

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

Annual Report to the Synod for Year Ending 31 December 2019

Purpose

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

Constitution and Charter

SAHC is constituted as a body corporate by the *St Andrew's House Corporation Ordinance 2018 (SAHC Ordinance)* 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 the Town Hall Square arcade). The land and some other assets held in relation to the management of the land are held in a trust known as SAHT (ABN 81 498 954 541).

Pursuant to the *St Andrew's House Trust Ordinance 2015*, the Synod of the Anglican Church Diocese of Sydney and the Endowment of the See Corporation, as trustee of the Endowment of the See Capital Fund each have a 50% interest in the income and capital of the Fund.

Management and Structure

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

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

Membership

Under the SAHC Ordinance, SAHC consists of 11 members, being nine members elected by the Synod; and two members appointed by SAHC.

At least two members are to be ordained clergy licensed in the Diocese of Sydney.

Members are to retire from office every three years (subject to the terms of the SAHC Ordinance) and are eligible to be re-appointed.

Members' attendance at meetings of the Board during 2019 were –

Members	Meetings Eligible to Attend	Meetings Attended
Mr Chris Bertinshaw	5	4
Mr Andrew Buckley	5	4
Mr Marcin Firek	5	4
Mr Robert Freeman	5	5
Mr Doug Marr (Chair)	5	5
The Rev James Sneddon	5	5
The Rev Luther Symons	5	4
Mr Chris Watson OAM	4	4
Ms Marianne Yacoel	5	4
Mr Luke Jackson	1	1

Annual Financial Statements – clause 14 (b)

The 2019 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 2019 will be completed and lodged with the ACNC before the due date of 30 June 2020.

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

The principal office of SAHT is:

Level 2, St Andrew's House, Sydney Square, Sydney NSW 2000
PO Box Q190, QVB Post Office NSW 1230
Email beb@sydney.anglican.asn.au
Telephone 02 9265 1555

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

Other Matters

SAHC has policies and procedures in place to address the following matters.

Liquidity

SAHC 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.

Subsequent events affecting liquidity

After the reporting date, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. State & Federal governments enacted emergency powers due to the COVID-19 pandemic and issued a range of health alerts and advices. As a result, most retailers in Town Hall Square closed for a period of time due to a substantial reduction in foot traffic. All retail tenancies and some commercial tenants have been provided with rent abatement assistance in accordance with the mandatory *Retail and Other Commercial Leases (COVID-19) Regulation 2020 [NSW]*. SAHC is closely monitoring and forecasting its cash flow due to a material reduction in income from tenants during 2020. At the date of this report the forecasts indicate that SAHC can continue to meet all liabilities as and when they fall due.

Risk Management

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

The key risks identified by SAHC are –

- *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.

- *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. Reports are provided to the Board 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 Square Arcade.
- *Regulatory and Contractual obligations* – the Board has in place policies for managing its contractual and statutory obligations. Colliers provides facilities management services that includes meeting certain building code certifications.
- *Reputation* – policies are in place to mitigate reputational risk.
- *Strategic Risk* – in 2018, the Board approved a strategic plan for 2019-2023 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. Members of the Board are also members of the Standing Committee.

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

Key Achievements in 2019

The activities of the Board were conducted during 2019 in accordance with the terms of the *St Andrew’s House Corporation Ordinance 2018* and the *St Andrew’s House Trust Ordinance 2015*.

The key achievements in 2019 were –

- Completed the documentation of the history of the development of St Andrew’s House and the key decisions around the occupancy of the St Andrew’s Cathedral School in the building.
- St Andrew’s House valued at a record value - \$215.5 million (\$175.5 million in 2018).
- Commenced cosmetic refurbishment work on Town Hall Square arcade.
- Progressed strategic plan actions including a review of several options to maximize the value of the St Andrew’s House site & continued discussions with St Andrew’s Cathedral School about long term tenure of the school’s leased floors.
- Undertook several planned lifecycle equipment maintenance & replacement projects.
- Continued work to secure key strategic tenancies in Town Hall Square arcade.
- Reviewed & updated reserving policies to enhance the capacity to pay consistent distributions from the income generated by St Andrew’s House.

Financial results for the St Andrew’s House Trust

\$000’s	2019 Actual	2018 Actual
Net rental income from property	10,126.9	9,829.9
Interest Income	260.3	226.2
Other Expenses	564.0	665.8
Surplus (before increase in value of St Andrew’s House property)	9,823.2	9,390.3
Fair value adjustment to St Andrew’s House property	40,060.8	9,526.9
Surplus for the year	49,884.0	18,917.2

In summary, the balance sheet of SAHT (including the sinking fund) as at 31 December was –

\$000's	2019	2018
Assets		
Cash, short term investments & term deposits	12,738.1	10,307.4
Receivables	1,152.5	1,464.7
St Andrew's House (market value)	215,500.0	175,500.0
Other	271.9	357.9
Total Assets	229,662.5	187,630.0
Liabilities		
Payables	720.5	712.4
Loan from GAB	6,900.0	9,400.0
Other	475.7	404.3
Total Liabilities	8,096.2	10,558.6
NET ASSETS	221,566.3	177,113.3

The Council has a loan facility with the Glebe Administration Board (**GAB**) for \$6.9 million (2018: \$9.4 million). During 2019 debt repayments totalling \$2.5 million were made.

Knight Frank undertook the valuation of St Andrew's House for 31 December 2019. Knight Frank assessed the market yield rate for St Andrew's House commercial (office tower and car park) and the retail arcade, based on market conditions and sales of secondary (B grade) commercial buildings and retail arcades over the last 12 months.

The value of St Andrew's House increased to \$215.5 million in 2019 from \$175.5 million in 2018.

In brief, the movement in the value of SAH from 2019 can largely be attributed to the following factors –

- a. Slightly higher adopted net market income (up 5%) combined with a lower capitalisation rate (office down 0.75% to 6.00% & retail down 0.50% to 5.50%).
- b. No material change in building outgoings.

Income Distributions

Income distributions made from the St Andrew's House Trust during 2019 were \$5.431 million (2018: \$5.298 million).

Conformance with Governance Policy for Diocesan Organisations

SAHC has assessed the extent to which its governance arrangements conform with the standards and guidelines in the Synod's *Governance Policy for Diocesan Organisations (Policy)*. In all material respects SAHC conforms with the Policy, subject to a caveat that, at the time of writing this report, an amendment ordinance was being prepared to address several minor areas of non-conformance with the Policy.

Adopted by SAHC on 27 May 2020