

TOGETHER HANDING OVER A FUTURE

SOUTHERN METROPOLITAN REGIONAL COUNCIL 2001-2002 ANNUAL REPORT



SOUTHERN METROPOLITAN REGIONAL COUNCIL

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FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2002

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*Hand in hand
achieving our goals.*

REGIONAL COUNCILLORS

Chairman, Cr Clive Robartson OAM, City of Melville

Cr Robartson is the chairman of the SMRC. He is the President of the Local Government Association (WALGA), and an executive member of the Australian Local Government Association (ALGA). Cr Robartson is also a member of the State Waste Management Board and was past chairman of the Municipal Waste Advisory Committee (MWAC) and remains an active member. Cr Robartson recognised many years ago that domestic waste could be a valuable resource if collected, separated and marketed appropriately. He has been a driving force behind the SMRC's new regional waste management strategy.



Deputy Chairman, Cr Doug Thompson, City of Fremantle

SMRC deputy chairman, Cr Thompson, has been a Fremantle City Councillor for fifteen years and has represented Fremantle on the Regional Council since 1994. He has been very involved in waste minimisation issues and was instrumental in testing out options for waste minimisation at Fremantle City Council in order to determine best practices.

Cr Thompson believes that cooperative work and collective action towards environmental solutions to waste problems is the most important issue facing local government. As such, he is actively committed to making a significant contribution to facilitating and ensuring cooperation between Councils for achievement of important environmental goals.

Mayor Dr Michael Lekias, City of Canning

The Mayor of the City of Canning, Dr Mick Lekias, has served on the Regional Council for the last five years. He has actively supported the development of the Regional Resource Recovery Centre in Canning Vale and is committed to ensuring the minimisation of waste to landfill for the benefit of present and future generations.



Mayor Stephen Lee, City of Cockburn

Mayor Lee has been involved with local government for 11 years with a strong interest in works and parks issues. He was very interested in recycling and waste minimisation prior to becoming Mayor of a City that has one of the few remaining landfill sites in the Metropolitan area and is a keen supporter of the Regional Council's approach to waste management.

Cr Don Hogg, Town of East Fremantle

Cr Hogg has served as a member of the Town of East Fremantle for eight years and the Regional Council since 1997. He is also a member of the Municipal Waste Advisory Council of WA. Cr Hogg actively supports regional solutions for waste minimisation, planning and management where long term benefits and sustainability provide for our future.



Cr Barry Porter, Town of Kwinana

Cr Porter was appointed to the Regional Council in 2000. His portfolio with the Town of Kwinana initiated the contract for recycled crushed concrete aggregate for the building industry from Kwinana's class 1 landfill. Cr Porter supports technology that can transform waste, particularly material from the heavy industrial sector, back into resources for re-use.

Cr Alan Hill, City of Rockingham

Cr Hill is Deputy Mayor at the City of Rockingham and has been this Council's representative on the SMRC for the past 7 years. He is Chairman of the Rockingham Conservation, Reserves and Foreshores Management Advisory Committee, which includes foreshores, rivers, wetlands and reduction of greenhouse gases under the Cities for Climate Protection (CCP) programme. In keeping with his broader environmental sustainability ethic, Cr Hill believes it is imperative that local government adopts efficient waste minimisation procedures. Rockingham's membership on the SMRC is an important factor in achieving this goal. membership on the SMRC is an important factor in achieving this goal.





Together, ensuring a cleaner future.

CHAIRMAN'S REPORT



The year under review has been a pivotal one, both the culmination of a decade of collective action for a cleaner environment, and a period of future planning and direction setting for the Regional Council.

More than 10 years ago, 7 local governments; the Cities of Canning, Cockburn, Fremantle, Melville, Rockingham and Towns of East Fremantle and Kwinana, established the Regional Council in order to research and develop environmentally sustainable waste management solutions for the region and its residents.

Since 1998, extensive research, combined with community surveys led to the development of a Regional Waste Management Strategy that was adopted by the SMRC in 1998 with the principal objective of reducing the amount of waste sent to landfill.

To this end, the Regional Council committed to the development of a Regional Resource Recovery Centre (RRRC), a purpose built, state-of-the-art processing facility in Canning Vale designed to recover 85% of the domestic waste stream as a resource for re-use. Construction began during 2000 and during the period under review, all participating Member Councils implemented the 2-bin domestic collection system designed, in conjunction with the RRRC, to maximise resource recovery.

During 2001-2002, the Regional Resource Recovery Centre began operations, and was officially opened by the Minister of Environment and Heritage, Dr Judy Edwards MLA in November 2001.

As one objective was reached, the organisation was looking to the years ahead and the SMRC's 7 Member Councils consolidated a vision for our desired future and outcomes for the region and confirmed that our key focus should remain on waste management. A Strategic Plan was collectively agreed on, setting the Council's goals and directions for the next 5 years.

Whilst retaining a waste management focus, the 7 member councils also agreed to coordinate a greenhouse gas reduction strategy on a regional basis. This strategy focuses on community awareness and abatement facilitated by the appointment of a regional coordinator.

The encouraging and ongoing support of our Member Councils and their communities is testimony to the benefits of regional action and cooperation.

The success of the SMRC through this year could not have been achieved without the dedicated support of the Councillors and the advice provided by the Regional Council staff and members of the Regional Executive Committee.

It has been a busy year, one that has seen the rewards of a decade of vision and collective commitment. We now move into the next financial year and decade, with the SMRC firmly positioned as WA's recognised leader in sustainable resource recovery and waste management. This was noted at the recent International Public Works Conference when our CEO, Stuart McAll, was presented with the Ted Hooper Engineer's Excellence Award for his paper on collective action.

I look forward to the future with great excitement as we continue, to work hand in hand with the regional community to ensure we hand over a healthy environment for future generations.

Cr Clive Robartson OAM
CHAIRMAN



Leading the field in resource recovery.

CHIEF EXECUTIVE OFFICER’S REPORT



It has been another productive 12 months for the Southern Metropolitan Regional Council as we continue to meet our vision, reconfirmed in our recent 5-year Strategic Plan, of providing sustainable waste management solutions for the benefit of our Member Councils and the regional community.

A measure of our performance provided in our recently developed Strategic Plan describes simultaneous achievement of environmental, economical and social goals.

Environmental Achievements

The official opening of Stage 1 of the RRRC (the MRF, the Green Waste Processing Facility and the Education Centre) took place on 23 November 2001 and was attended by more than 250 guests.

Since operations began, the RRRC Materials Recovery Facility has received and processed 30,000 tonnes of material collected from regional households.

Green Waste Operations commenced on site on 21 Nov 2001 receiving commercial, local government and residential green waste to process into quality shredded material for use in soil conditioners and mulches.

Construction continued on the In-Vessel Composting Facility and over 70% was completed during the course of this financial year. Perhaps most notable was the production and delivery of the 4 composting digesters, the largest in the southern hemisphere and, internationally, second only in size to a set in Canada.

Our role in co-ordinating and assisting regional initiatives was further enhanced with the new “Regional Community Greenhouse Gas project” to complement Member Councils’ Cities for Climate Protection Programme. The project was formulated with all seven Member Councils agreeing to appoint a regional coordinator to facilitate and implement a community abatement and awareness initiative. This project will commence in September 2002.



Green Waste Processing Facility fully operational.

Construction of the In-Vessel Composting Facility 70% completed.

July 2001



July 2002



A team committed to handing over a healthy environment.

CHIEF EXECUTIVE OFFICER'S REPORT *(continued)*

Social Achievements

Partnership building and communication is an important aspect of the SMRC's projects and during the course of this year, the SMRC continued implementing its education and communication strategy. 150 000 information kits and collection calendars were distributed to regional households and the SMRC website came on line.

A monthly column in all regional community newspapers continued and, in addition, a series of 6 weekly articles provided coverage on the RRRRC project.

Our interactive Education Centre was designed and commissioned during the year. Complete with visual displays, interactive lighting, cartoon presentations and a reception area that doubles as an art gallery (with recycled art by regional artists, for sale) the Centre forms the gateway to the RRRRC and offers a valuable learning experience for visitors. A video was completed to increase awareness of the regional project and to highlight the role of regional residents in successful resource recovery.

A group of 14 dedicated regional community volunteers have joined the RRRRC team as tour guides and operate regular free tours of the Facility.

A number of working groups were formed or continued fostering collective action.

The Regional Waste Managers Working Group (comprising Member Councils' operational waste managers), the Regional Media Coordination Group (comprising officers responsible for PR in member councils), the Regional Cities for Climate Protection Officers Working Group (with representation from each member council), and the RRRRC Education Centre Steering Group (comprising representatives from the waste industry & government) regularly meet, working together to ensure consistent regional actions.

The SMRC continues to embark on community surveys and other research and development programmes to broaden and expand our knowledge of collective waste management.

To this end, staff and councillors attended conferences and presented papers and these are listed below:

- International Public Works Conference, (Perth, August 2001)
Regional Projects based on experiences with the RRRRC Project; Mr Stuart McAll, CEO
- State Waste Recycling 2001 Conference (Perth, October 2001)
Reducing Glass In Bins; Mr Brendan Doherty, Manager Engineering Services
Regional Projects based on experiences with the RRRRC Project; Stuart McAll, CEO
- Local Agenda 21 Conference (Adelaide, March 2002)
Regional Public Development using the experience of the RRRRC project,
Cr Clive Robartson, Chairman
- Environmental Health Conference (Perth, March 2002)
The regional communication strategy; Talia Raphaely, Manager Environmental Education & Communication
Managing Alliances with Councils; Stuart McAll, SMRC CEO

A number of surveys and audits were undertaken to provide an understanding of community attitudes and behaviours and inform and further focus our regional strategies.

- A *Before and After Waste Audit* was completed, confirming the effectiveness of the 2-bin regional collection system. The audit showed that recycling participation rates increased threefold, from 35% to 95%.
- Research began on *Regional Green Waste Collection Attitudes and Behaviours* and findings will be used to review existing strategies and develop new approaches that will lead to a sustainable reduction in green waste going to landfill.
- Research also began to develop standards for quality compost from municipal solid waste. Findings will be used in the next financial year to ensure a market for the product of the RRRRC's In-Vessel Composter.

All research undertaken above has been partially funded through the State's Recycling and Levy Fund.



**Be part of the team
approach to resource
recovery.**

CHIEF EXECUTIVE OFFICER’S REPORT *(continued)*

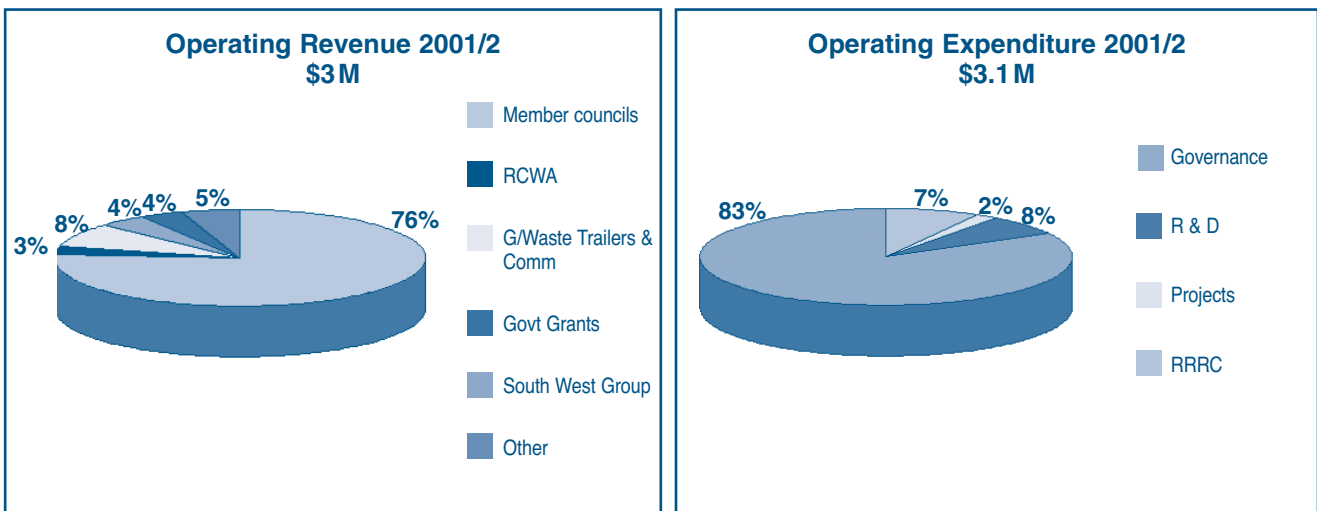
Economic Achievements

To achieve economies of scale a Business Plan for regional bulk & green waste verge collection was completed and a tender awarded. Our role is to manage the project on behalf of our member councils. The Cities of Melville and Rockingham were able to commence the project immediately with other member councils coming on board as their existing contracts expire.

The Regional Council’s operating revenue from all of its activities for 2001-02 was just over \$3M. Member Councils contribute 76% of the SMRC’s total operating revenue and this goes towards governance, research and development projects, regional projects (such as greenhouse gas and bulk verge collections), education and communication, recycling and green waste processing.

During the period under review, operations at the Regional Resource Recovery Centre generated revenue of \$2.3M.

The Regional Resource Recovery Centre (RRRC) capital expenditure during the year was \$24.4M resulting in a total project cost to date of \$30.4M (76% expensed to date). The RRRC capital expenditure is funded by loan borrowings fully paid by its five project participants. The loan liability as at 30 June 2002, was \$27.3M.



I would like to take this opportunity to thank the Chairman, Regional Councillors and Member Councils of the SMRC. Their vision and direction has ensured the Southern Metropolitan Regional Council is at the forefront of Australian waste management innovation.

I would also like to thank the Regional Executive Committee members and SMRC staff for all their valuable input and contribution to achieve this year’s milestones.

Mr Stuart McAll
Chief Executive Officer



Together, achieving significant goals.

OVERVIEW OF THE CORPORATION



The Participants

The participants to the establishment agreement are:

City of Canning

City of Cockburn

Town of East Fremantle

City of Fremantle

Town of Kwinana

City of Melville

City of Rockingham

Enabling Legislation

The Southern Metropolitan Regional Council is a regional local government. It was established pursuant to the Local Government Act 1960 on the 30 October 1991. By virtue of transitional provisions of the Local Government Act 1995, it is constituted as a regional local government under that Act.

On the 22 April 1998 the constitution was replaced by an establishment agreement made between the participants and approved by the Minister for Local Government.

A regional local government has the same general function of a local government including its legislative and executive functions, except as stated in section 3.66 the Local Government Act 1995.

Structure

The Southern Metropolitan Regional Council comprises of one delegate from each member local government with equal voting rights, except the chairman who may exercise a second vote where the vote is a tie.

The Council elects the chairman every two years.

The Regional Council meets bi-monthly, on the fourth Thursday of the month commencing at 5pm. Special meetings may be held from time to time and are advertised on each occasion.

The Council has appointed an Executive Committee comprising of the Regional Council CEO and one senior officer with responsibility for waste management services from each of the Member Councils' Senior Management Group.



A team committed to a sustainable future.

REGIONAL COUNCIL OFFICERS

EXECUTIVE OFFICERS GROUP



Mr Neil Bolton,
City of Melville



Mr Stuart McAll,
SMRC



Mr Geoff Broad
City of Fremantle



Mr Bevis Greay,
City of Cockburn



Mr Silvio Trinca,
City of Canning



Mr Stewart Marshall,
City of Rockingham



Mr Vic Andrich,
Town of East Fremantle



Mr Chris Oughton,
Town of Kwinana

REGIONAL COUNCIL STAFF



Mr Stuart McAll
Chief Executive Officer



Mr Brendan Doherty
Manager
Engineering Services



Mr Chris Wiggins
Manager Administration
& Finance



Ms Talia Raphaely
Manager
Environmental
Education &
Communications



Mr Stuart Edwards
RRRC Operations
Co-Ordinator

Total Number of full-time and part-time employees as at reporting date
(Based on Full-time Equivalent FTE)

2002

2001

11.0

9.2



Reaching goals.

PRINCIPAL ACTIVITIES

Set out below are the Principal Activities and the performance measures for 2001/2002 in respect of those activities. The Principal Activities Plan 2001 – 2005 detail these activities.

Governance and Administration

Establishing and or/coordinating, in conjunction with its member Local Governments, the direction, the policies, the priorities and the level of service for the facilities and the waste management services provided in the regional district. Providing input, submissions and advocacy upon all matters concerning waste management.

| Details of Performance Measures | Results |
|--|--|
| Evidence of full compliance with regulatory requirements | Local Government Statutory Compliance Annual Return Number of non-compliance disclosed (1999) 5, (2000) 2, (2001) Nil Audited Annual Financial Statements Number of non-compliance issues in audit report (2000) Nil, (2001) 1, (2002) Nil |

| | Principal Plan | Budget | Actual |
|----------------------------------|----------------|-----------|-----------|
| Expenditure | 676,474 | 664,708 | 678,318 |
| Less Allocated to other programs | (448,951) | (454,351) | (467,834) |
| Less Members Contributions | (192,023) | (179,129) | (179,129) |
| Less Other Income | (35,500) | (8,100) | (20,438) |
| Surplus/ (Deficit) | Nil | (23,128) | (10,917) |

Research, Development and Education

The undertaking of the research, planning, development, education and marketing of waste management services.

| Details of Performance Measures | Results | | |
|--|--|------------|----------|
| 1. Completion of project research within defined parameters. | Project | % Complete | |
| | Household Hazardous Waste | 50% | |
| | Greenwaste Collection Systems | 90% | |
| | Reduction in Glass Contamination | 100% | |
| | Quality systems for waste audits | 100% | |
| | Before & After Waste Audits | 100% | |
| | Recycling Education & Promotion Campaign | 100% | |
| Quality Standards for Composting MSW | 90% | | |
| | Principal Plan | Budget | Actual |
| Projects Expenditure | 73,000 | 105,659 | 30,396 |
| Less Government Grants | (29,000) | (49,000) | (8,000) |
| Less Members Contributions | (44,000) | (56,659) | (43,851) |
| Surplus/ (Deficit) | Nil | Nil | 21,455 |

Difference in Actual is the incompleteness of the above projects as indicated



PRINCIPAL ACTIVITIES

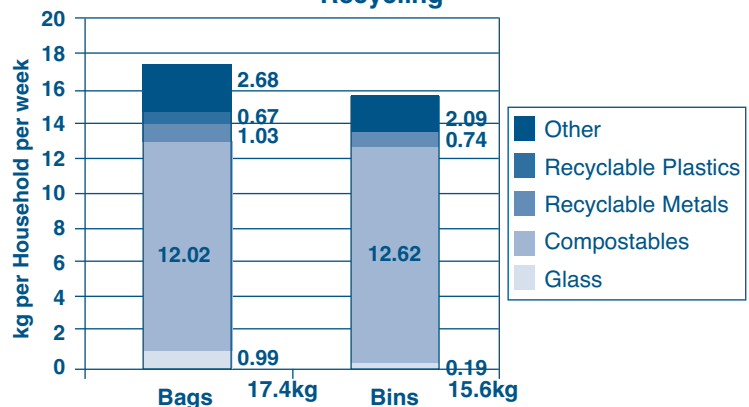
| Details of Performance Measures | Results |
|--|---|
| <p>2. Waste categorisation and behavioural surveys to indicate trends in the volume and the nature of waste diverted from disposal sites, and the attitudes of the community</p> | <p>Audits were carried out on a sample of residents within the City of Canning. The Audits were to determine behavioural change before 240L MGB for Recycling were introduced. An initial audit was carried out on residents using bags for recycling, followed by a follow-up audit after the change to MGB recycling bins. The results of the audits are summarised in the following Graphs 1 and 2</p> |

This shows the average amount of recyclable materials, (ie glass, plastics, metals) previously placed in the rubbish bin when bags were used has decreased with the introduction of the 240L Recycling Bin.

An increase in recyclable recovery is now being achieved.

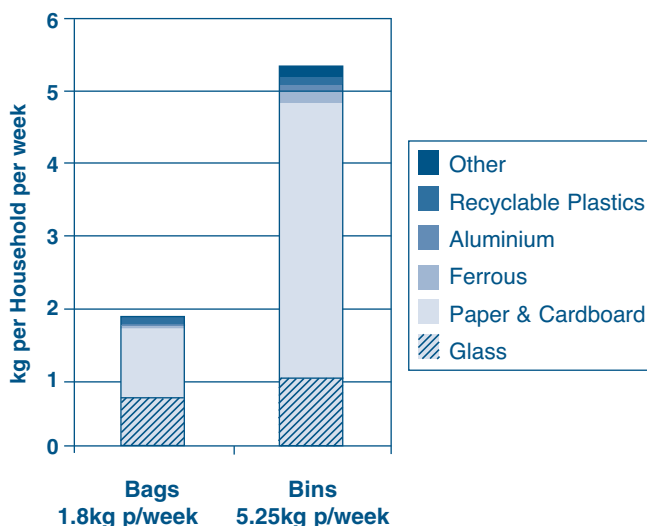
Source:
City of Canning Waste Audit

Graph 1: Changes in Behaviour of Waste Recovery. Difference of amount of waste placed in the General Rubbish Bin when two forms of Recycling Receptacles were used – Bags or 240L MGB Recycling



Source: SMRC Reducing Contamination in Composted MSW Report

Graph 2: Changes resulting from Bags to 240L Recycling MGB



Source: SMRC Reducing Contamination in Composted MSW Report

This shows the changes in the recycling stream as result of changing from bags to 240L bins for recycling.

An increase in recyclable recovery is now being achieved.

Source:
City of Canning Waste Audit



Racing for resources.

PRINCIPAL ACTIVITIES *(continued)*

Regional Greenhouse Gases Project

Member Councils have endorsed in principle the appointment of a Regional Greenhouse Co-ordinator to assist with regional community actions in the abatement of greenhouse gases.

| Details of Performance Measures | Results |
|--|---|
| 1. Number of Projects implemented by the Regional Greenhouse Coordinator | The Project did not commence in 2001/02 |
| 2. Number of resource sharing opportunities undertaken | The Project did not commence in 2001/02 |

| | Principal Plan | Budget | Actual |
|----------------------------|----------------|----------|----------|
| Projects Expenditure | 96,600 | 96,600 | 12,808 |
| Less Members Contributions | (96,600) | (96,600) | (12,808) |
| Surplus/ (Deficit) | Nil | Nil | Nil |

Actual: Costs associated with the implementation of the Project only, Co-ordinator not appointed in this financial year.

Major Land Transaction – Regional Resource Recovery Centre

The Regional Resource Recovery Centre at Canning Vale has a 30 year ground lease agreement with a further 20 year option with the City of Canning. The lease commenced in November 2000.

| Details of Performance Measures | Results |
|--|---|
| 1. All processing technologies and other accommodates buildings as required for the RRRC operations are adequately housed on the site. | The site is 11.6 hectares and adequately the administration/visitors centre, weighbridge and road network, Materials Recovery Facility, Green Waste Facility and In-vessel Composting Facility |
| 2. Number of complaints from adjoining and nearby dwellings and the City of Canning, relating to any noise or odour generated from the site. | Total of 3 complaints received during year Noise: 1 complaint relating to the Material Recovery Centre noise on weekends. Odour: 2 Complaints relating to the greenwaste stock pile odour during wet weather. |



Working as a team.

PRINCIPAL ACTIVITIES *(continued)*

Regional Resource Recovery Centre – Capital Expenditure

Capital expenditure for the construction of the RRRC. Expenditure includes site works, infrastructure network, weighbridge, administration and visitors centre building and fitout, green waste shed and shredding plant and the in-vessel waste composting technology. Refer to the Principal Activities Plan 2001-2005 for full details.

| Project | Principal Activities Plan | Estimated Project Expenditure | Total Expenditure To-date | Comments |
|-----------------------------|---------------------------|-------------------------------|---------------------------|----------------------|
| Consultancies | 438,200 | 951,454 | 810,200 | 85% complete |
| Site Rent | 240,000 | 136,667 | 136,667 | |
| Infrastructure | 1,187,000 | 1,337,249 | 1,207,189 | 90% complete |
| Buildings + Fitout | 914,800 | 778,800 | 705,412 | 91% complete |
| In-Vessel Plant | 34,904,000 | 34,540,000 | 26,436,929 | 76% complete |
| Green Waste Facility | 766,000 | 1,381,573 | 434,773 | 31% complete |
| Interest on Borrowings | 1,084,000 | 134,847 | 138,972 | To 30/6/2001 |
| Employee & Admin Allocation | 445,000 | 538,011 | 479,600 | 89% complete |
| Other | 140,000 | 140,000 | 69,714 | |
| Total | 40,119,000 | 39,938,601 | 30,419,456 | 76% expensed to date |

| Details of Performance Measures | Results |
|--|--|
| Monthly reporting on the RRRC activity planner Committee schedule as indicated in the Business Plan | Reporting to all Regional Executive meetings and bi-monthly reporting to the Regional Council. Reports indicate commitments and milestones achieved. |

Regional Resource Recovery Centre – Project Borrowings

The Regional Resource Recovery Centre at Canning Vale has been financed by a \$40M secured lending facility agreement with the WA Treasury Corporation. Each Project Participant will repay a proportion of the loans based on their population.

| Details of Performance Measures | Results | | |
|--|---------|-------------|--------------|
| | 2000 | 2001 | 2002 |
| 1. The Level of outstanding loan principal as at 30 June each year (\$40M Threshold) | Nil | \$4,000,000 | \$27,349,411 |
| 2. Weighted average interest rate (Business Plan Estimates 6.75%) | Nil | 6.08% | 6.19% |
| 3. Debt Service Ratio for the year 30th June (total loan repayments compared to operating income for the RRRC) | 0.04 | 0.03 | 0.24 |



Racing for the future.

PRINCIPAL ACTIVITIES *(continued)*

Regional Resource Recovery Centre – Operating Expenditure

The receipt, processing and sale of each waste stream from Project Participants and other sources.

The waste streams are –

Greenwaste – vegetative waste collected separately from other forms of waste.

Recycling – recyclable waste collected separately from other forms of waste

In Vessel Composting – all other forms of municipal waste collected by Project Participants.

In addition to the three waste streams the RRRC has operational areas in Education and administrative functions.

| Details of Performance Measures | Results | | |
|---|---|---------------|----------------|
| 1. An annual survey of actual tonnage received compared to estimates. | Greenwaste 2001/02 Estimate 21,150 Actual (7mths) 11,096 Recycling 2001/02 Estimate 27,458 Actual 29,879 | | |
| 2. Cost per household per year | 2001/02 | Estimated | Actual |
| | | \$46.00 | \$22.24 |
| | Estimates allowed for Annual Borrowing Costs of \$3.1M (Actual to June 2002 was \$1.1M.) | | |
| 3. Weighbridge evidence of the total waste diverted from land fill *Base line 1998 = pre RRRC & regional collection system | | *1998 | 2002 |
| | Greenwaste | 9,200 | 11,096 (7mths) |
| | Recycling | 14,700 | 18,618 |
| | MSW | Nil | Nil |
| | % recovered from landfill | | |
| | | 18.2% | 20% |
| 4. Annual assessment of customer/client satisfaction with RRRC operations | Not undertaken | | |
| | Principal Plan | Budget | Actual |
| Green Waste Processing | | | |
| Operating Revenue | 931,800 | 931,800 | 491,658 |
| Operating Expenditure | (931,800) | (931,800) | (620,064) |
| Net Surplus (Deficit) | Nil | Nil | (128,406) |
| Recycling Processing | | | |
| Operating Revenue | 783,000 | 782,741 | 571,158 |
| Operating Expenditure | (783,000) | (782,741) | (389,680) |
| Net Surplus (Deficit) | Nil | Nil | 181,478 |
| Education Program | | | |
| Operating Revenue | 309,500 | 362,000 | 336,868 |
| Operating Expenditure | (309,500) | (362,000) | (232,062) |
| Net Surplus (Deficit) | Nil | Nil | 104,806 |
| Net Surplus (Deficit) | Nil | Nil | *157,878 |

*Unspent funds of \$104,806 for Education Program to be carried forward for 2002/03.

*Green Waste Operations overrun due to non delivery of purchased shredder equipment resulting in higher costs associated with plant hire and late reduced income stream due to delays.



*Together, handing over a
cleaner future.*

NATIONAL COMPETITION POLICY

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

Application of Competitive Neutrality Principles

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

Five of the seven participating Councils in the Regional Council have embarked in a joint venture called Project 2000 Regional Resource Recovery Centre (RRRC).

The centre will provide waste management business activities such as:

- Recycling receivable, processing and sale.
- Green Waste receivable, processing and sale/removal.
- In-vessel Composting receivable, processing and sale/removal.

The SMRC has conducted through a competitive tendering process term contracts for contractors to build, own and operate the Recycling and Green Waste activities.

The recycling or Materials Recovery Facility contract has been outsourced to a private contractor. Invitations to tender for the Green Waste Facility was undertaken on two occasions, resulting in higher than anticipated market prices from the private sector. A cost analysis was undertaken with a view that the regional council would outlay the capital costs for the business undertaking and operate the green waste facility. Contracts have been entered into for the removal of shredded material from the facility.

The in-vessel composting process will be operated and managed by the SMRC commencing from 2004. A twelve month cost analysis will be undertaken whilst business plan has been developed and will be implementation of the operations of the compost processing plant in 2004.

Regulatory Review

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 has not adopted any Local Laws.



Construction of In-Vessel Composter, Regional Resource Recovery Centre (RRRC) Canning Vale



Strategic Plan 2002-2007 Goals and Strategies

OUR VISION – 2007

By the year 2007, we will be:

- Recognised nationally and internationally for our excellence and expertise in waste management.
- Providing resource recovery successfully across the region.
- Operating in a range of waste management markets.
- Actively exploring alternative technologies and investing in research and development.
- Providing sustainable solutions through simultaneous achievement of environmental, economical and social goals.
- Achieving our target of 95% reduction of waste from residential properties.

OUR VISION – 2007

The SMRC's purpose and core business is:

To continue to embrace the Regional Purpose outlined in our Establishment Agreement.

Regional purpose:

- To plan, coordinate and implement the removal, processing, treatment and disposal of waste for the benefit of the communities of the Participants (*Local Government members of the Regional Council*.)
- To influence Local, State and Federal Governments in the development of Regional waste management policies and legislation.
- To provide administrative services to the South West Group.
- To prepare, facilitate and implement programmes, measures and strategies for the reduction of greenhouse gasses.

Our role will also focus on:

- Utilising the advantages of economies of scale to achieve best value for the region.
 - Increasing our consultation and education role in order to:
 - * Maximise the use of our service;
 - * Reduce costs;
 - * Find out what the community knows about waste management.
 - Building upon our knowledge and expertise through undertaking a research role.
 - Engaging in consultancy or contracting services on behalf of the region with the goal of reducing or stabilising costs and adding value for our member organisations.
- Throughout all of this, our core business of solid waste management will be maintained.

KEY SUCCESS FACTORS

Our key success factors measure how effectively the Council is achieving its vision on a year-by-year basis. It is our scoreboard for continuous improvement and success.

- Financial**
 - The value of the service outweighs the cost of providing the service;
 - The approved budget is complied with;
 - Extent of revenue growth;
 - Local Government compliance measures are met.
- Customer**
 - The level of Municipal Council satisfaction:
 - * Approved budgets are met;
 - * Accountable and responsible management;
 - * Member Councils' community satisfaction.
 - Customer base:
 - * Current member Council membership;
 - * Regional communities' utilisation of services is increased;
 - * Number of commercial customers are increased.
- Internal Business**
 - Quality management processes are in place and adhered to;
 - Operational and performance targets are met;
 - Operations are kept up to date with new technology;
 - Clear channels of communication established and utilised.
- Learning/Employee**
 - Knowledge base is retained;
 - Staff are retained;
 - Level of industry recognition, eg: number of conference papers, awards, journal articles;
 - Level of innovation and productivity (through cooperative relationships);
 - Professional workforce that stays abreast of new technologies.

| Goal 1 WASTE MANAGEMENT To ensure maximum resource recovery from residential waste generated in the Region. | Goal 2 INCREASING COMMUNITY AWARENESS To maximise our resource recovery through a satisfied and aware community. | Goal 3 DIVERSIFYING SERVICES & MARKETS To capitalise on our expertise by actively seeking opportunities to diversify services and markets. | Goal 4 GREENHOUSE GAS ABATEMENT To assist and facilitate in the reduction of greenhouse gases within the region. | Goal 5 BUSINESS SUSTAINABILITY To establish and maintain a sustainable, viable and diverse financial base for the SMRC. | Goal 6 OPERATIONAL EFFECTIVENESS & EXCELLENCE To develop and maintain an organisational culture of continuous improvement and excellence. | Goal 7 ENVIRONMENTAL COMPLIANCE & INNOVATION To exceed and set trends/benchmark for best practice in environmental compliance. |
|--|--|--|---|---|---|--|
| 1.1 Commission and prove the Continuing Vale RRRR 1.2 Continue R & D initiatives into waste management to ensure the SMRC's leadership in resource recovery waste processing, education, collection systems and legislation/policy development 1.3 Develop a second waste processing facility for the region 1.4 Establish a regional domestic waste collection program (recycling, verge and MSW collections) 1.5 Develop a regional strategy for the collection and processing of commercial waste 1.6 Investigate and implement ways to reduce the residual (15%) waste component from the RRRR to a maximum of 5% | 2.1 Develop and implement feedback processes for measuring community satisfaction 2.2 Continuous improvement of communication processes and links with member councils and their communities 2.3 Continue to participate in community, Government and industry consultative groups 2.4 Improve real time dissemination of information eg: providing regular information via website or other media 2.5 Maintain an understanding of the community's knowledge, attitude and behaviour in waste management. | 3.1 Investigate the value of using commercial waste within the current regional domestic waste management strategy (to enhance regional diversion of waste from landfill) 3.2 Set up a Green Tech park/incubator to improve the marketability and re-use of recyclables recovered from the domestic waste stream - provision of R & D facility 3.3 Identify and prioritise waste streams that are currently not being addressed 3.4 Develop a regional Construction & Demolition Waste Management strategy. | 4.1 Investigate and develop a regional business plan for the use of alternative fuels for the region's waste collection fleet 4.2 Quantify the value of the greenhouse gas emission credits. | 5.1 Establish markets for the sale of recyclables and organic materials 5.2 Identify and develop strategies to broaden the income streams 5.3 Develop and implement appropriate financial policies to ensure the financial viability of the SMRC 5.4 Investigate and establish business partnerships/alliances or trading enterprises to maximise competitiveness and flexibility. | 6.1 Prepare and inform stakeholders of contingency plans for major threats to the SMRC projects 6.2 Develop a formal asset management system to ensure assets are maintained and replaced to correct standards 6.3 Develop quality assurance programs for projects 6.4 Develop an Information Technology plan 6.5 Develop internal procedure manuals 6.6 Develop a Human Resources Plan 6.7 Revue borrowing strategy programme 6.8 Develop current and future accommodation/office space needs 6.9 Develop a strategy to retain intellectual capital. | 7.1 Continuing research & development to exceed environmental compliance requirements 7.2 Ensure best practice in management of safe disposal, re-use and recovery of hazardous materials 7.3 Ensure the community is kept informed of the SMRC's commitment to meeting & exceeding environmental goals. |



**FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2002**

SOUTHERN METROPOLITAN REGIONAL COUNCIL

**FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2002**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Southern Metropolitan Regional Council being the annual financial report, supporting notes and other information for the financial year ended 30th June 2001 are in my opinion properly drawn up to present fairly the financial position of the Southern Metropolitan Regional Council at 30th June 2001 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards (except to the extent that these have been varied in the Statement of Accounting Policies required by Australian Accounting Standards AAS6 “Accounting Policies” and the accompanying notes to the annual financial report) and comply with the provisions of the Local Government Act 1995 and regulations under that Act.

Signed on the 7th Day of September 2001

Stuart McAll
Chief Executive Officer



OPERATING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2002

| | NOTE | 2002 \$ | 2002 Budget \$ | 2001 \$ |
|--|------|-------------------|----------------------|------------------|
| REVENUES FROM ORDINARY ACTIVITIES | | | | |
| Governance | | 179,129 | 179,129 | 128,950 |
| Community Amenities | | 28,180,916 | 4,932,212 | 4,390,470 |
| Other Property and Service | | 137,138 | – | – |
| TOTAL OPERATING REVENUE | 2b | 28,497,183 | 5,111,341 | 4,519,420 |
| EXPENSES FROM ORDINARY ACTIVITIES EXCLUDING BORROWING COSTS EXPENSE | | | | |
| Governance | | 146,957 | 151,629 | 130,645 |
| Community Amenities | | 2,076,924 | 4,803,340 | 510,534 |
| Other Property and Service | | 137,138 | – | – |
| TOTAL OPERATING EXPENSE | 2b | 2,361,019 | 4,954,969 | 641,179 |
| BORROWING COSTS EXPENSE | | | | |
| Community Amenities | | 823,845 | – | – |
| TOTAL BORROWING COSTS | 2c | 823,845 | – | – |
| NET PROFIT OR LOSS/RESULT | | 25,312,319 | 156,372 | 3,878,241 |

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



STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30TH JUNE 2002

| | NOTE | 2002 \$ | 2001 \$ |
|--------------------------------------|------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash Assets | 3 | 1,268,598 | 519,700 |
| Receivables | 4 | 3,138,582 | 430,983 |
| Prepayments | 5 | 1,382 | 1,382 |
| TOTAL CURRENT ASSETS | | 4,408,562 | 952,065 |
| NON-CURRENT ASSETS | | | |
| Receivables | 4 | 25,125,970 | 3,893,808 |
| “Property, Plant and Equipment” | 6 | 30,148,243 | 5,973,804 |
| TOTAL NON-CURRENT ASSETS | | 55,274,213 | 9,867,612 |
| TOTAL ASSETS | | 59,682,775 | 10,819,677 |
| CURRENT LIABILITIES | | | |
| Payables | 7 | 2,779,393 | 2,573,578 |
| Interest-bearing Liabilities | 8 | 2,223,440 | 106,192 |
| Provisions | 9 | 59,919 | 68,076 |
| TOTAL CURRENT LIABILITIES | | 5,062,752 | 2,747,846 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing Liabilities | 8 | 25,125,970 | 3,893,808 |
| Provisions | 9 | 13,023 | 9,312 |
| TOTAL NON-CURRENT LIABILITIES | | 25,138,993 | 3,903,120 |
| TOTAL LIABILITIES | | 30,201,745 | 6,650,966 |
| NET ASSETS | | 29,481,030 | 4,168,711 |
| EQUITY | | | |
| Retained Profits Surplus | | 29,481,030 | 4,168,711 |
| TOTAL EQUITY | | 29,481,030 | 4,168,711 |

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2002

| | NOTE | 2002 \$ | 2001 \$ |
|--|------|-------------------|------------------|
| ACCUMULATED SURPLUS | | | |
| Balance as at 1 July | | 4,168,711 | 290,470 |
| Net Profit or Loss/Result from Ordinary Activities | 2 | 25,312,319 | 3,878,241 |
| Transfer from/(to) Reserves | | – | – |
| Balance as at 30 June | | 29,481,030 | 4,168,711 |
| TOTAL EQUITY | | 29,481,030 | 4,168,711 |

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE 2002

| | NOTE | 2002 \$ | 2002 Budget \$ | 2001 \$ |
|--|-------|--------------|----------------------|-------------|
| Cash Flows From Operating Activities | | | | |
| Receipts | | | | |
| Grants and Subsidies – operating | | 8,000 | 49,000 | 40,050 |
| Contributions, Reimbursements & Donations | | 2,126,466 | 3,926,189 | 366,818 |
| Fees and Charges | | 1,028,699 | 1,874,785 | 25,491 |
| Interest Earnings | | 12,799 | 6,600 | 13,284 |
| Goods & Services Tax | | 2,227,814 | 3,781,423 | 290,625 |
| Other | | – | 357,480 | – |
| | | 5,403,778 | 9,995,477 | 736,268 |
| Payments | | | | |
| Employee Costs | | (540,300) | (587,971) | (166,214) |
| Materials and Contracts | | (3,432,032) | (3,161,648) | (453,342) |
| Utilities (gas, electricity, water, etc) | | (77,843) | (358,765) | (1,466) |
| Insurance | | (18,907) | (39,627) | (9,776) |
| Interest | | (771,594) | (1,728,708) | (117) |
| Goods & Services Tax | | (2,617,659) | (3,829,000) | (512,969) |
| Other | | (18,898) | (344,080) | (18,980) |
| | | (7,477,233) | (10,049,799) | (1,162,864) |
| Net Cash Provided By (Used In) Operating Activities | 10(b) | (2,073,455) | (54,322) | (426,596) |
| Cash Flows from Investing Activities | | | | |
| Payments for Purchase of | | | | |
| Land and Buildings | | – | – | (501,896) |
| Information Technology Equipment | | (18,838) | (16,500) | (47,268) |
| Furniture & Fittings | | (92,136) | (89,091) | (8,286) |
| Vehicles & Plant | | (37,824) | (235,000) | – |
| Other | | – | (180,000) | – |
| Payments for Construction of | | | | |
| Infrastructure – RRRC | | (22,194,708) | (33,713,170) | (2,237,652) |
| Grants and Contributions for the Development of Assets | | 1,794,084 | 126,000 | 33,256 |
| Proceeds from Sale of Plant & Equipment | | 22,364 | 22,000 | – |
| Net Cash Provided By (Used In) Investing Activities | | (20,527,058) | (34,085,761) | (2,761,846) |
| Cash Flows from Financing Activities | | | | |
| Repayment of Loans | | (350,589) | (581,392) | (1,300,000) |
| Reimbursement of Loan Repayments | | – | 581,392 | – |
| Proceeds from New Loans | | 23,700,000 | 34,000,000 | 4,000,000 |
| Net Cash Provided By (Used In) Financing Activities | | 23,349,411 | 34,000,000 | 2,700,000 |
| Net Increase (Decrease) in Cash Held | | 748,898 | (140,083) | (488,442) |
| Cash at Beginning of year | | 519,700 | 340,583 | 1,008,142 |
| Cash at End of Year | 10(a) | 1,268,598 | 200,500 | 519,700 |

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



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2002

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Accounting

The financial report is a general purpose financial report which has been prepared in accordance with applicable Australian Accounting Standards and the Local Government Act 1995 (as amended)

and accompanying regulations. The report has also been prepared on the accrual basis under the convention of historical cost accounting.

(b) The Local Government Reporting Entity

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

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

All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 16 to this financial report.

(c) Goods and Services Tax

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

(d) Fixed Assets

Property, plant and equipment and infrastructure assets are brought to account at cost or at independent or management valuation less, where applicable, any accumulated depreciation or amortisation.

The value of all infrastructure assets (other than bridges and land under roads) has been recorded in the Statement of Financial Position. Bridges and land under roads is excluded from infrastructure in a accordance with legislative requirements.

(e) Depreciation of Non-Current Assets

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

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

Major depreciation periods are:

| | |
|-------------------------|----------------|
| Computer Equipment | 3 to 5 years |
| Furniture and Equipment | 5 to 10 years |
| Plant and Equipment | 4 to 15 years |
| Leasehold Improvements | 10 to 50 years |



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2002 – *continued*

1. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(f) Employee Entitlements

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

(i) Wages, Salaries and Annual Leave

The provision for employees' entitlements to wages, salaries and annual leave represents the amount that the council has a present obligation to pay resulting from employees services to balance date. The provision has been calculated at nominal amounts based on current wage and salary rates and includes related on-costs.

(ii) Long Service Leave

The provision for employees' entitlements for long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from the employees' service to balance date.

(g) Grants, Donations and Other Contributions

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

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

(h) Investments

All investments are valued at cost and interest on those investments is recognised when accrued.

(i) Superannuation

The Southern Metropolitan Regional Council contributes to the Local Government Superannuation Scheme and the Occupational Superannuation Fund. Both funds are defined contribution schemes.

(j) Leases

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

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

(k) Interest Rate Risk

The Council's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, is considered negligible for all financial instruments other than borrowings. Information on interest rate risk as it applies to borrowings is disclosed in the form of notes to the financial statements.

(l) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to and forming part of the financial report.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2002 – *continued*

(m) Net Fair Values

The net fair value of assets and liabilities approximate their carrying values. No financial assets and financial liabilities are readily traded on organised markets in standardised form. Financial assets where the carrying amount exceeds net fair values have not been written down as the Council intends to hold these assets to maturity.

The aggregate net fair value and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial report.

(n) Rounding Off Figures

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

(o) Comparative Figures

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

2. OPERATING REVENUES AND EXPENSES

(a) Profit or Loss/Result from Ordinary Activities

The Profit or Loss/Result from Ordinary Activities includes:

(i) Charging as Expenses:

Auditors Remuneration

– Audit

2,900 2,700

2,900 2,700

Amortisation

– Leasehold Improvements

193,374 19,634

193,374 19,634

Depreciation

Computer Equipment

28,802 13,862

Furniture and Equipment

14,102 4,834

Plant and Equipment

4,614 4,964

Other

778 –

48,296 23,660

Total Amortisation & Depreciation

241,670 43,294

Rental Charges

– Operating Leases

253,360 67,786

(ii) Crediting as Revenues:

Abnormal Revenues

Take up of self supporting loan debtors for the RRRC Project

23,700,000 4,000,000

Interest Earnings

Investments

– General Fund

| 2002 Budget \$ | 2002 \$ | 2001 \$ |
|----------------------|---------------|---------------|
| 6,600 | 43,032 | 30,234 |
| <u>6,600</u> | <u>43,032</u> | <u>30,234</u> |



**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2002 – continued**

2. OPERATING REVENUES AND EXPENSES – continued

(b) Revenues and Expenses from Ordinary Activities

Classified According to Nature and Type

Revenues from Ordinary Activities

Grants and Subsidies – operating (refer note 20)

Grants and Subsidies – non-operating (refer note 20)

Contributions Reimbursements and Donations (refer note 21)

Fees and Charges (refer note 22)

Interest Earnings (refer note 2a)

Expenses from Ordinary Activities

Employee Costs

Materials and Contracts

Utilities (gas, electricity, water, etc)

Depreciation on Non-current Assets (refer note 2a)

Loss on Asset Disposals (refer note 24)

Insurance

Other

(c) Borrowing Costs Expense

Borrowing Costs Expense comprises:

Debentures

(d) Statement of Objective

The Southern Metropolitan Regional Council’s motto is **“a collective agreement to a cleaner environment”**

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

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

The objectives of the Regional Local Government shall be:

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

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

GOVERNANCE

Administration and operation facilities and services to members of council, other costs that relate to tasks of assisting member councils and the public on matters which do not concern specific council services. In accordance with legislative changes effective 1 July 1997 General Administration costs have been allocated to the various programs of council to reflect the true cost of the services provided

Directly attributable administration costs have been recorded in the relevant program while indirect costs have been allocated on the basis of Administration staff timesheets.

| | 2002 | 2001 |
|--|-------------------|------------------|
| | \$ | \$ |
| Revenues from Ordinary Activities | | |
| Grants and Subsidies – operating (refer note 20) | 44,000 | 31,050 |
| Grants and Subsidies – non-operating (refer note 20) | 1,838,851 | 19,000 |
| Contributions Reimbursements and Donations (refer note 21) | 25,301,545 | 4,413,645 |
| Fees and Charges (refer note 22) | 1,269,755 | 25,491 |
| Interest Earnings (refer note 2a) | 43,032 | 30,234 |
| | 28,497,183 | 4,519,420 |
| Expenses from Ordinary Activities | | |
| Employee Costs | 559,557 | 189,263 |
| Materials and Contracts | 1,440,438 | 378,283 |
| Utilities (gas, electricity, water, etc) | 77,843 | 1,466 |
| Depreciation on Non-current Assets (refer note 2a) | 241,670 | 43,294 |
| Loss on Asset Disposals (refer note 24) | 3,706 | – |
| Insurance | 18,907 | 9,776 |
| Other | 18,898 | 19,097 |
| | 2,361,019 | 641,179 |
| (c) Borrowing Costs Expense | | |
| Borrowing Costs Expense comprises: | | |
| Debentures | 823,845 | – |
| | 823,845 | – |



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2002 – *continued*

2. OPERATING REVENUES AND EXPENSES – *continued*

COMMUNITY AMENITIES

To provide environmentally friendly waste management facilities to consumers at a competitive cost, mindful of community requirements, whilst aiming to greatly reduce the quantity of waste disposed at landfill sites.

OTHER PROPERTY AND SERVICES

The Regional Council provides administrative services and maintains contractual agreements on behalf of the South West Group (SWG). The SWG is an unincorporated voluntary regional organisation of Councils whose members comprise the Cities of Cockburn, Fremantle, Melville, Rockingham and Towns of East Fremantle and Kwinana.

| | 2002 \$ | 2001 \$ |
|--|------------|------------|
| (e) Conditions Over Contributions | | |
| Grants which were recognised as revenues during the reporting period and which had not yet been expended in the manner specified by the contributor. (Shown as unspent grants in Note 3) | | |
| – Recycling Levy – H/Hold Hazardous Waste Project | 4,610 | 4,610 |
| – Recycling Levy – Regional Green Waste Collection Project | 2,800 | 2,800 |
| – Recycling Levy – Quality Systems for Waste Audits Project | – | 2,500 |
| – Recycling Levy – Before & After Waste Audit Project | – | 1,293 |
| – Recycling Levy – Composting Markets Project | – | 9,000 |
| – Recycling Levy – Education & Promotions Project | – | 10,000 |
| | 7,410 | 30,203 |
| Grants which were recognised as revenues in the previous reporting period and which were expended in the current reporting period in the manner specified by the contributor. | | |
| – Recycling Levy – Co-Composting Project | – | 5,750 |
| – Recycling Levy – Quality Systems for Waste Audits Project | 2,500 | – |
| – Recycling Levy – Before & After Waste Audit Project | 1,293 | – |
| – Recycling Levy – Composting Markets Project | 9,000 | – |
| – Recycling Levy – Education & Promotions Project | 10,000 | – |
| | 22,793 | 5,750 |
| 3. CASH ASSETS | | |
| Unrestricted | 355,602 | 469,771 |
| Restricted | 912,996 | 49,929 |
| | 1,268,598 | 519,700 |
| The following restrictions have been imposed by regulations or other externally imposed requirements: | | |
| Unspent Grants | 7,410 | 30,203 |
| Leave Provisions – S McAll | – | 9,680 |
| RRRC Unspent Loan | 895,540 | – |
| Regional Collection Contributions | 10,046 | 10,046 |
| | 912,996 | 49,929 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2002 – *continued*

| | 2002 \$ | 2001 \$ |
|--|------------|------------|
| 4. RECEIVABLES | | |
| Current | | |
| Sundry Debtors | 399,297 | 97,813 |
| Accrued Income | 126,000 | 4,634 |
| GST Receivable | 389,845 | 222,344 |
| Loan Debtors – Project Participants | 2,223,440 | 106,192 |
| | 3,138,582 | 430,983 |
| Non-Current | | |
| Loan Debtors – Project Participants | 25,125,970 | 3,893,808 |
| | 25,125,970 | 3,893,808 |
| 5. PREPAYMENTS | | |
| Vehicle Leases | 1,382 | 1,382 |
| | 1,382 | 1,382 |
| 6. PROPERTY, PLANT AND EQUIPMENT | | |
| Leasehold Improvements – | | |
| RRRC Preliminary Costs – at cost | 1,424,521 | 1,221,390 |
| RRRC Buildings – at cost | 27,715,234 | 3,686,524 |
| RRRC Infrastructure – at cost | 1,006,824 | 945,284 |
| Less Accumulated Amortisation | (223,676) | (29,523) |
| | 29,922,903 | 5,823,675 |
| Information Technology Equipment – at cost | 115,991 | 102,271 |
| Less Accumulated Depreciation | (59,065) | (34,957) |
| | 56,926 | 67,314 |
| Furniture and Equipment – at cost | 159,183 | 67,047 |
| Less Accumulated Depreciation | (26,461) | (12,359) |
| | 132,722 | 54,688 |
| Plant and Equipment – at cost | 37,824 | 33,091 |
| Less Accumulated Depreciation | (2,132) | (4,964) |
| | 35,692 | 28,127 |
| | 30,148,243 | 5,973,804 |

Movements in carrying amounts

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

| | Leasehold Improvements | Information Tech Equip | Furniture & Equipment | Plant & Equipment | Total |
|---|---------------------------|---------------------------|--------------------------|----------------------|------------|
| Balance at the beginning of the year | 5,823,676 | 67,314 | 54,688 | 28,127 | 5,973,805 |
| Additions | 24,293,380 | 18,838 | 92,136 | 37,824 | 24,442,178 |
| Disposals | – | (425) | – | (25,645) | (26,070) |
| Revaluation increments/ (decrements) | – | – | – | – | – |
| Depreciation Expense | (194,152) | (28,802) | (14,102) | (4,614) | (241,670) |
| Carrying amount at the end of year | 29,922,904 | 56,925 | 132,722 | 35,692 | 30,148,243 |



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2002 – *continued*

| | 2002 \$ | 2001 \$ |
|--|------------|------------|
| 7. PAYABLES | | |
| Current | | |
| Sundry Creditors | 2,603,199 | 2,383,128 |
| Accrued Expenses | 10,058 | 38,605 |
| Accrued Salaries and Wages | 20,898 | 13,343 |
| Accrued Loan Interest | 52,251 | – |
| Income in Advance | 22,781 | – |
| Retention & Bonds | 70,206 | 138,502 |
| | 2,779,393 | 2,573,578 |
| 8. INTEREST-BEARING LIABILITIES | | |
| Secured by Floating Charge | | |
| Current | | |
| Debentures | 2,223,440 | 106,192 |
| Non Current | | |
| Debentures | 25,125,970 | 3,893,808 |
| | 27,349,410 | 4,000,000 |
| Additional detail on borrowings is provided in Note 26 | | |
| 9. PROVISIONS | | |
| Current | | |
| Provision for Annual Leave | 47,686 | 32,976 |
| Provision for Long Service Leave | 12,233 | 35,100 |
| | 59,919 | 68,076 |
| Non Current | | |
| Provision for Long Service Leave | 13,023 | 9,312 |
| | 13,023 | 9,312 |

The charge to the operating profit/result for the movement in the provision for employee entitlements during the year was (\$4,446) (2001, \$18,903)

10. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:

| | 2002 \$ | 2002 Budget \$ | 2001 \$ |
|---------------------|------------|----------------------|------------|
| Cash – Unrestricted | 355,602 | 45,500 | 469,771 |
| Cash – Restricted | 912,996 | 155,000 | 49,929 |
| | 1,268,598 | 200,500 | 519,700 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2002 – *continued*

10. NOTES TO THE STATEMENT OF CASH FLOWS – *continued*

| | 2002 \$ | 2002 Budget \$ | 2001 \$ |
|--|--------------------|----------------------|------------------|
| (b) Reconciliation of Net Cash Provided By | | | |
| Operating Activities to Change in Net Assets Resulting from Operations | 25,312,319 | 156,372 | 3,878,241 |
| Change in Net Assets Resulting from Operations | 25,312,319 | 156,372 | 3,878,241 |
| Depreciation | 241,670 | 65,535 | 43,294 |
| (Profit)/Loss on Sale of Asset | 3,706 | 1,128 | |
| (Increase)/Decrease in Receivables | (23,939,761) | 1,181,136 | (4,262,865) |
| (Increase)/Decrease in Prepaid Expenses | – | 1,382 | 3,070 |
| Increase/(Decrease) in Creditors & Accruals | (1,892,858) | (1,336,074) | (73,983) |
| Increase/(Decrease) in Employee Provisions | (4,447) | 2,199 | 18,903 |
| Government Grants – non operating | (1,794,084) | (126,000) | (33,256) |
| Net Cash from Operating Activities | (2,073,455) | (54,322) | (426,596) |
| (c) Credit Standby Arrangements | | | |
| Credit Card limit | 20,000 | | 10,000 |
| Credit Card balance at Balance Date | (110) | | (905) |
| Total Amount of Credit Unused | 19,890 | | 9,095 |
| (d) Loan Facilities | | | |
| Loan Facilities – Current | 2,223,440 | | 106,192 |
| Loan Facilities – Non-Current | 25,125,970 | | 3,893,808 |
| Total Facilities in Use at Balance Date | 27,349,410 | | 4,000,000 |
| Unused Loan Facilities at Balance Date | 895,540 | | Nil |

11. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Capital expenditure commitments contracted for as at the reporting date and which have not been recognised as liabilities in the statement of financial position are as follows:

Regional Resource Recovery Centre Contracts

Payable:

– not later than one year

| | | |
|--|-----------|------------|
| | 8,200,938 | 33,783,561 |
| | 8,200,938 | 33,783,561 |
| | 8,200,938 | 33,783,561 |



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2002 – *continued*

11. CAPITAL AND LEASING COMMITMENTS – *continued*

(b) Operating Lease Commitments

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

Payable:

| | 2002 \$ | 2001 \$ |
|--|------------|------------|
| – not later than one year | 11,796 | 830 |
| – later than one year but not later than two years | 43,275 | 49,168 |
| – later than two years but not later than five years | 32,000 | 54,000 |
| – later than five years | 5,945,000 | 6,150,000 |
| | 6,032,071 | 6,253,998 |

12. CONTINGENT LIABILITIES

There were no claims or pending claims arising damage by Council to other parties at the reporting period.

13. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

| | | |
|-----------------------------|------------|------------|
| Governance | – | – |
| Community Amenities | 59,682,775 | 10,819,677 |
| Other Property and Services | – | – |
| Unallocated | – | – |
| | 59,682,775 | 10,819,677 |

14. REMUNERATION AND NUMBER OF FTE EMPLOYEES

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

11.0 9.2

Number of senior employees whose total remuneration package
is over \$100,000

– –

\$100,000 – \$110,000

– –

\$110,001 – \$120,000

1 1

15. COUNCILLORS' REMUNERATION

The following fees, expenses and allowances were
paid to council members and/or the president.

| | 2002 \$ | 2002 Budget \$ | 2001 \$ |
|------------------------------------|------------|----------------------|------------|
| Meeting Fees | 5,460 | 7,000 | 8,280 |
| Travelling Expenses | – | – | – |
| Chairman's Allowance | – | – | – |
| Entertainment Allowance (Chairman) | – | – | – |
| Telephone & Fax Reimbursements | – | – | – |
| | 5,460 | 7,000 | 8,280 |

16. TRUST FUNDS

The Council does not have any funds on hand as at 30 June 2002.



**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2002 – continued**

17. BUDGET COMPARISON

| | | 2001 \$ | 2002 Budget \$ |
|--|---|------------|----------------------|
| (a) Non Operating Income and Expenditure | | | |
| The following is a comparison of non-operating income and expenditure not included in the operating statement. | | | |
| Non Operating Income | | | |
| Proceeds on sale of assets | | 22,364 | 22,000 |
| Loans raised | 1 | 23,700,000 | 34,000,000 |
| Reimbursement of Loan Repayments | | 350,589 | 581,392 |
| Non Operating Expenditure | | | |
| Principal repayment of loans | | 350,589 | 581,392 |
| Construction/purchase of assets | | | |
| Furniture and Equipment | | 110,974 | 105,591 |
| Plant and Equipment | 2 | 37,824 | 235,000 |
| Leasehold Improvements | 3 | 24,280,927 | 33,713,169 |
| Other Assets | 4 | 12,453 | 180,000 |

Comments – Reasons for variations from budgeted amounts

- Loans raised was only drawn down as required to meet capital expenditure payments
- Plant for Greenwaste Facility not purchased during year
- Waste Composting Facility behind in schedule by 3 mths
- Tour development landscaping not completed during year

(b) Current Position at 1st July 2001

The net current assets (deficit) carried forward from the previous financial year for the purpose of the 2001/2002 budget was (\$194,887)

The actual net current assets (deficit) in the audited financial report as at 30th June 2001 was (\$1,795,781)

The deficit balance refers to the provision of trade creditors for the RRRC construction project of \$2.3M accrued, however, loan funding income to pay the creditors was not required until July 2001.

The difference amounts to \$1,600,894 due to the above reason which was confirmed upon finalisation of accounts



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2002 – *continued*

18. MAJOR TRADING UNDERTAKING

CANNING VALE REGIONAL RESOURCE RECOVERY CENTRE (RRRC)

This project is undertaken on behalf of the SMRC's five participating councils. The \$40m project funded by borrowings and payable over 20 years by the five participants, involves the construction of a admin/visitors centre, weighbridge, greenwaste processing and household waste composting facility. Operating revenues is received from gate fees from participants and the private sector. Accounting for this undertaking is in accordance with the Local Government (Financial Management) Amendment Regulations 9 & 45.

OPERATING STATEMENT

| | 2002 \$ | 2001 \$ |
|---|------------|------------|
| Revenues from Ordinary Activities | | |
| Education & Marketing | 336,868 | 177,147 |
| RRRC Admin & Weighbridge | 73,653 | 3,920 |
| Recycling | 571,158 | 21,444 |
| Greenwaste | 491,658 | – |
| Waste Compost | 7,504 | 33,256 |
| Contributions | 2,655,610 | – |
| Other – Self Supporting Loan Take-up | 23,700,000 | 4,000,000 |
| | 27,836,451 | 4,235,767 |
| Less Expenses from Ordinary Activities | | |
| Education & Marketing | 231,488 | 188,006 |
| RRRC Admin & Weighbridge | 280,868 | 119,247 |
| Recycling | 389,680 | 83,538 |
| Greenwaste | 620,064 | 2,104 |
| Waste Compost | 229,637 | – |
| | 1,751,737 | 392,895 |
| Less Borrowing Cost Expense | | |
| RRRC Capital Expenditure | 823,777 | – |
| Net Profit or (Loss) / result | 25,260,937 | 3,842,872 |
| STATEMENT OF FINANCIAL POSITION | | |
| Current Assets | | |
| Cash Assets | 1,403,953 | 495,267 |
| Receivables | 2,834,915 | 130,173 |
| Total Current Assets | 4,238,868 | 625,440 |
| Non-Current Assets | | |
| Receivables | 25,125,970 | 3,893,808 |
| Property, Plant and Equipment | 167,825 | 793,532 |
| Leasehold Improvements | 29,911,229 | 5,104,550 |
| Total Non-Current Assets | 55,205,024 | 9,791,890 |
| Total Assets | 59,443,892 | 10,417,330 |
| Current Liabilities | | |
| Payables | 2,936,402 | 2,509,707 |
| Interest-bearing Liabilities | 2,203,440 | 106,192 |
| Provisions | 12,089 | 3,094 |
| Total Current Liabilities | 5,151,931 | 2,618,993 |
| Non-Current Liabilities | | |
| Interest-bearing Liabilities | 25,125,970 | 3,893,808 |
| Provisions | 612 | 87 |
| Total Non-Current Liabilities | 25,126,582 | 3,893,895 |
| Total Liabilities | 30,278,513 | 6,512,888 |
| Net Assets | 29,165,379 | 3,904,442 |
| Equity | | |
| Opening Balance | 3,904,442 | 61,570 |
| Retained Profits/surplus for year | 25,260,937 | 3,842,872 |
| Total Equity | 29,165,379 | 3,904,442 |



**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2002 – continued**

19. ECONOMIC DEPENDENCY

A significant portion of revenue is received by way of members contributions as disclosed in note 20 & 21 and revenue from State Government grants as disclosed in note 20.

20. GRANTS AND SUBSIDIES

Operating

Community Amenities – State Gov Grant

2002
\$

2001
\$

44,000

31,050

44,000

31,050

Non-operating

Community Amenities –

Funding from RRRC Project Participants

1,838,851

19,000

1,838,851

19,000

21. CONTRIBUTIONS, REIMBURSEMENTS

Operating

Members Contributions towards operating

Reimbursements

Sponsorship

Loan Debtors Take up – RRRC Project Participants

545,287

408,161

1,041,258

5,484

15,000

–

23,700,000

4,000,000

25,301,545

4,413,645

22. FEES & CHARGES

Governance

RRRC Gate Fees

Service Provision Fees

Other

1,500

487

948,142

25,004

220,789

–

99,324

–

1,269,755

25,491

23. FINANCIAL RATIOS

Current Ratio

Debt Ratio

Debt Service Ratio

2002

2001

2000

0.84

0.34

1.35

0.51

0.61

0.85

0.24

0.03

0.04

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

Current Ratio equals

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

Debt Ratio equals

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

Debt Service Ratio equals

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



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2002 – *continued*

24. DISPOSALS OF ASSETS – 2001/2002 FINANCIAL YEAR

The following assets were disposed of during the year.

| | Net Book Value | | Sale Price | | Profit (Loss) | |
|--------------------|----------------|---------------|---------------|---------------|----------------|----------------|
| | Actual \$ | Budget \$ | Actual \$ | Budget \$ | Actual \$ | Budget \$ |
| Governance | | | | | | |
| Computer Equipment | 425 | – | – | – | (425) | – |
| Ford Fairmont CEO | 25,645 | 23,127 | 22,364 | 22,000 | (3,281) | (1,127) |
| | 26,070 | 23,127 | 22,364 | 22,000 | (3,706) | (1,127) |

| | Net Book Value | | Sale Price | | Profit (Loss) | |
|------------------------------|----------------|---------------|---------------|---------------|----------------|----------------|
| | Actual \$ | Budget \$ | Actual \$ | Budget \$ | Actual \$ | Budget \$ |
| Computer Equipment | 425 | – | – | – | (425) | – |
| Plant & Equipment | 25,645 | 23,127 | 22,364 | 22,000 | (3,281) | (1,127) |
| | 26,070 | 23,127 | 22,364 | 22,000 | (3,706) | (1,127) |

25. MEMBER COUNCILS EQUITY IN THE SOUTHERN METROPOLITAN REGIONAL COUNCIL AS AT 30 JUNE 2002

| | S.M.R.C. | R.R.R.C. | Other | TOTAL |
|------------------------|----------------|-------------------|---------------|--------------------|
| City of Canning | 64,902 | 8,152,746 | – | 8,217,648 |
| City of Cockburn | 54,424 | 6,836,483 | – | 6,890,907 |
| Town of East Fremantle | 5,928 | 744,638 | 2,116 | 752,682 |
| City of Fremantle | 22,218 | 2,790,993 | 7,930 | 2,821,141 |
| Town of Kwinana | 18,214 | – | – | 18,214 |
| City of Melville | 84,707 | 10,640,518 | – | 10,725,225 |
| City of Rockingham | 55,213 | – | – | 55,213 |
| | 305,606 | 29,165,378 | 10,046 | 29,481,030* |
| Equity (2001) | 254,224 | 3,904,442 | 10,046 | 4,168,712 |

* Agrees with Equity in Statement of Financial Position

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2002 – continued**

27. INFORMATION ON BORROWINGS

(a) Debenture Repayments

| Particulars | Principal 1-Jul-01 | New Loans | Interest Repayments | | Principal Repayments | | Principal 30-Jun-02 Actual |
|----------------------------|-----------------------|--------------|------------------------|---------|-------------------------|---------|----------------------------------|
| | | | Budget | Actual | Budget | Actual | |
| Community Amenities | | | | | | | |
| RRRC | | | | | | | |
| LOAN NO 1-3 | 2,000,000 | | 120,206 | 120,205 | 53,156 | 53,156 | 1,946,844 |
| LOAN NO 1-4 | 2,000,000 | | 120,604 | 120,604 | 53,036 | 53,036 | 1,946,964 |
| LOAN NO 1-5 | | 2,000,000 | 150,000 | 111,113 | 50,000 | 53,216 | 1,946,784 |
| LOAN NO 1-6 | | 2,000,000 | 150,000 | 90,801 | 50,000 | 40,519 | 1,959,481 |
| LOAN NO 1-7 | | 2,000,000 | 150,000 | 70,579 | 50,000 | 27,489 | 1,972,511 |
| LOAN NO 1-8 | | 2,000,000 | 150,000 | 81,365 | 50,000 | 40,565 | 1,959,435 |
| LOAN NO 1-9 | | 2,000,000 | 150,000 | 62,878 | 50,000 | 26,820 | 1,973,180 |
| LOAN NO 1-10 | | 500,000 | 27,798 | 22,442 | 10,000 | 10,915 | 489,085 |
| LOAN NO 1-11 | | 600,000 | 25,000 | - | 10,000 | - | 600,000 |
| LOAN NO 1-12 | | 400,000 | 25,000 | - | 10,200 | - | 400,000 |
| LOAN NO 1-13 | | 3,200,000 | 150,000 | 51,929 | 50,000 | 21,500 | 3,178,500 |
| LOAN NO 1-14 | | 2,000,000 | 150,000 | 21,832 | 50,000 | 13,696 | 1,986,304 |
| LOAN NO 1-15 | | 1,500,000 | 140,000 | 17,778 | 35,000 | 9,678 | 1,490,322 |
| LOAN NO 1-16 | | 3,000,000 | 120,000 | - | 35,000 | - | 3,000,000 |
| LOAN NO 1-17 | | 2,500,000 | 100,000 | - | 25,000 | - | 2,500,000 |
| | 4,000,000 | 23,700,000 | 1,728,608 | 771,526 | 581,392 | 350,589 | 27,349,411 |



**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2002 – continued**

27. INFORMATION ON BORROWINGS – continued
(b) New Debentures – 2000/01

| Particulars/Purpose Community Amenities | Amount Borrowed | | Institution | Loan Type | Term (Years) | Total Interest & Charges | Interest Rate | Balance Unspent | |
|--|-----------------|------------|-------------|-----------|--------------|--------------------------|---------------|-----------------|---------|
| | Actual | Budget | | | | | | Actual | Budget |
| RRRC Project | | | | | | | | | |
| LOAN NO 1-5 | 2,000,000 | 2,000,000 | WATC | Debenture | 2.5 | 284,873 | 6.06 | 0 | 0 |
| LOAN NO 1-6 | 2,000,000 | 2,000,000 | WATC | Debenture | 3.0 | 321,823 | 6.05 | 0 | 0 |
| LOAN NO 1-7 | 2,000,000 | 2,000,000 | WATC | Debenture | 5.0 | 465,729 | 6.02 | 0 | 0 |
| LOAN NO 1-8 | 2,000,000 | 2,000,000 | WATC | Debenture | 5.0 | 527,650 | 6.04 | 0 | 0 |
| LOAN NO 1-9 | 2,000,000 | 2,000,000 | WATC | Debenture | 8.0 | 878,081 | 6.24 | 0 | 0 |
| LOAN NO 1-10 | 500,000 | 2,000,000 | WATC | Debenture | 2.0 | 48,450 | 5.38 | 0 | 0 |
| LOAN NO 1-11 | 600,000 | 2,000,000 | WATC | Debenture | 0.5 | 13,538 | 4.55 | 0 | 0 |
| LOAN NO 1-12 | 400,000 | 2,000,000 | WATC | Debenture | 0.5 | 9,243 | 4.66 | 0 | 0 |
| LOAN NO 1-13 | 3,200,000 | 2,000,000 | WATC | Debenture | 3.0 | 633,293 | 6.35 | 0 | 0 |
| LOAN NO 1-14 | 2,000,000 | 2,000,000 | WATC | Debenture | 3.0 | 318,637 | 6.18 | 0 | 0 |
| LOAN NO 1-15 | 1,500,000 | 2,000,000 | WATC | Debenture | 7.0 | 606,188 | 6.71 | 0 | 0 |
| LOAN NO 1-16 | 3,000,000 | 2,000,000 | WATC | Debenture | 6.0 | 1,095,844 | 6.56 | 0 | 895,540 |
| LOAN NO 1-17 | 2,500,000 | 2,000,000 | WATC | Debenture | 7.0 | 1,056,021 | 6.66 | 0 | 0 |
| LOAN NO 1-18 | | 2,000,000 | WATC | Debenture | | | | | |
| LOAN NO 1-19 | | 2,000,000 | WATC | Debenture | | | | | |
| LOAN NO 1-20 | | 2,000,000 | WATC | Debenture | | | | | |
| LOAN NO 1-21 | | 2,000,000 | WATC | Debenture | | | | | |
| | 23,700,000 | 34,000,000 | | | | 6,259,370 | | 150,000 | 895,540 |

(i) Self-Supporting Loan financed by payments from Participating Councils

(c) Unspent Debentures

Unspent debentures as at 30 June 2001 was Nil as detailed above.

(d) Overdraft

Council does not have an overdraft facility with its bankers.

(e) Interest Rate Risk

Council's exposure to interest rate risk as a result of borrowings and the effective weighted average interest rate on these borrowings is as follows:

(c) Unspent Debentures

unspent debentures as at 30 June 2002 was \$895,540 as detailed above.

(d) Overdraft

Council does not have an overdraft facility with its bankers.

(e) Interest Rate Risk

Council's exposure to interest rate risk as a result of borrowings and the effective weighted average interest rate on these borrowings is as follows:

| | 2002 | 2001 |
|--|------------|-----------|
| | \$ | \$ |
| Borrowings | 0 | 0 |
| Floating interest rates | | |
| Fixed interest rate maturing | | |
| – within one year | 1,000,000 | 0 |
| – one to five years | 17,385,908 | 0 |
| – over five years | 8,963,503 | 4,000,000 |
| Non interest bearing | 0 | 0 |
| Total Borrowings | 27,349,411 | 4,000,000 |
| Weighted average effective interest rate | 6.19% | 6.08% |



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Website: www.hainesnorton.com.au

Chartered Accountants

Tony Bevan
Brett Cornwall
Joe Lamhut
Richard Swarbreck
David Tomasi

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF THE SOUTHERN METROPOLITAN REGIONAL COUNCIL

Scope

We have audited the financial report of the Southern Metropolitan Regional Council for the year ended 30th June 2002 as set out in pages 2 to 18. The Council is responsible for the financial report and the information contained therein. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Council.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the Deed of Establishment, Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended), Australian Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report presents fairly in accordance with the requirements of the Deed of Establishment, Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended), applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Southern Metropolitan Regional Council as at 30th June 2002 and the results of its operations and its cash flows for the year then ended.

Other Matters

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

- a) There are no material matters that in our opinion indicate significant adverse trends in the financial position or management practices of the Council.
- b) No matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) All necessary information and explanations were obtained by ourselves.
- d) All audit procedures were satisfactorily completed in conducting our audit.

HAINES NORTON
CHARTERED ACCOUNTANTS

DAVID TOMASI
PARTNER

DATE: 1 November 2002
PERTH, WA



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