

Treasurer's Report 2021 – 2022



1. MEETINGS OF THE FINANCE SUB-COMMITTEE

During the 2021-22 financial year, the Merri Creek Management Committee's (MCMC) Finance Sub-committee met quarterly to consider financial reports including a list of cheques & electronic payments, receivables & payables reports, cash flow projections, balance sheet, income and expenditure statements, and the updated forecast budget for the year. Minutes of the Finance Sub-committee meetings and the updated budget were provided to quarterly meetings of the Committee of Management along with the Treasurer's Report.

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

Each quarter we monitored the Vested Benefit Index for the Vision Super Defined Benefit Plan and reviewed a list and the outcomes of MCMC's grant applications and contract bids.

We also updated MCMC's Finance Procedure to reflect current operating procedures, a number of which had changed with the move to remote working, and reflected on the need for succession planning.

2. INCOME

MCMC's total income for the year was \$2,117,105, close to \$550,000 more than in 2021-22 (not adjusted for CPI). The key sources for this increase were:

- a large state grant for a Merri signage project (\$124,000 in 2021/22);
- a close to doubling in value of member-Council contracts (\$213,500 more than previous year); and
- a 50% increase in other contracts (\$127,160 more than previous year).

It was pleasing to see donations to the Merri Creek Environment Fund (MCEF) of \$36,914, just slightly little less than last year (\$39,614). My thanks to the hard-working volunteer members of the MCEF Sub-committee, David Redfearn, Glennys Romanes and Jo Connellan, and to MCMC support staff. (I am also a member of this Sub-committee.)

Recurrent funding from member municipalities through Service Agreements & MOUs provided the biggest single proportion of MCMC's income at 36% of the total. This is a decrease on last year's 42% - this doesn't reflect a \$ decrease but rather is a consequence of income from contracts being greater than in 2020/21.

Grants from Melbourne Water, state government programs and philanthropic sources provided 14% of our income, identical to last year.

This grants category included \$46,572 in grants received by community groups, mostly Friends of Merri Creek, less than half the amount received by these groups last year. These grant-funded projects were delivered by MCMC, with the community groups providing hands-on volunteer input. MCMC provided significant professional assistance to the groups in preparing the grant applications. The lesser amount this year reflects fewer opportunities for applications rather than a lack of success.

Contracts provided a higher percentage of income than last year (46% vs 37%). By value almost half of this income (46%) was from contracts with member Councils, an increase on last year's 38%. Most of these contracts were for Council ecological restoration works; a modest amount was for delivery of community litter clean-ups support.

Non-council clients provided 54% of MCMC's contract work. Most of this was for ecological restoration works.

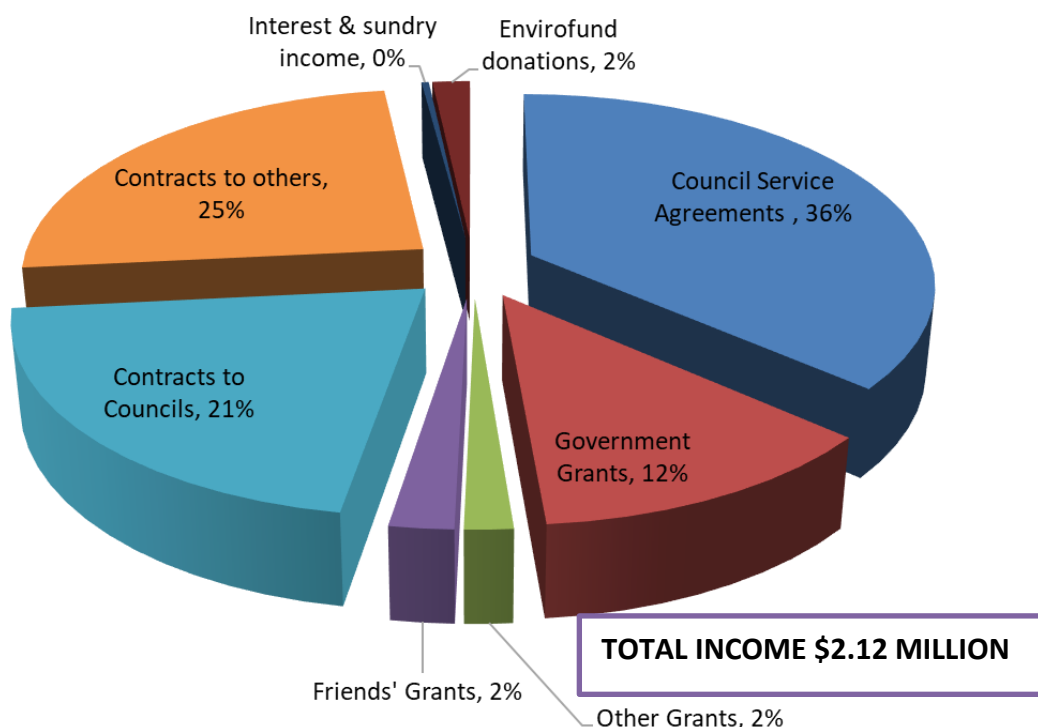
Major non-Council clients were MetroTrains (for a range of biosites), VicRoads (biosite), APA Group (biodiversity areas in Wollert) and a private land holder on Merri Creek.

Support for a local Waterwatch group was provided under contract to Moonee Valley Council and a number of other small fee-for-service Waterwatch and education sessions were provided for other clients such as schools.

Sundry Income and Donations made up a similar proportion of income to last year.

Overall, 57% of MCMC's income came from its Council members, very similar to last year.

Fig. 1 MCMC Income 2021-2022



3. COST CENTRE INCOME – GRANTS & PARTNERSHIP CONTRIBUTION

Ecological Restoration Program

Twenty-four percent of the Ecological Restoration Program’s income came from ongoing funding agreements with four of our member Councils: Darebin, Hume, Moreland and Yarra (exclusive of contracts). 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 (total \$338,720), MCMC’s Ecological Restoration Program raised an additional \$0.43 from grants (a total of \$145,486). This includes grants received by Friends of Merri Creek and its sub-groups, for projects which were designed by MCMC in consultation with the groups, and in which MCMC had a significant delivery role. This is similar to last year (\$0.50 for each \$1.00).

Catchment Program

Sixty-five percentage of the Catchment Program’s income came from ongoing funding agreements with four of our member Councils: Darebin, Moreland, Whittlesea and Yarra. MCMC leveraged additional funding from grants (from a range of organisations including two member councils) and from partnership funding from Melbourne Water for the Waterwatch program.

In total, for each \$1.00 received through member-Councils’ recurrent funding (total \$146,850), MCMC’s Catchment Program raised an additional \$0.40 from grants and external partnership agreements (a total of \$58,057), expanding our ability to offer diverse activities and enriching events for local communities.

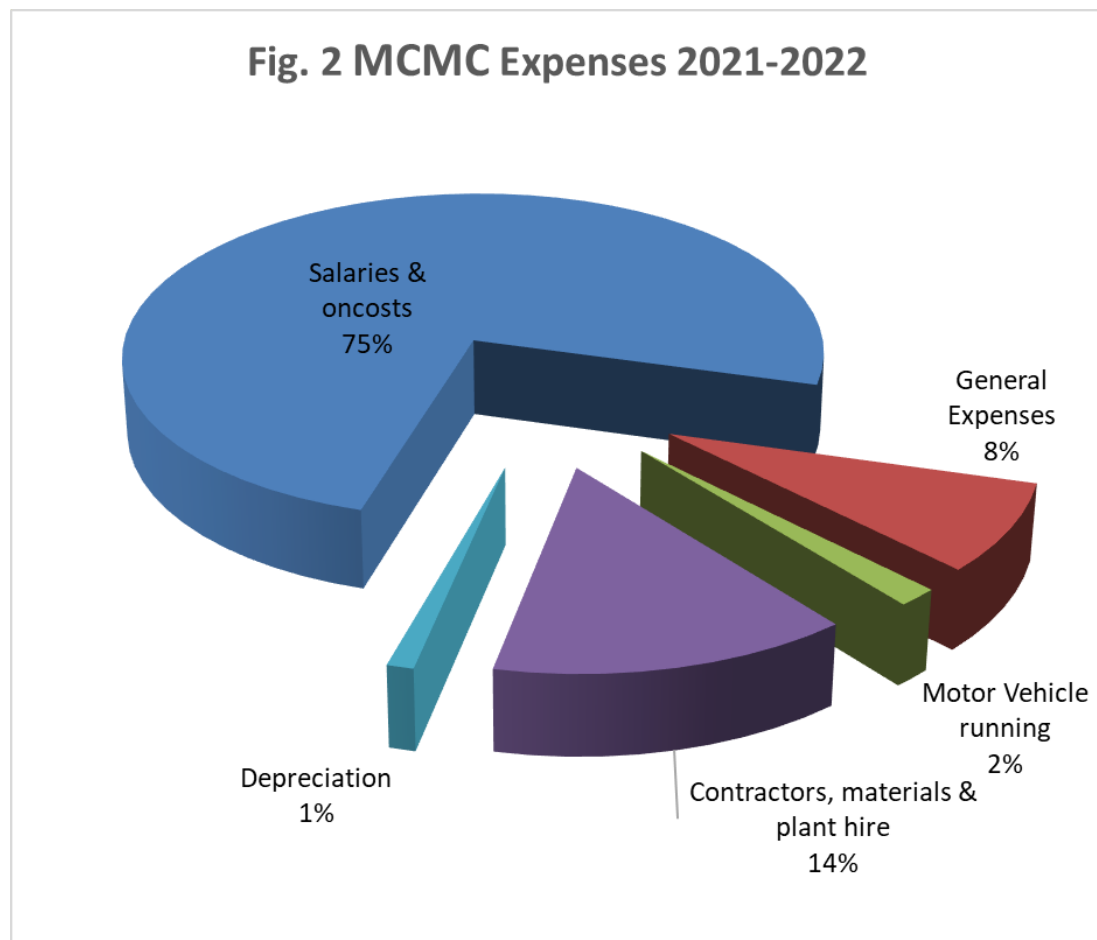
4. EXPENSES

MCMC's total expenditure for the year was \$1,951,466. This was \$350,000 higher than last year's expenditure and reflects the increase in funding for specific projects, both grant-funded and contract work.

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 75% of MCMC's total expenses (cf. 82% the previous year). The lower percentage this year is primarily due to one large grant project – the marram baba Parklands signage project – that was managed by consultants. Expenditure on contractor and consultant fees, project materials etc was thus higher than last year (14% vs 9%).

General expenses include those shared across MCMC (rent, utilities and so on) and expenses within cost centres for shared general equipment not allocated to specific projects. This made up a similar proportion of expenses to last year (7%).



5. COST CENTRE EXPENDITURE

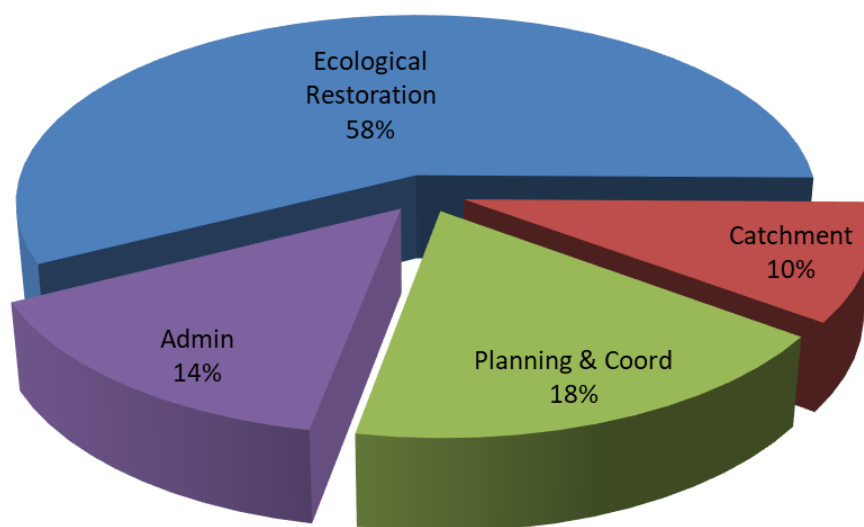
Figure 3 illustrates the relative expenditure for each of MCMC's cost centres. As in previous years, the Ecological Restoration Program generated the largest proportion of MCMC's expenditure. This directly reflects the proportion of project income earned

through delivery of projects by the Ecological Restoration Program. In general expenditure closely matched income in each program area though as noted below the Ecological Restoration Program generated a surplus sizeable surplus (\$60,000).

The relative percentages across the cost centres are very similar to the previous year.

The Admin category consists of general overheads shared across the organisation and includes: salary & on costs for the Admin Officer, Finance Officer and IT manager; and rent, utilities, equipment, insurances, audit fees, IT support, web-hosting etc.

Fig. 3 MCMC Cost Centre Expenses 2021-2022



6. SURPLUS/DEFICIT

MCMC ended the year with a surplus of \$103,229.

This was made up of:

- \$9934 - Merri Creek Environment Fund; the difference between donations received and project funds dispersed in the financial year. This surplus is likely to be dispersed for 2023 projects
- \$1604 - interest received
- \$3178 – surplus from sales of Merri Christmas cards, the *Creek Life* book and Merri tea-towels, much of this undertaken by volunteers from our Fund-raising Working Group.
- \$88,513 – operational surplus (4.3% of operational income). This surplus came about largely as a result of conservative budgeting to keep aside a reasonable contingency to cover staff absences during the continuing Covid-19 pandemic. The possibility of needing to use the contingency remained until late in the year. Increased efficiencies of scale in the management of the Ecological Restoration Program, as a result of the increase in contract work during the year, also contributed to the surplus.

As a result of this surplus we have the opportunity to expend some of our reserves in accordance with MCMC's Retained Funds Policy. This advice will be provided to the Committee of Management.

Congratulations are due to MCMC staff for effective budgeting and cost management during the year and for the very effective pursuit of additional project funding.

7. BALANCE SHEET

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

In summary, at 30th September 2022 MCMC’s Retained Funds/Net Assets stood at \$631,407. This is an increase of \$103,229 from the year before, which represents the surplus achieved in 2021/22. Accumulated public donations of \$110,429 to the Merri Creek Environment Fund make up 17.5% of the Retained Funds. The disbursement of these donations is made for specific MCMC projects is made on advice from MCMC staff by the Merri Creek Environment Fund Sub-committee which administers the Fund in accordance with the requirements of its Deductible Gift Recipient (DGR) status.

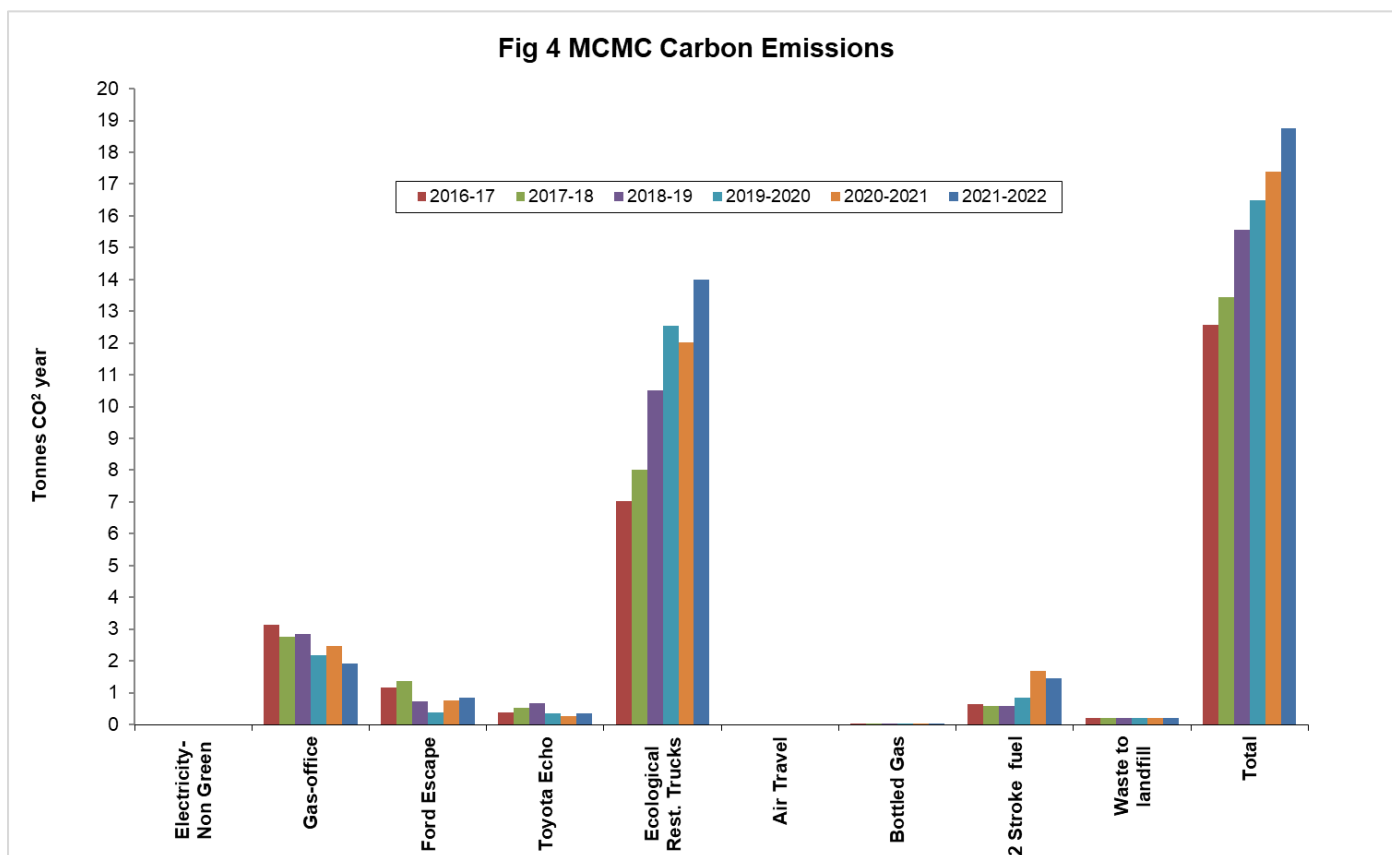
Eleven years ago, the greatest risk to MCMC’s financial stability was identified as the possibility of a liability call for Vision Super’s Defined Benefits Fund. Since then the risk has diminished. There have been no calls in the last ten years; the Defined Benefits Fund remains healthy and the most recent Triennial Actuarial Report concluded that the Fund is being managed well to minimise risk. In addition, our accumulated Retained Funds provide a buffer for any future calls.

Another risk identified a number of years ago was the lack of a provision for personal leave (carer’s & sick leave) on the balance sheet. At the time, some long-serving MCMC staff had accrued large amounts of personal leave and had they needed to use these entitlements, we would have had to draw on our Retained Funds to pay their salaries. In order to manage this, a specific provision has been made since 2015. As in previous years, we maintained the provision at 50% of the calculated potential liability in 2021-22.

8. CARBON EMISSIONS

Fig 4 (over) shows MCMC’s carbon emissions from 2011-12 to 2021-22. The single largest category of emissions is from the Ecological Restoration Program’s trucks and emissions were higher than any previous year. The vehicles are essential for our on-ground ecological restoration and ecological survey work, with the size and use of our fleet expanding as project work increases. We had five trucks in 2021-22 compared to four the previous year to cater for the additional demand for our services. I look forward to the purchase of affordable lower-emission alternatives as these come on to the market and vehicles are due for replacement.

Pleasingly, the office gas use decreased. This was a result of staff using electric heaters for individual rooms, rather ducted gas heating, when office occupancy was low. MCMC generates around a third of its electricity usage from its own PV solar panels and purchases carbon-neutral grid power.



Lastly I would like to express my thanks to Damien Harrison who was MCMC's Treasurer for the 2021-22 financial year. It is good to know that MCMC's strong financial position is continuing and that the future is positive for our operations.

Ann Sanson | Treasurer

February 2022