Treasurer's Report 2017 – 2018

MERRI CREEK MANAGEMENT COMMITTEE

1. MEETINGS OF THE FINANCE SUB-COMMITTEE

During 2017-18 the Merri Creek Management Committee's (MCMC) Finance Sub-Committee met quarterly to consider financial reports including the balance sheet, income and expenditure statements, the list of cheques & electronic payments, receivables & payables reports, cash flow projections and budget projections.

We monitored the Vested Benefit Index for the Vision Super Defined Benefit Plan and MCMC's success in grant applications and contract bids, and reviewed MCMC's annual insurance cover..

We reviewed financial controls and where needed, updated MCMC's Finance Procedure.

Minutes of the Finance S.C. meetings and the updated forecast budget statements were provided to quarterly meetings of the Committee of Management.

PAYG tax and GST were collected and accounted for through our MYOB accounting software, and reconciled prior to payment to the Tax Office.

2. INCOME

MCMC's total income for the year of $1,373,984 was slightly higher than in 2016-17; $77,000 more after CPI adjustment. This represents a modest 6% increase in income.

It was pleasing to see donations to the Merri Creek Environment Fund (MCEF) of $16,134. Donations were made through the MCEF Annual Appeal and through work-place giving via Good2Give. My thanks to the hard-working volunteer members of the MCEF sub-committee and to MCMC support staff.

Recurrent funding from member municipalities through Service Agreements & MOUs provided the biggest single proportion of MCMC's income at 48%, very similar to last year.

Grants from Melbourne Water, state government programs and philanthropic sources provided 17% of our income, again very similar to last year. The grants category includes $70,000 worth of grants received by community groups, mostly Friends of Merri Creek. These projects were delivered by MCMC, together with volunteer input. MCMC provided significant professional assistance to the groups in preparing the grant applications.

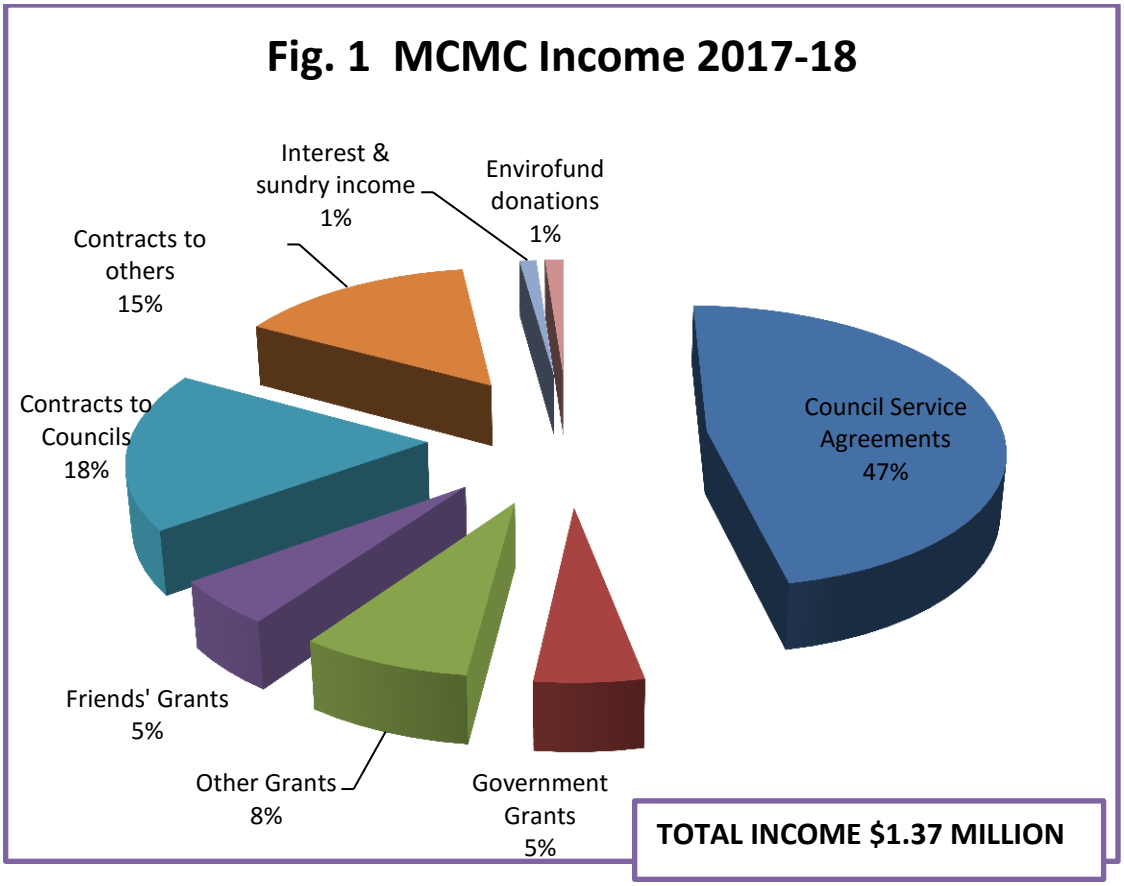
During the year 7 grant applications were submitted; 4 of these were successful.

Contracts provided a slightly higher percentage of income compared to last year (33% vs 28%).

By value 55% of the contract income was from contracts with member Councils (similar to last year); most were for ecological restoration. Non-Council clients provided 45% of MCMC's contract work (last year - 43%) and included ecological restoration projects for VicRoads, MetroTrains, APA Group and a private land holder on Merri Creek, and a specialised Merri rare plants contract for Melbourne Water. Delivery of Waterwatch training was provided under contract to Melbourne Polytechnic and Moonee Valley Council, and small fee-for-service events were provided for local library Holiday Programs.

Twenty contract bids were made with 16 being successful. Overall, 34% of MCMC's income came from non-Council sources, the same as last year. This represents a commendable effort by MCMC staff in sourcing additional funding and extending MCMC's range of delivery and activities, especially given the limited size and opportunities for grants funding.

Fig. 1 MCMC Income 2017-18



3. COST CENTRE INCOME – GRANTS & PARTNERSHIP CONTRIBUTION

Ecological Restoration Program

A third of the Ecological Restoration Program's income came through ongoing funding agreements with four of our member Councils: Darebin, Hume, Moreland and Yarra. MCMC leveraged significant additional funds from grants that brought ecological benefits and provided community involvement in ecological restoration. In total, for each $1.00 received through member-Councils' recurrent funding ($302,865) MCMC's Ecological Restoration Program raised an additional $0.48 from grants (a total of $144,893). This includes grants received by Friends of Merri Creek and the Collingwood Children's Farm for projects which were designed and developed by MCMC.

Half the Program's income came from commercial contracts with a range of organisations. These included two Councils (Moreland and Darebin), external agencies such as VicRoads and MetroTrains, private corporations (APA Group) and private landholders. Of the contract oncome, a little over half was from Councils.

The total income for the year of $895,572 was 15% higher than the previous year (CPI adjusted).

Catchment Program

Just over half of the Catchment Program's income came through ongoing funding agreements with four of our member Councils: Darebin, Moreland, Whittlesea and Yarra. MCMC leveraged significant additional grants and external partnership funding to provide citizen science and community education/engagement opportunities. In total, for each $1.00 contributed by member-Councils ($107,110) MCMC's Catchment Program raised an additional $0.79 from grants and external partnership agreements (a total of $74,780).

Only 1% of the year's income was from contracts. These were for delivery of Waterwatch training to education providers and a non-member Council (Moonee Valley).

The total income for the year of $194,217 was 8% higher than the previous year (CPI adjusted).

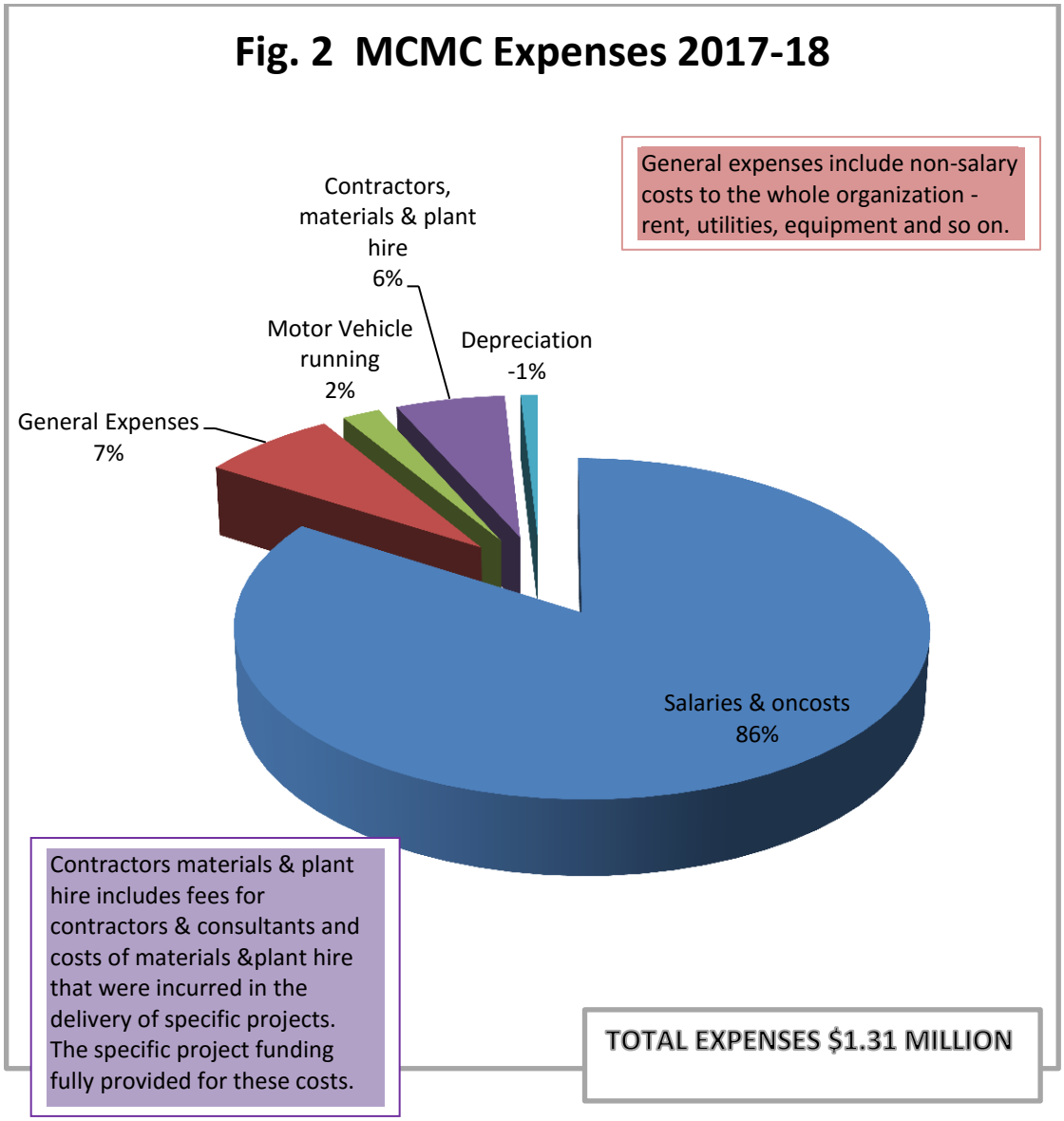
4. EXPENSES

MCMC's total expenditure for the year was $1,314,035. This was $68,000 more than last year and in line with the increase in income and in delivery.

Figure 2 (below) shows the breakdown of our major areas of expenditure.

As in previous years, by far the largest expense area was salaries and salary on-costs (including leave provisions). These represented 86% of MCMC's total expenses (last year 85%). Salary and leave provisions were consistent with MCMC's Enterprise Bargaining Agreement which limited the 2018 salary increase to 1.5% p.a.

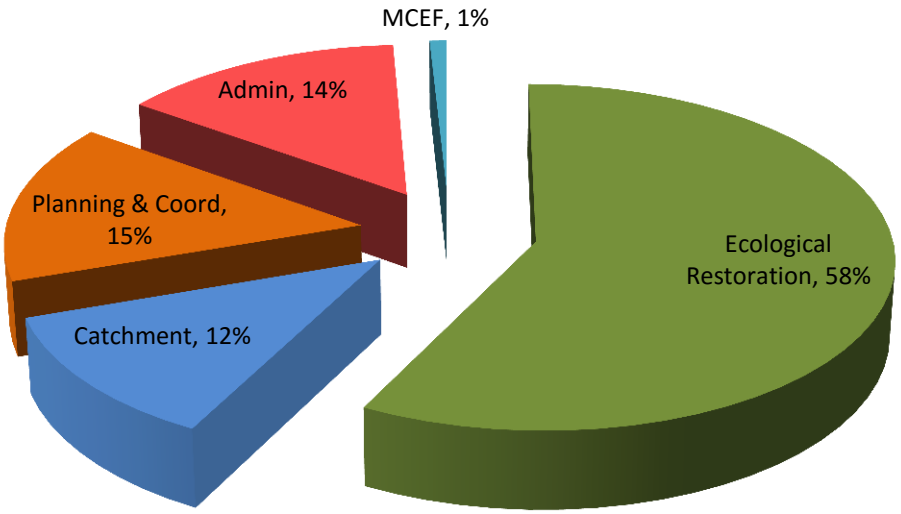
Fig. 2 MCMC Expenses 2017-18



5. COST CENTRE EXPENDITURE

Figure 3 illustrates relative expenditure across each of MCMC's cost centres. As in previous years, the Ecological Restoration Program generated the largest proportion of MCMC's expenditure. At 58% of the total this was slightly higher than in 2016-17 (54%) and reflects the increased level of income and associated project delivery

Fig 3. MCMC Cost Centre Expenses 2017-18



MCMC Admin & General Overheads include:
Salary & on costs - Admin Officer & Finance Officer;
Rent, utilities, equipment etc

TOTAL EXPENSES $1.31 MILLION

6. SURPLUS/DEFICIT

MCMC ended the year with a healthy surplus of $59,949 (4% of income), a little over last year's surplus of $47,865. Of this surplus, $4,800 is a surplus in the Merri Creek Environment Fund (the difference between donations received and project funds dispersed), and $14,539 represents interest earned plus income from sales of publications. Two thirds of the surplus, $40,600, is an operating surplus. 30% of this is due to reversals in leave provisions, due to staff resignations and taking of Long Service Leave. This surplus is a welcome result and has helped rebuild our reserves to a healthy level (see Balance Sheet below). Congratulations are due to MCMC staff for effective budgeting and cost management.

7. BALANCE SHEET

The details of the balance sheet are shown in the Auditor's Report.

In summary, at 30th September 2018, MCMC's Retained Funds/Net Assets stood at $210,225, a significant improvement on the $150,276 for the year before (the difference represents this year's surplus of $59,949). Accumulated public donations of $68,068 made to the Merri Creek Environment Fund make up a third of the Retained Funds.

Earlier this decade, the greatest risk to MCMC's financial stability was the possibility of a liability call for Vision Super's Defined Benefits Fund. Fortunately there have been no calls in the last six years; the Defined Benefits Fund remains healthy and is being managed to minimise risk.

Another previously identified risk was the lack of a provision for personal leave (carer's & sick leave) on the balance sheet. Some long-serving MCMC staff had accrued large amounts of personal leave and should they need to use these entitlements, we would have to draw on our Retained Funds to pay their salaries. In order to manage this, a specific provision has been made since 2015. I'm pleased to report that in 2017-18 we were able to increase the provision to 50% of the calculated potential liability. The previous year the provision was 25%.

There were no unforeseeable calls on entitlements, such as parental leave, and this assisted in achieving the surplus.

And lastly

I would like to thank MCMC staff, in particular Ruth Rankin, MCMC's Finance Officer, and Luisa Macmillan, MCMC manager, for efficient and invaluable support. I would also like to express my special thanks to Judy Schrever, a qualified accountant, who has been a member of the Finance Sub-committee since 2001. For the last eighteen years Judy has undertaken this role on an honorary basis and has provided much appreciated expertise in accounting and financial acumen to MCMC

Ann Sanson, Honorary Treasurer, February 2019