

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.

2. 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 = \$2.2M Non interest-bearing account grants made to various LCA ministries: 2014/15 = \$1.2M; 2015/16 = \$1.1M; 2016/17 = \$1.3M Interest savings on loans provided to LCA ministries compared to commercial loan interest rates: 2014/15 = \$4.6M; 2015/16 = \$3.6M; 2016/17 = \$3.3M Various other services provided to LCA incl LCA Treasury function: 2014/15 = \$0.4M; 2015/16 = \$0.4M; 2016/17 = \$0.4M
2. To grow our Permanent Funds		Legacies and Donations received from supporters: 2014/15 = \$1.0M; 2015/16 = \$0.4M; 2016/17 = \$1.0M Allocations to Ministry Support Fund: 2014/15 = \$2.0M; 2015/16 = \$1.0M; 2016/17 = \$1.0M Allocations to other LLL Permanent Funds: 2014/15 = \$2.2M; 2015/16 = \$2.0M; 2016/17 = \$2.5M
3. 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
4. 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)	2014/15	2015/16	2016/17
1 Growing as God's People			
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2 Enable us to Go & Grow	31,158,328	34,615,945	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