

Treasurer's Report 2020 – 2021



1. MEETINGS OF THE FINANCE SUB-COMMITTEE

During the 2020-21 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 MYOB/BillQuick accounting software, and reconciled prior to payment to the Tax Office.

We monitored the Vested Benefit Index for the Vision Super Defined Benefit Plan each quarter and were provided with a table of MCMC's grant applications and contract bids.

We worked on developing a Retained Earnings Policy for MCMC to give guidance on the level of funds that should be reserved for contingencies, as part of good risk management, and to identify funds available for special projects and other initiatives that would otherwise not get funded.

2. INCOME

MCMC's total income for the year of \$1,667,657, around \$100,000 less than in 2019-20. The key reason for this difference was Covid cash flow support received from the Federal Government the previous year.

It was pleasing to see donations to the Merri Creek Environment Fund (MCEF) of \$39,614 an increase of over \$10,000 on the previous year. My thanks to the hard-working volunteer members of the MCEF S.c., David Redfearn, Glennys Romanes, Ann Sanson and Jo Connellan, and to MCMC support staff.

Recurrent funding from member municipalities through Service Agreements & MOUs provided the biggest single proportion of MCMC's income at 42% of the total, very similar to last year.

Grants from Melbourne Water, state government programs and philanthropic sources provided 14% of our income, again very similar to last year. This grants category included \$101,926 in grants received by community groups, mostly Friends of Merri Creek. 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.

Contracts provided a similar percentage of income to last year (37% vs 36%). By value, 38% of contract income was from contracts with member Councils, again similar to last year. Most of these contracts were for ecological restoration works. Non-council clients provided 62% of MCMC's contract work. This included ecological restoration works for MetroTrains, VicRoads, APA Group and private land holders on Merri Creek. Support for a local Waterwatch group was provided under contract to Moonee Valley Council, and small fee-for-service education sessions were provided for Melbourne Water.

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

Overall, 56% of MCMC's income came from its Council members, very similar to last year. A commendable effort was made by MCMC staff in retaining non-Council clients from the previous year.

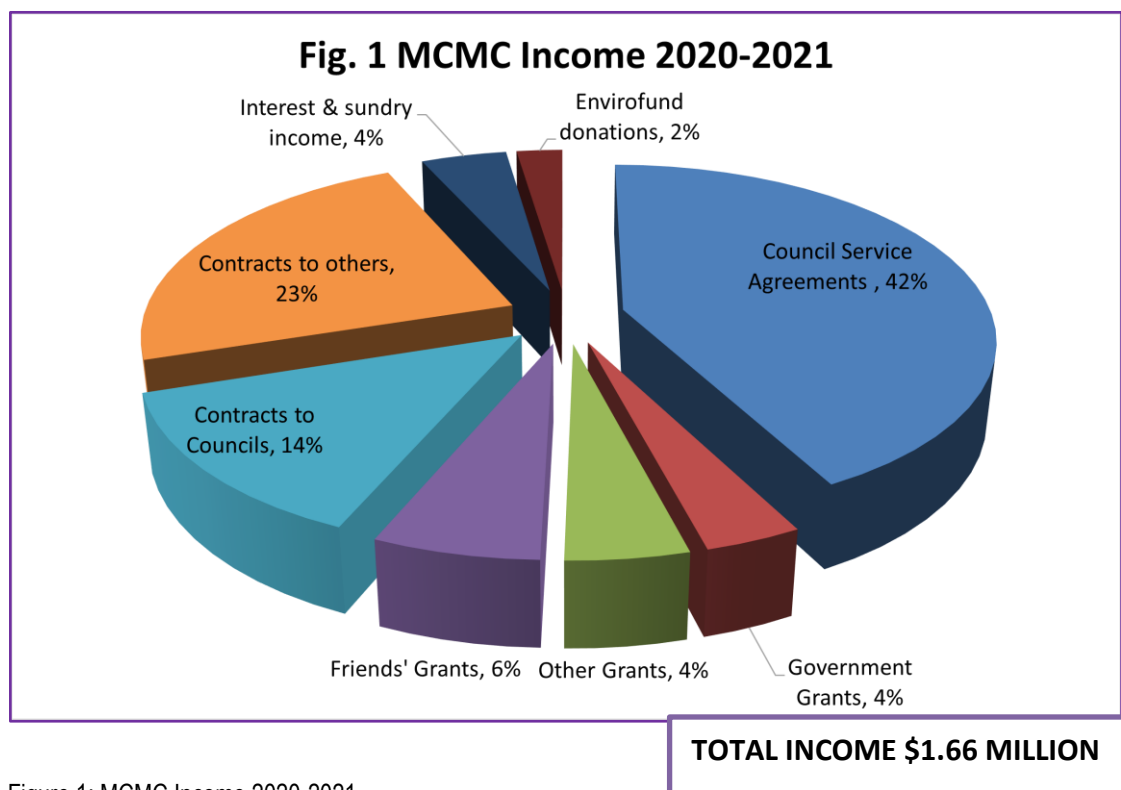


Figure 1: MCMC Income 2020-2021

Pie chart showing breakdown of income by type. Council Service Agreements 42%, Government Grants 4%, Other Grants 4%, Friends Grants 6%, Contracts to Councils 14%, Contracts to others 23%, Interest & sundry income 4%, Envirofund donations 2%.

3. COST CENTRE INCOME – GRANTS & PARTNERSHIP CONTRIBUTION

Ecological Restoration Program

Twenty-seven 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 \$304,678), MCMC's Ecological Restoration Program raised an additional \$0.50 from grants (a total of \$151,489). 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 for which MCMC had a significant role in delivering.

Catchment Program

Sixty-four 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 contributed by member-Councils (total \$133,298) MCMC's Catchment Program raised an additional \$0.38 from grants and external partnership agreements (a total of \$51,392), enriching our ability to offer diverse activities and events for local communities.

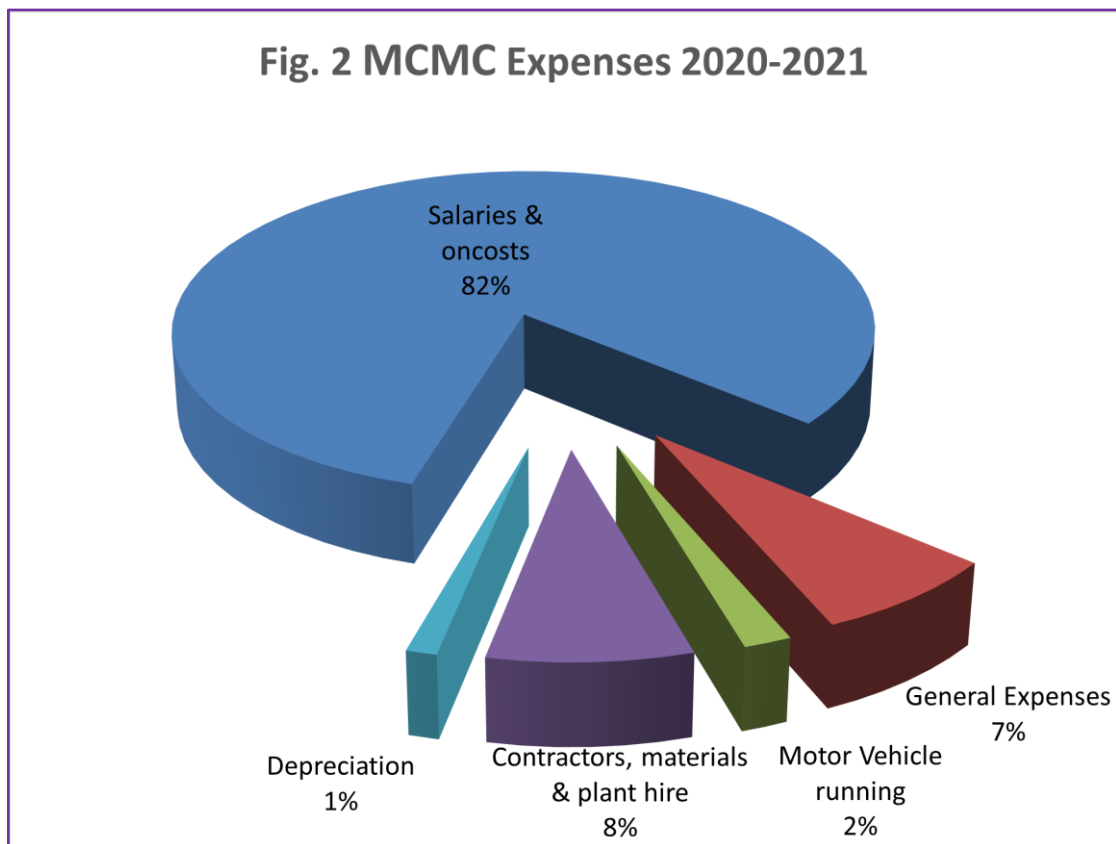
4. EXPENSES

MCMC's total expenditure for the year was \$1,605,560. This was \$90,000 higher than last year's expenditure and in line with the increase in income for specific projects, 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 82% of MCMC's total expenses (cf. 80% the previous year). The 2020-21 salary increase awarded to staff was a modest 2.0%.

Expenditure on contractor and consultant fees, project materials etc was similar to last year (9% vs 8%) and reflects the needs of specific projects. General expenses are those shared across MCMC (rent, utilities etc) and shared across particular cost centres (general equipment etc).

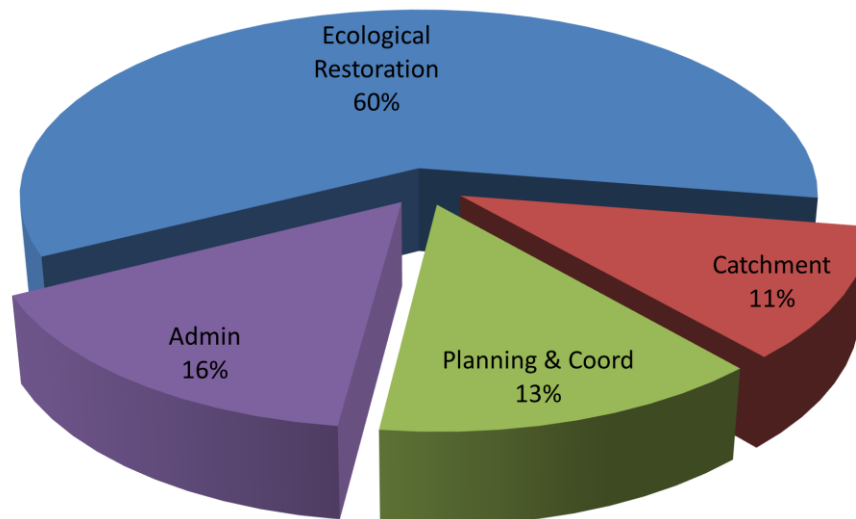


5. COST CENTRE EXPENDITURE

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 this cost centre. Expenditure closely matching incomes in each program area. The relative percentages 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 2020-2021



6. SURPLUS/DEFICIT

MCMC ended the year with a surplus of \$62,098. This was made up of:

- \$12,501 – the last part of the by federal government's Covid-19 cashflow stimulus for not-for-profits.
- \$23,232 - Merri Creek Environment Fund; the difference between donations received and project funds dispersed in the financial year. This surplus will be dispersed for 2022 projects
- \$1,870 - interest received
- \$1,804 - sales of publications, much of this from sales of Merri Christmas cards and the Creek Life book undertaken by the hard-working volunteers from our fund-raising working group.
- \$22,691 – operational surplus (1.4% of operational income). This amount is very close to a break-even result, given the impossibility of budgeting to \$0, especially at a time when contingencies for the pandemic were very hard to predict

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 30th September 2022 MCMC's Retained Funds/Net Assets stood at \$528,181, an increase of \$62,098 from the year before. Accumulated public donations of \$100,495, made to the Merri Creek Environment Fund, make up 19% of the Retained Funds. The disbursement of these funds is made for specific projects, as determined by the Merri Creek Environment Fund sub-committee, in accordance with the objectives of the Fund and the intent of the donations.

Ten years ago, 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 nine 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.

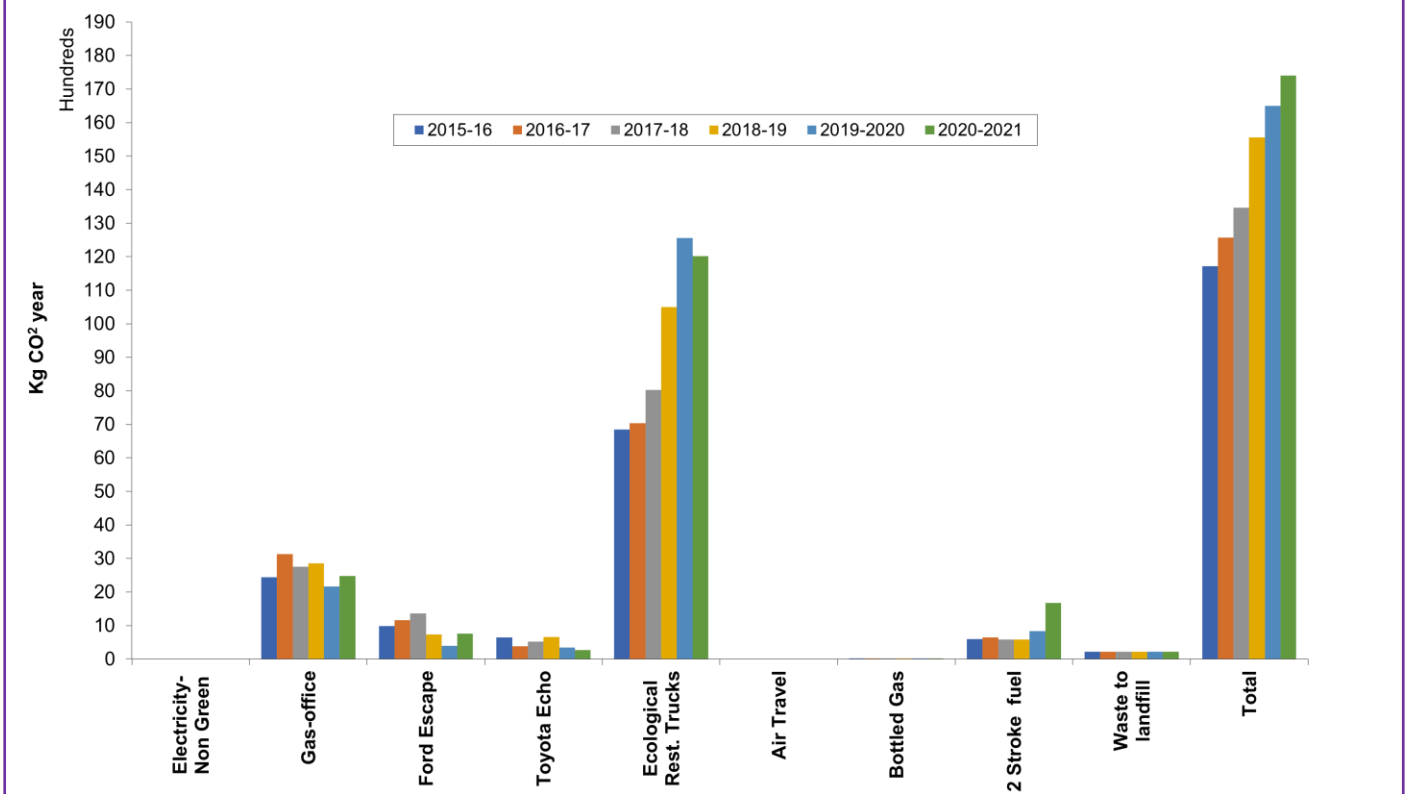
Another risk identified a number of years ago was the lack of a provision for personal leave (carer's & sick leave) on the balance sheet. At the time, some long-serving MCMC staff had accrued large amounts of personal leave and had they needed to use these entitlements, we would have had to draw on our Retained Funds to pay their salaries. In order to manage this, a specific provision has been made since 2015. I'm pleased to report that in 2020-21 we were able to maintain the provision at 50% of the calculated potential liability.

There was also no need to significantly change operations because of the Covid-19 pandemic. Around \$12,000 in income was foregone for the hours that staff were unable to work because of Covid-19 testing and isolating requirements. MCMC's Pandemic Leave Policy ensured staff continued to be paid.

8. CARBON EMISSIONS

Fig 4 (over) shows MCMC's carbon emissions from 2011-12 to 2020-21. The single largest category of emissions is from the Ecological Restoration Program's trucks. These 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. I look forward to affordable lower-emission alternatives (e.g. electric or hybrid vehicles) coming on to the market.

Fig 4 MCMC Carbon Emissions



Lastly I would like to express my thanks to everyone at MCMC for making my first year as Treasurer so straightforward. It is good to know that MCMC's strong financial position is continuing and that the future is positive for our operations.

Damien Harrison | Treasurer

February 2022