BEYOND CONDITION

PROPERTY TECHNOLOGY | BUILDING CONSULTING

Condition and risk ratings

How Beyond Condition helps clients define their own risk ratings

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Disclaimer

Interpretation

Prioritisation

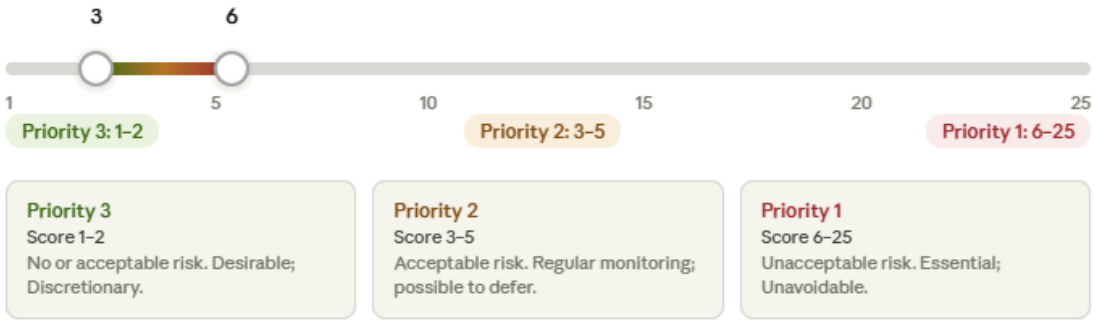
Beyond Condition seeks to assist clients in making informed assessments of the risks associated with the condition and risks presented by built elements and assets. Interpreting condition and risk varies however, between different clients, contexts, and even on an engagement by engagement basis. It is therefore necessary for us to interpret risk and provide a baseline for its definition.

Prioritisation of each line item within a capital expenditure schedule, condition schedule or asset register is calculated using the following risk matrix:

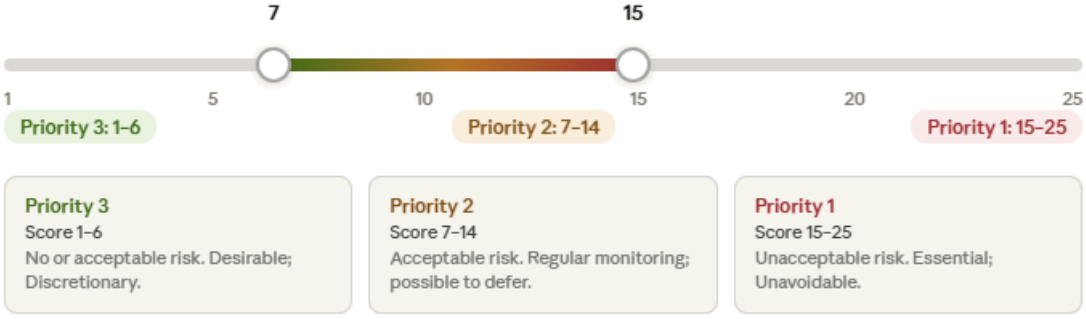
Severity						
Critical	5	5	10	15	20	25
Major	4	4	8	12	16	20
Moderate	3	3	6	9	12	15
Minor	2	2	4	6	8	10
Insignificant	1	1	2	3	4	5
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
				Likelihood / Probability		

Table– Adapted Risk Matrix, Source: ISO 31000:2018 - Risk management - Guidelines[i]

Our Deliverables are typically prepared with specific Client objectives in mind. The following defaults are offered in place of the standard "RAG Rating" (Red/Amber/Green or other 3 tier system):



The key difference is this approach allows each Client or user to agree and assign *their own* priority levels ahead of time. For example, if they define their risk appetite in the context of their organisation as being more liberal than above, then we can adjust the way we present our findings:



This configuration can also accommodate splitting the ratings or priorities up to be more granular; such as by 4 or by 5 rating levels instead of the default 3, agreeing at the outset the desired risk score bracket to be assigned to each.

Upon appointing Beyond Condition where our scope of work includes making assessments of this type, we will provide you with an Excel tool which you can toggle and return to us, setting a clearly agreed baseline.

General Definitions

Recent studies have delved into how individuals interpret probabilistic terms. For instance, a 2020 study examined how Dutch speakers, both laypeople and statisticians, understand probability phrases commonly used in news articles, revealing significant variability in interpretations. Additionally, a 2022 cross-language study investigated how people from different linguistic backgrounds verbalise probabilities in visual contexts, highlighting differences in expression and interpretation across languages. Furthermore, a 2023 study compared human interpretations of probabilistic phrases with those generated by GPT-4, finding that GPT-4's estimates closely aligned with human participants' assessments. These studies show the variability in interpreting probabilistic language and suggest that factors such as cultural and linguistic backgrounds can influence understanding.

For all of the buildings we report on, we have to build that context up first to ensure that there is no ambiguity that a shared understanding has formed. We do this using simple, clear language, and by not expressing platitudes.

We must acknowledge that the use of probabilistic language subject to variability of interpretation. For example, each report must clearly define “it’s possible”; “unlikely”; and “almost certain” to create a baseline for understanding between the author and the reader. This is where RAG ratings fail: people’s risk appetites and profiles are different from one another, and so a Red rating for one might be an Amber rating for another.

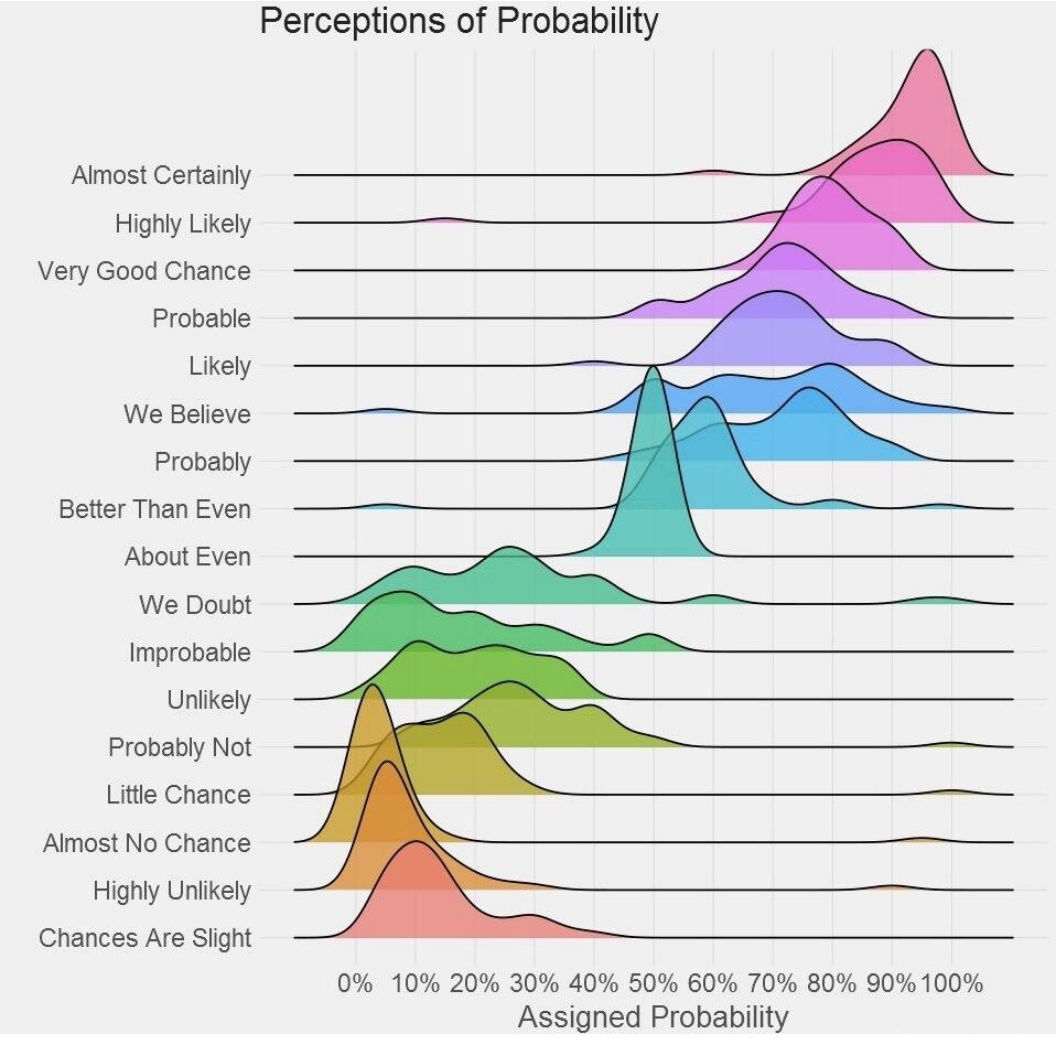


Figure 1 - Source: https://arxiv.org

Ambiguous, subjective, or exaggerated language introduces significant professional risks. Clear, precise language ensures that findings are understood as intended and protects both parties from unnecessary complications.

Beyond Condition has therefore developed this process, not just mitigate this risk, but to provide bespoke value to the specific audience the report has been prepared for. Our Deliverables build in a client touch point for us to guide them in fine tuning risk scoring to reflect their own risk appetite and internal controls. This way, by the time the detail has filtered through to the investment paper, board report, and key decision makers, those managers can have 100% confidence in communicating risk levels.

The last step in removing ambiguity is to provide clarity on definitions as follows:

Likelihood / Probability	The chance that something might happen
Rare	Works that could arise and is subject to a standard of maintenance; Items which can be deferred without seriously disrupting the function of the building; Occurring less than 0.1 % of the time/cases
Unlikely	Works that could arise and is subject to standard of maintenance. Items that can be deferred without seriously disrupting the function of the building
Possible	Based on physical condition and theoretical life cycle of the asse; works that are Possible to occur and/or are desirable to maintain the environmental quality of the asset and its surroundings
Likely	Strong possibility that these works will be required. Normally affects the operational capacity of the building, are Possible to lead to serious deterioration and higher future costs of repair or improves the health and safety features of the building
Almost Certain	Works needed as a result of current or predicted failure or to ensure the health and safety of building occupants and users including work to prevent serious disruption of building activities
Severity	The level of damage or impact possible arising from a hazard
Insignificant	No lasting detrimental or negligible / isolated impact on the health and wellbeing of the physical, psychological, aesthetic, social and cultural environs and the occupants.
Minor	Short-term isolated impact on the health and wellbeing of the physical, psychological, aesthetic, social and cultural environs and the occupants.
Moderate	Less serious violation of law which results in a warning or a command; economic loss which can be restored; reduction of reputation that may influence trust and respect of stakeholders.
Major	Injury or reduced health; Violation of law which results in minor penalty or fine; or a large economic loss which cannot be restored; or serious loss of reputation that will influence trust and respect of stakeholders for a long time.
Critical	Single or multiple deaths; permanent reduction of health; Serious violation of law which results in penalty or fine; considerable economic loss which cannot be restored; serious loss of reputation devastating for trust and respect of stakeholders.
Consequence	The outcome of an event; has an effect on objectives; mainly bad, unwanted, unpleasant effects on cost or wellbeing objectives.
Risk Type	The *nature* of a consequence is categorised into: operational; legislative; health and safety; and resilience
Operational	Business continuity disruption; impact to income;
Legislative	Consequence resulting from requirements of regulations and law, present and (Possible) future; Lease covenants or mechanisms triggered

WHS	Consequence is injury, loss of life, any workplace health and safety impact
Resilience	Consequence is obsolescence, barrier to carbon neutral targets (self-imposed, not legislated), other sustainability objectives; not being able to recover quickly or at all from a setback caused by weather events.
Residual Risk	The risk left over after implementing a risk control/treatment option
CAP	Line items within the capital expenditure schedule coded as capex
R&M	Line items within the capital expenditure schedule coded as repair and maintenance. These are items identified during the investigation that are considered to be backlog costs falling immediately into year one of this report. They may also be items which are considered relevant to the transaction.
MISC	Line items within the capital expenditure schedule that do not fall into CAP or R&M but are considered relevant to the transaction.
Good condition	The element is performing its intended function with no significant defects or deterioration. It requires little to no immediate maintenance beyond planned maintenance.
Fair condition	The element exhibits signs of minor wear, age, or deterioration but remains functional without impacting operations or health and safety. Some maintenance or minor repairs may be required in the short to medium term.
Poor condition	The element has significant defects, damage, or deterioration that affects its performance, a property or business' operations, or is a risk to health and safety. It may require urgent repair, replacement, or remedial action.
Immediate term	An action taking place as soon as reasonably possible
Short term	An action taking place within 12 months
Medium term	An action taking place between 1 and 5 years
Long term	An action taking place in excess of 5 years

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