911)
	<u>(1,074,533)</u>	<u>(2,947,675)</u>

Comments - Reasons for variations from budgeted amounts:

1. Lower volumes
2. Savings in expenses
3. Higher volumes
4. Lower capital expenditure

(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		
Loan Principal Contributions	2,477,641	2,477,641
Non Operating Expenditure		
Principal repayment of loans	3,298,091	3,298,091
Construction/purchase of assets		
Information Technology Equipment	1 62,025	181,692
Furniture and Fittings	3,338	3,338
Plant and Equipment	2 900,381	3,326,342
Leasehold Improvements	1 93,943	317,317
Capital Work-in-progress	2 1,464,508	0

Comments - Reasons for variations from budgeted amounts:

1. Few capex projects deferred to FY 2015-16
2. Amount spent on projects that are not yet completed is shown under Capital Work-in-progress

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

FOR THE YEAR ENDED 30 JUNE 2015

19. MAJOR TRADING UNDERTAKING

REGIONAL RESOURCE RECOVERY CENTRE (RRRC), CANNING VALE

This project is undertaken on behalf of the SMRC's four participating councils. The \$55 million project funded by borrowings and payable over 10-20 years by the four 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

	2015	2014
	\$	\$
Revenues from Ordinary Activities		
Education & Marketing	289,275	342,867
RRRC Admin & Weighbridge	400,904	260,875
Recycling	6,622,320	6,869,110
Greenwaste	2,015,787	1,585,504
Waste Compost	17,160,769	15,353,857
Business Development	296,790	1,462,167
Waste Audit Service	73,514	122,774
Contributions for interest on loans	1,277,113	1,487,877
Profit on sale of Assets	0	0
	<u>28,136,472</u>	<u>27,484,831</u>
Less Expenses from Ordinary Activities		
Education & Marketing	(386,871)	(312,481)
RRRC Admin & Weighbridge	(494,594)	(537,234)
Recycling	(7,840,217)	(7,773,221)
Greenwaste	(1,381,190)	(1,331,851)
Waste Compost	(17,880,952)	(17,558,514)
Business Development	0	(15,325)
Waste Audit Service	(98,315)	(156,324)
	<u>(28,082,139)</u>	<u>(27,684,950)</u>
Less Borrowing Cost Expense		
RRRC Property	(1,276,495)	(1,487,531)
Net Profit or (Loss)	<u>(1,222,162)</u>	<u>(1,687,650)</u>

STATEMENT OF FINANCIAL POSITION

Current Assets		
Cash and Cash Equivalents	8,585,375	6,331,519
Trade and Other Receivables	10,333,174	11,474,063
Inventories	422,803	300,981
Total Current Assets	<u>19,341,352</u>	<u>18,106,563</u>
Non-Current Assets		
Trade and Other Receivables	18,634,470	21,394,760
Property, Plant and Equipment	22,429,078	23,047,796
Leasehold Improvements	21,352,975	24,193,783
Total Non-Current Assets	<u>62,416,523</u>	<u>68,636,339</u>
Total Assets	<u>81,757,875</u>	<u>86,742,902</u>
Current Liabilities		
Trade and Other Payables	3,743,841	3,499,451
Borrowings - Current Portion	8,029,062	8,566,863
Provisions	459,557	401,906
Total Current Liabilities	<u>12,232,460</u>	<u>12,468,220</u>
Non-Current Liabilities		
Borrowings - Non-current Portion	18,634,470	21,394,760
Provisions	127,853	74,218
Total Non-Current Liabilities	<u>18,762,323</u>	<u>21,468,978</u>
Total Liabilities	<u>30,994,783</u>	<u>33,937,198</u>
Net Assets	<u>50,763,092</u>	<u>52,805,704</u>
Equity		
Opening Balance	52,805,704	54,334,608
RRRC Participants Contribution towards Equity	0	800,000
Retained Surplus/(Deficit) for year	(1,222,162)	(1,687,650)
Fair value adjustment to Non-Current assets	0	1,336
Less: Loans repaid from Equity	(820,450)	(642,590)
Total Equity	<u>50,763,092</u>	<u>52,805,704</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

20. ECONOMIC DEPENDENCY

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

21. GRANTS, SUBSIDIES AND CONTRIBUTIONS

	2015 \$	2014 \$
Grants, Subsidies and Contributions are included as in the Statement of Comprehensive Income		
By Programme:		
Governance		
Annual Member's Contributions	319,500	246,171
Reimbursements	0	16,250
Community Amenities		
Annual Member's Contributions	509,659	459,437
Member's Contributions towards interest	1,277,113	1,487,877
Grants	82,816	161,418
Reimbursements	286,922	809,915
	<u>2,476,010</u>	<u>3,181,068</u>
By Nature or Type:		
Operating Grants, Subsidies and Contributions	<u>2,476,010</u>	<u>3,181,068</u>
	<u>2,476,010</u>	<u>3,181,068</u>

22. FEES AND CHARGES

Community Amenities		
RRRC Gate Fees from Members	19,216,551	18,151,437
RRRC Gate Fees from Non-Members	2,851,186	1,959,128
Sale of Products	3,955,276	4,426,425
Others	73,513	57,791
	<u>26,096,526</u>	<u>24,594,781</u>

23. FINANCIAL RATIOS

	2015	2014	2013
Current Ratio	1.23	1.15	1.11
Asset Sustainability Ratio	0.17	0.08	0.22
Debt Service Cover Ratio	1.33	1.29	(0.09)
Operating Surplus Ratio	(0.04)	(0.05)	(0.04)
Own Source Revenue Coverage Ratio	0.96	0.95	0.66

The above ratios are calculated as follows:

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

Note: Information relating to Asset Consumption Ratio and Asset Renewal Funding Ratio can be found at Supplementary Ratio Information on Page 73 of this document.

Three of the 2013 ratios disclosed above are distorted by item of significant expense totalling \$3,514,665 relating to the revaluation decrement of specialised plant & equipment in accordance with Financial Management Regulations 17A (refer to Note 6 for further details). This item forms part of operating expenses and has been included in the calculations above. This item of significant expense is considered to be "one-off" and are non-cash in nature and, if they were ignored, the calculations disclosed in the 2013 column above would be as follows:

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

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

24. DISPOSALS OF ASSETS - 2014/15 FINANCIAL YEAR

There are no disposal of fixed assets by the Council during the year (2014 - Nil).

25. Rating Information

Being a Regional Council, no rates were raised during the year ended 30 June 2015 and in the year ended 30 June 2014.

26. Members Withdrawal from the SMRC

(a) City of Canning's withdrawal from the SMRC

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

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

The loan liability was reduced by terminating loans amounting to \$43,440,979, which included the share of the City of Canning and replacing loans that do not have a share of the City of Canning's liability amounting to \$31,286,788.

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.

(b) City of Rockingham's withdrawal from the SMRC

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

27. MRF Business Plan on sale/ lease of the facility.

In accordance with section 3.59 of the Local Government Act 1995 (WA), a business plan for the disposal, by tender, of Materials Recovery Facility (MRF) was made available on 8 August 2015 for inspection and members of the public were invited to make submissions up to 22 September 2015 in relation to the business plan. As per the business plan, SMRC will be evaluating the potential for a sale or lease of the MRF Facility and MRF Plant and Equipment.

The Council will review the submissions and make a decision on the further course of action.

28. RRRC Licence

In March 2014, SMRC was granted an amended three-year operating licence for the Regional Resource Recovery Centre, which requires renewal in 30 March 2017. SMRC is complying with all the conditions and believes that the licence will be renewed when it is due for renewal.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015**

29. INFORMATION ON BORROWINGS

(a) Loan Repayments

Particulars	Principal 1-Jul-14	New / Rollover Loans	Interest Repayments		Principal Repayments		Principal 30 Jun 15
			Budget	Actual	Budget	Actual	
Community Amenities							
RRRC							
Loan No. 3-28	366,428	0	20,101	20,101	43,835	43,835	322,593
Loan No. 3-29	364,872	0	19,663	19,663	43,788	43,788	321,084
Loan No. 3-30	368,248	0	19,952	19,952	44,151	44,151	324,097
Loan No. 3-31	751,376	0	41,362	41,362	89,828	89,828	661,548
Loan No. 3-33	712,032	0	39,391	39,391	85,396	85,396	626,636
Loan No. 3-40	390,977	0	21,460	21,460	46,980	46,980	343,997
Loan No. 3-43	697,948	0	20,327	20,327	697,948	697,948	0
Loan No. 3-49	809,607	0	50,488	50,488	809,607	809,607	0
Loan No. 3-50	478,136	0	14,899	14,899	478,136	478,136	0
Loan No. 3-52	1,975,935	0	109,875	109,875	619,134	619,134	1,356,801
Loan No. 3-56	416,952	0	28,105	28,105	416,952	416,952	0
Loan No. 3-57	416,197	0	28,055	28,055	416,197	416,197	0
Loan No. 3-62	996,028	0	26,362	26,362	996,028	996,028	0
Loan No. 3-63	1,014,696	0	61,851	61,851	87,122	87,122	927,574
Loan No. 3-64	462,116	0	27,643	27,643	39,884	39,884	422,232
Loan No. 3-65	1,076,196	0	65,602	65,602	92,402	92,402	983,794
Loan No. 3-66	2,023,223	0	124,876	124,876	173,036	173,036	1,850,187
Loan No. 3-67	805,722	0	47,403	47,403	69,781	69,781	735,941
Loan No. 3-68	787,513	0	47,400	47,400	67,821	67,821	719,692
Loan No. 3-73	831,593	0	38,397	38,397	76,060	76,060	755,533
Loan No. 3-74	3,170,396	0	146,386	146,386	289,974	289,974	2,880,422
Loan No. 3-76	961,235	0	37,722	37,722	90,605	90,605	870,630
Loan No. 3-80	1,487,465	0	57,907	57,907	150,145	150,145	1,337,320
Loan No. 3-81	2,621,842	0	102,067	102,067	264,648	264,648	2,357,194
Loan No. 3-83	1,081,374	0	42,277	42,277	101,991	101,991	979,383
Loan No. 3-84	1,232,668	0	17,548	17,548	1,232,668	1,232,668	0
Loan No. 3-85	1,605,490	0	68,816	68,816	148,890	148,890	1,456,600
Loan No. 3-86	800,000	0	11,774	11,774	800,000	800,000	0
Loan No. 3-87	1,255,358	0	45,722	45,722	119,734	119,734	1,135,624
Loan No. 3-88 (MRF 3-84, 86)		1,933,068	27,064	27,064	101,716	101,716	1,831,352
Loan No. 3-89 (3-43, 50, 62)		2,065,989	32,879	32,879	106,790	106,790	1,959,199
Loan No. 3-90 (3-49, 56, 57)		1,504,099	0	0	0	0	1,504,099
Office Accommodation							
Loan No. 2-5	1,800,000	0	69,120	69,120	0	0	1,800,000
	31,761,623	5,503,156	1,512,494	1,512,494	8,801,247	8,801,247	28,463,532
Add: Accrued Interest			0	(741)			
Net Interest			1,512,494	1,511,753			
Less: Rollover of Loans		(5,503,156)			(5,503,156)	(5,503,156)	
Net Borrowings / Repayments		0			3,298,091	3,298,091	

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

29. INFORMATION ON BORROWINGS (Continued)

(b) New / Rollover of Borrowings

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate	Amount Used		Balance Unspent
	Budget	Actual						Budget	Actual	
Community Amenities RRRC Project	\$	\$						\$	\$	\$
Loan No. 3.88 (Rollover)	1,933,068	1,933,068	WATC	Debenture	1.00	52,730	2.74%	1,933,068	1,933,068	0
Loan No. 3.89 (Rollover)	2,065,989	2,065,989	WATC	Debenture	8.50	308,383	3.17%	2,065,989	2,065,989	0
Loan No. 3.90 (Rollover)	1,504,099	1,504,099	WATC	Debenture	8.00	211,150	3.17%	1,504,099	1,504,099	0
	5,503,156	5,503,156				572,263		5,503,156	5,503,156	0

(c) Unspent Loans

An amount of \$ Nil (2014- \$ 582,899) remained unspent out of the amount borrowed on the reporting date and is shown as a part of restricted cash.

Loan No.	Date Borrowed	Balance 01-Jul-14	Borrowed During Year	Expensed During Year	Balance 30-Jun-15
Loan No. 81	31/12/2012	470,875	0	470,875	0
Loan No. 86	30/06/2014	112,024	0	112,024	0
Total		582,899	0	582,899	0

(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 2015

30. FINANCIAL RISK MANAGEMENT

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2015 \$	2014 \$	2015 \$	2014 \$
Financial Assets				
Cash and cash equivalents	10,683,666	8,340,081	10,683,666	8,340,081
Receivables	30,810,409	34,686,530	29,185,992	33,194,055
	<u>41,494,075</u>	<u>43,026,611</u>	<u>39,869,658</u>	<u>41,534,136</u>
Financial Liabilities				
Payables	3,825,610	3,648,131	3,825,610	3,648,131
Borrowings	28,463,532	31,761,623	26,839,115	30,269,148
	<u>32,289,142</u>	<u>35,409,754</u>	<u>30,664,725</u>	<u>33,917,279</u>

Fair value is determined as follows:

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

(a) Cash and Cash Equivalents

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

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

Council manages these risks by investing its funds with recognised Australian Banks.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

30. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents (Continued)

	2015 \$	2014 \$
Impact of a 1% (*) movement in interest rates on cash and cash equivalents		
- Equity	102,586	63,681
- Income Statement	102,586	63,681

Notes:

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

(b) Receivables

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

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

The Council makes suitable provision for doubtful receivables as required.

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

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

	2015	2014
Percentage of Receivables		
- Current	99.49%	98.03%
- Overdue	0.51%	1.97%

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

30. FINANCIAL RISK MANAGEMENT (continued)

(c) Payables and Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
2015					
Payables	3,825,610	0	0	3,825,610	3,825,610
Borrowings	9,241,078	16,551,176	6,536,749	32,329,003	28,463,532
	<u>13,066,688</u>	<u>16,551,176</u>	<u>6,536,749</u>	<u>36,154,613</u>	<u>32,289,142</u>
2014					
Payables	3,648,131	0	0	3,648,131	3,648,131
Borrowings	10,009,224	19,719,827	6,874,154	36,603,205	31,761,623
	<u>13,657,355</u>	<u>19,719,827</u>	<u>6,874,154</u>	<u>40,251,336</u>	<u>35,409,754</u>

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

30. FINANCIAL RISK MANAGEMENT (continued)

(d) Payables and Borrowings (continued)

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
2015								
Borrowings								
Fixed Rate Debentures	5,154,130	2,018,349	4,692,472	1,362,577	0	15,236,004	28,463,532	5.28%
Weighted Average Effective Interest Rate	5.53%	6.66%	5.93%	6.53%		4.69%		
2014								
Borrowings								
Fixed Rate Debentures	5,847,537	3,677,107	2,727,310	4,977,164	1,517,754	13,014,751	31,761,623	5.05%
Weighted Average Effective Interest Rate	5.01%	6.08%	6.09%	5.38%	5.93%	4.20%		

MOORE STEPHENS

Unit 16 Lakeside Corporate,
24 Parkland Road, Osborne Park, WA 6017

PO Box 1707, Osborne Park, WA 6916

T +61 (0)8 9444 3400

F +61 (0)8 9444 3430

www.moorestephenswa.com.au

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 2015, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL REPORT

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These 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 Regional Council's preparation and fair presentation 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 Regional 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:

- giving a true and fair view of the Regional Council's financial position as at 30 June 2015 and of its financial performance and its cash flows for the year ended on that date; and
- complying with Australian Accounting Standards (including Australian Accounting Interpretations).

MOORE STEPHENS

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 Regional 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) In relation to the Supplementary Ratio Information presented at page 73 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest it is not:
 - i) reasonably calculated; and
 - ii) based on verifiable information.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit

MOORE STEPHENS
CHARTERED ACCOUNTANTS



WEN-SHIEN CHAI
PARTNER

Signed at Perth this 25th day of September 2015

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

SUPPLEMENTARY RATIO INFORMATION

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

	2015	2014	2013
Asset Consumption Ratio	0.79	0.89	0.99
Asset Renewal Funding Ratio	1.00	1.00	1.00

The above ratios are calculated as follows:

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

Fast Facts

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

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

IN 2014, **70%** OF WASTE THROUGH THE OVER FACILITY WAS DIVERTED FROM LANDFILL.

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

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

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

7,000 CARS OFF THE ROAD

THE RRRC PRODUCES MORE THAN

20,000 TONNES

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

TO DATE WE HAVE SOLD ALMOST

45,000 CARBON CREDITS

WORTH

\$3.4 MILLION

INTO BOTH THE VOLUNTARY AND COMPLIANCE MARKETS WITH A FURTHER

118,000 CARBON CREDITS

OVER THE NEXT FIVE YEARS

THE COMMUNITY INDICATED THEY WOULD LIKE THE SMRC TO FOCUS ON REMOVING CONTAMINANTS, RECYCLING, REDUCING LANDFILL AND EDUCATION.

52% WANT MORE INFORMATION ON WASTE COLLECTIONS VIA FLYERS/BROCHURES IN THE MAIL

75% OF RESIDENTS NEAR THE RRRC SAID ODOUR HAD LITTLE IMPACT (UP 23%)



SOUTHERN METROPOLITAN
REGIONAL COUNCIL

SOUTHERN METROPOLITAN REGIONAL COUNCIL

9 Aldous Place, Booragoon WA 6154

Tel: (08) 9329 2700 Fax: (08) 9330 6788

Web: www.smrc.com.au Email: smrc@smrc.com.au

Printed in Western Australia on recycled stock using vegetable based ink.