**Agenda 14.6**

**Lutheran Laypeople’s League**

**MEMBERS**

Mark Altus, Ron Asquith, Nancy Fox (Vice-Chair), John Grocke, Brenton Henschke, John Howard, Graeme Huf (Chair), David Pietsch, Steven Podlich

**Background**

Established in 1921, the LLL exists to support the LCA in business and financial matters. This is done through our mission and vision - viz:

1. **Mission Statement**

Support the LCA in its mission.

We will do this by:

* providing business and financial support to the LCA;
* providing excellent service to all customers;
* safeguarding the interests of depositors.
1. **Vision Statement**

Advancing Gospel-centred mission and ministry as Australia’s leading charitable financial institution.

The key objectives of the LLL are to:

* Provide benefits and services to the LCA
* Grow Reserves/Permanent Funds
* Raise deposits
* Provide loans.

**Achievement against Plan**

|  |  |  |
| --- | --- | --- |
| Objectives | Planned Annual Activities/ Outcomes | Achievement of Annual Activities/Outcomes |
| 1. To provide benefits and services to the LCA to assist their ministry and mission objectives
 |  | Special grants allocated to the LCA based on General Church Council priorities: 2014/15 = $1.9M; 2015/16 = $2.645M; 2016/17 = $1.875M Annual grants allocated to specific LCA ministries based on balances held in LLL Permanent Funds: 2014/15 = $1.9M; 2015/16 = $2.1M; 2016/17 = $2.2MNon interest-bearing account grants made to various LCA ministries: 2014/15 = $1.2M; 2015/16 = $1.1M; 2016/17 = $1.3MInterest savings on loans provided to LCA ministries compared to commercial loan interest rates: 2014/15 = $4.6M; 2015/16 = $3.6M; 2016/17 = $3.3MVarious other services provided to LCA incl LCA Treasury function: 2014/15 = $0.4M; 2015/16 = $0.4M; 2016/17 = $0.4M |
| 1. To grow our Permanent Funds
 |  | Legacies and Donations received from supporters: 2014/15 = $1.0M; 2015/16 = $0.4M; 2016/17 = $1.0MAllocations to Ministry Support Fund: 2014/15 = $2.0M; 2015/16 = $1.0M; 2016/17 = $1.0MAllocations to other LLL Permanent Funds:2014/15 = $2.2M; 2015/16 = $2.0M; 2016/17 = $2.5M |
| 1. To raise deposits
 |  | Deposits provided by supporters to support LCA ministries:30/6/15 balance = $884.2M; 30/6/16 balance = $985.5M;30/6/17 balance = $1,030.7M |
| 1. To provide loans
 |  | Loans provided to LCA Ministries: 30/6/15 balance = $352.9M; 30/6/16 balance = $332.6M;30/6/17 balance = $312.3M |

**Successes**

* Total Benefits and Services of $29M provided to the LCA for 2014/15, 2015/16 and 2016/17
* Funding of LCA 50:500 Project with a special grant of $550,000 to the LCA in 2015/16
* Continued valuable support from LLL depositors and supporters through increased deposit funds, and legacies and donations received
* Engagement of LLL Board and management with LCA Districts including meeting with local District leaders
* Implementation of an enhanced Risk Management Framework including a dedicated Risk & Compliance Manager and the use of external consultants
* Operation of Board Audit and Risk Committee (BARC) to oversee audit and risk matters
* Development and implementation of enhanced Loan Policies and Procedures integrating existing processes and introducing improved loan management processes
* Capital Adequacy continues to be at excellent levels due to supporters providing legacies & donations, and Directors allocations to Ministry Support Fund and other LLL Permanent Funds
* Submission to Australian Prudential Regulation Authority (APRA) to become an Authorised Deposit-taking Institution (ADI) from 1 July 2018.

**Challenges and Lessons Learned**

* The regulatory environment continues to be a major focus for Board and management. This results in a substantial commitment in board time and significant costs due to the need to use professional advisors to assist with compliance and government regulation issues.
* Historically low interest rate environment makes it difficult for the board to balance paying a competitive savings account interest rate with the need to provide benefits and services to the LCA.

**Risks**

|  |  |  |
| --- | --- | --- |
| Description of risk | Likelihood of risk occurring and potential impact for the ministry and LCA | Summary of action to mitigate the risk |
| Major changes in Government regulation including changes in Banking Act and Corporations Act conditions | Unlikely. Impact could be major depending on type of change/s | Consultation with regulators and engagement with professional advisors |
| Credit/Loans Management | Unlikely. Impact could be major if a large borrower defaults | Development of enhanced loan security and management processes with the assistance of dedicated Risk and Compliance Manager and external consultants |
| Interest Rates | Likely. Impact could be major if LLL deposit interest rates not well managed | Active management of interest rates including use of investment consultants |

**Alignment to LCA Strategic Direction 2013–2018**

* Governance and Leadership (3.1) – professional skills based board with culture of education and improvement. Management and staff with skills required to deliver products and services provided by the LLL.
* Communications and Engagement (3.2) – regular communication to all stakeholders of ministry and mission support provided by the LCA. Annual Together in Mission booklet provides summary of how the LLL is in partnership with the LCA in ministry and mission.
* Assets and Resources (3.3) – enhanced provision of financial support to the LCA through regular grants as a result of LLL Permanent Funds and Special grants to assist specific LCA ministries as requested by General Church Council.

**Cooperating LCA Boards and Agencies**

|  |  |
| --- | --- |
| General Church Council | Regular consultation via Executive Officer of Church and responding to specific funding requests |
| Lutheran Education Australia | Regular consultation with LEA Business Manager |
| LCA Districts | Regular consultation with District Administrators and Regional School Business Managers |

**Financial Performance**

|  |  |  |  |
| --- | --- | --- | --- |
| **Alignment to LCA Strategic Priorities (Expenditure)**1 Growing as God’s People1. Going as God’s People
2. Enable us to Go & Grow
 | **2014/15**  31,158,328 | **2015/16** 34,615,945 | **2016/17**  35,250,042 |

**Financial Report: Lutheran Laypeople’s League**

**STATEMENT OF COMPREHENSIVE INCOME**

 **2017 2016 2015**

**Income**

Interest received 39,953,582 40,168,805 41,080,418

Legacies received 947,413 311,424 724,348

Donations received 74,499 75,727 252,535

Other income 234,248 223,335 213,310

**Total Income 41,209,742 40,779,291 42,270,611**

**Expenditure**

Employee benefit expenses 2,134,918 1,780,828 1,526,952

Administration and promotion expenses 1,817,615 1,473,779 1,522,741

Benefits and service costs 2,269,133 2,124,666 1,942,896

Depreciation 245,805 318,953 307,960

Grants and donations 1,384,752 1,150,363 1,230,504

Interest paid 27,306,105 27,767,356 28,718,989

**Total Expenditure 35,158,328 34,615,945 35,250,042**

**Surplus from ordinary activities attributable
 to the LLL 6,051,414 6,163,346 7,020,569**

Less distributions 1,875,000 2,645,000 1,900,000

**Net surplus and total comprehensive income
 for the year 4,176,414 3,518,346 5,120,569**

Add transfer from (to) retained surpluses 345,498 -131,196 535,175

Less transfers (to) reserves -4,521,912 -3,387,150 -5,655,744

**Surplus (after transfers) 0 0 0**

**STATEMENT OF FINANCIAL POSITION**

**As at 30 JUNE**

 **2017 2016 2015**

**Assets**

Cash and cash equivalents 74,068,864 71,650,658 75,873,335

Financial assets 752,124,581 686,300,813 556,189,485

Trade and other receivables 320,148,233 340,584,736 360,555,008

Property, plant and equipment 7,584,639 6,513,259 6,711,254

**Total Assets 1,153,926,317 1,105,049,466 999,329,082**

**Liabilities**

Trade and other payables 4,227,104 5,923,907 5,088,258

Financial liabilities 1,030,735,328 985,514,595 884,171,591

Short term provisions 542,338 495,206 471,821

**Total Liabilities 1,035,504,770 991,933,708 889,731,670**

**Net Assets $118,421,547 $113,115,758 $109,597,412**

**Equity**

Retained surpluses 9,301,785 9,647,283 9,516,087

Reserves 109,119,762 103,468,475 100,081,325

**Total Equity $118,421,547 $113,115,758 $109,597,412**