

# St Andrew's House Corporation as Trustee of St Andrew's House Trust

## Annual Report to the Synod for 2016

### Purpose

1. In accordance with clause 14 of the *Accounts, Audits and Annual Reports Ordinance 1995* the Council of the St Andrew's House Corporation (the "Council") provides the following information for the members of the Synod in respect of St Andrew's House ("SAHC") as trustee of St Andrew's House Trust ("SAHT").

### Clause 14(d) Matters

#### *Constitution and Charter*

1. The Council of the St Andrew's House Corporation (the "Council") was constituted a body corporate by the St Andrew's House Ordinance 1975 for the purpose of governing and controlling the management and use of the land on which stands the building known as St Andrew's House (including Town Hall Arcade). The land and some other assets held in relation to the management of the land are held in a trust known as the St Andrew's House Trust ("the Trust") (ABN 81 498 954 541).
2. Pursuant to the St Andrew's House Trust Ordinance 2015, Glebe Administration Board ("GAB") as trustee of the Diocesan Endowment and the Anglican Church Property Trust, as trustee of the Endowment of the See Capital Fund ("EOS") have equal interests in the income and capital of the Fund.

#### *Access*

3. The principal office of the Council is Level 2, St Andrew's House, Sydney Square (PO Box Q190, QVB Post Office, NSW 1230). Telephone (02) 9265 1555. The hours of access are between 8.30am and 5.00pm Mondays to Fridays.

#### *Management and Structure*

4. During the year, the Sydney Diocesan Secretariat ("SDS") provided administrative services to the Council under an agreed Service Level Agreement ("SLA"). The SLA is reviewed by the Council on a semi-annual basis and the following year SLA is approved by the Council together with the administration fee charged by SDS.

The Council consists of 4 persons appointed by the Standing Committee (the "EOS nominees") and 4 persons appointed by the GAB (the "GAB nominees").

The members of the Council and their attendance at meetings of the Council during 2016 were –

<b>Council Members</b>	<b>No. of Meetings Eligible to Attend</b>	<b>No. of Meetings Attended</b>
<b><i>EOS Nominees</i></b>		
Mr C Watson	7	6
Mr R Freeman	7	7
Mr D S Marr (Chairman from 21/9/16)	7	7
Vacancy	N/A	N/A

<b>Council Members</b>	<b>No. of Meetings Eligible to Attend</b>	<b>No. of Meetings Attended</b>
<b>GAB Nominees</b>		
Mr J S Pascoe	7	7
Dr L A Scandrett (Chairman to 21/9/16))	7	7
Mr C L Cotman	7	7
Mr R Smith	7	7

The Council uses the services of the SDS for its accounting, administrative, investment, managerial and secretarial work. Mr Steve Lucas is Secretary and is an employee of SDS.

Colliers International (“Colliers”) manage the day to day operations of St Andrew’s House and provide facilities management services.

### Annual Financial Statements - – clause 14 (b)

- The 2016 Annual Financial Report is attached (Attachment 1). The report has been audited by PricewaterhouseCoopers “(PwC)”. PwC raised no matters of concern in relation to the Annual financial report. The auditors report for SAHT is incorporated into the separate audit report of GAB trustee of the Diocesan Endowment and the Anglican Church Property Trust as trustee of the Endowment of the See Capital Fund.

### Charities Group Status Report – Clause 14 (c)

- The Trust is registered as a charity with the Australian Charities and Not-for-profits Commission (“ACNC”). The Annual Information Statement for 2016 has been completed and lodged with the ACNC.

### Other Matters

- The Council has policies and procedures in place to address the following matters.

#### *Liquidity*

- The Council has in place policies to maintain adequate liquidity to fund the activities of the Trust. These policies are reviewed at least annually and management reports are prepared monthly. The Council is not aware of any matter that would prevent it from meeting its liabilities. No other matter has arisen since the end of 2016, which could have a significant effect in the current financial year.

#### *Risk Management*

- The key risks of the Trust are associated with the operation of St Andrew’s House. A risk register is maintained by the Council and is reviewed at least annually.

The key risks identified by the Council are –

- Financial Sustainability* – policies are in place to maintain sufficient liquidity to fund future capital works, rental void and leasing costs and income distributions. These matters are reported on a regular basis and the policies are reviewed at least annually. A Sinking Fund is in place to fund certain capital works that is shared with the St Andrew’s Cathedral School.
- Investment Management* – St Andrew’s House – reports are provided to the Council in respect of financial and building performance, capital works, tenant lease compliance and building compliance matters such as fire safety. Colliers manage the facilities of St Andrew’s House and provide strategic retail advice in respect of Town Hall Arcade.
- Insurances* – the Council undertakes an annual review of its insurance cover and has agreed

- to engage an external consultant to review the adequacy of the policies every 3 years, including the replacement value of St Andrew's House.
- (iv) *Operational Risk* – appropriate security and safety measures (e.g., fire evacuation procedures, CCTV) are in place for St Andrew's House which are reviewed on an ongoing basis.
  - (v) *Regulatory and Contractual obligations* – the Council has in place policies for managing its contractual and statutory obligations. Colliers provides facilities management services that includes meeting certain building code certifications.
  - (vi) *Reputation* – policies are in place to mitigate the risk of reputational risk
  - (vii) *Strategic Risk* – the Council is developing a long term strategic plan to mitigate the risk that it fails to meet the objectives of its Ordinance. A retail strategic plan is in place that is reviewed on an ongoing basis.

Colliers have risk management procedures in place for the functions they exercise.

## Key Achievements in 2016

10. The activities of the Council are conducted in accordance with the terms of the *St Andrew's House Ordinance 1975* and the *St Andrew's House Trust Ordinance 2015*. The key achievements in 2016 were –
  - A number of capital works were undertaken, including CCTV works, various plant upgrades, upgrades of telecom risers to Building Code of Australia standards, roof safety rails, ladder upgrades, additional roof anchor points and progressive mastic replacement to the building façade.
  - Crisis management systems and procedures for the building were strengthened through the year in consultation with the relevant authorities including 'lock down' procedures in the event of terrorist and other threats.
  - In the office tower the lease to Anglican Youth and Education on Level 1 was extended for a further year to 30 September 2017 to allow Youthworks additional time to determine their longer term space needs. The opportunity was taken to remove the option period as a condition of the lease extension. During the second half of the year terms were agreed with Anglican Deaconess Ministries (ADM) for a new 10 year direct lease over 733sqm on Level 1 effective from 1 January 2017. Previously ADM had occupied 433sqm on Level 1 under a sublease from SDS. The positive outcomes for the building were a lift in gross face rent for the area, an improvement to the Weighted Average Lease Expiry (WALE) profile of the building, and 'tidying up' of space through relocation of the Colliers management office to Level 2, relocation and contraction of IT server room space and removal of the Jericho Room.
  - 2016 was another relatively stable year in the Arcade, with two new tenants leasing space (Fish Records and MontBell) and 5 lease renewals. As at 31 December 2016 there were two vacancies in the Arcade.
  - The number of pedestrians passing through the Arcade increased slightly over the last 12 months to 12.3 million (2015 12 million) and the Arcade remains one of the highest pedestrian traffic transport hub retail centres in Sydney.
  - There have been ongoing discussions with the City of Sydney (CoS) in respect of Sydney Square and other matters of mutual interest and also Transport NSW in respect of the light rail system scheduled to be operational from 2019.
  - The carpark lease to Wilson Parking was extended for another 5 years in December with the rent to be determined by an independent valuer (since finalised at \$2.1M pa, broadly in line with our expectations).

## Financial results for the St Andrew's House Trust

11. In summary, the net surplus<sup>1</sup> of the Trust for 2016 was as follows –

\$000's	2016 Actual	2016 Budget	Variance	2015 Actual
Net rental income from property <sup>2</sup>	9,412.5	8,967.4	445.1	9,122.2
Interest Income	118.1	25.9	92.2	102.3
Other Expenses <sup>3</sup>	(644.1)	(738.9)	94.8	(640.9)
<b>Net Surplus<sup>1</sup></b>	<b>8,886.5</b>	<b>8,254.4</b>	<b>632.1</b>	<b>8,583.6</b>

<sup>1</sup> excluding fair value adjustment

<sup>2</sup> excluding sinking fund movements

<sup>3</sup> net of sinking fund income

12. The net rental income generated from St Andrew's House was above budget primarily due to lower than anticipated overall building expenditure.

13. The Net Surplus of \$8.87 million for 2016 excludes the increase in the value of St Andrew's House.

14. In summary, the balance sheet of the Fund as at 31 December 2016 was –

\$000's	As at 31 December 2016	As at 31 December 2015
<b>Assets</b>		
Cash	5,950.0	4,098.5
Receivables	358.2	611.2
St Andrew's House (market value)	137,000.0	125,000.0
Other	435.7	497.8
<b>Total Assets</b>	<b>143,743.9</b>	<b>130,207.5</b>
<b>Liabilities</b>		
Payables	861.3	825.6
Loan from GAB	13,400.0	15,400.0
Other	168.4	123.4
<b>Total Liabilities</b>	<b>14,429.7</b>	<b>16,349.0</b>
<b>NET ASSETS</b>	<b>129,314.2</b>	<b>113,858.5</b>

15. The Council has a loan facility with GAB for \$13.4 million (2015 \$15.4 million). During 2016 debt repayments totalling \$2 million were made.

Jones Lang LaSalle ("JLL") undertook the valuation of St Andrew's House for 31 December 2016. JLL assessed the market yield rate for St Andrew's House to be 7.50 % (2015 – 8.00%) for the commercial office tower and car park and 6.50% (2015 – 6.75%) for the retail arcade, based on market conditions and sales of secondary (B grade) commercial buildings and retail arcades over the last 12 months.

16. The value of St Andrew's House increased from \$125.0 million in 2015 to \$137.0 million in 2016. In brief, the movement in the value of SAH from 2015 can largely be attributed to the following factors –

- Higher adopted market income for the Tower & Car Park (up 6%) combined with lower capitalisation and discount rates, partially offset by an increase in outgoings resulting in an overall \$10m increase in value attributed to the Tower & Car Park (up 11%).
- Slightly lower capitalisation and discount rates adopted for the Arcade, and generally flat net income resulting in a small increase in value attributed to the Arcade of \$2m (up 5%).

## Income Distributions

17. Income distributions made from the St Andrew's House Trust during 2016 were \$5.043 million (2015 – \$4.920 million).