






## DUE DILIGENCE essentials

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 Board Trustee | 2<sup>nd</sup> Vice Chairman, IFMA Foundation






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## Session Objectives

- What is Due Diligence ?
- Principles and Applications
- Models, Scoping and Checklists
- Expenditure and Life Cycle drivers
- Guides and Resources Some Free Stuff ☺
- TDD ~ Risk ~ ESD ~ Quality ~ FM



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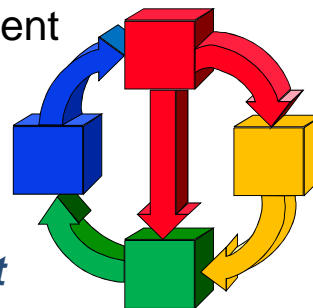
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## Rider Levett Bucknall

- a global property ~ construction ~ facilities consultancy with over 70 offices and 2,000 staff providing independent services across;

- **Advisory**
- **Cost Consultancy**
- **Project Management**



**TEROTECHNOLOGY:** "pursuit of the optimum technical and economic cost of ownership or lease of a facility over its whole life span"

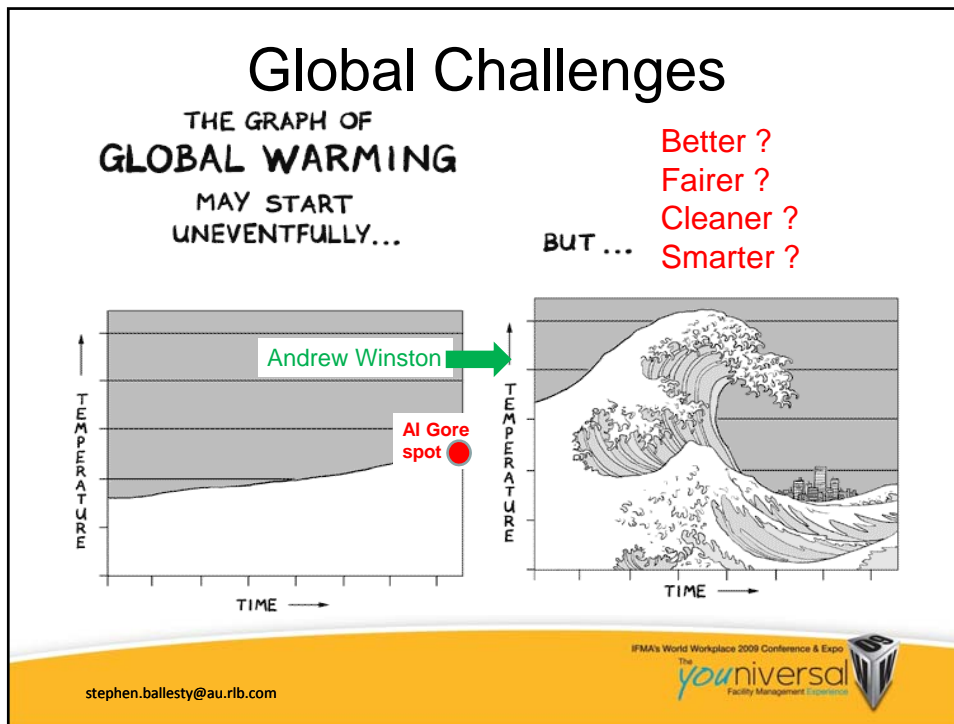
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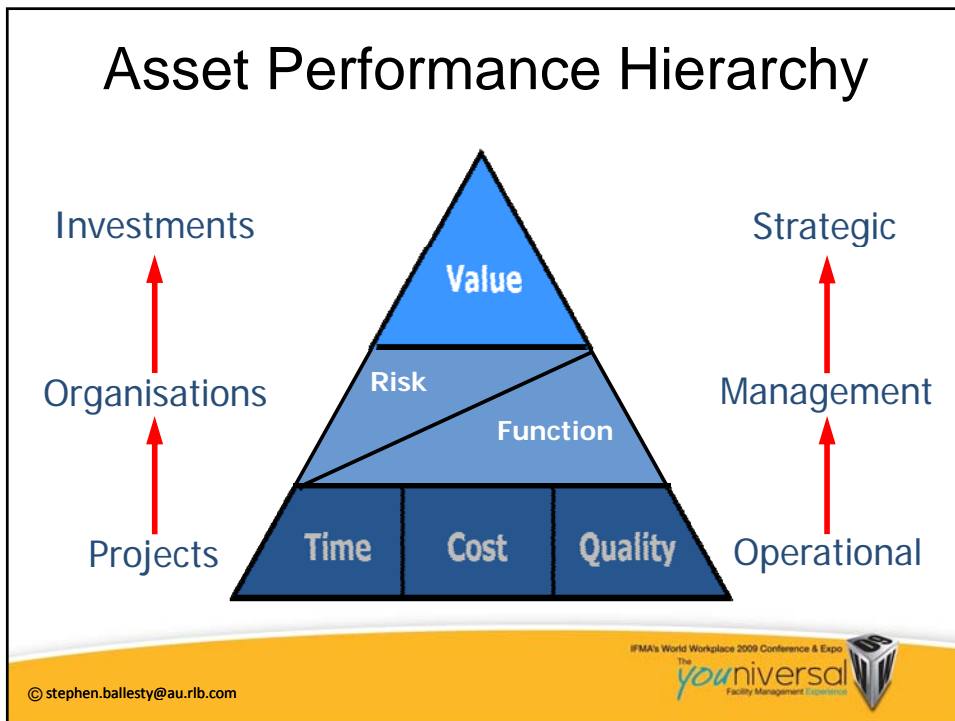
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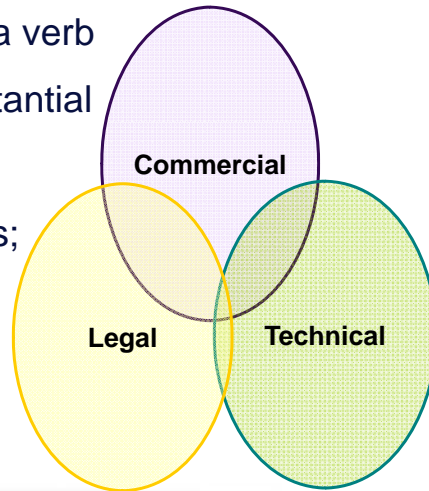






## What is Due Diligence ?

- Due diligence a noun or a verb
- Substantive and circumstantial
- A multi-faceted process
- Key elements / objectives;
  - ✓ 1. Compliance
  - ✓ 2. Benefits or values
  - ✓ 3. Risks or liabilities
- 'Caveat Emptor'



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## When to Due Diligence ?

- Acquisition
- Occupation
- Disposal
- Development
- On-going



When considering FM's contribution to a .....  
***“productive and sustainable Built Environment”***  
.... start with know your Facility !!

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## Scoping TDD - principles

- Legal, technical, valuation and financial / accounting
- Discovery, quantification and reporting
- Identification of impacts - return on investment and user satisfaction
- Requirements, levels of assessment and staged reporting
- Risk Management – transactional v's whole of life operations



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## Scoping TDD - models

- 1) In-house resources
  - 2) In-house or project management of specialists
  - 3) External Consultancy with internal team of specialists
  - 4) External Consultancy utilising a customised mix of internal and external specialists
- One size does **not** fit all – *tailored solutions*



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## Scoping TDD - checklists

- Building fabric, structure and façade
- Engineering services and capability
- Building regulations compliance
- Environmental / hazmat liabilities
- Value adds:
  - CAPEX forecasts and risk analysis
  - OPEX and maintenance budgeting
  - Reinstatement / Replacement costs
  - Condition indexing / Quality grading
  - Tax depreciation entitlements
  - FM audit and benchmarking
  - Sustainability, etc.



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## Scoping TDD - expenditure

- Fully co-ordinated and costed reporting
- Prioritisation by timing and risk profiles
- CAPEX forecasts and risk analysis
- OPEX and maintenance budgeting
- Life expectancies and obsolescence
- Quality expectations & FM performance
- Due diligence for life = FM Audits
- Costs v's Values

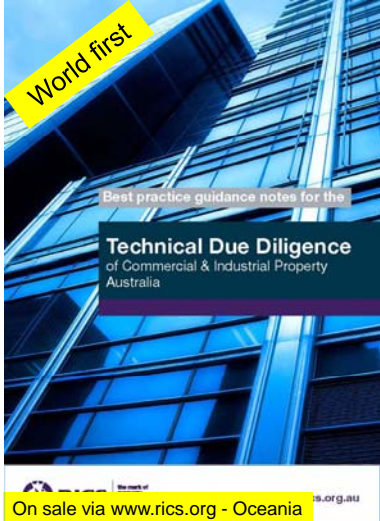


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## Technical Due Diligence



- RICS Best Practice Guidance on Technical Due Diligence (2009)
- Provides a 22 page “guide”, not an instruction manual or standard
- Risk mitigation, value enhancement & opportunity identification
- Structure and language

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## Technical Due Diligence

### What the RICS Guide covers

- Types of inspections
- Taking instructions & third party appointments
- Main components of the Technical Due Diligence Report
- Interpretation of the Report
- Matters for legal advisers attention
- Insurance
- **Annexures**
  - ✓ Confirming scope of service
  - ✓ Report limitations


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## Technical Due Diligence

**Why bother ?**

- Fiduciary responsibility, compliance and caveat emptor
- Discovery and Analysis of obligations and opportunities
- Risk mitigation and prioritisation
- Value enhancement and optimisation
- FM performance audits, Relifing, CAPEX and Life Cycle drivers




*Technical Due Diligence, demonstrates real value in the pursuit of **Quality***

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## Asset Life Cycles

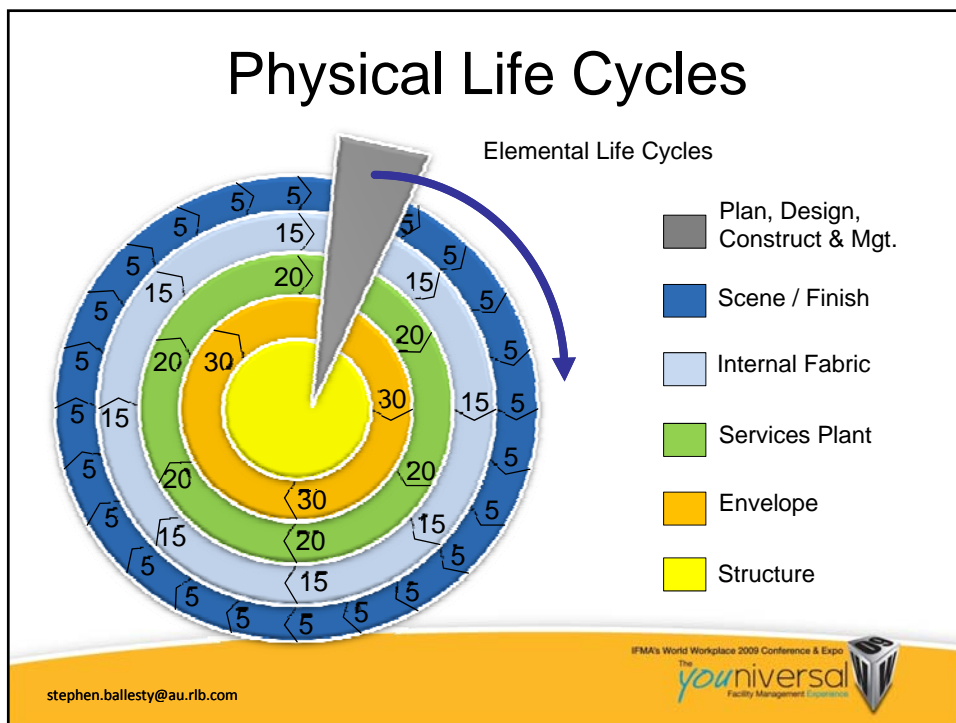
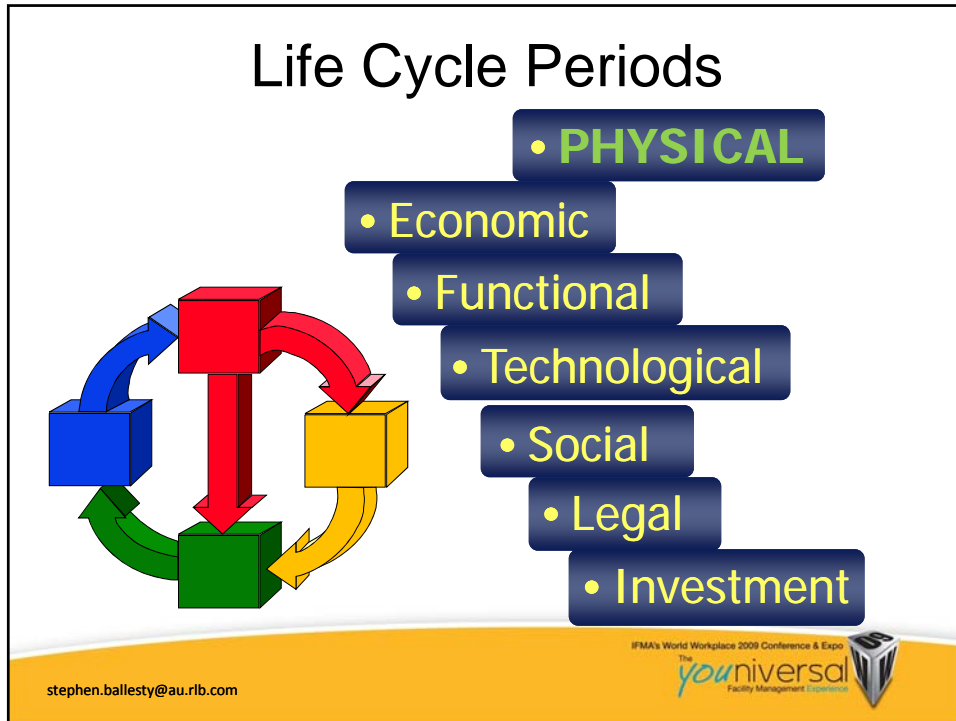
Life cycle is *“the time interval between a product’s recognition of need or opportunity and its disposal”*  
Source: AS/NZS 4536:1999



AQUIRE MAINTAIN RELIFING MAINTAIN DISPOSE

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## Relifing Considerations

- Aligning asset management planning
- Business drivers, valuations and financials
- Existing facility use, condition and utilization
- Maintenance policy, planning and procedures
- Quality expectations and benchmarks
- Redevelopment and refurbishment opportunities

Culturally moving beyond compliance and towards re-positioning existing assets to be innovative, efficient, productive and sustainable

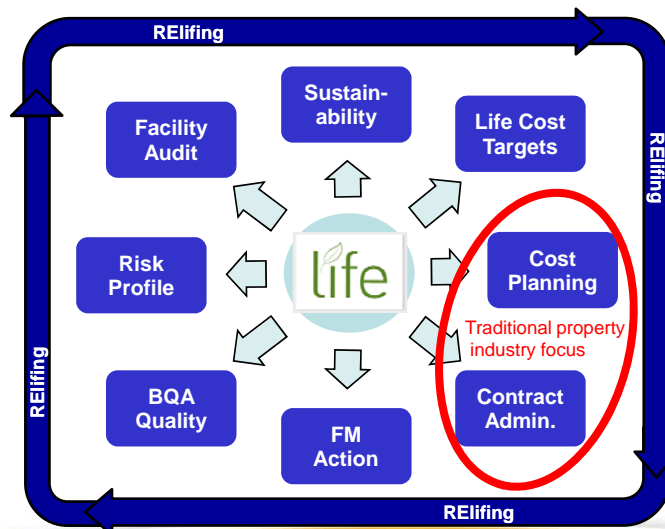
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## RElifing™ Strategies



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## ESD Operations Guide



- Australian Government's new 94 page Guide to impacts on **quality of life**
- Recognises and links FM, good design and effective **life cycle performance**
- Cost-effective pathways to environmental performance in existing buildings for **owners, managers and tenants**

Free Download - [www.environment.gov.au/settlements/government/publications/esd-operations-guide.html](http://www.environment.gov.au/settlements/government/publications/esd-operations-guide.html)

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## Office Quality Guide



- Property Council of Australia (PCA) 36 pages (2006)
- Recognized for the first time the use of Green Rating tools linking sustainability to quality
- a Guide in 2 parts
  - ✓ Grading matrix for **existing** offices
  - ✓ Specification for **new** offices

On sale via [www.propertyoz.com.au](http://www.propertyoz.com.au)

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## Benchmarking Quality

### Five PCA Quality Grades

- Premium – landmark and prestige
- Grade A – high quality
- Grade B – good quality
- Grade C – average quality
- Grade D – poor quality

Both **existing** and **new** offices



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## Benchmarking Quality

### How it works

- Criteria matching
- 14 Quality categories
- Consider user weighting
- A quantitative approach to quality
- Design, refurbishment or CRE / FM optimisation
- Basis for benchmarking for all stakeholders
- Building Quality Assessment (BQA<sub>TM</sub>)

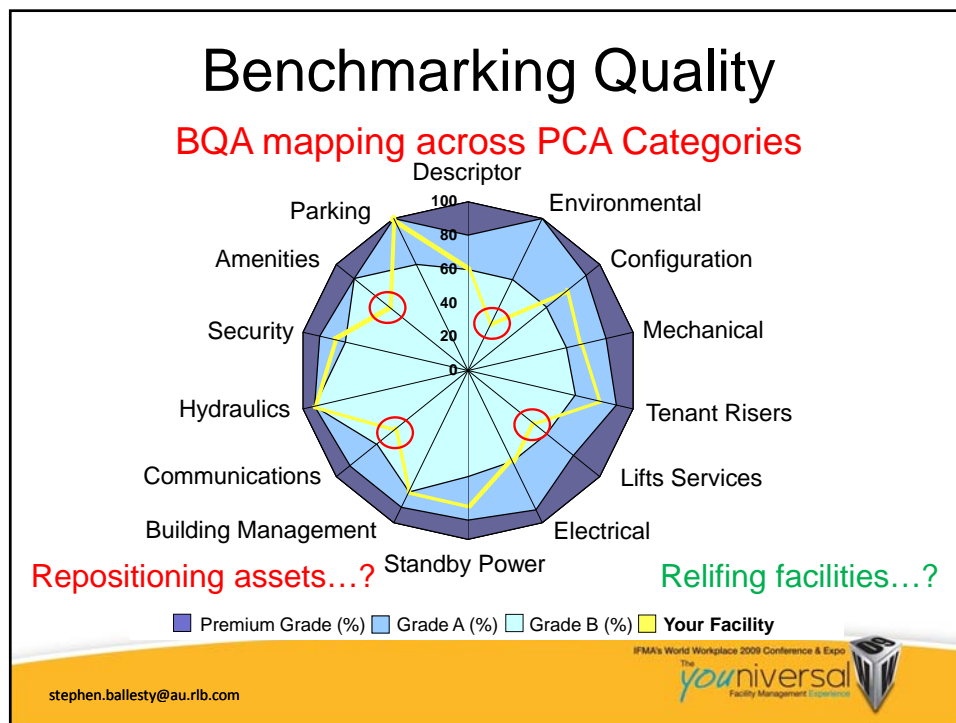
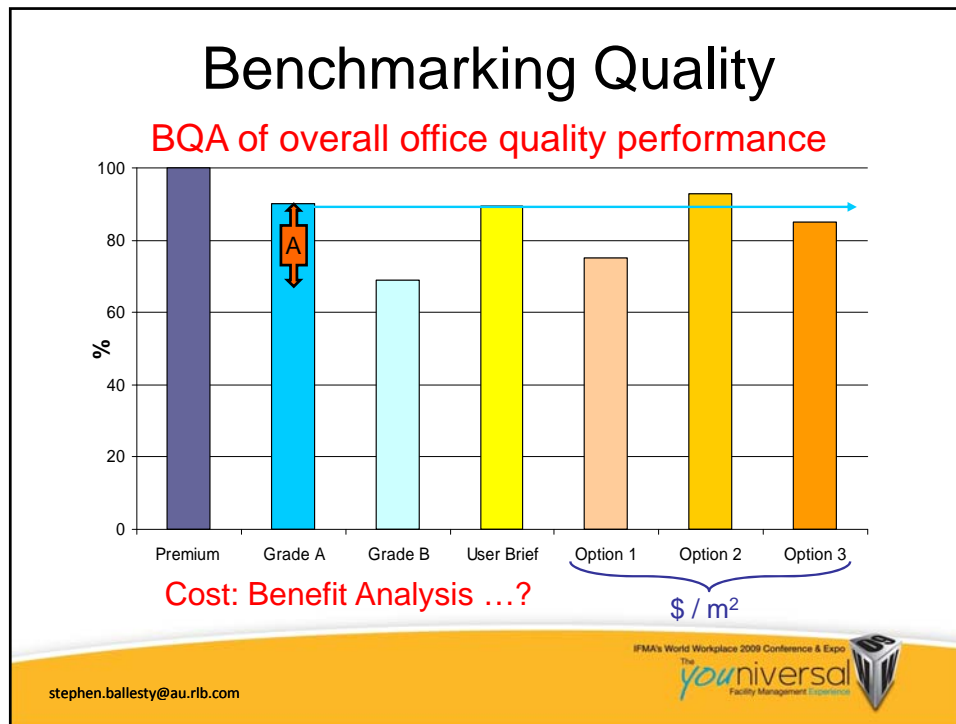


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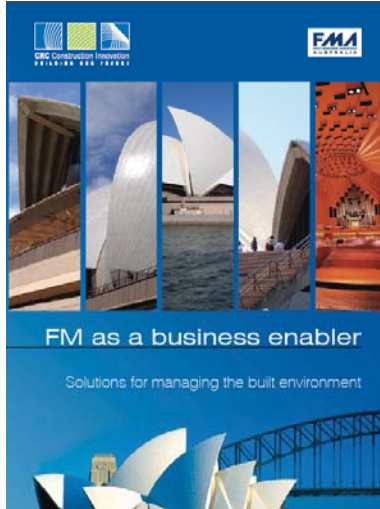
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## FM Exemplar Project



- Sydney Opera House with three FM research streams;
  - ✓ Digital Modelling
  - ✓ Services Procurement
  - ✓ Performance Benchmarking
- Integrated solutions for industry '**FM as a business enabler**' (2007)

Free Download 'FM as a business enabler' - <http://construction-innovation.info/index.php?id=53>

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## Benchmarking Performance

**Total Asset Management (TAM) strategy**  
Alignment between business drivers, services provided and asset dependency underpinned by information, procurement and benchmarking systems.

**Business Drivers**

Results and services

Asset service dependency

**Source: 'FM as a business enabler' (2007)**

- Three research themes:
  - Digital modelling
  - Services procurement
  - Performance benchmarking
- Integrated FM solution

- |  |  |
|--|--|
| 1. <b>Function</b>                                       | (attributes, risks, performance)       |
| 2. <b>Condition</b>                                      | (priorities, lifecycles, liabilities)  |
| 3. <b>Maintenance</b>                                    | (practices, obligations, presentation) |
| 4. <b>Utilisation</b>                                    | (targets, restrictions, opportunities) |
| 5. <b>Sustainability</b>                                 | (ESD, energy, water, waste, carbon)    |
| <b>Metrics</b> ( / m2, / rise, / period, / task, / user) |  |

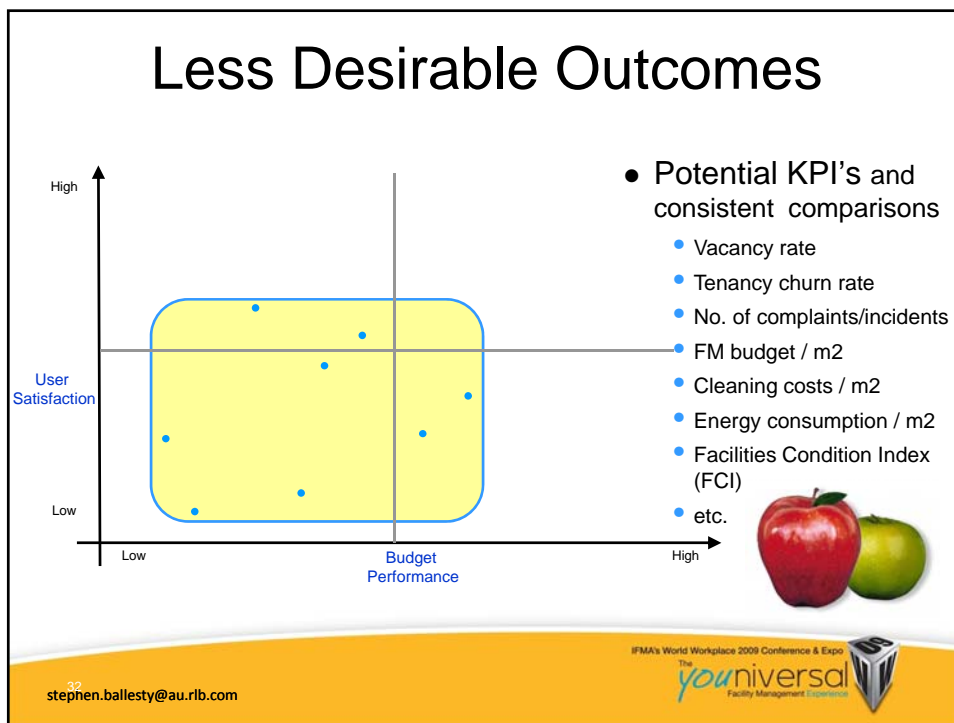
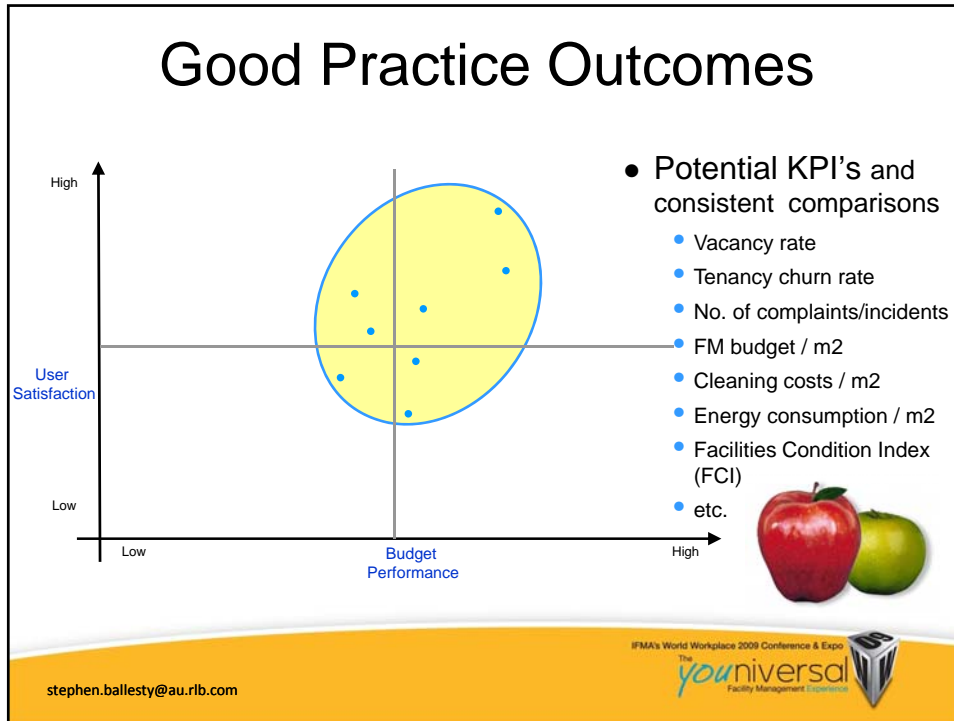
**Integrated FM solution**

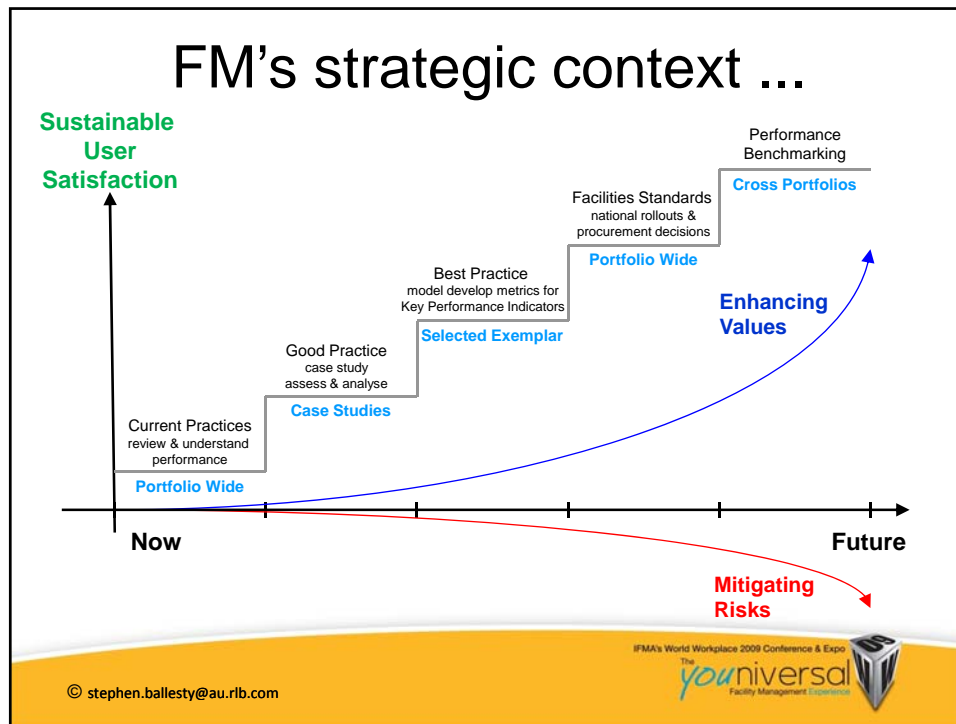
Information – Procurement – Benchmarking

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## TDD essentials

- “Discovery & Analysis” ~ risk mitigation & value identification opportunities
- Responsibility, performance & compliance
- Publication of best practice guidance
- **Technical Due Diligence** ...  
scope ~ function ~ utilisation ~  
condition ~ costs ~ maintenance ~  
sustainability ... Risk ~ Quality ~ Value
- **Briefing + Scoping + Reporting = Knowledge**




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## FM's strategic context ...

**... a new dawn for FM ... now ?**



**“if you're waiting for the right time ...  
it probably won't come”**

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