

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

Annual Report to the Synod for Year Ending 31 December 2017

Purpose

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

Constitution and Charter

1. The Council of SAHC (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 current ordinance constituting and governing St Andrew's House is the St Andrew's House Corporation Ordinance 2018. 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, the Synod of the Anglican Church Diocese of Sydney and the Anglican Church Property Trust, as trustee of the Endowment of the See Capital Fund ("EOS") each have a 50% interest in the income and capital of the Fund. During 2018 a 50% interest in St Andrew's House formerly held by Glebe Administration Board as trustee of the Diocesan Endowment was transferred to be held for the Synod.

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.

During the 2017 year the Council consisted of 4 persons appointed by the Standing Committee (the "EOS nominees") and 4 persons appointed by the GAB (the "GAB nominees").

In May 2018 governance of the Fund was changed by the St Andrew's House Ordinance 1975 Amendment Ordinance 2018. A new Council of 11 members was created under the relevant transitional provision. The existing Council members were taken to continue in office. The new Council consists of 9 members elected by the Synod and 2 members appointed by SAHC.

The members of the Council and their attendance at meetings of the Council during 2017 were –

Council Members	No. of Meetings Eligible to Attend	No. of Meetings Attended
<i>EOS Nominees</i>		
Mr C Watson	7	6
Mr R Freeman	7	7
Mr D S Marr (Chairman)	7	7
Ms M Yacoel (appointed 4/12/2017)	1	1

Council Members	No. of Meetings Eligible to Attend	No. of Meetings Attended
<i>GAB Nominees</i>		
Mr J S Pascoe	7	6
Dr L A Scandrett (term expired 31/07/17)	5	5
Mr C L Cotman	7	7
Mr R Smith	7	2

Dr Scandrett's term expired on 31 July 2017 after a period of 21 years of membership. The Council expresses its deep appreciation of Dr Scandrett's service to SAHC over the many years.

The Council uses the services of 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 2017 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.

Charities Group Status Report – Clause 14 (c)

- SAHT (ABN 81 498 954 541) is registered as a large charity with the Australian Charities and Not-for-profits Commission ("ACNC"). The Annual Information Statement for 2017 has been completed and lodged with the ACNC.
- SAHT is a Basic Religious Charity under the ACNC Act which means it is exempt from the financial reporting requirements under the ACNC Act.

Access

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Telephone 02 9265 1555

The hours of access are Monday - Friday between 8.30am and 5.30pm.

Other Matters

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

Liquidity

9. 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 quarterly. 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 2017 which could have a significant effect in the current financial year.

Risk Management

10. 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 –

- (i) *Financial Sustainability* – policies are in place to maintain sufficient liquidity to fund future capital works, rental void and leasing costs and income distributions. 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.
- (ii) *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.
- (iii) *Insurances* – the Council undertakes an annual review of its insurance cover.
- (iv) *Operational Risk* – appropriate security and safety measures (e.g., fire evacuation procedures, CCTV and security guards) 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 reputational risk
- (vii) *Strategic Risk* – the Council is finalising a long term strategic plan to mitigate the risk that it fails to meet the objectives of its Ordinance. Regular meetings occur with retail leasing agents from the arcade, the Council of the City of Sydney and St Andrew's House Cathedral School.

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

Key Achievements in 2017

11. The activities of the Council were conducted during 2017 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 2017 were –
- Lengthy and complex negotiations were successfully completed between SAHC and the Australian Red Cross Society (ARCS) in respect of the assignment of ARCS's lease of Levels 3 and 4 to the St Andrew's Cathedral School.
 - A physical security review of St Andrew's House was completed by an experienced security consultant. SAHC commenced a review of the provision of security services in SAH, responding to the security review.
 - A risk assessment was undertaken of the terrorism risk to SAH in accordance with a Federal Government document 'Australia's Strategy for Protecting Crowded Places from Terrorism'. Follow up actions include meeting with NSW Police Counter Terrorism Command and regular precinct security meetings facilitated by the Council of the City of Sydney.
 - Terms were agreed on a lease of Suite 103, Level 1, formally occupied by Anglican Youthworks, for a 4 year lease to an IT security company. The rent achieved was substantially higher than the former lease, reflecting strong market leasing conditions for commercial space.

- Work on developing a Strategic Plan for St Andrew's House continued. A presentation on the draft Strategic Plan was made to Standing Committee in December 2017 and useful feedback was received to assist the further development of the Strategic Plan in 2018.
- A number of capital works were undertaken in 2017 including a disabled persons platform lift in the carpark, improved safety signage, automated closure of various building entry points (to enhance security), extension of CCTV into the carpark, cosmetic upgrades to the Levels 1 and 2 toilets and completion of a building management sign-in office and building management meeting room.

Financial results for the St Andrew's House Trust

12. In summary, the net surplus¹ of the Trust for 2017 was as follows –

\$000's	2017 Actual	2017 Budget	Variance	2016 Actual
Net rental income from property ²	12,094.3	8,877.0	3,217.3	9,412.5
Interest Income	146.2	92.4	53.8	118.1
Other Expenses ³	(589.1)	(626.6)	37.5	(644.1)
Net Surplus¹	11,651.4	8,342.8	3,308.6	8,886.5

¹ excluding fair value adjustment

² excluding sinking fund movements

³ net of sinking fund income

13. The net rental income generated from St Andrew's House was above budget primarily due to unbudgeted revenue received for a lease assignment.
14. The Net Surplus of \$11.65 million for 2017 excludes the increase in the value of St Andrew's House.
15. In summary, the balance sheet of the Fund as at 31 December 2017 was –

\$000's	As at 31 December 2017	As at 31 December 2016
Assets		
Cash	9,361.6	5,950.0
Receivables	688.9	358.2
St Andrew's House (market value)	165,500.0	137,000.0
Other	422.4	435.7
Total Assets	175,972.9	143,743.9
Liabilities		
Payables	748.0	861.3
Loan from GAB	11,400	13,400.0
Other	330.8	168.4
Total Liabilities	12,478.8	14,429.7
NET ASSETS	163,494.1	129,314.2

16. The Council has a loan facility with GAB for \$11.4 million (2016 \$13.4 million). During 2017 debt repayments totalling \$2 million were made.

Jones Lang LaSalle ("JLL") undertook the valuation of St Andrew's House for 31 December 2017. JLL assessed the market yield rate for St Andrew's House to be 7.00% (2016 – 7.50%) for the commercial office tower and car park and 6.00% (2016 – 6.50%) for the retail arcade, based on market conditions and sales of secondary (B grade) commercial buildings and retail arcades over the last 12 months.

17. The value of St Andrew's House increased from \$137 million in 2016 to \$165.5 million in 2017. In brief, the movement in the value of SAH from 2016 can largely be attributed to the following factors –
- (a) Higher adopted market income for the Tower & Car Park (up 20%) combined with lower capitalisation and discount rates, resulting in an overall \$26.5m increase in value attributed to the Tower & Car Park (up 27%).
 - (b) 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

18. Income distributions made from the St Andrew's House Trust during 2017 were \$5.169 million (2016 – \$5.043 million).

Adopted by the Council of SAHC on 27 June 2018.