

Treasurer's Report 2018 – 2019



1. MEETINGS OF THE FINANCE SUB-COMMITTEE

During 2018-19 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 \$1,420,164 was slightly higher than in 2017-18, representing a modest 3% increase in income after CPI adjustment.

It was pleasing to see donations to the Merri Creek Environment Fund (MCEF) of just over \$20,000, \$4,000 more than the previous year. Most donations were made through the MCEF Annual Appeal and through regular 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 operating income at 47%, the same as last year.

Grants from Melbourne Water, state government programs and philanthropic sources provided 19% of our operating income, again the same as last year. The grants category includes \$113,871 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.

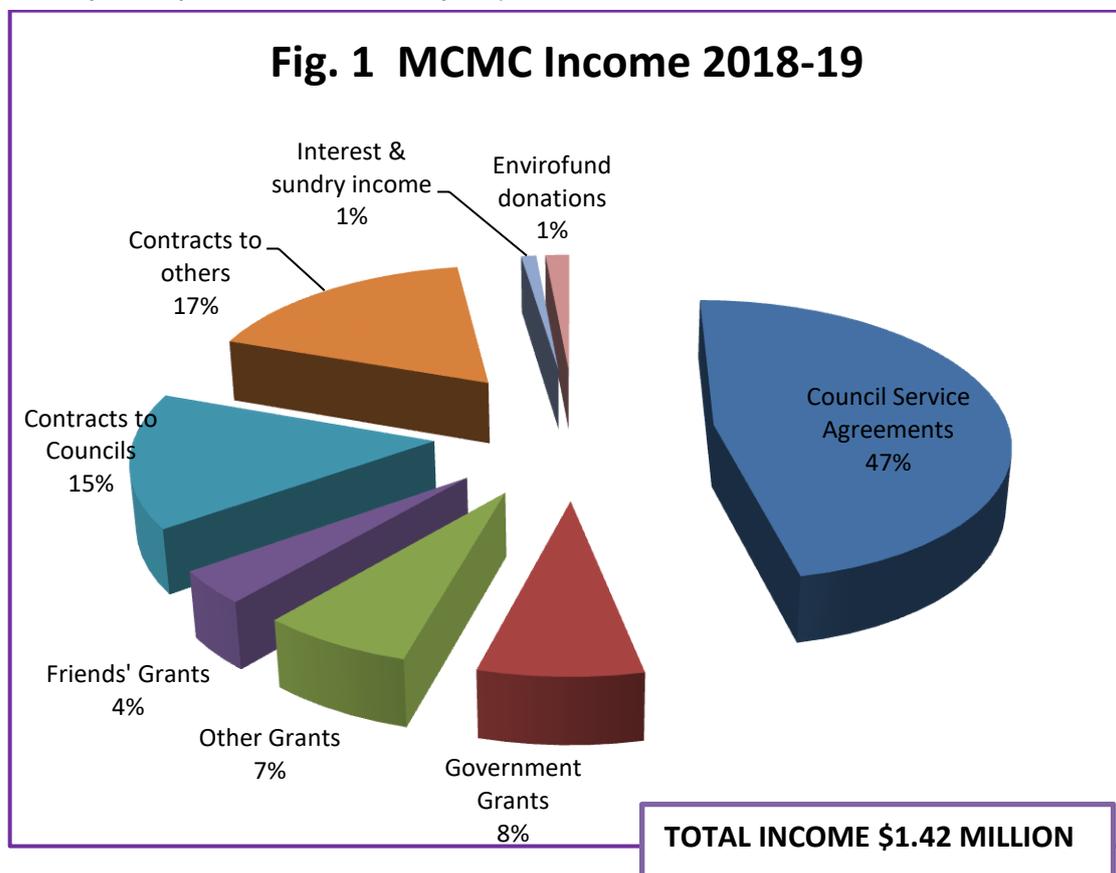
During the year, a massive 24 grant applications were submitted (compared to 7 in the previous year); 18 of these were successful, a very creditable 75% success rate.

Contracts provided a very similar percentage of income compared to last year (32% vs 33%).

By value, 47% of the contract income was from contracts with member Councils (last year 53%); most were for ecological restoration. Non-Council clients provided 53% of MCMC's contract work (last year 45%) and included ecological restoration projects for MetroTrains, APA Group and a private land holder 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.

Thirteen contract bids were made with 9 being successful, a 69% success rate.

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 the 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 \$305,241), MCMC's Ecological Restoration Program raised an additional \$0.58 from grants (a total of \$178,090). This includes grants received by Friends of Merri Creek and the Collingwood Children's Farm for projects which were designed by MCMC and which MCMC had a significant role in delivering.

Almost half of the Ecological Restoration Program's income came from commercial contracts with a range of organisations. These included member Councils (primarily Moreland and Darebin), external agencies such as MetroTrains, private corporations (APA Group) and private landholders. Of the contract income, 47% was from Councils.

The total income for the Ecological Restoration Program of \$925,756 was 1.4% higher than the previous year (CPI adjusted).

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 \$0.81 from grants and external partnership agreements (a total of \$91,086). This includes grants received by the Friends of Merri Creek and local schools for projects that MCMC had a major role in designing and delivering. It also includes a partnership agreement with Melbourne Water.

Around 3% of the year's income was from contracts. These included delivery of Waterwatch training to education providers and a non-member Council (Moonee Valley), and delivery of engagement events held at local libraries.

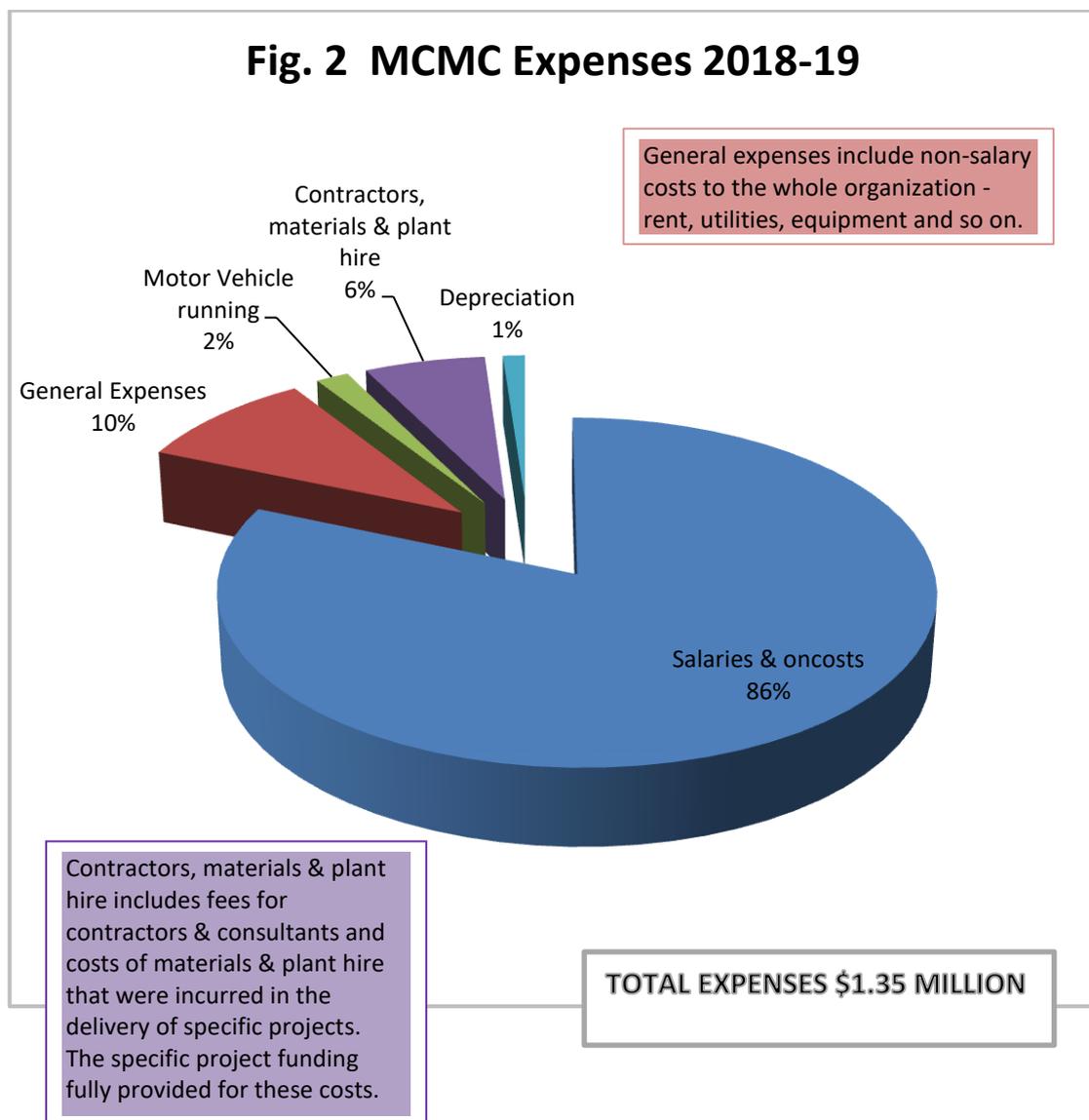
The total income for the Catchment Program of \$209,991 was 6.2% higher than the previous year (CPI adjusted).

4. EXPENSES

MCMC's total expenditure for the year was \$1,353,948. This was \$40,000 more than last year and was in line with the small increase in the CPI adjusted income and the modest increase in delivery tied to the income.

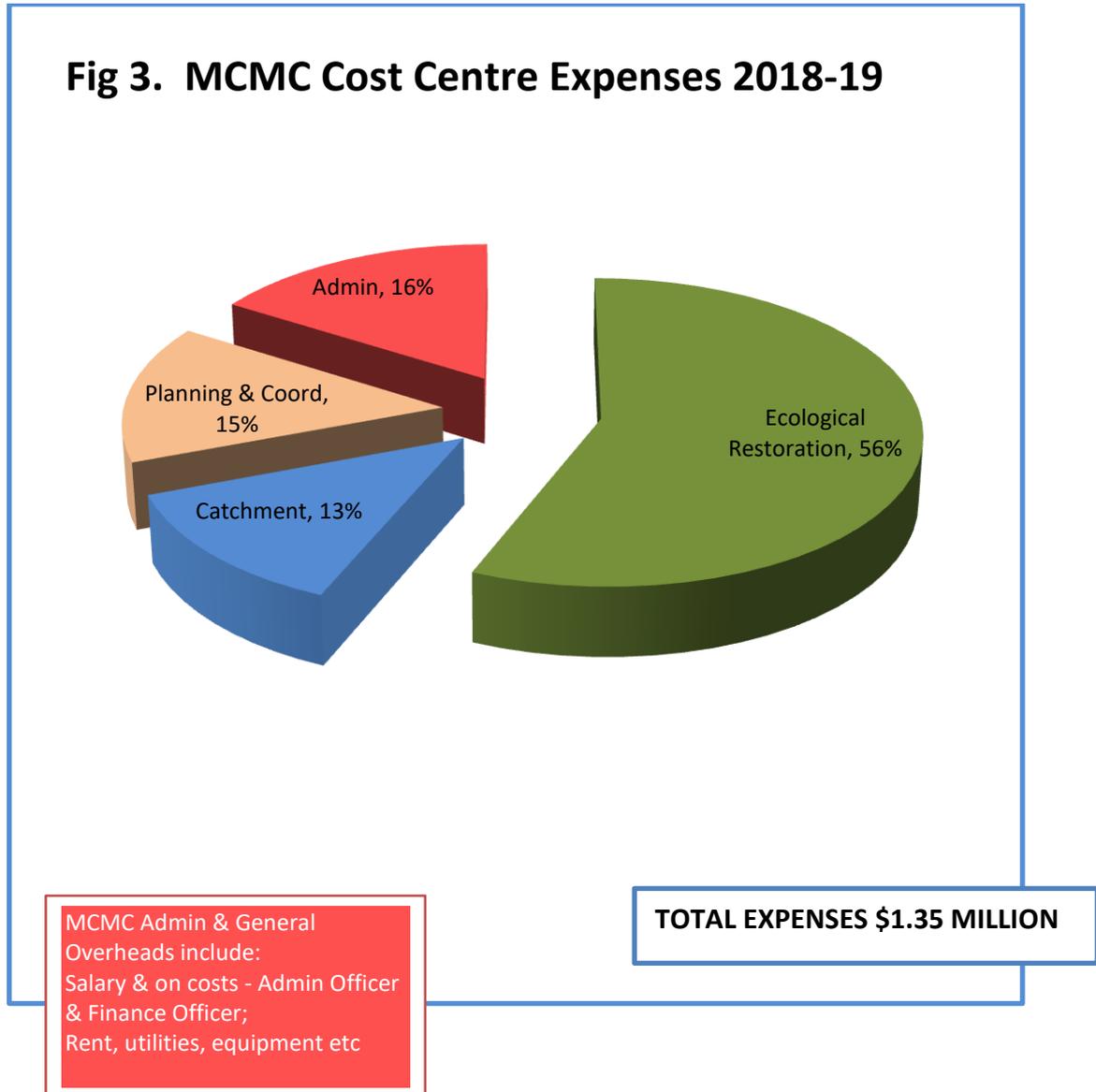
Figure 2 (below) shows the breakdown of our major areas of expenditure.

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, the same as the previous year. Salary and leave provisions were consistent with MCMC's Enterprise Bargaining Agreement. The 2018-19 salary increase awarded to staff was a modest 1.8% p.a.



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 which was allocated to this Program. The relative percentages were very similar to the previous year with a slight relative increase in admin costs. This reflects the increased level of IT support required.



6. SURPLUS/DEFICIT

MCMC ended the year with a healthy surplus of \$66,216, similar to last year's surplus of \$59,949. Of this surplus, \$6,272 is a surplus in the Merri Creek Environment Fund (the difference between donations received and project funds dispersed) and \$11,700 represents interest earned plus income from sales of publications. \$48,244 represents an operating surplus. This largely came about through staff resignations. This surplus is a welcome result and has helped rebuild our reserves to a very 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 2019 MCMC's Retained Funds/Net Assets stood at \$276,441, an increase on the \$210,225 of the year before (the difference represents this year's surplus of \$66,216). Accumulated public donations of \$74,341 made to the Merri Creek Environment Fund make up just over a quarter 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 intent with which the donations were made.

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 seven 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 2018-19 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.

And lastly

I would like to thank MCMC staff, in particular Ruth Rankin, MCMC's Finance Officer, and Tony Faithfull, MCMC's IT Manager, for the many arduous hours they put in to ensure the successful change over in MCMC's accounting system. Both Ruth and Luisa Macmillan, MCMC manager, provided efficient and invaluable support to the Finance Sub-committee. 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 nineteen 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 2020