
Facility management — Guidance on strategic sourcing and the development of agreements

*Facility management — Directives sur le procédé
d'approvisionnement stratégique et d'élaboration des accords*

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Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

Attention is drawn to the possibility that some of the elements of this document may be the subject of patent rights. ISO shall not be held responsible for identifying any or all such patent rights. Details of any patent rights identified during the development of the document will be in the Introduction and/or on the ISO list of patent declarations received (see www.iso.org/patents).

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For an explanation on the voluntary nature of standards, the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT) see the following URL: www.iso.org/iso/foreword.html.

This document was prepared by Technical Committee ISO/TC 267, *Facility management*.

Introduction

The International Standards on facility management (FM) developed by ISO/TC 267 describe the characteristics of facility management and are intended for use in both the private and public sectors.

NOTE The terms “facility management” and “facilities management” can be used interchangeably.

International cooperation in the preparation of these International Standards has identified common practices that can be applied across a wide variety of market sectors, organizational types, process activities and geographies, and their implementation will help to:

- improve quality, productivity and financial performance;
- enhance sustainability and reduce negative environmental impact;
- develop functional and motivating work environments;
- maintain regulatory compliance and provide safe workplaces;
- optimize life cycle performance and costs;
- improve resilience and relevance;
- project an organization’s identity and image more successfully.

FM and related goods and services support the achievement of core organizational activities and objectives. The purpose of this document is to enable organizations identify and select the most appropriate options for the design, sourcing and delivery of FM. This document provides step-by-step guidance on the overall strategic sourcing process and on how to prepare and implement adequate internal or external FM agreements.

This document also provides guidance on:

- types of agreements;
- development, structure and contents of agreements;
- clarification of definitions, where appropriate.

This document promotes a methodology from a strategic level to an operational level, with examples and check lists. The application of this sourcing approach is intended to contribute significantly to adding value and optimizing costs of operations for FM professionals and procurement, finance and senior management teams.

[Annexes A](#) and [B](#) give examples of requirements for typical services and of a business case. [Annexes C](#) and [D](#) provide general and specific clauses and structured checklists for typical agreements. These annexes facilitate the selection of important clauses and preferences in the development of agreements, which allow for differences in origin, purpose and national rules and regulations, and are based on a generic platform.

This document is primarily written for complex in-house or externally procured services, and might need to be scaled down if used for smaller projects. Not all information in this document will be applicable to every FM process or agreement.

In this document, references to “agreement”, “service” or “service provider” are specific to FM and facility services agreement, facility service or facility service provider (internal or external). Any reference to a single service can also include multiple services.

Facility management — Guidance on strategic sourcing and the development of agreements

1 Scope

This document provides guidance on sourcing and development of agreements in facility management (FM). It highlights:

- essential elements in FM sourcing processes;
- FM roles and responsibilities in sourcing processes;
- development processes and structures of typical agreement models.

This document is applicable to:

- strategic processes related to service and support functions for the core business;
- development of FM strategies;
- development of facility service provision agreements covering both public and private service demand and internal and external production/delivery options;
- development of FM information systems;
- FM education and research;
- organization development and business re-engineering processes in major types of working environments (e.g. industrial, commercial, administration, military, healthcare, accommodation).

2 Normative references

The following documents are referred to in the text in such a way that some or all of their content constitutes requirements of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

ISO 41011, *Facility management — Vocabulary*

3 Terms and definitions

For the purposes of this document, the terms and definitions given in ISO 41011 apply.

ISO and IEC maintain terminological databases for use in standardization at the following addresses:

- ISO Online browsing platform: available at <http://www.iso.org/obp>
- IEC Electropedia: available at <http://www.electropedia.org/>

4 Sourcing strategy and understanding the core business context

4.1 Sourcing strategy

Aligning the structures and delivery of FM and support services provision with the demand organization's business strategy is critical to successfully achieving core business objectives. It is

important that the FM organization analyses the demand organization's strategy. An effective sourcing process is important to achieve that objective.

Criteria that can have an impact on sourcing strategy include, but are not limited to:

- the competitive environment;
- value drivers (including cost/benefit analysis);
- the need for resource flexibility;
- business risk;
- reliability of supply chain / risk of over-reliance on single suppliers;
- operational interdependencies;
- availability of in-house FM expertise;
- the availability and capability of various supply options;
- corporate policies (e.g. environmental and corporate responsibility);
- regulatory compliance requirements and expected legal changes;
- organizational culture and management style;
- reporting requirements and management information systems;
- corporate targets on strategic and operative level;
- innovation;
- real estate and FM strategy;
- property portfolio.

As most organizations live in an environment of dynamic change, these sourcing processes should be continuous and at all times be closely linked to the organization's overall business strategy.

It is vital that adequate FM competence is available to support the sourcing process through internal and/or external sources. These competences should include, but not be limited to:

- understand core business;
- analytic skills;
- management skills;
- communication skills;
- appropriate knowledge of FM;
- procurement skills;
- legal skills;
- environmental, social and cultural awareness;
- ability to evaluate services options and required outcomes.

4.2 Strategic, tactical and operational level

4.2.1 General

In order to succeed and deliver required results, FM should be in close synchronization with the mission, vision, objectives and domains of the core business. It is the role of FM to provide strategic guidance to the core business, interpreting needs and translating them into explicit service demand and requirements. FM acts on the main three levels:

- strategic;
- tactical;
- operational.

NOTE “Strategic level”, “tactical level” and “operational level” are defined in ISO 41011.

4.2.2 Strategic level

At the strategic level, the aim is to achieve the objectives of the organization in the long term by means of:

- defining the FM strategy in accordance with the organization’s strategy;
- policy-making, elaborating guidelines for space, assets, processes and services;
- active input and response;
- initiating risk analysis and mitigation and providing the direction to adapt to changes in the organization;
- defining performance management policy and outcomes;
- assessing the impact of facility on the primary activities, external environment and community;
- maintaining relations with authorities and other stakeholders;
- approving business plans and budgets;
- providing advisory services to demand organization;
- defining re-procurement criteria;
- making procurement decisions.

4.2.3 Tactical level

At the tactical level, the aim is to implement the strategic objectives in the organization in the medium term, e.g. through:

- administration;
- reporting (setting up and performing);
- recording (status and events);
- implementing and monitoring guidelines for strategies;
- developing business plans and budgets;
- translating FM objectives into operational level requirements;
- defining service level agreements (SLAs);

- defining key performance indicators (KPIs);
- managing projects, processes and agreements;
- managing the FM teams;
- managing the services team;
- optimizing the use of resources;
- adapting to and reporting on changes and statuses;
- communicating with internal or external service providers on a tactical level.

4.2.4 Operational level

At the operational level, the aim is to create the required environment to the end users on a day-to-day basis, e.g. through:

- delivering services in accordance with the SLA;
- monitoring and checking the service delivery processes;
- monitoring the service providers;
- receiving requests for service (e.g. via a help desk or service line);
- collecting data for performance evaluations, feedback and demands from end users;
- reporting to tactical level;
- communicating with internal or external service providers on an operational level.

5 Sourcing process in FM

5.1 Process flow chart

The sourcing process consists of the steps described in [Clauses 5](#) to [10](#), as illustrated in [Figure 1](#).

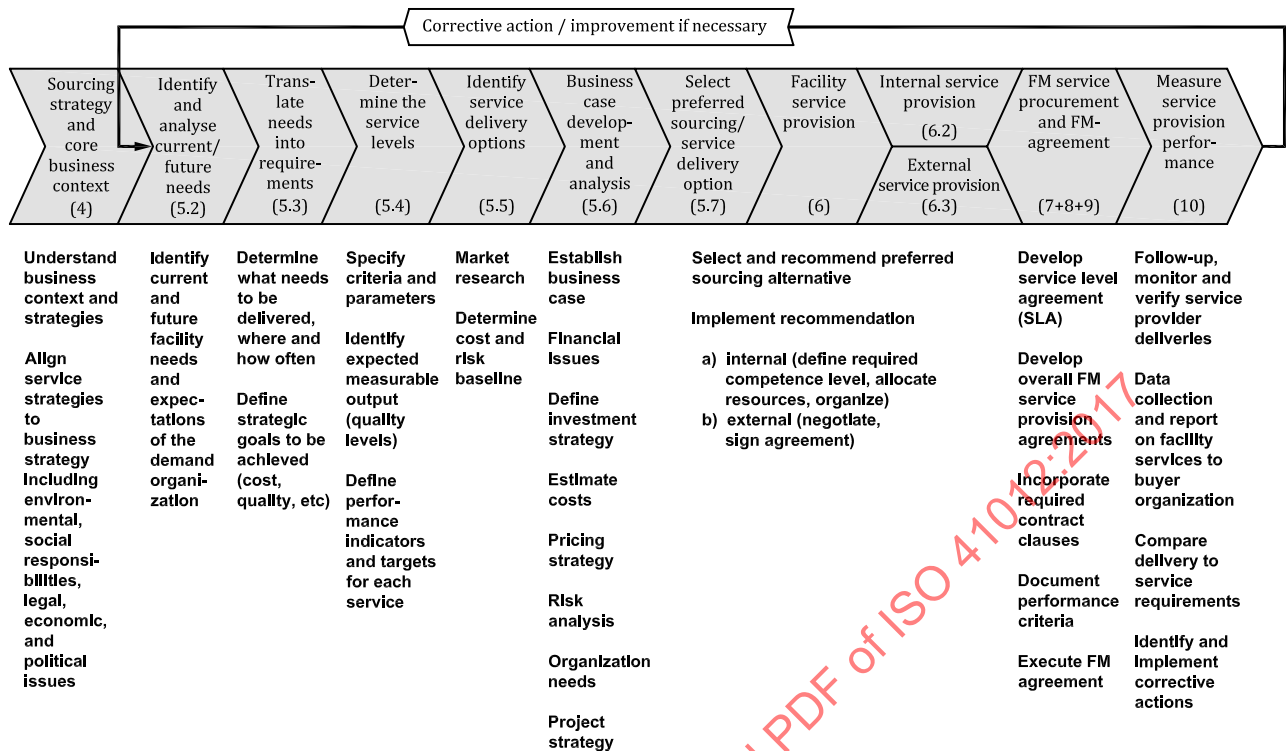


Figure 1 — Sourcing process overview

5.2 Identify and analyse current and future needs and expectations

This step of the sourcing process is shown in Figure 2.

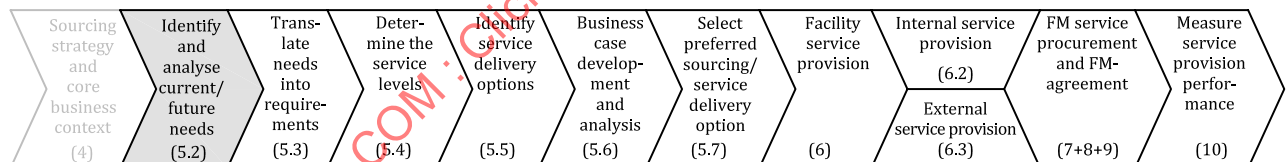


Figure 2 — Sourcing process: Identify and analyse current and future needs and expectations

The first step in the identification of needs is to understand the current conditions and establish a baseline. It is imperative to have a good understanding of the current organizational structure and capabilities, service delivery models, existing service contracts, and current performance measures. The following additional elements of existing core business information are important in most sourcing processes. As managing service supply may cover a very broad range of needs and demands of totally different natures, FM related sourcing should acquire as a minimum the following information from the demand organization:

- primary activities and core business, mission, vision, strategy and corporate values;
- key objectives of business/activities;
- geographical locations and areas of operation, building portfolio and space;
- strategic directions of the organization short/long term and its influence on, for example, building portfolio, technical infrastructure, work force and competence;
- organizational culture, structure, governance and principles of decision making (local, regional, global);

- current and possible future (intended) corporate image and trademark;
- range and nature of core products/services and distribution (local, regional, global);
- strategic considerations related to sustainable environmental issues and social responsibilities;
- security, resilience and other risk concerns with decisive influence on strategic choices;
- customers, demand organizations and other stakeholders with decisive influence on strategic choices;
- management of information for planning and controlling services;
- existing basis and arrangements for service provision and scope of services;
- the interface between the primary activities and support services;
- the “as is” situation: users’ expectations and satisfaction of present range and quality of services provision;
- applicable statutory and legislative requirements.

It is essential that the organizational needs are clearly articulated and the ultimate objectives/goals are documented before commencement of any FM sourcing activity.

It is also important to understand the critical opportunities and risks and to identify the consequences current and future strategic decisions will have on the service and facility support demand of the core business.

The FM organization should have information on:

- the top management’s impressions of the present FM-organization’s performance, service levels and qualities;
- the strategic planning timeframe of the demand organization/business unit;
- changes in core strategies which, within their planning horizon, are expected to cause notable impact on:
 - stakeholders’ expectations;
 - geographic representation;
 - building portfolio/tenancies;
 - sites and locations;
 - workspace/workplace;
 - products and distribution;
 - technical infrastructures and other infrastructure assets;
 - human resources and corporate culture and identity;
 - security and operational risk issues;
 - sustainability and environmental issues;
 - social responsibilities;
- the most likely serious challenges and what impact they can have on needs and demand of service and support;
- business objectives, main drivers and constraints;

- split between core and non-core business;
- sustainability aspects;
- scope of services;
- innovation requirement;
- special service requirements and hazardous operations, where applicable;
- transitional arrangement;
- current service delivery model.

5.3 Translate needs into requirements

This step of the sourcing process is shown in [Figure 3](#).

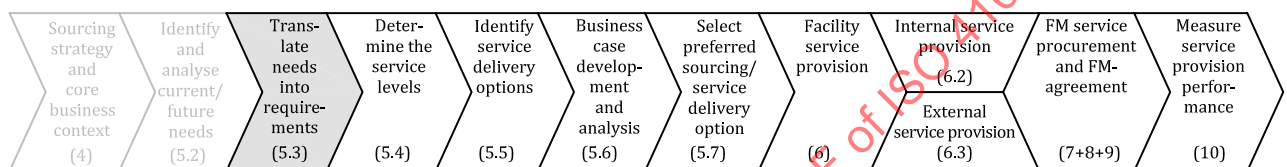


Figure 3 — Sourcing process: Translate needs into requirements

After an understanding of the needs of the core business is established, the scope of the facility service or services to be provided needs to be defined. The translation of a need to a requirement is to identify satisfaction criteria and corresponding service and/or goods.

See [Annex A](#) for examples of how to translate needs into requirements.

The scope of facility services may include a single service or a range of facility services.

All services supporting the primary activities should regularly be checked for relevance, adequate performance and cost efficiency.

New service requirements can involve needs for knowledge and skills that have not been required before, and it is important to include such resources early in the process. The following activities and considerations should be carried out:

- check required and available data for assessment/estimation of service options to satisfy new requirements;
- estimate volumes, specify preliminary service levels, quality and performance requirements for new service provision and get verification/acceptance from top management;
- adjust volumes, service levels, quality and performance requirements on current service and support in accordance with information from the primary activities;
- express performance requirements in measurable terms with corresponding/suggested performance indicators, in order to compare agreed/decided performance requirements with measured results;
- consider interdependencies between FM activities which are important for creating or retaining synergies between them.

5.4 Determine the service levels

This step of the sourcing process is shown in [Figure 4](#).

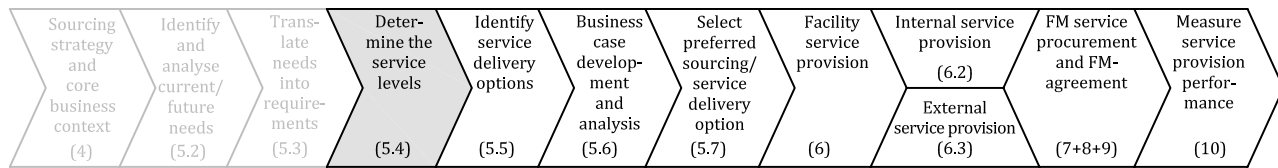


Figure 4 — Sourcing process: Determine the service levels

After the demand requirements have been developed, the next step is to establish the level of service or quality of performance to meet the requirements. The translation of requirements into specifications will define the appropriate scope of work and required resources. Until the level of service is determined, staffing levels or service provider provisions cannot be completely quantified.

The expected level of service needs to consider both qualitative and quantitative standards. There are two key elements that are fundamental in creating effective service levels:

- a) the expectations should be practical and achievable;
- b) the expectations should acknowledge that the relationship between level of service and quantity of resources needs to meet the level of service.

The service levels should relate to each requirement meeting a need of the core business. Performance measures should be identified and clearly stated for all requirements. These performance measures can be qualitative or quantitative, but should be sufficient to determine that needs and expectations are being met or, if not, adequate to address gaps and requirements to improve performance.

A format and structure for service level requirements is included in [Annex D](#).

The appropriate mix of service level performance measures defines the management metrics or KPIs and can include some or all of the following:

- budget compliance/variance;
- response times (e.g. emergency, urgent and routine work);
- work completion rates;
- amount of proactive versus corrective (i.e. reactive) work;
- preventive maintenance compliance;
- safety inspection and testing compliance;
- staff/contractor utilization/productivity;
- level of cleanliness (internal and external);
- move and relocation management;
- project performance compliance;
- sustainability performance;
- system or equipment reliability;
- interruptions to operation;
- utilization of space or vacancy rates;
- energy conservation performance;
- life cycle performance of assets (i.e. meet expectations for useful life);

- benchmarks;
- total costs of ownership.

The determination of performance indicators or management metrics should be established independent of the method of service delivery discussed in 5.5.

At this point in the process, conclude and develop preferred service option(s) based on these requirements.

NOTE For more guidance on quality in FM, see EN 15221-3.

5.5 Identify service delivery options

This step of the sourcing process is shown in Figure 5.

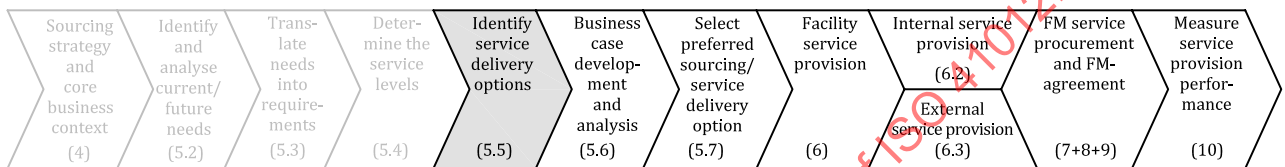


Figure 5 — Sourcing process: Identify service delivery options

There are three main options for service provision:

- all services provided and distributed by an in-house FM organization;
- all services outsourced on agreement(s) with one or more external service providers;
- some services provided by an in-house FM organization and some by external service providers.

Even when all services are outsourced or out-tasked there should be an FM competence available within the demand organization.

There are a number of important issues that need to be closely analysed before finally deciding whether a service should be sourced by in-house staff or procured from an external provider, including the following:

- Does the organization have the staff levels, capabilities, skills, knowledge, organizational and supervisory structure, and supporting facility and tools to meet internal service provision requirements?
- Does the market offer the total range of services with the quality specifications which are required by the primary activities, or only partly?
- Will the organization be operating in regions where there is no qualified market offers for the required services?
- Is the value of demand for the required service(s) large enough to keep an economical viable competence level and an in-house organized production capacity compared with what the market offers for similar services?
- Are there special considerations to secure business continuity or specific security measures which only can be satisfied by keeping the appropriate service(s) produced by in-house resources?
- Are there principal strategic decisions or considerations of political, cultural or other social aspects which are mandatory and/or override conclusions on one or more of the questions above?

5.6 Business case development and analysis

5.6.1 General

This step of the sourcing process is shown in [Figure 6](#).

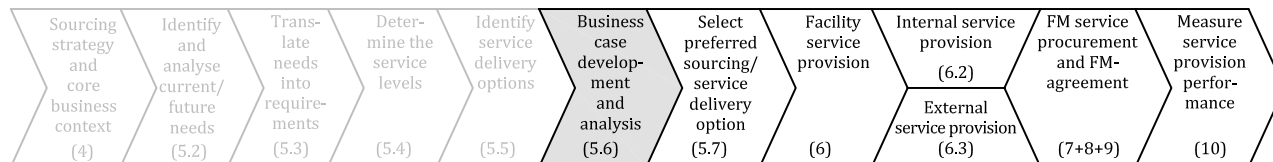


Figure 6 — Sourcing process: Business case development and analysis

The next step in the sourcing process includes the development of a business case which summarizes the scope, benefits, value, financial implications and risks of a proposed solution to a business need.

5.6.2 Financial considerations

There are a number of important financial considerations to be closely analysed before finally deciding whether a service should be sourced by internal production or alternatively purchased from an external provider, including the following:

- Is there sufficient demand/scope (“critical mass”) to organize and produce services with internal resources, or alternatively create sufficient competitive interest in the market for external provision?
- Is internal production cost (covering both direct and indirect cost/overhead) adequately understood and documented?
- Does business case and or financial analysis deliver a positive advantage or added value?
- For an extended or amended service, can the historic costs be accurately extrapolated to provide a clear projection of future costs?
- Are there strategic decisions/policies that affect the acceptable level of cost?
- Are there other related investments that will affect the cost assessments?

5.6.3 Investment strategy

The demand organization should determine the required facility operating model to meet their asset/equipment investment strategy.

The implications of any strategy chosen should be discussed with the service provider, including the ownership, right of use, operation, maintenance and ending of obligations that need to be agreed upon for the investment, in relation to the terms of the agreement.

Investment strategy should include a clear investment model. It should also include an adaptive asset management strategy or plan and a continuous follow up on maintenance.

At a strategic level it is important to consider the life cycle costs of each acceptable solution. This can also include the principles of sustainability by considering not only the financial costs but also the social and environmental impacts and their associated costs. These costs can then be carried forward to a life cycle analysis to provide an enhanced financial assessment.

NOTE For specific asset management information, see ISO 55000, ISO 55001 and ISO 55002.

5.6.4 Estimate costs and added value

The development of cost estimates for services requires a careful accounting of the scope, areas and inventory/registry of assets. Determining the cost of providing services can be accomplished by using a number of methods depending on the requirements for new or existing services:

- historical data can be used for incremental analysis for the expansion of existing services;
- benchmarking with published resources and cost indexes;
- zero-based budget analysis using detailed inventory/registry of asset and spaces coupled with engineered performance standards to accomplish the necessary services.

The need for reliable information on comparable price levels and assessment of other relevant market information can involve procurement specialists. If in-house management and staffing are estimated to require personnel recruitment, investments and other organizational changes, human resources and finance should be involved.

If new service requirements are identified, reliable figures of cost of services and delivery should be established. As the new service requirements may be produced and distributed in new market environments and even in new countries, a common measurement structure may be an appropriate tool for calculating comparable figures across regions and borders.

To check cost of expanding existing service(s) agreements against similar current service cost (in-house or purchased on agreements) one should check official cost indexes or benchmark with similar organizations using the same services.

At this point in the process, conclude preferred alternative(s) from a cost/added value viewpoint.

5.6.5 Pricing strategy

5.6.5.1 General

At the sourcing stage each service level should be calculated separately to ensure the link between the estimated cost, service level and value. This methodology should be retained in subsequent stages.

A price mechanism needs to be decided as part of the sourcing process.

5.6.5.2 Price and rate mechanisms

Listed below are some of the methodologies of price and rate mechanisms that can be considered:

- lump sum;
- unit rate;
- cost plus;
- actual cost.

These prices can be fixed (fixed price) over a period of time and can be capped at a guaranteed maximum price or adjusted based on agreed criteria (variable price).

For all the above pricing mechanisms an open-book clause can be used. In this case the details of all relevant financial transactions are available to the demand organization.

Financial accountability should be agreed in accordance with the type of price mechanism chosen stating precisely what financial documentation or information is available for the demand organization.

5.6.5.3 Performance-based payments

Performance-based systems help demand organizations to better define and measure progress towards organizational goals and objectives. Once the specific goals and objectives have been identified, they should be linked to a systematic measurement system which clearly demonstrates the link between the cost, performance and specified service levels.

If a performance-based payment is selected, the parties should agree on how the system will operate and if incentives (bonus) and non-performance/non-compliance (penalty) will apply.

Where the two parties recognize that the demand organization's primary activity performance can improve resulting from the positive performance of the service provider, the principles for establishing an incentive can be added to the agreement.

Where the service provider identifies opportunities for savings, the principles for establishing and sharing the savings may be added to the agreement.

When implementing a performance-based payment system, at a minimum it is crucial to consider the following:

- measurements should be "quantifiable";
- measurements should be agreed upon with both the demand organization and service provider;
- ensure complete alignment and understanding of the specific performance metrics within both organizations;
- communicate progress to goal within both organizations;
- incentivize performance;
- ensure an appropriate procurement and management process/organization to manage the phases in the preparation of agreements;
- ensure sufficient resources for financial oversight and additional administrative burden for performance-based payments.

5.6.6 Risk analysis

Risk analysis is a process that is used to understand the nature, sources and causes of risk. A careful evaluation will ensure foreseeable risks are identified, quantified and, where possible eliminated. It is also used to study impacts and consequences. The level of detail and complexity applied to the review will depend upon the potential impact.

NOTE For specific risk management information, see ISO 31000.

The demand organization should consider the potential risk elements prior to implementing an agreement. All foreseeable risk elements should be considered to ensure the following (among other considerations):

- that the impact of needs are fully defined;
- translation of needs and constraints into requirement and specifications/service level, e.g.:
 - data on the property portfolio and/or assets;
 - information on initial and long term cost implications;
 - competences in the demand organization;
 - competences by the service provider;
 - resources;

- health, safety and environment;
- fire safety;
- security;
- funding;
- IT system, hardware and communication technology/integration;
- due diligence;
- coordinated design, construction and transfer to usage;
- coordinated disaster recovery planning (natural and business related);
- business continuity planning and management;
- corporate governance;
- that there are no other foreseeable risks relevant for the project or service.

5.6.7 Different levels of agreement

The relative responsibility of each party for services listed in the agreement should be determined in the following levels:

- a) strategic level;
- b) tactical level;
- c) operational level.

This determination will lead to the consideration of three main types of agreements:

- agreements which include a), b) and c) — this includes a degree of responsibility for defining the overall FM strategy in line with primary activity strategy;
- agreements, which only include b) and c);
- agreements which only include c).

A careful analysis of the relationship between the three levels [a), b) and c)] will assist in the determination of all subsequent clauses in the agreement.

5.6.8 Project strategy

The strategy for sourcing project management and delivery activities needs to be carefully considered as part of the overall FM strategy and interfaced/interlocked with service delivery. Project management agreements can be created for single projects, using the process outlined in [Clauses 8 to 10](#), or incorporated into the service, service level and reporting requirements of a larger comprehensive agreement described in [Clause 5](#).

5.6.9 Establish a business case for service options

The validation of rational approaches to determine estimated costs of service(s) delivery should include the development of a business case for each service(s) delivery option considered. It is important to identify and communicate the economic value proposition or return on investment for the service(s) delivered.

It is important that the business case presents a clear message on the value of the management of services and the budget. This will allow an understanding of what such investment means to an organization as a whole and an understanding of the processes and procedures involved.

An example of a business case is given in [Annex B](#).

5.7 Select preferred sourcing/service delivery option

This step of the sourcing process is shown in [Figure 7](#).

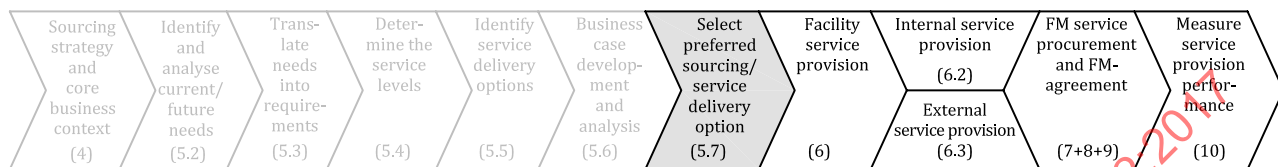


Figure 7 — Sourcing process: Select preferred sourcing/service delivery option

At this stage all relevant information and all conclusions made in [5.2](#) to [5.6](#) should be applied in the process of securing an optimum solution.

The demand organization should ensure that all relevant information is available and consider which option most closely matches identified requirement. A general checklist is given below.

- Ensure necessary stakeholder consultations (top management, facility team leaders, human resources, trades unions, key service users, finance, legal, procurement, risk management, information technology (IT), property managers, landlords, insurers, health, safety and environment, etc.) are completed and impacts reviewed.
- Confirm budget/additional funding sources available to support the proposals.
- Prepare selection criteria. Understanding the criteria that each of the options satisfies and being able to evaluate them against an appropriate range of requirements will help the demand organization to focus on the one that is most likely to offer an optimum solution. Evaluation criteria might include the following:
 - market / provider competence and capability to deliver scope;
 - uniqueness of service;
 - priority, flexibility and speed of response;
 - risk assessment;
 - safety and security;
 - past experience;
 - corporate social responsibility/sustainability policy;
 - cost (direct and indirect);
 - management and control requirements;
 - statutory obligations and legal requirements;
 - geographical location and limits;
 - specific service delivery or project team expertise;

- specific approach to service delivery.
- Select a preferred solution.
- Advise top management about the decision and implications.
- Obtain necessary approval/sign-off for the solution.
- Check that the consequences of the new solution are fully understood by the stakeholders, communicated and accommodated within the organization and supply chain.
- Ensure interfaces and interdependencies between in-house organization and service provider(s) defined and responsibilities acknowledged.

NOTE ISO 37500 includes some principles which might be applicable to FM.

6 Facility service provision

6.1 Principle options

This step of the sourcing process is shown in [Figure 8](#).



Figure 8 — Sourcing process: Facility service provision

The strategy on service provision is dependent on the outcome of the preferred sourcing selection described in [Clause 5](#). If an in-house service delivery model is selected, the external procurement of services is generally not required. However, in many cases where services are provided by an in-house organization there are usually some specialized services that are still out-tasked to specialty service providers (e.g. specialized technologies, project management, real estate transactions, construction). These services can be procured using the same methods as described for external service provision.

Translating the requirements into detailed specifications is the first step in this process. The detailed specifications can be prescriptive or performance-based. Examples of the translation of requirements into specifications are given in [Annex A](#).

Internal service provision includes:

- required service delivery specifications;
- SLA.

External service provision includes:

- agreement/contract;
- SLA;
- method statements (if required).

Some organizations may have a predetermined list of quality level requirements in a separate service catalogue. This allows the end user to select and demand specific services with specific quality levels from this catalogue.

6.2 Internal service provision

This step of the sourcing process is shown in [Figure 9](#).

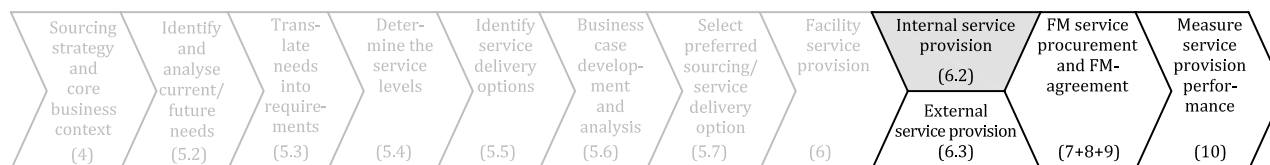


Figure 9 — Sourcing process: Internal service provision

The development of SLAs is equally important for both internal and external service provision. Most importantly, an SLA defines common expectations of the services to be delivered to the demand organization. While an SLA defines the cost model for external service providers and enables management of a contract agreement, it can also define budget requirements for internal management provision.

For internally-provided services, an SLA is the primary method to enable effective communication, document requirements, detail scope of services (specifications), establish roles and responsibilities, resolve conflicts, and provide an objective basis for measuring internal staff performance.

SLAs either for internal or external service provision should be similar. Generally, there can be less detail required in the specifications portion of an in-house SLA than for external service agreements, and the formats of in-house SLAs may differ. However, the SLA should still clearly restate requirements and provide sufficient details regarding the scope of work to measure performance. Thus, an SLA should be a formal, negotiated agreement between two parties, typically the facility organization and a representative of the demand organization.

Guidance on the SLA content is given in [Annex D](#).

6.3 External service provision

This step of the sourcing process is shown in [Figure 10](#).

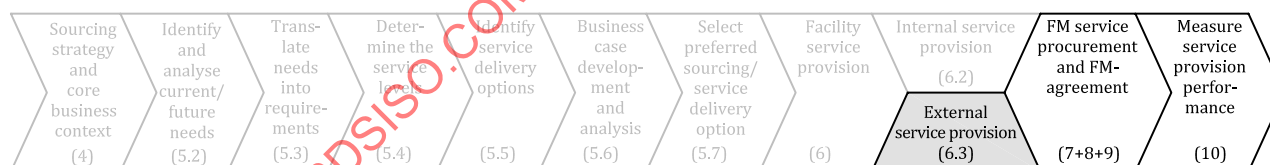


Figure 10 — Sourcing process: External service provision

The decision to use external service provision normally requires a formal legal contract between the demand organization and the provider.

If the FM department is responsible for procurement of services and development of agreements, this requires necessary procurement competence. Alternatively, the procurement function can be performed by a finance or purchasing organization with support from external consultants (e.g. Managing Contractor or a Managing Agent).

Guidance on the SLA content is given in [Annex D](#).

The service expectations and conditions defined in the SLA are combined with the detailed work specifications and general contract clauses to create an agreement for contracting external services.

The contracting of external services requires a procurement strategy. When the demand organization has a procurement strategy, the FM organization should follow the policies and procedures documented

in the strategy. Where the procurement strategy is not clearly defined, the FM organization should develop clear and consistent policies to procure the required services.

A procurement strategy defines the broad approach to contracting with service providers and recognizes that conditions prevailing in the market are subject to change. In the same way that needs in facility-related services are specific to an organization, the nature of the market is specific to a location or region. Over time, both are likely to change. In many respects, it is a matter of matching the current and likely future demand for services with their availability in the market.

An FM procurement strategy should include the following topics:

- market analysis;
- centralized versus de-centralized management of service contracts;
- geographical location of facility and limits;
- award of single service vs. multiple service contracts;
- service providers by specialization and size, and whether they are local, regional or national;
- authorization responsibilities;
- pre-requisite guidelines for public tendering;
- approach to addressing legislation (e.g. health, safety, security, sustainability and corporate social responsibility);
- legislative compliance (e.g. avoidance of corruption and anti-competitive practices);
- risk analysis;
- exclusivity for service provision.

The degree to which exclusivity will be granted to the service provider for any particular service should be determined.

7 Main characteristics of FM agreements

7.1 General

This step of the sourcing process is shown in [Figure 11](#).

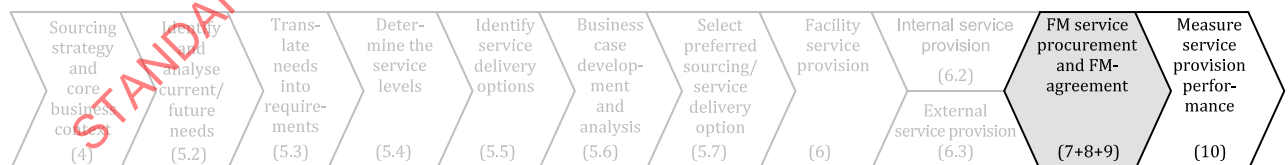


Figure 11 — Sourcing process: FM service procurement and FM agreement

The objective of an agreement is to define the relationship between the demand organization and the function, department or service provider responsible for delivering the service(s).

One of the most important factors in the development of an agreement is to create a common understanding of the service to be delivered and the quality of service provision between the service provider and the demand organization having the need. This is important whether the service is provided by in-house staff or an external service provider. In either event, the demand organization is generally seeking specific factors such as responsiveness, quality work/services, timely resolution to issues, and meeting expectations on an agreed scope of service.

Time and resources should be dedicated to the preparation of the agreement in proportion to size, importance, and complexity. Several different phases should be followed to prepare agreements and to ensure that the expectations of different stakeholders are taken into account. These stages are summarized in 9.1.

Both the demand organization and the service provider (in-house or external) should share a mutual vision and understand the desired outcome and objectives of the demand organization, i.e.

- the service provider should recognize the operational and strategic importance of its own operation to the demand organization;
- the demand organization should recognize that it has a direct interest in the performance of its service provider.

Consideration should be given to changes in core business requirements to ensure that mutuality and benefits are sustained throughout the term of the agreement.

It is important that, before the approval of the agreement, the demand organization and the service provider performs its own business case, risk and financial analysis.

7.2 Essential components

7.2.1 Term

For external provision agreement the agreement should be over a sufficient term long enough to enable all parties to benefit. The term should be fixed taking into account criteria of the type of the agreement (strategic, tactical, operational), the scope and the market. For internal provision agreements, the term might be open-ended or linked to a budget or review cycle.

If the two parties can agree to extend the duration of the agreement, this should be defined.

The agreement should explicitly contain reference to the notice period required for termination.

7.2.2 Subcontracting

The extent and control of sub-contracting and the type of services that are allowed or not allowed to be sub-contracted should be defined in the agreement together with any specific conditions.

The service provider should remain accountable for the sub-contracted services.

7.2.3 Allocation of management responsibility and communication

The agreement can include the redistribution of activities between the demand organization and the service provider, as well as the transfer of assets and personnel. It is important that:

- top management support the approach and understand the organizational or service impacts;
- individual business units or entities within the demand organization should be briefed on service levels, roles and responsibilities, constraints, request, approval and change mechanisms;
- management responsibilities of applicable personnel or entities within the demand organization who have the ability to require an amendment or addition to the agreed service provision, should be clearly defined together with the process for managing cost, service level and performance impacts.

For external agreements, where the service provider personnel are acting on behalf of the demand organization, the level of autonomy and operational scope (policy, standards, conformance and escalation path) should be clearly defined.

7.2.4 Service levels agreements (SLAs)

An SLA is a mechanism to create a common understanding (scope and quality) between the demand organization and the service provider. The SLA:

- enables effective communication to help manage expectations, clarify scope, roles and responsibilities, resolve conflicts or discrepancies;
- provides an objective basis for measuring performance.

There will be one or more SLA for each service category depending on the complexity of the service. This will allow an easy adoption to change requirements and link to budgeting and benchmarking.

For more information on SLA, see [Annex D](#).

7.2.5 Termination of contracts

The agreement should include activities between the demand organization and the service provider regarding the termination of a contract and the change-over period.

7.3 Agreement structure and content

[Annex C](#) includes general clauses which should be included within an agreement. [Table C.1](#) also differentiates between clauses that are specific to in-house or external agreements.

[Annex D](#) includes SLA clauses which should be included within an agreement.

8 Common considerations in agreements

8.1 Flexibility

The degree of flexibility included in the agreement should be a product of the duration, extent of change anticipated and the degree of cost certainty required by the demand organization.

The more flexible the agreement scope, the greater the need to carefully document change and cost management methodologies. Where it is anticipated that the scope of the change will impact all stakeholders, the method for handling the impact on budget/profitability, mobilization, redundancy and unrecoverable costs should be considered.

The agreement should explain the methodology and approach through which unexpected events and conflicts will be dealt with.

The agreement should contain a procedure for amendments (additions, omissions, variations).

8.2 Performance criteria

The agreement should preferably define the output requirements (e.g. key performance indicators, service levels) and constraints, not detailed descriptions of tasks to be fulfilled.

Apart from very specific services for which the demand organization within the agreement should precisely specify a minimum level of resources, the service provider should be free to choose the resources by which the performance criteria are met. It is important to let the service provider find the most effective way to achieve the service levels required. However, it is important for the demand organization to specify and/or approve a process and methodology to be used for measuring the output from each service as part of the agreement and specify the validation and testing criteria.

EXAMPLE It is generally possible to specify output requirements, however, there might be some services where the output is not easy to define. An example is security, where an output description of “no security breaches” is possible, but not practical or realistic. As a substitute, an input based indicator might be a better solution.

8.3 Information responsibilities

Parties to the agreement should ensure that the responsibilities for designing, updating and reporting of management information are fully understood and articulated in the agreement. Procedures should be prescribed for the production of reports and performance indicators to any or all stakeholders. Parties to the agreement should consider an independent audit of such reports and performance indicators.

8.4 Reporting and auditing procedures

The extent of reporting, validation, testing, financial reconciliation and auditing should be outlined in the agreement. Any requirement for the service provider to support audits and qualitative testing should also be documented. Any requirement for formatting documentation or integrating IT systems data should also be identified.

Specific consideration should be given to the ownership and access to historical and current data, and the ability to transfer, modify and utilize the data through appropriate information exchange and/or interface with a building information system.

Consideration should be given at the initial stages of the agreement for any linkages with performance measurement and quality assurance systems.

8.5 Continuous improvement, best practice and innovation

The agreement should define the methodology by which continuous improvement, best practice and innovation are initiated or developed and mutual benefit is agreed and apportioned, in a coherent manner with the price and rate mechanisms defined.

8.6 Asset replacement and project activity

For the more comprehensive agreement types outlined in [5.6.7](#), it is probable that the demand organization will require service providers to undertake elements of the asset replacement and project activity. The demand organization should consider the scope, criticality and the complexity of the activity required in this area and determine if the agreement can be adequately extended to cover the investigation, planning, feasibility, design, contracting and contingent liabilities.

It is recommended that the specific elements required for these activities are included in appropriate SLAs covering the output.

If the FM organization does not perform project management itself, the relationship between FM organization and project management activity needs to be clearly documented within the agreement. This should cover the support required by the asset replacement and project activity, and if not included within the agreement, it should be incorporated in any project management activity completed by a third party.

The agreement should also cover the responsibility of repairs versus replacement, and define who is responsible for the replacement of assets.

8.7 Communication

The parties to the agreement should ensure that all stakeholders affected by the agreement are informed of the final agreement as well as any subsequent agreement modifications.

8.8 Regulations

In multinational agreements, the demand organization and service provider shall define the applicable legal framework for the agreement and its parts.

8.9 Corporate standards

The agreement should take account of relevant corporate governance and policies.

8.10 Termination of agreements

Explicit attention should be paid to termination of the agreement in terms of notice period, communication, remuneration, personnel, actions required in connection with transfer of staff to an alternative provider, ownership and exchange of data (see C.5.2), assets and other matters.

9 Preparation and development of an agreement

9.1 General

The service provider should fully understand and support the demand organization's (FM) strategy relevant to the agreement.

The demand organization and the service provider should have a mutual understanding of the other's internal culture and processes, because this will influence success and minimize the risk of conflicts.

The respective management structures of the demand organization and the service provider should be considered before the agreement is awarded. The degree of organizational overlap and control points/interfaces should be agreed together with an explicit consideration of the structure of the management information flow between the two parties.

Figure 12 indicates the steps in preparation and development of an agreement.

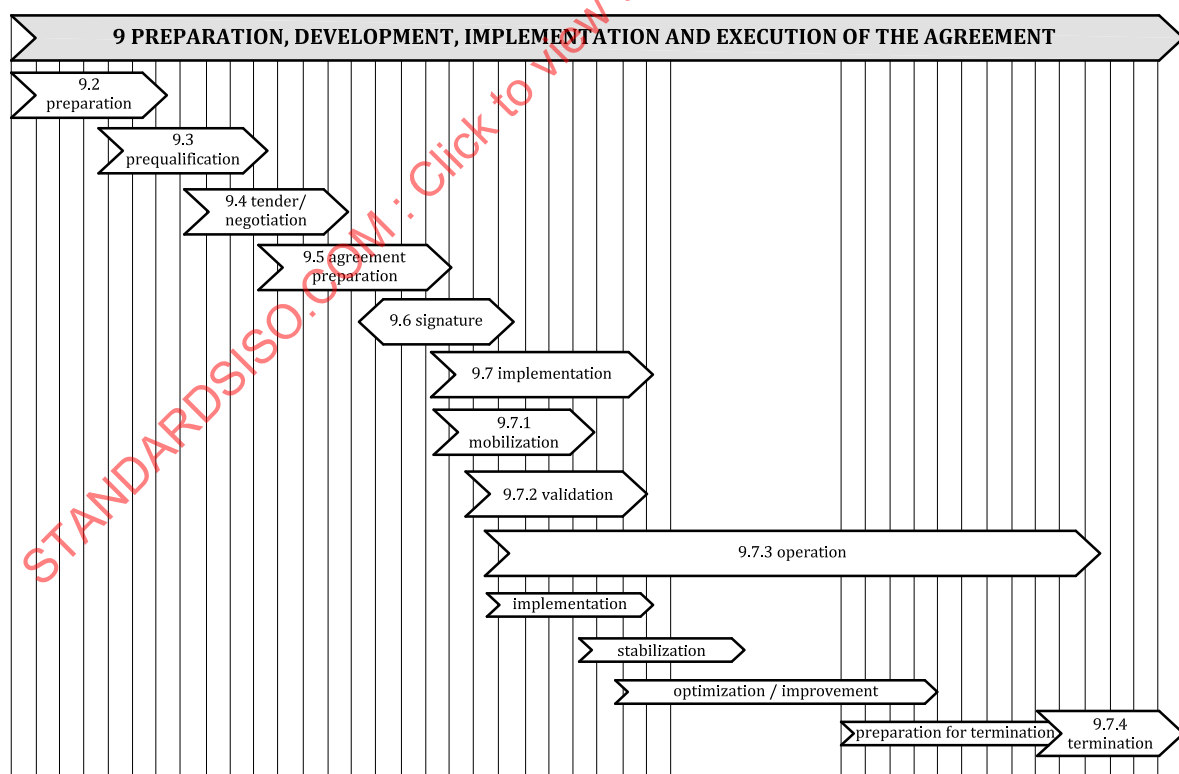


Figure 12 — Process of preparation and development of agreements

9.2 Preparation phase

Creation of the necessary documentation should be the responsibility of the FM organization within the demand organization or appointed external agency. Preparation activity should:

- define the overall objectives for the agreement and the contribution of those objectives to the performance of the organization;
- detailed review of initial collation and integrity of data. It is important that the demand organization allocates sufficient time in the pre-agreement process to ensure that its management information system is robust so as to enable accurate updating and validation;
- define the service or group of services that need to be provided. The performance requirements of the services to be provided should be determined in accordance with [5.4](#) and [8.2](#);
- document the outcome of the information gathered during the initial pre-agreement (sourcing phase).

9.3 Pre-qualification phase

For external agreements:

- identify a select number of qualified (competence and capability) service providers;
- prepare documentation highlighting key selection criteria including any weighting system and issued through an appropriate media;
- provide the potential providers necessary information to enable them to participate in this pre-qualification phase;
- evaluate the service provider's responses and selection of a short-list. If appropriate, all potential providers should be informed of the outcome.

9.4 Tender/negotiation phase

Where applicable for elements of in-house agreements or external agreements:

- prepare and issue the agreement and tender documentation;
- request service providers to make an offer for the requested service;
- evaluate and select the service provider. The output from this phase will usually result in the selection of a preferred service provider.

9.5 Agreement preparation phase

This phase consists of detailed preparation of the contract documentation and completion of any due diligence activity. Both parties should agree to a methodology for resolving issues of non-compliance with the conditions of the agreement.

9.6 Signature phase

Signing of the agreement in accordance with organizational requirements.

9.7 Implementation phase

9.7.1 Mobilization phase

This includes the preparation, transition and mobilization of all resources, systems, data, authorizations and procedures prior to taking full responsibility for the services to be delivered according to the agreement.

Any degree of parallel operation should be clearly defined including access to the existing data, as agreed upon, supplier information, measurements and attendance at meetings. Consideration should be given to the accessibility to existing and proprietary IT system data and the ability to transfer, modify and utilize the data through appropriate information exchange and/or interface, see C.4.11 and C.5.2. Both parties should ensure that adequate contingency plans are in place to cover all predictable issues that can emerge on the day the service is transferred.

During the mobilization phase, the service provider should consider the condition of key assets and their ability to meet the desired performance. This is essential where a performance-based approach is adopted, as the service provider will need to ensure that all installed systems covered by the agreement meet the desired output at commencement. Any discrepancy will need to be documented.

9.7.2 Validation phase

If not substantiated through due diligence, during the agreement preparation phase of implementation, both parties should confirm the validity of the information which were given to the other party to build the agreement. There should also be adequate testing of information exchange mechanisms necessary to ensure the required output. Any validation associated with prequalification of service providers should be completed.

NOTE Validation might be improved by use of benchmarking or ratios (e.g. "cost per unit floor area").

A period of time should be defined for validation of data, services and systems by the service provider where validation cannot occur at the implementation date of the agreement.

A predetermined mechanism should be defined and agreed to manage discrepancies where the outcome of the validation phase does not match the agreed criteria.

9.7.3 Operational phase

The following stages apply:

- **stage 1: Implementation and stabilization.** The agreement should define a period of time for the implementation phase. Consideration should be given to apportionment of risk in terms of service delivery. On the basis of transfer documentation issued by the demand organization, the service provider takes full operational control and becomes accountable for the services as specified by the agreement;
- **stage 2: Optimization.** In this stage the services are delivered as agreed and also in this phase the methodology for optimization agreed upon is applied. Service performance is to be continuously evaluated in accordance with [Clause 10](#);
- **stage 3: Preparation for terminating** the agreement. A defined period of time and the methodology for executing the expiration phase should be given in the agreement. Data, information and documentation required by the agreement should be compiled, collated and handed over to the demand organization in the agreed format.

9.7.4 Termination phase

The demand organization and service provider should implement the activities for conclusion of the agreement. The period for finalizing any outstanding actions should be documented.

10 Measure service provision performance

10.1 General

This step of the sourcing process is shown in [Figure 13](#).

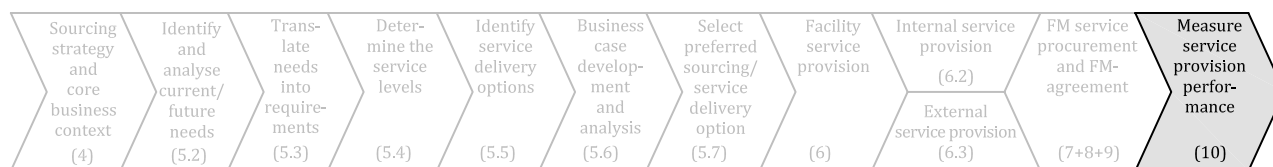


Figure 13 — Sourcing process: Measure service provision performance

10.2 Measuring effectiveness

Performance measurement can be performed using statistical and mathematical sampling methods.

Measuring effectiveness needs to address both of the following:

- definition and description of service levels (see 5.3 and 5.4);
- review the selection of performance measures for the provision of services.

Examples of metrics that can be used for measuring effectiveness include:

- quality: measured performance should be comparable to the descriptions and agreed services levels;
- customer satisfaction;
- cost: cost measurements of each service should relate to the agreed service level;
- timeliness: response times and times to complete services in accordance with agreed upon service levels should be measured.

Organizations should describe performance measures in SLAs and/or services quality catalogues which include corresponding KPIs and related metrics.

Measures of services can be taken at the strategic, tactical and operational levels of the organizations or taken at one level only.

The demand organizations should validate the measures by benchmarking the results with one or more partners.

NOTE For guidance on performance benchmarking in FM, see EN 15221-7.

10.3 Outputs

Outputs indicative of effective provisions of facility services can include the following:

- service level requirements and performance measures (see 5.3 and 5.4) are enabled and provide effective delivery;
- valuable information is enabled for top management of the demand organization and the services provider;
- identified gaps between agreed and performed services are analysed, adjusted, and corrected in accordance with the terms of the agreement.

Annex A (informative)

Example of requirements for a service

[Table A.1](#) gives examples of how needs on different levels can be translated into requirements and specifications for services such as:

- strategic planning;
- project management;
- security project;
- vehicle fleet operations.

Table A.1 — Examples of translations of needs into requirements for different types of services

Type of service	Need	Requirement	Specification	Remark
Strategic example – Strategic planning	Portfolio consolidation	Reduce office space by X %	Implement a comprehensive, space utilization study, including analysis of workplace density, occupancy levels and workplace design solutions.	A utilization study will provide base data which can be developed into options which integrate functional requirements, optimized occupancy levels / sharing ratios and workstation design
Tactical example – Project management	Increase manufacturing capacity for service or product by X %	Extend existing manufacturing facility to accommodate increased production	Extend existing manufacturing hall “A” construction and infrastructure to increase floor area by 200 m ² including an additional loading dock. Incorporate appropriate supply chain implications	Detailed design requirements will be incorporated within a stand-alone project management or comprehensive FM agreement
Tactical example – Security project	Increase security	Implement access control systems	Add CCTV and electronic identity / badge readers at building perimeter access points	Alternative options for security systems installation or integration should be considered and compared. Specification will be dependent on evaluation, selection and contract criteria
Operational example – Vehicle fleet operations	To maintain an optimally sized fleet of vehicles to accommodate organization requirements and CSR objectives	Provide appropriate type and quantity of vehicles based on demand metrics	Adjust size of cars fleet by purchasing X pick-ups and X vans	Investigate outsourcing of transport services

Annex B **(informative)**

Example of business case content

B.1 General

The economic and added value should be linked to the desired level of service(s) expected by the demand organization. The business case content should include the following statements:

- clear alignment of services with the requirements and needs of the demand organization;
- how the services will enable alignment with the demand organization's strategic intent;
- services performance criteria and impact on the related core business KPIs;
- how the services will add to the competitive edge to the organization;
- risk analysis;
- specific return on investment of services, where appropriate, e.g. how the operation of the facility will improve efficiency and effectiveness.

B.2 Examples of a business case

Elements which can be included in a business case analysis (checklist) include the following:

- project aim;
- executive summary;
- project name;
- needs, demands and requirements;
- service/provision description;
- service objectives and service strategic alignment with demand organization's mission, vision and objectives;
- market and competitive analysis;
- options analysis and selection of preferred solution;
- financial analysis, investment needs and funding, return on investment, life cycle cost assessment;
- project plan, timing, schedule, critical path and milestones;
- organizational impact (internally and externally), key stakeholders dependencies;
- required resources (e.g. project leadership team, project governance team, team resources and funding);
- commitments from related parties, project controls, reporting processes, deliverables schedules, financial budget and schedules;
- services performance criteria and impact on the related core business KPIs.

Annex C (informative)

Structure of an agreement — General clauses

In order to facilitate a stable agreement and also allow for dynamic adjustment of individual services to the needs of the demand organization's primary activities, the following structure is recommended:

- general clauses, which are intended to be valid and applicable for the totality of the agreement, and which contain business aspects;
- SLA clauses for each individual service, focussing on a specific service, quantity, quality and process aspects (see [Annex D](#)).

The applicability of clauses will vary between different services taking into account the demands, circumstances and locations. Clauses that are generally applicable can be grouped together in a document referred to as general clauses.

The individual clauses of the various SLA clauses (minimum one for each type of service) should be linked by the corresponding numbering of the general clauses, so that both documents together comprise the conditions governing the rights and obligations of the parties.

The agreement can include the general and specific clauses listed below.

a) General clauses (see [Table C.1](#)):

- C.1: General description
- C.2: Primary activities requirements
- C.3: General conditions
- C.4: General provisions
- C.5: Termination conditions
- C.6: General obligations of the demand organization
- C.7: General obligations of the service provider
- C.8: Transfer of personnel
- C.9: Timing and main dates
- C.10: Agreement price, payment and accounting
- C.11: Changes of the agreement
- C.12: Default by a party
- C.13: Auditing
- C.14: Risks and responsibilities
- C.15: Insurances
- C.16: Force majeure
- C.17: Dispute and dispute resolution (settlement) process and methods

- C.18: Asset replacement and project activity
- b) SLA specific clauses (see [Table D.2](#)):
 - D.1: General description
 - D.2: Common organization processes
 - D.3: General conditions
 - D.4: Structure and communication
 - D.5: Definition and clarification
 - D.6: Obligations and requirements
 - D.7: Price, payment and accounting
 - D.8: Appendices

[Tables C.1](#) and [D.2](#) set out what should be considered in terms of detail within the agreement. Headings and sub-headings are presented along with the intent of such a clause within the agreement. For each heading and sub-heading proposed content suggestions are provided.

[Table C.1](#) identifies those general clauses which can be incorporated in an agreement. Some clauses may not be applicable to all agreements.

Table C.1 — Example of a structure of an agreement — General clauses

General clauses of the agreement	Intention	Proposed content
C.1 General description		
C.1.1 Heading	Identification of the agreement.	Notion of “FM agreement” in the heading. Further specifications should be made in a subtitle.
C.1.2 Contracting parties	Definition of the parties of the agreement.	Correct company name, address. If necessary: Represented by: Short form of the company name used within the agreement.
C.1.3 Objective/preamble	Definition of the general intention of the parties.	Specific statements of agreeing parties’ intentions. Name the type of FM agreement. Statements concerning the risks associated with the agreement.
C.1.4 Description of the organization and general environment with agreed outputs/targets	Mutual understanding between both parties.	Desired objectives, with respect to mutual benefit and what needs to be achieved with the facility services including overall performance criteria.
C.1.5 Strategic FM objectives	Harmonization on a strategic level.	FM strategy of the demand organization and the strategy of the service provider to achieve the objectives during the term of the agreement. If the service provider, in addition to performing his normal operations has other motivations for entering the concerned agreement (e.g. entering a new area of activity), this should be mentioned.
C.1.6 Nature/scope of facility services	Mutual understanding of the scope.	List of the services.

Table C.1 (continued)

C.1.7 Contracting parties and organizations involved	Understanding of: – who is who; – who is affected; – organizational interfaces; – principle function roles; – management responsibilities.	In general terms: – list of the stakeholders; – organizations (including management structures, workers representative structures, geographical situations); – internal culture; – embedment of service providers in the demand organization's organization; – demand organization's and services provider's authorized representatives, as well as the end in their principle functions and responsibilities; – other suppliers and service providers interfacing with service provider's services.
C.2 Primary activities requirements		
C.2.1 Primary activities	Understanding the demand organization's primary activities by the service provider, including any influences on these activities.	Description of the demand organization's primary activities, the demand organization's organization strategy as well as the demand organization's main processes.
C.3 General conditions		
C.3.1 Definitions	Clear understanding of the terms used in the agreement and related documents.	A glossary of terms and definitions as well as the acronyms used in the agreement (can also be attached in an appendix). If available, it is recommended that adopted national or international standards are used instead of the parties own definitions.
C.4 General provisions		
C.4.1 Applicable law and place of court	Clarification of jurisdiction. In the case of an in-house agreement, this clause would include the internal escalation and resolution process.	Governing law and place of dispute settlement. Relation between regional law and country specific law, which can have an impact on the agreement. List of applicable regions/countries. Undertaking of parties to attain intent of agreement if laws cause invalidity in part(s) or as a whole.
C.4.2 Statutory regulations, permits, ordinances	Identification of all obligatory references.	Document references.
C.4.3 Applicable standards, industry and demand organization's standards	Identification and understanding of all references to be applied.	Document applicability and reference.
C.4.4 Applicable taxation rules	Identification and clarification of potential impacts of taxation rules.	List the taxation rules which can apply and the responsibilities of the parties (e.g. recording and archiving of data for accounting).
C.4.5 Language	Identification of the language of the agreement and any subsequent language/translation requirements. Identification of which language is legally binding.	Language to be used for the following communication types: – correspondence; – technical documents; – other documentation used by the parties.

Table C.1 (continued)

C.4.6 Agreement documents	Identification of all documentation applicable to the agreement.	List all agreement documents including appendices. For example: – conditions of agreement – general clauses; – conditions of agreement – SLA specific clauses; – technical documentation; – employment agreements; – inventory lists; – bidding documents; – guarantees; – warranties; – referenced technical standards; – terms of trade; – price lists; – agreement specific glossary of terms.
C.4.7 Priority of documents	Clarification of the hierarchy of the documentation in case of discrepancy.	Rules of priorities to be applied within the hierarchy of documents, which are considered part of the agreement.
C.4.8 Confidentiality	Identification and understanding of confidentiality requirements. This may not be specifically required in an in-house agreement, but can be covered by a code of conduct.	List the limitations for the parties to communicate information related to the agreement. Aspects to be considered are: – notification and indication of confidential information; – restrictions regarding use, access, permits; – restrictions to transmit, as far as allowed; – obligations of recipient; – obligations to be transferred to the recipient's employees or associates; – consequences (special ones) of breach of this clause (penalties, damages or other compensation normally determined by the court or arbitration); – validity of this clause beyond termination of the agreement; – return or destruction of subject matter beyond termination of the agreement.
C.4.9 Unforeseeable conditions and impediments (e.g. force majeure)	Clarification on the methodology for resolving any impact on the agreement.	Procedure covering, authorization and empowerment.
C.4.10 Sub-contracts	Identification of sub-contracting principles, procedures and obligations for assignments and for existing or new service providers. This may not be required for in-house agreement if the total service provision is provided by internal staff.	List of nominated and/or permitted sub-contracting requirements including: – obligations; – limits of sub-contracting and further conditions; – assignment of sub-contractors obligations. Attention should be given in particular to sub-contractors working for the demand organization before the signature of the agreement and the sub-contractors not yet defined by the parties at the time of the agreement signature.

Table C.1 (continued)

C.4.11 Intellectual property, copyright, ownership of data, property rights in general	Definition of ownership and rights of use in order to protect the interests of the parties including developments during the term of the agreement. For in-house agreement, intellectual property and copyright can be covered by employment agreements.	List with following aspects: – information regarding existing rights; – rights and restrictions of use; – data interfaces; – ability to edit electronic data; – rights and restrictions to transfer such rights or information to persons not entitled; – rights arising through the agreement; – ownership (possibility of joint ownership); – responsibility for patents; – rights and restrictions to be placed on the parties (use, transfer, publications); – Specification of rights which each party will have in the ownership of matters such as: – documents; – information; – copyright; – special consequences of breach of obligations; – which party needs to act, how, who, information, proceedings; – arising cost; – validity of these clauses beyond the term of the agreement.
C.4.12 Publication and references	Definition of organization and limitation of publications and references toward third parties. This might not be relevant for in-house agreements.	Procedures to be followed before any publication or references to third parties (e.g. press).
C.4.13 Communication and documentation	Clarification of communication on current and future activity/intent on strategic, tactical and operational levels between: – parties; – third parties and stakeholders (e.g. authorities, auditors, valuers, consultants). Clarification of the requested speed of reaction of one party in relation to: – response time; – fulfilment (resolution) time; performance delays or suspension.	The following aspects should be defined: – term period, timing and deadlines; – form and extent; – required content of the notice; – information procedures (including means of transmission); – regular and extraordinary meetings; – availability in case of emergency; – record and update of data and information; – update of existing documents, reporting, including handing over of data during the agreement period (beginning, throughout, at the end). Definition of these times of reaction that do not appear in SLA including levels, notices, consequences.
C.4.14 Management of documentation/data during the life of the agreement	Clarification on ownership methodology and responsibility.	List the documentation/data and each party's obligations. Data exchange, retention and transfer to usage. Interfaces. Maintenance and updating of data.
C.4.15 Interface with third parties	Clarification on the relationship with third parties that interface with or provide services affected/impacted by the agreement.	Document relationship and interface.

Table C.1 (continued)

C.4.16 Management information	Definition of the respective management information systems, obligations and interaction.	Methodology for managing the agreement and overall working relationship indicating the following aspects: – structure for executive reporting; – steering groups; – committee structure; – employees/industry representation; – issue resolution; – escalation path.
C.4.17 Security, health and safety	Clarification of the service provider obligations under the demand organization's security, health and safety management systems. For in-house agreements, this issue might be covered by health, safety and environment policies and regulations.	Laws and rules which are applicable to the working conditions. Hazardous and risk assessment information.
C.4.18 Code of conduct	Definition of social responsibility and ethical policies.	
C.5 Termination conditions		
C.5.1 Termination of the agreement	Definition of possible termination scenarios of the agreement and clarification of the procedure and process requirements, critical dates and financial consequences. Termination of an in-house agreement might be subject to structural changes within the demand organization.	List of termination/rescission circumstances, which can be: – expiration/completion; – mutual agreement; – failure of a party; – no further demand for the services; – strategic decisions of the parties. List of the dates (e.g. first date of authorized termination, obligation to inform the other party).
C.5.2 Demobilization activities	Clarification of demobilization and transfer activities for various circumstances/cases. Demobilization after termination of an in-house agreement might be subject to structural changes within the demand organization.	List of demobilization activities to be considered: – inspection; – audit; – inventory; – handing over of: – equipment; – software; – data and information; – documents and documentation; – spaces. – keys; – fading out of tasks and responsibility; – continuity of key service providers/subcontractors. – transferable, responsibilities can be transferred to an alternative provider; – reversible, responsibilities revert back to previous ownership. See also C.4.11.

Table C.1 (continued)

C.6 General obligations of the demand organization		
C.6.1 Demand organization's general responsibilities (within the agreement)	Specification on what the demand organization is obliged to provide in an agreement with a service provider. For specific obligations, refer to the individual SLAs.	In general terms, demand organization's obligations and provisions, related prices and conditions of payment of these provisions if any, as well as for example: – information; – facility access; – infrastructure; – utilities, space; – facility space; – material; – media; – documentation; – data; – personnel; – IT services; – testing; – inspection plans; – equipment; – software. Specification of required availability and conditions (e.g. at the end of the Agreement the equipment be returned to the demand organization on demand with all data stored thereon fully intact, including any personal or private data).
C.7 General obligations of the service provider (for specific obligations, refer to the individual SLA)		
C.7.1 Service provider's general responsibilities	Clarification on the service provider responsibilities related to non-compliance during: – validation stage; – operational phase.	List of obligations: – verify circumstances and pre-conditions and notify in case they are not suitable, or if the agreed result may not be attainable; – general obligation to advise the demand organization, if the advice needs more consulting time, it should be treated as complementary services; – applicable time constraints.
C.7.2 Quality assurance and validation system and continuous improvement process/obligations	Definition of the methodology, obligations and responsibility.	Description of the quality assurance system to be applied and what are the direct implications and benefits for the agreement. Also a description of how it will be oriented on the performance of the primary activities. Description of the improvement process.
C.7.3 Benchmarking	Definition of the methodology, obligations and responsibility.	Extent to which benchmarking and best practice will be referenced. Procedures for: – responsibility of initiating benchmarking; – ways to proceed; – with whom; – who pays for the work of the parties and third parties; – consequences of the results.
C.7.4 Equipment, material and media	Definition of the principles of delivery, ownership and responsibility. For specific details, see the individual SLA.	Ownership (transfer of risk of ownership) as well as existing supply agreements (business conditions). Financial and fiscal consequences need to be studied and presented. Principles regarding equipment, tools, materials media to be transferred to the service provider as well as the ones to be provided by this service provider.

Table C.1 (continued)

C.7.5 Protection of the environment	Confirmation that the service provider's work is in accordance with the demand organization's rules for the protection of the environment. For an in-house agreement, this might be covered by a corporate policy in place.	Provisions for: – handling waste/waste disposal; – prevention of pollution (liquids, gas, solid materials, sound and noise, radiation).
C.7.6 Reporting	Clarification on the scope, content and timing of reporting provided by service provider.	The report of the service provider should contain at least: – status and/or condition of the facility (and/or the representational part); – summary of the performance during the last period; – survey of the results achieved; – reference to the report of the previous period; – difference from the target condition (e.g. changed useful life expectancy, changed conditions, changed service levels) and resulting corrective actions; – expected changes, their effects and suggested measures (e.g. budget); – evidence of events and circumstances affecting the performance; – improvements and innovations.
C.7.7 Services provider's personnel (staff and labour)	Identification of cases in which the service provider and demand organization may need a specific agreement for the service provider's personnel.	For example: – representatives; – engagement of staff and labour; – labour law (for multinational agreements); – facility for staff and labour; – disorderly conduct; – supervision; – changes in personnel.
C.8 Transfer of personnel		
C.8.1 Transfer of employment agreements	Clarification of both parties obligations, referencing any third party implications and any consequent liabilities/indemnities. This clause is not relevant for in-house agreements.	Transfer of personnel employment agreements to the service provider for this particular service, at least where statutory obligations exist.

Table C.1 (continued)

C.9 Timing and main dates		
C.9.1 Timing and main dates	Creation of a list of relevant dates.	Duration of the agreement (how to renew or end it). Each of the various phases should be clearly stated, each phase, their duration, and the conditions (calendar dates or reference to an event) to move from one phase to the other (go/no go steps). This can be detailed SLA by SLA. List preconditions, date and place of signature, signing parties, date by which any attachments forming part of the agreement, should be completed.
	Clarification of agreement effective date.	Date on when and how the agreement will become effective as well as the date and authorized signatories of the contracting parties to the agreement
	Clarification of the start of implementation and full operation stages dates.	List of dates: – mobilization; – implementation and taking over tasks; – start the facility service delivery; – start of full responsibility for the performance (full service level applicable); – training of personnel; – exchange of documents, data and information. Make a list of the procedures to be applied within this period.
	Clarification on the stabilization and optimization phase dates.	State when stabilization/optimization is reached in each SLA.
	Extension of the term of the agreement.	Conditions and processes for the extension of the agreement and for the SLA.
	State critical dates relative to the termination of the agreement.	Chronological list of the critical dates regarding termination of the agreement: – expiration time agreed upon; – minimum length of the agreement; – period/time of giving notice; – date of expiration; – length of extension of the agreement if no notice is given; – due date(s) of open payments.

Table C.1 (continued)

C.10 Agreement price, payment and accounting		
C.10.1 Agreement price	Definition of payment methodology and price. Clarification by which supplementary services the service provider will be paid for, and which are included within the agreement price. For specific price agreements, see the individual SLA.	Specification of how the various amounts (e.g. down payment if any), to be paid are calculated during the various phases, what services they include, the currency and if required applicable exchange rates and counter charges for: – demand organization's participation and commitments; – commencement of work and implementation phase; – stabilized and optimization phase; – agreement termination and demobilization phase.
	Clarification concerning advance payments.	Rules to be applied for advance payment.
	Clarification concerning time for payment.	Rules to be applied for time for payment.
	Clarification concerning invoices (payment statements).	For example: – required method; – form; – addressee; – content; – submission; – procedure for disputed invoices; – corrections; – taxes; – discount for prompt payment. Specification, if invoicing of facility services is made to a third party, and the related invoicing requirements, process and timing (including process and consequences for the case of non-payment by the third party).
	Clarification for penalties for late payments. This is not normally applied for in-house agreements.	Rules to be applied, including penalties for late payment.
	Clarification for final payment. This is not normally applied for in-house agreements.	Rules to be applied at termination (expiration or termination) of an agreement.
C.10.2 Adjustment of agreed price	Clarification on the adjustment criteria for adjustment of the agreed price. This is not normally applied for in-house agreements.	Criteria and method for revised calculation and price adjustments due to: – changes in the scope of work; – timing; – service level; – changes in legislation; – indexing.
C.10.3 Financial securities	Clarification of financial securities. This is not normally applied for in-house agreements.	For example: – bonds; – retention money; – guarantees; – payment guarantee; – warrantees.

Table C.1 (continued)

C.11 Changes of the agreement		
C.11.1 Changes of the agreement	Clarification on the ways the parties will introduce changes within the agreement.	Formal requirements and the processes (including the communication). The following possible items concerning changes should be considered: – exclusivity of facility service provision; – timing of reciprocal information; – when the agreement is to be amended; – delay to propose solutions, their implementations and their impact on both parties; – partial termination; – delay to accept or reject solutions; – consequences in case of rejection; – documentation requirements; – approval/rejection process; – consideration of alternative approaches for managing changes to the volume of the services provided not described within the SLA and those which impact the overall contractual facility services.
	Definition of the rights and obligation of both parties to vary facility services, method, procedures and/or service level if primary activities or circumstances are required.	List of the relevant formalities to be handled: – notification; – means of transmission (e.g. note within minutes of a meeting); – listing of issues for notification; – content required; – time limit for notification; – form of supplement or alteration (written, or means of recording); – persons authorized to sign.
C.12 Default by a party		
C.12.1 Default of the service provider or demand organization	Definitions of the cases and the rules to be applied in case of failures.	List of measures to be taken if performance is not in accordance with the agreement.
	Definitions of the rules in case of – abandonment, suspension or termination; – related valuation and payment by the demand organization or service provider. NOTE This is normally not applied for in-house agreements.	List of various reasons, methods and consequences for both parties, including financial consequences of abandonment, suspension or termination.
C.13 Auditing		
C.13.1 Auditing procedures	Clarification of auditing procedures related to and as a consequence of the agreement. Any audit activity and evaluation activity not covered by this clause should be the subject of separate clauses.	The demand organization (or through third authorized parties) may request an audit (e.g. application of safety rules) of the service provider's work. The demand organization may require access to the output from the service provider self-audit. Some organizations require outside authorities to audit the demand organization processes (e.g. drugs manufacturers). The service provider needs to authorize these audits. In the two above cases, the agreement should define the authorized audits and the way they will be performed as well as who will bear the associated costs. It should also confirm how any issues/recommendations from these audits will be resolved.

Table C.1 (continued)

C.14 Risks and responsibilities		
C.14.1 Liability and indemnities between the parties	Clarification of the limits of: – guarantees and warranties; – non-performance. NOTE This is normally not applied for in-house agreements.	List of guarantees by a contracting party to the other party, e.g.: – length of guarantee/warranty; – when is it valid; – procedure for guarantee/warranty claims; – obligations and rights of both parties; – transfer of warranty (particularly for additions and variations of assets); – responsibilities and consequences for negligence or omission to act. Liabilities for direct and indirect damages caused by a contracting party (including their sub-contractors or assignees) to the other party, e.g.: – indemnification of third persons for injuries or death and for damage to their property; – for damage to property of the parties; – documentation on the way to solve direct and indirect losses arising from the effects of insurance activity taking into account the two parties insurances if applicable. Subcontractors and suppliers should be considered.
C.14.2 Emergency situations	Clarification of the principles, methodology, authority and empowerment of the parties in case of emergency situations.	List of potential emergency situations and the procedures which need to be implemented by both parties to manage the emergency, including compensation for extraordinary actions. List of responsibilities and actions to be performed in emergency situations.
C.15 Insurances		
C.15.1 Insurance for liability and indemnity	Definition of the extent, responsibility and scope of insurance to cover the risks of both parties. For in-house agreement this is normally covered by corporate insurances.	List of risks that need to be ensured and the extent of coverage for direct and indirect losses, as well as insurance conditions and proceedings. Parties should request copies of the insurance agreements of the other parties.
C.15.2 Third party insurance	Definition of the extent, responsibility and scope of insurance to cover risks of both parties and third parties.	List of risks that need to be ensured and the extent of insurance coverage (general requirements for insurance, insurance of workers, insurance of injury to persons, damage or loss of assets and property, etc.) as well as insurance conditions and proceedings. Parties should request copies of the insurance agreements of the other parties.
C.16 Force majeure		
C.16.1 Force majeure procedures	Definition of cases, proceedings and consequences of force majeure beyond governing law. NOTE This is normally not applied for in-house agreements.	
C.17 Dispute and dispute resolution (settlement) process and methods		
C.17.1 Conflicts	Clarification of the way to settle conflicts (e.g. conflict of interests/corruption and fraud).	Communication and escalation procedure, in case of non-fulfilment or non-compliance by a party with the agreement. Rules, procedure and timing for settlement, assignments, cost, timing, proceeding in case of failure for amicable dispute resolution: – mediation; – arbitration; – civil court.

Table C.1 (continued)

C.18 Asset replacement and project activity		
C.18.1 Ownership structure	Definition of the ownership structure.	Ownership of the related properties and assets during the agreement period.
C.18.2 Changes to assets	Definition of the methodology for additions and variations (including replacement of assets and change of ownership).	Fiscal, financial, taxation and accounting implications for each party and consideration of any requirement for tracking changes in conditional or residual life replacement planning.
C.18.3 Project activity	Definition of the methodology for managing and controlling project activity.	Consider the following aspects: – replacement philosophy (like for like, enhancement, obsolescence); – project inception process (feasibility studies, options, business case and approval); – volume, value and any financial limits / thresholds; – procurement methodology (for demand organization or service provider); – management of any design aspects, appointment of specialist, consultants, and applicable construction and safety standards; – statutory approvals, insurance, liability and risk management; – project management, tracking and reporting methodology; – process for providing interlock/support from service provider and third parties involved.
C.18.4 Responsibilities and risks	Definition of the transition of responsibilities and risks. NOTE This is normally not applied for in-house agreements.	Methodology for managing transition of the assets after installation including service and defect liability periods and at the end of the agreement.

Annex D (informative)

Service level agreements — Benefits, preparation and structure of an agreement (SLA clauses)

D.1 General

SLAs are critical in enabling the FM organization to align the appropriate services with the business requirements, strategy and objectives of the demand organization.

An SLA benefits both the FM organization and the demand organization. The benefits of establishing SLAs include:

- developing cooperation and partnerships between the parties;
- building trust within the organization;
- establishing accountability by clearly identifying roles and responsibilities;
- clearly identifying customer expectations;
- improving understanding of customer needs;
- educating customers of work requirements to meet expectations;
- establishing a mechanism to assess and improve customer satisfaction;
- providing a context for measuring performance;
- gaining agreement to service level expectations;
- establishing a baseline for continuous improvement;
- improving consistency in service delivery and evaluating value;
- reducing the time to adequately resolve conflicts;
- enhancing control over costs relative to services delivered;
- improving moral and long-term relationships;
- improving effectiveness and efficiency of FM operations.

The FM organization and the demand organization can appoint a designated representative(s) to develop SLAs.

Consideration can be given to engaging a facilitator to help develop and negotiate the SLA. The appropriately qualified facilitator can be an external consultant or an in-house employee skilled in SLA establishment.

[Annex D](#) provides examples of the structure and principle elements to be considered when creating an SLA. These are essentially the same for either in-house or outsourced agreements. Thus, it should be a formal, negotiated agreement between the FM organization and the demand organization.

FM SLAs should also provide:

- information regarding response times to various work priorities;

- target times for deficiency or service interruption resolution;
- processes and guidelines for problem escalation;
- mechanisms for managing expectations and communication;
- criteria for periodic reporting of performance.

D.2 Key attributes of SLAs

The key attributes of successful SLAs are that they:

- define the scope of the services to be provided;
- define the boundary conditions and important parameters;
- establish the level of service and/or quality of the output (see [Table D.1](#));
- establish the way in which the services are provided (see [Table D.1](#));
- provide performance measurement criteria and targets;
- define acceptable delivery times and possibly cost of delivery;
- establish conflict or gap resolution processes;
- describe how to deal with non-compliance with agreed procedures and results.

Irrespective of the delivery model, in-house or outsourced, it is important that FM SLAs be approached in a structured and careful manner. The following steps provide guidance for developing an SLA.

Typically, SLAs can be crafted in one of the following ways:

- as an input specification (prescriptive) where the method, frequency and quality are fully described;
- as an output specification (performance-based) where the desired outcome is specified and the operation and method are defined by the service supplier in the form of a method statement.

Examples are given in [Table D.1](#)

Table D.1 — Example of an input based and output based description of tasks for a maintenance service

Type of task	Input based description	Output based description
Supervision of buildings	Biannually inspect roofs, including covering, gutters, gullies and drains, as well as up-stands, parapets and junction with building facades and windows. Gutter, gullies and outlets should be regularly cleaned for leaves in the summer and ice in the winter. Record all defects.	Ensure design performance of roofs including upstands and abutments, (watertight and undamaged). Roof covering, gutters, gullies and drains need at all times to have capacity to meet the design discharge capability for which they are constructed.
Electrical lighting	Inspect all lighting systems (bulbs/tubes) on a weekly basis in common areas including emergency lighting. Renew electric lighting sources when defective.	Electrical lighting sources (bulbs/tubes) in common areas, including all emergency lighting, need to meet the design performance requirements in accordance with the current and or updated technical specification. Defective items should be replaced when defective or incorporated within a planned bulk replacement when overall performance is reduction by X.
Elevator maintenance of elevator main group	Clean and lubricate every second month the following items: ropes, guiderails, gears, door (shaft and cabin doors) mechanism, buffers, rollers/sliding shoes. Replace defective items.	Ensure 100 % elevator availability in the timeframe between 6 am to 10 am and 4 pm to 9 pm. Remaining time availability needs to be 80 %. Ensure smooth and comfortable ride and transport as specified. Ensure successful safety and security inspections by independent authorized body.

It is also possible to define a minimum level. A typical example would be cleaning in reception areas. The demand organization may wish to specify the level of normal daily cleaning, but also incorporate an output driven component to cover inclement weather or high utilization for particular events, etc. In these circumstances, the FM organization and the service provider will need to consider how funding or labour utilization will be impacted to meet the changing requirement.

D.3 Process for preparing an SLA

D.3.1 Step 1: Scope of services

Define the scope of the service(s) to be provided. Examples of services that can be covered by an SLA include housekeeping services, grounds maintenance, building system maintenance, operations, security, food service, move management, project management, fleet management, pest control and waste management. However, the list and content can be structured using the format in [Annex C](#).

D.3.2 Step 2: Conditions

Define the interfaces, conditions and important parameters. Important parameters to address in an SLA can include organizational structure and hierarchy, SLA owners/managers, facility hours of operation, security and safety policies/procedures, job hazard analysis, emergency procedures, work request processes, request acknowledgement procedures, delivery time, response times by work/service priority, status notification, problem resolution, escalation procedures, planned downtime of facility or systems, criticality of facility systems and use of organization technology systems.

D.3.3 Step 3: Service quality and service level

Identify and define the level of service and/or quality of output. The establishment of the level of service expected should consider both qualitative and quantitative standards of quality. The expectations should be practical and achievable. They should also acknowledge that relationship between level of service and quantity of resources needed to meet the level of service. The establishment of specific levels of service creates the basis for steps 5 and 6.