

# Treasurer's Report 2019 – 2020



---

## 1. MEETINGS OF THE FINANCE SUB-COMMITTEE

During 2019-20 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, ensured compliance with the ATO's single-touch payroll requirements and worked on developing a Reserves - Retained Earnings Policy for MCMC. MCMC made the momentous and complex change from MYOB accounting software to BillQuick

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/BillQuick accounting software, and reconciled prior to payment to the Tax Office.

## 2. INCOME

MCMC's total income for the year of \$1,706,028 was 19% higher than in 2018-19.

It was pleasing to see donations to the Merri Creek Environment Fund (MCEF) of \$28,224, an increase of \$8000 over the previous year. 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 44% of the total, similar to last year.

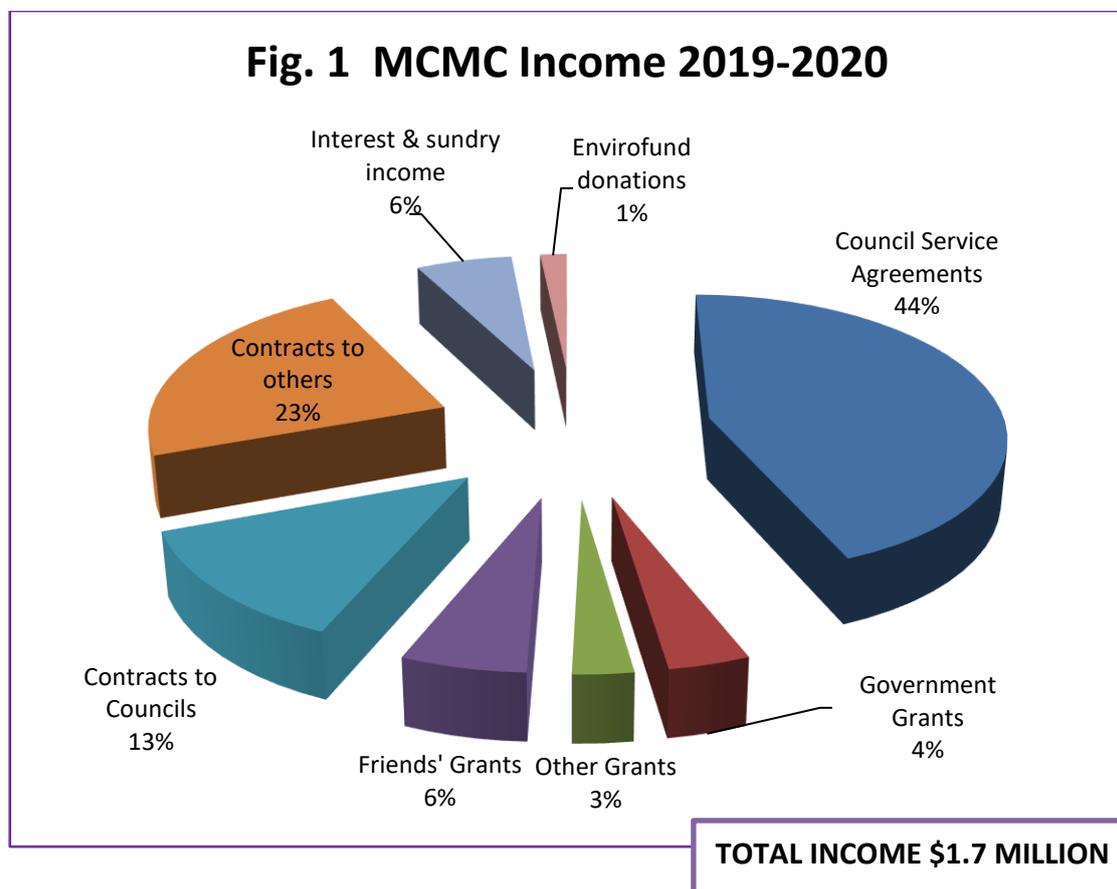
Grants from Melbourne Water, state government programs and philanthropic sources provided 13% of our income, \$40,000 less than last year. This reflects the fact that a number of projects funded by grants were partially held over until 2020-21 because delivery was hampered by Covid-19 restrictions. The grants category includes \$111,376 in 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.

Contracts provided a higher percentage of income compared to last year (36% vs 32%). In CPI adjusted terms this was an increase of \$165,293. The biggest increase was in contracts to non-Council clients.

By value, 36% of the contract income was from contracts with member Councils (last year 47%); most of these contracts were for ecological restoration works. Non-Council clients provided 64% of MCMC's contract work (last year 53%) and included ecological restoration works for MetroTrains, VicRoads, APA Group and private land holders on Merri Creek. 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 libraries.

Sundry Income is significantly higher than last year. It includes \$87,500 of Covid-19 cash flow stimulus funding for not-for-profits from the federal government.

Overall, 43% of MCMC's income came from non-Council sources, significantly more than last year's 34%. Aside from the Covid stimulus funding, this represents a commendable effort by MCMC staff in sourcing additional funding and extending MCMC's range of projects and activities during the year



### 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 (total \$319,128), MCMC's Ecological Restoration Program raised an additional \$0.55 from grants (a total of \$175,224).** This includes grants received by Friends of Merri Creek and the Collingwood Children's Farm for projects which were designed by MCMC, in consultation with the partner group, and which MCMC had a significant role in delivering.

#### Catchment Program

A little 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 (total \$112,452) MCMC's Catchment Program raised an additional \$0.55 from grants and external partnership agreements (a total of \$91,086).** This includes grants received by the Friends of Merri Creek (FoMC) which were designed by MCMC, in partnership with FoMC, and which MCMC was contracted to deliver. It also includes a partnership agreement with Melbourne Water for Waterwatch.

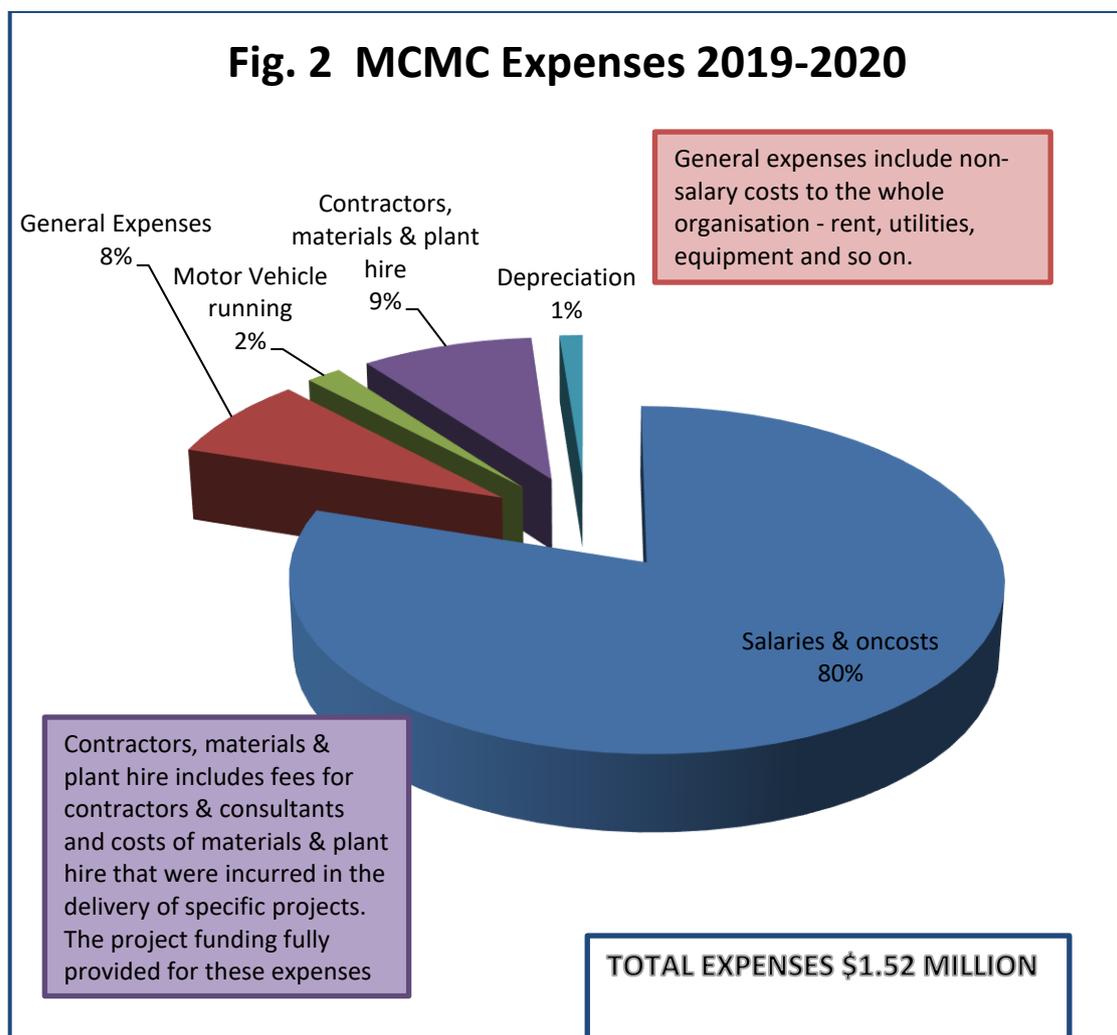
#### 4. EXPENSES

MCMC's total expenditure for the year was \$1,516,385, an 11% increase (\$153,000) on last year's expenditure (CPI adjusted). This increased expenditure is in line with the increase in income for specific projects, largely contract work.

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

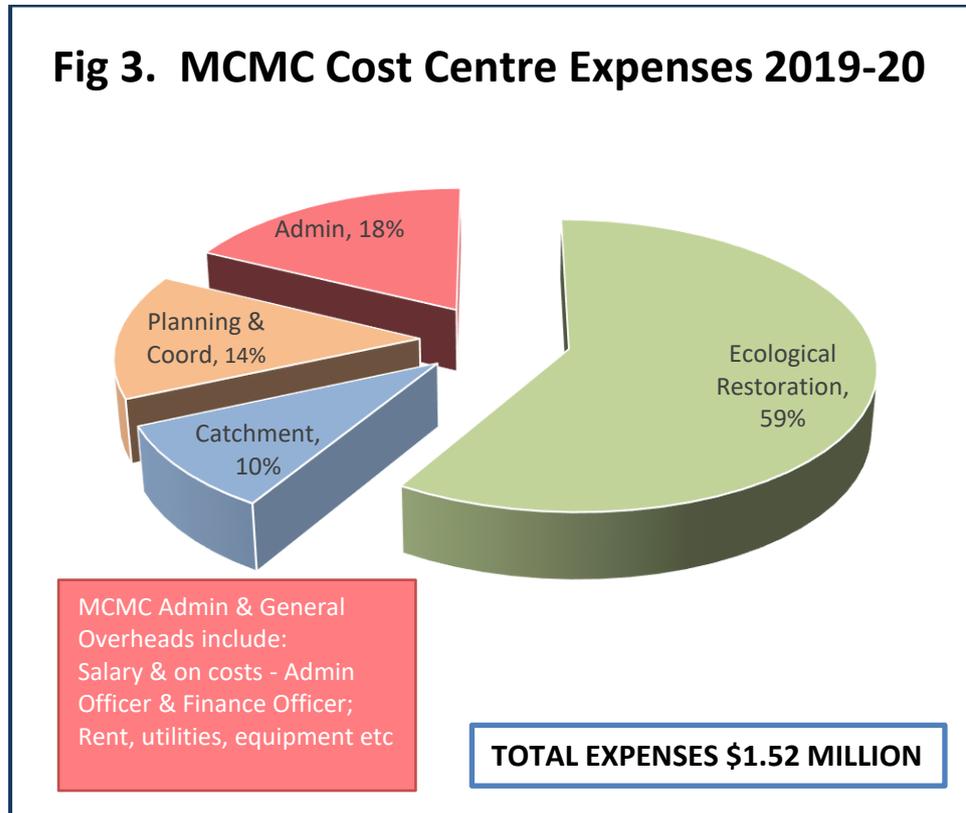
As in previous years, by far the largest expense area was salaries and salary on-costs (including leave provisions). These represented 80% of MCMC's total expenses (cf. 86% the previous year). Salary and leave provisions were consistent with MCMC's Enterprise Bargaining Agreement. The 2019-20 salary increase awarded to staff was a modest 2.0%.

Expenditure on contractor and consultant fees etc was higher than last year (9% vs 6%) and reflects the needs of specific projects.



## 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, reflecting the proportion of income for projects delivered by this Program. The relative percentages were very similar to the previous year.



## 6. SURPLUS/DEFICIT

MCMC ended the year with a surplus of \$189,643, considerably greater than last year's surplus of \$66,216. By far the greatest reason for the surplus was the federal government's Covid-19 cashflow stimulus for not-for-profits. MCMC received \$87,500 from this. Because we were able to continue most of our operations and project delivery despite the Covid-19 pandemic, we did not need to spend this stimulus funding.

A small surplus of \$2,832 was achieved in the Merri Creek Environment Fund (the difference between donations received and project funds dispersed), and a further \$14,000 of the surplus is made up of interest earned and income from sales of publications.

The biggest operating surplus was in the Ecological Restoration Program. This was due to well-paying contracts with non-Council clients where costs were less than income. This surplus is a welcome result and has extended our reserves to such an extent that we are now in a position to consider allocation of some of these reserves for special projects (see Balance Sheet below). Congratulations are due to MCMC staff for effective budgeting and cost management during a very challenging year.

## 7. BALANCE SHEET

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

In summary, at 30<sup>th</sup> September 2020 MCMC's Retained Funds/Net Assets stood at \$466,084, a significant increase on the \$276,441 of the year before (the difference represents this year's surplus of \$189,643). Accumulated public donations of \$77,173 made to the Merri Creek Environment Fund make up 17% of the Retained Funds. The disbursement of these funds for specific projects is determined by the Merri Creek Environment Fund sub-committee, in accordance with the objectives of the Fund.

Last 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 eight years; the Defined Benefits Fund remains healthy and the recent Triennial Actuarial Report concluded that the Fund is being managed well to minimise risk.

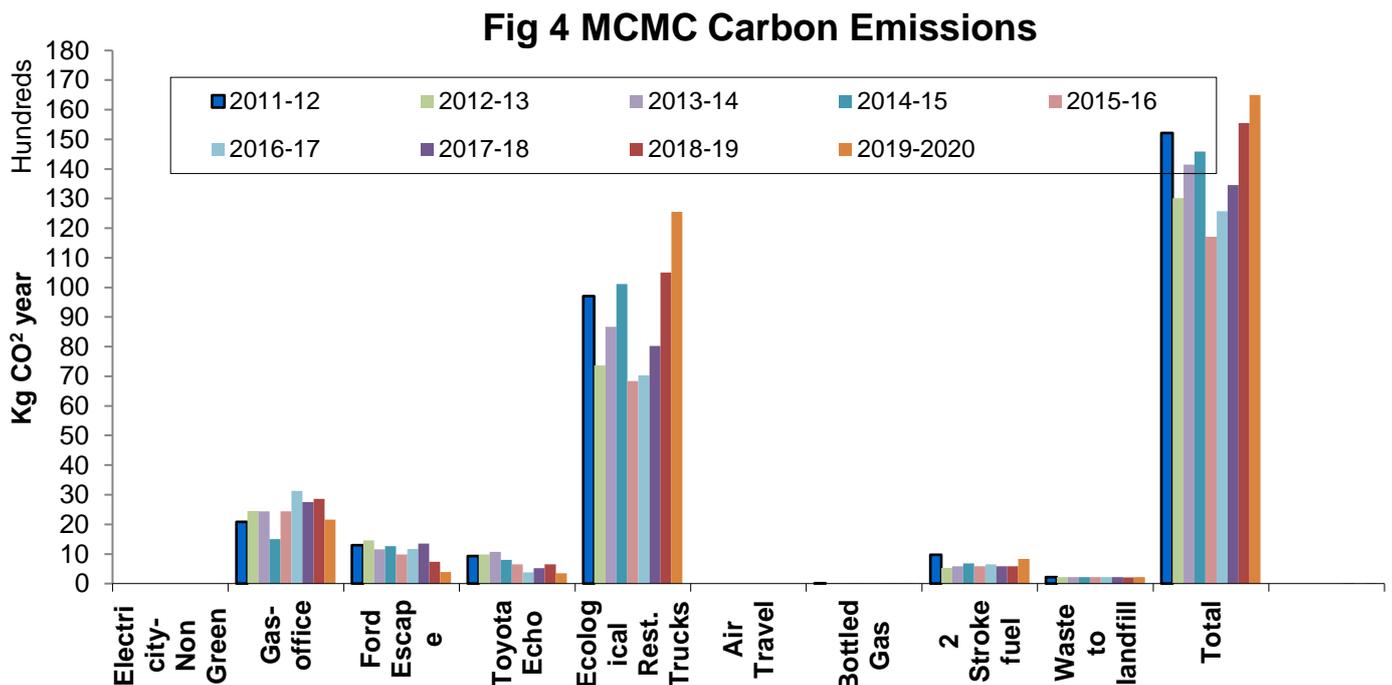
Another previously identified risk was the lack of a provision for personal leave (carer's & sick leave) on the balance sheet. Some long-serving MCMC staff had accrued large amounts of personal leave and should they need to use these entitlements, we would have to draw on our Retained Funds to pay their salaries. In order to manage this, a specific provision has been made since 2015. I'm pleased to report that in 2019-20 we were able to maintain the provision at 50% of the calculated potential liability.

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

There was also no need to cease or significantly change operations because of the Covid-19 pandemic and minimal amounts of special paid pandemic leave, made available to staff who needed to be tested and isolate, were utilised.

## 8. CARBON EMISSIONS

Fig 4 shows MCMC's carbon emissions from 2011-12 to 2019-20. It can be seen that, while emissions were reduced across most categories this year, there was an overall increase due to increased use of the Ecological Restoration Team's trucks for project work. I recommend investigation of lower-emission alternatives (e.g. electric or hybrid vehicles) whenever new vehicles are required.



**Lastly** I would like to express my thanks to everyone at MCMC for making my stint as Treasurer so easy and pleasurable. It has been a privilege to be part of this unique organisation which brings together Councils, the community and other stakeholders with the common goal of ensuring the ongoing protection of our very special Creek and its environs. It is good to know that I am leaving this role with MCMC in a strong financial position and with clear plans for the future.

In particular, my heartfelt thanks to Luisa Macmillan (Manager), Ruth Rankin (Finance Officer), Tony Faithfull (IT Manager) and Monica Williamson (Administration Officer) from MCMC, and Judy Schrever who has volunteered her accountancy expertise to the Finance Committee for 20 years. They all have provided cheerful, efficient and invaluable support to me in my role as Treasurer. Special thanks also to Ann McGregor (President) and other members of the Executive for their leadership, hard work and vision. I hope the incoming Treasurer has an equally positive experience as me!

**Ann Sanson | Honorary Treasurer**

**February 2021**