FACILITIES MANAGEMENT AND ENGINEERING

FM Service Contracts and Service Level Agreements: Specifications, Sourcing, Negotiation and Performance Management for Maintenance and Occupant Services

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Abstract

Facilities management (FM) services are increasingly delivered under contracts whose success depends on the clarity of the specification and the strength of the Service Level Agreement (SLA). This paper presents a practical framework for FM service contracting that follows the life of a contract. It introduces SLAs, their types and the main FM delivery models (total, integrated, bundled, in-house, managing agent, operations and maintenance, and performance-based FM); decides what to contract through a weighted matrix; defines maintenance, occupant, specialist and ancillary services through measurable specifications and the ten elements of an SLA; selects competent providers by weighted rating and ranking; negotiates and documents terms; monitors performance with scorecards, service credits and bonuses; and resolves disputes through an escalation ladder. Worked numerical examples, templates and sample clauses illustrate each step, and the framework is related to the new Saudi Government Tenders and Procurement Law. The examples show how weighted scoring prevents the lowest price from winning on price alone, and how a weighted performance score can link payment to results.

Keywords: Contract management; Facilities management; Performance measurement; Service level agreement; Sourcing

1 Introduction: foundations of FM service contracting

Facilities exist to support an organisation's mission. Maintenance keeps the building and its systems fit for purpose, and occupant services keep the people in it productive and safe. Whether those services are delivered by in-house staff or by contractors, the same discipline applies: define the service, agree the standard, measure the result and manage the gap.

1.1 What is being contracted

Table 1. What is being contracted.

Service family	Typical content
Maintenance services	Planned preventive maintenance, reactive repairs, statutory testing, lifecycle renewals, minor works
Occupant services	Helpdesk, cleaning, security, reception, landscaping, pest control, waste, catering, moves and space changes
Compliance services	Fire and life safety, water hygiene, lift inspection, pressure systems, electrical testing

Service family	Typical content
Management services	Contract and vendor management, reporting, energy management, project coordination

1.2 The document chain

Four documents are often confused. Keeping them distinct avoids most drafting problems.

Table 2. The document chain.

Document	Answers the question	Owner
Specification	What technical and service standard is required?	Client technical team
Statement of work (SOW)	Which services, where, when, by whom?	Client and provider jointly
Service Level Agreement (SLA)	How well, and how will we know and what happens if not?	Contract manager
Contract	What are the legal rights, obligations, price and remedies?	Legal and procurement

The SLA is usually a schedule to the contract, with the specification and SOW as further schedules. Where documents conflict, the contract should state an order of precedence.

1.3 The contract life cycle and this book

Table 3. The contract life cycle and this book.

Stage	Competency area	Chapter
Understand	Introduction to SLAs; types of SLA; FM delivery models	2, 3, 4
Decide	Determine what to contract	5
Define	Specifications; SLA elements; special and ancillary services	6, 7, 8
Select and agree	Select competent providers; prepare the contract and negotiate SLAs	9, 10
Manage	Monitor work and service performance	11
Resolve	Resolve contract disputes	12

1.4 Reference frameworks

ISO 41001 [1] specifies requirements for a facility management system. ISO 41012 [2] gives guidance on strategic sourcing and the development of agreements, and EN 15221-2 [3] gave earlier guidelines for preparing FM agreements. These are useful vocabulary and structure for FM agreements; check the current editions and whichever your client has adopted.

Key takeaways

- Specification, SOW, SLA and contract do different jobs; keep them distinct and cross-referenced.
- Every contracted service should trace back to the facility mission.
- The contract life cycle runs: understand, decide, define, select and agree, manage, resolve.

2 Introduction to service level agreements

Every facility depends on services delivered by someone: a contractor, an in-house team, or another department. The Service Level Agreement (SLA) is the document that turns an expectation of good service into a measurable commitment. This chapter sets out what an SLA is, what it is for, and how it relates to the other documents in an FM contract.

2.1 What is an SLA?

A Service Level Agreement is a documented agreement between a service provider and a customer that defines the services to be delivered, the standard of service that is promised, how that standard will be measured and reported, the responsibilities of each party, and what happens when the standard is met or missed.

Three ideas sit inside that definition. First, **an SLA is an agreement**: both parties understand and accept it. Second, **it is measurable**: every promise can be checked against data. Third, **it has consequences**: there is a defined response to both good and poor performance.

A service level statement in one sentence

"The Provider will answer 95% of helpdesk calls within 30 seconds, measured monthly from the telephone system log, and will earn or lose fee as set out in Schedule 4."

That single sentence names the service, the standard, the measure, the data source, the period and the consequence. A statement missing any of these is a wish, not a service level.

2.2 Why SLAs matter in facilities management

- **Shared expectations.** Client and provider describe "good service" in the same measurable terms.
- **Accountability.** Each requirement has an owner and a result that can be checked.
- **A basis for payment.** Fees can be linked to verified performance.
- **Early warning.** Regular measurement shows decline before occupants complain.
- **Fewer disputes.** Disagreements are settled against agreed data and a defined process.
- **Continuous improvement.** Targets can be reviewed and raised as results improve.
- **Risk allocation.** The SLA shows who carries which risk, and at what price.

2.3 SLA and related terms

Several terms are used loosely. Distinguish them to keep documents and conversations clear. Some come from IT service management and are now widely used in FM.

Table 4. SLA and related terms.

Term	Meaning	Example
SLA	Agreed service levels between provider and customer, with measurement and consequences	Monthly service schedule with KPIs and service credits
Contract	The legally binding agreement covering rights, price, risk and remedies	Master services agreement
SOW	Statement of the services, locations and hours	Scope schedule with asset register
KPI	A measure of performance against a target	PPM completion rate

Term	Meaning	Example
Service level objective	The target for a measure within an SLA	95% of P1 calls attended in 30 minutes
OLA (operational level agreement)	Agreement between internal teams that supports an SLA	Helpdesk to engineering team response commitments
Underpinning contract	Agreement between the provider and its own suppliers that supports the SLA	Provider's lift subcontract

2.4 Anatomy at a glance

Whatever its length, a complete SLA contains seven blocks:

Table 5. Anatomy at a glance.

Block	Content
Parties and purpose	Who is bound, for which facility and why
Services	Scope, locations, hours, exclusions
Service levels	KPIs with targets and thresholds
Measurement and reporting	Data sources, formulas, reporting frequency
Responsibilities	What the provider does and what the client must provide (access, information, approvals)
Remedies and incentives	Service credits, bonuses, cure periods
Review and exit	Review dates, change control, termination

The section on SLA elements develops these into ten detailed elements.

2.5 Benefits for each party

Table 6. Benefits for each party.

For the client	For the provider
Clear standard and a way to check it	Clear scope and standard, so effort is not wasted
Leverage to correct poor service	Protection against unreasonable demands
Data for budgeting and decision-making	Evidence of good performance to support renewal and bonuses
Consistency across sites and contractors	Fair treatment of excusable events and client-caused delay
Defined escalation route	Defined route to raise concerns about the client's own obligations

2.6 Characteristics of a good SLA

The familiar SMART test applies to each service level, with three additions from practice.

Table 7. Characteristics of a good SLA.

Test	Meaning in an SLA
Specific	States exactly which service and which standard

Test	Meaning in an SLA
Measurable	Has a formula, a data source and a reporting period
Achievable	Can be met with the agreed resources and price
Relevant	Linked to what the facility actually needs
Time-bound	States the time limit or reporting period
Controllable	The provider can influence the result; if not, the measure is unfair
Balanced	A small set that covers quality, speed, safety, satisfaction and cost
Simple	Understood by site staff, not only by lawyers

2.7 Limits of an SLA

An SLA is a management tool, not a guarantee. Three limits are worth knowing.

- **Green measures, red experience.** Every KPI can be met while occupants remain dissatisfied if the wrong things are measured. Include satisfaction and outcome measures.
- **Gaming.** People optimise what is measured. Audit the data, and watch for tickets closed without fixing the cause.
- **Relationship.** No SLA can replace trust and communication. The best contracts combine both.

2.8 The SLA life cycle

1) **Design:** define the services, standards and measures from the facility's needs.

2) **Negotiate:** agree the levels, price and remedies (the section on contract preparation and negotiating SLAs).

3) **Implement:** mobilise, set baselines, train staff on the measures.

4) **Monitor:** measure, report and review (the section on monitoring work and service performance).

5) **Review and improve:** adjust targets and scope as the facility changes.

6) **Renew or exit:** extend, re-tender or transition.

Key takeaways

- An SLA is a measurable, agreed commitment with consequences, not a general promise of good service.
- Distinguish the SLA from the contract, the SOW, KPIs and operational level agreements.
- Good service levels are specific, measurable, achievable, relevant, time-bound and controllable.

3 Types of service level agreements

SLAs are classified in several ways. A single contract can combine more than one type. Knowing the options lets you choose a structure on purpose, not by habit.

3.1 By structure: customer, service and multi-level

Table 8. By structure: customer, service and multi-level.

Type	Description	FM example	Best when
Customer-based SLA	One agreement between the provider and one customer covering all the services that customer receives	One SLA between an FM contractor and a client department for maintenance, cleaning and security	A single customer with several services
Service-based SLA	One agreement for a single service, offered on the same terms to all customers	A standard helpdesk SLA applied to every tenant or department	A standardised service for many customers
Multi-level SLA	Layers: corporate level (applies to all), customer level (specific to one customer), service level (specific to one service)	Corporate safety and reporting rules, department-level hours, lift-level response times	Large or multi-site portfolios with shared rules and local needs

Multi-level SLAs avoid repetition: rules common to every contract sit in one place, and local variations sit where they apply. Update the top level once, and every lower level inherits the change.

3.2 By relationship: external, internal and supplier

Table 9. By relationship: external, internal and supplier.

Type	Between	Purpose
External SLA	Client and external contractor	Governs the contracted service; linked to payment and remedies
Internal SLA	Two departments of the same organisation, such as FM and a business unit	Sets expectations where no legal contract exists; supports charge-back
Operational level agreement (OLA)	Teams within the provider	Supports the external SLA, e.g. helpdesk to engineering response
Underpinning (supplier) agreement	Provider and its own subcontractor or OEM	Ensures the provider's promises can be kept

A common failure is promising the client a four-hour response while the provider's own subcontractor agrees only to a next-day visit. Check that every external promise is underpinned.

3.3 By what is measured

Table 10. By what is measured.

Type	Measures	FM example	Watch for
Response and resolution	Time to attend, make safe and fix	P1 attended within 30 minutes, fixed within 4 hours	Rewards speed, not fix quality; add repeat-failure KPI
Availability	Percentage of time an asset or system is in service	Chiller plant available 99.5% in operating hours	Needs clear definition of downtime and exclusions
Task and compliance	Completion of scheduled and statutory work	PPM completed on time; statutory tests in date	Rewards activity, not outcome

Type	Measures	FM example	Watch for
Quality and satisfaction	Audit scores, user survey results	Cleaning audit pass rate; satisfaction score 4.0	Subjective unless the checklist is agreed
Outcome	The result the facility needs	Space temperature within range 95% of occupied hours	Provider needs control over the factors that affect it
Cost and consumption	Cost per unit, energy or water use	Energy per square metre within baseline range	Weather, occupancy and client behaviour affect results
Composite scorecard	Weighted combination of several measures	Monthly score out of 100 (see the section on monitoring work and service performance)	Weights must reflect real priorities

3.3.1 Availability targets in practice

An availability target converts into allowed downtime. Over a full year of 8,760 hours:

Table 11. Availability targets in practice.

Availability target	Allowed downtime per year	Per month (30 days)
99.00%	87.60 hours	7.20 hours
99.50%	43.80 hours	3.60 hours
99.90%	8.76 hours	43.2 minutes
99.99%	52.6 minutes	4.3 minutes

A step from 99.5 to 99.9 percent cuts allowed downtime by about 80 percent, and the cost of delivering it rises accordingly: redundancy, spares and faster response. Set availability by criticality, and define whether planned maintenance outages count as downtime.

3.4 By commercial structure

Table 12. By commercial structure.

Type	How it works	Suits
Fixed fee with service credits	Fee is fixed; deductions apply when targets are missed	Most FM contracts with stable scope
Fixed fee with bonus and credits	Two-way: bonus for exceeding targets, deductions below threshold	Clients who want continuous improvement
Unit-rate SLA	Paid per task, with service levels attached to each task type	Variable reactive and minor works
Gain-share and pain-share	Savings or overruns are shared in an agreed ratio	Energy and efficiency programmes
Outcome-based SLA	Payment depends on the result achieved, such as availability or comfort	Mature relationships with good data

3.5 By scope and duration

- **Single-service SLA:** one service, such as lift maintenance.

- **Bundled or integrated SLA:** several services under one provider, with a shared governance structure.
- **Total FM SLA:** a single provider is accountable for the full portfolio of hard and soft services.
- **Framework or call-off SLA:** standard terms agreed once; individual work orders call them off.
- **Project or ad hoc SLA:** a short agreement for a defined piece of work.
- **Long-term and short-term:** longer terms support investment and mobilisation cost; shorter terms keep flexibility.

3.6 Choosing the right type

Table 13. Choosing the right type.

Situation	Suggested approach
Many sites, shared standards, local differences	Multi-level SLA with corporate rules and site schedules
A critical system where downtime is costly	Availability-based SLA with response and resolution KPIs
Newly outsourced service with little data	Response and task-based SLA with a baseline period, move to outcomes later
Internal department supplying services to another	Internal SLA with charge-back and quarterly review
Provider relies on subcontractors	External SLA plus underpinning agreements that match it
Mature contract, reliable data, shared savings possible	Composite scorecard with bonus and credits, or gain-share

Key takeaways

- SLAs can be classified by structure, relationship, measurement, commercial model, scope and duration.
- Multi-level SLAs reduce repetition across large portfolios.
- Every external promise must be underpinned by matching supplier agreements.
- Choose measurement types by criticality and data maturity.

4 FM delivery models and contract structures

Before writing an SLA, ask how the services will be delivered. A single contractor, a group of specialist contractors, an in-house team and a managing agent each need a different agreement structure, because responsibility, risk and coordination sit in different places. This chapter sets out the main facilities management delivery models and the contract structures found on large projects.

4.1 The main delivery models

Table 14. The main delivery models.

Model	How it works	Who coordinates	Typical SLA approach
TFM: Total FM	One provider manages almost all hard and soft FM under one contract and one management structure	The single provider	One master SLA with an integrated scorecard; clear exclusions

Model	How it works	Who coordinates	Typical SLA approach
IFM: Integrated FM	Multiple services integrated through centralised management, processes, systems and reporting	Central management and platform	Common KPI framework; service SLAs roll up to one dashboard
Bundled and single-service FM	The client appoints separate contractors for specific services, such as HVAC, cleaning or security	The client	A separate SLA per contractor; interface clauses between them
Self-managed (in-house) FM	The client's own employees manage and deliver operations	The client	Internal SLAs and operational level agreements; charge-back
Managing agent	An agent manages and coordinates subcontractors on the client's behalf; the client may pay service costs separately	The managing agent	An SLA for the agent's management service, plus SLAs with each subcontractor
O&M: Operations and maintenance	Operating and maintaining specific assets or infrastructure, often technical systems	The O&M contractor	Availability, output and safety KPIs; condition on handback
PFM: Performance-based FM	The contractor is measured against defined performance targets, KPIs and outcomes; payment, deductions or incentives follow results	Varies	Outcome-based SLA with baseline and scorecard
PPP: Public-private partnership	Public and private sectors collaborate to deliver infrastructure or facility services under a long-term agreement	The private partner or project company	Long-term output specification with a performance-linked payment mechanism

The models are not mutually exclusive. Performance-based FM describes how a contractor is measured and paid, so it can overlay TFM, IFM or O&M. O&M and PPP describe the type of asset and the commercial arrangement. In practice a large project may combine a TFM core contract with separate special services.

A note on terms: the abbreviation "BIFM" is sometimes used for bundled FM, but it is also the former name of the British Institute of Facilities Management, now the IWFM. This book uses "bundled and single-service FM" to avoid confusion.

4.2 Total Facilities Management (TFM)

- One service provider and one main contract.
- Hard FM and soft FM together under one management structure.
- **Example:** a contractor manages HVAC, electrical, cleaning, security, landscaping and waste management for a large facility.

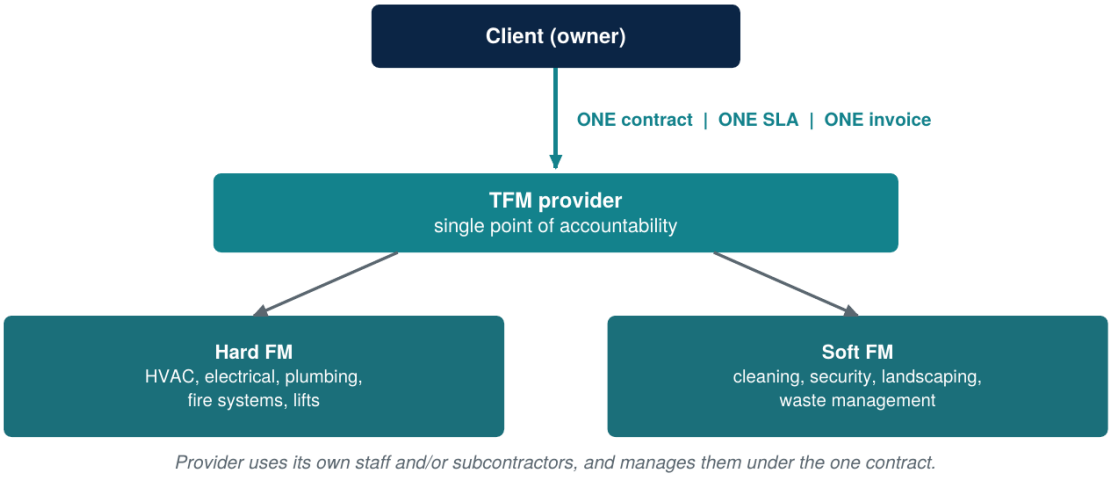

Figure 1. TFM: one contract, one provider, hard and soft FM together.

Example in practice. A ministry office complex awards one five-year TFM contract. The provider runs HVAC, electrical, plumbing, fire systems, cleaning, security, landscaping and waste management. The client has one account manager to call, one monthly invoice and one SLA scorecard. If a chiller fails and the lobby is not cleaned, the same party answers for both. (Illustrative.)

How it works. The client sets the requirements and monitors the results. The provider decides how to deliver, which trades to employ and which to subcontract, and carries the coordination work between them.

SLA implications. The client deals with one accountable party, so a single master SLA with an integrated scorecard works well. The risks are scope boundaries between services, over-reliance on one provider, and subcontractor performance the client cannot see. Require visibility of subcontractors and underpinning agreements.

4.3 Integrated Facilities Management (IFM)

- Integrated service delivery with a centralised CAFM or CMMS.
- Integrated KPIs and reporting.
- Coordinated teams, workflows and management.
- **Example:** all FM services are managed on one platform, including work orders, asset data, PPM, service performance and reporting.

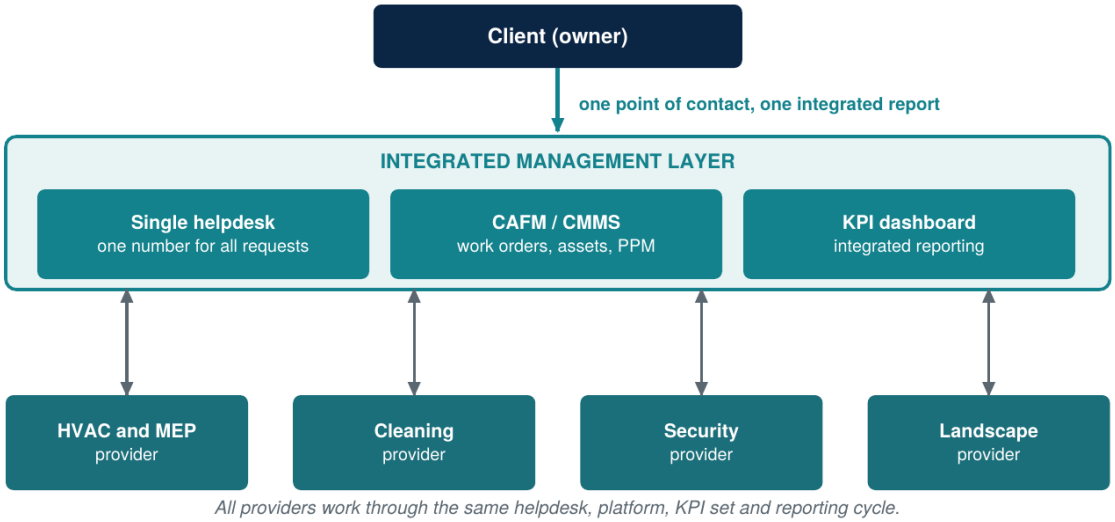

Figure 2. IFM: separate providers joined by one management layer and one platform.

Example in practice. A hospital group has providers for MEP, cleaning, security and landscape. All requests come through one helpdesk, all work orders sit in one CMMS, and the group receives one KPI dashboard each month. A broken door lock, a cleaning complaint and a chiller alarm are logged, prioritised and tracked the same way. (Illustrative.)

How it works. Integration comes from shared management, processes, systems and reporting. The integrator, or the client's central team, owns the platform, sets common priorities and consolidates performance data.

SLA implications. IFM is defined by integration, not by who employs the staff. The SLA should state who owns the platform and the data, how services share one helpdesk and one KPI set, and how performance data from different providers are combined and audited.

4.4 Managing agent model

- The managing agent manages subcontractors rather than employing all technicians.
- The client may pay service costs separately from the agent's fee.
- The agent coordinates delivery, monitoring, reporting and compliance.
- **Example:** an FM management company manages HVAC, cleaning and security subcontractors without directly employing all service technicians.

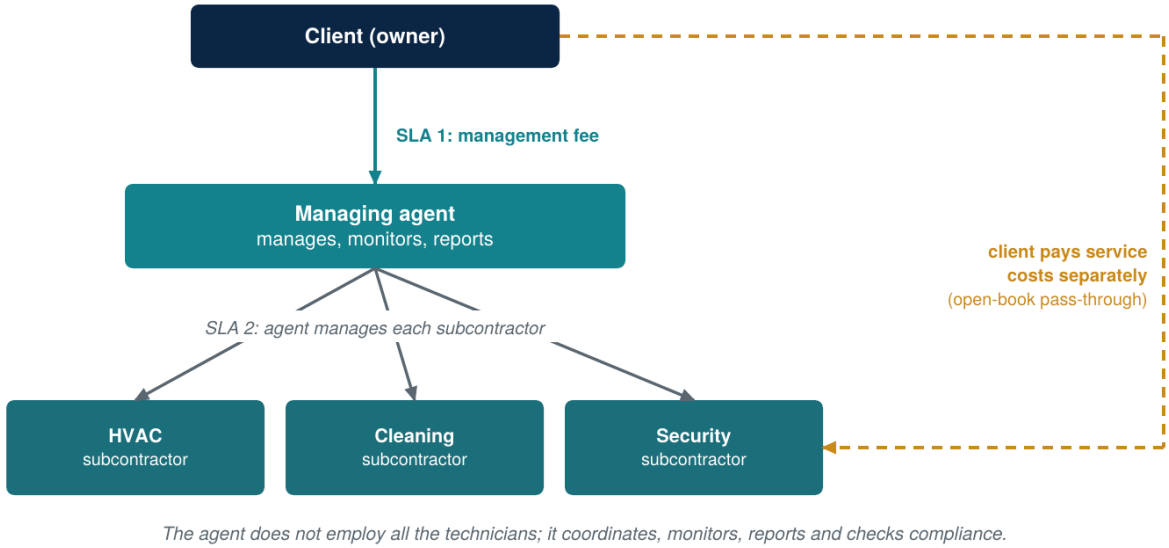

Figure 3. Managing agent: the agent manages subcontractors; the client pays service costs separately.

Example in practice. A client appoints an FM management company for a fixed fee. The company selects and manages HVAC, cleaning and security subcontractors, monitors their SLAs, checks compliance and reports monthly. The subcontractors' costs are passed through at cost and paid separately. The agent does not employ the technicians. (Illustrative.)

How it works. The client buys management expertise. Cost transparency matters: the client needs open-book access to subcontract prices and invoices, so the agent's fee is the agent's only margin.

SLA implications. There are two layers: an SLA between the client and the agent covering management performance (monitoring, reporting, compliance, cost control), and SLAs between the agent and each subcontractor. Insist on open-book cost pass-through, audit rights and a clear statement of who bears subcontractor failure.

4.5 In-house (self-managed) FM

- The facility owner employs its own technicians, engineers and supervisors.
- Direct control over operations.
- Requires internal manpower, technical resources and management.

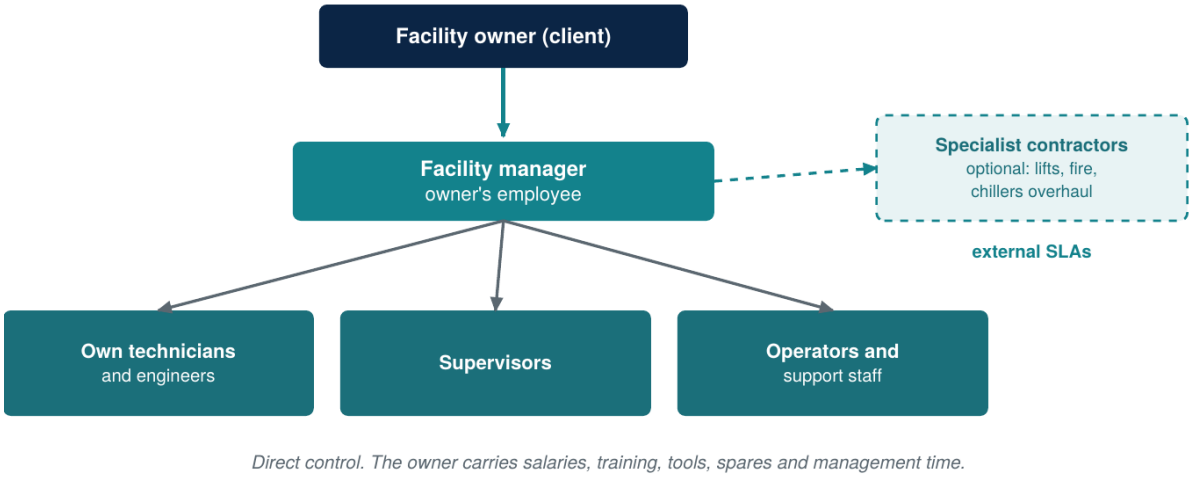

Figure 4. In-house FM: the owner employs the team, with optional specialist contractors.

Example in practice. A university employs its own technicians, engineers and supervisors for day-to-day maintenance and uses specialist contracts for lifts and fire systems. The facility manager reports to the owner, and departments are charged for services through an internal SLA. (Illustrative.)

How it works. The owner has direct control and keeps the knowledge, but it must fund and manage recruitment, training, tools, spares and cover for absence.

SLA implications. There is no contract between employer and employee, but an internal SLA still brings discipline: it sets standards, supports charge-back to departments, and prepares the ground for later outsourcing. Where specialist services are contracted out, they need external SLAs that fit the internal one.

4.6 Operations and maintenance (O&M)

- Operation and maintenance of specific assets, facilities or infrastructure.
- Often focused on technical systems.
- Common in industrial plants, utilities, power stations and large building systems.

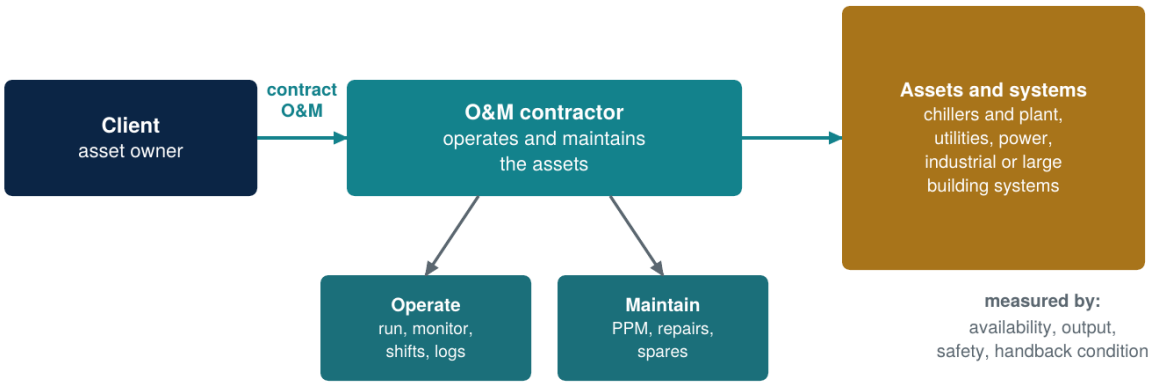

Figure 5. O&M: a contractor operates and maintains specific assets or infrastructure.

Example in practice. A utility or industrial plant contracts an operator to run its chiller plant or power and water systems. The contractor staffs the shifts, carries out preventive maintenance and repairs, and must keep availability above an agreed level and return the plant in an agreed condition at the end. (Illustrative.)

How it works. The focus is the technical performance of the asset. Operating hours, availability, output, energy use and safety are the main measures.

SLA implications. Availability, output and safety measures dominate. State the condition in which assets must be handed back, and who carries lifecycle replacement.

4.7 Performance-based FM

- Contractor performance is evaluated against agreed KPIs.
- Payment, deductions or incentives may be linked to performance.
- The focus is on results rather than on completing tasks.

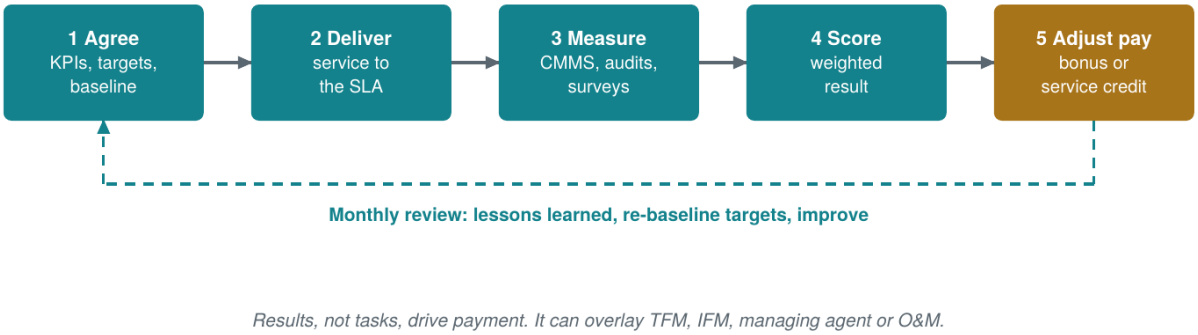

Figure 6. Performance-based FM: results drive payment, and the cycle repeats monthly.

Example in practice. A client sets a monthly score out of 100 across five KPIs. A score of 98 or above earns a bonus; a score below 95 triggers a service credit. The worked scorecard in the section on monitoring work and service performance shows the calculation. (Illustrative.)

How it works. Performance-based FM changes how the contractor is paid and measured, not who delivers the service, so it can sit on top of other models.

SLA implications. This model depends on a baseline, reliable data and a fair scoring rule. The section on monitoring work and service performance gives a worked scorecard with service credits and bonus.

4.8 One facility, six ways

The same facility needs MEP maintenance, cleaning, security, landscaping and waste management. The table shows how each model delivers it. The counts and descriptions are illustrative.

Table 15. One facility, six ways.

Model	Contracts the client manages	Who answers to the client	Where the SLA sits	Client effort
TFM	1 main contract	The TFM provider	One master SLA and scorecard	Low

Model	Contracts the client manages	Who answers to the client	Where the SLA sits	Client effort
IFM	1 integrator contract, or several managed by one central team	The integrator or central team	Common KPI set; service SLAs roll up to one dashboard	Low to medium
Bundled / single-service	5 contracts, one per service	Each contractor, for its own service	Five SLAs plus interface clauses	High
Managing agent	1 agent contract, plus pass-through of 5 subcontract costs	The managing agent	SLA with the agent; agent holds SLAs with subcontractors	Medium
In-house	No service contracts for core work; specialist contracts as needed	The facility manager	Internal SLAs; external SLAs for specialists	High
O&M	1 contract for the asset or system	The O&M contractor	Availability, output and safety SLA	Low to medium

4.9 Strengths and risks at a glance

Table 16. Strengths and risks at a glance.

Model	Strengths	Risks to manage in the SLA
TFM	Single point of accountability; economies of scale	Scope gaps; dependence on one provider; hidden subcontractor risk
IFM	Consistent data and reporting; efficient coordination	Platform and data ownership; integration cost
Bundled / single-service	Specialist focus; competitive pricing per service	Client carries coordination and interface risk
In-house	Direct control; knowledge retained	Fixed cost; limited specialist skills; scale
Managing agent	Client benefits from management expertise without employing all trades	Margin on pass-through costs; weak line of sight to subcontractors
O&M	Technical depth; clear asset accountability	Handback condition; lifecycle responsibility
PFM	Aligns payment with results	Poor baselines; disputes about measurement
PPP	Long-term outcomes; private finance and expertise	Long commitments; complexity; change over decades

4.10 Contract structure on a large facility

A large facility is usually served by a core FM contract plus separate contracts for special and ancillary services. A typical set in a large Saudi project might include:

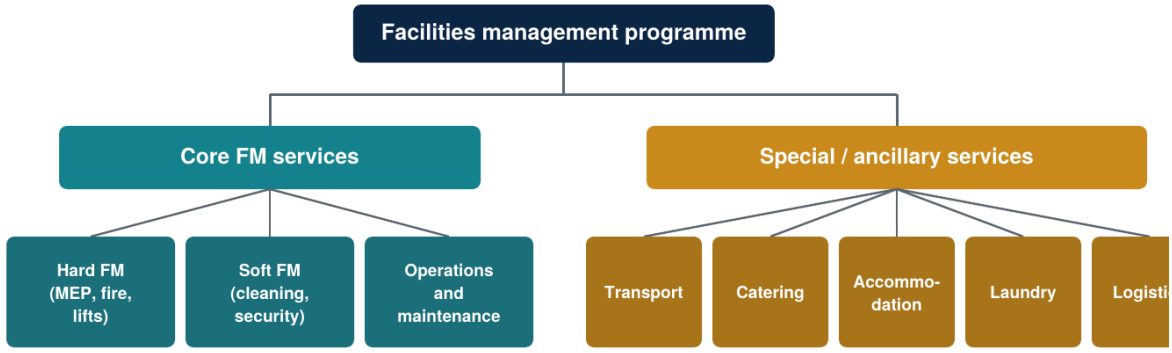

Figure 7. Core and special or ancillary services under an FM programme.

Table 17. Contract structure on a large facility.

Contract	Scope
MEP maintenance	Chillers, HVAC, electrical, plumbing and fire systems
Cleaning	Internal and external cleaning
Security	Guards and access-control operations
Transportation	Staff transport and bus operations
Catering	Food and cafeteria management
Accommodation	Staff camp and housing management
Landscape	Gardening and irrigation
Waste management	Collection, segregation and disposal

Terminology varies. The services outside core hard and soft FM are called, depending on the client, ancillary services, support services, special services or non-core services. Always define the term in the contract rather than relying on a label.

4.11 Choosing a model

Table 18. Choosing a model.

Situation	Model to consider
Large estate; client wants one accountable party	TFM
Several providers; client wants common data and KPIs	IFM
Client has strong technical team; needs specialists for some systems	Bundled and single-service, or in-house with specialist contracts
Client lacks capacity to manage many subcontractors	Managing agent
Industrial plant, utility or major building system	O&M, often with performance-based measures
Client wants payment tied to outcomes and has reliable data	Performance-based FM overlay

Situation	Model to consider
Long-term infrastructure with private finance	PPP with a performance payment mechanism

Government facilities, hospitals, airports, mega-projects and large commercial buildings often use TFM or IFM for the core, with managing-agent arrangements or separate contracts for special services. The section on determining what to contract shows how to decide what to contract and what to keep, and the section on types of service level agreements shows how SLA types map to these models.

Key takeaways

- The delivery model decides where responsibility, risk and coordination sit, and therefore what the SLA must cover.
- TFM, IFM, bundled, in-house, managing agent, O&M, performance-based and PPP are overlapping options, not rigid boxes.
- Large facilities combine a core FM contract with separate special or ancillary service contracts.
- Define "special", "ancillary" and "non-core" in the contract.

5 Determining what to contract

Before selecting a provider, decide whether to contract the service at all, and if so how much of it. This is a strategic sourcing decision, not a purchasing reflex.

5.1 Relevance to the facility mission

Services close to the facility's core purpose, or that touch sensitive information, safety or reputation, weigh toward retention or tight control. Commodity services far from the mission weigh toward contracting. Ask: if this service failed tomorrow, how directly would it damage the mission?

5.2 Total cost of services

Compare in-house and contracted options on total cost: labour including benefits and turnover, supervision, training, tools, vehicles, spares, management time, contract administration and monitoring, and transition cost. Compare over a common period, and treat lifecycle replacement obligations explicitly. A lower price from a contractor can hide higher oversight cost for the client.

5.3 Risk sharing

Contracting can transfer some risks (labour availability, productivity, specialist liability) but not others (reputation, regulatory accountability, safety duty of the owner). State which risks move and which stay, and price accordingly. A risk transferred to a provider who cannot bear it returns to the client at the worst moment.

5.4 Level of control

In-house staff respond directly to the client; contractors respond to the contract. Where you need to change priorities daily, retain control or use a flexible contract mechanism. Where the service is stable and measurable, contract control through the SLA is sufficient.

5.5 Service specialty or uniqueness

Specialist, low-volume skills, such as lift maintenance, fire-system testing, chiller overhauls and medical gas, are hard to justify in house. Unique, facility-specific knowledge, on the other hand, argues for retaining people who hold it.

5.6 Speed of service response

If seconds or minutes matter, check whether a contractor can meet the response time from its resource base. A contractor's response promise is only as good as its nearest available technician and its spares position.

5.7 Productivity or oversight requirements

Contracting does not remove supervision; it changes it. Estimate the client-side effort to monitor the contract (inspections, reports, meetings, invoice checks) and include it in the cost comparison.

5.8 Availability of contractor services

Check that a competitive market exists locally. A thin market produces weak bids and dependency. Consider the exit route: could another provider take over, or would you be locked in?

5.9 Advantages and disadvantages of contracting

Table 19. Advantages and disadvantages of contracting.

Advantages	Disadvantages
Access to specialist skills and equipment	Less direct control over staff and priorities
Flexibility to scale up and down with demand	Contract administration and monitoring cost
Fixed or predictable cost for a defined scope	Risk of scope disputes and variations
Transfer of some labour and performance risk	Dependence on the provider; thin-market risk
Provider's training, systems and benchmarks	Loss of institutional knowledge over time
Management focus on the core mission	Misaligned incentives if the SLA is weak
Competition keeps price and quality under pressure	Transition and mobilisation disruption

5.10 A weighted decision matrix

Score each option from 1 (poor) to 5 (strong) against the factors, weight the factors by importance, and sum. The example below evaluates chiller plant maintenance; the scores and weights are illustrative.

Table 20. A weighted decision matrix.

Factor	Weight	In-house	Contract	Hybrid
Relevance to facility mission	15	5	2	3
Total cost of services	20	3	4	4
Risk sharing	10	2	4	4
Level of control	15	5	2	4

Factor	Weight	In-house	Contract	Hybrid
Service specialty or uniqueness	15	2	5	4
Speed of service response	10	5	3	4
Productivity and oversight needs	5	3	3	3
Availability of contractor services	10	3	4	4
Weighted score (out of 5)	100	3.55	3.40	3.80

The hybrid option scores highest at 3.80, with in-house operation of routine tasks and a specialist contract for overhauls. The matrix does not replace judgement; use it to expose disagreements about weights and scores, and test whether the winner changes when the weights change.

Key takeaways

- Decide what to contract before deciding who to contract.
- Compare total cost, including the client's monitoring effort.
- A weighted matrix makes the reasoning visible and testable.

6 Maintenance and occupant service specifications

A specification translates the facility's needs into requirements a provider can price and perform. Vague specifications create two outcomes: low bids that later grow through variations, and disputes about what was promised.

6.1 Three styles of specification

Table 21. Three styles of specification.

Style	Describes	Strength	Weakness
Prescriptive (input-based)	Tasks, methods, frequencies, resources	Easy to price and audit	Rewards activity, not results; client carries performance risk
Performance (output-based)	Outcomes, such as availability, comfort or response	Transfers risk; encourages innovation	Needs clear measurement and baseline data
Hybrid	Mandatory tasks for compliance plus outcome targets	Balances control and risk transfer	More drafting effort

Most FM contracts work best as hybrids: prescribe what the law or the manufacturer requires, and specify outcomes for everything else.

6.2 Maintenance service specification

A maintenance specification should contain, at minimum:

- **Scope and boundaries:** buildings, floors, systems and exclusions, supported by an asset register.
- **Planned preventive maintenance:** tasks and frequencies by asset class, with statutory items marked.
- **Reactive maintenance:** priority classes, response and rectification targets, hours of cover.

- **Standards and codes:** manufacturer recommendations, applicable codes and client policies.
- **Resources and competence:** qualifications, supervision ratio, licences, training.
- **Spares, consumables and tools:** who supplies what, and who owns stock.
- **Records and reporting:** CMMS entries, reports, certificates, as-built updates.
- **Handover and handback:** condition on entry and on exit.

6.2.1 *Priority classification*

Reactive demands should be classified by consequence, not by who calls. An illustrative scheme:

Table 22. Priority classification.

Priority	Definition	Response	Make safe / rectify
P1 Emergency	Risk to life or critical operations	30 minutes	4 hours
P2 Urgent	Major disruption to a function or area	2 hours	24 hours
P3 Routine	Minor defect, limited impact	1 working day	5 working days
P4 Planned	Non-urgent, can be scheduled	Next planned visit	30 days

Illustrative values. Set targets from facility criticality, not from a template.

6.3 Occupant service specification

Occupant services are experienced directly by people, so their standards must be both observable and measurable. For each service in the catalogue, state scope, hours, standard and measure.

Table 23. Occupant service specification.

Service	Standard (example)	Measure
Helpdesk	Calls answered within 30 seconds; every request logged and acknowledged	Answer rate, acknowledgement time
Cleaning	Washrooms inspected hourly in peak periods; no visible soiling	Inspection pass rate against agreed checklist
Security	Access control at all entrances; patrols to schedule	Patrol completion, incident response time
Pest control	Scheduled treatment with certificate; callback within 24 hours	Treatment compliance, repeat-sighting rate
Landscaping	Irrigation and grounds kept to agreed seasonal standard	Audit score, water-use variance
Moves and space	Standard move completed within agreed lead time	On-time completion, post-move defects

6.4 Writing rules

- Use measurable language. Replace "clean" or "prompt" with a standard, a time or a checklist.
- State each requirement once and in one place; cross-refer rather than repeat.
- Name an owner and a measurement source for every requirement.
- Separate mandatory requirements (shall) from guidance (should).
- Specify both frequency and outcome where compliance depends on either.

- Test the draft: could two independent contractors price this and arrive within a narrow band?

Common trap

Copying frequencies from a manufacturer manual or an old contract without checking asset criticality and condition. This over-specifies low-risk assets and leaves critical ones underserved.

Key takeaways

- Hybrid specifications balance control and risk transfer.
- Classify reactive work by consequence and give each class a response and rectification target.
- Every occupant service needs a scope, a standard and a measure.

7 The service level agreement: elements

An SLA is the part of the contract that defines the service level the provider promises, how it is measured, and what follows when the promise is kept or broken. Strong SLAs share ten elements, each covered below.

Table 24. The service level agreement: elements.

#	Element	Purpose
1	Statement of work describing the scope of services	Defines what is delivered, where and when
2	Quality and performance-related expectations	Defines how well, and how it is measured
3	Safety	Protects people and sets HSE duties
4	Communication	Governs reporting, meetings and contacts
5	Exception (problem) management	Handles failures and unforeseen events
6	Pricing, fees and payment terms	Sets how and when the provider is paid
7	Incentives and penalties	Aligns behaviour with outcomes
8	Legal compliance	Confirms statutory and regulatory duties
9	Reasons for contract termination	Defines exit rights and process
10	Signatures of both parties	Confirms agreement and authority

7.1 Statement of work: scope of services

The SOW states the services to be performed, the locations and assets covered, the hours and days of service, and the exclusions. It should reference the specification rather than duplicate it, and include the asset register and floor plans as annexes. Ambiguous boundaries, such as "minor repairs" with no cost limit, are the single largest source of variation claims.

7.2 Quality and performance expectations

Each expectation becomes a key performance indicator (KPI) with five parts: the measure, the formula, the target, the threshold below which a remedy applies, and the data source and reporting period. A KPI without all five invites disagreement.

Table 25. Quality and performance expectations.

KPI (illustrative)	Formula	Target	Threshold
PPM completion	Completed on time / scheduled x 100	95%	90%
P1 response	P1 calls attended within target / total P1 x 100	95%	90%
First-time fix rate	Jobs closed on first visit / jobs closed x 100	80%	70%
Customer satisfaction	Average survey score (1 to 5)	4.0	3.5
HSE audit score	Audit points achieved / available x 100	90%	80%
Report timeliness	Reports on time / reports due x 100	100%	90%

Limit the list. Eight to twelve well-chosen KPIs are manageable; thirty are not. Each should be controllable by the provider and verifiable by the client.

7.3 Safety

Safety obligations belong in the SLA, not only in a general HSE annex. Typical content:

- Permit-to-work, isolation and lock-out rules for hazardous tasks.
- Risk assessments and method statements before work starts, and approval routes.
- Competence, licensing and training requirements for each trade.
- Personal protective equipment, tools and equipment inspection.
- Incident, near-miss and hazard reporting timelines, and investigation duties.
- Right to stop work, and audit and inspection rights for the client.
- Emergency procedures and drills.

7.4 Communication

Define who talks to whom, how often, and through which channel. An agreed communication plan prevents the most common failure: both sides knew of a problem, but neither told the other.

Table 26. Communication.

Mechanism	Content	Frequency
Daily contact	Site supervisor and client representative: priorities, access, issues	Daily
Performance report	KPI results, trends, exceptions, actions	Monthly
Service review meeting	Review of report, variations, improvement plan	Monthly
Governance meeting	Senior review of relationship, risks, commercial matters	Quarterly
Escalation matrix	Named contacts and time limits at each level	As needed

7.5 Exception and problem management

An exception is any event outside normal service: a missed target, a recurring defect, a major failure or an unforeseen condition. The SLA should state how exceptions are reported, who owns them and how long each step may take. A simple process works well:

1) **Detect and log** the exception with time, location and impact.

2) **Contain** the effect on occupants and operations.

3) **Investigate** the root cause, not just the symptom.

4) **Correct** the fault and agree a preventive action.

5) **Report and close** with evidence, and trend repeat occurrences.

Define "excusable events" in advance: circumstances beyond the provider's control, such as client-caused access delay or force majeure, for which a missed target is not penalised.

7.6 Pricing, fees and payment terms

Table 27. Pricing, fees and payment terms.

Model	How it works	Suits	Watch for
Lump sum (fixed fee)	Fixed periodic fee for defined scope	Stable, well-defined PPM and services	Variation disputes at boundaries
Unit rate / schedule of rates	Paid per task or unit measured	Variable reactive and minor works	Volume growth; need for measurement
Cost-plus / open book	Actual cost plus agreed fee	Uncertain scope; transition periods	Weak cost incentive; needs audit rights
Management fee	Provider manages subcontractors for a fee	Integrated or multi-trade contracts	Hidden margin on pass-through costs
Hybrid	Fixed fee for core plus rates for variable work	Most FM contracts	Clear rules for what moves between them

Payment terms should state invoice timing, supporting evidence, the payment period, treatment of disputed items, indexation and review of rates, retention or performance security, and the rules for pricing variations. Payment should be linked to verified performance, which leads naturally to the next element.

7.7 Incentives and penalties

Incentives reward results above target; penalties, often called service credits or deductions, recover value when results fall below threshold. The section on monitoring work and service performance develops a worked example. Principles for the SLA:

- Tie them to a small number of KPIs that matter to the mission.
- Make them proportionate and capped, and ensure they are a genuine estimate of loss, not a punishment. Ask counsel to confirm enforceability under the governing law.
- Provide a cure period for non-critical failures, and no cure for safety breaches.
- Include a bonus path as well as a penalty path, so the provider can earn as well as lose.
- Check that no incentive rewards reporting behaviour over real service.

7.8 Legal compliance

The SLA should oblige the provider to comply with all applicable laws, licences and standards, and to evidence that compliance. Typical elements: trade and company licences, labour and employment obligations including those on localisation and worker welfare, insurance, health and safety law, environmental and waste rules, data protection, anti-corruption, and restrictions on subcontracting without consent. Set out the evidence required and the consequences of non-compliance.

7.9 Reasons for contract termination

Table 28. Reasons for contract termination.

Ground	Example	Typical process
Material breach	Persistent failure of critical KPIs; unsafe work	Notice, cure period, termination if uncured
Insolvency	Bankruptcy, inability to pay staff or suppliers	Immediate or short notice
Serious HSE breach	Fatality, repeated stop-work orders	Immediate suspension, termination right
Legal non-compliance	Loss of licence; fraud; corruption	Immediate
Change of control or assignment	Unapproved subcontracting or transfer	Consent or termination
Convenience	Client no longer needs the service	Notice period and agreed cost recovery
Force majeure	Prolonged event preventing performance	Suspension, then termination after set period

Also state the exit obligations: transition support, handover of records and assets, return of keys and access cards, and payment of undisputed sums.

7.10 Signatures

Both parties sign to confirm agreement. Check that signatories have the authority to bind their organisations, that every schedule and annex is listed and initialled, and that the version signed is the version issued. Record the effective date, term, and review dates for the SLA itself.

Key takeaways

- Ten elements make an SLA complete; missing elements are where disputes begin.
- Every KPI needs measure, formula, target, threshold and data source.
- Incentives and penalties should be proportionate, capped and enforceable; add legal review.

8 SLAs for special and ancillary services

Beyond core hard and soft FM, facilities depend on a wide group of additional services. In this book **special services** covers two families. **Ancillary (support) services** are the additional services that keep the operation running but sit outside core MEP and routine soft FM: transport, catering, accommodation and similar. **Specialist services** need particular competence, licences or regulatory oversight, such as lifts and fire systems. Both are often contracted separately, and both need SLAs designed for their own risks.

8.1 Ancillary service contracts

Table 29. Ancillary service contracts.

Service contract	Scope	Typical SLA measures
Transportation	Staff buses, shuttle services, drivers, fleet management, vehicle scheduling	Punctuality, fleet availability, vehicle inspection currency, incident rate, complaints
Catering and food services	Meals, food preparation, cafeterias, distribution	Food-safety audit score, temperature records, menu compliance, satisfaction
Accommodation	Staff housing, camp management, housekeeping, maintenance	Housekeeping audit score, repair response, occupancy readiness, safety checks
Laundry	Uniform washing, linen cleaning, collection and delivery	Turnaround time, rejection rate, loss rate, delivery punctuality
Uniform	Supply, distribution, replacement and management of uniforms	Issue lead time, stock availability, sizing accuracy, replacement time
Hospitality	Coffee, tea, refreshments, VIP hospitality, meeting-room services	Service time, readiness before meetings, satisfaction
Medical services	First aid, clinic operation, medical staff, occupational health where contracted	Emergency response, licensed staff, records, supply availability
Manpower supply	Outsourced technicians, cleaners, drivers, receptionists, supervisors	Fill rate, attendance, replacement time, competence, turnover
Logistics and courier	Internal delivery, document transport, material movement, courier	On-time delivery, damage or loss rate, tracking records
Rental	Equipment, vehicles, machinery, temporary facilities, specialised equipment	Availability, delivery lead time, replacement time, certification and maintenance
Events and conference support	Set-up, furniture, audio-visual, meeting support, logistics	Set-up readiness, equipment uptime, turnaround, incidents
Waste collection and disposal	Collection, transport and disposal, sometimes under a dedicated contract	Collection schedule compliance, segregation audits, manifests, missed pickups

8.2 Designing SLAs for ancillary services

Ancillary services differ in what drives their risk. Group the service first, then design the SLA around the driver.

Table 30. Designing SLAs for ancillary services.

Driver	Services	SLA emphasis
People	Manpower supply, hospitality, events, laundry handling	Fill rate, attendance, substitution time, competence, labour-law and welfare compliance, ID and uniform
Assets	Transport fleet, rental, accommodation buildings	Availability, roadworthiness or condition, inspection currency, insurance, tracking
Products and consumables	Catering, uniforms, laundry	Quality, food safety, stock, lead time, rejects

Driver	Services	SLA emphasis
Regulation	Medical, food, waste, passenger transport	Licences and approvals, records, audit, no-cure compliance measures

8.2.1 Pricing basis

The unit of price shapes behaviour and must match the SLA. Typical bases:

Table 31. Pricing basis.

Service	Common pricing basis	SLA link
Catering	Per meal or per head, plus fixed management fee	Quality and food-safety measures; minimum volume rules
Transportation	Per route, per trip or per vehicle per month	Punctuality and fleet availability; replacement vehicle time
Accommodation	Per bed, per room or fixed camp fee	Maintenance response and housekeeping standards
Laundry	Per kilogram or per item	Turnaround time and loss or damage rates
Manpower supply	Hourly or monthly rate per person	Fill rate and replacement time
Rental	Per day, week or month	Availability and breakdown replacement time

Volume-based pricing needs rules for minimum and maximum volumes, so neither party is exposed when occupancy or headcount changes.

8.2.2 Interface with the core contract

- Define the boundary: who maintains the kitchen equipment, the bus depot or the camp buildings.
- Agree access, utilities and space the client provides.
- Make sure waste, pest control and safety rules in the ancillary SLA match the core contract.
- Where the FM provider delivers or subcontracts the service, require matching underpinning agreements.

8.3 Illustrative extracts

Values are illustrative and must be set from the facility's needs.

8.3.1 Staff transportation

Table 32. Staff transportation.

Measure	Target	Threshold	Consequence below threshold
Trips departing on time	95%	90%	Service credit
Fleet available against schedule	98%	95%	Replacement vehicle at provider cost
Vehicle inspection and licence currency	100%	None	Vehicle removed from service
Driver licence and training currency	100%	None	Driver removed from site
Safety incidents	Zero serious	None	Investigation; possible breach notice

8.3.2 Catering

Table 33. Catering.

Measure	Target	Threshold	Consequence below threshold
Food-safety audit score	95%	90%	Corrective plan within 48 hours
Meals served within published times	98%	95%	Service credit
Temperature records complete	100%	98%	Audit finding
Satisfaction score (of 5)	4.0	3.6	Menu and service review
Serious food-safety incident	Zero	None	Immediate suspension right

8.4 Specialist technical and special-purpose services

Some services are special because of regulation, consequence of failure, manufacturer dependence or scarce competence. For these the SLA must be stricter.

- **Regulation:** statutory inspection, certification or licensing applies.
- **Consequence of failure:** life safety, public health or major operational loss.
- **Specialist competence:** certified staff or an authorised agent are required.
- **Manufacturer dependence:** parts, software or warranty tie service to the original supplier.
- **Limited market:** few qualified providers, so competition and exit are harder.
- **Long-lead spares:** repair time depends on logistics, not only labour.

8.4.1 Specialist technical services

Table 34. Specialist technical services.

Service	Why it is special	Typical SLA measures	Key clauses
Lifts and escalators	Statutory inspection; passenger safety; OEM parts	Entrapment response, availability per unit, inspection currency, callbacks	Licensed technicians; 24/7 emergency; return-to-service rules
Fire detection, alarm and suppression	Life safety; strict test regimes	Test completion, impairment time, false-alarm rate, certificate currency	Impairment procedure; client notification; no-cure for safety breaches
BMS, controls and ELV	Software, licences and integration	Alarm response, system uptime, backup currency, change log	Access control; licence ownership; data and password escrow
Chillers and critical HVAC	High cost, long-lead spares, comfort and process impact	Plant availability, response, overhaul schedule, efficiency	Spares strategy; OEM service rights; availability definition
Emergency power: generators and UPS	Business continuity; load testing	Start-up reliability, test completion, fuel level, battery condition	Load-bank testing; fuel supply; outage response
Water treatment and hygiene	Public health; Legionella control	Sampling compliance, results within limits, corrective-action time	Accredited laboratory; escalation on failed results
Pressure vessels and boilers	Statutory examination; high energy	Inspection currency, safety device tests	Competent person; certificates; shutdown rules

Service	Why it is special	Typical SLA measures	Key clauses
Facade access and high-level cleaning	Work at height; specialist equipment	Inspection, cleaning cycle, incident rate	Method statements; rescue plans; equipment certification
Wastewater and treatment plants	Environmental compliance; process control	Effluent quality, plant availability, sludge handling compliance	Regulatory reporting; operator competence

8.4.2 Special-purpose occupant and hygiene services

Table 35. Special-purpose occupant and hygiene services.

Service	Why it is special	Typical SLA measures	Key clauses
Pest control	Public health; approved chemicals	Treatment compliance, callback time, repeat-sighting rate	Approved products; certificates; treatment records
Specialised cleaning	Hygiene, infection control, sensitive surfaces	Audit scores, incident-cleaning response, contact-time compliance	Training; approved chemicals; protocols by area
Security, CCTV and access control	Safety, privacy, evidence	Patrol completion, alarm response, system uptime, evidence retrieval time	Vetting; data protection; incident handover
Landscape and irrigation	Water use; plant health; appearance	Audit scores, water use against baseline, plant loss	Seasonal standards; water-saving targets
Museums, galleries and heritage spaces	Strict temperature, humidity and light control; collection safety	Environmental conditions within range, alarm response, handling compliance	Trained staff; escalation to curators; no unsupervised access

8.5 Design principles for special-service SLAs

1) **Prove competence.** Require licences, certificates and training records before work starts, and re-check them.

2) **Tie to regulation.** Make statutory inspection and certificate currency a hard KPI with no cure period.

3) **Control impairments.** For fire and life-safety systems, require notice, interim measures and a time limit whenever a system is out of service.

4) **Plan spares and parts.** State who holds critical spares and the maximum lead time for parts.

5) **Secure OEM access.** Where warranty or software ties service to the manufacturer, state who may service and on what terms.

6) **Define emergency cover.** Name the 24-hour contact, response time and escalation route.

7) **Control subcontracting.** Approve subcontractors in advance and require matching standards.

8) **Match insurance and liability** to the consequence of failure.

9) **Keep records.** Test logs, certificates and reports belong to the client.

10) **Plan exit.** Documentation, passwords and software licences must be able to pass to a successor.

8.6 Illustrative extract: lift maintenance

Table 36. Illustrative extract: lift maintenance.

Measure	Target	Threshold	Consequence below threshold
Entrapment attended	Within 30 minutes, 24/7	Within 45 minutes	Service credit; root-cause report
Lift availability per unit (operating hours)	98.5%	97%	Service credit; improvement plan
Statutory inspection and certificate currency	100% in date	None	Material breach notice; no cure period
Callbacks within 7 days of a repair	No more than 3%	6%	Review of repair method; rework at provider cost
Technician competence	100% licensed and trained	None	Removal from site
Report timeliness	Monthly, by working day 5	Working day 10	Service credit

8.7 Special and ancillary service checklist

- Is the service defined, and is "special" or "ancillary" defined in the contract?
- Is the service driver identified (people, assets, products, regulation) and the SLA built around it?
- Are licences, approvals and certificates specified, with renewal dates tracked?
- Is the pricing basis matched to the SLA, with volume rules?
- Is there a 24-hour emergency contact and response standard where needed?
- Are impairment, shutdown and return-to-service rules defined for life-safety systems?
- Are critical spares, lead times and OEM rights agreed?
- Are the interfaces with the core FM contract defined?
- Are subcontractors approved, and do their agreements underpin the SLA?
- Can documentation, access rights and licences transfer on exit?

Key takeaways

- Special services cover ancillary support services and specialist services; both need tailored SLAs.
- Design the SLA around what drives risk: people, assets, products or regulation.
- Match the pricing basis to the service levels.
- Statutory compliance, competence and emergency response need hard, no-cure measures.

9 Selecting competent service providers

A competent provider is one that has the capability, capacity, systems and stability to deliver the specified service at the agreed level. Selection should test each of these, and should be designed before the first bid is opened.

9.1 Competency areas

Table 37. Competency areas.

Competency area	What to test	Evidence
Technical capability	Method, understanding of the asset base, innovation	Method statement, site visit, interview
Relevant experience	Similar facilities, scale and complexity	References, contract history, visits to current clients
HSE management	Systems, record, culture	Incident rates, certifications, audit reports
Resources and competence	Staffing, qualifications, supervision, backup	Organisation chart, CVs, licences, training records
Financial standing	Ability to fund operations and absorb shocks	Audited accounts, bank references, insurance
Management systems	Quality, CMMS, reporting, subcontractor control	System demonstration, sample reports

9.2 The selection process

1) **Pre-qualification:** pass or fail gates, such as licences, insurance, financial minimums and no serious HSE record.

2) **Request for proposal:** issue the specification, SOW, draft SLA, evaluation criteria and weights.

3) **Independent scoring:** each evaluator scores alone against written descriptors.

4) **Moderation:** evaluators discuss large score differences and record reasons.

5) **Due diligence:** verify references, visit sites, check financial and legal standing.

6) **Interview and presentation:** test the proposed team, not just the bid.

7) **Ranking and recommendation:** compute weighted totals and document the result.

9.3 Candidate rating and ranking

Fix the criteria and weights before bids arrive, to avoid accusations of bias. Score each criterion on a defined scale, for example 0 to 5, with written descriptors for each level. Convert price to a score by a published formula: the lowest compliant price receives the full price weight, and others receive the lowest price divided by their price, multiplied by the weight.

Price score = (Lowest price / Bidder's price) × Price weight

The example below uses six criteria. Technical scores are on a 0 to 5 scale and prices are annual contract values in SAR million.

Table 38. Candidate rating and ranking.

Criterion	Weight	Bidder A	Bidder B	Bidder C	Bidder D	Bidder E
Technical approach and methodology	20	4	5	3	5	3
Relevant experience and references	20	4	4	2	5	3
HSE record and systems	15	3	5	3	4	4

Criterion	Weight	Bidder A	Bidder B	Bidder C	Bidder D	Bidder E
Staffing, competence and resources	15	4	4	3	5	3
Financial standing	10	4	4	2	5	3
Price (SAR million)	20	4.80	5.20	4.50	5.60	4.90

Table 39. Candidate rating and ranking — part 2.

Weighted result (out of 100)	Bidder A	Bidder B	Bidder C	Bidder D	Bidder E
Technical points (80 max)	61.0	71.0	42.0	77.0	51.0
Price points (20 max)	18.8	17.3	20.0	16.1	18.4
Total	79.8	88.3	62.0	93.1	69.4
Rank	3	2	5	1	4

Bidder D ranks first with 93.1 points. Bidder C, the lowest price, ranks 5 because its technical score is weak. This is the purpose of the method: it prevents the cheapest bid from winning on price alone while preventing a high-quality bid from winning at any price. Re-run the ranking with the price weight at 10 and at 30 to test how sensitive the result is.

Watch for abnormally low bids

A price far below the others usually means a misunderstood scope, under-resourcing or a plan to recover margin through variations. Ask the bidder to explain how it will deliver at that price, and check the staffing plan line by line.

9.4 Price and life-cycle cost

Where the contract includes lifecycle renewals, handback obligations or energy-related performance, evaluate price on a whole-cost basis, not only on the annual fee. This also supports the value-for-money objective described in the section on the Saudi context.

9.5 Due-diligence checklist

- Call at least two referees per bidder, and ask each the same questions.
- Visit a comparable current site and talk to the client representative and the site team.
- Check licences, insurance certificates and registrations are current.
- Review three years of financial statements and any litigation.
- Examine HSE statistics and the last audit report.
- Ask who the bidder will subcontract to, and apply the same checks.
- Confirm that the people presented at interview will be the people assigned.

Key takeaways

- Set criteria, weights and descriptors before bids arrive.
- Score technical quality and price separately, then combine by a published formula.
- Verify claims through references, visits and financial checks.

10 Contract preparation and negotiating SLAs

10.1 Contract preparation

Prepare the contract so that the documents work together. A typical structure:

Table 40. Contract preparation.

Document	Content
Agreement and conditions	Parties, term, price, rights, remedies, termination, dispute resolution
Schedule: specification	Technical and service requirements (the section on maintenance and occupant service specifications)
Schedule: statement of work	Scope, locations, hours, asset register, exclusions
Schedule: SLA	KPIs, measurement, incentives and penalties, reporting
Schedule: pricing	Fee, rates, indexation, variation rules, payment terms
Schedule: HSE and compliance	Safety rules, permits, legal obligations
Schedule: governance	Meetings, escalation matrix, change control
Schedule: transition and exit	Mobilisation plan, handover, handback, records

State an order of precedence in case of conflict, a change-control procedure for scope and SLA changes, and a plan for mobilisation. Performance targets are often phased: a baseline period of one to three months in which results are measured and reported but no deductions apply, followed by full enforcement.

10.2 Negotiation defined

Negotiation is a structured process in which two parties with both shared and conflicting interests communicate to reach an agreement they both prefer to no agreement. In an SLA negotiation the shared interest is a service that works; the conflicting interest is who carries cost and risk.

10.3 Common negotiation characteristics

- **Two or more parties** with their own objectives and constraints.
- **Mixed interests:** shared goals alongside competing ones.
- **Voluntary:** either party can walk away, so each needs an alternative.
- **Give and take:** terms are traded, not simply conceded.
- **Information and preparation** determine bargaining strength.
- **Relationship:** the parties will work together afterward, so how you negotiate matters as much as what you win.

Prepare before you sit down: define your priorities and limits, estimate the other side's, identify your best alternative if talks fail, and decide which terms you can trade.

10.4 Negotiated terms

Table 41. Negotiated terms.

Term	Client usually wants	Provider usually wants	Common landing
Response time	Short, with penalties	Longer, with realistic travel allowance	Tiered by priority and zone
Performance threshold	High, fixed from day one	Lower, with ramp-up	Baseline period then phased targets
Service credits	Meaningful and uncapped	Small and capped	Capped, with matching bonus path
Price	Fixed with scope risk on provider	Rates for variable work	Hybrid fee with clear variation rules
Term and renewal	Short with break rights	Long to recover mobilisation	Initial term plus performance-based extension
Liability	High limit	Limited to fees	Cap tied to contract value and insurance
Termination	Convenience rights	Notice and cost recovery	Convenience with notice and defined costs

10.5 Service-level factors

When setting a level of service, the right number depends on the facility. Consider these factors in the negotiation:

- **Criticality** of the area and the system.
- **Hours** of operation and cover.
- **Geography:** travel time, access and distance to spares.
- **Asset age and condition,** which drive failure rates.
- **Resources:** staffing levels, skill mix, subcontractors.
- **Technology:** CMMS, remote monitoring, helpdesk tools.
- **Baseline data:** actual historical performance.
- **Cost:** higher service levels cost more, so test the value of each step.

A response target that is fast but unfunded will be missed, and one that is slack will be ignored. Calibrate it to the baseline and the criticality, then revisit after the first months of data.

10.6 Documenting determinations

Record every significant determination made during negotiation and in later contract management, so that the reasons survive staff changes. A decision record needs only a few fields:

Table 42. Documenting determinations.

Field	Content
Reference and date	Unique number and date of decision
Issue	The question or disagreement to be resolved
Options considered	Alternatives and their implications

Field	Content
Decision	What was agreed
Rationale	Why, including data and assumptions used
Approver and parties	Who authorised it, who was present
Actions	What changes in the contract, owner and date

Key takeaways

- Contract documents need an order of precedence, change control and a baseline period.
- Negotiate interests, not only positions, and trade variables.
- Keep a decision record for every material determination.

11 Monitoring work and service performance

Signing the SLA does not deliver the service. Performance monitoring turns the SLA from a document into a management system. This chapter covers what to measure, how to run the monitoring cycle, and how to use incentives and feedback to improve results.

11.1 Measures of competency

Beyond service outputs, monitor the provider's underlying competence, because it predicts future performance:

- Qualifications, licences and training records of assigned staff, against the specification.
- Staff turnover and vacancy rate on the contract.
- Supervision ratios and attendance at the site.
- First-time fix rate and repeat-failure rate.
- Quality of records: completeness of CMMS entries, certificates and reports.
- Audit and inspection results, including corrective-action closure time.
- Subcontractor management and compliance.

11.2 Effectiveness measures

Use a balanced set that covers four views, so no dimension is improved at the expense of another:

Table 43. Effectiveness measures.

View	Question	Example measures
Outcome	Did the service achieve what the facility needs?	Asset availability, comfort complaints, downtime hours
Process	Was the work done as specified?	PPM completion, response time, first-time fix
Compliance and safety	Was it done safely and legally?	Statutory test currency, incident rate, audit score
Satisfaction	How do occupants and client staff rate it?	Survey score, complaint count and closure time
Cost	Is it delivered efficiently?	Cost per square metre, reactive-to-planned ratio, variation value

11.3 Monitor to manage

Monitoring is a control loop: measure, compare with target, decide, act and re-measure. Draw data from several independent sources so that results can be verified: the CMMS, the helpdesk, building management system logs, client inspections, user surveys and audits. Review leading indicators (such as PPM backlog and open defects), which warn early, alongside lagging indicators (such as breakdowns and complaints), which confirm the outcome.

11.4 Monitor through SLAs

The SLA defines the reporting rhythm: monthly KPI report, monthly service review, quarterly governance review. Insist on three habits. First, the provider reports first, with explanation, which tests its own control. Second, the client verifies by sampling and audit rather than accepting data blindly. Third, every missed target generates a recorded action with an owner and a date.

11.5 Agree on performance specifications

Performance specifications, for monitoring purposes, set out the measure, baseline, target, threshold, measurement method, evidence and reporting period for each KPI. Agree them jointly, in writing, before enforcement begins; changes during the contract go through change control. A target the provider has not seen, or cannot measure, is not enforceable.

11.6 Identify known outcomes

Define in advance the outcomes you expect: for example, that all statutory inspections are in date, that critical systems meet an availability target, or that no P1 remains open beyond four hours. Known outcomes give the review meeting a standard to test against, and make exceptions obvious.

11.7 Evaluate results and variations

Compare results with targets and classify each variation by cause: provider performance, client action (access, late approval), external events, or an unrealistic target. Look at trends over three to six months, not single months. Where the cause lies with the client, do not penalise the provider; where the cause is repeated, address the root cause rather than the symptom.

11.8 Value of incentives

Incentives are not a substitute for good management, but they sharpen focus on the outcomes that matter most. The worked example below uses a monthly fee of SAR 600,000 and five weighted KPIs. Each KPI's achievement is the actual divided by the target, capped at 100 percent; the weighted score is out of 100.

Overall score = sum of (KPI weight × achievement)

Rule used in this example: if the score is below 95, a service credit of 2 percent of the monthly fee is deducted for every point below 95, capped at 10 percent. If the score is 98 or above and there is no serious HSE event, a bonus of 1.5 percent of the monthly fee is earned. Between 95 and 98 there is neither deduction nor bonus.

11.8.1 Month A: strong month

Table 44. Month a: strong month.

KPI	Weight	Target	Actual	Achievement	Points
PPM completion (%)	25	95	96	100.0%	25.0
P1 response within target (%)	25	95	91	95.8%	23.9
Customer satisfaction (score of 5)	15	4	4.2	100.0%	15.0
HSE audit score (%)	20	90	88	97.8%	19.6
Report timeliness (%)	15	100	100	100.0%	15.0
Month A: strong month: overall score	100				98.5

Score 98.5: bonus of 1.5 percent, or SAR 9,000, is earned on the monthly fee of SAR 600,000.

11.8.2 Month B: weak month

Table 45. Month b: weak month.

KPI	Weight	Target	Actual	Achievement	Points
PPM completion (%)	25	95	88	92.6%	23.2
P1 response within target (%)	25	95	82	86.3%	21.6
Customer satisfaction (score of 5)	15	4	3.4	85.0%	12.8
HSE audit score (%)	20	90	80	88.9%	17.8
Report timeliness (%)	15	100	70	70.0%	10.5
Month B: weak month: overall score	100				85.8

Score 85.8: service credit of 10.0 percent, or SAR 60,000, is deducted from the monthly fee of SAR 600,000.

Design cautions

Bonuses and credits can distort behaviour. A provider may close tickets quickly without fixing the cause, or may avoid logging failures. Counter this with audit sampling, repeat-failure KPIs and the right to adjust results where data integrity is in doubt.

Non-financial incentives also matter: contract extension for sustained performance, recognition, and shared savings on agreed improvements.

11.9 Evaluate through best practices

- Benchmark KPIs against similar facilities and against the provider's own portfolio.
- Audit against a management-system standard such as ISO 41001 and the client's own quality system.
- Hold a structured annual review: results, lessons learned, improvement plan.
- Re-baseline targets when assets, occupancy or technology change materially.
- Share good practice found at one site across the portfolio.

11.10 Communicate through feedback

Performance data change behaviour only if they reach the right people in time. Feed results back to provider site staff as well as management, recognise good work visibly, and tell occupants what was done in response to their feedback. Close the loop on every complaint. Use the monthly report to agree three things: what we will keep doing, what we will fix, and what we will change in the contract.

Key takeaways

- Monitor competence as well as outputs, and use independent data sources.
- Agree measurement rules in writing before enforcement begins.
- Classify variations by cause before applying credits.
- Incentives need audit protection against gaming.

12 Resolving contract disputes

12.1 Maintain a positive attitude

Most disputes start as unresolved operational problems. Handle them early, courteously and factually. Separate the people from the problem, assume good faith until evidence shows otherwise, and focus on interests: what each side needs to keep the service running. A positive attitude does not mean giving way. It means staying open to solutions while holding to the contract.

12.2 Why disputes arise

Table 46. Why disputes arise.

Cause	Prevention
Ambiguous specification or scope boundary	Precise SOW, asset register, exclusions list
Disagreement over measurement	Agreed method, joint audits, single data source
Scope creep and unpriced variations	Change-control procedure with pricing rules
Late or disputed payment	Clear invoicing and dispute-of-invoice process
Unrealistic targets	Baseline period and calibrated thresholds
Poor communication	Regular meetings, escalation matrix, written records
Client-caused delay not recognised	Excusable-event clause and logged access issues

12.3 The escalation ladder

Put the ladder in the contract, with time limits, so that disputes move upward in an orderly way rather than festering.

Table 47. The escalation ladder.

Level	Who	Typical time limit (illustrative)
1. Operational	Site supervisor and client representative	2 working days

Level	Who	Typical time limit (illustrative)
2. Contract management	Contract manager and provider account manager	5 working days
3. Senior management	Heads of function on each side	10 working days
4. Executive	Directors or equivalent	15 working days
5. Mediation or expert determination	Independent third party	As agreed
6. Arbitration or court	As the contract and governing law provide	Last resort

12.4 A practical resolution process

1) **State the issue** in writing with facts, dates and the contract clause relied on.

2) **Gather evidence:** logs, reports, photographs, correspondence, audit results.

3) **Check the contract:** what does it say, and what does it leave open?

4) **Meet and listen:** establish each party's account and interests.

5) **Generate options** that meet both parties' key interests.

6) **Agree, record and implement** the resolution, and update the contract if needed.

7) **Review** why the dispute arose and fix the cause.

12.5 Keep good records

The party with better records usually has the stronger position. Keep dated records of instructions, access logs, defect reports, meeting minutes, change requests, approvals and performance data. Confirm verbal agreements in writing the same day.

12.6 Alternative dispute resolution

Mediation and expert determination are quicker and cheaper than litigation and usually preserve the relationship. Choose the mechanism in advance: technical disputes suit expert determination, while relationship and commercial disputes suit mediation. Include the forum, governing law and language, and obtain legal advice on enforceability.

12.7 When the relationship cannot be saved

If breach is serious or repeated, follow the termination clause exactly: written notice, cure period, and termination only as the contract allows. Plan the transition before terminating: secure records, keys and access, agree interim service arrangements, and identify the replacement provider. A badly managed exit can cost more than the dispute that caused it.

Key takeaways

- Early, factual, courteous handling prevents most disputes escalating.
- Write the escalation ladder and time limits into the contract.
- Records win disputes; confirm verbal agreements in writing.

13 The Saudi context

This chapter summarises a published legal analysis of Saudi Arabia's new Government Tenders and Procurement Law (GTPL). It is a summary, not legal advice. Contract terms for private-sector clients are set by the contract and the applicable law, so obtain legal advice for both.

13.1 The new law

The GTPL was enacted under Royal Decree M/76, dated 27/02/1448H, replacing the earlier law under Royal Decree M/128. It comprises 101 articles and enters into force 120 days after publication in the Official Gazette [4], [5]. Confirm the effective date and read the Implementing Regulations when issued.

The expanded objective of achieving optimal value for public funds requires account to be taken of life-cycle cost, quality of execution, operational efficiency and risk management. For FM, this supports evaluating bids on whole-cost value, as in the section on selecting competent service providers, rather than on the lowest annual fee.

13.2 Provisions relevant to service contracts

Table 48. Provisions relevant to service contracts.

Provision	Reported position	Implication for SLAs
Delay and deficient-performance penalty cap	Reduced from 20% to 15% of contract value; supply contracts remain at 6%	Set service credits well within the cap
Direct procurement ceiling	Raised from SAR 100,000 to SAR 1,000,000, with justification	Document the reason for every direct award
Negotiation	Benchmarked to estimated cost plus contingency	A sound cost estimate supports negotiation
Change orders	New items up to 10%; increases to existing items up to 20%, contractor consent above 10%	Define scope carefully; plan variations
Continuing service contracts	Extension beyond five years only where the nature of the contract requires	Justify long terms and build in re-tender points
Final guarantee	Remains 5%; exemption threshold SAR 300,000	Price the guarantee into bids
Disputes	Competent court replaces the Administrative Court for several claims	Draft the dispute clause with counsel

Figures are drawn from a law-firm summary [4] and should be treated as indicative until checked against the official text.

13.3 Practical guidance

- Align SLA structure, penalties and incentives with the penalty caps and change-order limits.
- State the evaluation criteria, weights and life-cycle basis in the tender documents.
- Document specifications, determinations and variations. Documentation protects owner and bidder.
- For private clients, follow the same discipline and agree dispute resolution in the contract.
- Watch for the Implementing Regulations and Etimad guidance, and update your templates.

Key takeaways

- The new law ties public procurement to value over the contract life.
- Penalty caps and change-order limits shape SLA design.
- Verify all figures in the official text.

14 Tools and templates

14.1 SLA skeleton

Table 49. SLA skeleton.

Section	Content to complete
1. Parties and purpose	Names, facility, objectives, relationship to the contract
2. Term and review	Effective date, term, baseline period, review dates
3. Scope of services	Services, locations, hours, asset register reference, exclusions
4. Service standards	KPIs with measure, formula, target, threshold, source, period
5. Priority and response	Priority classes with response and rectification targets
6. Safety and compliance	HSE rules, permits, licences, insurance, legal duties
7. Communication and governance	Reports, meetings, contacts, escalation matrix
8. Exception management	Process, excusable events, root-cause and corrective action
9. Price and payment	Fee model, rates, invoicing, indexation, variations, payment period
10. Incentives and penalties	Scoring rule, caps, cure periods, bonus path, audit rights
11. Change control	How scope, targets and prices are changed
12. Disputes	Escalation ladder, mediation, governing law and forum
13. Termination and exit	Grounds, notice, cure, transition, handback
14. Signatures	Authorised signatories, date, version, schedule list

14.2 Contracting roadmap

1) Confirm the facility mission and service needs.

2) Decide what to contract using the weighted matrix.

3) Develop specifications and the service catalogue.

4) Draft the SOW, SLA and pricing schedule.

5) Set evaluation criteria and weights; issue the request for proposal.

6) Evaluate, due-diligence and rank candidates.

7) Negotiate and document determinations.

8) Sign, mobilise and run the baseline period.

9) Monitor monthly, review quarterly, feed back continuously.

10) Resolve disputes early; plan renewal or exit from year one.

14.3 Contract review checklist

- Does every KPI have a measure, formula, target, threshold and data source?
- Are scope boundaries and exclusions explicit?
- Is there an order of precedence among documents?
- Are incentives and penalties capped, proportionate and legally reviewed?
- Are excusable events and cure periods defined?
- Are safety duties, permits and stop-work rights stated?
- Is the variation and change-control process clear?
- Are termination grounds, notice and exit obligations complete?
- Are signatories authorised and all schedules listed?

14.4 Illustrative clauses

The wording below is illustrative only and must be adapted and reviewed by counsel.

Response time

The Provider shall attend each Priority 1 request within thirty (30) minutes of logging and make the situation safe within four (4) hours. Time shall be measured from the helpdesk log entry to the Provider's recorded arrival and completion. Delays caused by the Client's failure to give access shall be excluded on being logged at the time.

Service credits

Where the monthly Overall Score is below ninety-five (95), a Service Credit of two percent (2%) of the monthly fee shall apply for each point below ninety-five (95), not exceeding ten percent (10%) of the monthly fee. The Parties agree that Service Credits are a genuine pre-estimate of the Client's loss and not a penalty.

Change control

No change to scope, targets or price shall take effect unless recorded in a written Change Order signed by authorised representatives of both Parties. The Provider shall submit a priced proposal within ten (10) working days of a request.

Termination for cause

Either Party may terminate by written notice if the other commits a material breach and fails to remedy it within thirty (30) days of notice. The Client may suspend work immediately where the Provider's conduct presents a serious risk to health, safety or the law.

15 Conclusion

Effective FM service contracts begin before the tender and continue long after signature. A clear understanding of the SLA and of the delivery model, a reasoned decision on what to contract, precise specifications, a complete SLA, a transparent selection method, an honest negotiation and a disciplined monitoring cycle each reduce the room for misunderstanding. None of these steps is complicated on its own; the benefit comes from doing all of them, in order, and recording the reasons.

The worked examples in this paper use assumed figures and must be adapted to the facility, the market and the governing law. Sample clauses should be reviewed by qualified counsel, and the

summary of Saudi procurement law should be checked against the official text and Implementing Regulations once issued. Further work could test the scoring rules and service-credit designs against real contract data.

Appendix

Table 50. Glossary of terms.

Term	Meaning
Ancillary services	Support services outside core hard and soft FM, such as transport, catering and accommodation; also called special, support or non-core services
BATNA	Best alternative to a negotiated agreement
CMMS	Computerised maintenance management system
Cure period	Time allowed to remedy a breach before a remedy applies
Excusable event	Circumstance outside the provider's control that excuses a missed target
Exception	Any event outside normal service, such as a missed target or a major failure
IFM	Integrated facilities management: services integrated through central management, systems and reporting
KPI	Key performance indicator
Managing agent	Agent that manages and coordinates subcontractors on the client's behalf
O&M	Operations and maintenance of specific assets or infrastructure
Order of precedence	Rule for which contract document prevails in a conflict
PFM	Performance-based facilities management
PPM	Planned preventive maintenance
PPP	Public-private partnership
Service credit	Reduction in fee for service below the agreed threshold
SLA	Service Level Agreement
SOW	Statement of work
TFM	Total facilities management: one provider for almost all hard and soft FM
Threshold	Performance level below which a remedy applies
Variation / change order	Written change to scope, price or targets

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[1] International Organization for Standardization, *Facility Management—Management Systems—Requirements with Guidance for Use*, ISO 41001. Geneva, Switzerland: ISO.

[2] International Organization for Standardization, *Facility Management—Guidance on Strategic Sourcing and the Development of Agreements*, ISO 41012. Geneva, Switzerland: ISO.

[3] European Committee for Standardization, *Facility Management—Part 2: Guidance on How to Prepare Facility Management Agreements*, EN 15221-2. Brussels, Belgium: CEN.

[4] CMS Law, "A new chapter in Saudi government procurement: Key features of the new Government Tenders and Procurement Law," *CMS Legal Update*, Riyadh, Saudi Arabia, Oct. 20, 2026. [Online]. Available: https://cms.law/en/sau/legal-updates/a-new-chapter-in-saudi-government-procurement-key-features-of-the-new-government-tenders-and-procurement-law

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