



SYNOD 2023 REPORT

RESOURCES COMMISION

MEMBERSHIP

Chair	Chris Walker (Sept 2022 - Jan 2023)
Chair	Fiona Bentley (Feb 2023-current)
Deputy Chair	Fiona Bentley (Nov 2022-Feb2023)
Deputy Chair	Yvonne Robinson (May 2023 – current)
Member	David Beards
Member	David Gray
General Secretary	Rev Andrew Williams
Member	Deborah Marshall
Member	Rev Lorraine Stokes
Member	Bruce Murdoch
Member	Rev Des Cousins
Member	Yvonne Robinson
Governance Support Officer	Maureen Bourke
Invitee	Peter Hollins
Invitee	Tim Fallows

REPORT

Purpose of the committee

The Resources Commission provides governance of Synod resources allowing development of policies and practices for the resource needs supporting ministry and mission of the Uniting Church Synod of Western Australia. It is a skills-based commission. All members of the Commission and its committees have competencies, skills, knowledge, and experience relevant to the Commission's responsibilities. In addition, members must have not been convicted of an indictable offence or an offence resulting in disqualification as a director under the Corporations Act 2001 and not be bankrupt.

The Commission functions as the Synod Property Board as well as managing the resources within the Synod of Western Australia. The Commission is supported by four committees:

- Investment and Corporate Finance
- Business and Financial Services (includes the Accounts Committee of Review)
- Synod Property Services
- Resources Governance Committee

Plain English Version:

Purpose of the Committee

- The Resources Commission has governance of Synod resources.
- It is a skills-based commission.

Achievements

The Commission met six times this year and undertook the following.

- Confirmed that the membership of the Commission and Permanent Committees comply with Regulations and Uniting Church Western Australia By-Laws.
- Approved delegated authorities for payments, direct debit authorities and mandates given to service providers, including fund managers.
- Approved the engagement letter for, and appointment of auditors.
- Determined the Executive Statement signatories for the audited accounts and presented and endorsed these to the Synod Standing Committee
- Monitored the acquisition or disposal of Synod and Presbytery assets and made recommendations to the Synod Standing Committee

- Negotiated new insurance arrangements in a difficult environment
- Conducted an annual workshop to plan activities for the next two years anticipating changes to structures and responding to the adopted Strategic Framework and Risk Register.

Plain English Version:

Achievements:

Resources Commission this year did the following:

- Approved authorities
- Approved appointment of auditors
- Presented audited accounts to the Synod Standing Committee
- Monitored the buying or selling of property
- Negotiated new insurance arrangements
- Responded to the adopted Strategic Framework and Risk Register

Issues facing the Commission and Church:

- Risk Assessment identified a major concern regarding the current and projected financial position of the Uniting Church in WA.
- Investment fund is not sufficient to maintain the Uniting Church's current operational model and services.
- Insurance costs are increasing dramatically.
- Many properties of the Uniting Church are underutilised. Many require better ongoing management and maintenance to ensure the safety of all users. Some should be sold, and part of the funds used to achieve the long-term missional goals of the church.
- Financial risks arising from Redress and potential historical sexual abuse claims.

Plain English Version:

Issues

- Major risk from the financial position of Uniting Church in Western Australia.
- Investment fund is insufficient for sustaining the Church.
- Insurance costs are increasing

- Properties are under utilised
- Financial risk from sexual abuse claims.

Investment and Corporate Finance

Chairperson	David Beards
General Secretary	Rev Andrew Williams
Member	David Gray
Governance Support Officer	Maureen Bourke
Invitee	Lyn Boorn

Purpose of the committee

The Investment and Corporate Finance Committee is responsible for the governance of the Uniting Church Investment Fund. This includes policy development, strategic planning, compliance, and management oversight. It provides policy guidelines to achieve the purposes of the Uniting Church Investment Fund, including ethical considerations. The Investment Policy Statement was updated in 2023 in collaboration with the Social Justice Commission and our investment consultants.

The object of the Uniting Church Investment Fund (UCIF) is to invest funds deposited within appropriate risk parameters and prudential guidelines. This is to maximize revenue providing a Grant to the Synod for the mission of the Church.

In recent years, the Grant provided to the Synod takes into account:

- the long-term margin from investments (ie growth and dividends from shares, bonds, managed funds etc)
- interest paid to depositors,
- long term inflation so the fund grows for our future

The Uniting Church Investment Fund is backed by the assets of the Property Trust, which provides surety to our depositors. Depositors include Foundation, Trust & Special Purpose Funds, Embargoed Funds, Presbytery funds, Synod Funds, Congregational deposits, and Agency deposits.

The Synod Investment Manager assists the Committee and works with Entrust Private Wealth Management who is appointed as asset consultant and manager.

In 2024 (subject to Synod approval) the functions of this committee (and BFSC) will go to the newly formed Board of Finance and Investment. This board needs additional people (both UC members and non-UC members) with appropriate skillsets to ensure that the UCWA's financial position is protected and enhanced.

Financial Report

The financial information on the following pages has been extracted from the statutory audited accounts of the Uniting Church Investment Fund. Full copies of the accounts are available from the CFO on request.

Audit Report

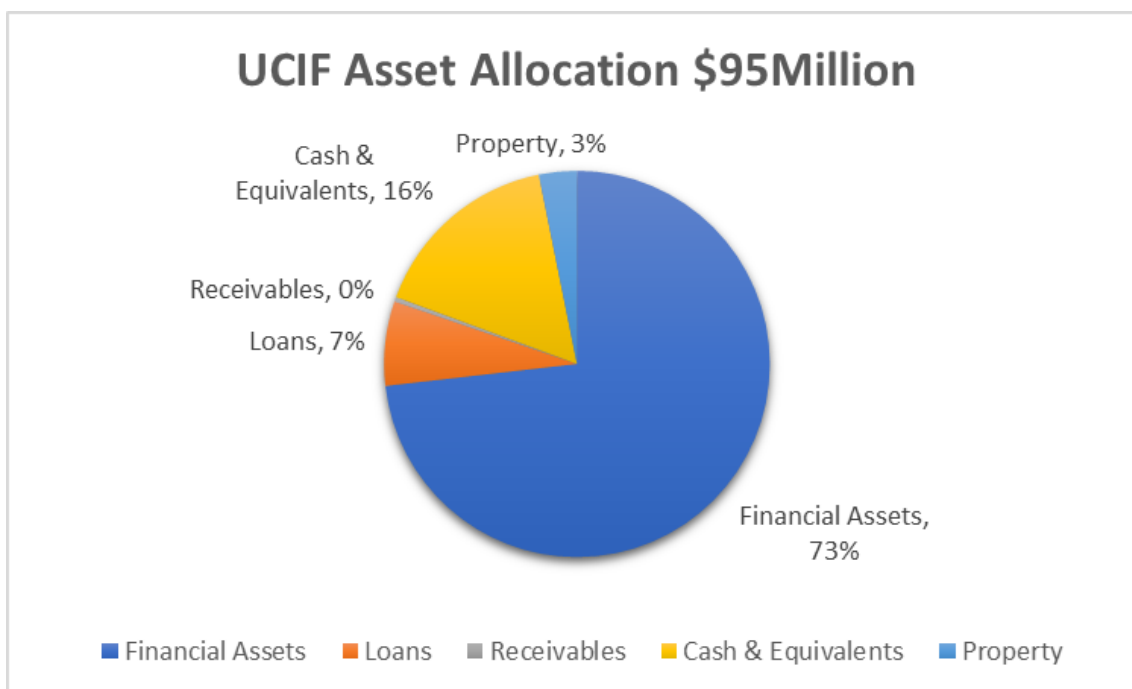
As of 31 December 2022, the investment base was \$75,635,805 across all Depositors. We paid to our investors \$777,642 in interest.

Unrealised losses on the portfolio were \$6,272,891 due to the decline in Australian and Overseas Stockmarkets.

Results Summary for the year ended 31 December 2022.

Year	Total Deposits \$	Operating Surplus/(Deficit)	Synod Grant
2009	62,967,000	10,229,552	1,650,000
2010	62,373,000	(3,119,323)	1,675,000
2011	66,791,000	(7,921,220)	1,690,000
2012	66,286,000	1,455,687	1,250,000
2013	65,856,000	5,356,153	1,690,000
2014	65,667,000	1,919,106	1,715,000
2015	80,753,000	(243,014)	1,800,000
2016	73,215,423	4,931,847	1,800,000
2017	82,588,130	(2,993,540)	6,900,000
2018	72,201,513	(4,819,975)	2,000,000
2019	73,826,900	6,927,301	2,000,000
2020	71,483,006	(246,042)	2,000,000
2021	70,842,504	6,416,555	2,750,000
2022	75,635,805	(7,551,219)	2,750,000

Financial Performance			
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Investment Revenue	1,995,911	6,674,124	12,593,533
Interest Revenue	332,654	372,755	446,585
Interest Expense	(777,642)	(763,144)	(857,372)
Revaluation of Financial Assets	(6,272,891)	3,223,476	(8,791,664)
Net:	(4,721,968)	9,507,211	3,391,082
Expenses	(2,829,251)	(3,090,656)	(3,637,124)
Operating Surplus/ (Deficit)	(7,551,219)	6,416,555	(246,042)



2022 Significant Financial Events

Our managed investment portfolio with Entrust Wealth Management suffered from the general investment market decline in the last three quarters of 2022 and was impacted by the Synod withdrawing cash to fund Redress. This resulted in the portfolio reduction of approximately \$7.5Million during the 2022 reporting year. There has been a slight recovery so far in 2023.

Management continues to minimise UC Investment Fund operating costs while maintaining its commitment to the Synod by way of Grant funding. Unfortunately, rising interest expenses (due to rising interest rates) will impact on the amount of Grant available in 2024 and potentially future years.

Plain English Version:

Purpose of the Investment Committee

- New members with finance and business skills are required
- Governance of the Uniting Church Investment Fund.
- UCIF invests depositor’s money to provide grants to the Synod.
- Entrust Private Wealth Management is the appointed asset manager.
- UCIF’s capacity to produce a surplus is challenged in volatile markets

Business and Financial Services (BFSC)

Chair	David Beards
General Secretary	Rev Andrew Williams
Member	Deborah Marshall
Governance Support Officer	Maureen Bourke
Invitee	Peter Hollins
Invitee	Muralee Nair

Purpose of the committee

The Business & Financial Services Committee has the finance and audit responsibilities detailed in the UCWA By-Laws. The Committee advises the Commission in respect of budget preparation and monitors emerging financial risk and develops appropriate policies. This Committee has responsibility for the Accounts Committee of Review which examines financial reports across all operations of the Uniting Church in WA. The Committee is also responsible for the oversight of the Uniting Church Insurances Service which maintains the Synod Risk Register.

The Financial Services Unit of the Synod is responsible for the accounting processes of the Synod Business Units as well the Presbytery of WA.

The Synod Accounts in 2022 showed a loss of \$3.3Million, mainly due to Redress Expenses of \$2.8Million.

Redress for historical sexual abuse (from the Royal Commission and Civil Litigation) is our biggest financial concern. Redress payments made from the Synod (excluding Schools/Agencies) from 2018 to 2022 has been \$8.4Million, and in 2023 it is predicted to be \$2.8Million. This has been funded through exhausting insurance and Synod reserves, and through Synod property sales.

By the beginning of 2024, the Synod will have sold most of its properties (where the Synod is the beneficial user) to provide the cash to meet the Church's Redress compensation and legal costs (up to ~mid-2024).

Redress and Civil litigation claims are likely to continue and require millions of dollars to be funded by future property sales.

RSM Australia, the auditors for the Synod of WA, have issued an unqualified audit report. Full financial reports are available from the Chief Financial Officer.

Synod	2022	2021
<u>Operating Revenue</u>		
Grants & Bequests	4,059,845	3,494,855
Rental Income	9,520	26,091
Interest Revenue	51,761	57,511
Other Revenue	419,586	364,031
Total Income	<u>4,540,712</u>	<u>3,942,488</u>
<u>Operating Expenditure</u>		
Staff & Stipend Costs	-2,914,057	-2,976,026
Grants Provided	-520,695	-492,373
Program & Mission	-60,352	-63,634
Property expenses	-265,689	-320,422
Travel	-53,658	-43,410
Office & Administration	-703,489	-638,880
Assembly Contributions	-236,004	-236,004
Depreciation expense	-251,035	-250,665
Sundry Expense	-34,650	-53,567
Redress expenses	-2,810,676	-766,625
Total Expenditure	<u>-7,850,305</u>	<u>-5,841,606</u>
<u>Operating Surplus/Deficit</u>	<u>-3,309,593</u>	<u>-1,899,118</u>
Total Reserves (Equity)	\$9,739,805	\$13,049,398

Budget Process:

The Synod requires a balanced operational budget (excluding Redress), and in some of the past years the Synod has taken the easy path of a deficit budget. We have been living beyond our means.

You may recall at the 2021 Synod, a budget for 2022 was not presented, instead the “storm clouds” were presented (redress, investment returns, interest rates, etc) and discussed in table groups. We collectively were not prepared to make the hard decisions, so it was status quo for 2022.

For the 2023 Budget we made some difficult decisions and reduced expenses by ~\$500k. For the 2024 Budget (being presented at this Synod for approval) we need to make even more difficult decisions, with a recommendation for a further reduction of ~\$800k of expenses. These decisions affect staff positions and the services the Synod can provide.

For the preparation of the 2024 Budget, we took a more collaborative whole-of-church approach where we held half-day Budget Conferences in April and May. These had representatives from Resources Commission (and sub committees), Synod Standing Committee, Presbytery Standing Committee, Thrive, Presbytery Finance Working Group, CEDAL, Social Justice Commission, Gen Sec, CFO, Moderator, Moderator Elect, amongst others. We focused on the income sources and what financial sustainability looks like. We examined each expense and prioritised what was essential versus optional; considering our legal, financial, regulatory duties and the essential functions Synod must provide.

The budget has been subsequently examined and endorsed by BFSC, Resources Commission, a combined Presbytery Standing Committee/Synod Standing Committee, and the Synod Standing Committee.

On the income side for 2024 (compared to previous years):

- The grant from the Investment Fund is lower (mainly due to higher interest paid to depositors)
- The grant from Insurance Services is lower (schools are no longer part of the scheme)
- We thank the schools for contributing to the Synod (and we encourage further consideration)
- We thank the Butterworth Trust for the continued income
- We thank the UnitingCare WA Forum for the continued income

- We thank Frontier Services for the bush chaplaincy funding
- We thank Uniting Church in the City for the increased income

Further details on the budget will be presented at Synod for consideration and approval.

Financial Sustainability:

Even though the 2024 budget presented is a balanced budget (excluding redress), it is not fully financially sustainable in the long term. In other words, we can't keep going on, in the same way, for another 20 years. Our income sources need to consider long term inflation: we have been and are drawing down funds so our future income will reduce in real terms.

We need to find at least an additional \$600k per year of financially sustainable income. The church as a whole has assets, and we need to find ways to obtain a better missional & financial return on these assets.

The other main risk to our financial sustainability is redress and civil litigation – every payment reduces our assets & funds under management, and hence our income.

We also need to be mindful that our main source of income is from the Investment Fund, and if the deposits decrease, so does the income. Two of our largest depositors are the Foundation and Trusts – if grants are made, the investment income reduces. We need to ensure the uses of these funds are strategic and increase the church's capacity missionally & financially - the proposed Mission Resourcing Committee will be accountable for this objective.

Plain English Version:

Purpose of the Business and Financial Services Committee

Responsible for finance and audit, prepares the Budget and is the Accounts Committee of Review for the Church. Synod Financial Services Unit undertakes the accounting for the Synod and Presbytery of WA.

The Budget for 2024 is a tough budget due to lower income for the Synod. We have worked with many parts of the Synod & Presbytery to reduce expenses to just the essential functions.

Further work is needed to ensure the Synod has the money to do what is needed in the long term.

The Synod's auditors have issued a clean audit report.

Uniting Church Foundation Trust

The Uniting Church in Australia (W.A.) Foundation Trust (Foundation Trust) was established in January 2020 from the dissolved Uniting Church Foundation. The Foundation Trust had a distinctive mission focus in which earnings were available for distribution to eligible mission projects approved by the Council for Mission. No meetings of the Council for Mission took place, and thus no grants were approved during this year. The Constitutions of both the Foundation Trust and the Council for Mission are under review by a working group led by the Property Trust Chairperson and are presented separately to Synod.

UCA (WA) Foundation Trust			
	2022	2021	2020
UC Foundation Fund - Capital Contribution			14,853,476
Interest Earned	182,085	167,408	154,301
Income - Property Sale		471,064	39,000
Receipt from UCIF to cover Council for Mission Grants		88,013	Nil
Income – Grant Received Related Entities	1,041,180	900,000	Nil
Total Income	1,223,265	1,626,485	15,046,777
Grants – Council for Mission (Grant approved 2019)	(17,000)	(48,013)	(40,000)
Grants (Other)		Nil	Nil
Sundry Expenditure	(4,000)	Nil	(1,983)
Total Expenditure	(21,000)	(48,013)	(41,983)
Operating (Deficit)/Surplus	1,202,265	1,578,472	15,004,794
UCA (WA) Foundation Trust (Retained Surplus)	16,583,265	15,004,793	-
plus			
Operating Surplus - Current Year	1,202,265	1,578,472	15,004,794
Total Equity	17,785,530	16,583,265	15,004,794

Plain English Version:

Purpose of the Foundation

- The Foundation provides resources for the work of Synod.
- Operating expenditure is for mission only
- Outcomes of review reported separately.

Uniting Church Risk and Insurance Services.

The Uniting Church Risk and Insurance office (UCRI) is organised to serve two main functions for the Church: to coordinate risk management activities and manage the Group Insurance Program.

The Uniting Church Risk and Insurance Services office (UCRI) plays a pivotal role in aggregating our risk as “One Church”. This allows us to submit our potential exposures to insurers - ensuring adequate levels of cover for the best achievable premiums, and to use scale as a mitigating factor against the cost of claims.

In 2022/2023, UCRI placed more than \$3.8 million in premiums for a suite of insurance policies, to protect our combined assets valued close to \$600 million and mitigate our people risk through several classes of insurance including Workers Compensation, Journey and Volunteer Personal Accident policies. Our Financial Exposures lines include a Public Liability cover for an aggregated limit of \$250 million, Directors and Officers on confidential terms and Professional Indemnity for \$20 million.

Over the last three years, the UCRI aggregated Insurance Program has been severely challenged by market conditions. In 2021, due to the escalating claims cost for historical abuse in Australia, most insurers ceased cover while a select few offered highly restrictive endorsements. Unfortunately, it led our UC Schools to exit from the Group Insurance Program to join a standalone specialist arrangement for the Education sector. This June, Catholic Church Insurance with whom we have current terms, announced that it will cease to operate on the expiry of these policies.

The net effect of these challenges has affected us in two ways: firstly, a decline in our revenue from insurance placements, and secondly, an increase in premiums thrust upon us by the market and a smaller pool of Insurers and Insured Partners.

In the broader context however, it is important to note that the efforts of UCRI have facilitated the establishment of a revenue source for the Church and payment of a significant share of the cost of historical sexual misconduct claims from reserves in the insurance fund.

In addition to insurance, the UCRI team coordinates risk management activities with a focus on improving our risk maturity for the whole-of-church, by reviewing risks through the lens of:

1. Being a welcoming Christian Community
 - Which is our agreed and aspirational Vision

2. Establishing financial sustainability
 - Which is a pre-requisite to achieve our Mission
3. Engaging and communicating effectively
 - Which is an essential requirement to achieve our Mission and Vision

This effort should provide our Boards, Committees and Executive an additional tool to align with Strategy for informed decision-making.

Finally, and importantly, the UCRI team wishes to place its appreciation to all or Congregations, Care Agencies and Schools for working with us in close cooperation and collaboration – to achieve our desired goals and outcomes.

Statement of profit or loss (UC Insurance Services)

Year ended 31 December 2022

	2022	2021
	\$	\$
Revenue		
Premium revenue	4,085,997	5,254,692
Interest revenue	14,071	26,045
Sundry income	8,005	-
	4,108,073	5,280,737
Expenses		
Insurance premiums	3,526,101	4,139,903
Brokers' fee	168,338	313,348
Insurance claims	60,113	114,566
Grants provided	280,096	250,000
Interest expense	56,682	5,720
Redress expenses	-	1,556,008
Other expenses	55,057	142,119
	4,146,387	6,521,664
	(38,314)	(1,240,927)
(Deficit) for the year		

Plain English Version:

Purpose of UCRI

- UCRI is organised to serve two main functions for the Church: to coordinate risk management activities and manage the Group Insurance Program
- Over the last three years, the UCRI aggregated Insurance Program has been severely challenged by market conditions
- the UCRI team coordinates risk management activities to align with Strategy for informed decision-making.

Property Services Committee

Chair	Fiona Bentley
General Secretary	Rev Andrew Williams
Member	Neil Starkie
Member	Rev Mark Illingworth
Member	Alan Stewart
Member	David Murdoch
Member	Amanda Ainslie
(Thrive Mission Committee)	Rhod Wright
Minute Secretary	Jane Brindley/Nikki Spink
Invitee	Tim Fallows

Purpose of the committee

This committee assists the Commission in carrying out the functions and responsibilities of a Synod Property Board. This includes management of property for which the Synod of Western Australia is the beneficial user. It receives all applications and requests regarding property dealings and other property matters from the Synod, Presbytery, Congregations and Church Councils.

The Committee provides Congregations, Church Councils, Agencies, and other Church bodies with written guidelines and advice to help them meet their obligations.

This helps resolution of applications, of property dealings and property matters in a timely manner. The committee members can visit congregations to discuss their proposals as required.

Approvals for granting or varying leases, applications to councils or shires, including Development Approvals and building licenses, are reviewed, and approved by the Committee before final approval of the Commission. This is with review and input from the Presbytery Thrive Mission Committee as required.

Plain English Version:

Purpose of Committee

The work of the Synod Property Board, management of Synod Property.

Reviewing and approving leases, applications to councils or shires before sending to the Commission for final approval.

Providing advice about future property opportunities.

New members have been recruited to the Sub Committee this year and bring new skillsets and fresh eyes to the problems we face. Critical work has been undertaken during 2023 to identify and value the church's buildings and property assets. A follow up inspection of all properties is being undertaken to monitor ongoing maintenance and the condition/safety of all buildings.

A Strategic Property Framework has been developed by the Executive Officer Property with input from industry experts and church representatives. The intention is to provide a consistent approach to property management and identification of development opportunities to assist the future sustainability of the church.

The Property Services Sub Committee has been increasingly involved in the preparation of properties for sale to meet the financial requirements of the church. This includes subdivision applications and rezoning to obtain optimum value for each parcel of land

Plain English Version:

Activities

Properties have been sold to obtain best value for the church.

The Property Inspection Program helps confirm Church's buildings are safe and comply with building standards

Property Issues facing the Committee/Church

All Uniting Church in WA property is vested in the Property Trust. Congregations are the responsible bodies of the properties they occupy and are accountable for maintenance and operational costs of such property.

There has been significant work required to renovate, and make safe, manses and other buildings throughout the synod. Lack of clear agreements and documentation has been a concern in some instances where the responsibility for repairs or funding are not specified. Significant time and costs are associated with this work.

There is also an issue around the need to balance the future and ongoing property needs of the church with a desire to sell property quickly to provide funds for current needs.

Plain English Version:

Issues

Congregations recommended to approach the Committee for advice on technical matters and on process before works commence.

Increasing cost of repairs to buildings and the time taken to make buildings safe.

Need to sell property but also have opportunities for the future.

Resources Governance Committee

Chairperson of Resources Commission: Chris Walker/Fiona Bentley

Member Fiona Bentley

Member David Beards

General Secretary: Andrew Williams

Purpose of the committee

The Resources Governance Committee has responsibility to review the performance of the Commission and its permanent committees. It also undertakes to review the performance of the Resources Division. Its focus is on compliance, strategies, process, and efficiency. It also monitors the Resources Commission By-Laws and procedure manuals.

Due to the resolution by Synod 2022 to undertake a formal review of the Resources Commission, the Resources Governance Committee has not met. The former Chair did

however conduct a survey of all Commission members to identify concerns and opportunities which have been shared with the Review Team.

Plain English Version:

Purpose of Committee

To review the performance of the Commission and its permanent committees for compliance, strategies, process, and efficiency.

An independent review of the Resources Commission will report separately to Synod.

Conclusion

There are significant challenges facing the Church both financially and in the capacity of volunteers to undertake the work required to manage finances and property, and participate in critical, timely decision making.

The Resources Commission has had some changes throughout the year as long standing and valued members have resigned and new members have joined. A period of orientation has been followed by wholehearted effort to meet the requirements of the Synod Budget in cooperation with Presbytery and other councils of the church.

There is a strong spirit of cooperation and desire to work strategically. All members work within the Church's by-laws with the best interests of the Church in mind to fulfil the Commission's mandate but look forward to proposed changes to the structure of the Commission to better fulfill this purpose.

The members of the Commission and permanent Committees are volunteers and give their time, expertise, and skills generously throughout the year. We thank them for their service.

We are however constantly aware of the need to recruit new members with a variety of skill sets to better represent the interests of the church in all its diversity. The Synod and Church Office would not be able to function without this rich resource so freely given.

As the Administration of the Church, under the leadership of the General Secretary, responds to financial pressures and the need to do more with less we acknowledge the genuine effort and support provided to the Commission and its sub committees.

Plain English Version:

Conclusion

Thank you to all our Commission and Committee members for sharing their expertise, skills, and time for the Church.

There is an immediate and active need for new members to volunteer their skills on the Commission and Committees to ensure that the business of the church is sustainable and able to meet the missional needs of the future.

The Commission and management of the Synod Church office acknowledge the important contribution of the staff of the Synod and formally record our appreciation for their commitment and efforts.

Fiona Bentley

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