

Anglican Church Property Trust Diocese of Sydney

Managing Property Project Risks

The Anglican Church Property Trust Diocese of Sydney (“ACPT”) has a special role working with parishes in relation to proposed property projects. A particular concern of the ACPT is to ensure that risks are identified and strategies are in place to manage them.

A failure to adequately manage these risks may add significantly to the time and cost of a project, or detract from the quality of the finished project.

Key Risks

Property projects commonly lead to the following key risks arising –

1. *Key objective*

The key objectives need to be articulated and understood by all stakeholders. They will usually flow from the underlying ministry strategy of the parish. If the key objectives are not clearly articulated and understood the project may fail to adequately support and may even detract from the ministry strategy of the parish.

2. *Stakeholder*

The parish and the ACPT are not the only key stakeholders. They may also include other internal stakeholders such as the Standing Committee of Synod, the archdeacon (and/or bishop) and regional council, and a financier (such as the Finance & Loans Board, or Glebe Administration Board).

There are also external stakeholders such as the local council, heritage authorities, external financiers and the local community (particularly neighbours of the church site). Consultation with these stakeholders will be required to varying degrees and at different stages of a project.

A failure to understand the perspectives and procedures of all key stakeholders may mean that necessary approvals are not obtained, or are delayed, adding to the time taken to undertake the project. A failure to manage stakeholder risk may also impact adversely on the reputation of the Diocese, the parish, or an agency within the Diocese or parish or their relationship with the community.

3. *Key Person*

It is important that key persons, both clergy and laity, are able to be involved in the project until completion and that - where appropriate - succession planning is carried out. If key persons are removed, there is a risk that the project objectives may not be met.

4. *Design*

Where a proposed project involves the construction of a building, the project brief and the design both need to allow the key objectives of the project to be attained in a cost effective and functional manner.

Issues such as environmental sustainable design and the need for ease of ongoing repairs and maintenance are also part of the design risk. The design of the proposed building needs to be appropriately documented by way of plans and specifications.

5. Feasibility

A rigorous feasibility study will identify and address the significant issues raised (both financial and non-financial) which go to the heart of whether the project can be successfully implemented.

The feasibility study will identify what needs to be done to undertake a project to attain the key objectives, the projected project revenues, the projected expenses and the projected time frame.

Not only must the revenues and expenses be understood, but also the time at which the revenues are to be received and the expenses incurred. Projected cash flows (both inflows and outflows) are an important part of the feasibility.

The feasibility will contain assumptions, which must be tested to determine if they are realistic. Important issues of a non-financial nature will also need to be examined. Such issues might include local government planning rules, and whether the project complies with those rules and, if not, whether the matters of non-compliance make it difficult to obtain approval or meet the project budget.

The feasibility should contain a sensitivity analysis which allows the impact on revenues, expenses and cash flows to be measured should any of the assumptions (including assumptions about non-financial matters) turn out to be incorrect in a material respect. A feasibility study may show that a proposed project needs to be revised or that there are other alternatives for achieving the key objectives for which the project is being undertaken.

In an extreme case, the study may show that a project is not feasible. Even if a project is feasible, the feasibility study will need to be reviewed and updated if there is delay in obtaining approvals for the project.

6. Financing

The method by which the project is to be financed needs to be well understood. Is sufficient finance available to meet any cost overruns? If funds are to be borrowed to meet the costs of the project, is the proposed loan on appropriate terms? Does the parish have the capacity to pay the interest on the loan facility? Does it have the capacity to service the loan if the project expenses increase, or if completion of the project is delayed?

7. Consultant

Consultants need to be appointed who have the expertise and experience to provide advice about the proposed project. There may be a range of consultants who need to be appointed – including architects, project managers, town planning experts, quantity surveyors, land surveyors, engineers and valuers.

8. Builder

An appropriate builder must be appointed (by the ACPT on behalf of the Parish) to undertake the project. The builder must have demonstrated an ability to undertake the proposed project, and also have proven financial capacity.

9. Contract

Contracts, particularly building contracts, need to be on appropriate terms. For example a building contract needs to contain the detailed plans and specifications about the work to be undertaken. It needs to make clear the rights and responsibilities of the parties on matters such as payments, withholdings, insurance, project supervision, variations and weather delays.

10. Project Management

The project must be properly managed throughout its various stages. A failure to ensure appropriate management can add significantly to the cost of a project or detract from its quality or increase the time it takes to complete it.

The parish will frequently want to have a “hands-on” role in managing its project. Does the parish have the capacity and expertise to do this? Specialist management skills may be especially needed during the construction or development stage. Are such skills available for the project? Please note that the ACPT may require the appointment of an independent project manager (at the parish’s expense).

11. Communication

There needs to be adequate and timely communication between the stakeholders during the course of the project to ensure that expectations about roles, responsibilities and outcomes are managed. Communication is also necessary to maintain relationships between the stakeholders and the reputations of those involved in the transaction.

Managing Risk – the role of the ACPT

The ACPT has a significant partnership role in ensuring that the risks associated with a proposed project are appropriately managed. In order to do this the ACPT Board has delegated to an internal SDS management team the responsibility for reviewing project proposals with regard to many of the risks listed above. To fulfil this role, members of SDS management are kept up to date with all aspects of major projects as they progress through the various stages. The members of this team have various roles in SDS and, along with familiarity with many parish projects also have experience at a senior level in banking, project management and planning.

It should be noted that it is not the role of the management team or ACPT to review the ministry strategy of a parish (whether formally articulated or not) which underlies a proposed property project. This is properly the function of the parish in consultation with the relevant bishop and archdeacon or regional council.

Further, it is not the role of the management team or ACPT to manage the Design Risk. Generally, design risk is managed through the Archdeacon and the Regional Architectural Panel.