
**Upravljanje z objekti in s storitvami – Pogodbe – Navodilo za pripravo
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Facility Management – Agreements – Guidance on how to prepare Facility
Management agreements

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English version

Facility Management - Agreements - Guidance on how to prepare Facility Management agreements

Facilities Management - Accords - Lignes directrices sur la
façon d'élaborer des accords de Facilities Management

Facility Management - Vereinbarungen - Leitfaden zur
Ausarbeitung von Facility Management-Vereinbarungen

This draft European Standard is submitted to CEN members for enquiry. It has been drawn up by the Technical Committee CEN/TC 348.

If this draft becomes a European Standard, CEN members are bound to comply with the CEN/CENELEC Internal Regulations which stipulate the conditions for giving this European Standard the status of a national standard without any alteration.

This draft European Standard was established by CEN in three official versions (English, French, German). A version in any other language made by translation under the responsibility of a CEN member into its own language and notified to the Management Centre has the same status as the official versions.

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Foreword

This document (prEN 15222:2005) has been prepared by Technical Committee CEN/TC 348 “Facility Management”, the secretariat of which is held by NEN.

This document is submitted to CEN enquiry.

When published definitely, This European Standard should be given the status of a national standard, either by publication of an identical text or by endorsement and conflicting national standards should be withdrawn.

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Introduction

Effective Facility Management brings value to an organisation and all associated stakeholders.

The objective of this European Standard is to provide guidance for the preparation of an effective Facility Management agreement. Such an agreement by its nature defines the relationship between on the one side an organisation that procures facility services (client) and on the other side an organisation that provides these services (Facility Management service provider).

Although Facility Management can vary from a combination of single facility services e.g. 'security' and 'cleaning' to fully integrated facility services and/or a functional approach to an organisation e.g. 'workplace' or 'mobility', this European standard is primarily written for organisations that adopt integrated facility services and/or a functional approach. In addition, as technical developments increase and economic systems mature, the demand for this type of facility services, both nationally and internationally, will increase.

It is therefore important that Facility Management agreements are approached in a structured and careful manner.

The purpose of this standard is to:

- Promote cross-border client/Facility Management contractor relationships within the European Common Market and to produce a clear interface between the client and the Facility Management service provider.
- Improve the quality of Facility Management agreements so that disputes and adjustments are minimised.
- Assist in the selection and scope of facility services and to identify options for their provision.
- Give assistance in, and advice on, the drafting and negotiation of Facility Management agreements and in specifying arrangements in the case of dispute.
- Identify types of Facility Management agreements and make recommendations for the attribution of rights and obligations between the parties of the agreement.
- Simplify comparison between Facility Management agreements.

This document is a working and standardized tool intended for parties who wish to draw up the Facility Management agreement within the European Common Market. It offers headings, which are not exhaustive. Parties may or may not include, exclude, modify and adapt these headings to their own contracts.

This standard is a guidance document and does not oblige the parties to use any part of its content.

Not all the clauses discussed in this standard will be applicable to every Facility Management agreement.

The Facility Management agreement shall follow the European, national and local legal and fiscal rules where the agreement will apply. Each individual agreement should be drafted, and negotiated where appropriate, to take into account the requirements, the parties involved and any applicable laws and regulations.

1 Scope

This European standard provides guidance on the preparation of agreements for Facility Management work.

The European standard can be applied to:

- Both public and private European Common Market cross-border, as well as domestic, client/Facility management agreements or relationships.
- The whole range of facility services including planning, management, management and service, service and subcontract or operations.
- Full range of activities associated with any type of working environment (e.g. industrial, commercial, administration, military, health etc.).

This European standard is applicable to services, if they are primarily characterized by the following properties:

- business to business services;
- managed by the Facility management service provider;
- recurrent type of operations;
- performance oriented;
- prices or mechanisms to determine prices for services which are closely linked to performance.

In prEN 15222 the main examples of services concerned are listed.

The standard is primarily written for Facility Management agreements between a client and an external Facility Management service provider. However a large part of this standard can be applied to cases where the Facility management service provider is an internal entity within the client's organisation and be very helpful to set up an approach based on Services Level Agreements (SLA).

This standard does not replace any specialized standards related to services within the scope of the Facility Management agreement.

The standard does not:

- Go into detail concerning the management of environmental issues;
- Provide standard forms for Facility Management agreements;
- Determine rights and obligations between client and Facility Management service provider;
- Detail employment conditions in regard to Facility Management agreements, although such details are extremely important.

2 Normative references

The following referenced documents are indispensable for the application 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.

prEN 15221:2004, *Facility Management – Terms and definitions*

3 Terms and definitions

For the purposes of this European Standard, the terms and definitions given in prEN 15221 and the following apply.

3.1

asset

anything considered by an organisation having an positive value, especially of financial value

3.2

benchmarking

process of measuring performance (including price) of facility services and comparing the results internally or externally

3.3

demobilisation

phase during which proper and effective transfer back of facility services as specified in the Facility management agreement to the client or to a new Facility management service provider.

3.4

due diligence

compilation, comprehensive appraisal and validation of information of an organisation at the appropriate stage of the Facility Management agreement required for assessing accuracy and integrity at the appropriate stage of the agreement process

3.5

escalation path

procedure to insure that when problems can't be resolved within an agreed time frame, they are rapidly brought to the appropriate level of responsibility for adequate resolution.

3.6

exclusivity

Facility management service provider has the solus position for the facility service(s) delivery

3.7

facility management agreement

document and/or agreement stating the conditions for provision of facility services between clients and external service providers as well as internal service providers

3.8

facility management contract

legally binding Facility Management agreement between juridical different business entities

3.9

facility management contractor

organisation that contracts to provide facility services and has the accountability for contract performance

3.11

facility management service provider

organisation that provides the client with a cohesive range of facility services within the terms of the Facility Management agreement

3.12

functional approach

approach to Facility Management that focuses on integration of individual services to attain the required output function

NOTE For example: maintenance of predetermined environment or the functionality of a workplace.

3.13**integrated facility services**

set of facility services that interact with each other

3.14**letter of intent**

note or memorandum setting out a clear intention to take a certain course of action or to enter into a formal agreement

3.15**open-book**

transparent exchange of relevant information between the client and the Facility management service provider

3.16**mobilisation**

phase to establish and implement all resources, systems, data and procedures prior taking full responsibility of the facility services to be delivered as specified in the Facility Management agreement

3.17**partial service**

client service where only partial responsibility or interface obligation is included within the scope of the Facility Management agreement

3.18**performance based payment system**

method of payment based on agreed output criteria

3.19**performance indicator**

client's measure that provides information about performance of facility services delivery

3.19**stakeholders**

all parties who have an interest, public or private, related to the relevant activities as specified in the Facility Management agreement

3.20**sub contractor**

organisation engaged by the Facility Management contractor to perform a specific portion of a facility service

3.21**supplier**

provider of a facility service or product

4 Primary activities

In Facility Management agreements it is fundamental that the Facility Management service provider has an appreciation and understanding of the client's primary activities, relevant organisation strategies and organisational structure at its inception and during the period of the agreement.

The primary activities description should include:

- A description of the client's intended corporate image and trademark.
- A description of the client's products and services.
- A description of the client's customers.

The distinction between the primary activities and support services is decided by each organisation individually; this distinction has to be continuously updated.

5 Different types of Facility Management agreements

5.1 Introduction

It is recommended that the two parties, before finalizing the details of the Facility Management agreement, insure they have a common understanding on the type of Facility Management agreement intended, according to the types described in this section.

5.2 Organisational needs

The relative responsibility of each party for facility services listed in the Facility Management agreement should be determined in the following areas. Reference to the annex A in prEN 15221 (Facility Management model) may be useful at this stage.

- a. Facility Management on a strategic level;
- b. Facility Management on a tactical level;
- c. Facility Management on an operational level.

This determination will lead to the consideration of two main types of Facility Management agreements.

1. Facility Management agreements which include a, b and c. This includes a degree of responsibility for defining the overall Facility Management strategy in line with primary activity strategy.
2. Facility Management agreements, which only include b and c.

A careful analysis of this relationship will assist in the determination of all subsequent clauses in the Facility Management agreement.

5.3 Investments strategy and ownership

Clients should carefully consider the required operating model to meet their investment strategy.

There are typically three generic types of investment strategies within Facility Management agreements envisaged by this document, although others might emerge over time:

1. The client provides all investments and has the ownership.
2. Investment (usually for limited elements) is provided by the Facility Management service provider, including its financing. This investment is usually associated with services provided within the Facility Management agreement. The ownership, right of use, operation and ending of obligations need to be agreed for this investment in relation to the term of the Facility Management agreement.
3. The Build Operate and Transfer agreement is comprehensive in that it incorporates the financing, planning, asset replacement, construction, management and service operation including the full responsibility for all Facility Management costs and risks. This standard is not considered applicable for construction agreements.

5.4 Price and rate mechanisms

There are 3 main methods of price mechanisms and their combinations that can be considered:

1. Lump sum: the Facility Management service provider is fully responsible for defined performance and quality at an agreed total amount for the agreed facility services.

2. Unit rate: the Facility Management service provider is fully responsible for defined performance and quality at an agreed unit rate for the agreed facility service quantities within an agreed range.
3. Cost plus: the Facility Management service provider is fully responsible for defined performance and quality at actual costs plus agreed fee for the agreed facility services. In this case the actual costs for the agreed facility services have to be made available to the client. This can be linked to a guaranteed maximum price (GMP).

These prices may be fixed (fixed price) over the period of time or adjusted based 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 client.

5.5 Performance based payments

5.5.1 Incentives within the scope of the Facility Management agreement

The client and Facility Management service provider should agree if the performance based payment system will operate to cover incentives and non-performance.

5.5.2 Incentives on added value to primary activities

Where the two parties recognise that the client's primary activities performance may improve resulting from the positive performance of the Facility Management service provider the principles for establishing an incentive may be added to the Facility Management agreement.

5.5.3 Incentives about savings

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

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6 Main characteristics of Facility Management agreements

6.1 Preparation time and resources

Time and resources should be dedicated to the preparation of the Facility Management agreement in proportion to the size, importance, and complexity.

Several different phases should be followed to prepare Facility Management agreements and to ensure that the expectations of different stakeholders are taken into account. These stages are summarised in section 7.

6.2 Mutuality and benefits

Both client and Facility Management service provider should share a mutual vision and understand the desired outcome and objectives of the client. Specifically:

- The Facility Management service provider should recognise the operational and strategic importance of its own operation to the client's organisation.
- The client should recognise that it has a direct interest in the performance of its Facility Management service provider in financial, operational and other ways.

Consideration should be given to the primary activities requirements and change management processes to ensure that mutuality and benefits are sustained throughout the term of the Facility Management agreement.

It is important that, before deciding to move towards the signature of the Facility Management agreement, each of the two concerned parties perform their own financial profitability analysis of activities considered.

6.3 Strategic objectives

The Facility Management service provider should fully understand and support the client's (Facility Management) strategy relevant to the Facility Management agreement. Where the client's Facility Management strategy has not been fully determined, both parties should develop a sufficient understanding of this strategy for the purposes of the agreement.

The Facility Management service provider has to understand the internal culture and internal processes of its client.

The respective management structures of the client and the Facility Management service provider should be considered before the Facility Management agreement has been signed. The degree of organisational overlap and control points/interfaces should be agreed in principle together with an explicit consideration of the structure of the management information flow between the two parties.

6.4 Necessary components of the Facility Management agreement

6.4.1 Term of the Facility Management agreement

The Facility Management agreement should be over sufficient term to enable all parties to benefit. The Facility Management agreement should normally last a minimum of three years. In non-public works agreements, the parties should consider the desirability of not imposing a fixed term in the agreement.

The Facility Management agreement should explicitly contain reference to the notice period to which the Facility Management service provider will be subject under the agreement.

6.4.2 Exclusivity

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

6.4.3 Management of client procured facility services

The recommended contracting method for the Facility Management agreement is for the Facility Management service provider to procure all facility services on behalf of the client (acting as principle). However, there will be some elements of facility services which the client may wish to procure and instruct the Facility Management service provider to manage (acting as agent where the contract is between client and a supplier and/or service provider) If applicable, the scope of any agent related activity should be clearly defined as in section 8, clause 4.15. There may also be need to be transitional arrangements.

6.4.4 Sub-contracting

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

The Facility Management service provider should remain responsible for the quality of the facility services sub-contracted.

6.4.5 Allocation of management responsibility

The management responsibilities of stakeholders, affected by the Facility Management agreement, should be clearly defined.

The Facility Management agreement may include the redistribution of activities between the client and the Facility Management service provider as well as the transfer of personnel.

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Where the Facility Management service provider personnel are acting on behalf of the client, the level of autonomy and operational scope (policy, standards, conformance and escalation path) should be clearly defined and the legal implications fully considered.

6.4.6 Information responsibilities

Both parties should ensure that the responsibilities for designing, updating and reporting of management information are fully understood and articulated in the Facility Management agreement. Procedures should be prescribed for the production of reports and performance indicators to any or all stakeholders, especially if financial penalties or inducements may be paid. If necessary, parties might consider an independent audit of such reports and performance indicators.

6.4.7 Communication

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

6.4.8 Regulations

The Facility Management agreement shall follow the European, national and local legal and fiscal rules where the agreement will apply.

6.4.9 Client's standards

The Facility Management agreement should take account of the client's relevant organisation and Facility Management standards.

6.4.10 Preparation for ending the Facility Management agreement

Explicit attention should be paid to the ending of the Facility Management agreement in terms of remuneration, personnel and other matters.

6.5 Principles of the Facility Management agreement

The Facility Management agreement should consider the principles outlined below as key considerations:

- flexibility;
- performance criteria;
- reporting and auditing procedures;
- continuous improvement, best practice and innovation.

6.5.1 Flexibility

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

The more flexible the Facility Management agreement scope, the greater the need for careful documentation of 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 profitability, mobilisation, redundancy and unrecoverable costs should be considered.

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