



**EASTERN WASTE MANAGEMENT AUTHORITY
ORDINARY BOARD MEETING**

Thursday 20 September 2018

Notice is hereby given that a meeting of The Board of the Eastern Waste Management Authority will be held in the Mayor's Parlour, City of Norwood, Payneham & St Peters, Town Hall, 175 The Parade, Norwood on Thursday 20 September, 2018 commencing at 5:30pm.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

**ROB GREGORY
GENERAL MANAGER**



EASTERN WASTE MANAGEMENT AUTHORITY

AGENDA

ORDINARY MEETING OF THE BOARD OF MANAGEMENT

**Meeting to be held on Thursday 20 September 2018 commencing at 5:30pm,
at the City of Norwood, Payneham & St Peters, 175 The Parade, Norwood**

1. PRESENT

2. APOLOGIES

3. CONFLICTS OF INTEREST

4. CONFIRMATION OF THE MINUTES

- RECOMMENDED:**
1. That the Minutes of the Eastern Waste Management Authority Special Board Meeting held on Monday 3 September 2018, be received confirmed, and adopted.
 2. That the Minutes of the Eastern Waste Management Authority Audit and Risk Management Committee Meeting held on Wednesday 12 September 2018, be received, confirmed and adopted.
 3. That the Minutes of the Eastern Waste Management Authority General Manager Performance Review Committee Meeting held on Wednesday 12 September 2018, be received, confirmed and adopted.

5. MATTERS ARISING FROM THE MINUTES

6. QUESTIONS WITHOUT NOTICE

7. REPORTS

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- 7.2 REGULATION 10 FINANCIAL REPORTPg 43
- 7.3 DRAFT ANNUAL REPORT.....Pg 49
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8. CONFIDENTIAL REPORTS

8.1	<i>COUNCIL SOLUTIONS UPDATE.....</i>	<i>Pg 71</i>
8.2	<i>WASTE SUBSIDIARY MOU</i>	<i>Pg 75</i>
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9. OTHER BUSINESS

9.1	<i>MINISTER SPEARS RESPONSE</i>	<i>Pg 101</i>
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10. NEXT MEETING OF THE BOARD

The next Board Meeting is scheduled to be held on:
 Thursday 13 December, 2018, commencing 5:30pm
 at the City of Norwood, Payneham & St Peters, 175 The Parade,
 Norwood

11. CLOSURE OF MEETING

MINUTES OF THE SPECIAL BOARD MEETING OF THE EASTERN WASTE MANAGEMENT AUTHORITY

Held on Monday 3 September at 8:32am, at the Mayor's Parlour, City of Norwood, Payneham & St Peters, 175 The Parade, Norwood

1. PRESENT

Directors:

Cr L Green	Adelaide Hills Council
Cr G Piggott	City of Burnside
Mr P Di Iulio	Campbelltown City Council
Cr K Hockley	City of Mitcham
Mr M Barone	City of Norwood, Payneham & St Peters
Ms C Hart	City of Prospect

In Attendance:

Mr R Gregory	General Manager
Mr S Raymond	Manager, Corporate Services
Ms K Vandermoer	Finance and Executive Administration Officer
Mr F Bell	Thomson Geer

2. APOLOGIES

Mr B Cunningham	Independent Chairperson
Cr G Busato	Corporation of the Town of Walkerville

3. CONFLICTS OF INTEREST

NIL

4. CONFIRMATION OF THE MINUTES

Moved Cr Hockley that the Minutes of Special Eastern Waste Management Authority Board Meeting held on Friday 17 August 2018, be received, confirmed and adopted.

Seconded Mr Barone

Carried

5. MATTERS ARISING FROM THE MINUTES

NIL

6. QUESTIONS WITHOUT NOTICE

NIL

7. REPORTS

NIL

8. CONFIDENTIAL REPORTS

8.1 RECYCLING CONTRACT

RECOMMENDATION 1

Moved Cr Hockley that pursuant to Section 90(2) and (3) of the Local Government Act, 1999 the East Waste Board orders that the public, with the exception of the East Waste staff present, be excluded from the meeting on the basis that the East Waste Board will receive, discuss and consider:

(b) information the disclosure of which –

- (i) could reasonably be expected to confer a commercial advantage on a person with whom East Waste is conducting, or proposing to conduct, business, or to prejudice the commercial position of East Waste; and
- (ii) would, on balance, be contrary to the public interest;

and the East Waste Board is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/ consideration of the information confidential.

Seconded Cr Piggott

Carried

Ms Hart entered the meeting at 8:46am.

RECOMMENDATION 2

Moved Cr Hockley that the Board:

1. On the balance of information received to date from SKM Recycling and independent legal advice, is satisfied SKM Recycling have indicated a breach of contract and as such instruct the General Manager to write to SKM Recycling advising that East Waste will be terminating the Agreement effective 1 October 2018, on the basis SKM Recycling is in breach of Clause 11.1 (substantial default) as a result of not being able to pay an ongoing rebate.
2. Instruct the General Manager to undertake an open Request for Tender for the longer-term Receipt and Processing of Recyclables.
3. If required, for the duration of facilitating a Request for Tender process, approves the General Manager utilising the Exemptions Provisions in the East Waste Procurement Policy, to enter into a short-term arrangement for the Receipt and Processing of Recyclables.

Seconded Mr Barone

Carried

RECOMMENDATION 3

Moved Mr Barone that under Section 91(7) and (9) of the Local Government Act 1999 the East Waste Board orders that the report, attachment(s), and discussion be kept confidential for a period not exceeding 12 months, after which time the order will be reviewed by the East Waste Board.

Seconded Cr Green

Carried

8.2 REVIEW OF CONFIDENTIAL ORDERS

RECOMMENDATION 1

Moved Mr Barone that pursuant to Section 90(2) and (3) of the Local Government Act, 1999 the East Waste Board orders that the public, with the exception of the East Waste staff present, be excluded from the meeting on the basis that the East Waste Board will receive, discuss and consider:

(b) information the disclosure of which –

- (i) could reasonably be expected to confer a commercial advantage on a person with whom East Waste is conducting, or proposing to conduct, business, or to prejudice the commercial position of East Waste; and
- (ii) would, on balance, be contrary to the public interest;

and the East Waste Board is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/ consideration of the information confidential.

Seconded Cr Piggott

Carried

RECOMMENDATION 2

Moved Mr Barone that the Board orders in accordance with section 91(7) of the *Local Government Act 1999*, that the existing confidentiality order on the minutes to the original report of 8.5 – RECYCLING CONTRACT REVIEW ITEM from the 17/08/2018 Board meeting be released; however, the report, attachments and discussion remain confidential due to the associated commercial sensitivities.

Seconded Cr Green

Carried

9. OTHER BUSINESS

NIL

10. NEXT MEETING OF THE BOARD

The next Board Meeting is scheduled to be held on Thursday 20 September 2018 commencing 5:30pm at the City of Norwood, Payneham & St Peters, 175 The Parade, Norwood

11. CLOSURE OF MEETING

There being no further business the meeting closed at 9:18am.

DATE: _____

CHAIRPERSON: _____



**MINUTES OF THE MEETING OF THE AUDIT & RISK MANAGEMENT COMMITTEE
OF THE EASTERN WASTE MANAGEMENT AUTHORITY**

held on Wednesday 12 September 2018 at Chairman's Boardroom, 1101/147 Pirie Street,
Adelaide

Meeting opened at 9.29am

1. PRESENT

Mr Brian Cunningham	Independent Chairperson
Mr Tim Muhlhausler	Independent Member
Cr Karen Hockley	Committee Member
Mr Mario Barone	Committee Member

IN ATTENDANCE

Mr Rob Gregory	General Manager
Mr Shane Raymond	Manager, Corporate Services
Mr John Jovicevic	Dean Newbery & Partners
Mr David Papa	Bentleys Chartered Accountants

2. APOLOGIES

Mr Leigh Hall	Independent Member
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3. CONFLICTS OF INTEREST

Mr Cunningham declared a perceived conflict of interest in item 8.1, due to his role as Chair of the Northern Adelaide Waste Management Authority.

Mr Jovicevic declared a perceived conflict of interest in item 8.1, due to the fact that Dean Newbery & Partners also consult to Northern Adelaide Waste Management Authority.

Mr Muhlhausler declared a conflict of interest in item 7.6, given the item related to a recommendation to re-appoint him to the Committee.

4. CONFIRMATION OF THE MINUTES – 19 June 2018

Moved Cr Hockley that the Minutes of the previous meeting held on Tuesday 19 June 2018 be received and noted.

Seconded Mr Barone

Carried

5. MATTERS ARISING FROM THE MINUTES

Nil

6. QUESTIONS WITHOUT NOTICE

Nil

7. STAFF REPORTS

7.1 AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

RECOMMENDATION

Moved Mr Barone that the Committee recommend that the draft FY2018 audited Financial Statements as presented in Attachment A are endorsed and forwarded to the East Waste Board.

Seconded Mr Muhlhausler

Carried

Mr Papa left the meeting at 9.44am.

Mr Gregory, together with the Committee, thanked Mr Jovicevic for his work and efforts in completing the presented financials.

7.2 REGULATION 10 FINANCIAL REPORT

RECOMMENDATION 1

Moved Mr Barone that Report be received and noted.

Seconded Cr Hockley

Carried

RECOMMENDATION 2

Moved Mr Barone that the Committee recommend that the Regulation 10 Financial Report as presented in Attachment A is endorsed and forwarded to the East Waste Board.

Seconded Cr Hockley

Carried

7.3 DRAFT ANNUAL REPORT

RECOMMENDATION

Moved Mr Barone that the Report be received and noted.

Seconded Mr Muhlhausler

Carried

7.4 BUDGET FRAMEWORK – DRAFT PRINCIPLES

RECOMMENDATION

Moved Mr Barone the Committee recommend that:

1. The list of Budget Framework Principles and Financial Targets as amended are endorsed and forwarded to the East Waste Board.
2. In relation to proposed Options 2 & 3 of the Corporate Administration Fee the Administration undertake further work, to show the net results for each Member Council, prior to presenting to the East Waste Board.

Seconded Mr Muhlhausler

Carried

7.5 AUDIT IMPLEMENTATION PROGRESS REPORT

RECOMMENDATION

Moved Mr Muhlhausler that the Committee notes the implementation status of the 2018 Accounts Payable and Payroll Audit recommendations and recommends for presentation to the East Waste Board.

Seconded Cr Hockley

Carried

7.6 INDEPENDENT MEMBER TERM EXPIRY

Mr Muhlhausler left the meeting at 10:19am.

RECOMMENDATION

Moved Cr Hockley that the Committee resolve to recommend to the East Waste Board that Mr Tim Muhlhausler is appointed as an Independent Member to the East Waste Audit and Risk Management Committee for a third term, expiring 24 November 2020.

Seconded Mr Barone

Carried

Mr Muhlhausler re-entered the meeting at 10.21am.

8. CONFIDENTIAL REPORTS

8.1 CONTRACT UPDATE (VERBAL)

Mr Cunningham left the meeting at 10:22am.

Mr Jovicevic left the meeting at 10:22am.

RECOMMENDATION 1

Moved Mr Barone that pursuant to Section 90(2) and (3) of the Local Government Act 1999, the East Waste Audit and Risk Management Committee orders that the public, with the exception of the East Waste staff present, be excluded from the meeting on the basis that the East Waste Audit and Risk Management Committee will receive, discuss and consider:

(b) information the disclosure of which –

(i) could reasonably be expected to confer a commercial advantage on a person with whom East Waste is conducting, or proposing to conduct, business, or to prejudice the commercial position of East Waste; and

(ii) would, on balance, be contrary to the public interest;

and the East Waste Audit and Risk Management Committee is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

Seconded Mr Muhlhausler

Carried

RECOMMENDATION 2

Moved Mr Barone that the verbal update be received and noted.

Seconded Mr Muhlhausler

Carried

RECOMMENDATION 3

Moved Mr Barone that under Section 91(7) and (9) of the Local Government Act 1999 the East Waste Audit and Risk Management Committee orders that the discussion be kept confidential for a period not exceeding 12 months, after which time the order will be reviewed by the East Waste Board.

Seconded Mr Muhlhausler

Carried

Mr Cunningham re-entered the meeting at 10.32am.

Mr Jovicevic re-entered the meeting at 10.32am.

9. OTHER BUSINESS

Nil

10. NEXT MEETING OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The next Audit and Risk Management Committee Meeting is scheduled to be held on Tuesday 4 December 2018 commencing at 8:30am at Chairman's Boardroom, 11/147 Pirie Street, Adelaide.

11. CLOSURE OF MEETING

There being no other business the meeting closed at 10.33am

PRESIDING MEMBER

DATE



**MINUTES OF THE MEETING OF THE
GENERAL MANAGER PERFORMANCE DEVELOPMENT AND REVIEW COMMITTEE
OF THE EASTERN WASTE MANAGEMENT AUTHORITY**

held on Wednesday 12 September 2018 at Chairman's Boardroom, 1101/147 Pirie Street,
Adelaide

Meeting opened at 10:40am

1. PRESENT

Mr Brian Cunningham	Independent Chairperson
Cr Karen Hockley	Committee Member
Mr Mario Barone	Committee Member

IN ATTENDANCE

Mr Rob Gregory	General Manager
Ms Wendy Taylor	External Facilitator

2. APOLOGIES

Nil

3. CONFLICTS OF INTEREST

Nil

4. CONFIRMATION OF THE MINUTES – 28 JUNE 2018

Moved Cr Hockley that the Minutes of the previous meeting held on Friday 28 June 2018 be received and noted.

Seconded Mr Barone

Carried

5. MATTERS ARISING FROM THE MINUTES

Nil

6. QUESTIONS WITHOUT NOTICE

Nil

7. REPORTS

7.1 GENERAL MANAGER SELF ASSESSMENT (VERBAL PRESENTATION)

RECOMMENDATION

Moved Mr Barone that the General Manager's Verbal Assessment Presentation be received and noted.

Seconded Cr Hockley

Carried

7.2 ANNUAL GENERAL MANAGER PERFORMANCE ASSESSMENT 2018

Mr Gregory left the meeting at 11.09am.

Mr Gregory re-entered the meeting at 11.24am.

RECOMMENDATION

Moved Mr Mario Barone that the Committee:

1. Having considered all inputs and reviewed and undertaken a performance assessment of the General Manager's Key Performance Indicators Report as presented in Attachment A, recommends the report of performance with amendments, and the assessment of Meets Requirements of the Position, for presentation to the East Waste Board;
2. Having considered all inputs, reviewed and undertaken a performance assessment of the General Manager 360 Feedback Results as presented, in Attachment B, recommends the 360 report, with amendments for presentation to the East Waste Board;
3. Following review, confirms that the General Manager Position Description remains a true and accurate representation of the functions and duties of the General Manager and no changes are required.
4. Proposes that the General Manager's Key Performance Goals for 2018/2019 be drafted, with a focus on developing brand, education, innovation, strategic acumen and stakeholder engagement activities (Member Councils in particular), prior to being presented to the Committee, and then the Board.

Seconded Cr Hockley

Carried

8. CONFIDENTIAL REPORTS

Nil

9. OTHER BUSINESS

Nil

10. NEXT MEETING

The next General Manager Performance Review Committee is TBA.

11. CLOSURE OF MEETING

There being no other business the meeting closed at 11:55am

PRESIDING MEMBER _____

DATE _____

7.1: EAST WASTE FINANCIAL STATEMENTS YEAR ENDING 30 JUNE 2018

REPORT AUTHOR: General Manager

ATTACHMENTS: A: Draft Financial Statements Year Ending 30 June 2018

B: Final Audit Management Report

Purpose of the Report

To provide the Board with an opportunity to review the prepared Financial Statements for year ending 30 June 2018.

Background

At the meeting held 29 June 2017, the East Waste Board resolved:

FY18 ANNUAL PLAN & BUDGET ENDORSEMENT

Moved Mr Di Iulio that the 2017/2018 Annual Plan is adopted, and that *the 2017/2018 Budget is adopted, noting that there will be subsequent changes in Budget Review 1 due to new services coming online early in the new financial year.*

Seconded Mr Barone

Carried

Report

The draft Financial Statements (refer Attachment A) for year ending 30 June 2018 have been prepared by East Waste's appointed accountancy firm Dean Newbery and Partners in accordance with the model financial statements issued by the Local Government Association.

The statements have been reviewed by East Waste's externally appointed auditor, Bentleys who have provided a Final Management Report (refer Attachment B). David Papa, Partner, Risk and Assurance Services at Bentleys will be in attendance at the meeting to answer any questions. Pleasingly, there are no material matters to be reported, however two recommendations have been made. The first, relating to the impact of the China Sword Policy, has been addressed through Note 1 – Item 14 in the Financial Statements. The second matter relating to the treatment of the loan and asset recognition of the bin is satisfactory in its current treatment and while such a loan would be unlikely in the future, improved administrative and governance practices in place will ensure the appropriate documentation is developed and retained.

The Financial Statements (refer Attachment A) show East Waste have made an operating loss in the 2017/18 Financial Year of \$332,173, which is \$268,804 greater than adopted budget. Of importance to note is that the FY2018 Operating Result includes the impact of the \$678,000 rebate factored into the FY2018 Member Council collection fees. If Collection Fees were charged as originally adopted by the Board, East Waste would have achieved an Operating Surplus of \$346,000.

When considering the Operating result over the two financial years presented in the FY2018 Financial Statements, Member Councils have incurred a nil fee increase over both years presented. The consolidated Operating Result over the two Financial Years presented has resulted in an effective break-even financial performance.

Increased expenses experienced are predominately attributed to cost centres where we have little control and where we can influence we have made some significant gains. Of importance to note when considering the financial performance and position of East Waste in FY2018, are the following key factors:

- Fuel, Gas and Oil expenses are \$97,000 greater than budget as a result of increased fuel prices from January 2018 – June 2018.
- Higher than forecasted legal fees in response to contractual advice around the Recycling Contract.
- Amended accounting treatment of Adelaide Hills Bin Loan Charges. Change in treatment resulted in \$64,578 reduction in Operating Income.
- Reduction in Depreciation expense compared to forecasted budget of an estimated \$134,000 as a result of introducing residual values to Fleet Vehicle assets.

Despite purchasing an additional four Fleet Trucks to provide for the increasing service experienced in FY2018 (City of Prospect, Campbelltown City Council street and reserve litter and City of Norwood, Payneham & St Peters hard rubbish), a saving of \$109,000 was achieved compared to the original budget estimates for FY2018 truck maintenance. This was achieved through the implementation of an improved servicing regime, greater stock control and improved fleet management. The improvements and savings achieved in FY2018 are expected to result in further savings which are already factored in the FY2019 figures.

Key strategic and operational considerations that have been identified for FY2019 are as follows:

- The establishment of a corporate Budget Framework to ensure enhanced management and monitoring of key financial risks as well as further strengthening East Waste's financial reporting framework for key stakeholders.
- Review of Strategic Plan and associated documents/plans post 2018 Local Government elections.
- The completion of a full review of all key accounting policies that will be presented to the Board for consideration and formal adoption. Consultation on all draft policies to be undertaken with the Audit & Risk Management Committee prior to being presented to the Board.
- Further implementation of the 2018 Audit recommendations within East Waste.

The Financial Management Report and Financial Statements were presented to the Audit and Risk Management Committee at the 12 September 2018 meeting where they were endorsed and recommended for presentation to the Board.

RECOMMENDATION

That the Independent Chairman and General Manager be authorised to sign the Financial Statements as presented in Attachment A, and officially provided to Member Councils.

EASTERN WASTE MANAGEMENT AUTHORITY INC

General Purpose Financial Report for the year ended 30 June 2018

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EASTERN WASTE MANAGEMENT AUTHORITY INC

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2018**

CERTIFICATION OF FINANCIAL STATEMENTS

We have been authorised by Eastern Waste Management Authority Inc. to certify the financial statements in their final form. In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011 and Australian Accounting Standards*.

- the financial statements present a true and fair view of the Authority's financial position at 30 June 2018 and the results of its operations and cash flows for the financial year.

- internal controls implemented by the Authority provide a reasonable assurance that the Authority's financial records are complete, accurate and reliable and were effective throughout the financial year.

- the financial statements accurately reflect the Authority's accounting and other records.

.....
Rob Gregory
EXECUTIVE OFFICER

.....
Brian Cunningham
CHAIRPERSON

Date:

EASTERN WASTE MANAGEMENT AUTHORITY INC

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
INCOME			
User charges	2	12,689	13,068
Investment income	2	19	30
Grants, subsidies and contributions		15	40
Other	2	413	408
Total Income		13,136	13,546
EXPENSES			
Employee costs	3	5,605	5,164
Materials, contracts & other expenses	3	5,776	6,007
Finance costs		321	332
Depreciation, amortisation & impairment	3	1,767	1,724
Total Expenses		13,469	13,227
OPERATING SURPLUS / (DEFICIT)		(333)	319
transfer to Equity Statement			
Asset disposal & fair value adjustments	4	10	20
Amounts received specifically for new/upgraded assets		-	-
NET SURPLUS / (DEFICIT)		(323)	339
Other Comprehensive Income			
Changes in revaluation surplus - infrastructure, property, plant & equipment		-	-
Total Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		(323)	339

This Statement is to be read in conjunction with the attached Notes.

EASTERN WASTE MANAGEMENT AUTHORITY INC

STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	1,376	1,984
Trade & other receivables	5	1,127	412
Total Current Assets		2,503	2,396
Non-current Assets			
Infrastructure, Property, Plant & Equipment	6	6,165	6,046
Total Assets		8,668	8,442
LIABILITIES			
Current Liabilities			
Trade & Other Payables	7	821	826
Provisions	7	530	491
Borrowings	7	2,007	1,701
Total Current Liabilities		3,358	3,018
Non-current Liabilities			
Borrowings	7	4,774	4,741
Provisions	7	63	72
Total Non-current Liabilities		4,837	4,813
Total Liabilities		8,195	7,831
NET ASSETS		473	611
EQUITY			
Accumulated Surplus		473	611
TOTAL EQUITY		473	611

This Statement is to be read in conjunction with the attached Notes.

EASTERN WASTE MANAGEMENT AUTHORITY INC

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2018

2018 \$'000	Accumulated Surplus	TOTAL EQUITY
Balance at end of previous reporting period	611	611
Net Surplus/ (Deficit) for Year	(323)	(323)
Other Comprehensive Income		
Contributed Equity	185	185
Distributions to Member Councils	-	-
Balance at end of period	473	473

2017 \$'000	Accumulated Surplus	TOTAL EQUITY
Balance at end of previous reporting period	150	150
Net Surplus/ (Deficit) for Year	339	339
Other Comprehensive Income		
Contributed Equity	122	122
Distributions to Member Councils	-	-
Balance at end of period	611	611

This Statement is to be read in conjunction with the attached Notes

EASTERN WASTE MANAGEMENT AUTHORITY INC

STATEMENT OF CASH FLOWS for the year ended 30 June 2018

		2018	2017
	Notes	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Operating receipts		12,400	13,465
Investment receipts		20	28
<u>Payments</u>			
Employee costs		(5,548)	(5,279)
Materials, contracts & other expenses		(5,808)	(7,063)
Finance payments		(320)	(320)
Net Cash provided by (or used in) Operating Activities	8	<u>744</u>	<u>831</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Sale of replaced assets	4	11	104
Sale of surplus assets	4	-	-
<u>Payments</u>			
Expenditure on renewal/replacement of assets	6	(1,887)	(2,522)
Expenditure on new/upgraded assets		-	-
Distributions to member councils		-	-
Net Cash provided by (or used in) Investing Activities		<u>(1,876)</u>	<u>(2,418)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Receipts</u>			
Capital contribution by member councils		185	122
Proceeds from Borrowings		1,971	1,926
<u>Payments</u>			
Repayments of Borrowings		(1,632)	(1,275)
Net Cash provided by (or used in) Financing Activities		<u>524</u>	<u>773</u>
Net Increase (Decrease) in cash held		<u>(608)</u>	<u>(814)</u>
Cash & cash equivalents at beginning of period	8	<u>1,984</u>	<u>2,798</u>
Cash & cash equivalents at end of period	8	<u><u>1,376</u></u>	<u><u>1,984</u></u>

This Statement is to be read in conjunction with the attached Notes

EASTERN WASTE MANAGEMENT AUTHORITY INC

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

1.1 Compliance with Australian equivalents to International Financial Reporting Standards

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011*.

The Authority is a Local Government Authority Section 43 Regional Subsidiary under the control of the Adelaide Hills Council, City of Burnside, Campbelltown City Council, City of Mitcham, City of Norwood, Payneham & St Peters, City of Prospect and the Corporation of the Town of Walkerville. The seven Member Councils have an equity share and the Board comprises a Director from each Council and an Independent Chair appointed by the absolute majority of the Member Councils.

1.2 Historical Cost Convention

Except where stated below, these financial statements have been prepared in accordance with the historical cost convention.

1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards which requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying the Authority's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note.

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000) for the first time this year.

2 The Local Government Reporting Entity

Eastern Waste Management Authority Inc. operates as a regional subsidiary pursuant to Section 43 of the Local Government Act 1999 and Section 25 of the Local Government Implementation Act 1999.

3 Income Recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Authority obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

4 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at the Authority's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables are generally unsecured and do not bear interest.

EASTERN WASTE MANAGEMENT AUTHORITY INC

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *for the year ended 30 June 2018*

Note 1 - Significant Accounting Policies (cont)

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 9.

5 Property, Plant & Equipment

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use".

5.1 Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

5.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by the Authority for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life.

5.3 Depreciation of Non-Current Assets

Property, plant and equipment assets are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets.

Depreciation is recognised on a straight-line basis. Major depreciation periods for each class of asset are shown below. Depreciation periods for infrastructure assets have been estimated based on the best information available to the Authority, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

Plant & Equipment	5 - 10 years
Buildings & Other Structures	5 – 20 years

5.4 Impairment

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash outflows or value in use).

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if the Authority were deprived thereof, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable assumption is made that the current replacement cost exceeds the original cost of acquisition.

EASTERN WASTE MANAGEMENT AUTHORITY INC

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *for the year ended 30 June 2018*

Note 1 - Significant Accounting Policies (cont)

6 Payables

6.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received.

Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

7 Employee Benefits

7.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

No accrual is made for sick leave as the Authority's experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. The Authority does not make payment for untaken sick leave.

7.2 Superannuation

The Authority makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently.

Accumulation Fund Members

Accumulation fund members receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with Superannuation Guarantee Legislation (9.5% in 2017/18; 9.5% in 2016/17). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Defined Benefit Members

Defined benefit scheme is where the benefit payable is based on a formula determined by the member's contribution rate, number of years of contribution and final average salary. The Authority makes employer contributions as determined by the scheme's Trustee based on advice from the Scheme's Actuarial.

The most recent full actuarial investigation conducted by the Scheme's actuary, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2014. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to the Authority's contribution rates at some future time.

The Authority also makes contributions to other superannuation schemes selected by employees under the 'choice of fund' legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the new assets of the scheme, and no further liability attaches to the Authority.

EASTERN WASTE MANAGEMENT AUTHORITY INC

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *for the year ended 30 June 2018*

Note 1 - Significant Accounting Policies (cont)

8 Leases

Lease arrangements have been accounted for in accordance with AASB 117.

In respect of finance leases, where the Authority substantially carries all the risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as assets under lease, and are amortised to expense over the period during which the Authority is expected to benefit from the use of the leased assets.

Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

9 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

10 Comparative Information

Comparative information has been reclassified to be consistent with the current year disclosure of equivalent information in accordance with Australian Accounting Standards.

Comparative information in the Statement of Cash Flows have been amended to reclassify capital contributions by Member Councils from Investing Activities to Financing Activities. There is no impact on the previously reported financial performance or position of the Authority as a result of this change.

11 Critical Accounting Estimates and Judgements

The Board evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information.

Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the Authority.

EASTERN WASTE MANAGEMENT AUTHORITY INC

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *for the year ended 30 June 2018*

Note 1 - Significant Accounting Policies (cont)

12 New Accounting Standards

In the current year, the Authority adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Authority's accounting policies.

Certain new accounting standards have been published that are not mandatory for the 30 June 2018 reporting period and have not been used in preparing these reports.

The Authority is of the view that none of the new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.

13 Highbury Landfill Authority Inc.

The Authority, originally known as the East Torrens Municipal Destructor Trust, was established on 19 July 1928 (the name change took place in 1993). As at 1 July 2004, the Authority comprised of 3 Member Councils, being the City of Norwood, Payneham & St Peters, City of Burnside and the Corporation of the Town of Walkerville.

On 5 August 2004, the City of Norwood, Payneham & St Peters, the City of Burnside and the Corporation of the Town of Walkerville established the Highbury Landfill Authority Inc. Its purpose included the facilitation of the closure and the post closure of the Highbury Landfill site, as well as managing the joint interests and liability of the Councils in relation to the closure of the site.

On 31 December 2004 the property known as the Highbury Landfill site was transferred from East Waste to Highbury Landfill Authority Inc.

On 1 January 2005, the Authority's Charter was amended to include the three new Member Councils – the City of Mitcham, the City of Campbelltown and the Adelaide Hills Council.

On 1 January 2005 a loan was created between the Authority and the Highbury Landfill Authority that represented the net value of assets in East Waste prior to 1 January 2005. This was an At Call Loan and interest had been capitalised until the loan was called in by the Highbury Landfill Authority in November 2008. The loan amount was \$873,000 and the Authority borrowed the money from the National Australia Bank with an Interest Only Loan. This loan has now been re-financed through the Local Government Finance Authority, to be repaid in 10 years.

The Board of the Authority resolved in February 2010 to charge Member Councils the loan repayments for this loan in their equity percentages as set out in the January 2006 Charter.

14 Recyclable Processing Activities

The Authority has not been, nor will it be in the future, financially impacted by the changes in overseas market conditions as a result of the China Sword Policy and changes in overseas recycled materials commodities market conditions. Under current arrangements held with Member Councils, the Authority passes on all income derived and recovers all costs incurred in managing waste management contracts on behalf of Member Councils.

EASTERN WASTE MANAGEMENT AUTHORITY INC
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Note 2 - INCOME

	Notes	2018 \$'000	2017 \$'000
USER CHARGES			
Household Refuse		4,547	4,173
Administration		239	215
Green Organics		3,700	3,531
Recyclables		3,213	3,178
Hardwaste		773	651
Litter		358	305
Waste Disposal		116	1,015
Recycle Rebate		306	815
Recycle Rebate - Member Councils		(306)	(815)
Recycle Processing Income		151	-
Member Council Waste Collection Rebate		(408)	-
		<u>12,689</u>	<u>13,068</u>
INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		19	30
		<u>19</u>	<u>30</u>
OTHER INCOME			
Bin Supply		106	164
Replacement Bins		271	137
Sundry		36	107
		<u>413</u>	<u>408</u>

Note 3 - EXPENSES

EMPLOYEE COSTS			
Salaries and Wages		4,120	3,922
Employee leave expense		38	(114)
Superannuation		330	308
Wages Casual Agency		787	718
Workers' Compensation Insurance		166	200
Other		164	130
Total Operating Employee Costs		<u>5,605</u>	<u>5,164</u>
Total Number of Employees (Full Time Equivalent as at reporting date)		50	51

EASTERN WASTE MANAGEMENT AUTHORITY INC

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 3 - EXPENSES (cont.)

	Notes	2018 \$'000	2017 \$'000
MATERIALS, CONTRACTS & OTHER EXPENSES			
Auditor's Remuneration		9	9
Board Expenses		28	25
Lease costs		316	240
Subtotal - Prescribed Expenses		<u>353</u>	<u>274</u>
<u>Other Materials, Contracts & Expenses</u>			
Advertising & Promotion		10	68
Disposal Fees		1,506	2,247
Electricity		41	34
Fuel, Gas & Oil		971	764
GPS Expenses		63	64
Insurance		101	21
Legal Expenses		70	27
Maintenance		1,736	1,516
Parts, Accessories & Consumables		84	63
Printing, Stationery & Postage		65	44
Professional Services		276	319
Recycle Processing Costs		151	-
Registration & Insurance - Trucks		126	272
Sundry		176	258
Telephone		47	36
Subtotal - Other Materials, Contracts & Expenses		<u>5,423</u>	<u>5,733</u>
		<u>5,776</u>	<u>6,007</u>
DEPRECIATION			
Buildings & Other Structures		-	7
Plant, Machinery & Equipment		1,767	1,717
		<u>1,767</u>	<u>1,724</u>

Note 4 - ASSET DISPOSAL

INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Assets renewed or directly replaced

Proceeds from disposal	11	104
Less: Carrying amount of assets sold	1	84
Gain (Loss) on disposal	<u>10</u>	<u>20</u>

Note 5 - CURRENT ASSETS

CASH & EQUIVALENT ASSETS

Cash on Hand and at Bank	1,250	1,477
Deposits at Call	126	507
	<u>1,376</u>	<u>1,984</u>

TRADE & OTHER RECEIVABLES

Debtors - general	1,098	396
Accrued Income	-	2
Prepayments	29	14
	<u>1,127</u>	<u>412</u>

EASTERN WASTE MANAGEMENT AUTHORITY INC

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 6 - PROPERTY, PLANT & EQUIPMENT

	2018 \$'000	2017 \$'000
Buildings & Other Structures - At Cost	78	78
Accumulated Depreciation	<u>(48)</u>	<u>(40)</u>
	<u>30</u>	<u>38</u>
Plant, Machinery & Equipment	14,448	12,571
Accumulated Depreciation	<u>(8,314)</u>	<u>(6,563)</u>
	<u>6,134</u>	<u>6,008</u>
Work in Progress (WIP)	<u>1</u>	<u>-</u>
Total Property, Plant & Equipment	<u>6,165</u>	<u>6,046</u>

	2017	CARRYING AMOUNT MOVEMENTS DURING YEAR				2018
	\$'000	\$'000				\$'000
	CARRYING AMOUNT	Additions		Disposals	Depreciation	CARRYING AMOUNT
		New/Upgrade	Renewal			
Buildings & Other Structures	38	-	-	-	(8)	30
Plant, Machinery & Equipment	6,008	1,886	-	(1)	(1,759)	6,134
Work in Progress	-	1	-	-	-	1
TOTAL PROPERTY, PLANT & EQUIPMENT	6,046	1,887	-	(1)	(1,767)	6,165
2017 Totals	5,332	-	2,522	(84)	(1,724)	6,046

EASTERN WASTE MANAGEMENT AUTHORITY INC

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 7 - LIABILITIES

		2018 \$'000		2017 \$'000	
	Notes	Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		697	-	703	-
Accrued expenses - other		124	-	123	-
		<u>821</u>	<u>-</u>	<u>826</u>	<u>-</u>
 BORROWINGS					
Loans		2,007	4,774	1,701	4,741
		<u>2,007</u>	<u>4,774</u>	<u>1,701</u>	<u>4,741</u>
 PROVISIONS					
Annual Leave		223	-	183	-
Long Service Leave		307	63	308	72
		<u>530</u>	<u>63</u>	<u>491</u>	<u>72</u>

EASTERN WASTE MANAGEMENT AUTHORITY INC

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 8 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:

	Notes	2018 \$'000	2017 \$'000
Total cash & equivalent assets	5	1,376	1,984
Less: Short-term borrowings		-	-
Balances per Cash Flow Statement		<u>1,376</u>	<u>1,984</u>

(b) Reconciliation of Change in Net Assets to Cash from Operating Activities

Net Surplus (Deficit)	(323)	339
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	1,767	1,724
Net increase (decrease) in unpaid employee benefits	38	(65)
Net increase (decrease) accrued interest charges	2	10
(Gain) / Loss on Disposal	(10)	(20)
	<u>1,474</u>	<u>1,988</u>
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(716)	(51)
Net increase (decrease) in trade & other payables	(6)	(1,056)
Net increase (decrease) in other provisions	(8)	(50)
Net Cash provided by (or used in) operations	<u>744</u>	<u>831</u>

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

- Physical resources received free of charge	-	-
- Non-cash grants & contributions	-	-
<i>Amounts recognised in Income Statement</i>	-	-
- Finance Leases	-	-
Total Non-Cash Financing and Investing Activities	<u>-</u>	<u>-</u>

(d) Financing Arrangements

Corporate Credit Cards	15	15
Cash Advance Debenture Facility	1,000	1,000

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

EASTERN WASTE MANAGEMENT AUTHORITY INC

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 9 - FINANCIAL INSTRUMENTS

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits	Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned. Terms & conditions: Deposits on Call do not have a maturity period and have an average interest rates of 1.5% (2017: 1.25%). Carrying amount: approximates fair value due to the short term to maturity.
Receivables - Gate Fees & Associated Charges	Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable. Carrying amount: approximates fair value (after deduction of any allowance).
Liabilities - Creditors and Accruals	Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Authority. Terms & conditions: Liabilities are normally settled on 30 day terms. Carrying amount: approximates fair value.

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Authority.

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Authority is the carrying amount, net of any provision for doubtful debts. All investments are made with the SA Local Government Finance Authority and Bank SA. There is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of the Authority's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

Liquidity Risk is the risk that the Authority will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Policy (LGA Information Paper 15), liabilities have a range of maturity dates based on cash inflows. The Authority also has available a range of bank overdraft and short-term draw down facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Most of the Authority's financial instruments are at fixed rates. Any such variations in future cash flows will not be material in effect on either the Authority's incomes or expenditures.

EASTERN WASTE MANAGEMENT AUTHORITY INC

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 9 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2018	Floating Interest Rate \$'000	≤ 1 year \$'000	Fixed interest maturing in > 1 year ≤ 5 years \$'000	> 5 years \$'000	Non- interest bearing \$'000	Total \$'000
Financial Assets						
Fair Value through P&L						
Cash Assets	1,250	126	-	-	-	1,376
Loans & Receivables						
Receivables	-	-	-	-	1,098	1,127
Total	1,250	126	-	-	1,098	2,503
Financial Liabilities						
Payables	-	-	-	-	697	821
Current Borrowings	-	2,007	-	-	-	2,007
Non-Current Borrowings	-	-	3,153	1,621	-	4,774
Total	-	2,007	3,153	1,621	697	7,602
EXCESS OF FINANCIAL ASSETS OVER LIABILITIES	1,250	(1,881)	(3,153)	(1,621)	401	(5,099)

2017	Floating Interest Rate \$'000	≤ 1 year \$'000	Fixed interest maturing in > 1 year ≤ 5 years \$'000	> 5 years \$'000	Non- interest bearing \$'000	Total \$'000
Financial Assets						
Fair Value through P&L						
Cash Assets	1,477	507	-	-	-	1,984
Loans & Receivables						
Receivables	-	-	-	-	396	396
Total	1,477	507	-	-	396	2,380
Financial Liabilities						
Payables	-	-	-	-	703	703
Current Borrowings	-	1,701	-	-	-	1,701
Non-Current Borrowings	-	-	3,350	1,391	-	4,741
Total	-	1,701	3,350	1,391	703	7,145
EXCESS OF FINANCIAL ASSETS OVER LIABILITIES	1,477	(1,194)	(3,350)	(1,391)	(307)	(4,765)

EASTERN WASTE MANAGEMENT AUTHORITY INC

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 10 - COMMITMENTS FOR EXPENDITURE

	<u>Notes</u>	2018 \$'000	2017 \$'000
Expenditure Commitments			
Other expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Audit Services		9	9
Truck Fleet Replacement		1,810	1,814
		<u>1,819</u>	<u>1,823</u>
These expenditures are payable:			
Not later than one year		1,819	1,823
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
		<u>1,819</u>	<u>1,823</u>

Note 11 - OPERATING LEASES

Lease payment commitments of Authority

No contingent rentals were paid during the current or previous reporting periods. No lease imposes any additional restrictions on the Authority in relation to additional debt or further leasing.

No lease contains any escalation clause. Commitments under non-cancellable operating leases that have not been recognised in the financial statements are as follows:

Not later than one year	252	252
Later than one year and not later than 5 years	834	807
Later than 5 years	603	889
	<u>1,689</u>	<u>1,948</u>

Note 12 - EVENTS OCCURRING AFTER REPORTING DATE

There were no events after Balance Date that require to be disclosed.

EASTERN WASTE MANAGEMENT AUTHORITY INC

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 13 - DISCLOSURES OF RELATED PARTY TRANSACTIONS

The Key Management Personnel include the Chair of the Board, Chief Executive and other prescribed officers as defined under Section 112 of the *Local Government Act 1999*. In all, 4 persons were paid the following total compensation:

	2018 \$'000	2017 \$'000
Salaries, allowances & other short term benefits	405	370
Long term benefits	-	30
TOTAL	405	400

Transactions with Related Parties:

The following transactions occurred with Related Parties:

Related Party Entity	Sale of Goods and Services (\$'000)	Amounts Outstanding from Related Parties (\$'000)	Description of Services Provided to Related Parties
Adelaide Hills Council	2,912	57	Provision of kerbside waste collection and hardwaste collection services
City of Burnside	2,231	47	Provision of kerbside waste collection and hardwaste collection services
City of Mitcham	2,089	81	Provision of kerbside waste collection and hardwaste collection services
City of Norwood, Payneham & St Peters	2,078	556	Provision of kerbside waste collection and hardwaste collection services
City of Prospect	873	284	Provision of kerbside waste collection and hardwaste collection services
Corporation of the City of Campbelltown	2,505	62	Provision of kerbside waste collection and hardwaste collection services
Corporation of the Town of Walkerville	469	8	Provision of kerbside waste collection and hardwaste collection services

Amounts recorded as outstanding from Related Parties are recorded in Trade and other receivables in Note 5.

The Related Parties disclosed above are equity owners of the Authority and are referred to as Member Councils. Member Councils have equal representation on the Board of the Authority and accordingly have significant influence on the financial and operating decisions of the Authority. No one Member Council individually has control of those policies.



11 September 2018

Mr. Brian Cunningham
Chairperson of the Board
Eastern Waste Management Authority
1 Temple Court
OTTOWAY, SA 5013

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Dear Mr Cunningham

Re: Completion of Financial Statements Audit for 2018

Please find enclosed our final management report for the financial statements audit, year ended 30 June 2018.

There were no material matters to be reported to governance, however we have made some recommendations in our management report.

We would like to take this opportunity to thank management and staff for the assistance provided to us during the course of our audit.

Yours faithfully,

DAVID PAPA
PARTNER
Encl



EASTERN WASTE MANAGEMENT AUTHORITY

REPORT OF AUDIT FINDINGS - 2018

- Accountants
- Auditors
- Advisors

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1 Executive Summary

We have finalised our audit of Eastern Waste Management Authority (East Waste) for the year ended 30 June 2018 and report to management and those charged with governance the following matters for information purposes and for consideration of implementation or corrective action.

Our audit is conducted in two stages. Stage one focused on assessing the items within the profit and loss statement of the organisation to determine if the information in the general ledger, that is being reported to management and used for the formation of the financial report, is likely to be accurate and reliable in all material respects. The second stage of our audit focused on assessment of applied accounting policies and substantively tested events that have occurred.

At the conclusion of our testing, using the information obtained in stage one, we determined if there were any material matters or concerns that would impact the decision-making ability of the users of the financial report.

2 Confirmation of independence

Independence of auditors

The independence of the auditor is considered by the audit profession and the regulators as one of the most important professional standards that auditors must comply with.

Our audit services are subject to independence requirements of the following legislation and professional standards:

- Corporations Act 2001
- APES 110 Code of Ethics for Professional Accountants
- APES 320 Quality Control for Firms
- Bentley's National Policy on Independence

We enforce these rules and policies in order to maintain objectivity and to be free of conflicts of interest when conducting our audit each year.

Other Services

For the benefit of the Authority we confirm we have provided no services that compromise our independence.

How we have maintained independence

Bentley's ensures our independence by:

- Conducting regular training on threats to audit independence;
- Annual reviews of our audit client base to identify any potential conflicts of independence;
- Obtain confirmation from all of our audit staff as to their independence from our audit clients;
- Obtain confirmation from all of the partners as to their independence from our audit clients.

Our independence

We confirm that, to the best of our knowledge and belief, we are independent having regard to Bentley's policies, professional rules and relevant statutory requirements regarding our independence.

3 Overview of Administration

3.1 Accounting administration

Overall, we found the finance management of East Waste to be of good quality. The finance team was obliging in taking our queries and in providing information needed to conduct the audit on a timely basis.

In our opinion, the records and the systems used to maintain financial information is of good quality and that the team maintaining the financial information is competent in their ability to do their job.

4 Findings

4.1 Significant Event – China Sword Policy

In March 2018, China implemented a National Sword Policy, which changed the way they collect Australia's recyclable material.

This has caused several uncertainties and volatilities within the recyclables market and has impacted directly on East Waste's disposal of recyclable material.

We have reviewed the impact and we believe that East Waste will not be financially impacted by the changes in the recyclables market. East Waste manage the contracts as part of their services to the constituent Council's. Under the current arrangements, East Waste passes all income and costs incurred to the constituent Council's, therefore, not holding any financial risk for market volatility and price fluctuations.

As this is a significant event, as part of our audit process we recommended disclosure is made in the financial report to ensure users are aware that East Waste are not exposed to any financial risk in relation to this change.

4.2 Monies for bins from Adelaide Hills Council

We have identified there is a \$63k amount in an equity account that relates to the receipt of funds from Adelaide Hills Council (AHC) for the repayment of the loan taken out from LFGA for the purchase of AHC bins.

It appears that the bins are currently on the asset register of East Waste as an asset, and the amounts received from AHC are in the form of a repayment of a loan (i.e. no GST). As there is currently no documented arrangement, it is difficult to define exactly the nature of the monies recorded in the equity account.

We see that there are two possible options based on the above:

1 - If the amount received from AHC is in the form of loan repayments, then we would expect the existence of a loan asset to be recorded in the balance sheet, and not an asset on the asset register.

2 - If the bins are the property of East Waste, then the bins would be leased (operating lease) to AHC, to which there would be a supply and, therefore, a revenue.

Due to the ambiguity of the arrangement, it is difficult to identify which of the two treatments above is correct, or if there is possibly another alternative. As the amount is not material, we do not intend to modify our audit opinion.

We recommend that management identify the true nature of the arrangement to ensure the correct treatment of amounts received and that if the bins are the property of AHC or East Waste.

Additionally, we recommend East Waste determine a standard treatment for such arrangements moving forwards to ensure there is a treatment that is consistent, well documented and complies with the accounting framework.

5 Matters for those charged with governance

5.1 Legal compliance

Through our audit procedures we have not become aware of any non-compliance with applicable laws and regulations.

5.2 Financial reporting and accounting policies

We believe the accounting policies elected for East Waste are reasonable and their application provides sufficient information for use of the decision makers.

5.3 Going Concern

As part of our assessment we considered the appropriateness of the going concern assumption concluded by management. Our procedures indicate that this assumption is fair and that the going concern convention is appropriate.

5.4 Co-operation with management

Your management team has been helpful and co-operative throughout the conduct of this year's audit.

Summary of upcoming relevant accounting standards

Pronouncement	Effective date
AASB 15 Revenue from contracts with customers	Annual reporting periods beginning on or after 1 January 2018 NFP entities – Annual reporting periods beginning on or after 1 January 2019
AASB 1058 Income of NFP Entities	Annual reporting periods beginning on or after 1 January 2019
AASB 16 Leases	Annual reporting period beginning on or after 1 January 2019

Details on AASB 15, 1058 and 16 are on the following Appendices. We encourage you to understand the changes imposed by these standards and to assess the likely impact on future financial reporting.

AASB 15 *Revenue from Contracts with Customers*

Purpose of the Standard:

- Replaces AASB 118 *Revenue*, AASB 118 *Construction Contracts* and some revenue related interpretations
- Aims to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
- Allows an entity to recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Effectively, the standard recognises revenue on a 'milestone' basis

Practical Application of the Standard:

Specifically, the Standard introduces a 5 step approach to revenue recognition:

- Step 1: Identifying contract(s) with customers
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

AASB 1058 *Income for Not-for-Profit Entities*

Background:

Previously AASB 1004 *Contributions* was interpreted by the sector as grants could be carried on the balance sheets as 'tied funding'. The Accounting Standards Board released a clarification interpretation in December 2016 explaining the Standard.

Within the interpretation, the key phrase of 'reciprocal' vs 'non-reciprocal' has now been clarified as whether both parties receive a reciprocal benefit from the grant funding provided. Specifically, it clarified that grant funding for local government entities had to be recognized as income within the year received.

We understand that the treatment required by the accounting standard doesn't necessarily align with the practical application of the monies. It would appear that AASB 1058 addresses this matter.

Treatment of AASB 1058 *Income for Not-for-Profit Entities*:

- Effective as of 1 January 2019, but can early adopt if early adopting AASB 15 *Revenue from Contracts with Customers*
- Replaces AASB 1004 *Contributions* and some NFP revenue related interpretations
- The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation, or a contribution by owners, related to an asset received by an entity
- Effectively, this allows NFP entities to account for grants as 'tied funding'.

AASB 16 *Leases*

Purpose of the Standard:

- Introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- Replaces AASB 117 *Leases* and some lease-related interpretations
- Provides new guidance on the application of the definition of lease and on sale and lease back accounting
- Requires new and different disclosures about leases

Application of the Standard:

- Effective as of 1 January 2019, but can early adopt if early adopting AASB 15 *Revenue from Contracts with Customers*
- Requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value assets
- A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.
- A lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows

7.2: REGULATION 10 FINANCIAL REPORT 2018

REPORT AUTHOR: General Manager

ATTACHMENTS: A: Regulation 10 Financial Report

Purpose of the Report

To provide the Board with a Report on the previous financial year performance against budget as required by Section 10 of the *Local Government (Financial Management) Regulations 2011*.

Report

The Report (Refer Attachment A) is provided in accordance with Section 10 of the regulations;

10—Report on financial results

(1) A council, council subsidiary or regional subsidiary must, by no later than 31 December in each year, prepare and consider a report showing the audited financial results of each item shown in the statement of comprehensive income and balance sheet of the budgeted financial statements of the council, council subsidiary or regional subsidiary (as the case may be) for the previous financial year compared with the estimated financial results set out in the budget presented in a manner consistent with the Model Financial Statements.

RECOMMENDATION 1

That the Board endorses the Regulation 10 Financial Report as presented in Attachment A.

EASTERN WASTE MANAGEMENT AUTHORITY INC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	2017/18 \$000 ORIGINAL BUDGET	2017/18 \$000 FINAL BUDGET	2017/18 \$000 AUDITED ACTUALS
INCOME			
User Charges	13,283	13,305	12,689
Investment Income	32	10	19
Grants, subsidies and contributions	-	15	15
Other	320	387	413
TOTAL INCOME	13,635	13,717	13,136
EXPENSES			
Employee Costs	4,410	4,580	5,605
Materials, Contracts & Other Expenses	6,870	6,928	5,776
Depreciation, Amortisation & Impairment	1,850	1,900	1,767
Finance Costs	340	367	321
TOTAL EXPENSES	13,470	13,775	13,469
OPERATING SURPLUS/ (DEFICIT)	165	(58)	(333)
Asset Disposal & Fair Value Adjustments	20	(5)	10
Amount received specifically for new or upgraded assets	-	-	-
NET SURPLUS / (DEFICIT)	185	(63)	(323)
Other Comprehensive Income			
Change in revaluation surplus - infrastructure, property, plant & equipment	-	-	-
TOTAL COMPREHENSIVE INCOME	185	(63)	(323)

EASTERN WASTE MANAGEMENT AUTHORITY INC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	2017/18 \$000 ORIGINAL BUDGET	2017/18 \$000 FINAL BUDGET	2017/18 \$000 AUDITED ACTUALS
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS			
Operating Receipts	14,964	15,078	12,400
Investment Receipts	32	10	20
PAYMENTS			
Operating Payments to Suppliers and Employees	(12,559)	(12,794)	(11,356)
Finance Costs	(340)	(367)	(320)
NET CASH RECEIVED IN OPERATING ACTIVITIES	2,097	1,927	744
CASH FLOWS FROM INVESTING ACTIVITIES			
RECEIPTS			
Sale of Replaced Assets	20	-	11
PAYMENTS			
Expenditure on Renewal/Replacement Assets	(1,500)	(1,894)	(1,887)
Expenditure on New/Upgraded Assets	-	-	-
NET CASH USED IN INVESTING ACTIVITIES	(1,480)	(1,894)	(1,876)
CASH FLOWS FROM FINANCING ACTIVITIES			
RECEIPTS			
Proceeds from Borrowings	-	1,972	1,971
Capital Contributed by Member Councils	122	187	185
PAYMENTS			
Repayment of Borrowings	(1,522)	(1,604)	(1,632)
NET CASH USED IN FINANCING ACTIVITIES	(1,400)	555	524
NET INCREASE (DECREASE) IN CASH HELD	(783)	588	(608)
CASH AT BEGINNING OF REPORTING PERIOD	2,530	1,984	1,984
CASH AT END OF REPORTING PERIOD	1,747	2,572	1,376

EASTERN WASTE MANAGEMENT AUTHORITY INC

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	2017/18 \$000 ORIGINAL BUDGET	2017/18 \$000 FINAL BUDGET	2017/18 \$000 AUDITED ACTUALS
CURRENT ASSETS			
Cash & Cash Equivalents	1,747	2,572	1,376
Trade & Other Receivables	339	412	1,127
Other Financial Assets	-	-	-
Inventories	-	-	-
TOTAL CURRENT ASSETS	2,086	2,984	2,503
NON-CURRENT ASSETS			
Financial Assets	-	-	-
Infrastructure, Property, Plant & Equipment	5,408	6,036	6,165
Other Non-Current Assets	-	-	-
TOTAL NON-CURRENT ASSETS	5,408	6,036	6,165
TOTAL ASSETS	7,494	9,020	8,668
CURRENT LIABILITIES			
Trade & Other Payables	926	827	821
Provisions	635	576	530
Borrowings	1,501	2,007	2,007
TOTAL CURRENT LIABILITIES	3,062	3,410	3,358
NON-CURRENT LIABILITIES			
Trade & Other Payables	-	-	-
Borrowings	3,742	4,803	4,774
Provisions	111	72	63
TOTAL NON-CURRENT LIABILITIES	3,853	4,875	4,837
TOTAL LIABILITIES	6,915	8,285	8,195
NET ASSETS	579	735	473
EQUITY			
Accumulated Surplus	579	735	473
TOTAL EQUITY	579	735	473

EASTERN WASTE MANAGEMENT AUTHORITY INC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	2017/18 \$000 ORIGINAL BUDGET	2017/18 \$000 FINAL BUDGET	2017/18 \$000 AUDITED ACTUALS
ACCUMULATED SURPLUS			
Balance at beginning of period	272	611	611
Net Surplus/(Deficit)	122	(63)	(323)
Contributed Equity	185	187	185
Balance at end of period	579	735	473
TOTAL EQUITY	579	735	473

EASTERN WASTE MANAGEMENT AUTHORITY INC

UNIFORM PRESENTATION OF FINANCES FOR THE YEAR ENDED 30 JUNE 2018

	2017/18 \$000 ORIGINAL BUDGET	2017/18 \$000 FINAL BUDGET	2017/18 \$000 AUDITED ACTUALS
Operating Revenues	13,635	13,717	13,136
less Operating Expenses	(13,470)	(13,775)	(13,469)
Operating Surplus/(Deficit) before Capital Amounts	165	(58)	(333)
<i>less Net Outlays on Existing Assets</i>			
Capital Expenditure on renewal and replacement of Existing Assets	(1,500)	(1,894)	(1,887)
<i>less Depreciation, Amortisation, Impairment</i>	1,850	1,900	1,767
<i>less Proceeds from Sales of Replaced Assets</i>	20	-	11
	370	6	(109)
<i>less Net Outlays on New and Upgraded Assets</i>			
Capital Expenditure on New and Upgraded Assets	-	-	-
<i>less Amounts received specifically for New and Upgraded Assets</i>	-	-	-
<i>less Proceeds from Sales of Surplus Assets</i>	-	-	-
	-	-	-
Net Lending/(Borrowing) for Financial Year	(205)	(64)	(224)

7.3: DRAFT ANNUAL REPORT 2017/2018

REPORT AUTHOR: Manager, Corporate Services

ATTACHMENTS: DRAFT East Waste Annual Report 2017/18 – provided as a link

Purpose of the Report

To provide the East Waste Board (the Board), for information, with the final draft of the 2017/2018 East Waste Annual Report.

Report

As per legislative requirements, East Waste must produce an Annual Report which includes a full set of audited financial statements. Further, in accordance with the Charter, East Waste must deliver the Annual Report to Member Councils by 30 September each year.

The draft Annual Report 2017/2018 is a complete final version, minus the audited financials (draft statements contained within Agenda Item 7.1), which will be included once endorsed by the Board.

Subject to Board endorsement, East Waste will provide Member Councils with the Annual Report in the week commencing 24 September 2018.

Recommendation

That the Board endorses the final draft of the 2017/2018 East Waste Annual Report and authorises East Waste's General Manager to distribute to Member Councils, upon the audited financials being included in the final version.

7.4: BUDGET FRAMEWORK – DRAFT PRINCIPLES & GUIDELINES

REPORT AUTHOR: General Manager
ATTACHMENTS: Nil

Purpose of the Report

To provide the Board with an opportunity to review and comment on the draft principles and guidelines proposed to be included in a draft Budget Framework to be developed for the Authority. Additionally direction is sought on the basis and application of the Administration Charge in future years.

Background

During the development of the FY2019 Annual Budget, the Administration identified a number of areas where greater clarity, ongoing consistency and enhanced transparency in the treatment of financial arrangements and events specific to the Authority's operations would benefit all stakeholders should a Budget Framework be formally documented and adopted.

Historically, the Authority has relied on key staff and Board Members to retain and pass on critical corporate knowledge which has been identified as a risk to be mitigated by developing a suite of policies and procedures that are currently being undertaken by the Administration.

As a result of identifying this information gap, the following key task was endorsed in the FY2019 Annual Business Plan:

FM1. Establishment of Budget Framework

Preliminary development of the 2018/19 budget identified a number of areas where greater clarity and transparency is required and can be provided. Some of this work relates to historical interpretations along with an evolution of the business and the activities and coding of financial information not keeping up-to- date.

The Financial statements and existing processes meet all current day financial, auditing and legislative requirements, however to enable better tracking into the future and provide greater clarity, it is proposed to establish a Budget Framework which will further enhance the integrity of East Waste's finances.

At the meeting held 22 February 2018, the East Waste Board resolved (in part):

7.2 2018/19 DRAFT ANNUAL BUSINESS PLAN & BUDGET

Moved Cr Green that the Board:

2. Directs the General Manager to establish a Budget Framework inclusive of the handling of the Administration Fee by November 2018, in order to provide even greater definition and transparency;

Seconded Cr Piggott

Carried

Report

The Authority's proposed Budget Framework is to set out a series of principles and rules which guides the development of the Annual Budget. It is important to note that the Framework does not, and will not abdicate from any legislative requirements, rather it is intended to enhance current practices. The Charter, *Local Government Act 1999 S.123* and the *Local Government (Financial Management) Regulations 2011* are prescriptive in their requirements of Subsidiary budgets and Annual Business Plans.

To assist the Administration in the development of a detailed Budget Framework to be reviewed by the Audit & Risk Management Committee and Board at the December 2018 meetings, a suite of financial targets and principles were prepared and presented to the Audit & Risk Management Committee meeting on 12 September for initial consultation. The following Principles and Targets were recommended for presentation to the Board.

Budget Framework Principles

1. Projected operating income is set to ensure sufficient funds are raised to meet all financial obligations (operating and capital) for the relevant financial year, taking into account the activities listed in the draft Annual Business Plan.
2. Zero-based budget approach is to be adopted for the development of the annual budget.
3. Cost recovery model to be developed for all services and activities.
4. Clear definitions to be established for the treatment of East Waster's four (4) Business Units:
 - Common Fleet Costing:* represents all direct and Administrative costs associated with the Delivery of waste collection, waste management administration, education & promotions activities and regulatory compliance activities (across 5 streams). Charged in accordance with common fleet allocation;
 - Bin Maintenance Activities:* A cost recovery service charged to each individual Council for services directly associated with bin replacement and maintenance;
 - Waste Disposal Activities:* A cost recovery activity against each individual Council for disposal costs incurred. Occurs only where the Member Council is not invoiced directly;
 - Corporate Administration:* A set Administrative Fee charged equally amongst Member Councils (refer to discussion below), along with ancillary income (interest, grants, asset sales etc).
5. External Borrowings: the funding of Vehicle Capital Expenditure is to be funded via external loan borrowings. An annual review of this principle is to be confirmed through budget adoption process;
6. Capitalisation threshold for all assets to be set for item that cost greater than \$3,000;
7. Term of loan borrowings to be taken over a period equal to the expected useful life of the asset.
8. An assessment of Authority's financial performance is undertaken at Budget Review 3 each year to determine, by resolution of the Board, if a return (in the event of a surplus) or payment (in the event of deficit which cannot be absorbed) is required.

9. Assets depreciation is to be set over the expected life of the assets in accordance with Australian Accounting Standards (AASB) 116 *Property, Plant and Equipment*. Residual values will be applied to assets where there is an estimated 'salvage or trade-in' value for the asset at the end of its expected useful life.
10. Common Fleet Costing charges, for the five key services, to Member Councils is to be processed quarterly in advance based on the adopted Fees and Charges. All other charges to Member Councils are for reimbursement of costs incurred by the Authority which are invoiced at the end of the month incurred. All invoices issued to Member Councils have payment terms of 30 days payable from the date of the invoice issued.

Proposed Financial Targets

1. Operating Result: +/-2% Return on Revenue (based on Common Fleet Costing total estimated costs to be recovered).
2. Working capital requirements: retention of cash reserves equal to one quarter of estimated operational expenses requirements (including loan repayments).
3. Authority to maintain a \$1m bank overdraft facility for emergency purposes only.
4. The Authority shall remain in a positive Net Asset/Equity position at all times.
5. The Authority is to ensure it complies with the principles contained within the adopted Treasury Management Policy when considering the development and revision of the budget.

It is anticipated that the Budget Framework will remain a fluid document and refined as necessary in order to capture new information and remain a contemporary document. Following the Board feedback, the Administration will develop a final Budget Framework document for further review by the Audit & Risk Management Committee and Board. It is aimed to have this completed and endorsed by the Board at the December 2018 Board meeting in order to utilise in the FY2020 budget development process.

Corporate Administration Fee:

Through the development of the FY2019 Draft Budget, the Administration questioned the basis of the Corporate Administration Charge (FY2019 \$215,800). Split equally across the seven Member Councils (not apportioned on Common Fleet Costing percentage), it is understood to be a historic Administration Charge, which for reasons unknown has not kept pace with CPI or the true Administrative Costs of the Organisation. There is no known basis as to what the original Administration Charge was set to recover – i.e. what costs are being recovered through a charge back to Member Councils to justify the amount charged.

To correct and address this matter with some rationale, five broad options were presented to the 12 September 2018 Audit and Risk Management Committee for the purposes of further discussion and consideration. The Audit and Risk Management Committee were keen to understand further the actual Administrative Charge and exactly how this would impact, given the reduction offset in common fleet costing, of Options 2 and 3 below. As such tables have been included, which were not presented to the Audit and Risk Management Committee.

1. **Apportion of all Administrative Costs:** The total of all 'Administrative Costs' for East Waste in the FY2019 is approximately \$1,300,000. If split equally across the Councils this would translate to an individual Member Council charge of ~\$185,700, or an increase of \$155,000. While this would result in savings through Common Fleet Costings (where many of the Administrative costs are currently allocated and recovered), it would impact most significantly on the Member Councils which have a relatively small

Common Fleet percentage (e.g. City of Prospect and the Town of Walkerville). This is not seen as an equitable or palatable option and therefore is not supported.

2. **Apportion of common Administrative Fees only:** Under this model an assessment of the Administrative costs which should be shared equally across Member Councils under a truly equitable model, is calculated and split equally across the Member Councils. That is if each Council were required to undertake the functions individually these are the costs they would incur. This includes costs such as the proportionate allocation of salaries of the Executive staff and a percentage of other staff when operating at a strategic level, Board Costs, Accounting Fees, a proportion of Consultancy, Licencing Fees and Education. The key difference with this model and Option 1 is that items such as Rent and proportional assessments have been removed and charged via Common Fleet Costing. A model very similar to this is used by the Eastern Health Authority. Under this option, what the financial impact to Member Councils on the FY2019 adopted Administration Charge would have been, is detailed in Table 1.

Table 1: Indicative Administration Charge per Member Council under a Common Apportioned Model

Member Council	Equity %	Admin Fee Split - Adopted FY2019 Budget	Admin Fee Split - Proposed Option 2	Adjustment - Total Waste Charges
Adelaide Hills Council	14.29%	30,829	114,243	-47,963
City of Burnside	14.29%	30,829	114,243	-14,214
Campbelltown City Council	14.29%	30,829	114,243	-28,928
City of Mitcham	14.29%	30,829	114,243	-726
City of Norwood Payneham & St Peters	14.29%	30,829	114,243	-11,236
City of Prospect	14.29%	30,829	114,243	39,972
Corporation Town of Walkerville	14.29%	30,829	114,243	63,095
Totals	100.00%	215,800	799,700	0

3. **Simplified calculation of the Administrative Fee:** Under this approach a series of specific line items would be identified and 100% apportioned (eg. the salaries of Executive staff, Board costs and Education). Under this option, what the financial impact to Member Councils on the FY2019 adopted Administration Charge would have been, is detailed in Table 2.

Table 2: Indicative Administration Charge per Member Council under a Simplified Calculation Model

Member Council	Equity %	Admin Fee Split - Adopted FY2019 Budget	Admin Fee Split - Proposed Option 3	Adjustment - Total Waste Charges
Adelaide Hills Council	14.29%	30,829	91,714	-35,009
City of Burnside	14.29%	30,829	91,714	-10,375
Campbelltown City Council	14.29%	30,829	91,714	-21,115
City of Mitcham	14.29%	30,829	91,714	-530
City of Norwood Payneham & St Peters	14.29%	30,829	91,714	-8,201
City of Prospect	14.29%	30,829	91,714	29,176
Corporation Town of Walkerville	14.29%	30,829	91,714	46,054
Totals	100.00%	215,800	642,000	0

4. **Rising Arbitrary Figure:** Set the Fee at an Arbitrary Figure (eg. \$300,000) in Year 1 and increase year on year by CPI. Under this option, what the financial impact to Member Councils on the FY2019 adopted Administration Charge would have been, is detailed in Table 3.

Table 3: Indicative Administration Charge per Member Council under a set rate \$300,000 Model

Member Council	Equity %	Admin Fee Split - Adopted FY2019 Budget	Admin Fee Split - Proposed Option 4	Adjustment - Total Waste Charges
Adelaide Hills Council	14.29%	30,829	42,857	-6,916
City of Burnside	14.29%	30,829	42,857	-2,050
Campbelltown City Council	14.29%	30,829	42,857	-4,172
City of Mitcham	14.29%	30,829	42,857	-105
City of Norwood Payneham & St Peters	14.29%	30,829	42,857	-1,620
City of Prospect	14.29%	30,829	42,857	5,764
Corporation Town of Walkerville	14.29%	30,829	42,857	9,098
Totals	100.00%	215,800	300,000	0

5. **Removal Completely:** All charges apportioned in line with Common fleet percentages. Under this scenario, the relatively smaller Councils would benefit in the order of \$15,000 – \$22,000 and the larger Councils incur a greater cost, however for the larger Councils this would be deemed relatively insignificant against their total waste charges. Under this option, what the financial impact to Member Councils on the FY2019 adopted Administration Charge would have been, is detailed in Table 4.

Table 4: Indicative outcome per Member Council under a No Administrative Charge Model

Member Council	C&T %	Equity %	Admin Fee on Equity Split	Admin Fee on CFC	Variance
Adelaide Hills Council	22.50%	14.29%	30,828.57	48,555.00	17,726.43
City of Burnside	16.72%	14.29%	30,828.57	36,081.76	5,253.19
Campbelltown City Council	19.24%	14.29%	30,828.57	41,519.92	10,691.35
City of Mitcham	14.41%	14.29%	30,828.57	31,096.78	268.21
City of Norwood Payneham & St Peters	16.21%	14.29%	30,828.57	34,981.18	4,152.61
City of Prospect	7.44%	14.29%	30,828.57	16,055.52	-14,773.05
Corporation Town of Walkerville	3.48%	14.29%	30,828.57	7,509.84	-23,318.73
Totals	100.00%	100.00%	215,800.00	215,800.00	-

Depending on the option chosen there may also be the need to scale up/down over a number of years to protect any affected Council(s) against a significant hit in the first 1-2 years.

RECOMMENDATION

That the Board recommend that:

1. The list of Budget Framework Principles and Financial Targets as presented are endorsed and forwarded to the East Waste Board.
2. That a model whereby the apportioning of common administrative fees only (Option 2), is progressed as the preferred option, with a scaled approach so that no Council incurs an Administrative Fee decrease/increase greater than 30% in any single year.

7.5: AUDIT IMPLEMENTATION PROGRESS REPORT

REPORT AUTHOR: General Manager
ATTACHMENTS: Nil

Purpose of the Report

To provide the Board with an update on the implementation progress of recommendations from the Accounts Payable and Payroll Audits undertaken in early 2018.

Background

At the meeting held 26 April 2018, the East Waste Board resolved:

7.2 PAYROLL & ACCOUNTS PAYABLE AUDIT

Moved Cr Busato that the Board recommend:

1. That the Accounts Payable Internal Audit, as detailed in Attachment A, and the Payroll Internal Audit as detailed in Attachment B, along with the Management Responses are received, noted and implemented.
2. Requests that Management undertake a further audit in 12 months to determine the efficacy of the findings implemented and review of any new or emerging risks.
3. Management provide a progress report at future meetings on the status of Audit actions implementation.

Seconded Mr Di Iulio

Carried

Members are referred to this report for a detailed list of the Recommendations.

Report

Dean Newberry & Partners developed 15 recommendations, of varying risk across the two audits. East Waste have commenced addressing these immediately and at the time of writing the summary status of Recommendations is listed in Table 1. A summary of status of the actions, relative to their risk rating status is contained within Table 2. Of note, all High Risk recommendations have either been completed or commenced.

Table 1: Audit Recommendation Status Summary

Status	No.
Completed	7
Commenced	4
Not Started	4

Table 2: Audit Recommendation Status Summary by Risk Rating

Status	High	Moderate	Low	N/A
Completed	4	2	0	1
Commenced	3	0	1	0
Not Started	0	2	2	0

Specific detail on the implementation status of each recommendation is contained with Table 3 – Accounts Payable and Table 4 – Payroll.

Table 3: Accounts Payable Recommendations Implementation Status

No.	Recommendation	Residual Risk Rating	Implementation Status	Notes
5.1	Update Purchase of Goods & Services Policy	High	Completed	Endorsed at Feb 18 Board Meeting
5.2	Retention of Suppliers Quotes	High	Commenced	Temporary system established. Implementation of compliant Records Management System listed as a target in the 2018/19 Annual Plan
5.3	Accounts Payable Role	High	Commenced	Procedures being developed.
5.4	Controls over changes to supplier bank details	Moderate	Not started	Procedure to be developed to ensure validity of requested change.
5.5	Periodic reconciliation of the sub ledger to the General Ledger	Low	Commenced	Action carried out, formal procedure to be developed.
5.6	Removal of unused suppliers for the database	Low	Not started	Procedure to be developed to ensure cleansing process undertaken every 2 years

Table 4: Payroll Recommendations Implementation Status

No.	Recommendation	Residual Risk Rating	Implementation Status	Notes
5.1	Documented Policies and/or Procedures for Payroll	High	Commenced	Policies and Procedures being written in line with the implementation of new payroll system
5.2	No evidence of review of the daily sign in/out sheets	High	Completed	New electronic payroll system records start and finish times, and are audited on a weekly basis as part of payroll process and cross checks with GPS system
5.3	Payroll Officer role	High	Completed	Two staff currently trained (increase of one from time of audit). Additional staff member to be trained following completion of 5.1. Accounting consultant available if needed.
5.4	Transition to Single Touch Payroll	High	Completed	
5.5	Response to errors identified by the Administration	Moderate	Completed	Historical errors identified and addressed. New payroll system significantly reduces likelihood and implementation of 5.1 ensures consistent ongoing approach.
5.6	Transition to electronic employee sign in/out system	Moderate	Completed	New payroll system implemented
5.7	Security of employee personnel files	Moderate	Not started	Implementation of compliant Records Management System listed as a target in the 2018/19 Annual Plan
5.8	Employee Deductions (Social Club)	Low	Not started	Account to be wound up within 6 months
5.9	Future expiration of Workplace Agreement (Drivers) - ensure funding for external support	N/A	Completed	Support sourced and supplementary finding allocated if needed.

RECOMMENDATION

That the Board notes the implementation status of the 2018 Accounts Payable and Payroll Audit.

7.6: AUDIT & RISK MANAGEMENT COMMITTEE INDEPENDENT MEMBER TERM EXPIRY

REPORT AUTHOR: Manager, Corporate Services

ATTACHMENTS: Audit & Risk Management Committee Terms of Reference

Purpose of the Report

To seek the East Waste Board's (the Board) endorsement to reappoint an Independent Member to the East Waste Audit and Risk Management Committee (the Committee).

Background

Mr Tim Muhlhausler was appointed as an Independent Member to the Committee in 2014 and has since served two (2) consecutive terms. Mr Muhlhausler's current appointment is due to expire on 24 November 2018.

In accordance with the Membership Provisions of the endorsed Audit and Risk Management Committee Terms of Reference (refer Attachment A) , an Independent Member is eligible to be re-appointed at the expiration of their term of office at the sole discretion of the East Waste Board (the Board). An Independent Member may be re-appointed for a maximum of three (3) terms.

Report

Mr Muhlhausler is a valued member of the Committee, who actively contributes and provides his expertise to East Waste in accordance with the Term of Reference. Mr Muhlhausler is involved in a number of Government and non-government Boards and Committees which provides him with a broad knowledge base and adds contemporary insight to the Committee. Furthermore the upcoming Local Council Elections may alter the membership of the East Waste Board and Committee which will no doubt bring with it a period of adjustment and therefore reappointment of an existing member to guarantee some consistency of membership is worthy of consideration.

It is open to the Board to re-appoint Mr Muhlhausler for a third consecutive term. In response to an approach made by East Waste Executive to Mr Muhlhausler, Mr Muhlhausler has indicated that he is happy to be re-appointed for a third term, subject to the decision of the Board.

At the meeting held 12 September 2018, the Committee resolved:

7.6 INDEPENDENT MEMBER TERM EXPIRY

Moved Cr Hockley that the Committee resolve to recommend to the East Waste Board that Mr Tim Muhlhausler is appointed as an Independent Member to the East Waste Audit and Risk Management Committee for a third term, expiring 24 November 2020.

Seconded Mr Barone

Carried

In consideration of Mr Muhlhausler's strong contribution to the Committee and the potential for change in Membership to the East Waste Board, it would be prudent to retain Mr Muhlhausler's expertise to ensure his on-going valued contribution to the Committee and East Waste.

Recommendation

That the Board reappoint Mr Tim Muhlhausler as an Independent Member to the East Waste Audit and Risk Management Committee for a third term, expiring 24 November 2020.

Terms of Reference – Eastern Waste Management Authority Audit and Risk Management Committee

Establishment	The Eastern Waste Management Authority (East Waste) Audit and Risk Management Committee is established under Section 41 of the Local Government Act 1999 (the Act), for the purposes of Section 126 of the Act.
Title	The East Waste Audit and Risk Management Committee shall be known as the “Committee”.
Purpose	<p>The principal objective of the Committee is to add value to, and improve, East Waste’s operations, by assisting the Board to meet its legislative and probity requirements as required by the Local Government Act 1999 (as amended) and other relevant Legislation, Standards and Codes.</p> <p>The Committee will assist the Board in monitoring the accounting, audit, legislative compliance, financial and strategic risk management, governance and reporting practices.</p> <p>The primary objective of the Committee is to assist East Waste in the effective conduct of its responsibilities for financial reporting, management of risk and maintaining a reliable system of internal controls.</p> <p>The Committee is established to assist the co-ordination of relevant activities of management and with the external auditor to facilitate achieving overall organisational objectives in an efficient and effective manner.</p> <p>As part of East Waste’s Governance obligations to its Constituent Councils, the Board has constituted a Committee to facilitate:</p> <ul style="list-style-type: none"> ▪ the enhancement of the credibility and objectivity of internal and external financial reporting; ▪ effective management of financial and other risks and the protection of East Waste’s assets; ▪ compliance with laws and regulations as well as use of best practice and Governance guidelines; ▪ the effectiveness of the external audit; ▪ the provision of an effective means of communication between the external auditor, management and the Board. <p>Financial Reporting</p> <p>The Committee shall monitor the integrity of the financial statements of East Waste, including its Annual Report, reviewing significant financial reporting issues and judgements which they contain.</p> <p>The Committee shall review and make recommendations to the Board (where necessary) regarding:</p> <ul style="list-style-type: none"> ▪ the assumptions, indexation, and indicators used in the preparation of financial statements; ▪ the consistency of, and/or any changes to, accounting policies; ▪ the methods used to account for significant or unusual transactions where different approaches are possible; ▪ whether East Waste has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor; ▪ the clarity of disclosure in East Waste’s financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

Terms of Reference – Eastern Waste Management Authority Audit and Risk Management Committee

	<p>External Audit The Committee shall:</p> <ul style="list-style-type: none"> ▪ develop and implement a policy on the supply of non-audit services by the external auditor, taking into the account any relevant ethical guidance on the matter; ▪ review the terms appointment of the external auditor; ▪ consider and make recommendations to the Board, in relation to the appointment, re-appointment and removal of East Waste’s external auditor; ▪ oversee East Waste’s relationship with the external auditor at the direction of the Board, but not limited to: <ul style="list-style-type: none"> ○ recommending the approval of the external auditor’s remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted; ○ recommending the approval of the external auditor’s terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit; ○ assessing the external auditor’s independence and objectivity taking into account relevant professional and regulatory requirements and the extent of East Waste’s relationship with the auditor, including the provision of any non-audit services; ○ satisfying itself that there are not relationships (such as family, employment, investment, financial or business) between the external auditor and East Waste (other than the ordinary course of business); ○ monitoring the external auditor’s compliance with legislative requirements on the rotation of audit partners; ○ assessing the external auditor’s qualifications, expertise and resources and the effectiveness of the audit process. ▪ review and make recommendation on the annual audit plan, which is to define the dates and timing for the interim and full audit, and the bringing forward of any recommendation to the Committee and Board; ▪ review any representation letter requested by the external auditor before they were signed by management; and ▪ review the management letter and management’s response to the external auditors findings and recommendations. <p>Internal Controls and Risk Management The Committee shall review and make recommendations to the Board (where necessary) regarding:</p> <ul style="list-style-type: none"> ▪ the application, updating (where relevant) and continued compliance with East Waste’s Risk Management Framework; ▪ the effectiveness of East Waste’s internal controls; ▪ the approval, where appropriate, of statements to be included in the Annual Report concerning internal controls and risk management; and ▪ the process and probity of tenders and significant transactions exceeding \$100,000 or as directed by the Board. <p>Whistleblowing/Fraud and Corruption Monitoring The Committee shall review East Waste’s arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.</p>
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Terms of Reference – Eastern Waste Management Authority Audit and Risk Management Committee

	<p>Reporting Requirements</p> <p>The Committee shall make recommendations to the Board as it deems appropriate on any area within its terms of reference where in its view action or improvement is needed.</p> <p>The Committee shall after every meeting forward the minutes of that meeting to the next ordinary meeting of the Board.</p> <p>The Committee shall report annually to the Board summarising the activities of the Committee during the previous financial year.</p>
Membership	<p>Members of the Committee shall be appointed by the Board of East Waste. The Committee shall consist of five members, three of whom shall be Members of the Board (one of whom is the Chairperson) and two members who are not a member of the Board (independent members).</p> <p>One independent member of the Committee must have financial experience relevant to the functions of the Committee as determined by the Board.</p> <p>One independent member of the Committee must have experience in the field of legal practitioner and/or risk management and/or governance as determined by the Board.</p> <p>Expressions of Interest for the Independent Members shall be sought by the Board and be for a maximum term of two (2) years. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to the Board's Elected Members, hence their terms will expire in alternate years.</p> <p>Independent Members are eligible for reappointment at the expiration of their term of office at the sole discretion of the Board. An Independent Member may be reappointed for a maximum of three (3) terms. An Independent Member who has served three (3) terms is eligible to reapply two (2) years after the expiry of their three (3) terms.</p> <p>Only members of the Committee are entitled to vote in Committee meetings. Unless otherwise required by the Act not to vote, each member must vote on every matter that is before the Committee for decision. The Chairperson has a deliberative vote but does not, in the event of an equality of votes, have a casting vote.</p> <p>The General Manager and other East Waste employees as directed by the General Manager may attend any meeting as observers or be responsible for preparing papers for the Committee.</p> <p>East Waste's auditor may be invited to attend meetings of the Committee but must attend meetings considering the draft annual financial report and results of the external audit.</p> <p>Board Member appointments to the Committee shall be for a period of twelve months from the date of appointment, and are eligible for reappointment. Board Member nominations and appointments are to be made by the East Waste Board at their final meeting of each calendar year.</p>
Chairperson	<p>The Chairperson of the Committee shall be the Chairperson of the Board.</p>

Terms of Reference – Eastern Waste Management Authority Audit and Risk Management Committee

Conflict of Interest	Applies to all Committee members as per Local Government Act 1999 Part 4 Division 3.
Register of Interest	Division 2 of Part 4, Chapter 5 of the Local Government Act 1999 applies to the members of the Committee.
Frequency of Meetings	The Committee shall meet at least quarterly and precede Board meetings.
Notice of Meetings	<p>Ordinary meetings of the Committee will be held at times and places determined by the Committee. A special meetings of the Committee may be called in accordance with the Act.</p> <p>Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, the Board, and any observers, no later than 3 clear days before the date of the meeting. Supporting papers shall be sent to Committee members (and to other attendees as appropriate) and the Board at the same time.</p> <p>In accordance with Section 90(1) of the Act, the proceedings of Committee meetings shall be open to the public.</p>
Procedures at Meeting	<p>As per Local Government (Procedures of Meetings) Regulations 2000 Parts 3 and 4.</p> <p>All business put to the Committee will be brought forward to a meeting by motion, recommendation, staff report or other business.</p> <p>Only members of the Committee are entitled to vote in Committee meetings. Unless otherwise required by the Act not to vote, each member must vote on every matter that is before the Committee for a decision.</p> <p>The Chairperson of the meeting will have a deliberative vote only.</p> <p>The Chairperson shall ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance, are minuted and that the minutes otherwise comply with the requirements of the Local Government (Procedure at Meetings) Regulations 2000.</p> <p>Minutes of Committee meetings shall be circulated within 5 days after a meeting to all members of the Committee and will be forwarded to the subsequent ordinary meeting of the Board.</p>
Secretarial Resources	The General Manager, East Waste shall provide administrative resources to the Committee to enable it to adequately carry out its functions.
Quorum	The quorum necessary for the transaction of business shall be three members. A duly convened meetings of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
General	The Terms of Reference of the East Waste Audit and Risk Management Committee shall be reviewed at least once every three years, or where legislative changes dictate amendments.

7.7: APCO: TOWARDS 2025 DISCUSSION PAPER SUBMISSION

REPORT AUTHOR: General Manager

ATTACHMENTS: A: *Copy of Towards 2025 Discussion Paper Submission*

Purpose of the Report

To provide the Board with a copy of the submission to the Australian Packaging Covenant Organisation (APCO) Discussion Paper 'Towards 2025.'

Background

On 27 April 2018 Australia's Environment Ministers announced a historic target to make 100% of packaging in Australia reusable, recyclable or compostable by 2025 or earlier. The Australian Government has charged the Australian Packaging Covenant Organisation (APCO) to make the target a reality.

APCO is a co-regulatory, not for profit organisation partnering with government and industry to reduce the environmental impact of packaging in Australian communities. APCO currently has close to 1,000 members and acts as delivery arm for government in regard to packaging sustainability.

In order to achieve the target set APCO released the 'Towards 2025' Discussion Paper for feedback on developing a robust approach.

Report

East Waste took the opportunity to respond to the paper submitting a response on 3 September 2018. A copy of the submission is contained with Attachment A for Members interest (refer Attachment A).

RECOMMENDATION

That the Board note the submission to APCO as contained within Attachment A.



2 September 2018

Suzanne Ballard
Partnership Coordinator
Australian Packaging Covenant Organisation Ltd.
Level 4, 332 Kent St,
SYDNEY NSW 2000
Sent via email: sballard@packagingcovenant.org.au

Dear Ms Ballard,

RE: APCO – Towards 2025 Discussion Paper Submission

Thank you for the opportunity to allow East Waste to comment on the Australian Packaging Covenant Organisation (APCO) discussion paper, *Towards 2025*.

For context, East Waste is a regional subsidiary of seven Councils, being Adelaide Hills Council, City of Burnside, Campbelltown City Council, City of Mitcham, City of Norwood Payneham & St Peters, City of Prospect, and the Corporation of the Town of Walkerville. On behalf of these Member Councils, East Waste handles approximately 20% of Adelaide's kerbside municipal waste, organics, and recycling with a modern fleet and shared services model and completes over 10.5 million kerbside bin collections every year. East Waste has long been involved in the waste industry with our origins commencing 90 years ago in 1928.

This submission, is informed by Member Councils, however is not necessarily a reflection of the Member Councils respective views.

East Waste broadly is highly supportive of the 2025 targets which aims to see 100% of packaging in Australia reusable, recyclable or compostable by 2025 or earlier. While an important first step, East Waste would prefer to see the focus on ensuring that the packaging is **actually** reused, recycled and/or composted. This will require investment in activities and programs which work towards changing people's behaviours. We recognise this is the biggest challenge, but are keen to support and aid programs where this occurs. At the consumer level once a product has been purchased, the investment in the development of targets and changes is severely diminished, if it is not followed by an active change of behavior.

We would contend that with the current percentage levels of reusable, recyclable or compostable packaging unknown (or at the very least not reported), the scope of the problem and subsequent body of work required to be undertaken remains unclear. It does not provide guidance on where investment should be directed. As such we would strongly encourage as a first and critical step for APCO to undertake and produce information on the current levels of packaging which are reusable, recyclable or compostable. This work would enable Member Councils, other Councils across Australia and relevant Organisations (eg. NGO's) to consider tailoring existing waste education and collection services.

Furthermore, it is felt that a large percentage of packaging, particularly through supermarkets is already reuseable or recyclable, however it is not commonly understood on how to recycle and if it is understood, it is not easy to undertake. These barriers are important to understand and ultimately ensure that the largest percentage possible is **actually** being reused, recycled and/or composted. Mandatory labelling advising how the various elements can be recycled/reused or composted is essential to success. East Waste congratulates APCO for the Packaging Recycling Label Program, however this must become mandatory across all packaging sold in Australia and not just to APCO Members. East Waste would encourage APCO advocating to the Federal Government to make this mandatory as a priority.

With respect to the Proposed National Targets (Section 2.1), as detailed above, the most critical piece of work for each of the five targets is to understand where current levels are. In addition to the comments above the following is offered:

- Interim targets are needed to ensure a roadmap of success and allow APCO to report to Government and industry on progress. Again interim targets are only relevant if we fully understand where current day percentage levels are.
- *By 2025, phase-out problematic or unnecessary single use plastic packaging items through redesign, innovation or alternative (reuse) delivery models* – ‘Problematic’ and ‘unnecessary’ need to be clearly defined. Currently they present ambiguity and will be interpreted very different by various groups and players.
- *100% of Government Departments have implemented a procurement standard that includes the purchase of recycled content* – This ability of Government Departments to undertake this will vary widely and in order to be successful, standards need to include minimum standards and an understanding of what currently occurs.

In section 2.4 reference is made to Expanded Polystyrene as a problematic material which has an associated Working Group. Simply, the focus for this material must be on banning it’s use as quickly as possible. While recycling services exist, the carbon footprint and logistics involved outweigh any benefit the material provides and ready replaceable alternates exist.

Again, I reiterate that East Waste are supportive of the setting of targets and while positive, before closing we offer there is a simpler, more efficient, effective and ultimately quicker solution to the program detailed. If the Federal Government legislated a list of approved packaging materials (which obviously would be reuseable, recycled and/or compostable) that must be used in order to be sold in Australia, much of this work can be short-circuited. Where products don’t meet the requirements a Review Board and/or exemptions process could be established to assess the merits of use. Such legislative requirements could be expanded to address excessive packaging. Furthermore if established in a contemporary manner, it would allow materials to be easily added or removed, targets to be updated in order to stay at the forefront of changes and ensure we become and remain a world leader in this space. We would also advocate that such a program could easily be implemented in half the time of the 2025 timeframe announced by Australia’s Environment Ministers in April 2018.

East Waste has developed a very contemporary and powerful education program over the last three years titled “Why Waste It?” Rolled out across our Member Councils, the program includes a wide suite of materials which positively reinforce recycling messages. Coupled with social media activity and our “Which Bin?” website

(<http://www.whichbin.com.au>), which provides specific advice for residents on how to appropriately dispose of over 430 common household items within their local area. East Waste is continually seeking to improve and build on our education program and as such are keen to identify partnership opportunities and/or a symbiotic relationship in the education space with APCO.

We wish you success as you progress with this work and should you wish to discuss this directly with me I can be contacted on 0417 466 929.

Yours sincerely,



Rob Gregory
GENERAL MANAGER

7.8: Annual Plan Progress Report

REPORT AUTHOR: General Manager

ATTACHMENTS: A: Annual Plan Implementation Summary

Purpose of the Report

To provide the Board with an update on the implementation of the activities endorsed in the 2018/19 Annual Plan.

Background

Nil

Report

The attached matrix provides a snapshot update as to the progress of the Annual Plan activities.

This is a standing item on the Board Agenda.

Recommendation

That the report be received and noted.

Attachment A –Annual Plan Implementation Summary Matrix

Activity Code	Activity	10YR Business Plan Link	Metric	STATUS
G1	Collective Workplace Agreement	2.3.2	Commission Approved Enterprise Agreement by 30 August 2018	Commenced – Negotiations delayed due to Drivers changing representation to Transport Workers Union
G2	Implementation of a compliant Records Management System	2.3	<i>State Records Act 1997</i> Compliant Records Management System integrated into business activities	Not Started
G3	Review all Policies & Procedures	2.3	Up to date Polices & Procedures Register	Commenced – Summary table Developed
G4	Implementation of 2017 Risk, Payroll & Accounts Payable Actions	2.3.3	All actions addressed	Commenced refer Report 7.5
OM1	Continue & expand Existing Core Services	1.3, 2.4.1	Expansion of existing Service Provisions	Ongoing – Since 1 June 2018 have added, NPSP Second Bin Permits, AHC Second Bin Permits & AHC Business Collections – Stirling.
OM2	Develop Service Level Agreements for all Councils & Services	2.4.2	Implementation of 7 full Member Council Service Level Agreements	Commenced – Draft Template Document Underway
OM3	Establish Key Performance Indicators and Reporting Framework	2.4.3	Suite of KPIs and reporting framework established	Not started
OM4	China Sword: Local Government Response & Opportunities	2.4.5	Range of opportunities identified and updates provided to Board	Commenced. Work through GISA Education Program, Subsidiary Heads Working Group & WMAA
OM5	Alternate Fuels/Power Option	2.4.7.1.	Report identifying preferred options and costing	Commenced. Consultant engaged
OM6	Purchase of replacement RACVs	2.4.7	Purchase of replacement vehicles in accord with AMP	Not started. RFT to be released Feb 2019
OM7	Waste Disposal Opportunities	2.4.5	Business case presented to Board	Not started.
OM8	Review feasibility of Bin Sensor technology	2.4.6.4	Feasibility Report Undertaken	Commenced.

Activity Code	Activity	10YR Business Plan Link	Metric	STATUS
C2	Pilot Education Program focusing on greater utilisation of acquired technologies	2.5.2	Development and implementation of pilot Behaviour change program	Commenced. Preliminary discussion with GISA
C3	Present benefits of EW Customer Service Software	2.5.1	Presentation to key Member Council staff	Not started.
C4	Undertake a Customer Service Improvement Program	2.5.2	Implementation of formalised systems and processes to deliver consistent messaging	Commenced.
WS1	Independent Truck Fleet Audit	2.6.2	All trucks audited and identified issues corrected	Commenced – completion by Nov 18.
WS2	Refinement of Hazard & Risk Register	2.6	Revised and up to date Risk and Hazard Registers	Commenced.
WS3	Establishment of more detailed reporting and trends of Incidents	2.6.1	Suite of KPIs and reporting framework established	Not started. – to be completed in conjunction with Service Level Reviews
FM1	Establishment of Budget Framework	2.7.1	Endorsed Budget Framework ready for F20	Commenced – Refer Report 7.4
FM2	Review of 10Yr Business Plan	10 Y BP	Endorsed 10 Year Plan	Commenced.
FM3	Procurement of Kitchen Caddies & Biobags	2.4.1	Compliant contract established	Not started



**Government
of South Australia**

**Office of the Minister for
Environment and Water**

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Adelaide SA 5001

Tel 08 8463 5680
minister.speirs@sa.gov.au

18EW0001076



Mr Brian Cunningham
Chairman
East Waste
PO Box 26
MANSFIELD PARK SA 5012

Dear Mr Cunningham

Thank you for your letter dated 30 May 2018 regarding the government's support package in response to China's national sword policy.

As demonstrated by our swift response, the government acknowledges that China's new import restrictions have had considerable impacts across the resource recovery sector, as well as to markets for recyclable materials.

As you acknowledge, our response measures are focussed on helping the waste management industry establish new and upgraded infrastructure that will assist it to respond to China's new standards, as well as enter new markets both locally and overseas. The additional cost to transport recyclable materials from regional areas has also been acknowledged, with funding allocated to subsidise the transport of recyclable material to processing facilities.

Under these measures, Local Government is able to apply for funding assistance through the grant and loan programs to establish new and upgraded infrastructure that will improve processing at materials recovery facilities (MRF) and result in higher quality recovered material for reuse or sale to the market. Funding is available to both local government subsidiaries such as East Waste, as well as individual councils.


While I acknowledge your comments with respect to rising costs to councils, the impacts to councils from China's national sword policy will depend on individual contractual arrangements and the commercial decisions made in relation to commodity prices. As I have made clear in my public statements on this matter, commercial decisions are made in relation to waste management contracts with any impacts from market fluctuations the responsibility of those who made them. I understand the Local Government Association of SA is working with an external consultant and law firm to develop a model waste management contract to assist its members in this regard.

With respect to the solid waste levy, it provides financial incentives to minimise waste and promote resource recovery, ensuring as much material as possible is recycled and reused instead of being sent to landfill. Local government (and industry) has been aware of the increase to the solid waste levy in 2018-19 for several years and will have built it into budgets.

Finally, I commend East Waste for developing the '*Why waste it?*' education program and associated '*Which bin?*' campaign materials. It is more important than ever to ensure material is placed in the correct bin. I am advised that Green Industries SA (GISA), which is implementing the government's China national sword support measures has been in communication with East Waste in relation to the education campaign.

Thank you for taking the time to write to me and I trust this information is of assistance.

Yours sincerely

A handwritten signature in black ink, consisting of a large loop at the top left, followed by several smaller loops and a long horizontal stroke extending to the right.

DAVID SPEIRS MP

Minister for Environment and Water

Date: 17 | 08 | 2018.