

CONFIDENTIAL

9.34 am Cover Report – Southern Region Waste Resource Authority (SRWRA) Materials Recovery Facility (MRF) Report Reference: FAC191210F01

Moved Councillor Gard, Seconded Ms Johnston

That pursuant to Section 90(2) 3(d) (i) and (ii) of the *Local Government Act 1999*, the Committee orders that all persons present, with the exception of the following persons: Adrian Skull, Tony Lines, Ilia Houridis, Sorana Dinmore, Kate McKenzie, Ray Barnwell, Mark Booth (SRWRA Chair) and Chris Adams (SRWRA CEO) be excluded from the meeting as the Committee receives and considers information relating to SRWRA Materials Recovery Facility (MRF), upon the basis that the Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to commercial information, the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party and would on balance be contrary to the public interest.

Carried Unanimously

9.35 am the meeting went into confidence

Mr Chris Adams and Mr Mark Booth from Southern Region Waste Authority entered the meeting.

Mr Adams provided a presentation on the proposed MRF and a copy of the presentation is attached the minutes as **Appendix 1**.

The Committee noted the presentation and sought clarity on the proposed Materials Resource Facility (MRF):

- Funding

The MRF will be proposed to be funded via [REDACTED] of borrowings ([REDACTED]). Discussions have occurred with state government who are proposing [REDACTED] however, this is yet to be confirmed. The Federal Government have indicated that they may contribute up to [REDACTED].

SRWRA has maintained a conservative approach and with no grant funding included as part of the draft budget considerations.

SRWRA is in a strong financial position with adequate contingencies to manage financial liabilities associated with the land fill operations and any remediation obligations.

- Revenue

The market is shifting regarding fees and charges. The MRF is considered to have a 21 year payback. The MRF will look at providing long term solutions however the rise and fall of the market may still impact. The gate fees are currently set at [REDACTED] with the industry charging [REDACTED] to [REDACTED] (and potentially more). SRWRA believe that they can continue to offer gate fees that are below market level and they are not intending to have a commercial rate, however they need to be conscious of National Completion Policy issues.

- Risks

The key risks to the project were outlined as financial, regulatory, project management, constructions and MRF operations. Each of these have been considered and will be managed by SRWRA's CEO in conjunction with the board.

The Committee noted the significant land holdings of SRWRA and the value of these to SRWRA. These land holdings provide a buffer zone to the landfill however, they can also be rezoned to fund liabilities (if required). The value of the assets is currently listed as purchase price not asset potential if rezoned.

- Other Considerations

Other Councils have expressed that they would be interested in contributing (Mitcham and the Fleurieu Peninsula). The location of the site is well positioned to service the south.

The operations of the MRF are being actively considered by the Board as it could be outsourced or operate internally.

A Section 48 Prudential Report has been prepared by UHY Haines Norton. The Prudential Report considers the cost of the MRF at [REDACTED]. A [REDACTED] has been included as part of the Long Term Financial Plan. The Prudential Report also notes that SRWAR has significant cash reserves and they may not have to borrow, however the funding models provides for up to [REDACTED] of borrowings if required.

SRWRA is also considering other joint ventures that complimentary the existing operations. These include items such as an Eco park, water and power.

It was noted that an Elected Member and the CEO are both members of the SRWRA board. They are voting delegates and Marion has a [REDACTED] share of the business.

- Next Steps

All Councils are being requested to make a decision at their respective Council Meetings tonight.

The project timelines are aiming for the MRF to be ready for operations by April 2020.

The Committee noted the Section 48 Prudential Report and a number of the appendices hadn't been included. The Committee requested that these documents be available at the Council meeting tonight in case the Council seeks clarity.

The Committee also commented that there was nothing about other options within the report. It would have been useful to look further at some of the risk and if something went wrong (i.e SRWRA bankrupt due to the investment of the MFR).

Moved Mr Papa, Seconded Councillor Gard

That the Finance and Audit Committee:

1. Notes the report
2. Ensure that all documentation (including the SRWRA Long Term Financial Plan) is available at the General Council meeting of 10 December 2019
3. In accordance with Section 91(7) and (9) of the Local Government Act 1999, orders that this report and attachments, having been considered in confidence under Section 90 (2) and (3)(d) (i) and (ii) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2020.

Carried Unanimously