



SOUTHERN METROPOLITAN
REGIONAL COUNCIL

ANNUAL REPORT 2020-21



[Cover photos left to right] Hon. Minister Sanderson, Cr Doug Thompson (Chair of SMRC), Mr Brendan Doherty (Executive Manager Strategic Projects SMRC) and Reg Howard-Smith (Chair of Waste Authority)

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Following the rollout of the FOGO 3-bin system, we're keen to help households improve their use of the Recycling, FOGO and General Waste bins. By everyone working together to put the right thing in the right bin, we can help make sure nothing goes to waste that could be composted or recycled.

Over the next six weeks, community education officers will conduct a simple audit of the contents of your bins at the next collection day. You will be given feedback through tags attached to your bins which feature a 'happy' or 'sad' face and information on how well you're doing. To learn more about which bin is best for what, visit recycleright.wa.gov.au or download the Recycle Right app.

Congratulations! Your house is part of our 2020 bin tagging program.



If you have any questions, please contact the Town of East Fremantle on 9339 9339 or visit www.eastfremantle.wa.gov.au

 **recycle right**

IN PARTNERSHIP WITH  **TOWN of EAST FREMANTLE**

Introduction

The Southern Metropolitan Regional Council's Annual Report 2020-21 comprises of two parts, Part 1 – Overview and Achievements and Part 2 – Annual Financial Report. This Annual Report complies with the requirements of Section 5.53(1) of the Local Government Act 1995.

The full audited Annual Report (Annual Financial Report) 2020-21 is available to download from the SMRC's website www.smrc.com.au or in hard copy on request by contacting the SMRC on 9329 2700 or visiting the SMRC's Administration Office at 9 Aldous Place, Booragoon, WA.

2020-2021 **Snapshot**

JUL 2020



IN PARTNERSHIP WITH



CITY OF CANNING

New **5-year recycling contract** signed with City of Canning for processing of its kerbside recyclable material



City of Canning
joins Recycle Right

NOV 2020

OCT 2020



Containers for Change
launched



Launch of
'Be A GREAT Sort'
campaign by DWER



SMRC was part of a consortium that were **winners of the Waste Management Award category** of the 2020 WA Waste Authority's Infinity Awards



APR 2021

MAR 2021



SMRC presented with the Waste Sorted 2021
WA Waste Award

RRRC Enterprise
Agreement
Accepted

Fremantle HHW f

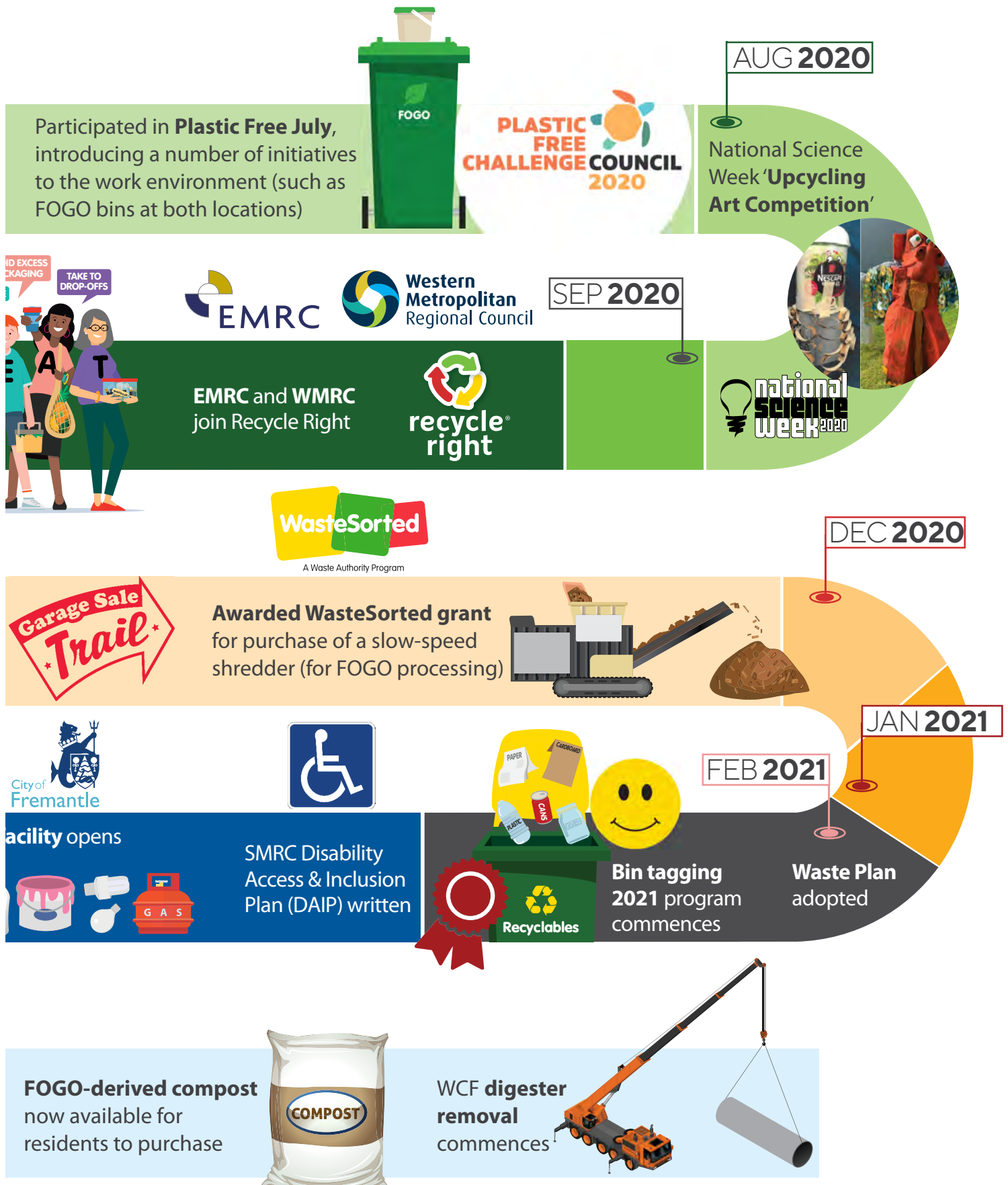


JUN 2021

Cloth Nappy workshops
commence in
SMRC region



Recycle Right new
school incursion
program launched



About the SMRC

SMRC is a statutory local government authority established in 1991 by local governments in the southern part of metropolitan Perth cities of Fremantle, Melville, Kwinana and Town of East Fremantle.

The member local governments have jointly agreed to establish SMRC under an Establishment Agreement and each participant may participate in regional projects that are governed by a Participants' Project Agreement.

There are two core projects, being:

1. The Regional Resource Recovery Centre (RRRC) Project and;
2. The Office Accommodation Project.

Both the projects were established through separate project participants' agreements. The City of Kwinana is not a participant in the RRRC project. In addition to the above two projects, support activities such as administration, education and research are also undertaken.

The Regional Resource Recovery Centre (RRRC) is an integrated waste precinct in Canning Vale, Perth. The RRRC is made up of the following:

1. Administration Office, Weighbridge and carparking;
2. Waste Composting Facility (WCF), which is currently decommissioned and being refurbished to become the new FOGO Processing Facility (FPF). During this time, the eastern-side Receiving Bay is receiving and pre-processing Food Organics and Garden Organics (FOGO) by the Participant Councils and commercial customers prior to transportation to Purearth and GO Organics for composting;
3. Maintenance workshop & amenities;
4. Waste audit building;
5. Green Waste Facility (GWF) and hardstand, which turns green waste into mulch; and
6. Materials Recovery Facility (MRF), which processes recyclable waste collected by the Participant Councils and commercial customers.

As an organisation, we inject over \$20 million per year into the economy, employ over 50 staff and provide work for 100 local small businesses and contractors each month.



2020-2021 Overview

The Region's households:

76,000



Population for June 2021 is approximately

190,000

for the four Councils in our region:

The **number of tonnes** of the region's waste processed at each of the RRRC's facilities during 2020/21:



Materials Recovery
78,232

82.9% recovered



Green Waste
8,505

100% recovered



Waste Composting
26,818

87% recovered

Excludes all RED bin General Waste

Includes all waste received and processed at RRRC including non-member Councils and commercials etc

85.2
%

The Regional Resource Recovery Centre's **total recovery diversion from landfill**

Total 113,555 tonnes = 16,832 tonnes landfilled and 96,723 tonnes recovered (85.2%)



Employees:



Total Employees:

54 (48 full-time equivalent)
as at 30 June 2021

63% permanent

15% fixed term

22% casual



28%
Culturally and
Linguistically
Diverse



Chairman's Report

As Chairman, I am pleased to present the Annual Report of the Southern Metropolitan Regional Council (SMRC) for 2020/21. There have been continued changes and challenges at the SMRC during the 2020/21 year but also many successes.

FOGO rollout and bin tagging

The bin tagging program took place across three of our Council areas (Melville, Fremantle and East Fremantle) for over 8,000 households in August 2020 and again in February 2021. Despite the interruption of the Covid-19 lockdown, a successful program was able to be run. Results from the bin tagging program have shown it to be an effective communication and education tool for the community, with correct usage of all three bins increasing over the course of the program across a range of demographic areas. Key contaminants that continue to be found in the recycling bin and the FOGO bin are soft plastics (and plastic bags). Additionally, there is still a high incident of 'wish-cycling' – placing items in the bin that in theory can be recycled (somewhere) but are not suitable for processing in the Material Recovery Facility at Canning Vale. Future education campaigns can be formulated from results. Key to that is use of the Recycle Right Website and App, and promotion of the 'Find My Nearest' tool for items which can't be recycled through the kerbside bins.

Winners of 2021 WA Waste Award

In May, the SMRC was awarded the 2021 WA Waste Award by The Hon. Minister for Environment, Amber-Jade Sanderson MLA for its outstanding commitment to community waste reduction, reuse and recycling over 20 years. We are honoured to be recognised for 20 years' operation of the Regional Resource Recovery Centre (RRRC). This achievement reflects the cooperation and commitment of our member Councils, their officers and our CEO and staff to environmentally sound waste solutions. Back in 2001, the project was designed to take advantage of a regional scale of economies which is not normally available to individual local authorities and used a combination of new and existing technology to process recyclables, green waste and FOGO waste on the one site, which is unique in Australia. It also incorporates an Education Centre with viewing platforms and the State's only dedicated waste audit facility. Since commencement in 2001, the RRRC has processed 2.7 million tonnes of household domestic waste, produced 1.2 million tonnes of products for re-use, and diverted almost 1.8 million tonnes of waste from landfill at a consistent rate of 65%, significantly above many other local governments in Perth and ahead of state government targets.

Recovery of recyclable material

The Container Deposit Scheme (CDS) commenced on 1 October 2020, being slightly delayed due to COVID-19. To date, this program has shown great success. The SMRC obtains a refund on the eligible containers on behalf of the member councils.

Waste-to-Energy progressing

Avertas Energy in Kwinana has now been selected to implement a future Waste-To-Energy (WtE) solution for the SMRC. It is the first energy from waste project in Australia and is anticipated to be completed early 2023. The plant will have the capacity to generate 36MW of electricity from processing 400,000 tonnes per year of residual Municipal Solid Waste when complete. WtE is ideally suitable for Participants' red lid bin general waste material which cannot be reused, recycled or composted. This waste will be diverted from landfill, achieving a total combined household waste diversion from landfill estimated at 85%.

I would like to thank my fellow regional councillors, the regional executive managers, Waste Recycling Education Network community members (WREN), and SMRC CEO and staff for their efforts and achievements throughout 2020/21. I look forward to another year working together toward achieving our vision.

Doug Thompson
Chairman



**In May, the SMRC was awarded
the 2021 WA Waste Award by The
Hon. Minister for Environment,
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its outstanding commitment to
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and recycling over 20 years**

Chief Executive Officer's Report

We are committed to providing best practice resource recovery solutions and are proud to have proven and ethical supply chains and high recovery rates. Looking forward, we will continue to strive to recycle materials to their highest value and implement new and innovative approaches to recycling and recovery.

Transitioning to a FOGO Processing Facility

With careful and deliberative planning, the introduction of the FOGO process in 2019 coincided with the transition of the 20-year-old Waste Composting Facility into a FOGO Processing Facility, a great example of repurposing existing infrastructure for a new process. Once complete, it will provide approximately 40-50% of the projected processing capacity required for the Perth metropolitan area FOGO roll out. The facility has been cleaned, the roof has been replaced and the digesters decommissioned and removed. Whilst this work has been underway, FOGO from kerbside pickup is being delivered and pre-processed onsite prior to transport for value add composting offsite. A slow-speed shedder is the latest equipment acquired, helping to gently break open caddy liners to release the food content, increasing recovery rates and assisting in the composting process. The shredder was purchased earlier this year with a \$250K contribution awarded from the Waste Authority's 2020 WasteSorted grants.

Recycling contingency- an essential service

In November 2019, the Cleanaway Materials Recovery Facility (MRF) in South Guildford was unfortunately destroyed by fire. At this difficult time for the sector, the SMRC's MRF was demonstrated to be a critical component of Perth's recycling infrastructure and provided contingency by absorbing the majority of the recycling capacity previously undertaken by Cleanaway. Increased shifts working seven days a week continued until May 2021. A big thanks to all involved in stepping up to meet this challenging task.

Recycle Right and consistent messaging

An important part of our work is educating residents by providing tools to recycle right, reduce waste and live more sustainably. We continue to build our education resources within the Recycle Right website and app and we are now offering 'membership' to the Recycle Right Education Program so that others may benefit from the shared resources and consistent communication messages. As more Councils become members of Recycle Right®, the program becomes a key vehicle along with the Waste Sorted program to deliver a consistent message in the Perth metro area (and beyond) regarding waste avoidance, reduction, recycling and disposal. It will and assist in optimising members current spend on waste education and community engagement.

Quality, Environment and Occupational Health and Safety

It's great to be able to report that we continue to maintain accreditation for Quality, Environment and Occupational Health and Safety.

Again, I would like to acknowledge the unwavering support of the Chairman Cr Doug Thompson, Regional Councillors, the Regional Executive Group and their teams and all SMRC employees, for their efforts and contribution throughout the year.

The future as always is challenging, but I am optimistic that by harnessing the skills, attributes and persistence of the councillors and staff of not only the SMRC but of all our member councils and numerous stakeholders, that we can continue to deliver best practice performance and continue to help protecting the environment for this generation and generations to come.

Tim Youé

Chief Executive Officer

A man with short, light-colored hair and a friendly smile stands with his arms crossed in front of a large pile of discarded plastic waste, including white plastic bottles and other debris. He is wearing a black polo shirt with bright green piping on the collar and sleeves. On the left chest of the shirt is a logo consisting of a stylized recycling symbol made of three arrows in red, green, and blue, with the words "recycle right" printed in white below it. A green rectangular box with a white border is positioned in the upper left corner of the image. Inside this box, there are two dark grey quotation marks at the top and two at the bottom. The text within the box is in a bold, black, sans-serif font.

As more Councils become members of RecycleRight®, the program becomes a key vehicle... to deliver a consistent message in the Perth metro area (and beyond) regarding waste avoidance, reduction, recycling and disposal.

Regional Councillor Profiles

Chairman, Cr Doug Thompson, City of Fremantle

Doug is Chairman of the Regional Council and has served on the SMRC as the Fremantle City Council representative since its inception. He is the longest continuously serving Councillor in Fremantle's history with 33 years' service to the City.

He serves on the Western Australian Local Government Association (WALGA) State Council and chairs the South Metro WALGA Zone committee. He represents SMRC on, and chairs, WALGA's Municipal Waste Advisory Council. He has been involved in the implementation of the State Government's Container Deposit Scheme through his chairmanship of WALGA's Container Deposit Policy Forum.

Cr Thompson has consistently supported adoption of best practice waste processes at the City of Fremantle and at SMRC. He believes that facilitating cooperative action between councils is the most efficient way to address the waste and recycling challenges that face local governments.

Cr Wendy Cooper, City of Kwinana

Wendy has been a Councillor at the City of Kwinana since 2011 and was appointed to the SMRC in October 2015. For many years, Wendy has been passionate about community education to limit waste disposal through choices made in everyday purchasing, coupled with recycling and sustainable living.

"Each individual can make better choices if they understand the process of waste management and the part they play in the reduction of waste, especially to landfill and the targets that are in place."

As a Rotarian, Wendy, along with her husband Bob, have been able to contribute locally and overseas to positive care of the environment. A stronger focus on educating communities to curb disposal of unwanted materials is paramount. By being a member of the SMRC, Wendy hopes to influence behaviour to achieve positive outcomes.

Deputy Chair, Cr Steve Kepert, City of Melville

Steve is Councillor for the Applecross-Mount Pleasant Ward and was elected to the City of Melville Council in 2017. He has been a SMRC Regional Councillor (and Deputy Chair) since 2019.

Steve is determined to improve sustainability in waste where possible, minimise waste destined for landfill whilst maximising recycling and compostables. At the same time, Steve is committed to achieving this efficiently, particularly through effective governance. MRC has the key role of educating the community and overseeing efficient operations, areas where Steve is keen to contribute. "Community leaders have a pivotal role in educating the community on the impacts of waste management and encouraging behavioural changes where possible. Waste management begins with the household, the workplace and our purchasing decisions. Where we can improve our behaviours here the community can collectively realise the benefits down the line."

Cr Cliff Collinson, Town of East Fremantle

Cliff is a retired schoolteacher and a Councillor with the Town of East Fremantle since 2007. Over many years he has been active in numerous community and environmental groups including Radio Fremantle, presenting regular programs for over 30 years and has been convenor of the Fremantle Oxfam group for the past 15 years.

He is passionately committed to environmental sustainability and believes the SMRC has a major role to play in this process by not only diverting waste from landfill, but also to educate the community on the importance of effective recycling and the role this plays in reducing greenhouse gas emissions. To this end, the financial sustainability of the SMRC is of paramount importance.



Cr Doug Thompson



Cr Steve Kepert



Cr Cliff Collinson



Cr Wendy Cooper



Governance

Regional Councillors

Council	Regional Councillors	Regional Executive Group
City of Fremantle	Cr Doug Thompson	Mr Graham Tattersall
City of Melville	Cr Steve Kepert	Mr Mick McCarthy
Town of East Fremantle	Cr Cliff Collinson	Mr Gary Tuffin
City of Kwinana	Cr Wendy Cooper	Ms Maria Cooke

Committees and Their Members

Audit & Risk Committee	Stakeholder Relations Committee	RRRC Project Committee
The committee reviews the audit function and performance and risk management processes.	The committee reviews, considers and discusses the SMRC's communication strategy.	The committee considers project decisions to facilitate reviews, plans and advice pursuant to the RRRC Project Participants Agreement.
Cr Doug Thompson (Presiding Member) Cr Steve Kepert Cr Cliff Collinson Observers: Mr Tim Youé Mr Chris Wiggins	Cr Steve Kepert (Presiding Member) Cr Cliff Collinson Cr Wendy Cooper Ms Isabelle Gagnon (WREN Chairperson to 10 Dec 2020) Observers: Mr Tim Youé Ms Teresa Belcher	Cr Doug Thompson (Presiding Member) Cr Steve Kepert Cr Cliff Collinson Mr Graham Tattersall Mr Mick McCarthy Mr Gary Tuffin Observers: Mr Tim Youé Mr Chris Wiggins Mr Brendan Doherty Mr Keith Swift



Appreciation to Cr Wendy Cooper, City of Kwinana

The SMRC acknowledges the contribution given by Cr Cooper since being appointed by the City of Kwinana in October 2015. The City of Kwinana resolved to withdraw as a member of the SMRC effective from 30 June 2021.

	MEMBERS MEETING ATTENDANCE 2020/2021			
	Cr D Thompson (Chair)	Cr S Kepert	Cr C Collinson	Cr W Cooper
Ordinary Council Meetings (4)	4	4	4	4
Special Council Meetings (3)	3	3	3	2
Audit & Risk Committee (4)	4	4	4	n/a
Stakeholder Relations Committee (3)	1	3	3	1
CEO Performance Committee (1)	1	1	1	1
RRRC Project Committee (1)	1	1	0	n/a
Total Meetings	14	16	15	8

n/a denotes not a member of committee



Planning For The Future Overview

OUR VISION: WE DELIVER INNOVATIVE AND SUSTAINABLE WASTE MANAGEMENT SOLUTIONS FOR THE BENEFIT OF OUR COMMUNITIES AND THE ENVIRONMENT

Integrated Planning and Reporting Framework

The Annual Report measures our progress against priorities that were developed in consultation with the community and documented in the SMRC's long term vision, the Strategic Community Plan 2017-2027.

The SMRC's Corporate Business Plan 2018-2023 provides clarity on the initiatives and services that the City is planning or implementing over the next five years, with emphasis on the delivery of the strategic priorities outlined in our Strategic Community Plan 2017-2027.

These two key strategic documents are then underpinned by a number of informing documents including, but not limited to, the Long Term Financial Plan, Asset Management Plans, Workforce Plan and issues or area-specific plans (see figure 1).

All local governments within Western Australia, including Regional Councils, are required to plan for the future in accordance with section 5.56(1) of the *Local Government Act 1995 (WA)* and adopt an integrated planning and reporting framework.

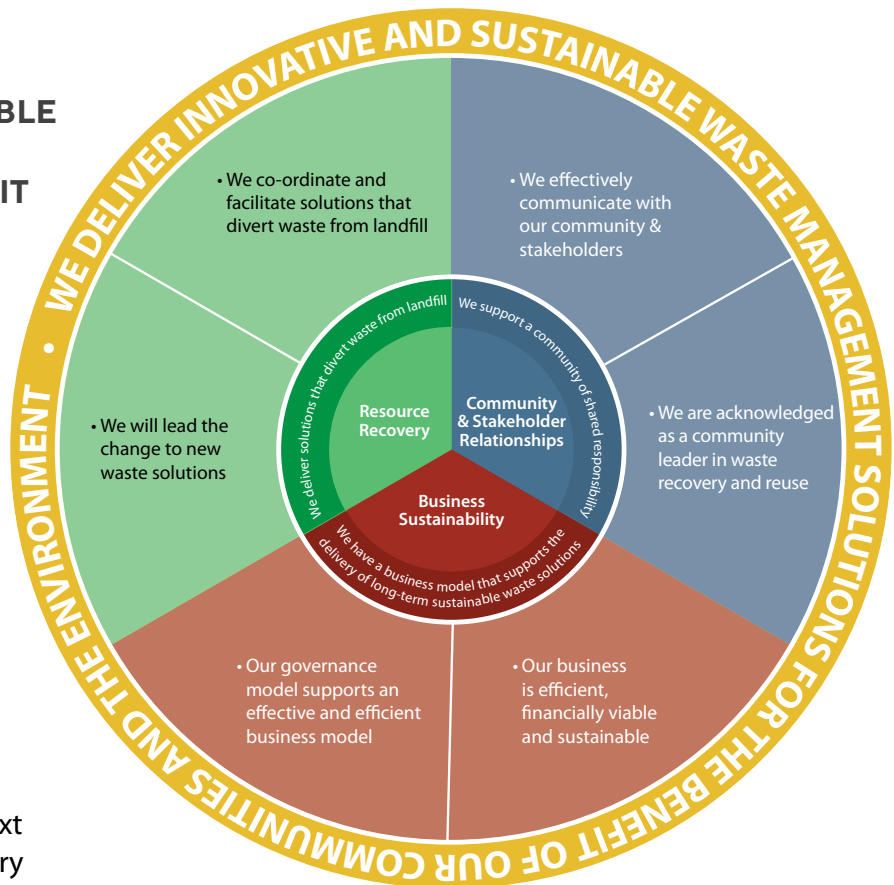


Figure 1: Source – Department of Local Government and Communities
Integrated Planning and Reporting Framework and Guidelines, September 2016



2020-21 Achievements

Resource Recovery

Our Vision – We are a leader in recovery and reuse

Objective 1.1

We co-ordinate and facilitate solutions that divert waste from landfill

- Optimise operations in recovery and reuse to add value
- Support and encourage members to implement the most effective collection solutions
- Lead initiatives to deal with problematic waste

Waste diverted from landfill

The regional council's participating local governments are achieving above the State's target at 66.4%. The State's Waste Avoidance and Resource Recovery Strategy 2021 targets for MSW material recovery in Perth Metro is 65%.

The RRRC Project's Diversion from landfill on waste streams it processes (FOGO, recyclables and green waste) are 85.6%.

85.2%

The Regional Resource Recovery Centre's **total recovery diversion from landfill**

Total 113,555 tonnes = 16,832 tonnes landfilled and 96,723 tonnes recovered (85.2%)

The **number of tonnes** of the region's waste processed at each of the RRRC's facilities during 2020/21:



Materials Recovery

78,232

82.9% recovered



Green Waste

8,505

100% recovered



Waste Composting

26,818

87% recovered

Excludes all RED bin General Waste

Includes all waste received and processed at RRRC including non-member Councils and commercials etc



Aerial view of the Waste Composting Facility during refurbishment with its roof removed

SMRC Waste Plan

The regional council adopted its waste plan 2021 under section 44 of the *Waste Avoidance and Resource Recovery Act, 2007*.

The SMRC and Participant councils have a well-developed approach to waste planning in alignment with the State's Waste Strategy particularly with regard to FOGO which is well ahead of the metropolitan norm and a core focus of the Waste Strategy.

The plan is available on the SMRC website under business plans.

Transitioning to FOGO Processing Facility

With the introduction of the FOGO process for three of our member councils in 2019, the processing of mixed solid waste (MSW) from the dark green-lidded General Waste bins is no longer required. Thus, the 20-year old WCF has undergone a much-needed overhaul and transitioning into a FOGO Processing Facility (FPF). Once complete, it will provide approximately 50% of the projected processing capacity required for the Perth metropolitan area FOGO roll out. The facility has been cleaned, the roof has been replaced and the digesters decommissioned and also removed. Whilst this work has been underway, FOGO from kerbside pickup is being delivered and pre-processed onsite prior to transport for composting offsite with Purearth and GO Organics. A slow-speed shredder is the latest equipment acquired, helping to gently break open caddy liners to release the food content to assist in the composting process. Once passed through the shredder, the waste is screened to remove any unwanted contamination. The shredder was purchased earlier this year with a \$250K contribution awarded from the Waste Authority's 2020 WasteSorted grants.

Exploring sustainable recycling markets

To adjust with the introduction of the ban of export of mixed plastics overseas, the SMRC is now sending mixed plastics to South Australia.

Emissions Reduction Fund

The Waste Composting Facility (WCF) has continued to contribute to the reduction of greenhouse gases in 2020/21 as part of the Federal Government's Emissions Reduction Fund (ERF) Program. Over the course of the year, the WCF prevented 31,573 tonnes of carbon dioxide equivalent (CO₂e) from entering the atmosphere.

Objective 1.2

We will lead the change to new waste

- Investigate the viability of new technologies for waste recovery, including Energy from Waste
- Investigate best use scenarios for current technology and site in regards to FOGO

Waste-to-Energy Strategy

A preferred supplier has now been selected to implement a future Waste-To-Energy (WtE) solution for the SMRC. Avertas Energy is building its waste-to-energy facility in Kwinana. It is the first energy from waste project in Australia and is anticipated to be completed in early 2023. The plant will have the capacity to generate 36MW of electricity from processing 400,000 tonnes per year of residual Municipal Solid Waste when complete. WtE is ideally suitable for Participants' red lid bin general waste material which cannot be reused, recycled or composted. This waste will be diverted from landfill, achieving a total combined household waste diversion from landfill estimated at 85%.

FOGO-derived products now available

The FOGO system provides residents with more options for separating their waste with the aim to improve recovery rates, increase diversion from landfill and reduce costs of processing material. Organic waste diverted from landfill means less production of harmful greenhouse gas methane. The WA State Government is encouraging the introduction of this best-practice 3-bin system throughout all local governments in the Perth and Peel regions by 2025.

Our composting partners Purearth and GO Organics are now taking pre-processed FOGO and turning them into bulk and bagged products. This means FOGO-derived products such as compost, potting mix and landscape mix are available for retail purchase.



FOGO-derived compost being produced at Purearth



Purearth use Composted FOGO material in products, blending approximately 30% of screened Composted FOGO material with their other composted materials, to make a range of products available on a wholesale and retail basis. The main product that incorporates FOGO-derived materials, is the Landscape Mix. FOGO Derived Material has also been used in the Premium Mix, but to a lower extent. A delivery service is available from Little Loads, however, residents should check with other outlets in relation to the availability of a delivery service.

GO Organics use composted FOGO material in the following Retail Products, blending up to 30% of screened composted FOGO material with standard composted materials, to make the following blended products Brunnings All Purpose Potting Mix 25L; Brunnings Garden Soil 25L; and Brunnings Compost 25L. Products are accredited and audited under Australian Standards. Their products are composted whereby organic materials are micro-biologically transformed under controlled aerobic conditions at achieve pasteurisation and a specified level of maturity.

Resource Recovery Key Performance Indicators

Performance Indicator	How will it be measured	Actuals		Targets			
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Waste diverted from landfill	Percentage of waste diverted = $(1 - \text{total residuals} / \text{total waste processed} \times 100\%)*$	62%	66%	65%	65%	65%	65%
Contamination is reduced in the three waste streams collected.	Lime Bin FOGO contamination (Waste Audits)	2.6%	3.7%	<2%	<2%	<2%	<2%
	Yellow Bin Recycling contamination (Waste Audits)	N/A	13.1%	10%	8%	<6%	<5%
	Red Bin Residuals (Waste Audits)	N/A	52.3%	<50%	<40%	<30%	<25%

Business Sustainability

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

Objective 2.1

Our governance model supports an effective and efficient business model

- Adapt and improve existing governance arrangements
- Investigate alternative business delivery models to ensure our business practices are reflective of the commercial environment
- Rebrand existing entities and operations to reflect vision & objectives

Governance arrangements

Strategic review

A Strategic Direction Forum was held on 18 March 2021 resulting in a consensus agreement to continue to provide regional services for Participants and other stakeholders recognising the RRRC as a strategic asset in delivering on Participants, State and Community resource recovery and circular economy aspirations.

Key Strategies	Actions
1. Review governance structure	Facilitate review of SMRC Establishment Agreement, Project Participant Agreements and meeting structures
2. Understand and articulate our value proposition	Prepare a Value Proposition Statement
3. Form alliances & partnerships	Maintain a flexible approach to opportunities for outsourcing SMRC activities and/or business partnering.
4. Enhance and leverage brand equity	Create and promote a brand that reflects the vision and objectives of SMRC
5. Develop an advocacy strategy	<ol style="list-style-type: none"> 1. Develop an advocacy strategy to promote SMRC's value proposition to stakeholders including WA Government, WALGA and individual local governments in order to achieve desired outcomes. 2. Establish a working group to ensure a collaborative approach to delivering the advocacy strategy.
6. Deliver communication and waste education	Undertake a review in consultation with participants, on the regional community education program.

Corporate Overhead Contribution Funding Strategy – February 2021

The transition from receiving and processing 85,000 tonnes of MSW to receiving and processing 27,000 tonnes of FOGO has resulted in a change in funding corporate and administration overheads.

Overheads include indirect staffing and fixed operating expenses and whilst reductions in overheads has occurred, the overhead expense has shifted from incorporated in gate fees to a separate fixed charge.

The funding strategy considers the current business case, potential increase in throughput tonnes and prior and current year surpluses to order to maintain sustainability and reduction in Participant's overall cost.

Audit and Risk

The continuation of ISO accreditation for Environmental ISO 14001, OHS ISO 45001 and Quality ISO 9001 was successfully achieved. The SMRC transitioned from OHS AS4801 to international standard ISO45001 to support the SMRC moving towards an integrated management system. This encompasses all elements of the safety management system and creates congruence in structures that are encompassed within ISO9001 and ISO14001.

Due to resource capabilities and COVID-19 restrictions, a few of the audit assurance program audits were postponed to the following year. These include; business continuity planning testing, purchase credit card review, IT vulnerability assessment and implementing IT audit recommendations.

Property insurance continues to be challenging for the waste industry. Insurers undertake annual risk assessments of our facilities and report that the site has good management procedures which continues to project a level of confidence for re-insurance.

The Office of Auditor General (OAG) undertakes financial and IT audits and reports to the Audit and Risk Committee each year.

Alternative Business Delivery

Marketing Plan – February 2021

The RRRC Marketing Plan (the Plan) is one of a number of issue specific plans that form part of the Integrated Planning and Reporting Framework (IPR) adopted by the SMRC.

The Plan describes the strategic marketing and business development approach during the period 2020-24 and provides a clear linkage between the relevant Goals and Strategies detailed in the Corporate Business Plan 2020-2024.

Given the nature of the SMRC, the changing structure of the waste and recycling sector coupled with market forces, the SMRC is facing a number of challenges and opportunities in the forward years. This Plan identifies current trends, risks, opportunities and strategies to realise positive outcomes on behalf of the participant councils.

The objective of the Plan is for Participants to achieve benefits with additional commercial tonnes, resulting in reduced gate fees and overhead contributions as the RRRC business grows.

Rebranding

One of key strategies and actions in the Corporate Business Plan is to create and promote a brand that reflects the vision and objectives of the regional council. This will be undertaken in the third quarter of 2021.

Objective 2.2

Our business is efficient, financially viable and sustainable

- Identify and deliver process improvements
- Develop an appropriate and efficient asset management strategy
- Develop a sustainable long-term financial plan
- Being a responsible and considered employee

Continuous Process Improvement

The SMRC continues to review and implement a continuous process improvement program. During 2020/21, SMRC purchased a slow shredder to grind FOGO material for improved recovery as well as substantial work has been undertaken in working with external partners to produce a FOGO compost that is of the highest standard, complying with AS4454 composts, soils and mulches. This Standard specifies requirements for organic products and mixtures of organic products that are to be used to amend the physical and chemical properties of natural or artificial soils and growing media.

Sustainable long-term financial planning

Financial operating results has secured surplus funds earmarked for funding overheads and future asset replacement.

The introduction of the 'Container for change' scheme on 1 October 2020 provides additional revenue for the recovery of eligible containers under the scheme.

The Waste Authority grant of \$250,000 towards the purchase of Food Organics Green Organic (FOGO) equipment improves recovery and processing costs.

The Waste Authority 2019 grant towards the maintenance program of the Material Recovery Facility continued to fund equipment maintenance and capital replacement following the accelerated wear and tear with increased tonnage.

Responsible and Considered Employer**Employee Wellbeing**

A number of wellness programs such as '10,000 step challenge', flu vaccinations, encouragement towards protection against COVID through newsletters, working from home and time off for vaccinations were undertaken in 2020/21.

Resource Recovery Centre Enterprise Agreement 2021

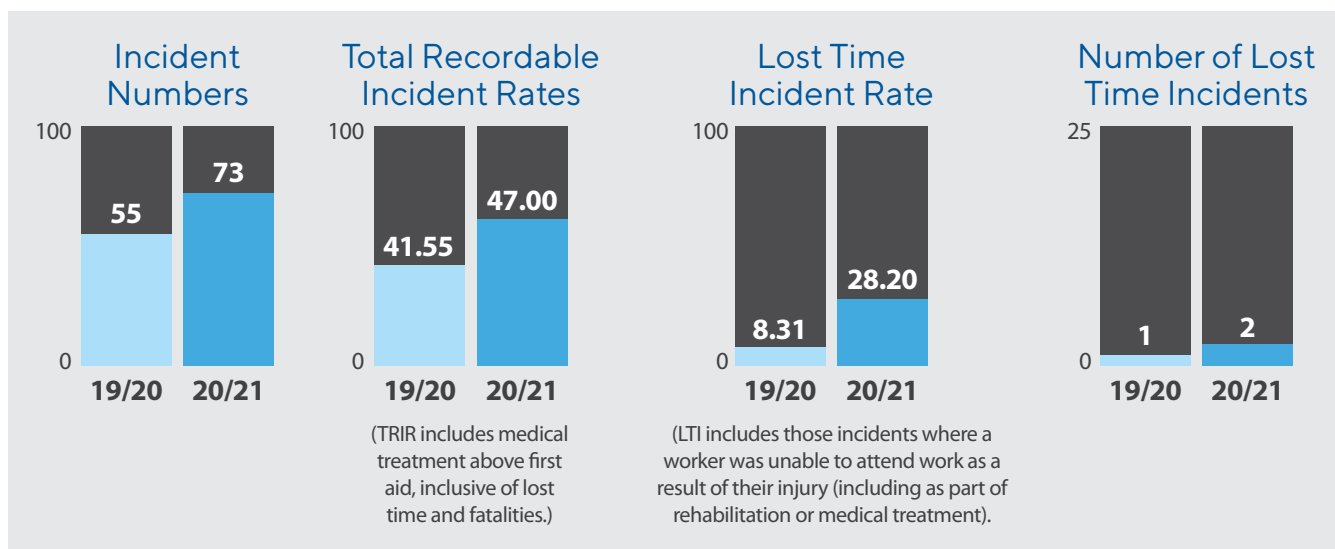
The agreement was reviewed and accepted by the RRRRC operational and trades employees in the waste composting, green waste and recycling facilities, except administration and supervisor positions, it provides conditions and salary increases to 2025.



Occupational Health and Safety

Management continually review and strive to do better in matters of health and safety. With an increased reliance on contract and labour hire, the focus for 2020-2021 was the review of risks as posed to workers and looking at further prevention strategies that support incident and injury prevention.

In matters of safety performance, employee related incident statistics demonstrate that incident numbers have dropped across the board. For the 2021-2022 financial year, the target is to further reduce incident rates by 15% from 2020-2021 rates.



Business Sustainability Key Performance Indicators

Performance Indicator	How will it be measured	Actuals		Targets			
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Key stakeholders are satisfied with our performance	Stakeholder survey	85%	100%	>80%	>80%	>80%	>80%
Plant availability	Percentage of member tonnes accepted at RRRC	100%	99%	>95%	>95%	>95%	>95%
Current Ratio	Current assets over current liabilities	1.06	1.33	=>1.10	=>1.10	=>1.10	=>1.10
Number of lost time incidents (LTIFR)	Number of lost time injuries	1.0	2.0	0	0	0	0

Stakeholder Engagement

Our Vision – We support a community of shared responsibility

Objective 3.1

We are acknowledged as a community leader in waste recovery & re-use

- Participate in Federal, State and Local Government forums to support the development of regional and metropolitan waste management policies and legislation

Moving in the right circles

During 2020/21, the Chair and Chief Executive Officer were on the following external boards, committee and working groups:

Chair – Cr Doug Thompson

- Municipal Waste Advisory Council, Chair
- WALGA South Metropolitan Zone, Chair
- WALGA Environmental Policy Group, Member
- Waste Reform Advisory Group, Member

Chief Executive Officer – Mr Tim Youé

- Waste Authority Board, Member
- Waste Management and Resource Recovery Association of Australia (WMRR), National Director
- Metropolitan Regional Councils, CEO Working Group, Chair
- Municipal Waste Advisory Council (MWAC), Officers Advisory Group, Chair
- Waste Reform Advisory Group, Member

Objective 3.2

We effectively communicate with our community & stakeholders

- Develop and implement an effective community education program
- Partner with member councils and complementary organisations to promote behavioural change towards waste recovery and re-use

SMRC Website

The SMRC website smrc.com.au/ holds all corporate information about the organisation. Statistics for the website visitors are as follows:

The current site is reaching its end-of-life and components are no longer able to be updated. The website will be redesigned in the third quarter of 2021.

	Number of Visitors	Sessions	Average Duration (Mins: Sec)
Total 2020-2021 FY	25,290	17,206	1:93
Total 2019-2020 FY	8,935	14,422	2:33
Total 2018-2019 FY	14,487	12,516	1:44

Recycle Right® Education Program

The Recycle Right® waste education program teaches residents about waste, recycling and sustainability. The SMRC has developed the program over 19 years and it is now a standalone brand. It consists of a website and smartphone app as well as many education resources and graphics including social media channels, an eNewsletter, worksheets, factsheets and videos. Tours at the RRRRC in Canning Vale are run through the program. External presentations and school incursions are also offered.

The Recycle Right® website recycleright.wa.gov.au and app is the main customer-facing location for the Materials A-Z list agreed by the WALGA-led Consistent Communication Collective (CCC). At the same time, Recycle Right® has been offering 'memberships' to Regional Councils and Local Councils. So far, the following have signed up:

City of Canning (through RRRRC recycling contract), WMRC, EMRC, City of Wanneroo, City of Albany, Shire of Collie, Shire of Harvey

More Councils continue to show interest, particularly following promotion at the Waste Educators Network Group (WENG) and CCC meetings.

Two Reference Group Meetings have now been held (quarterly). A resources/assets private page has been created on the Recycle Right website for members to peruse and choose existing material that they may like to further customise or brand. Additional design work has been undertaken at a discounted rate for RR Member councils, including calendars (WMRC), truck decals (Wanneroo) and recycling stations (Kalamunda via EMRC). All members have been added to the app/website backend.

As more Councils become members of Recycle Right®, the program becomes an appropriate vehicle to deliver a consistent message in the Perth metro area (and beyond) regarding waste avoidance, reduction, recycling and disposal. It will and assist in optimising members current spend on waste education and community engagement.





Rebecca Prince-Ruiz founder of Plastic Free July visiting the RRRC



Tours and incursions

A visit to the RRRC and the Recycle Right® Education Centre allow visitors to view first-hand what happens to their recyclable waste and learn also about the FOGO process and composting. The table below shows the tours and incursions undertaken by Jared Crowe, Waste Education Officer.

In March 2020, Covid-19 restrictions came into place, and all school and community tours were put on hold and did not recommence until October 2020. During the FY 2020-2021 there were 66 tours (with 1,275 participants) and 23 school/community incursions (reaching 3,408 individuals)

This downtime has provided the perfect opportunity to review and plan new lessons. A 'full day' incursion program where all year groups in a Primary school can attend a session with a six activity stations was being formulated working with the WMRC. This means all year groups in a Primary school can attend a session with a seven activity stations over one day. The activity stations consist of:

1. Great **GIFTING** game – based on snakes and ladders game
2. Responsible **RECYCLER** – items depicted on icons to sort to correct bin
3. Excellent **EARTHCYCLING** puzzle – puzzle showing the cycle/steps of composting
4. Awesome **AVOIDER** – playing cards matching single use and reusable items
5. Terrific **TAKER** relay – relay game sorting icons into the correct drop-off location
6. **LANDFILL** is the last resort – sorting items into how long it takes for them to breakdown in landfill
7. **CONTAINER DEPOSIT SCHEME** activity – sorting containers eligible for the CDS scheme

Sessions are targeted to each appropriate age group. A number of trial days were undertaken to gain feedback prior to producing the final games:

Plans are also underway for an update of education material in the RRRC Education Centre and Community Garden.

We anticipate continued interest in recycling and waste education activities especially with the rollout of FOGO bins throughout Perth.

Website and Smartphone App



The Recycle Right website (recycleright.wa.gov.au) encourages and assists residents and businesses in Western Australia to recycle, reduce their rubbish and buy more recycled products. Information on both the app and website is tailored to the full assortment of bin systems found in the Perth metropolitan area: 3-bin FOGO (Food Organics, Garden Organics), 3-bin GO (Garden Organics) and 2-bin. With the increase in membership to the Recycle Right Education Program, the use of the app is also increasing. Statistics for the website visitors are as follows:

	Number of Visitors	Sessions	Average Duration (Mins: Sec)
Total 2020-2021 FY	63,771	43,291	1:26
Total 2019-2020 FY	43,624	59,198	2:00
Total 2018-2019 FY	77,043	77,043	2:00

The new Recycle Right app was uploaded to both IOS App Store and Google Play on 18 November 2019. Statistics so far for app downloads are as follows. There was a large spike in downloads on one day in April – we believe this was due to promotion of Recycle Right members launching their FOGO program.



The new Recycle Right app was uploaded to both IOS App Store and Google Play on 18 November 2019. Statistics so far for app downloads are as follows:

	 Apple	 Android	Total Downloads
Total 2020-2021 FY	5,713	1,266	6,979
Total 2019-2020 FY	2,085	642	2,727
Total 2018-2019 FY	2,921	719	2,490
Total downloads since September 2013	26,177	5,093	31,270

*Note: we anticipate that website visits and app downloads are significantly greater than the figures reported due to software issues, and inconsistency in collection of data following launch.



Playing 'The Great Gifting Game'



Completing the 'Home Compost Cycle' puzzle

E-newsletter

The E-newsletter was sent out in July 2020, August 2020, October 2020, November 2020, December 2020, January 2021, March 2021 and May 2021. The e-News has 1,769 subscribers (as at 14 June 2021).



Media coverage

- Tim Youé radio was interviewed (20 October 2020) for an article in Business News.
- Jared Crowe spoke to RTRFM radio program about the MRF and recycling.
- **4 May 2021** – Media Release 'Shredder helps improve FOGO processing'
- **5 May 2021** – Media Release 'Treasure found in Trash at recycling facility' - Coverage on all TV channels about money found at the MRF. A media release was sent out with basic details. No interviews were given.
- **10 May 2021** – Media Release 'SMRC presented with 2021 WA Waste Award'
- **11 May 2021** – Email response to questions from Amy Warne (for Earth Carer's course update) – Brendan Doherty
- **26 May** – The West Australian – Questions relating to FOGO in Education supplement – due to be published on 29 June 2021.
- **1 June 2021** – The West Australian – Questions answered about mixed plastics ban – still to be published

Social Media

Social media channels were set up in November 2019. This has allowed Recycle Right to branch out to reach members of the community. Currently (19/08/2021):

- Facebook Recycle Right: **facebook.com/RecycleRightWA/** - (975 likes and 1,140 followers)
- Facebook SMRC: **facebook.com/Southern-Metropolitan-Regional-Council-259535674382648/** (just to tag, not post directly) (55 likes)
- Twitter: **twitter.com/RecycleRightWA** - currently to monitor, and not post (30 followers)
- YouTube: **youtube.com/channel/UCeJ93M5Rqcfkd0s7OK7z2Dw?** (72 subscribers)
- LinkedIn: **linkedin.com/company/southern-metropolitan-regional-council/** - currently to monitor (73 followers)
- Instagram: **instagram.com/RecycleRightWA/** - (409 followers)

A social media strategy/policy is currently being prepared.

A number of online initiatives have been shared on social media:

- Many 'which bin' photos showing correct and incorrect items going into the 3-Bins – rope, textiles, soft plastics etc
- 4 x short videos on Using Your Recycling Correctly
 - o Bottle tops – 433 views
 - o Soft Plastics – 79 views
 - o Bagged Recyclables – 78 views
 - o Textiles – 74 views)
- Promotion of the Container Deposit Scheme
- Promotion of the Garage Sale Trail
- In celebration of National Science Week (15-23 August), Recycle Right ran an 'Upcycling Art Competition' for primary schools within the SMRC catchment area. Twenty four sculpture entries were sent in from six different schools. All the entries were judged on their creativity, uniqueness, maximum use of recycled products and 'Reduce, Reuse, Recycle' message. The winners received a voucher from Scitech for their Discovery Shop, some Recycle Right reusable bags and a pot plant for the classroom.



Winning images – left to right:

- The Recycled Octopus
- Lantern Fish
- Upcycled Dragon



- An online Webinar 'Busting Waste Myths: Export Ban' was run for Secondary School students on 21 August 2020 – with participants from Leeming SHS, Lynwood SHS and John Curtin SHS attending. Rebecca Brown (WALGA), Brendan Doherty (SMRC) and Scott McKenzie (DWER).



National Recycling Week

A Webinar 'Tips to Avoid Waste' was held on 11 November 2020 as part of National Recycling Week. Rebecca Prince-Ruiz (Plastic Free July), Paul Molony (City of Melville) and Connor Warn (Town of East Fremantle) were on the panel.

Recycle Right also ran tours of the RRRC for the City of Canning, Town of East Fremantle, residents from WMRC, residents from EMRC and an open community tour.

Christmas Promotions



Webinar: How to Sleigh your Waste this Christmas (17 December 2020) with panellists from WMRC, EMRC, City of Canning – 33 participants signed in to view the webinar. There were 85 registrations.

6 x short videos of DIY sustainable Christmas gifts:

- Cookie Mix
- Florentine Cookies
- Succulent in Pot
- Wordsearch Wrap
- Origami Cracker
- Coffee Body Scrub

3 x videos of fabric wrapping gifts (Furoshiki)

Graphics to promote the correct disposal of Christmas waste e.g. tinsel, fairy lights, wrapping paper



Events

The following events were supported by the SMRC over 2020/21:

- **Webinar: Busting Waste Myths** – 21 August 2021
- **Webinar: Waste Avoidance Tips** – 11 Nov 2020
- **Jacaranda Festival** – 28 Nov 2020
- **Webinar: How to Sleigh Your Waste this Christmas** – 17 Dec 2020
- **Kidchella** – 17 Jan 2021
- **Muddy Hands Festival** – 28 Feb 2021
- **Big Day Out** – 2 March 2021
- **Earth Day Expo** – 26 March 2021
- **Cloth Nappy Workshops** (various dates 27 April, 25 May, 28 June, 20 July, 14 Sept)
- **Visit to Purearth** – 19 May 2021
- **Perth Makers Market** – 23 May 2021
- **Wastewise Schools Meetup** – 28 July 2021

Nappy Campaign

Recycle Right is working with Member Councils to promote and run workshops on the use of cloth nappies. These workshops are for residents living in the SMRC catchment area only – City of Melville, City of Fremantle and Town of East Fremantle. “The Nappy Guru” Kam Andrews demonstrates different cloth nappies available and explains the benefits of each. The workshop are funded by the Better Bins Program.

City of Melville and Town of East Fremantle residents can apply for a 50% rebate of up to \$100 for either the hire or purchase of cloth nappies. City of Fremantle residents can apply for a 50% rebate of up to \$150 for either the hire or purchase of cloth nappies. To be eligible for the rebate, you must first attend a cloth nappy workshop run by The Nappy Guru facilitated by Recycle Right and in partnership with the City of Melville, the City of Fremantle or the Town of East Fremantle. This is to ensure they have the information and support needed to successfully transition to using cloth nappies.



Plastic Free July 2020

Plastic Free July is a global movement that helps millions of people be part of the solution to plastic pollution—so we can have cleaner streets, oceans, and beautiful communities. Despite the difficulties posed by the COVID-19 pandemic, a record breaking 326 MILLION people worldwide participated in the Plastic Free July challenge in 2020!

For 2020 and 2021, the SMRC joined as a Regional Council member (for 2 years) making it was more cost effective for our member Councils—City of Melville, City of Kwinana, City of Fremantle and Town of East Fremantle—to benefit from membership.



The SMRC took part in a number of events and activities both with staff and local community to celebrate Plastic Free July. We hosted plastic free morning teas where each SMRC staff member pledged to give up one single-use plastic item for the month and simultaneously launched a new 3-bin FOGO system across all staff lunch rooms. The City of Melville ran several workshops on plastic free living at the Piney Lakes Environmental Education Centre covering topics like the circular economy and low waste living on a budget. We developed '31 Days, 31 Ways' campaign online where we shared daily ideas for easy swaps you can make to reduce the amount of single-use plastic.

Waste Recycling Education Network (WREN)/Recycle Right Rangers Update

Over the past year, the WREN met seven times: on 9 July, 6 August, 10 September, 19 September (in a Park), 8 October, 19 November and 10 December. They ran a community workshop on 12 November 2020 as part of National Recycling Week at the Piney Lakes Environmental Education Centre and provided volunteers at two events – the Jacaranda Festival (28 November 2020) and Kidchella (17 January 2021), both in the City of Melville.

East Fremantle now has a smaller, 3-item Recycling Drop-off Station, and their previous 4-Item Station has been given to Fremantle. These Stations were arranged by funding the WREN received through the Waste Authority.

A review of the WREN was undertaken earlier in the year and the recommendation for the WREN to be disbanded and a new volunteer program the 'Recycle Right Rangers' to commence was accepted by Council in February 2021.



Kidchella event, City of Melville

A thank you event for the past members of the WREN took place to present each member with a certificate of participation and a gift.

The new Recycle Right Rangers program is currently being planned. So far there are four members who have signed up – two past WREN members and two bin taggers. These four members were eligible to attend the tour of Purearth in May 2021. Full promotion of Recycle Right Ranger is now underway with the first training workshop planned for September 2021.

Bin tagging program

The Bin Tagging Program involves Community Waste Education Officers working in pairs to make a visual inspection of residents' bin contents prior to pick up on collection day. A 'happy' or 'sad' tag is left on the handle of the bin to provide feedback about how well residents are using the bins or what can be improved.

The 2020 bin tagging auditing program began across 8,000 households in February 2020 but was put on hold due to Covid 19. It recommenced in August 2020 and finished in November 2020.

The first round of the 2021 bin tagging program commenced on 15 February 2021 and concluded on 15 June 2021 in Melville (FOGO) Fremantle (FOGO), East Fremantle (FOGO) and Fremantle (2-bin MUDs). A second round will commence towards the end of August 2021.

The report of the 2020 and 2021 Bin Tagging program results will be presented shortly.



Households that received bin tagging across the region:

2020 (Aug-Dec) – 4517

2021 (Feb-June) – 4988

2020 results (includes whole year)

Council	Number tagged	Average compliance/No contamination/Correct Use by end of program		
		FOGO	Recycling	General Waste
Melville		90%	32%	64%
Fremantle		85%	28%	51%
East Fremantle		91%	36%	54%

- Key Contaminants found were consistently:
 - o FOGO: FOGO bagged in plastic (instead of compostable liners) & soft plastics
 - o Recycling: Soft plastics, lids on bottles, miscellaneous contamination (residents are 'wishcycling')
 - o General Waste: Recycling & food

Community & Stakeholder Relationships Key Performance Indicators

Performance Indicator	How will it be measured	Actuals		Targets			
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
SMRC is acknowledged as a leader in waste management and resource recovery	Community survey / Stakeholder survey	No survey	>88%	>80%	>80%	>80%	>80%
Community awareness of the Recycle Right brand	Community survey	No survey	No survey	>50%	>50%	>50%	>50%
Number of community contacts	Number of persons receiving waste education from SMRC e.g. RRRC tour visitors, community and school education, awareness programs run by SMRC	2,633*	4,683	>5,000	>5,000	>5,000	>5,000
Recycle Right Website	Number of hits on the Recycle Right website	43,624**	63,371	>60,000	>60,000	>60,000	>60,000

* Visitors due to Covid-19 lockdown

** Hits due to re-launch of website

Statutory Requirements

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 adopted its Strategic Community Plan 2013-2023 and Corporate Business Plan 2013-2017 in accordance with the 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*.

Since that date, the Regional Council through extensive consultation with its member local governments has reviewed and adopted in June 2016, an amended Strategic Community Plan 2016-2026.

The Corporate Business Plan has been reviewed and modified in June 2021.

Refer to this report for detail and performance reporting on the current Plan's actions and KPIs.

Register of complaints in relation to minor breaches by Councillors

In accordance with section 5.53(2)(hb) of the *Local Government Act 1995*, and *Regulation 19B of the Local Government (Administration) Regulations 1996* it is a requirement to report any complaints and amounts in relation to minor breaches by Councillors received during the year.

- There were no complaints reported for the period 1 July 2020 to 30 June 2021.
- There was no amount ordered under section 5.110(6)(b)(iv) to be paid by a person against whom a complaint was made.
- SMRC made no payments relating to remuneration and allowances paid to standards panel members.



Payment to Employees

In accordance with Regulation 19B(2)(b) of the *Local Government (Administration) Regulations 1996*, the SMRC is required to disclose the number of employees entitled to an annual cash salary that falls within each band of \$10,000 over \$130,000. The number of employees with an annual cash salary entitlement that falls within each band for 2020/21 is as follows:

	2021
Salary Range \$	\$
280,000 - 289,999	1
190,000 - 199,999	2
160,000 - 169,999	1
130,000 - 139,999	1
Total	5

The total remuneration paid or provided to the CEO during the financial year was \$308,000

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.

Regulatory Review

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

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

Record-Keeping Plans

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

- An Amended Record Keeping Plan (RKP) for the SMRC was approved by the State Records Commission (9/12/2016). The plan is next reviewed in December 2021.
- A new Electronic Document Record Management System eDRMS was implemented from July 2015.
- Staff training programs for new and existing staff are regularly undertaken to ensure staff comply with the Record Keeping Policy and Procedures.

Freedom of Information

The *Freedom of Information Act 1992* (FOI) allows the public the right to apply for access to information held by the SMRC. The Act requires the adoption of a Freedom of Information Statement to be reviewed annually. A copy of the current statement is available on our website. There were no FOI applications received during 2020/21.

Environmental Operating Licence

The SMRC has an environmental licence for a prescribed premises under the *Environmental Protection Act 1986*, granted by the Department of Water and Environmental Regulation (DWER) to the 30 March 2033.

The licence includes conditions, which are monitored and evaluated by DWER. A full copy of the licence can be viewed on SMRC's website.

The Regional Resource Recovery Centre (RRRC) is required to provide an audit compliance report on an annual basis to the DWER. 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 DWER in November 2020.

Disability Access & Inclusion Plan

In accordance with S29(2) of the *Disability Services Act 1993*, a public authority that has a Plan must report on the implementation of the Plan. The Plan was adopted on 25 February 2021.

The SMRC is committed to achieving the eight desired outcomes of its Disability Access and Inclusion Plan. These are:



Implementation Plan

Outcome 1: People with disability have the same opportunities as other people to access the services of, and any events organised by, the SMRC.

ACTION	STATUS
Ensure that all events organised by the SMRC provide the minimum: <ul style="list-style-type: none"> • Accessible parking • Accessible toilets • Promotional material available in alternative formats 	Ongoing
Ensure that people with disabilities are able to provide feedback regarding access to services.	Ongoing - Include in tour/event feedback form
Provide assistance as required to people with disability to access the Green Waste Facility.	Implement by June 2021 – Under review
Review SMRC's Policies and Procedures to ensure consistency with the DAIP.	Ongoing



Seats along the pathway in the Banksia Woodland

Outcome 2: People with disability have the same opportunities as other people to access the buildings and other facilities of the SMRC.

ACTION	STATUS
When developing new buildings and facilities, consideration will be given to the needs of people with disability.	Ongoing
Ensure that ACROD parking meets the needs of people with disability in terms of quantity and location.	Ongoing
Assess path and route of tour at RRRC to ensure it is maintained and wheelchair accessible.	June 2021 We reviewed the access path and route of the tour at the RRRC for any hazards to visitors – especially those using a wheelchair. One section (near WCF) needs a ramp. It has been agreed to install a ramp following on-site works finishing at the WCF (end of 2021)
Assess if extra seating is required along path and route of tour	June 2021 A Replas picnic table (made from recycled soft plastics) has been purchased to place in the Community Garden (on tour route at RRRC).

Outcome 3: People with disability receive information from the SMRC in a format that will enable them to access the information as readily as other people are able to access it.

ACTION	STATUS
Audit how staff provide information to the community to ensure it complies with the DAIP.	Audit annually We have created a 'How to sort your waste' brochure in 10 languages to cater for communities who do not speak English as their first language. recycleright.wa.gov.au/information-flyers
Improve current staff awareness of accessible information needs and how to obtain information in other formats	During induction
Ensure that information on Council functions, facilities and services is available in alternative formats on request.	Ongoing
Ensure that the SMRC's websites meet contemporary good practice (e.g. accessibility information provided, PDF/images correctly tagged).	Ongoing The SMRC website is currently being re-developed and this re-development will take into account all aspects of accessibility so the site will be in complete compliance.

Outcome 4: People with disability receive information from the SMRC in a format that will enable them to access the information as readily as other people are able to access it.

ACTION	STATUS
Ensure SMRC's Disability Access & Inclusion Plan is distributed to staff, Councillors contractors.	Following Council approval SMRC published its first DAIP in February 2021 and this was communicated to all staff, Councillors and contractors.
Contractors (existing and new) are aware of the relevant requirements of the Disability Services Act and SMRC's DAIP.	Ongoing
Generate and sustain staff and awareness of disability and access issues through workshops and staff intranet.	Ongoing

Outcome 5: People with disability have the same opportunities as other people to make complaints to the SMRC.

ACTION	STATUS
Ensure that complaints can be lodged via a number of means including email, mail, verbal.	Ongoing
Ensure that complaints are acted upon in a timely manner.	Ongoing

Outcome 6: People with disability have the same opportunities as other people to participate in public consultation by the SMRC.

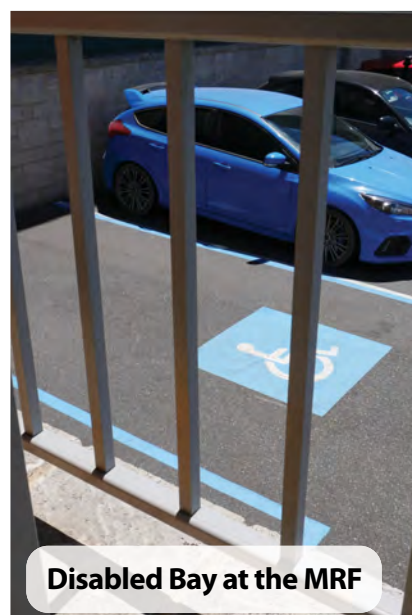
ACTION	STATUS
Ensure that all events organised by the SMRC provide the minimum: <ul style="list-style-type: none"> • Accessible parking • Accessible toilets • Promotional material available in alternative formats 	Ongoing
Ensure that any feedback or comments can be lodged via alternative formats including mail or email.	Ongoing

Outcome 7: People with disability have the same opportunities as other people to obtain and maintain employment with the SMRC.

ACTION	STATUS
Commit to using inclusive recruitment practices when advertising new positions.	Ongoing We are now including the below statement on all employment advertisements: <i>"The SMRC is an Equal Opportunity Employer and promotes a workplace that values and fosters the diversity of our staff. We encourage applications from Aboriginal and Torres Strait Islander people, people with disabilities, people from culturally diverse backgrounds and young people."</i>
Identify and remove any barriers to employment.	Ongoing
Ensure equal opportunity ethos is fostered among staff.	Ongoing
Provide support and training for management staff.	Ongoing

Outcome 8: The SMRC Council ensures that a Disability Access and Inclusion Policy and Plan are developed, implemented and reviewed regularly.

ACTION	STATUS
Consult with the Community on the Disability Access and Inclusion Policy and Disability Access and Inclusion Plan (DAIP).	When reviewed
Lodge DAIP with the Department of Communities.	Following adoption by Council
Provide information on SMRC's DAIP to the Community.	Once adopted by Council
Include information about DAIP and accessibility on the SMRC website.	December 2020
Review and amend DAIP Policy and Plan.	When required
Develop links between the DAIP and other SMRC plans and Strategies.	Ongoing



Disabled Bay at the MRF



Seating in the Community Garden

Annual Financial Summary

Financial Ratios

Current Ratio

Measures the liquidity position of a local government.

	Target	Actual FY21	Actual FY20	Comments
Dept of Local Government Standard Benchmark	1.0 Higher is better	1.31	1.06	We are in a solvent position and have ability to meet short term financial obligations from unrestricted assets. (nb: Cash reserves are not included in the ratio)
Current assets minus restricted current assets Current liabilities minus restricted liabilities associated with restricted assets FY21 $\$21.8 - \$12 = \$9.8 \text{ million}$ $\$8.8 - \$1.3 = \$7.5 \text{ million}$ [Numbers taken from statement of financial position and cash and cash equivalents note]				

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.

	Target	Actual FY21	Actual FY20	Comments
Dept of Local Government Standard Benchmark	0.50 Higher is better	0.90	0.94	Assets were last re-valued in 2020 and depreciation adjustments for fixed plant and equipment was reviewed in 2020.
Depreciated Replacement Cost of Depreciable Assets Current Replacement Cost of Depreciable Assets FY21 $\$23.2 \text{ million}$ $\$25.7 \text{ million}$ [Numbers taken from notes in financial statements – Property, Plant & Equipment]				

Asset Renewal Funding Ratio

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

	Target	Actual FY21	Actual FY20	Comments
Dept of Local Government Standard Benchmark	0.75 Higher is better	1.00	1.00	The 10 year capital renewals program will be funded from annual operations and cash backed reserve funds. Due to the nature and use of the assets only required renewals are determined in the Asset Management Renewal Plan and funded from reserve funds.
NPV of Planned Capital Renewals over 10 years NPV of Required Capital Expenditure over 10 years $\$16 \text{ Million NPV over 10 years}$ $\$16 \text{ Million NPV over 10 years}$ [Numbers drawn from Long Term Financial Plan (planned renewals) and Asset Management Plan (required renewals)]				

Annual Financial Summary

Financial Ratios

Asset Sustainability Ratio

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

	Target	Actual FY21	Actual FY20	Comments
Dept of Local Government Standard Benchmark	0.90 Higher is better	1.18	0.40	The annual depreciation charge is \$3.9M, (\$3.1M FY20). It includes assets that will never be replaced and therefore an annual replacement program of \$3.9M is not required. This ratio has little meaning for this regional council because the annual asset renewal program will not be realised to its full value.
Capital renewal and replacement expenditure				
Depreciation Expense				
FY21				
\$4.5 million				
\$3.9 million				
[Numbers taken capital expenditure & statement of comprehensive Income]				

Debt Service Cover

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

	Target	Actual FY21	Actual FY20	Comments
Dept of Local Government Standard Benchmark	2.0 Higher is better	1.44	2.20 1.70	The RRRC Project loan is fully repaid by Participants. Therefore, this ratio is not a true financial performance for the regional council. For FY20 disclosed above the ratio is further distorted by items relating to asset impairment loss and revaluations.
Annual Operating Surplus before interest and depreciation				
Principal and Interest				
FY21				
\$3.6 + \$4.3 = \$7.9 million				
\$5.1 + \$0.4 = \$5.5 million				
[Numbers taken from statement of comprehensive income and statement of cash flows]				

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.

	Target	Actual FY21	Actual FY20	Comments
Dept of Local Government Standard Benchmark	0.01 Higher is better	0.10	0.17 0.10	The reason for the positive ratio is due to an operating surplus of \$1.5 million. The financial structure of the regional council does not budget to make a surplus or recover the annual depreciation charge as revenue from its participants because the participants contribute separately towards the capital assets through annual loan borrowings. For FY20 disclosed above, the ratio is further distorted by asset revaluations.
Operating Revenue minus Operating Expenses				
Own source operating revenue				
FY21				
\$33.5 - \$30.3 = \$3.2 million				
\$33.5 million				
[Numbers taken from statement of comprehensive income by nature or type]				

Annual Financial Summary

Financial Ratios

Own Source Revenue Coverage Ratio

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

	Target	Actual FY21	Actual FY20	Comments
Dept of Local Government Standard Benchmark	0.40 Higher is better	1.11	1.02	Additional revenue from fees and charges attributed to higher ratio.
			0.95	Ratio is adjusted to reflect asset revaluation reversals included in revenue.
Own source operating revenue				
Operating expense				
FY21				
\$33.5 million				
\$30.3 Million				
[Numbers taken from statement of comprehensive income by nature or type]				



Highlights

- Operating revenues for the year is \$8.0 million higher than the prior corresponding period due to receiving recycling from 10 metropolitan local governments for 11 months on a short-term contingency arrangement and 9 months of container for change revenue.
- Total operating revenue is \$34 million less expenses of \$29 million resulting in a net surplus of \$5 million. The EBITDA result of \$9.1 million adds back depreciation. \$3.4 million was transferred to reserves with the remaining surplus earmarked for future years as subsidies towards participants' contributions
- Grants received from the state government amount to \$362,000 towards non-operating expenditure.
- Cash reserves balance increased by \$3.4 million, to a closing balance of \$10.7 million.
- RRRC loan debt reduced by \$3.3 million during the year, to a closing balance of \$8.4 million, payable in the next two years.
- Net Assets and equity increased by \$3.8 million attributed to a net surplus result of \$5.1 million less loss on asset disposals \$1.3 million.



Results

	YTD Actual	YTD Actual	Change
	Jun 21 (\$M)	June 20 (\$M)	
Revenues	\$33.6	\$25.6	\$8.0
Expenses	\$28.6	\$23.3	\$5.3
Net Result	\$5.0	\$2.3	\$2.7
Add Back: Depreciation	\$3.9	\$3.1	\$0.8
Add Non-Operating Grant	\$0.2	\$0.0	\$0.2
Add/Less Redundancy Provision		-\$1.6	\$1.6
Add/Less Reveal. Loss/Reversal		-\$1.9	\$1.9
Result (EBITDA)	\$9.1	\$1.9	\$7.2
Cash in Bank	\$13.1	\$10.2	\$2.9
Reserves	\$10.7	\$7.3	\$3.4
Outstanding Loans	\$8.4	\$11.7	-\$3.3
Net Assets	\$36.2	\$32.4	\$3.8

1. Statement of Comprehensive Income

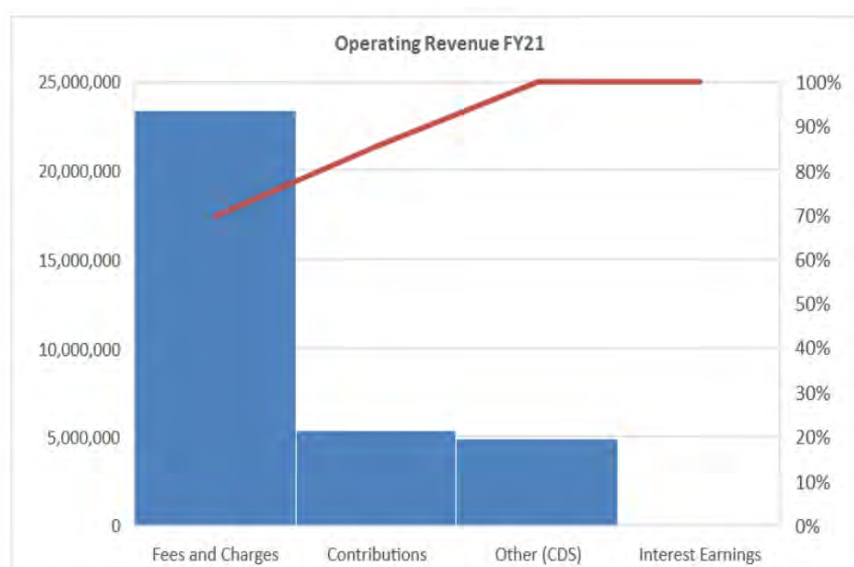
1.1 Revenue

The 2020/21 total operating revenue is \$33.6 million (\$25.6M FY 20)

The increase compared to the previous year relates to the following:

- Grants and Contributions \$0.7M
- Fees and Charges \$2.5M
- Other Revenue (CDS) \$4.8M
- Total \$8.0M

Financial Results & Highlights



1.2 Expenditure

The 2020/21 total operating expenditure is \$28.6 million (\$23.3M FY 20)

The \$5.3M increase compared to the previous year relates to the following:

• Employee costs	\$2.0M
• Materials and contracts	\$1.6M
• Power	(\$0.5M)
• Depreciation	\$0.8M
• Interest Expense	(\$0.3M)
• Insurance	\$0.1M
• Employee redundancy provision (Net)	\$1.6M
• Total	\$5.3M

The employee redundancies provision and revaluation of plant & equipment relates to last financial year.

1.3 Net Result for the Year

Whilst the financial statements show a net result surplus of \$3.6 million. The following is an explanation for the surplus.

The EBITDA is an alternative internal measure for reporting a net result. Applying EBITDA, the net result is a surplus of \$9.1 million (see table below).

Reconciling our financial results

Measure	Underlying (EBITDA)		
	EBITDA stands for: Earnings before interest, taxes, depreciation & amortisation.		
Why do we use this?	Underlying EBITDA is a key alternative performance measure that management uses internally to assess the financial performance by removing expenses that are irrelevant in understanding actual financial results for the year ended.		
Adjustment		FY21	FY20
	Net Result	\$3.6 M	\$4.2 M
	Add back depreciation	\$3.9 M	\$3.1 M
	Add back loss on asset disposals	\$1.6 M	
	Less reversal of employee redundancies provision & revaluation of assets held for sale	\$0.0M	(\$3.5 M)
Result	EBITDA	\$9.1 M	\$3.8 M

Financial Results & Highlights

2. Statement of Financial Position

- 2.1 **Cash** (note 3) \$13 million (\$10.2 million FY 20) is represented by \$1 million untied, \$10.7 million reserves & \$1.3 million bonds & deposits.
- 2.2 **Other financial assets** \$3.4 million & \$5 million (note 5) refers to the outstanding borrowings repaid by Participants.
- 2.3 **Other Assets** \$1.5 million (note 8) refers to revenue from the Container for Change scheme for the June quarter.
- 2.4 **Right of Use Assets** (note 11) refers to the RRRC ground lease. The change in value compared to last year is a remeasurement of the value of the Lease liability and Right-of-use asset with reasonable assumptions and accounting estimates.
- 2.5 **Lease Liabilities** (note 14) (current & non-current liabilities) is \$6.6 million (\$9.7 million FY20), reduced for the reasons stated in Right of Use Assets.
- 2.6 **Borrowings** (note 15) balance (current & non-current liabilities) is \$8.4 million (\$11.7 million FY 20), made up of the following two project loans;
- RRRC Project outstanding balance of \$6.6 million (\$9.9 million FY 20) and;
 - Office Accommodation Project, Office building in Booragoon \$1.8 million (\$1.8 million FY 20).
- No new loans were raised during the year. RRRC project loans repaid during the year amounted to \$3.3 million (\$3.2 million FY 20). The RRRC Project borrowings will be fully repaid by 30 June 2023.
- 2.7 The Council's **net assets and total equity** is \$36.2 million (\$32.4 million FY 20). The increase of \$3.8 million is attributed to net surplus result \$5.1 million less loss on asset disposals \$1.3 million.

3. Statement of Changes in Equity

- 3.1 The **retained surplus** balance as at 30 June 2021 is \$10.1 million (\$9.9 million FY20). The explanation for the increase of \$0.2 million is below;
- The net surplus result from the statement of comprehensive income of \$3.6 million.
 - Net amount of (\$3.4 million) is transferred to the cash backed reserves.
- 3.2 The **cash-backed reserve** balance as at 30 June 2021 increased by \$3.4 million to \$10.7 million (\$7.3 million FY20).
- The reserve accounts are for the purposes of funding the asset renewal program, contingency & development initiatives, insurance, restoration costs associated with the RRRC lease conditions and provision for travel and conferences.
- 3.3 The **revaluation surplus** as at 30 June 2021 is \$15.4 million (\$15.2 million FY 20). The increase relates to a revaluation of the Booragoon office from \$1.6 to \$1.8 million.

4. Statement of Cash Flows

- 4.1 The **net increase in the cash balances** \$2.9 million is attributed to the following cash receipts and payments during the year.
- 4.2 The **cash receipts from operations** is \$33.5 million (\$24.7 million FY 20). This resulted in \$8.8 million higher than the prior corresponding period due to receiving recycling from 10 metropolitan local governments for 11 months on a short-term contingency arrangement and 9 months of container for change revenue.
- 4.3 The **cash payments for operations** is \$25.8 million (\$22.9 million FY 20). The increase corresponds to the additional tonnes received for processing.
- This resulted in a **net cash surplus from operating activities** of \$7.7 million (surplus of \$1.8 million FY 20).
- 4.4 The **cash used in investing activities** is \$4.2 million (\$0.2 million FY 20). The amount refers to capital expenditure.
- 4.5 The **cash balance at the end of the financial year** has increased by \$2.9 million to \$13 million (\$10.1 million FY20).

SOUTHERN METROPOLITAN REGIONAL COUNCIL**FINANCIAL REPORT****FOR THE YEAR ENDED 30 JUNE 2021****TABLE OF CONTENTS**

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COMMUNITY VISION

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

Principal place of business:
9 Aldous Place
Booragoon WA 6154

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

*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 for the financial year ended 30 June 2021 is based on proper accounts and records to present fairly the financial position of the Southern Metropolitan Regional Council at 30 June 2021 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 13 th day of December 2021



Chief Executive Officer

Tim Youe

Name of Chief Executive Officer

SOUTHERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
Operating grants, subsidies and contributions	2(a)	5,317,722	5,099,408	4,647,494
Fees and charges	2(a)	23,394,654	19,253,515	20,801,868
Interest earnings	2(a)	37,894	73,750	100,467
Other revenue	2(a)	4,864,179	1,827,787	9,591
		33,614,449	26,254,460	25,559,420
Expenses				
Employee costs	2(b)	(8,424,736)	(8,013,982)	(6,385,116)
Materials and contracts	2(b)	(13,118,858)	(11,887,092)	(11,528,575)
Utility charges	2(b)	(742,848)	(1,073,070)	(1,262,819)
Depreciation on non-current assets	10(b)	(3,862,654)	(2,697,576)	(3,075,608)
Interest expenses	2(b)	(702,177)	(505,500)	(971,498)
Insurance expenses	2(b)	(1,765,890)	(1,974,100)	(1,639,340)
Other expenditure	2(b)	0	0	1,596,321
		(28,617,163)	(26,151,320)	(23,266,635)
		4,997,286	103,140	2,292,785
Non-operating grants, subsidies and contributions	2(a)	250,000	0	0
Profit on asset disposals	10(a)	16,033	0	0
(Loss) on asset disposals	10(a)	(1,661,581)	0	0
(Loss) on revaluation of plant and equipment	8	0	0	(891,378)
Reversal of prior year loss on revaluation of plant and equipment	8	0	0	2,741,453
		(1,395,548)	0	1,850,075
Net result for the period		3,601,738	103,140	4,142,860
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	240,092	0	2,634,912
Total other comprehensive income for the period		240,092	0	2,634,912
Total comprehensive income for the period		3,841,830	103,140	6,777,772

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 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
Governance		138,054	141,407	143,898
Community amenities		33,476,395	26,113,053	25,415,522
		<u>33,614,449</u>	<u>26,254,460</u>	<u>25,559,420</u>
Expenses				
Governance		(176,387)	(206,407)	(202,148)
Community amenities		(27,738,599)	(25,439,413)	(22,092,989)
		<u>(27,914,986)</u>	<u>(25,645,820)</u>	<u>(22,295,137)</u>
Finance Costs				
Governance	2(b)	(38,639)	(58,500)	(58,535)
Community amenities		(663,538)	(447,000)	(912,963)
		<u>(702,177)</u>	<u>(505,500)</u>	<u>(971,498)</u>
		4,997,286	103,140	2,292,785
Non-operating grants, subsidies and contributions	2(a)	250,000	0	0
Profit on disposal of assets	10(a)	16,033	0	0
(Loss) on disposal of assets	10(a)	(1,661,581)	0	0
(Loss) on revaluation of plant and equipment	8	0	0	(891,378)
Reversal of prior year loss on revaluation of plant and equipment	8	0	0	2,741,453
		<u>(1,395,548)</u>	<u>0</u>	<u>1,850,075</u>
Net result for the period		3,601,738	103,140	4,142,860
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	240,092	0	2,634,912
Total other comprehensive income for the period		240,092	0	2,634,912
Total comprehensive income for the period		3,841,830	103,140	6,777,772

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



**SOUTHERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

	NOTE	2021 \$	2020 \$
CURRENT ASSETS			
Cash and cash equivalents	3	13,053,557	10,174,250
Trade and other receivables	6	2,779,952	3,187,488
Other financial assets	5(a)	3,398,802	5,084,059
Inventories	7	1,081,373	1,190,166
Other assets	8	1,483,058	75,769
TOTAL CURRENT ASSETS		21,796,742	19,711,732
NON-CURRENT ASSETS			
Other financial assets	5(b)	5,030,389	6,629,191
Property, plant and equipment	9	27,175,919	27,305,285
Right-of-use assets	11	5,970,644	9,182,776
TOTAL NON-CURRENT ASSETS		38,176,952	43,117,252
TOTAL ASSETS		59,973,694	62,828,984
CURRENT LIABILITIES			
Trade and other payables	13	4,096,418	4,564,652
Lease liabilities	14(a)	545,035	638,765
Borrowings	15(a)	3,398,802	5,084,059
Employee related provisions	16	749,154	708,687
TOTAL CURRENT LIABILITIES		8,789,409	10,996,163
NON-CURRENT LIABILITIES			
Lease liabilities	14(a)	6,114,756	9,110,279
Borrowings	15(a)	5,030,389	6,629,191
Employee related provisions	16	100,027	78,427
Other provisions	17	3,688,970	3,606,611
TOTAL NON-CURRENT LIABILITIES		14,934,142	19,424,508
TOTAL LIABILITIES		23,723,551	30,420,671
NET ASSETS		36,250,143	32,408,313
EQUITY			
Retained surplus		10,098,346	9,911,328
Reserves - cash backed	4	10,716,775	7,302,055
Revaluation surplus	12	15,435,022	15,194,930
TOTAL EQUITY		36,250,143	32,408,313

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 2021

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2019		7,108,598	5,961,925	12,560,018	25,630,541
Comprehensive income					
Net result for the period		4,142,860	0	0	4,142,860
Other comprehensive income	12	0	0	2,634,912	2,634,912
Total comprehensive income		4,142,860	0	2,634,912	6,777,772
Transfers from reserves	4	3,633,318	(3,633,318)	0	0
Transfers to reserves	4	(4,973,448)	4,973,448	0	0
Balance as at 30 June 2020		9,911,328	7,302,055	15,194,930	32,408,313
Comprehensive income					
Net result for the period		3,601,738	0	0	3,601,738
Other comprehensive income	12	0	0	240,092	240,092
Total comprehensive income		3,601,738	0	240,092	3,841,830
Transfers to reserves	4	(3,414,720)	3,414,720	0	0
Balance as at 30 June 2021		10,098,346	10,716,775	15,435,022	36,250,143

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



STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Operating grants, subsidies and contributions		5,782,147	6,822,775	4,310,361
Fees and charges		23,394,654	19,636,254	19,452,850
Interest received		37,894	73,750	100,467
Goods and services tax received		824,255	2,440,000	818,029
Other revenue		3,476,179	1,327,526	9,591
		33,515,129	30,300,305	24,691,298
Payments				
Employee costs		(8,364,674)	(8,058,980)	(6,396,446)
Materials and contracts		(13,524,098)	(13,131,150)	(11,840,001)
Utility charges		(742,848)	(1,073,070)	(1,262,819)
Interest expenses		(619,818)	(505,500)	(971,498)
Insurance paid		(1,765,890)	(1,974,100)	(1,639,340)
Goods and services tax paid		(809,564)	(2,440,000)	(818,029)
		(25,826,892)	(27,182,800)	(22,928,133)
Net cash provided by (used in) operating activities	18	7,688,237	3,117,505	1,763,165
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for financial assets at amortised cost		0	(1,014,642)	0
Payments for purchase of property, plant & equipment	9(a)	(4,596,174)	(3,187,000)	(1,243,760)
Non-operating grants, subsidies and contributions	2(a)	250,000	0	0
Proceeds from financial assets at amortised cost - term deposits		0	0	1,014,642
Proceeds from sale of property, plant & equipment	10(a)	46,812	0	0
Net cash provided by (used in) investment activities		(4,299,362)	(4,201,642)	(229,118)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	15(d)	(3,284,059)	(3,284,059)	(3,173,433)
Payments for principal portion of lease liabilities	14(c)	(509,568)	0	(389,895)
Contributions from Project Participants for loan repayments		3,284,059	3,284,059	3,173,433
Net cash provided by (used in) financing activities		(509,568)	0	(389,895)
Net increase (decrease) in cash held		2,879,307	(1,084,137)	1,144,152
Cash at beginning of year		10,174,250	9,769,205	9,030,098
Cash and cash equivalents at the end of the year	18	13,053,557	8,685,068	10,174,250

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



**SOUTHERN METROPOLITAN REGIONAL COUNCIL
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FOR THE YEAR ENDED 30 JUNE 2021**

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**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

1. 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) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

The *Local Government Act 1995* and accompanying Regulations take precedence over Australian Accounting Standards where they are inconsistent.

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Council to measure any vested improvements at zero cost.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the financial report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the at fair value of selected non-current assets, financial assets and liabilities.

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 28 to these financial statements.

INITIAL APPLICATION OF 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 were:

- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Materiality*

The adoption of these standards had no material impact on the financial report.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

The following new accounting standards will have application to local government in future years:

- AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*
- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments*
- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates*

It is not expected these standards will have an impact on the financial report.

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 the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES

(a) Revenue

Grant revenue

Grants, subsidies and contributions are included as both operating and non-operating revenues in the Statement of Comprehensive Income:

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Operating grants, subsidies and contributions			
Governance			
Annual member's contributions	138,054	141,407	143,898
Community amenities			
Annual member's contributions	519,665	418,165	462,824
Member contributions towards interest	363,928	364,000	495,492
Member RRRC contributions	4,028,085	4,000,000	1,675,038
Grants	112,000	112,000	1,738,000
Other contributions	155,990	63,836	132,242
	5,317,722	5,099,408	4,647,494
Non-operating grants, subsidies and contributions			
Community amenities			
Grants	250,000	0	0
	250,000	0	0
Total grants, subsidies and contributions	5,567,722	5,099,408	4,647,494
Fees and charges			
Community amenities			
Gate Fee - Participating member councils	7,801,175	8,444,522	12,164,698
Gate Fee - Others	10,106,627	8,343,762	5,938,208
Sale of Materials	4,994,546	2,465,231	1,781,792
Consultancy fees	81,844	0	118,040
Others	410,462	0	799,130
	23,394,654	19,253,515	20,801,868
Interest earnings			
Interest on reserve funds	36,249	63,750	94,404
Other interest earnings	1,645	10,000	6,063
	37,894	73,750	100,467
Other revenue			
Container deposit scheme	4,861,146	1,827,261	0
Other	3,033	526	9,591
	4,864,179	1,827,787	9,591

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

Operating grants, subsidies and contributions are grants, subsidies or contributions that are not non-operating in nature.

Non-operating grants, subsidies and contributions are amounts received for the acquisition or construction of recognisable non-financial assets to be controlled by the local government.

Fees and Charges

Revenue (other than service charges) from the use of facilities and charges made for local government services, fee for service, sale of goods and administration fees.

Interest earnings

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	Note	2021 Actual	2021 Budget	2020 Actual
		\$	\$	\$
Employee costs		8,424,736	8,013,982	6,385,116
Materials and contracts				
Auditors remuneration				
Audit of the Annual Financial Report		26,500	35,000	22,100
Additional costs relating to the prior year financial audit		0	0	8,000
Other services		0	5,000	12,953
		26,500	40,000	43,053
Advertising & Promotion		108,143	186,300	171,713
Consultants costs		406,692	479,229	452,532
Consumables & process costs		155,093	265,000	124,373
Contracted services		147,330	111,000	225,826
Container deposit scheme		1,760,176	575,814	0
Councillor Sitting Fees	22	50,687	51,907	62,657
Disposal and transport costs		7,088,744	6,379,913	7,516,467
Equipment hire		410,326	60,700	234,555
IT & Computer Expenses		146,529	194,545	151,901
Licenses		30,230	30,000	27,915
Product transport costs		97,528	0	121,918
Project costs - WCF building cleaning		745	0	441,229
Maintenance expenses - routine		2,122,962	2,127,390	1,672,225
Maintenance expenses - non-routine		2,317	112,000	90,645
Site maintenance		373,895	419,670	389,638
Other costs		144,258	853,624	67,469
Provision for NRV Adjustment of Inventories	7	46,703	0	(265,541)
		13,118,858	11,887,092	11,528,575
Utility charges		742,848	1,073,070	1,262,819
Interest expenses (finance costs)				
RRRC loans		364,036	350,154	495,492
Admin building loan		38,639	58,500	58,535
Borrowings	15(d)	402,675	408,654	554,027
Change in Interest accrual on borrowings and on unwinding of discounts		81,945	82,000	83,561
Lease liabilities	14(c)	217,557	14,846	333,910
		702,177	505,500	971,498
Insurance expenses		1,765,890	1,974,100	1,639,340
Other expenditure				
Reversal/(Expense) of Redundancy provision		0	0	(1,596,321)
		0	0	(1,596,321)

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement within the funding body	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms	Output method based on project milestones and/or completion date matched to performance obligations
Fees and Charges - waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Fees and Charges - memberships	Project Participants Annual Contributions	Over time	Payment in advance (annual/quarterly)	Refund for unused portion on application	Adopted by council annually	Apportioned equally across the access period	Returns limited to repayment of transaction price of terms	Output method over 12 months
Fees and Charges - sale of stock	Recovered Recyclable Products	Single point in time	On normal trading terms - credit provided as agreed	Refund for faulty goods/quality/contamination percentages	Set by mutual agreement	Applied fully based on timing of provision/dispatch of the goods (as customer as this is when customer obtains control of goods)	Returns limited to repayment of transaction price of terms	On dispatch of the goods (as customer as this is when customer obtains control of goods)
Fees and Charges - sale of carbon credit units	Reduction in Greenhouse gases emissions.	Single point in time	On normal trading terms - credit provided as agreed	None	Set by mutual agreement	Applied fully based on timing of units transfer being completed	Not applicable	On completion of transfer (when the customer obtains control)
Other Revenue - Container deposit scheme	Recovered Recyclable Products	Single point in time	Fixed terms transfer of funds based on agreed reporting	None	Set by mutual agreement within the funding body	Based on material type and apportioned over the period	Not applicable	Output method based on project reporting matched to performance obligations

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

3. CASH AND CASH EQUIVALENTS

	NOTE	2021 \$	2020 \$
Cash at bank and on hand		701,610	96,539
Call Deposit		4,234,994	3,473,549
Term deposits		8,116,953	6,604,162
Total cash and cash equivalents		13,053,557	10,174,250

Restrictions

The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:

- Cash and cash equivalents		11,986,662	9,119,103
		11,986,662	9,119,103

The restricted assets are a result of the following specific purposes to which the assets may be used:

Reserves - cash backed	4	10,716,775	7,302,055
Bonds and deposits held	13	1,269,887	1,027,913
Unspent grants, subsidies and contributions		0	789,135
Total restricted assets		11,986,662	9,119,103

SIGNIFICANT ACCOUNTING POLICIES

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 with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

Restricted assets

Restricted asset balances are not available for general use by the local government due to externally imposed restrictions. Externally imposed restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

4. RESERVES - CASH BACKED

	2021 Actual Opening Balance	2021 Actual Transfer to	2021 Actual Transfer (from)	2021 Budget Closing Balance	2021 Budget Transfer to	2021 Budget Transfer (from)	2021 Budget Closing Balance	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
RRRC Contingency & Development Reserve	5,639,815	3,410,461	0	9,050,276	6,395,815	2,500,000	(2,900,000)	4,299,885	4,973,448	(3,633,318)	5,639,815
(a) RRRC Contingency & Development Reserve	25,000	0	0	25,000	25,000	0	0	25,000	0	0	25,000
(b) Travel and Conference Reserve	271,252	0	0	271,252	271,252	0	0	271,252	0	0	271,252
(c) Office Accommodation Reserve	1,365,988	4,259	0	1,370,247	1,365,988	0	0	1,365,988	0	0	1,365,988
(d) RRRC Restoration Reserve	7,302,055	3,414,720	0	10,716,775	8,058,055	2,500,000	(2,900,000)	5,961,925	4,973,448	(3,633,318)	7,302,055

All reserves are supported by cash and cash equivalents and are restricted within equity as Reserves - cash backed.

In accordance with Council resolutions or adopted budget in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) RRRC Contingency & Development Reserve	Ongoing	to be used to fund shortfalls in operating expenditure, asset renewals and disposals, employment termination provisions and insurance claims below the excess for the Canning Vale RRRC Project.
(b) Travel and Conference Reserve	Ongoing	to be used to fund the requirements for staff and Councillors' travel and Conference attendance.
(c) Office Accommodation Reserve	Ongoing	to be used for funding capital renewal expenditure and non-recurrent maintenance expenditure for the SMRC property located at 9 Aldous Place Booragoon.
(d) RRRC Restoration Reserve	Ongoing	to be used to meet lease obligations resulting from an early termination of the Ground Lease or at the expiry of the Ground Lease.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

5. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

Other financial assets at amortised cost

Loans receivable - Project Participants

(b) Non-current assets

Financial assets at amortised cost

Financial assets at amortised cost

Loans receivable - Project Participants

2021	2020
\$	\$
3,398,802	5,084,059
3,398,802	5,084,059
3,398,802	5,084,059
3,398,802	5,084,059
5,030,389	6,629,191
5,030,389	6,629,191
5,030,389	6,629,191
5,030,389	6,629,191

Loans receivable from Project Participants relate to borrowings disclosed in Note 15(d)

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

The Council classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 24.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

6. TRADE AND OTHER RECEIVABLES

Current

Trade and other receivables

2021	2020
\$	\$
2,779,952	3,187,488
2,779,952	3,187,488

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 24.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

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.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

7. INVENTORIES

Current

Stock on hand - Fuel
Stock on hand - RRRC
Stock on hand - Finished Goods
Provision for Inventory (NRV Adjustment)
Transit stock

2021	2020
\$	\$
3,253	2,576
1,245,683	869,715
34,960	46,023
(208,523)	(161,820)
6,000	433,672
1,081,373	1,190,166

The following movements in inventories occurred during the year:

Balance at beginning of year

Inventories expensed during the year
Write down of inventories to net realisable value
Reversal of write down of inventories to net realisable value
Additions to inventory

2021	2020
\$	\$
1,190,166	299,324
(1,075,234)	(499,941)
(208,523)	(161,820)
161,820	427,361
1,013,144	1,125,242
1,081,373	1,190,166

Balance at end of year

SIGNIFICANT ACCOUNTING POLICIES

General

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

General (Continued)

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.

8. OTHER ASSETS

Other assets - current

Prepayments
Accrued income

2021	2020
\$	\$
87,243	19,861
1,395,815	55,908
1,483,058	75,769

Assets were subsequently re-recognised as Non-current assets.

Prior year assets held for sale
Reversal of prior year impairment
(Loss) on recognition of plant and equipment
Fair value recognised in Property, Plant & Equipment

2021	2020
\$	\$
0	4,400,000
0	2,741,453
0	(891,378)
0	6,250,075

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

		RRRC					Capital		Total
	Land - freehold land and buildings - non-specialised	Leasehold Improvements - Building Specialised	Total land and buildings	Furniture and equipment	Plant and equipment	Standby Equipment	Information Technology Equipment	work in progress (CWIP)	plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	1,595,387	17,647,136	19,242,523	14,385	0	0	39,075	0	19,295,983
Additions	0	0	0	0	91,132	0	9,586	1,143,042	1,243,760
Revaluation increments / (decrements) transferred to revaluation surplus	0	2,634,912	2,634,912	0	0	0	0	0	2,634,912
Depreciation (expense)	(18,500)	(1,604,687)	(1,623,187)	(7,324)	(453,388)	0	(35,546)	0	(2,119,445)
Re-recognition of Plant and equipment	0	0	0	0	6,250,075	0	0	0	6,250,075
Balance at 30 June 2020	1,576,887	18,677,361	20,254,248	7,061	5,887,819	0	13,115	1,143,042	27,305,285
Comprises:									
Gross balance amount at 30 June 2020	1,600,000	19,450,269	21,050,269	47,564	6,341,207	0	129,038	1,143,042	28,711,120
Accumulated depreciation at 30 June 2020	(23,113)	(772,908)	(796,021)	(40,503)	(453,388)	0	(115,923)	0	(1,405,835)
Balance at 30 June 2020	1,576,887	18,677,361	20,254,248	7,061	5,887,819	0	13,115	1,143,042	27,305,285
Additions	0	1,838,546	1,838,546	0	2,471,447	95,075	0	191,106	4,596,174
(Disposals)	0	(626,438)	(626,438)	0	(1,065,922)	0	0	0	(1,692,360)
Revaluation increments / (decrements) transferred to revaluation surplus	240,092	0	240,092	0	0	0	0	0	240,092
Depreciation (expense)	(18,459)	(1,599,291)	(1,617,750)	(7,057)	(1,591,888)	(3,592)	(9,919)	0	(3,230,206)
Transfers	0	649,993	649,993	0	433,443	0	0	(1,126,502)	(43,066)
Balance at 30 June 2021	1,798,520	18,940,171	20,738,691	4	6,134,899	91,483	3,196	207,646	27,175,919
Comprises:									
Gross balance amount at 30 June 2021	1,800,000	19,450,269	21,250,269	47,564	7,944,499	95,075	129,038	207,646	29,674,091
Accumulated depreciation at 30 June 2021	(1,480)	(510,098)	(511,578)	(47,560)	(1,809,600)	(3,592)	(125,842)	0	(2,498,172)
Balance at 30 June 2021	1,798,520	18,940,171	20,738,691	4	6,134,899	91,483	3,196	207,646	27,175,919

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

(i) Fair Value	Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
	Land - freehold land and buildings - non-specialised	Level 2	Market approach using market value of similar assets adjusted to condition and comparability	Independent Valuation	1 June 2021	Observable open market value of assets, condition, comparison and highest and best use
	Land - freehold land and buildings - non-specialised	Level 2	Market approach using market value of similar assets adjusted to condition and comparability	Independent Valuation	1 June 2021	Observable open market value of assets, condition, comparison and highest and best use
(ii) Cost						
	RRRC Leasehold Improvements - Building Specialised	Level 3	Cost approach using depreciated replacement cost	Independent Valuation	30 June 2020	Cost to reproduce or replace similar assets in new condition, depreciation accrued wear and tear, economic and functional obsolescence
	Plant and equipment	Level 3	Cost approach using depreciated replacement cost	Cost Model	30 June 2020	Purchase costs and current condition, residual values and remaining useful life assessments inputs

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.

Following a change to Local Government (Financial Management) Regulation 17A, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change was effective from 1 July 2019 and represented a change in accounting policy. Revaluations carried out previously were not reversed as it was deemed fair value approximated cost at the date of change.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

10. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. These assets are expensed immediately

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

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 zero cost or otherwise significantly less than fair value, 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 that are land, buildings, infrastructure and investment properties acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of land, buildings, infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the Council.

**AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY
Revaluation (Continued)**

At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires land, buildings, infrastructure, investment properties and vested improvements to be shown at fair value.

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 class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Vested improvements from 1 July 2019

The measurement of vested improvements at fair value in accordance with *Local Government (Financial Management) Regulation 17A(2)(iv)* is a departure from AASB 16 which would have required the Council to measure the vested improvements as part of the related right-of-use assets at zero cost.

Refer to Note 11 that details the significant accounting policies applying to leases (including right-of-use assets).

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

10. FIXED ASSETS

(a) Disposals of Assets

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$
RRRC Leasehold Improvements - Building Specialised	626,438	0	0	(626,438)	0	0	0	0
Plant and equipment	1,065,922	46,812	16,033	(1,035,143)	0	0	0	0
	1,692,360	46,812	16,033	(1,661,581)	0	0	0	0

The following assets were disposed of during the year.

	2021 Actual Net Book Value	2021 Actual Sale Proceeds	2021 Actual Profit	2021 Actual Loss
Plant and Equipment				
Community amenities				
Volvo Wheel loader	9,941	24,240	14,299	0
Volvo Front end loader	20,838	22,572	1,734	0
Green waste shredder	14,470	0	0	(14,470)
Mustang mobile trommel	36,546	0	0	(36,546)
Fans variable speed drive	11,715	0	0	(11,715)
Excel Twin ram baler	149,290	0	0	(149,290)
MRF Plant	823,122	0	0	(823,122)
	1,065,922	46,812	16,033	(1,035,143)
RRRC Leasehold Improvements - Building Specialised				
Community amenities				
WCF Building Roof refurbishment	626,438	0	0	(626,438)
	626,438	0	0	(626,438)
	1,692,360	46,812	16,033	(1,661,581)

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

10. FIXED ASSETS

(b) Depreciation

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Land - freehold land and buildings - non-specialised	18,459	25,000	18,500
RRRC Leasehold Improvements - Building			
Specialised	1,599,291	1,604,668	1,604,687
Furniture and equipment	7,057	0	7,324
Plant and equipment	1,591,888	1,061,184	453,388
Standby Equipment	3,592	6,724	0
Information Technology Equipment	9,919	0	35,546
Right-of-use assets - plant and equipment	0	0	22,797
Right-of-use assets - RRRC Ground Lease	632,448	0	933,366
	3,862,654	2,697,576	3,075,608

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested 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.

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.

Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Asset Class	Useful life
Computer Equipment	1 to 3 years
Furniture and equipment	1 to 3 years
Standby equipment	1 to 10 years
Plant and equipment	3 to 6 years
Leasehold improvements	10 years
Freehold buildings	40 years
Rights of use (buildings)	Based on remaining lease
Right of use (plant and equipment)	Based on remaining lease

Depreciation on revaluation

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:

- The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Amortisation

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within Depreciation on non-current assets in the Statement of Comprehensive Income and in the note above.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

11. LEASES

Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.

	Right-of-use assets - plant and equipment	Right-of-use assets - RRRC Ground Lease	Right-of-use assets Total
	\$	\$	
Balance at 1 July 2019	0	0	0
Additions	22,797	10,116,142	10,138,939
Depreciation (expense)	(22,797)	(933,366)	(956,163)
Balance at 30 June 2020	0	9,182,776	9,182,776
Remeasurement of lease liability (decrements) adjusted to the right-of-use asset	0	(2,579,684)	(2,579,684)
Depreciation (expense)	0	(632,448)	(632,448)
Balance at 30 June 2021	0	5,970,644	5,970,644

RRRC Ground lease

The RRRC site Lot 77, 78 and 85 Bannister Road Canning Vale (unimproved land) lease term is for 30 years starting from 12 May 2000 and expires on 11 May 2030. An option to renew for a further 20 years until 2050 is yet to be exercised.

Lease repayments are reviewed every five years based on the unimproved land market valuation. A market value was agreed on 11 March 2021, with the lease rental charges to be backdated to 12 May 2020.

The value of the Lease liability and Right-of-use asset include reasonable assumptions and accounting estimates of the expected future market value of the land to determine the future lease repayments.

SIGNIFICANT ACCOUNTING POLICIES

Leases

At inception of a contract, the Council assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right-of-use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Council uses its incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a remaining term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Leases for right-of-use assets are secured over the asset being leased.

Right-of-use assets - valuation

Right-of-use assets are measured at cost. This means that all right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 10 for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Council anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

12. REVALUATION SURPLUS

	2021 Opening Balance	2021 Revaluation Increment	Total Movement on Revaluation	2021 Closing Balance	2020 Opening Balance	2020 Revaluation Increment	Total Movement on Revaluation	2020 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land and buildings - non-specialised	218,039	240,092	240,092	458,131	218,039	0	0	218,039
Revaluation surplus - RRRC Leasehold Improvements - Building Specialised	14,976,891	0	0	14,976,891	12,341,979	2,634,912	2,634,912	14,976,891
	15,194,930	240,092	240,092	15,435,022	12,560,018	2,634,912	2,634,912	15,194,930

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

13. TRADE AND OTHER PAYABLES

	2021 \$	2020 \$
Current		
Sundry creditors	1,759,474	2,947,341
Income Received in Advance	56,889	0
Accrued salaries and wages	114,845	118,954
Bonds and deposits held	1,269,887	1,027,913
Payroll Deductions Payable	2,932	828
Accrued Interest	636	1,051
Accrued Expenses	891,755	468,565
	4,096,418	4,564,652

SIGNIFICANT ACCOUNTING POLICIES

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 2021**

14. LEASE LIABILITIES

(a) Lease Liabilities

	2021	2020
	\$	\$
Current	545,035	638,765
Non-current	6,114,756	9,110,279
	6,659,791	9,749,044

(b) Lease details

	Institution	Interest rate	Term Months
Community amenities			
RRRC Ground Lease	City of Canning	3.4%	360
Toyota Hilux	Custom Service Leasing	2.0%	16
Volvo Hook Truck	SG Fleet	2.1%	12
Forklift Grab & Rotator	Toyota Material Handling	2.1%	24

(c) Movements in Balances

	RRRC Ground Lease \$	Toyota Hilux \$	Volvo Hook Truck \$	Forklift Grab & Rotator \$	Total Lease Liabilities \$
Balance at 1 July 2019	10,116,141	1,549	12,013	9,235	10,138,938
Lease Principal Repayments	(367,097)	(1,549)	(12,013)	(9,235)	(389,894)
Balance at 30 June 2020	9,749,044	0	0	0	9,749,044
Lease Interest Repayments (expense)	(333,818)	(10)	(42)	(40)	(333,910)
Remeasurement of lease liability (decrements) adjusted to the right-of-use asset	(2,579,684)	0	0	0	(2,579,684)
Lease Principal Repayments	(509,568)	0	0	0	(509,568)
Balance at 30 June 2021	6,659,792	0	0	0	6,659,792
Lease Interest Repayments (expense)	(217,557)	0	0	0	(217,557)

(d) RRRC Ground Lease

Pursuant to the RRRC Ground Lease Agreement, lease repayments are reviewed every five years based on the unimproved land market valuation. A market value was agreed on 11 March 2021, with the lease rental charges to be backdated to 12 May 2020.

The value of the Lease liability and Right-of-use asset include reasonable assumptions and accounting estimates of the expected future market value of the land to determine the future lease repayments.

SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

15. INFORMATION ON BORROWINGS

(a) Borrowings

Current
Non-current

2021	2020
\$	\$
3,398,802	5,084,059
5,030,389	6,629,191
8,429,191	11,713,250

(b) Borrowings by Project

The Council has two lending facilities for the following projects:

The Regional Resource Recovery Centre Loan

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:

	2021	2020	2021	2020
	%	%	\$	\$
City of Cockburn (Past Participant)	44.74%	44.37%	2,965,900	4,398,509
Town of East Fremantle	3.07%	3.09%	203,516	306,319
City of Fremantle	12.16%	12.21%	806,110	1,210,408
City of Melville	40.03%	40.33%	2,653,665	3,998,014
			6,629,191	9,913,250

Administration Building (9 Aldous Place, Booragoon) Loan

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:

	2021	2020	2021	2020
	%	%	\$	\$
Town of East Fremantle	4.21%	4.24%	75,780	76,320
City of Fremantle	16.68%	16.76%	300,240	301,680
City of Kwinana	24.20%	23.64%	435,600	425,520
City of Melville	54.91%	55.36%	988,380	996,480
			1,800,000	1,800,000

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Credit card limit
Credit card balance at balance date
Total amount of credit unused

2021	2020
\$	\$
176,000	155,000
(369)	(22,385)
175,631	132,615

Loan facilities

Loan facilities - current
Loan facilities - non-current
Lease liabilities - current
Lease liabilities - non-current
Total facilities in use at balance date

2021	2020
\$	\$
3,398,802	5,084,059
5,030,389	6,629,191
545,035	638,765
6,114,756	9,110,279
15,088,982	21,462,294

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are recognised at fair value when the Council becomes a party to the contractual provisions to the instrument.

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

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.

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.

Risk

Information regarding exposure to risk can be found at Note 24.

15. INFORMATION ON BORROWINGS

(d) Repayments - Borrowings

WATC stands for Western Australian Treasury Corporation
The interest rates stated above exclude the Guarantee fees payable to WATC.
The interest repayments include the Guarantee fees paid.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

16. EMPLOYEE RELATED PROVISIONS

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2020			
Current provisions	254,358	454,329	708,687
Non-current provisions	0	78,427	78,427
	254,358	532,756	787,114
 Additional provision	266,568	80,343	346,911
Amounts used	(244,737)	(45,977)	(290,714)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	6,161	(291)	5,870
Balance at 30 June 2021	282,350	566,831	849,181
 Comprises			
Current	282,350	466,804	749,154
Non-current	0	100,027	100,027
	282,350	566,831	849,181
 Amounts are expected to be settled on the following basis:	2021	2020	
	\$	\$	
Less than 12 months after the reporting date	749,154	708,687	
More than 12 months from reporting date	70,261	67,774	
Expected reimbursements from other WA local governments	29,766	10,653	
	849,181	787,114	

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

The Council's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

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.

Other long-term employee benefits

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 of service and employee departures and are discounted at

Other long-term employee benefits (Continued)

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.

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.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

17. OTHER PROVISIONS

	Make good provision for lease	Total
	\$	\$
Opening balance at 1 July 2020		
Non-current provisions	3,606,611	3,606,611
	3,606,611	3,606,611
 Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	 82,359	 82,359
Balance at 30 June 2021	3,688,970	3,688,970
Comprises		
Non-current	3,688,970	3,688,970
	3,688,970	3,688,970

Make Good Provision for Lease

The Council has identified the need for a provision in relation to the decommissioning and restoration (make good) provisions of the lease for the land upon which its operations are based.

Provisions of this nature are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate reflective of current market assessments of the time value of money and risks specific to the liability.

This estimated expenditure required to restore the land to its original condition has been capitalised in accordance with AASB 116. These costs are amortised over the shorter of the term of the lease or the remaining useful life of the assets.

Any increase in the provision due to the passage of time, is recognised in profit or loss as a finance (interest) cost.

SOUTHERN METROPOLITAN REGIONAL COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021

18. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, 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:

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Cash and cash equivalents	13,053,557	8,685,068	10,174,250
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	3,601,738	103,140	4,142,860
Non-cash flows in Net result:			
Provision for Redundancy	0	0	(1,596,321)
Inventory Write Down	(208,523)	0	(161,820)
Depreciation on non-current assets	3,862,654	2,697,576	3,075,608
(Profit)/loss on sale of asset	1,645,548	0	0
Reversal of loss on revaluation of fixed assets	0	0	(1,850,075)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	407,536	1,605,845	(1,685,665)
(Increase)/decrease in other assets	(1,407,289)	977,327	17,093
(Increase)/decrease in inventories	108,793	105,882	(890,842)
Increase/(decrease) in payables	(216,646)	(2,469,172)	746,477
Increase/(decrease) in provisions	144,426	96,907	(34,150)
Non-operating grants, subsidies and contributions	(250,000)	0	0
Net cash from operating activities	7,688,237	3,117,505	1,763,165

19. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2021	2020
	\$	\$
Community amenities	59,973,694	62,828,984
	59,973,694	62,828,984

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

20. CONTINGENT LIABILITIES

SMRC v Alloy Pipe Specialists

The Council has an ongoing case relating to a supply contract for equipment repairs, Divinity Nominees Pty Ltd t/as Alloy and Pipe Specialists has agreed in principle to settle its claim against the Council on a 'walk-away' each bear own costs basis. To resolve this matter, a settlement deed is to be signed by the parties or wait for the case to be placed on the inactive cases list in mid-October 2021. The Council is holding funds towards its costs.

Contaminated Sites

The Regional Resource Recovery Centre (RRRC) land is owned by the City of Canning Lot 78 Bannister Road Canning Vale which is recorded on the DWER Contaminated Sites database.

The Council has no contaminated sites or liability to report.

Other than the above matter, there are no other contingent liabilities as on 30 June 2021.

(Nil as on 30 June 2020)

21. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects

Payable:

- not later than one year

	2021	2020
	\$	\$
	345,700	1,381,773
	345,700	1,381,773
	345,700	1,381,773

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts (short term and low value leases).

Payable:

- not later than one year

	2021	2020
	\$	\$
	11,231	13,550
	11,231	13,550

SIGNIFICANT ACCOUNTING POLICIES

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 of 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.

Leases (Continued)

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

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

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

22. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Councillor Doug Thompson			
Meeting fees	11,880	11,879	13,199
Chairman allowance	15,047	15,047	16,719
Other allowances	0	306	1,167
	26,927	27,232	31,085
Councillor Stephen Kepert			
Meeting fees	7,920	7,920	5,280
Other allowances	0	305	0
	7,920	8,225	5,280
Councillor Cliff Collinson			
Meeting fees	7,920	7,920	8,800
Other allowances	0	305	1,167
	7,920	8,225	9,967
Councillor Wendy Cooper			
Meeting fees	7,920	7,920	8,800
Other allowances	0	305	1,167
	7,920	8,225	9,967
Councillor Clive Robartson			
Meeting fees	0	0	3,520
Deputy Chairman allowance	0	0	1,672
Other allowances	0	0	1,166
	0	0	6,358
	50,687	51,907	62,657

The following fees, expenses and allowances were paid to council members.

Meeting fees	35,640	35,639	39,599
Chairman allowance	15,047	15,047	16,719
Deputy Chairman allowance	0	0	1,672
Other allowances	0	1,221	4,667
	50,687	51,907	62,657

Key Management Personnel (KMP) Compensation Disclosure

	2021 Actual	2020 Actual
	\$	\$
The total of remuneration paid to KMP of the Council during the year are as follows:		
Short-term employee benefits	806,910	823,125
Post-employment benefits	118,500	109,329
Other long-term benefits	92,651	87,557
Termination benefits	4,458	0
	1,022,519	1,020,011

Short-term employee benefits

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above.

Post-employment benefits

These amounts are the current-year's estimated cost of providing for the Council's superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

22. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

Transactions between related parties and the Council are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

The following transactions occurred with related parties:

Member Councils of SMRC

Member Council Contributions and Gate Fees Received
Member Council Contributions for Loan Repayments Received
Paid to Member Councils

	2021 Actual	2020 Actual
	\$	\$
Member Council Contributions and Gate Fees Received	12,862,935	14,960,319
Member Council Contributions for Loan Repayments Received	3,284,059	3,173,433
Paid to Member Councils	(2,755)	(3,437)
Amounts outstanding from related parties:		
Trade and other receivables - member councils	1,226,080	1,790,356

Related Parties

The Council's main related parties are as follows:

i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

ii. Other Related Parties

An associate person of KMP was employed by the Council under normal employment terms and conditions.

Any entity that is controlled by or over which KMP, or close family members of KMP, have authority and responsibility for planning, directing and controlling the activity of the entity, directly or indirectly, are considered related parties in relation to the Council.

iii. Entities subject to significant influence by the Council

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

The SMRC is an Associate of the five local governments (member Councils) formed under the Local Government Act 1995 and an Establishment Agreement. Member Councils pay contributions towards services it receives from the SMRC and contributes towards loan repayments for the assets purchased for these services.

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

23. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

REGIONAL RESOURCE RECOVERY CENTRE (RRRC), CANNING VALE

This project is undertaken on behalf of the SMRC's three participating councils and involves construction and operation 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

Revenues from Ordinary Activities

	2021	2020
	\$	\$
Education & Marketing	217,679	219,814
RRRC Admin & Weighbridge	4,131,576	136,262
Recycling	21,117,251	10,542,157
Greenwaste	743,671	794,218
Waste Compost	2,005,468	12,005,011
FOGO Operations	4,023,042	0
Business Development	410,462	799,130
Waste Audit Service	81,844	118,040
Contributions for interest on loans	363,928	495,492
Better Bins	101,500	0
FOGO Transition	25,000	8,000

33,221,421

25,118,124

Less Expenses from Ordinary Activities

Education & Marketing	(252,556)	(306,408)
RRRC Admin & Weighbridge	(4,659,115)	(1,567,710)
Recycling	(13,104,567)	(7,304,396)
Greenwaste	(468,972)	(403,171)
Waste Compost	(5,160,280)	(10,814,771)
FOGO Operations	(3,303,429)	(2,520,917)
Waste Audit Service	(91,408)	(143,995)
Better Bins	(90,518)	0
FOGO Transition	(218,241)	(179,887)
	(27,349,086)	(23,241,255)

Add/ (Less): RRRC Revaluation Increment/ (Decrement)

RRRC Property	0	1,850,075
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Less: Borrowing Cost Expense

RRRC Property	(363,620)	(495,006)
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Less: Make Good Provision

RRRC Property	(82,359)	(84,047)
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Add/ (Less): Other adjustments

Provision for NRV	(46,703)	265,541
Redundancy provision	0	1,084,796
Non-operating grant	250,000	0
Profit/ (Loss) on asset disposals	(1,645,548)	0
Right-of-use Assets Interest expense	(217,557)	(333,910)

Net Profit or (Loss)

3,766,548

4,164,318

SOUTHERN METROPOLITAN REGIONAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
Governance		138,054	141,407	143,898
Community amenities		33,476,395	26,113,053	25,415,522
		33,614,449	26,254,460	25,559,420
Expenses				
Governance		(176,387)	(206,407)	(202,148)
Community amenities		(27,738,599)	(25,439,413)	(22,092,989)
		(27,914,986)	(25,645,820)	(22,295,137)
Finance Costs				
Governance	2(b)	(38,639)	(58,500)	(58,535)
Community amenities		(663,538)	(447,000)	(912,963)
		(702,177)	(505,500)	(971,498)
		4,997,286	103,140	2,292,785
Non-operating grants, subsidies and contributions	2(a)	250,000	0	0
Profit on disposal of assets	10(a)	16,033	0	0
(Loss) on disposal of assets	10(a)	(1,661,581)	0	0
(Loss) on revaluation of plant and equipment	8	0	0	(891,378)
Reversal of prior year loss on revaluation of plant and equipment	8	0	0	2,741,453
		(1,395,548)	0	1,850,075
Net result for the period		3,601,738	103,140	4,142,860
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	240,092	0	2,634,912
Total other comprehensive income for the period		240,092	0	2,634,912
Total comprehensive income for the period		3,841,830	103,140	6,777,772

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 2021

24. FINANCIAL RISK MANAGEMENT

This note explains the Council's exposure to financial risks and how these risks could affect the Council's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk - interest rate	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables, financial assets and	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The 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 finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

(a) Interest rate risk

Cash and cash equivalents

The Council's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the Council to cash flow interest rate risk. The Council does not have any Short term overdraft facilities.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Council to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted Average Interest Rate %	Carrying Amounts \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$
2021					
Cash and cash equivalents	0.24%	13,053,557	12,351,947	0	701,610
2020					
Cash and cash equivalents	0.65%	10,174,250	10,077,711	0	96,539

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

Impact of a 1% movement in interest rates on profit and loss and equity*

	2021 \$	2020 \$
	130,536	101,743

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The 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 Council does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 15(d).

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

24. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

The 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. The Council manages this risk by monitoring outstanding debt and employing debt recovery policies.

Credit risk on some fees and charges is minimised by the Council by obtaining bank guarantees as a security. The Council is also able to charge interest on overdue debts at higher than market rates, which further encourages payments of charges and gate fees.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

The Council applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of fees and charges over a period of 36 months before 1 July 2020 or 1 July 2021 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors

Based on the above, the loss allowance as at 30 June 2021 and 30 June 2020 was determined as nil for trade receivables and Financial assets at amortised cost - Loans receivable - Project Participants.

The loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows for trade receivables.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2021					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	1,832,320	818,660	44,132	84,840	2,779,952
30 June 2020					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	2,910,564	101,772	11,424	163,729	3,187,489

The loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows for Financial assets at amortised costs - Loans receivable - Project Participants.

	Non-current	Current	More than 30 days past due	More than 60 days past due	Total
30 June 2021					
Financial assets at amortised costs - Loans receivable - Project Participants					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	5,030,389	3,398,802	0	0	8,429,191
30 June 2020					
Financial assets at amortised costs - Loans receivable - Project Participants					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	6,629,191	5,084,059	0	0	11,713,250

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

24. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

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. The Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and if required.

The contractual undiscounted cash flows of the Council's payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2021					
Payables	4,096,418	0	0	4,096,418	4,096,418
Borrowings	3,645,663	5,127,030	0	8,772,693	8,429,191
Lease liabilities	545,035	3,487,294	2,627,463	6,659,792	6,659,791
	8,287,116	8,614,324	2,627,463	19,528,903	19,185,400
2020					
Payables	4,564,652	0	0	4,564,652	4,564,652
Borrowings	5,477,373	6,944,150	0	12,421,523	11,713,250
Lease liabilities	638,765	4,066,762	5,043,517	9,749,044	9,749,044
	10,680,790	11,010,912	5,043,517	26,735,219	26,026,946

25. 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 \$31,286,786.

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

(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.

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

25. MEMBERS WITHDRAWAL FROM THE SMRC (Continued)

(c) City of Cockburn's withdrawal from the SMRC

Pursuant to a resolution of the City of Cockburn on 9 June 2016, the City of Cockburn as a participant under the RRRC Project Agreement, has given notice of its intention to withdraw from the RRRC Project effective from 30 June 2017. In accordance with the RRRC Project Agreement, the SMRC prepared an amended business plan of the RRRC Project having regard to the effect of the withdrawal. The amended business plan was adopted by the SMRC on 19 April 2018.

The City of Cockburn's proportional loan liability at note 15.(b) for the RRRC Project will continue to be paid by the City of Cockburn.

Pursuant to a resolution of the City of Cockburn on 10 May 2018, the City of Cockburn, 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 2019. In line with the Agreements, the City of Cockburn withdrew from SMRC on 30 June 2019.

The City of Cockburn will no longer have a proportional loan liability for the Administration Building at note 15.(b) from 1 July 2019.

(d) City of Kwinana's withdrawal from the SMRC

Pursuant to a resolution of the City of Kwinana on 24 June 2020, the City of Kwinana, 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 2021. In line with the Office Accommodation Project, SMRC will prepare an amended business plan for the project having regard to the effect of the withdrawal and will arrive at amount payable or receivable from the City. This withdrawal is not expected to have a significant impact on the operations or on the financial position of the SMRC.

26. RRRC ISSUES

RRRC Licence

In April 2016, the Department of Environment Regulation amended our operating licence for the Regional Resource Recovery Centre by extending the expiry date till 30 March 2033. SMRC is complying with all the conditions and believes that the licence will be renewed when it is due for renewal.

27. EVENTS SUBSEQUENT TO THE REPORTING DATE

SMRC Re-branding

On the 5 August 2021 the Council resolved to change the name of the organisation to Resource Recovery Group replacing the existing name of Southern Metropolitan Regional Council and the associated logo. In order to formally change the name, it needs to be incorporated into the review of the Establishment Agreement and once finalised, requires approval of the Minister. In the interim the SMRC is able to trade with the new name and logo and maintain the name SMRC for formal documents and other matters until this occurs.

There have been no significant transactions or events of a material and unusual nature that have arisen since the end of the reporting date, likely to affect the operations, the results of operations or state of affairs of the Council except for the SMRC Re-branding and members withdrawal from the SMRC as disclosed above and in note 25 of the financial statements.

28. TRUST FUNDS

The Council does not have any trust funds on hand as at 30 June 2021 (As at 30 June 2020 - Nil)

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

1. 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) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

The *Local Government Act 1995* and accompanying Regulations take precedence over Australian Accounting Standards where they are inconsistent.

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Council to measure any vested improvements at zero cost.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the financial report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the at fair value of selected non-current assets, financial assets and liabilities.

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 28 to these financial statements.

INITIAL APPLICATION OF 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 were:

- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Materiality*

The adoption of these standards had no material impact on the financial report.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

The following new accounting standards will have application to local government in future years:

- AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*
- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments*
- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates*

It is not expected these standards will have an impact on the financial report.

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 the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**SOUTHERN METROPOLITAN REGIONAL COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

30. ACTIVITIES/PROGRAMS

REGIONAL PURPOSE	Statement of Objective
	<p>The regional purposes for which the Regional Local Government is established are:</p> <ul style="list-style-type: none"> (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. <p>The objectives of the Regional Local Government shall be:</p> <ul style="list-style-type: none"> (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. <p>The Council operations as disclosed in this report encompass the following service orientated programs.</p>

Council operations as disclosed in these financial statements encompass the following service orientated activities/programs.

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
GOVERNANCE	<p>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.</p>
COMMUNITY AMENITIES	<p>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.</p>

SOUTHERN METROPOLITAN REGIONAL COUNCIL NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

31. FINANCIAL RATIOS

	2021 Actual	2020 Actual	2019 Actual
Current ratio	1.31	1.06	1.58
Asset consumption ratio	0.90	0.94	0.75
Asset renewal funding ratio	1.00	1.00	-
Asset sustainability ratio	1.18	0.40	0.03
Debt service cover ratio	1.44	2.20	(0.86)
Operating surplus ratio	0.10	0.17	(0.41)
Own source revenue coverage ratio	1.11	1.02	0.71

The asset renewal program for the year 2019 was not reported as a result of the assets held for sale.

The Debt service cover ratio, Operating surplus ratio & Own source revenue coverage ratio for the year 2019 and 2020 disclosed above is distorted by items of significant expense totalling \$2,741,453 in 2019 relating to the impairment loss and \$1,850,075 in 2020 relating to the reversal of impairment loss and loss on recognition of plant and equipment in 2020. The impairment loss on revaluation of asset held for sale are in accordance with AASB 136 Impairment of Assets and Financial Management Regulations 17A (refer to Note 8 & 9(a) for further details). This amount has been included in the ratio calculations above.

If the Impairment loss on revaluation of asset held for sale in 2019 and the reversal of impairment and the loss on recognition of plant and equipment in 2020 are considered to be "one-off" and non-cash in nature and, if these are ignored, the following Ratios would have been shown as below:

Debt service cover ratio	1.70	(0.19)
Operating surplus ratio	0.10	(0.29)
Own source revenue coverage ratio	0.95	0.77

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$



Auditor General

INDEPENDENT AUDITOR'S REPORT 2021 Southern Metropolitan Regional Council

To the Councillors of the Southern Metropolitan Regional Council

Report on the audit of the annual financial report

Opinion

I have audited the financial report of the Southern Metropolitan Regional Council (Council) which comprises:

- the Statement of Financial Position at 30 June 2021, the 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
- the Statement by the Chief Executive Officer.

In my opinion the financial report of the Southern Metropolitan Regional Council:

- is based on proper accounts and records
- fairly represents, in all material respects, the results of the operations of the Council for the year ended 30 June 2021 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities section below. I am independent of the Council in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Executive Officer and Council for the financial report

The Chief Executive Officer (CEO) of the Council is responsible for the preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards. The CEO is also responsible for managing internal control (as required by the CEO) to ensure the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the Council.

The Council is responsible for overseeing the Council's financial reporting process.

Auditor's responsibility for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

Report on other legal and regulatory requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) All required information and explanations were obtained by me.
- (ii) All audit procedures were satisfactorily completed.
- (iii) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the financial report were supported by verifiable information and reasonable assumptions.

Other information

The other information is the information in the entity's annual report for the year ended 30 June 2021, but not the financial report and my auditor's report. The CEO is responsible for the preparation and the Council for overseeing the other information.

My opinion does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Southern Metropolitan Regional Council for the year ended 30 June 2021 included on the Council's website. The Council's management is responsible for the integrity of the Council's website. This audit does not provide assurance on the integrity of the Council's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



Grant Robinson
Assistant Auditor General Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
15 December 2021



SOUTHERN METROPOLITAN
REGIONAL COUNCIL

ANNUAL REPORT 2020-21

Southern Metropolitan Regional Council

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