

CODE OF PRACTICE



Procurement of facility management

Global

1st edition, October 2020



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PROCUREMENT OF FACILITY MANAGEMENT

Code of practice, global

1st edition, October 2020

Effective from January 2021

With thanks to:



Published by the Royal Institution of Chartered Surveyors (RICS)

Parliament Square

London

SW1P 3AD

www.rics.org

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ISBN 978 1 78321 390 0

Produced by the RICS Facilities Management professional group board.

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Typeset using Typefi

Acknowledgments

RICS would like to thank the following for their contributions to this guidance note.

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RICS professional standards and guidance

RICS guidance notes

Definition and scope

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The following table shows the categories of RICS professional content and their definitions.

Publications status

Type of document	Definition
<i>RICS Rules of Conduct for Members</i> and <i>RICS Rules of Conduct for Firms</i>	These Rules set out the standards of professional conduct and practice expected of members and firms registered for regulation by RICS.
International standard	High-level standard developed in collaboration with other relevant bodies.
RICS professional statement (PS)	Mandatory requirements for RICS members and RICS-regulated firms.
RICS guidance note (GN)	A document that provides users with recommendations or an approach for accepted good practice as followed by competent and conscientious practitioners.
RICS code of practice (CoP)	A document developed in collaboration with other professional bodies and stakeholders that will have the status of a professional statement or guidance note.
RICS jurisdiction guide (JG)	This provides relevant local market information associated with an RICS international standard or RICS professional statement. This will include local legislation, associations and professional bodies as well as any other useful information that will help a user understand the local requirements connected with the standard or statement. This is not guidance or best practice material, but rather information to support adoption and implementation of the standard or statement locally.

Glossary

Term	Definition
Benchmarking	A method of checking that the DO is getting value for money compared to market conditions and the common standards of service at the time of checking. Benchmarking is typically purely a cost assessment.
Demand organisation (DO)	The organisation procuring facility services from an external service provider. Sometimes referred to as the 'buyer' or the 'client'.
CAFM	Computer-aided facility management.
Facility management (FM) services	This typically includes some or all of the following services: • repairs and maintenance • minor works • grounds maintenance • cleaning • catering • security • mail room • pest control • helpdesk • health and safety • project management and • building management. It may also include other services such as energy management, workplace management, reprographics, etc.
IFM	Integrated facility management.
Invitation to tender (ITT)	See <i>request for information</i> .
Key performance indicator (KPI)	A target that the <i>service level</i> should achieve.
Limit of liability	The level of damages that one party will be obligated to provide to the other party under the terms and conditions of the contract.
Mobilisation period	The period between contract award and contract commencement. In some cases, it is between contract signature and contract commencement. It is typically at least three to four months in length.
Non-disclosure agreement (NDA)	A document used to keep information confidential. It can be one-way (the bidder keeps the DO's information confidential) or two-way (the DO also keeps the bidder's information confidential).

Term	Definition
Performance mechanism	A method of assessing whether objectives are being achieved and standards of service are being maintained. They are typically composed of a service level, key performance indicator and a consequence of failure (deduction in price).
Procurement	The process of finding and agreeing to terms and acquiring goods, services or works from an external source, often via a tendering or competitive bidding process.
Project governance	The policies, regulations, functions, responsibilities, processes and procedures that define the establishment, management and control of projects.
Property professional	A qualified and experienced person working in the real estate industry providing services in relation to property. This includes property managers, directors of estates, heads of FM, consultants, RICS-regulated firms acting for a landlord and FM suppliers procuring services from subcontractors.
Region	Multiple territories in a geographic proximity, e.g. AsiaPac.
Request for information (RFI)	A document issued to potential bidders to obtain information.
Request for proposal (RFP)	A document issued to bidders outlining the procurement process and associated documents and requirements.
Service level (SL)	A defined and measurable level of service that should be delivered.
Service level agreement (SLA)	An agreement to deliver a defined and measurable level of service.
Soft market testing	Meetings with suppliers in the market before the start of a procurement process.
Selection questionnaire (SQ)	A standard questionnaire used by service providers applying to become bidders to provide information about their company and previous experience. This is also known as a pre-qualification questionnaire (PQQ).
Territory	The country a DO is procuring services in.
Total facility management (TFM)	See <i>IFM</i> .
Transition period	The period after contract commencement when the supplier makes changes to implement its delivery model.
Value testing	A method of checking that the DO is getting value for money compared to market conditions and the common standards of service at the time of checking. Value testing should include some assessment of non-financial benefits, whereas benchmarking is typically a cost assessment.

1 Introduction

1.1 Scope

This code of practice (CoP) is aimed at property professionals involved in a facility management (FM) procurement process either within their territory or region, or globally. This includes property managers, directors of estates, heads of FM, consultants, RICS-regulated firms acting for a landlord and FM suppliers procuring services from subcontractors. Those managing in-house teams delivering FM services may also find some of the content helpful.

This CoP is also aimed at professionals who have already decided to procure FM services, whether single-sourced, bundled or TFM/IFM services (see *Glossary*), or those who have previously outsourced services and are engaging in a reprocurement process. It excludes FM strategy and the most appropriate sourcing of FM services, which are addressed by the current edition of the RICS guidance note, [Strategic FM Framework](#). This CoP does not address the process of deciding whether to outsource or provide services internally and other relevant standards should be consulted.

The CoP provides guidance on the various factors that need to be considered throughout a procurement process, including activities and key decisions during planning, procurement and post-procurement. It aims to:

- help the professional choose an appropriate procurement route and
- consider the various factors in delivering an effective procurement process that results in a successful contract with benefits for both the client organisation and the supplier.

For RICS-regulated firms procuring FM on behalf of a landlord, care should be taken to comply with the current edition of the RICS professional statement, [Service charges in commercial property](#).

1.2 Effective date

The CoP is effective three months after publication.

1.3 Structure

This CoP is divided into four parts.

- **Key principles** – a list of key principles in the procurement of FM.
- **Planning** – guidance on the various planning activities that should be undertaken and decisions that should be made before going to the market for facility services.
- **Procurement** – guidance on the activities and key decisions that should be undertaken during a procurement process.
- **Post-procurement** – guidance on activities that should be undertaken post-procurement.

1.4 Why use procurement?

The aim of a procurement process is to access external expertise by selecting a service provider that is best able to deliver the services required by a demand organisation (DO). These services are provided over a defined term, at an acceptable cost to the DO and with optimal commercial and legal terms for both parties, while maintaining or improving quality and service levels.

For a procurement process to be successful in the long term, there needs to be careful planning before going to the market, including developing strategic objectives (see *Strategic FM Framework*) concerning what the DO wishes to achieve and a clear description of the services to be procured.

A successful procurement process is also a key stage in developing a successful relationship between the DO and the supplier, which is critical to achieving strategic and operational objectives.

Key elements of a successful procurement process include:

- openness to challenge and insight from the marketplace
- a detailed understanding and clear statement of the DO's requirements, including the wider business strategy
- detailed information about the property portfolio, assets, the facility services to be provided and the organisational culture
- a target for what the client wishes to spend on the services and defined quality levels
- a realistic timetable for undertaking the process and
- alignment with any in-house delivery and the contract management function.

1.5 What the market is looking for

Globally the FM supply market is looking for buyers with a clear strategy, objectives, well-defined requirements, a well thought-out and structured procurement process and transparent evaluation criteria. The FM supply market is also looking for DOs with a willingness to seek out external expertise as to how they can deliver services. Bidding costs are high and margins low for suppliers and, in a highly competitive market, clients can maximise interest in their procurement processes by demonstrably following good practice.

1.6 Public sector

For professionals working in the government or public sector, care should be taken to meet the appropriate government, public-sector procurement directives or other relevant legislation in the territory in which they are operating. This guidance does not attempt to replicate the existing government or public-sector procurement directives. The most appropriate, up-to-date guidance on the directives in the relevant territory should be followed.

1.7 Private sector

In most territories, no specific directives apply in the private sector, although guidance from professional bodies in the relevant territory or best practice from other territories should be consulted or adhered to where mandatory. Many organisations have internal policies and guidelines that should be followed and the underlying principles of equal treatment, non-discrimination and transparency should form the foundations of any process to maximise competition.

2 Key principles

The following is a list of key principles that should be adhered to in the procurement of FM services.

- 1 There should be a defined, detailed scope of the services being procured, defining what is and is not included.
- 2 The DO should state clear objectives for the procurement project and the subsequent operations.
- 3 The DO should provide bidders with enough data and information to allow them to respond with robust proposals.
- 4 The evaluation criteria should reflect the DO's objectives.
- 5 The DO should develop a pricing structure stating what services and costs are included, what is excluded and how changes will be calculated and agreed.
- 6 There should be specific and reasonable timescales for the procurement process.
- 7 The DO should detail a payment mechanism and commercial terms that are transparent and fair.
- 8 All parties are required to comply with relevant legislation and rules that apply in the territories where services will be provided, e.g. data protection.

3 Planning

This section covers the period between the DO obtaining internal approval to procure facility services and the start of the procurement process. Adequate preparation for this is essential. The following aspects are covered:

- strategic factors that should be considered as part of procurement planning
- the project planning activities that need to be undertaken
- how to assess market trends, identify potential bidders and evaluate market interest and
- what procurement strategy to use to attract market interest and maximise competition.

3.1 Strategic factors

DOs embarking on a procurement process should have an FM strategy. The current edition of **Strategic FM Framework** RICS guidance note should be consulted as part of developing a strategy. DOs should seek legal advice on embedding responsible business standards into the contract itself. Such commitments should ensure that business is conducted with the highest integrity and in compliance with the law, and are likely to cover areas such as:

- business ethics
- information and data security
- labour and anti-slavery requirements
- health and safety standards
- social value
- social factors such as diversity and inclusion and
- environmental obligations.

The contract should ensure that the products and services in the supply chain are being provided in a responsible manner and, where the supplier's proposal provided assurances as to how they are managing their own supply chain to such standards, this should be written into the contract.

Once an FM strategy is in place, it should inform the following factors in pre-procurement planning.

3.1.1 Scope of services

In planning a procurement process it is important to have a defined scope of the services that will be included. Often a high-level scope has already been determined as part of a facility strategy or approval for a reprocurement process. The scope now needs to be confirmed and stated to enable pre-procurement planning.

3.1.2 Baseline

It is important to understand and quantify the baseline of the current costs and services that are being procured to assist with evaluating bids and value for money assessments. Providing a full and accurate baseline at the outset will help to prevent issues arising later in the process. The service requirements,

fixed and variable costs and non-financial factors such as service quality, performance, customer satisfaction, etc. should be determined and mapped to the scope.

In some procurement processes, there are changes in the clients' business or property portfolio between establishing a baseline and completing a procurement process. To provide a meaningful comparison, baselines can be adjusted to reflect changes that drive cost or performance, e.g. acquisitions or disposals of buildings or changes in legislation such as relevant employment law.

3.1.3 Vision

Before embarking on a procurement process DOs should produce a vision document. This vision can be used to inform bidders about what the DO is hoping to achieve and can act as a reference point for testing the desired outcomes. The document could include:

- the future vision for the real estate/workplace
- what the DO is hoping to achieve
- what the services will look like post-mobilisation and transition
- the level of integration
- the responsiveness
- the level of customer satisfaction
- partnership working and
- transparency of cost.

3.1.4 Strategy

DOs should understand the organisation's strategy when planning a procurement process. Check that the procurement process supports that strategy and does not obstruct it. The DO should ensure that what is procured is flexible enough to respond to changes and the contract reflects known changes and/or has mechanisms for dealing with change.

3.1.5 Business case

It is likely that a business case was produced and approved before the procurement process could proceed to the planning stage. It is advisable to revisit that business case to ensure the detailed scope was covered and the issues and expected benefits are being addressed. If no business case was produced, the DO should consider writing one at this stage and getting it approved to underpin the rationale of the procurement process.

3.1.6 Stakeholder communication

Before starting a procurement process it is important to plan stakeholder communications. Stakeholder support will be essential throughout the process and there are often specific requirements for sign-off before awarding a contract.

The DO should identify and list the stakeholders, note their areas of interest/concern and allocate an owner to each key stakeholder. A stakeholder communication plan should be updated at different stages of the procurement process as stakeholders and their issues and concerns might change. Delays can be caused by stakeholders not being informed or available at critical stages of the procurement process. This

can be avoided with proper planning. If undertaking a procurement process in more than one language, care should be taken with translating information for stakeholders to ensure that it is understood.

3.2 Project planning

3.2.1 Ethics

RICS is a member of the International Ethics Standards coalition and RICS members are required to follow these standards.

The RICS **Rules of Conduct** and **Conflicts of interest** RICS professional statement set out mandatory requirements for RICS members. In line with these documents, DOs should act ethically throughout a procurement process including ensuring that incumbent contractors, subcontractors and people who are impacted are treated fairly. This includes the requirement to follow applicable legislation concerning anti-bribery and corruption, employment and modern slavery.

3.2.2 Project governance

Project governance takes a more strategic, high-level view than project management. Governance can help the project to stay on track to deliver the strategy, be used to approve or make decisions, allocate resources, be the recipient of and review project reports and communicate with senior stakeholders. A typical governance structure for an FM procurement project is a project steering board, which may meet weekly or once every two weeks.

A steering board would typically include senior project sponsors with at least one at board level and representatives from each of the different territories involved.

3.2.3 Project reporting

Regular project reporting is important to track progress and highlight issues. A typical reporting structure will involve weekly dashboard reports and more in-depth monthly reports. Typical contents of a weekly dashboard report are:

- last week's activities/achievements
- next week's planned activities
- new or changed significant risks and issues and
- progress status of milestones due within the next month (using red/amber/green).

A more detailed monthly report is often submitted to the project steering group with the following contents:

- activities/achievements since the last steering group meeting
- next month's planned activities
- updated risks and issues log
- progress status of all key milestones (red/amber/green) and
- overall project status and progress.

A weekly dashboard report can form the agenda for a weekly project team meeting and the monthly report can serve the same purpose for a monthly steering committee meeting.

3.2.4 Team

When planning a procurement process, it is important to recognise the various roles that will be required in the team and identify individuals to fill those roles. The person or persons who will be managing the contract for the DO should ideally have roles in the procurement team. Typically, a procurement process will have the following roles for the duration of the process, some of which may be filled by the same person, particularly for smaller scale procurement processes.

- **A project sponsor** – a senior leader who represents the project at board level, provides leadership and project governance, oversees responsible business values and will often sign off decisions.
- **A project manager** – a senior manager who provides day-to-day management of the project, coordinates the activities of others, embeds responsible business values into day-to-day practice and leads the team. A project manager may be supported by a project coordinator or administrator depending on the scale and complexity of the project.
- **A procurement lead** – an experienced procurement professional who knows the market for the services being procured, manages the tender process, ensures that the stated procurement process is followed in a fair and transparent manner and who owns communications with bidders during the process.
- **A technical lead** – a property or FM professional who understands the technical requirements of the services being procured and the premises in which the services will be delivered.
- **A financial lead** – a finance person who understands the costs, budgets and affordability of the services being procured and is capable of leading financial analysis.
- **A commercial lead** – a commercial manager who understands the commercial issues relating to the procurement, e.g. indexation, risk pricing, continuous improvement.
- **A legal lead** – a lawyer who advises the project on legal issues and the terms and conditions of the contract. Typically, an in-house legal adviser, an external lawyer or sometimes both are required. In some territories, an experienced qualified procurement professional may be able to undertake much of this role, particularly where standard contracts and terms are being used and the risks involved have been assessed as low. In such cases, legal advice should be sought for any significant deviations from the standard terms or where there is any doubt about terms.
- **An HR lead** – a manager from HR to advise the procurement process on the implications for people, particularly where employees may transfer to a new employer, be made redundant or have their terms and conditions of employment changed.
- **An IT lead** – a manager who can advise on the systems, interfaces and access to the client systems that bidders will require as part of their solution.
- Any other specialist advisers that may be necessary given the scope, e.g. pensions, insurance, health and safety, environmental, etc.
- For procurements covering regions or global procurements, it may be necessary to have regional or territory leads and/or replicate the roles above in each region or territory. In such circumstances a particular territory should lead the procurement process. In some cases, language skills should be a key consideration in the make-up of the procurement team.

The time commitments required from each of these roles can vary throughout the project with some being full time, some part time and some ad hoc, depending on the phase of the project.

How the team will work together and communicate should also be considered. It may be appropriate to co-locate most of the team to a 'project room' or a defined area; weekly meetings or calls and dashboard reporting can also be established (see section 3.2.3). Communications and reporting are important when working on a regional or global procurement given that the team will likely be geographically dispersed across different time zones and may speak different languages. It is also advisable to establish various protocols, including:

- an email distribution list to ensure that no one is missed out of communications
- a central repository for project files
- a file naming convention, standard document templates and styles
- a digital tool to aid communications and collaboration
- language and translation protocols (if required) and
- a holiday and absences tracker.

3.2.5 Data

The availability of accurate, up-to-date and comprehensive data to inform bidders about the DO, the services to be provided, the assets involved and the premises in which services will be delivered is key. The DO should provide enough data to:

- allow bidders to understand the DO's requirements
- enable a solution to be developed
- accurately cost their service inputs
- assess commercial risk and
- ensure that bidders are being evaluated comparably.

Discussing with bidders what data they need can be helpful. Different sets of data are required for different services. It is advisable to provide bidders with as much data as possible. The DO should be open if data is out of date or inaccurate, agree assumptions if appropriate (and what will happen when assumptions are firmed up) and ask all bidders what additional data they require. Other than in exceptional circumstances data should be provided to all bidders so as not give any bidder an advantage.

The owner of the data should give their consent before any documentation is issued to bidders. The DO should issue non-disclosure agreements (NDAs) or similar confidentiality agreements that are enforceable in the territory to all bidders and have signed copies returned to ensure the bidders are aware that any data provided is confidential. Legal advisers should include wording to this effect in the tender documentation.

DOs should use consistent formats and measures when working across regions or globally, e.g. imperial or metric. Unless dictated by local laws it does not matter which is used but it should be consistent and made clear to bidders to avoid confusion.

Often bidders need to undertake site surveys during the procurement process to fully understand the requirements. These should be organised to allow access to all areas in scope and include a mechanism for technical questions. In very large-scale procurement exercises, representative sample sites might be used to reduce the costs of bidding by restricting the number of locations to be visited. Specific mechanisms for this are required and briefly described in section 4.3.4.

For repairs and maintenance services, condition surveys and asset registers are essential since they provide bidders with a basis for accurate costing and risk analysis. A condition survey is particularly important if the bidder is taking a financial risk on repairs, e.g. with an inclusive repairs element. An asset register is important to ensure all assets that need to be maintained are known for pricing purposes.

Ideally, DOs will have up-to-date condition surveys and asset registers that bidders can rely on. In practice this is rarely the case and a strategy to fill any gaps in condition and asset data should be developed and implemented. Options include the following.

- The DO undertakes or commissions condition surveys and asset verification surveys before launching or during the procurement process. If these are not completed before final pricing, a mechanism to adjust the price should be agreed. RICS recommends this option as best practice as it removes the most uncertainty and the DO owns the survey data.
- The winning bidder undertakes or commissions full condition surveys and asset verification surveys during the mobilisation period and the price adjustment is made once completed. Where this is done DOs should ensure that the terms and conditions agreed allow the DO to own the resulting data.
- Bidders price on available information and undertake due diligence during the first year of the contract and agree price adjustments accordingly.

Access to data should be controlled where it is confidential to either the DO or bidders and this is usually done via a 'data room' – a virtual room on a database, often provided as part of a procurement system. However, there is sometimes still a requirement to provide a physical data room, particularly where there are a lot of floor plans or operations and maintenance (O&M) manuals that are not available in digital formats.

Emailing information to bidders should be avoided and even when data is being provided in response to questions from bidders, the data should be added to the data room and the response should reference or link to this. This ensures all bidders have access to the same information at the same time and the data room is considered the single source of true information.

3.2.6 Objectives

The DO should have clearly stated objectives that reflect or support the organisation's strategy as discussed in section 3.1.4. Is the objective cost reduction, is it improved service performance or is it trying to achieve a different outcome? The model in Figure 1 can be used to assess objectives.



Figure 1: Objectives

An example of an objective that is not SMART is: The objective is to cut costs.

A SMART alternative would be: The objective is to reduce the costs of the in-scope facility services by 10% of the 2019/20 financial year baseline before the end of the 2020/21 financial year.

Most projects will have objectives that can be ranked in order of importance. Procurement of facility services projects typically have cost reduction and performance improvement objectives alongside objectives to bring in more innovation, transform service delivery and deliver social and environmental objectives. Another common objective is to have the new service arrangements in place by a certain date and care needs to be taken that the time allowed is realistic. It may be better to amend an objective in recognition of the actual time required for a robust procurement process.

The objectives should be agreed with the project sponsor and stakeholders before beginning the procurement and should form the framework around which the evaluation criteria are determined. As such they should be shared with bidders so that they know what the DO is trying to achieve. An exception to this should be savings targets. While it is advisable to inform bidders that an objective is to deliver savings, it typically puts DOs in a stronger commercial position not to disclose what the savings target is. In some cases, this target should be disclosed but only as part of a commercial strategy.

3.3 Market analysis

Before launching a procurement process the DO should understand the market in which it is seeking to procure services, analyse the current market trends and identify the bidders who could meet its requirements.

3.3.1 Market trends

The first step of any analysis of market trends is to understand what the market is. For example, a listed company seeking to buy services to cover territory worth tens of millions of dollars per year will be buying facility services in a different market to a local, privately owned company wishing to buy a facility service for a small number of buildings in one location. DOs may choose to procure some services from regional or national markets and other services from local markets. The market can be segmented as illustrated in Figure 2.

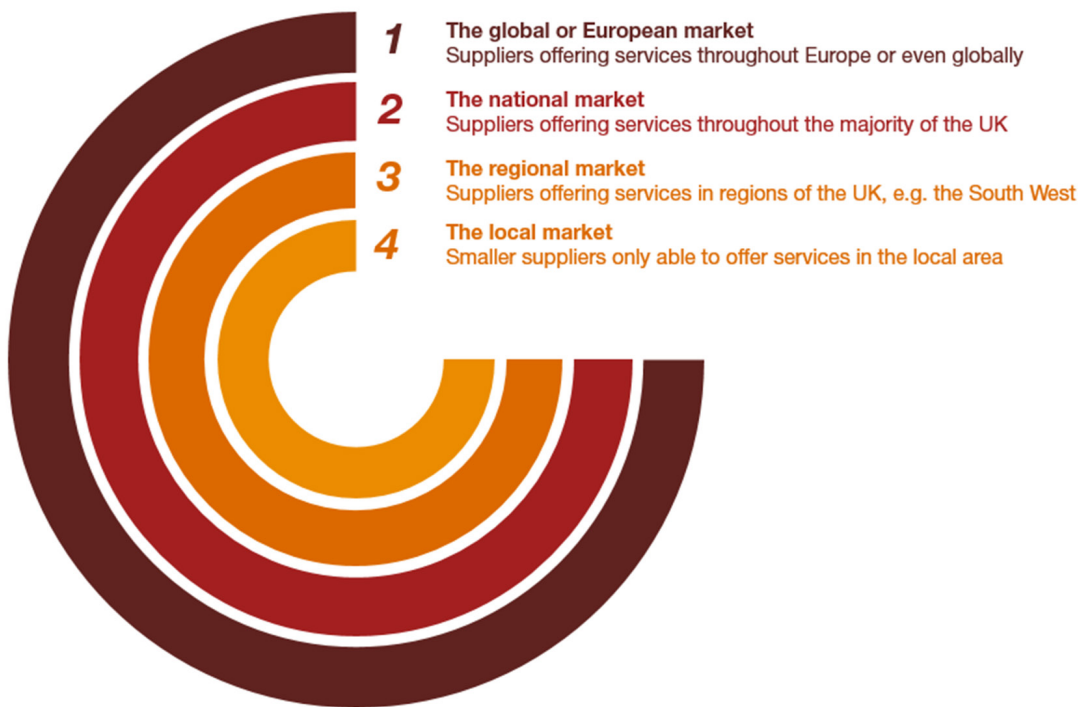


Figure 2: Market segmentation – UK example

Despite this categorisation there are some overlaps. For example, many global or regional suppliers will be interested in larger national opportunities. Many national suppliers will also bid for local contracts in competition against local suppliers if the value is significant. In most cases suppliers will work with specialist subcontractors rather than self-delivering all services. DOs should have visibility of the self-delivery/subcontracted split of services before tender evaluation and contracting as care needs to be taken that services are not subcontracted where better value would be achieved from direct procurement of the services.

Sources of information on market trends include:

- local trade press
- industry conferences and industry organisations
- local associations and
- published reports and other indices on the market available online.

For regional and local markets, networking with other buyers of services and ascertaining how they have found the market is a worthwhile activity. Market research can also be commissioned from consultants and market research providers.

The DO should also analyse how market trends and segmentation can impact the procurement process. If the DO's strategy is contrary to current trends, there may be more interest and better value from the market if the procurement process can be adapted to take advantage of trends. Alternatively, the DO may need to invest more time interacting with potential bidders to ensure that they understand what the strategy is.



Figure 3: Potential bidders

3.3.2 Potential bidders

An important step in any procurement process is to identify potential bidders. Which bidders in the market place can meet the DO's requirements in the locations it needs them to? Figure 3 illustrates some key questions to consider when selecting bidders.

Once a list of potential bidders has been identified, more detailed market research and due diligence on these companies can be done, including researching their current contracts, recent wins and losses, financial strength, geographical spread, infrastructure, references, etc. In addition to industry resources mentioned in section 3.3.1, company websites, published accounts and annual reports are good sources of information on individual companies.

DOs may wish to document this research as part of a formal pre-qualification process before selecting bidders. This can include requiring bidders to submit information for evaluation in addition to any market research.

DOs may be able, or even mandated, to use an existing government or public-sector framework contract, in which case the selection of potential bidders has already been undertaken.

3.3.3 Soft market testing

If a DO's requirements are unusual, complex or of a significant value, undertaking a programme of pre-procurement engagement, including informal bidder meetings and/or more formal soft market testing, may be a worthwhile investment.

The purpose of pre-procurement engagement is twofold.

- 1 **Marketing the opportunity** – the FM market is very competitive and opportunities often have significant bid costs for bidders. If a bidder is considering bidding for opportunities X, Y and Z they may not have the resources (business development team and/or budget) to bid for all three. Suppliers will 'qualify' opportunities by considering which are best suited to their experience and which they are most likely to win.

If a supplier does not have a relationship with a DO, does not understand its requirements and if senior individuals have never met with counterparts in the DO, they are likely to invest in other opportunities where they feel they have a higher chance of winning the bid. Taking time to meet with potential bidders, establishing relationships, understanding their capabilities and explaining the requirements can get a DO on a bidder's pipeline and make the opportunity more attractive.

DOs should be mindful of the costs of bidding for regional and global procurements that by their scale and nature can have very high bidding costs. In being invited to tender, suppliers are being asked to make a significant investment in time and cost, which they may be reluctant to do unless they have established a relationship with the DO and fully understood the requirements and the process.

- 2 **Understanding the market's response** – soft market testing is a consultative process: DOs want to learn how bidders view the opportunity, the process, the timeline, how they might deliver it, what benefits may be delivered and importantly any issues or concerns they may have. For example, if significant supplier investment is needed to meet requirements, but the DO is proposing a short contract term, a bidder will likely explain why a longer term would be required for them to recoup their investment. If consistent messages are delivered on the opportunity or the terms being proposed, it may be advisable to address these issues before proceeding.

3.3.4 Confidentiality

To get the maximum benefit from pre-procurement engagement it is important to prepare and confidentiality is paramount. Typically, DOs should require bidders to sign NDAs before receiving information and attending meetings. Some bidders may require these to be two-way. What is and is not confidential should be agreed with the owner of the data and independent legal advice sought where there are any concerns.

Care should be taken with any incumbent suppliers, particularly if it has been decided to exclude them from the procurement process (e.g. due to poor performance). It is extremely difficult to keep procurement processes confidential and there is always a high risk of leaks. The risks and impact of this should be assessed and mitigation actions considered. It is often better for the DO to be open with an incumbent, inform them of the process, explain why they are excluded and remind them of their contractual obligations until the services have been handed over or terminated.

Many procurement projects will also impact DO employees, so it may be advisable to create a project code name and, in some circumstances, require project team members to sign some form of confidentiality agreement after consultation with HR.

3.3.5 Written brief

Bidders may not be familiar with a DO nor understand how the business operates or the challenges it faces. The DO should prepare a written brief, which can be further developed as part of the procurement documentation to be issued at a later stage. It can also be helpful for the DO to make bidders aware of the issues it wishes to discuss by circulating an agenda and/or a list of questions before the meeting to give bidders time to prepare.

Bidders value the opportunity to participate in soft market testing and typically view it as an opportunity to promote their business as well as assessing their likelihood of winning. Pre-procurement engagement can also encourage smaller companies to bid as they are typically more selective about which opportunities they bid for due to the high cost of bidding. To have a meaningful two-way discussion rather than a sales meeting, it can be helpful for the bidder to give a brief presentation about their company at the start of the agenda.

3.3.6 Transparency, bribery and corruption

It is important to be transparent with the market and not give one bidder an advantage over other bidders who did not participate in the soft market testing. This is particularly the case in the government and public sector and a DO should consult with its procurement and legal departments before embarking on a soft market testing exercise, which should be carefully managed under the applicable procurement directives. Care should also be taken regarding any anti-bribery or corruption legislation, for example, concerning accepting hospitality. Guidance on accepting hospitality is included in the current edition of RICS professional statement [Countering bribery and corruption, money laundering and terrorist financing](#). See also the [RICS Rules of Conduct](#).

3.4 Procurement strategy

DOs should develop a procurement strategy to obtain stakeholder approval and senior sponsorship, direct the procurement process and make some key decisions.

3.4.1 Route to market

Routes to market will be different for the government, public and private sectors. Government or public-sector buyers are required to follow any procurement directives as defined by government. This may involve publishing a tender in a government tendering publication or using a framework contract.

In the private sector buyers should invite a small number of bidders to tender having made a pre-selection from the market. Similar principles to those used in selecting participants for soft market testing should be applied (see section 3.3.3). DOs may wish to refine a list of potential bidders further by using the results of soft market testing: asking bidders to deliver presentations, undertaking more detailed research on bidders or conducting a qualification exercise. This could be via a request for information (RFI) requiring a written submission to be evaluated.

Some private-sector organisations advertise opportunities in the FM press or national press. This is unusual but can be beneficial if DOs are unsure which companies to invite or want to be sure that the entire market is aware of the opportunity.

Typically, DOs will issue a request for proposal (RFP) providing bidders with information on the procurement process, the services required and the terms and conditions. Depending on the circumstances, RFPs can vary greatly in terms of content and different styles of RFPs are used in different territories. DOs should ensure that RFPs are clearly written, set out the process to be followed and the outcomes required and contain all the details that bidders will need (or links to sources of further information) to submit a response.

3.4.2 Project plan

DOs should develop a realistic project plan setting out the key activities and milestones with timescales, dependencies and dates. The starting point should be the date services need to begin (e.g. the termination date of an existing contract or the handover date of a new building), working backwards from this date to ensure enough time is allowed. Close attention should be paid to setting out all the key activities, allowing realistic timescales and identifying interdependencies.

The time that bidders will need should also be considered. For example, DOs should allow enough time for bidders to develop solutions and get internal approval of bids. It can be helpful to build in contingency time as activities often take longer than envisaged. If undertaking a public-sector procurement process DOs should be sure to reflect the mandatory timescales included in the applicable regulations, e.g. the mandatory standstill period.

The process of procuring FM services can take anything from a few months to over a year depending on the scale and complexity of the process. It is important to be realistic as better long-term results can be achieved by following a robust process as opposed to a quick one.

When a project plan is completed it should be shared with bidders so they can plan resources and their own activities. If there are sensitive activities or milestones included (e.g. dates of board meetings), they should be removed and an edited version released to bidders.

As the procurement process progresses, the project plan should be updated regularly as milestones are achieved. Milestones may move due to activities taking longer than envisaged.

3.4.3 Risks

There are inherent risks to any procurement process. Risks should be identified before starting the procurement process and captured in a risk register. See Figure 4 for what should be included as a minimum for each risk. More complex risk registers can be developed that include fields such as early warning signs, level of risk after mitigation actions, etc.

A key consideration with a risk register is to keep it live. Risk registers should be updated regularly. Some risks will go away at different stages of a procurement process and new risks will emerge, or the likelihood or level of impact will change. It is important to remember that not all risks can be mitigated or managed away. Typically, DOs should accept some level of risk and invest in managing it. When a risk happens, it ceases to be a risk and becomes an issue and should then be managed as such.

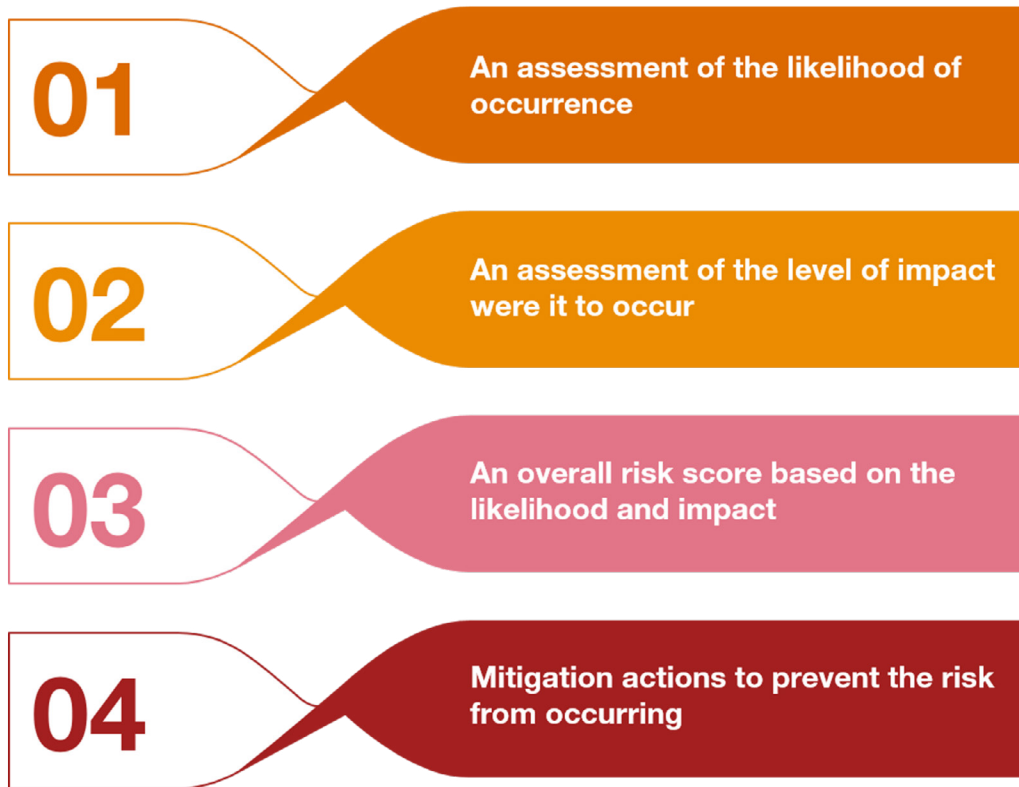


Figure 4: Risk register

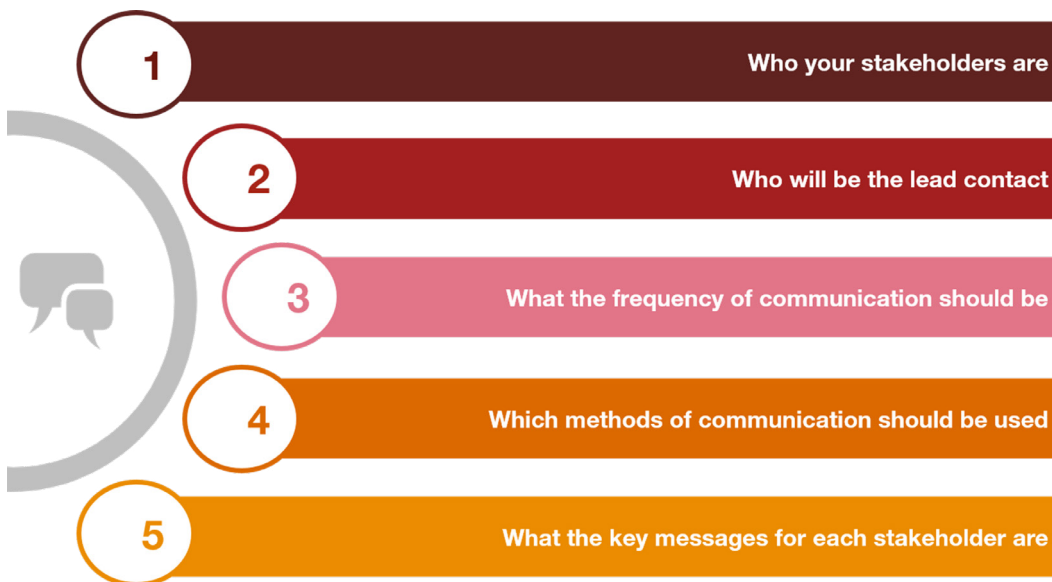


Figure 5: Communication plans

3.4.4 Communications plans

It is critically important to manage stakeholders during a procurement process and a communications plan is key to this. It should set out and cover the considerations outlined in Figure 5.

As with risk registers, a communications plan will change during the procurement process and should be updated regularly as stakeholders and the issues and messages change.

3.4.5 Submission requirements

Submissions are made by a number of bidders. What these submissions should look like, how they are structured and what they should include is a key part of the planning process. There should be clear submission requirements that link to the evaluation criteria. If there is something the DO wishes to evaluate, for example staff training, there needs to be a submission to evaluate, e.g. a staff training plan.

Submissions received often form a schedule to the contract, which can be a good way of incorporating commitments from bidders into a legal agreement and making them binding. While designing submission requirements, the format of response should be considered, for example, requesting narrative answers with clear commitments set out. Where submissions received do not form part of the contract, another method should be used to capture commitments and make them binding, otherwise submissions can be seen as 'sales documents', with no legal standing.

Submissions can contain narrative, whereby bidders produce a written response to a specific question. It is a good idea to have an appropriate word or page limit, a spreadsheet where bidders include financial information or a mark-up of the client's document, e.g. a copy of the contract showing in tracked changes the terms that the bidder is seeking to remove, modify or add.

Questions asked should be clear and unambiguous. In some cases, questions will be 'closed' and have yes/no answers, e.g. 'have you had any contracts terminated for poor performance during the last three years?'

In most cases, however, the question will be 'open' and should be designed to elicit information from the bidder to enable the DO to assess whether they meet the requirements. Such questions are typically expressed as the following.

- What is your approach to ...?
- How will you ...?
- Provide a methodology for ...
- What is your strategy for ...?
- Please provide your ...

In some cases, it can be helpful for the DO to provide guidance on what should be included in an answer, e.g. 'your answer must include reference to...'.

DOs may also consider asking bidders to provide evidence of achievements on other contracts in the form of case studies and details of their internal processes to support statements they have made in their answer. For example, if a bidder claims they will introduce innovative cleaning techniques that will reduce costs by 10%, this could be illustrated by actual examples where this has been achieved previously and details on the processes used in the innovative cleaning techniques.

Asking clear questions related to requirements that allow bidders to state their approach and solution will make evaluation more straightforward and will minimise the need to go back to bidders with clarification questions.

DOs should also ask bidders to accept terms and conditions, or to indicate terms and conditions they wish to discuss. This can avoid situations where terms that buyers thought were agreed come up for discussion after the contract is awarded.

For financial questions where prices need to be included, DOs should be clear about what they want. A DO may want to see prices for a range of services over each year of the proposed contract or may wish to see prices for individual buildings. In addition, a DO may require visibility of profit, overheads, indexation and mark-ups and a schedule of rates. DOs should think about the financial information they need and use this to develop pricing templates for bidders to complete as this will make the task of evaluating prices easier. Completed templates can be used to compare bid prices to baseline costs. DOs should also ask bidders narrative questions about their approach to pricing to understand how they have priced the requirements.

DOs should request bidders to state any assumptions, caps, exclusions or any other parameters they have used in developing their solution.

DOs should request bidders to clearly state who they are using in the supply chain, how they were selected and how they will be managing suppliers and subcontractors.

The language requirements of the DO's procurement documentation and the submission requirements is an important consideration. Within a territory, the official language of the country should be used unless it is common business practice to use English or another language for business transactions. For regional or global procurements, it is common practice to use English, however DOs should consider if it is necessary or beneficial to translate documents into other languages. For example, in the Middle East it is common to submit tenders in both English and Arabic.

When translating tender submissions or other documents DOs should take care to avoid mistranslations that may inadvertently result in a non-compliant bid or an incorrect score. The best safeguards against this are either to make the bidder responsible for the translation or to submit a translation of the bidder's submission back to them for approval. DOs should be clear which currency or currencies should be used in the financials submissions and should state relevant exchange rates to be used to avoid inconsistencies between bidders, which can skew prices.

3.4.6 Evaluation methodology

An important part of any procurement strategy is the evaluation criteria and methodology. DOs should be clear about what they are going to evaluate, how it will be evaluated and its relative importance. This should be transparent, agreed by all the key stakeholders, shared with bidders and remain unchanged throughout the procurement process.

A typical evaluation methodology will involve scoring submission requirements and converting these scores into percentage points so that a bid can score somewhere between 0% and 100%. The 100 percentage points are spread across the important factors used to evaluate the bids, e.g. the price, quality of technical solution, etc. The more important a factor the higher the number of points (or higher weighting) it should receive. When developing the evaluation methodology DOs should refer back to the objectives and ensure that the scoring and weighting reflects the intent of the objectives. DOs should allow for differentiation between bidders, focusing weighting on the most important objectives.

For example, if a DO is buying purely on price, 100% of the weighting would be allocated to price; if sustainability was important, it might be allocated 20% of the weighting. In FM it is rare for evaluation methodologies to be based only on price (lowest price) as typically most of the services are not commoditised and differential quality can have a big impact on price. However, there are instances where service quality being equal to price becomes the determining factor.

A combination of price and quality is often referred to as the most economically advantageous tender (MEAT). In effect, it is a balance of price against quality (e.g. 30% price, 70% quality).

It is good practice for DOs to have a clear scoring matrix for narrative submissions. Typically, this is zero to five or zero to ten, where the lowest number represents a description such as 'the answer is unacceptable and not capable of meeting requirements' and the highest number represents a description such as 'the answer meets all the requirements to a very high standard and would deliver many benefits'. The numbers between represent different levels, e.g. meets some of the requirements, meets most of the requirements, etc.

The method of evaluating price is more complex. One common method is where prices are typically ranked against each other and a proportion of the percentage points awarded depending on the difference in price. This means that if the two lowest prices are close to each other, the points awarded are also close. In the private sector, price evaluation can be more subjective and in all cases price and quality should be considered together to make an objective assessment of value for money, e.g. in some cases the quality benefit delivered by a higher cost is worth the additional expense.

For example, if Bidder A had a price of \$100,000 and Bidder B a price of \$80,000, Bidder B would be awarded full points, e.g. 50 points, and Bidder A 40 points ($80 \div 100 \times 50$). DOs should ensure that the bids are commercially viable and be mindful of the danger of bidders deliberately under-pricing their bids to secure the work.

4 Procurement

4.1 Technical activities

The following activities should be completed to enable bidders to accurately price for the services being procured.

4.1.1 Detailed scope

DOs should state the scope of services in detail. It can be helpful to think of services in a hierarchy or other framework to understand their relationships and interdependencies. In addition, DOs may consider procuring single-source, bundled or integrated contracts. The RICS guidance note *Strategic FM Framework* provides best practice on this consideration.

Traditionally services have been thought of as 'hard' or 'soft' FM. The industry is now moving away from this artificial categorisation to either a specialist service or an integrated approach. 'Hard' and 'soft' FM therefore will not be used in this document and should be avoided in procurement.

Where services are structured in a hierarchy the first level can be thought of as the service line. Examples of service lines are shown in Table 1. There is no standard list of FM services, they will vary by organisation. In regional or global procurements there may be different scopes and service hierarchies between territories or regions. For example, catering may be in scope in Europe but out of scope in North America. The service lines and hierarchies shown here are examples and do not comprehensively cover all FM services.

Service line
Repairs and maintenance
Minor works
Grounds maintenance
Cleaning
Catering
Security
Mail room
Pest control
Helpdesk
Health and safety
Project management
Building management

Table 1: First level of hierarchy

Different terms may be commonly used for different services, e.g. cleaning can be referred to as janitorial in the USA and repairs and maintenance can be mechanical, electrical and plumbing (MEP) in the Middle East. DOs should use the terms that are either in recognised international standards or commonly used in their markets.

The next level in the service hierarchy can be referred to as the service element. Examples of service elements are shown in Table 2. There is no standard list of service elements, they will vary by organisation.

Service line	Service element
Repairs and maintenance	Long-term maintenance
Repairs and maintenance	Planned preventative maintenance
Repairs and maintenance	Reactive repairs
Cleaning	Routine cleaning
Cleaning	Periodic cleaning
Cleaning	Reactive cleaning
Catering	Staff restaurant
Catering	Hospitality
Catering	Vending
Health and safety	Permit to work

Table 2: Second level of hierarchy

The detailed descriptions of FM services are provided in the service specifications. The key element of scope is the buildings, sites or land (sometimes referred to as the 'premises') that are covered by each service line or service element.

Depending on the size and complexity of the property portfolio, and the services being provided, this can be straightforward or more complex.

Typically, not all buildings require every service, for example, a building/asset without a staff restaurant may not require any catering or may just require vending. To provide a clear picture of the scope DOs should map the services in scope to the buildings/assets that require them. This can be done simply via a list or by a matrix showing service elements for each building/asset for more complex situations. An example of this is shown in Table 3.

Service line	Service element	Building A	Building B	Building C
Repairs and maintenance	Long-term maintenance			
Repairs and maintenance	Planned preventative maintenance			
Repairs and maintenance	Reactive repairs			
Cleaning	Routine cleaning			
Cleaning	Periodic cleaning			
Cleaning	Reactive cleaning			
Catering	Staff restaurant			
Catering	Hospitality			
Catering	Vending			
Health and safety	Permit to work			

Table 3: Matrix showing service elements for each building/asset

An alternative is to create a requirement to include a cost for each service element that is in scope, greying out service elements that are not in scope as shown in Table 4. If such a matrix is to be used for future contract change, care should be taken to apportion costs accurately and in detail across buildings to reflect actual cost.

Service line	Service element	Building A	Building B	Building C
Repairs and maintenance	Long-term maintenance	\$0.00	\$0.00	\$0.00
Repairs and maintenance	Planned preventative maintenance	\$0.00	\$0.00	\$0.00
Repairs and maintenance	Reactive repairs	\$0.00	\$0.00	

Table 4: Alternative matrix

4.1.2 Service specifications

The service specifications are a key set of documents that the DO will need to produce. The DO may be able to reuse previous service specifications or may need to refresh them. If the DO does not have fit-for-purpose service specifications, producing them and getting them agreed by stakeholders can take some time, so it is advisable to plan their production as early as possible in the project. For regional or global procurements DOs should aim to have consistent specifications as much as possible but recognise that there will be variations in service requirements between locations, territories or regions as industry good practice and other requirements will be different. It is important that variations/differences are clearly set out.

Service specifications can be one of three types: input specification, output specification and outcome specifications. An **input** specification is where an input is specified, e.g.:

The service provider will provide two static guards at the main entrance during normal opening hours to check the staff ID passes.

An example of the same requirement specified as an **output** could be stated as:

The service provider will ensure that no persons without valid staff ID passes can enter the facility beyond the main entrance during normal working hours.

An example of the same requirement specified as an **outcome** specification could be stated as:

The service provider will ensure that the facility is kept safe and secure.

In some cases, an input specification may be required; in the first example, the DO is certain it needs two visible guards at the main entrance. The drawback with an input approach is that it does not allow bidders to use innovation, so the scope to deliver savings or make innovations is limited. In this example, the only way to reduce costs is to pay the staff less, reduce overheads or to accept lower margins, with the consequential loss of service quality that may arise from less motivated staff and a bidder who is receiving a lower reward.

In deciding which specification to use DOs should consider the maturity and capability of the market in the territory. In some territories the market may not be mature enough to deliver output specifications and therefore input specifications will be required.

If the requirement is specified as an output, bidders can propose solutions to meet the required output using different inputs. In this example, bidders may propose just one guard or a technological solution such as a barrier with an access card reader. The possibility of alternative inputs to meet the required outputs increases the scope for cost reduction and innovations.

If the requirement is specified as an outcome, bidders have greater freedom as to how to meet the requirement but also take on a higher level of risk. In FM, outcomes can be difficult to define and measure and as such are seldom used.

In some cases, a hybrid approach is required, where the specification is largely output-based but includes some key inputs and outcome measures, e.g.:

The service provider will ensure that no persons without valid staff ID passes can enter the facility beyond the main entrance during normal working hours and that all staff are greeted by a guard as they enter the building.

Service specifications can take many forms, however, the below principles should be followed.

- Be clear on meaning. Include definitions of defined terms and acronyms – this is particularly important when procuring services between territories where different terms or languages may be used.
- State what the objectives of the service are, e.g. the objectives of a security specification may read ‘to keep the premises secure and employees and visitors safe’.
- State each requirement in a clearly delineated section, be it a numbered paragraph or a row in a table. Avoid combining requirements as this can cause issues with pricing and scope change. For example: ‘The service provider will undertake all routine cleaning and ad hoc window cleaning.’ In this case ad hoc window cleaning should be a separate requirement as it is likely to be priced differently and could be easily removed from scope if required.
- State exactly what is required in clear language. If it is an output specification do not state how to do it.
- State the service levels required separately as these can then be used in the performance mechanism (see section 4.2.8). For example: ‘All emergency repairs will be responded to within one hour’ is a service level for responding to emergency repairs.
- Use precise language to avoid ambiguity. Check for words such as ‘relevant’, ‘regular’, ‘appropriate’, etc. For example, ‘regular’ should be replaced with ‘daily/weekly/monthly’, etc.
- Be clear about any exclusions. For example: ‘Cleaning of computers and IT equipment is excluded’.
- State any specific requirement for personnel delivering the service. For example, ‘The person managing health and safety should be qualified to diploma level’.
- There are likely to be many drafts of specifications as they are developed. Use tracked changes as the documents get updated and keep track of version control to avoid missing changes.
- DOs should ensure that translations of specifications are accurate and that changes and additions are translated.

4.2 Legal and commercial activities

4.2.1 Pricing

When bidders submit a proposal to a DO they will need to provide a price. Each service element should have a suitable pricing methodology allocated. Factors such as volume variation, input cost predictability and risk should be considered when selecting the appropriate pricing methodology for services. As such different pricing methodologies may be appropriate for different services.

Typical pricing types are set out in Table 5.

It is important to understand how each of these pricing types work, in which scenarios they are best used, who holds price risk and who has incentives to reduce costs. DOs should consider the risks and benefits of each pricing type and how they might enable or hinder savings.

Pricing type	Characteristics	Pros	Cons
Fixed price	A fixed price for a fixed volume of service at a set standard. Volume can vary to a set amount within a cap and collar arrangement where price is fixed in agreed upper and lower volume parameters. It can be subject to indexation and continuous improvement.	It is easy to manage budget expectations and forecast contractual cost. It is the supplier's risk if the service fee increases.	It is agreed at inception of service and fixed. There is an inability to benefit from reducing costs to improve supplier's margin.
Variable price	A price whereby the input costs are known but the volume is subject to a high variation. Input costs are typically agreed in a schedule of rates, which could be for activities or for hourly rates.	Rates are agreed at a set cost against scope. Price breaks can benefit in volume reduction discounts once thresholds of spend are reached.	It is difficult to manage budget expectations. Price breaks not met can increase cost.
Guaranteed maximum price	A variable price but with an upper threshold above which the variable price is capped.	Fixed ceiling price based on actual cost. Cost underruns can be returned to the buyer or shared with the supplier as an incentive.	The risk is shared between buyer and supplier, however, there is little incentive for the supplier to keep costs under the maximum price unless incentives are included.

Pricing type	Characteristics	Pros	Cons
Cost plus	The actual cost of the services plus an agreed mark-up for profit and overhead. The risk sits with the buyer and suppliers may have a gainshare mechanism included to incentivise the supplier to reduce costs.	There is clear visibility of cost with an agreed margin.	There is a risk of inflated cost of service to improve the supplier margin.
Pass through	Costs are passed through with no margin or overhead attached.	All costs are passed through with no budget requirements.	
Risk-based pricing	The charges payable to the service provider (under one of the other pricing types) will include an element of price at risk, which is dependent on the achievement of a measurable outcome such as an increase in value or efficiency.	Both the DO and the supplier will have a shared incentive to increase the measured outcome (value, efficiency, etc.)	It can be difficult to measure increases in outcome and/or to agree that it is as a result of the supplier and not some external factor. It requires a strong partnership and is open to dispute.

Table 5: Pricing type summaries

Table 5 provides a summary to assist with determining which pricing type offers the best value. In any contract several different types of pricing may be used depending on the services being priced, available data and the objectives of the DO, e.g. fixed price for services where the volume is predictable and variable price for services where there may be significant variation in volume. Another common method is to use the guaranteed maximum price as a balance between the variable and fixed prices.

It can also be beneficial to change the pricing type during the term of the contract. For example, repairs can be charged as a variable price using a schedule of rates for the first year of a contract to establish a baseline cost, which can then be used to determine a fixed price for repairs in subsequent years.

For contracts covering more than one territory, DOs should state which currencies should be used, how exchanges rates will be calculated and where currency risk sits.

It is common for contracts that include reactive repairs to have a comprehensive or semi-comprehensive element, where the supplier takes risk on the cost of repairs up to an agreed threshold with agreed exclusions.

Comprehensive elements can be beneficial as they allow most repairs to be actioned without DO approval, remove administrative burdens and incentivise good behaviour from suppliers.

Where there is poor asset data, the price for a comprehensive element can be poor value as suppliers include a high level of risk into the price.

In addition to defining exclusions, another key consideration is what level the comprehensive repairs threshold should be set at. What limit to set depends on understanding the appropriate level of risk to pass to the supplier and can be heavily dependent on the age and condition of the assets. A good way of assessing this is to model what would have been included from a past year's repairs data at different levels of threshold and/or ask bidders to bid and justify their preferred threshold. It is important when defining comprehensive repair limits that the DO is clear about the definition and grouping of assets and systems to ensure that the limits may be applied correctly.

The costs of transferring employees can be a major consideration in pricing and full and accurate employee data should be provided to bidders where there is expected to be transfers of existing staff. Where such data is not known, a mechanism to true-up costs once transferring employee costs are known should be agreed. This is a major area of commercial risk to a bidder and if handled poorly will result in excessive risk pricing or lack of interest from the market. Pension costs can be a difficult area and specialist advice should be sought. Employment law and similar legislation is a complex part of any procurement and specialist advice should also be sought in this area.

4.2.2 Subcontractor commercial terms

DOs should consider the payment and commercial terms of any subcontractors. DOs should seek assurance that fair and transparent payment and other commercial terms are being applied to the supplier's subcontractors. Requirements for the terms agreed with the supplier should be mirrored with any subcontractors and subcontracts should be assignable (transferred to another principal contractor) or novated (transferred to the DO) under certain circumstances, for example, termination of the main contract for non-performance.

4.2.3 Limits of liability

The limit of liability is the level of damages that one party will be obligated to provide to the other party under terms and conditions stated in the contract.

The limits of liability required is a key commercial decision in any contract – too high and the market may not be able to accept it; too low and DOs run the risk of not being able to recover enough costs if the supplier is liable for damages. Limits of liability can be stated at different levels for different risks/events, e.g. one limit for breaching confidentiality and a different limit for loss of earnings. Specialist advice should be sought to determine what levels of liability are required.

Extra caution should be taken with unlimited liability. Other than liabilities that are required to be unlimited by law, it can either be very difficult for bidders to accept unlimited liability or they will include higher prices to reflect the risk and/or reward for accepting a higher level of risk. Many bidders will choose not to bid if there are unlimited liability requirements. In practice there is no ability to meet unlimited liabilities as any supplier will be constrained by its balance sheet. It is better to discuss and agree sensible limits of liability that provide DOs with the cover they need but do not cause excessive risk pricing.

Liability for consequential losses to a DO's main business is sometimes a requirement. DOs should be mindful that this can be difficult for suppliers to accept so may result in less market interest or even prevent bidders from agreeing to these terms.

Many contracts also seek to achieve further guarantees in the form of parent company guarantees or performance bonds. DOs should be clear about any such requirements at the start of a procurement process and ensure that terms are reasonable and will not unduly impact the price or the appetite of bidders.

4.2.4 Insurance requirements

The level of insurance required is another key commercial decision. A DO will want to be sure that the supplier can meet any financial obligations that may result if something goes wrong. Specifying minimal levels of insurance cover required can help to provide this assurance. In addition, the DO's insurers may require that suppliers have a certain level of cover to minimise their own exposure. Specialist advice should be sought before deciding what levels of insurance cover are required, for example, a lease may include specific lease obligations.

4.2.5 Indexation

Most contracts longer than two or three years will typically have indexation applied to the price. Two key decisions to be made are what index to use and why, and how to apply it. Various inflation projections are published and the government in the DO's territory may have a preferred index that is commonly used. Deflation is typically not covered and would not result in price increases or in price reductions. In some territories, inflation may be so high or unpredictable that indexation clauses are not possible. In this scenario, agreement should be reached as to when the price can be increased and how the increase can be agreed, e.g. by pegging the cost against another more stable currency. This would allow increased payments in the local currency but in US dollar terms the cost remains stable.

Some contracts agree to apply a specified index, others will build in a set amount regardless of what actual inflation turns out to be and some have a capped figure.

In any contract the year one price would usually not attract indexation, which may kick in from year two onwards.

Sometimes suppliers are asked to price in inflation and it can only be applied after a set number of years or if the specified index breaches a pre-agreed threshold. DOs need to identify which index is most applicable to the cost of the services and how and when to apply it.

How much inflation risk DOs are willing to take versus the value for money they would get from having the supplier take inflation risk is a key consideration. The more inflation a DO wants a bidder to take, the higher risk premium they are going to build into their costs. Many older contracts do not have provisions for deflation. In a low inflationary environment this is a real possibility and the contract should cover this eventuality by, for example, stating that only inflation of greater than 0% will be applied.

Indexation is not always the best method of dealing with actual cost variations over time. In some instances, it may be better to have an annual review and negotiation based on real changes to the underlying cost base.

4.2.6 Continuous improvement

Continuous improvement can refer to improvements in the quality of services over time or can refer to future cost reductions that can be built into a price. As a supplier makes ongoing changes, the services should get more efficient and effective over time. Continuous improvement can be used as a mechanism to return some or all of this benefit to the DO in an agreed reduction in price. This could be expressed as a percentage point reduction in price year by year but is often expressed as a reduction in indexation when used to partially offset the effect of inflation. It can also be expressed as a guaranteed reduction in actual price each year.

For example, the supplier may increase the price by the agreed index -1% each year. It is common for continuous improvement to be a higher figure in the early years of a contract when it would be reasonably

expected that a supplier will be driving out efficiencies. In the later years of a contract, continuous improvement often tapers off and may end as there should be a floor below which further efficiencies are harder to achieve or may cease to be possible.

In this example the -1% is the continuous improvement. As inflation has reached historic lows in recent years, many contracts did not have provisions for what would happen if inflation was less than continuous improvement. It is advisable for contracts to address this scenario by clearly stating either that:

- continuous improvement applies even if indexation falls below the level of continuous improvement or goes negative or
- continuous improvement only applies when indexation is applied to the price.

Another example of continuous improvement is year-on-year targets for improving sustainability such as reduced carbon footprint, reduced volume of waste, increased rates of recycling or reductions in energy consumption.

4.2.7 Gainshare mechanisms and other incentives

In more mature markets, including incentives for suppliers to bring innovation and reduce costs can deliver real value to DOs. Gainshare mechanisms are often seen as a good way to do this. Suppliers will do all they can to reduce costs, but this will be to maintain and grow their own margin. Gainshare mechanisms take it a step further and usually involve more innovative ideas, a change to the specification and often require some investment. Typically, it will involve some initiative that cannot be implemented without the DO's agreement. A typical gainshare mechanism enables the supplier to bring ideas forward that will create a gain, usually expressed as cost savings. This often results in a direct reduction in the supplier's revenue, so enabling the supplier to keep a proportion of this lost revenue and/or applicable margin for a period provides an incentive to bring ideas forward.

Generally, gainshare mechanisms work best when the gain is evenly shared; if too low a percentage of the gain is offered to the supplier, they have less incentive to bring ideas forward or to invest. If suppliers demand too high a percentage of gains, the DO has less incentive to accept whatever changes are required.

In all gainshare mechanisms close attention should be paid to calculating and agreeing the baseline cost against which any gain will be measured. Energy savings are a common area for gainshare initiatives and, due to the variability of energy supply costs, baselines are generally better expressed as energy consumption (kilowatt-hours, etc.) rather than as cost.

Beware of agreeing gainshare proposals where the supplier makes no investment and adds little value. For example, simply stopping a service (e.g. cleaning desks everyday) should be a contract change not a gainshare.

4.2.8 Performance mechanism

A robust performance mechanism should be developed as it will form an important tool for effective contract management. Performance mechanisms need to be discussed with bidders to ensure that measures are workable and targets are realistic. It is important that it is not used to penalise suppliers nor to recoup cost; rather it is an incentive to maintain the standard of service that is required and a method of assessing if objectives are being achieved.

A performance mechanism can be constructed of three components.

- 1 A **service level** (SL) that should be achieved, e.g. a call to the helpdesk should be answered within 30 seconds.
- 2 A **key performance indicator** (KPI) – a target that the SL should achieve, e.g. 90% of calls to the helpdesk will meet the SL (calls answered within 30 seconds).
- 3 A **consequence of failure**. Typically, a deduction from the price if the KPI is not met. However, DOs can have performance mechanisms with no deductions provided there are other strong contract management provisions.

To be applied, a KPI needs to have a frequency (typically monthly, quarterly or annually) and a method of measurement and reporting, e.g. monthly reports from the computer-aided facility management (CAFM) system recording the total number of calls received and the percentage that were answered within the SL.

SLs may be different between territories or regions depending on local requirements. Consistent performance reporting can still be achieved if the SLs are different provided the KPIs are the same, although direct comparisons should be treated with caution.

A performance mechanism would typically consist of a table or spreadsheet containing a number of SLs and KPIs. See the example in Table 6.

SL	KPI	Frequency	Measurement and reporting	Deduction (% of sum at risk)
Calls to the helpdesk to be answered within 30 seconds	90%	Monthly	Monthly report from the CAFM system (number of calls answered within the SL/number of calls received per month x 100)	10%

Table 6: Performance mechanism

The sum at risk is typically equal to the supplier's overhead, risk and profit. It is set at this level as it is an amount that will penalise suppliers for poor performance without damaging operational performance and causing additional issues.

It is important that SLs be set only when something is important and matters to the DO's business. If answering calls to the helpdesk quickly is not important to the business, there does not need to be an SL attached to it. SLs should be realistic and achievable with given resources. A requirement to answer calls within 30 seconds may be a realistic SL given the number of staff employed and the systems and technology used. If this was 10 seconds, the supplier may have to employ additional staff to meet the level. If this is important, that is a valid cost, however, if it is not it has added unnecessary additional cost. Avoid generalisations such as 'to be clean at all times'; such standards are impossible without permanent 24/7 cleaning. A better SL might read 'following completion of a cleaning activity, to be free of dirt, smears and marks'.

Example

The DO has an old inefficient gas boiler. FM Co. proposes to replace it with a new energy-efficient boiler that will deliver energy savings as well as being cheaper to maintain. FM Co. proposes to provide the necessary investment to fund the replacement. The DO agrees to give 50% of the energy savings for a five-year period to FM Co. and FM Co. can keep 100% of the maintenance savings. The DO has the benefit of a better, more reliable boiler for the rest of its life cycle and 50% of energy savings. FM Co. has the benefit of revenue from the project to install the boiler, 50% of the energy savings for five years and the maintenance savings. Both sides have a broadly equitable level of net benefit when you remember that FM Co. has to make the investment and the DO does not have to invest up front.

In formulating SLs DOs need to consider whether it is within the supplier's power to achieve them and express the standard in a way that is achievable and measurable. For example, if 'employ an agreed number of apprentices' is in the contract, it is within the supplier's power. However, if it is to 'reduce youth unemployment in your district', it is not. SLs should try to measure the output, not the input. In some cases, SLs concerning inputs may be required and they are often easier to measure, but, for example, it is better to measure that the DO's building is secure rather than how many patrols guards have undertaken. Output measures are typically quite difficult to measure and, although they can be beneficial, are often outside of the performance mechanism.

KPIs can be applied to SLs, but this should only be done for SLs that are critically important. KPI targets need to be realistic and achievable. DOs need to consider the volume of activity in each and what the KPI target means. If, for example:

- the SL states 'all planned maintenance tasks to be completed within the scheduled month'
- there are 5,000 maintenance tasks to be completed in one month
- the DO's target is 90% and
- the DO is happy to accept that 500 maintenance tasks will not be completed each month,

what is the impact on the DO's business if 500 tasks are not completed on time?

In general, 100% targets should be avoided, especially for high-volume activities as there will always be a degree of failure with scale and suppliers may seek to include risk pricing to try and cover the risk of failing the KPI. However, care should be taken with legal and statutory requirements – DOs cannot accept anything less than being statutory compliant and legal. In these cases, 100% KPI targets are valid.

Frequency of measurement

The less frequent the activity the longer the period of measurement should be. If an activity only happens once or twice a year, a monthly measurement is not valid. On the other hand, if it is a high-volume activity that occurs frequently, measuring it quarterly or annually may smooth out failures in a specific month, resulting in data that does not support the DO's view of the service received, nor does it allow for problems to be identified and fixed month by month.

Measurement and calculation

The method of measuring and the calculation of the KPI is a critical consideration. When it comes to making deductions from a supplier that erodes their margin, DOs should be clear on how something is measured and how the performance is calculated to avoid dispute. There is no right answer; an appropriate method of measurement needs to be agreed with suppliers, depending on the service level agreement (SLA). Avoid subjective measures, for example, 'it is clean' is subjective; what is meant by clean? It is better to say 'over 80% of the surface will be free of visible dirt, marks and smears'. It is hard to avoid subjectivity completely but make the measure as objective as possible.

Self-reporting of performance by suppliers is common but it can be beneficial to back this up with joint audit inspections and ad hoc DO inspections. When formulating a performance calculation, it is recommended to turn the target and performance achieved into a percentage. The example below shows the calculation for tasks completed against a target of the tasks that were planned.

Actual against agreed plan = (actual completed tasks/planned task × 100)

In this example, if 500 tasks were planned and 480 tasks were completed, the SL achieved would be 96%.

Some performance mechanisms are overly complex and create an excessive amount of work and distraction. If including deductions that ramp up with greater levels of failure, win-back mechanisms, excusing clauses, etc. care should be taken to keep the mechanism simple. It can be beneficial to take a balanced scorecard approach where all SLAs are considered rather than focusing on individual KPIs.

Avoid allowing performance mechanisms to become unnecessarily complex. As a principle, performance mechanisms should be transparent; only target SLs that are important, make a difference and have enough consequences to deter poor performance and ensure rapid rectification.

Deductions

When a KPI is failed, a deduction can be made. In practice this usually involves the supplier issuing a credit note to be used against the next invoice. The consequences of failing KPIs needs to be meaningful. Typically, profit is at risk against performance – if, for example, the DO has a contract worth \$10m per year, the supplier's profit for a year may be \$1m. That sounds like a big financial risk if the KPIs are failed, but it is \$83,000 in any one month. If there are 20 equally weighted KPIs, failing one KPI in any month will result in a deduction of \$4,000. There should be enough KPIs to cover what is important in the contract, but not so many as to dilute their impact. In some situations it is cheaper for the supplier to keep failing the KPI than it is to fix the problem.

Other remedies

SLs and KPIs are typically the main component of any performance mechanism. However, if they fail to rectify persistent performance issues, there should be a clause that triggers further remedies such as step-in, reduction of scope and termination due to poor performance.

4.2.9 Value testing and benchmarking

During a contract, DOs often want assurance that they are still obtaining value for money. This is particularly the case during contracts with a term over five years. Value testing and benchmarking are methods of checking that the DO is still getting value for money compared to market conditions and the common standards of service at the time of testing.

In addition to cost benchmarking, other factors such as use of space, environmental impact, quality, customer satisfaction and productivity levels can also be benchmarked.

DOs should be cautious when value testing and benchmarking between territories or regions. Cost drivers such as wage levels, employee benefits and taxation may be very different between territories, making direct cost requirements misleading.

Value testing and benchmarking are often used as interchangeable terms. However, value testing should include some assessment of non-financial benefits whereas benchmarking is typically purely a cost assessment.

During a procurement process DOs need to decide whether to include a value testing or benchmarking exercise in the contract. If the length of contract is less than five years, the cost and benefit of doing so may not be worthwhile. If the contract has the potential to be extended, a value testing or benchmarking exercise may inform the decision-making process.

Key questions to consider include the following.

- Is a value testing or benchmarking exercise worthwhile?

- Should it just consider cost or should the assessment consider other aspects of value such as risk transfer, payment terms, quality of services, etc.?
- When should the test be undertaken?
- Which services should be tested? It is often not possible or worthwhile to test all services, the focus should be on the critical and/or the high-value services.
- How many comparators will be used?
- Who agrees which comparators to use and that they are comparable? Suppliers will sometimes offer to benchmark against their other clients only, but this should not be accepted as the comparators may be selected to provide a favourable outcome to the supplier.
- How will the results be presented?
- Who will undertake the testing?

Another key consideration is what will be done with the results of any testing. This should be stated clearly at the outset.

Potential actions include a price reduction on costs to within the benchmark or market testing. Outside of any contractual consideration benchmarking can also be used to aid decision-making regarding contract extensions, renewals or the addition of new scope.

4.2.10 Variation and change control

It is important to recognise that requirements often change. The DO could occupy new buildings, dispose of buildings and change other FM service requirements in response to changes in customer demand. The longer the contract term the more likely requirements are to change. A change control mechanism should be included in contracts and DOs should agree with bidders how changes will be priced as part of this. This will avoid disputes about price when change control is being applied.

Typically, a price will include a level of tolerance for smaller changes to avoid a lengthy process each time a small change is required. This could be a cap and collar on the cost of change over a set period whereby the parties absorb changes to the agreed levels, or the cost of changes are applied once per year as part of an annual price review.

It is important to remember that not all cost reductions are linear and price reductions may be smaller than expected. For example, the cost of maintenance for a specific building will include management and overheads that will still have to be borne.

In addition, if a building is closed but the staff are moved into another building, costs in that building may increase due to a higher occupation density, e.g. more people may mean more cleaning is required. Such factors need to be considered in agreeing a change control process that should be detailed as part of the contract.

4.2.11 Forms of contract

There are two main choices when selecting which form of contract to use: a bespoke contract drafted to meet specific requirements or if available an off-the-shelf contract that can be amended to meet requirements.

Bespoke contracts can be tailored to meet exact requirements but can be expensive to produce and are usually drafted by in-house or third-party legal advisers. Off-the-shelf contracts are relatively inexpensive to purchase, although very few are available specifically for the procurement of FM services. Such

contracts typically have core clauses, a range of optional clauses and a method of making variations to any terms.

Choice of contract depends on the size and complexity of the requirements. Off-the-shelf contracts can be fine for smaller, less complex contracts but bespoke contracts are better suited to larger, more complex contracts.

Even if using off-the-shelf contracts, legal advice should still be taken especially if variations are being made to terms.

It should be noted that the contracts will contain a number of schedules where most of the information will sit, e.g. a pricing schedule.

Global contracts covering services in more than one territory or jurisdiction are more complex and specialist legal advice should be sought to agree a governance clause, stating which territory's law and legal resolution processes apply to the contract.

4.2.12 Contract duration

Contract length or term of contract is a key decision. Too short and the DO may not get best value from the market; too long and the DO may end up in an agreement that over time no longer meets its requirements. Where there is more than one supplier DOs may also consider contract lengths that make the contracts coterminous, or contracts that terminate at a known time of change, e.g. a move to a new building. Contract change clauses, including termination for convenience, can remove this problem, saving time and money on reprocurring.

FM contracts are expensive for DOs to tender and for suppliers to bid and win. If supplier investment is required, the minimum contract length is typically five to seven years to allow enough time for a supplier to make a return on their investment. Having to go through this process increases costs too frequently. FM contracts typically run for a minimum of three years for single services and a minimum of five years for IFM, however this may be different in some territories. Contracts often include extension clauses and are stated as 3+2, 5+2, 8+2, etc. Most DOs are wary of long contracts as it restricts flexibility and there is a fear of being tied in beyond a time when major change may be required. However, many benefits can be delivered by longer-term contracts through being more attractive to the market during a competition and from higher levels of supplier investment.

In the public sector it is important to get the contract length right at the time the DO publishes its requirements as the term stated, along with any potential extensions, may restrict the ability to change the term at a later stage of the procurement process.

In the private sector there is more flexibility and contract length is often negotiated as a commercial lever either during the procurement process or during the contract when additional benefits are being sought.

The DO should assess the strategic importance of FM to the business and decide if the relationship with suppliers should be transactional or strategic. If the latter, a longer contract term is appropriate and is likely to deliver better value.

4.2.13 Dispute resolution

Many contracts do not run smoothly and disputes are not uncommon. It is important to recognise this and agree a process for dispute resolution before any disputes occur. Dispute resolution processes typically state escalation routes and may name an independent body to act as an arbiter.

In the event of a dispute, RICS' Dispute Resolution Service (DRS) could assist. The DRS is the world's oldest and largest provider of alternative dispute resolution (ADR) services in the land, property and construction industries. Further information can be found on the [DRS website](#).

4.2.14 Exit and termination provisions

Exit provisions cover what happens at the end of the contract term and termination provisions cover what happens if the DO ends the contract early for reasons of non-performance or convenience, in which case termination fees are often payable.

It is advisable to get legal advice on exit and termination provisions, which typically include matters such as transfer of data, assets and relevant employee transfer regulations as well as work in progress, helpdesk data, maintenance records, stock, final payments and handing over to a new supplier. Putting clear obligations on suppliers will assist with enabling an efficient repurchase process at the end of the contract or in the event of termination.

Force majeure clauses should also be considered.

4.3 Procurement process

4.3.1 Bidder selection

A difficult decision to make is how many bidders to invite to the process. In government or public-sector procurement, a standard selection questionnaire (SQ) (also known as a pre-qualification questionnaire) is commonly used, whereby applicants provide information about their company and their previous experience. Once evaluated, a smaller number of applicants are then invited to tender (becoming bidders) via the public-sector procurement route being used. It is beyond the scope of this CoP to discuss public-sector procurement processes, but a restricted route is typically used for smaller, less complex procurement processes where the solution is known, and competitive dialogue or competitive negotiated routes where the solution requires development with the market.

If using a public-sector framework, the associated rules of that framework should be adhered to. The DO may be able to select a sole supplier of the framework or may be required to undertake a competition with a minimum number of participants, often known as a mini competition.

In the private sector, subject to a company's financial rules and procedures, DOs can invite as many or as few bidders as they like. Good practice is to follow a robust, transparent process like the public-sector SQ processes by inviting a number of bidders to submit responses to RFIs.

However, caution should be taken to ensure that there are enough bidders to drive competition but not so many that it creates an unmanageably high workload evaluating bids that the bidders feel they have little chance of winning.

4.3.2 Procurement stages

Public-sector buyers need to follow the appropriate directives, which will vary depending on the services being procured, the financial value and the degree to which the solution requires development. In the private sector, DOs can design their processes, subject to the organisation's financial rules. Regardless of sector, DOs should assess their requirements and the market capability and design a procurement process that is appropriate for the scale and complexity of their needs. In doing so the following points should be considered.

- An appropriate number of bidders should be invited to tender. The more bidders invited, the lower each bidder's chances of winning. Invite too many and none may provide the level of attention and resources required. Invite too few and there may not be enough competitive tension or the best value solution provided. There is no right answer; it depends on the DO's requirements, but typically five to ten bidders are invited to participate, sometimes three for smaller single-source procurement processes in the private sector.
- Tender documentation should be issued in the form of an RFP or an invitation to tender (ITT), including background information, objectives, service specifications, description of the process and stages, tender return forms and templates, evaluation criteria, timetable and key DO contacts.
- Stages to downselect bidders should be built in to the process (public-sector directives permitting). As a procurement process progresses, DOs should filter out the bidders who have the lowest understanding of the requirements and/or whose solutions are unaffordable or unlikely to work. It is advisable to inform bidders when the DO will downselect and to how many at the outset. No bidder wants to remain in a process that they have little chance of winning; bidding costs are high and resources are better deployed on other opportunities. Downselection also reduces the workload on the DO's procurement team.
- Realistic timescales should be set. Bidders need to be allowed enough time to develop their solutions and get the approvals they need before making commitments. It is not reasonable to expect turnarounds in short timeframes. DOs should allow enough time to respond to RFIs and for evaluation.

A typical procurement process could take anywhere from 3–18 months depending on the scale, complexity and the procurement process used.

It is important to understand that bidders have significant costs and competing priorities. DOs should try as far as possible to stick to dates, provide papers or meeting requests with enough notice and be mindful of travelling time, etc. Simple courtesies will go a long way to establishing a professional, productive relationship with bidders.

4.3.3 Bidder questions

During the procurement process, bidders are likely to request data and information. The most efficient way of managing this is to set up a system for clarification questions.

- Design a template for bidders to complete.
- Provide a single point for receipt of questions.
- Share answers to all questions with all bidders but ensure that the bidder asking the question is not identified. If a bidder has requested to keep the question and answer confidential because it would disclose something unique about their solution, this should only be accepted after obtaining the consent of legal and procurement advisers.
- Develop a log to keep track of questions that have been received and those that have been answered. This is critical as DOs can easily be overwhelmed by a lot of questions, often from different bidders asking the same question.

4.3.4 Site visits

During a procurement process it is common practice to visit one or more sites where bidders are delivering similar services. Before doing this DOs should think about what they hope to achieve from such visits. Suppliers are unlikely to take DOs to visit sites where services are not working well or where their DO is unhappy.

It is not recommended to evaluate or score site visits, they are too subjective for that. Instead they should be used for information, as a way of aiding the DO's understanding of the supplier's solution. If a DO does not have clear objectives for site visits it is better not to undertake them, as they use up a lot of time and effort and could provide false comfort.

4.3.5 Final presentations

Before DOs evaluate final solutions or proposals it is common in the private sector to invite bidders to a final presentation or pitch. Final presentations should not be evaluated, but rather used as information to confirm the written solutions that will be evaluated, to see the solution presented as a whole and as an opportunity to clarify elements of the solution. Government or public-sector regulations should be followed as regards final presentations, which are often prohibited.

4.3.6 Evaluation

Evaluation of bids is a critical activity in any procurement process. DOs should have clear evaluation criteria that reflect the objectives of the project and these should be shared with bidders to inform their proposals.

A typical evaluation process starts with selecting appropriate individuals to evaluate different sections of the submission and circulating the submissions to these individuals. Good practice is to have a small number of people independently evaluating each section and producing notes and a score, before coming together to discuss the submissions and moderate a score. There are two methods for moderating a score. The group can discuss the strengths, weaknesses and risks of the submissions and agree a score by consensus, or an average score can be calculated from the evaluator's individual scores. The danger with average scoring is that all bidders can end up with average scores, as higher and lower scores cancel each other out, especially when there is a larger number of evaluators.

Clarification questions should be sought when evaluators are not sure about the information they are evaluating. This is about confirming information already provided, not an opportunity for the bidder to add or change information. In the public sector allowing new or changed information could leave the DO open to challenge. In the private sector, a DO could allow additional or changed information to be submitted but should take care to treat all bidders fairly and ethically.

4.3.7 Dialogue and negotiation

Depending on the procurement process, there may be multiple rounds of dialogue or negotiation with bidders. The difference between the two is important as the public sector competitive dialogue route permits dialogue but not negotiation. The public-sector procurement directives should be consulted to ensure that dialogue does not become negotiation.

If the DO is holding dialogue or negotiation meetings, it should set an agenda and allow bidders time to prepare. While DOs may wish to limit the number of bidder attendees, they should allow them to bring the right people for the topic under discussion. DOs should be careful not to disclose other bidders' commercial positions or intellectual property.

4.3.8 Contract award

At the end of evaluation, DOs are able to award a contract to the successful bidder. Before signing the contract, all outstanding issues should be agreed and all terms and conditions in place. If there is to be a period of due diligence, it should be clear when it will start, when it will end and how any discrepancies

will be dealt with. In the government or public sector, DOs are required to follow the relevant procurement directives that are in force.

In FM contracts it is common for assets to be discovered that were not included in the price or for assets to be discovered to be in a worse condition than was priced for. Typically, the bidder takes the risk for a proportion of cost change resulting from a due diligence process undertaken during an agreed timeframe and can only seek to increase the price when a value or volume threshold has been crossed. DOs should have a clear mechanism for this and agree how any increase in price will be costed. Legal advice should be sought before signing a contract.

In some cases, DOs will provisionally award the contract pending final negotiations. This can be beneficial in that it allows mobilisation activity to start while final details are still being agreed. In such instances DOs should ensure that legal advice is sought to ensure that cost and liabilities are agreed in case final negotiations break down.

The actual signing process should form part of the project planning. The contract will need to be engrossed. The senior managers from the DO and the bidder's organisation may need to be in the same place at the same time, along with both sets of procurement and legal advisers. It is not necessary to have a signing ceremony or even to be in the same location for signing, however doing so can be a good way to cement a new relationship. The signing process can take longer than anticipated so DOs should ensure that they understand the governance and legal process of both organisations and allow enough time.

The award and signing of a contract should follow the legal requirements in the territory in which the contract is being entered into.

4.3.9 Feedback to unsuccessful bidders

Provision of feedback to unsuccessful bidders is something to be treated with caution. DOs should balance the desire to be helpful with the risk of creating or adding to the risk of challenge, or cause damage to the relationship.

The safest option is to provide written feedback that addresses the key points in the bidder's proposal or price, stressing both the strengths and the weaknesses. In the public sector DOs should follow the procurement directives regarding the level of information that should be disclosed. It is sometimes advisable to seek legal advice before providing feedback, particularly if some of the points may be contentious.

Extra care needs to be taken with face-to-face feedback meetings or conference calls. There is a risk that DOs may say or disclose information that could open them to risk. To minimise risk, it is advisable to only provide objective facts and stick to a pre-prepared agenda.

It may seem harsh not to provide wider and more subjective feedback as bidders have typically invested a lot of time working with the DO. The best approach is to inform bidders at the start of the procurement process of the level of feedback that will be provided and how it will be given.

In some instances, DOs may return to the bidder who came second if final negotiations are not successful. Formalising this as a 'reserve bidder' status can be beneficial both as a mitigation action against the risk of not concluding negotiations with the preferred bidder and as a tool to keep pressure on the preferred bidder.

4.3.10 Communications

Once the procurement process has begun DOs should control communications with bidders. It is advisable that all written communications go through one channel only and should be filed. For any verbal conversations, for example phone calls, it is advisable to record when the call occurred, who was on the call and what was discussed. Web-based systems are available to manage communications during a procurement process. E-procurement and e-tendering systems are also commonly used to manage procurement processes. E-auctions can be used in procurement, though given the complex nature of most FM services the use of e-auctions is not recommended.

DOs are required to comply with relevant data protection rules. DOs should have processes to guard against potential risks, such as sending written communications to the wrong bidder.

4.4 Mobilisation and transition

The period between contract award, or in some cases contract signature and contract commencement, is known as the mobilisation period. It is typically three to four months in length. The period after contract commencement, when the supplier makes changes to implement its delivery model, is known as the transition period.

Poor mobilisation is often cited as a factor when outsourced services contracts fail. DOs should be sure that bidders have robust mobilisation plans.

4.4.1 Mobilisation planning

Planning for mobilisation should start during the bid stage. Mobilisation methods, team structures, project plans, dependencies on the DO and risk assessments should form part of the submission requirements. A DO may select the bidder who best meets its requirements but if they cannot mobilise the contract successfully they will never get the opportunity to meet the requirements.

There are costs associated with mobilisation and transition and how to treat these costs is a key commercial consideration.

Mobilisation costs typically include the costs of additional resources to undertake staff meetings, implementation of IT systems, the purchase of equipment and uniforms, etc. Methods of dealing with mobilisation costs include:

- the DO pays mobilisation costs upon contract commencement following a successful mobilisation
- the DO pays mobilisation costs incrementally on completion of specified milestones during the mobilisation period
- mobilisation costs are amortised over a set period, which may be the length of the contract and
- mobilisation costs are included in the contract price.

Amortising mobilisation costs or including them in the contract price will avoid having to pay mobilisation costs up front, which can be beneficial if the DO has short-term budgetary pressures. However, these methods will usually attract interest or a funding charge, so the overall costs may be higher.

DOs will decide which method is best for them and agree with their successful bidder which method will provide the best value for money. For example, if a bidder has to fund high costs for a long mobilisation, better value may be achieved by incremental payments on the achievement of milestones.

In the case of a reprocurement, an incumbent may have low or no mobilisation costs, which places them at a cost advantage over other bidders. It may be appropriate in such cases to not score mobilisation costs or to give them a low weighting in evaluation so as not to give an advantage to one bidder. On the other hand, a DO will have to pay mobilisation costs to change supplier so the cost of doing so should still be considered as part of assessments.

Transition costs can be treated the same as mobilisation costs but are more commonly included in the contract price.

DOs should have visibility of mobilisation costs. Mobilisation costs cannot be set at 0.00 or even a negative figure unless there is a clear rationale as to why there are no costs. The aim is to prevent hidden costs that do not allow scrutiny and to highlight any attempts by bidders to buy the contract.

Suppliers will sometimes seek to start mobilisation activities once they know the contract has been awarded to them but before contract signature. While this may be helpful in completing mobilisation on time, it does erode buying power from the DO during any final negotiations before contract signature and should only occur at the supplier's risk.

4.4.2 Mobilisation activities

Mobilisation broadly falls into five categories.

- 1 The **transfer of staff** to the new employer, either from previous suppliers or from the DO itself, is the most important part of mobilisation. Suppliers should have detailed plans for this, including staff briefings, consultation meetings, one-to-one meetings, trade union meetings and plans for ensuring staff get paid. Training plans, uniforms, HR support, etc. should also be included in mobilisation plans. In some territories such transfers are not permitted, in particular where migrant labour is involved. Local legal advice should be sought. In instances where there is no transfer of existing staff, recruitment and on-boarding of new staff becomes the most important part of mobilisation.
- 2 **Due diligence** – each side will want to validate the data provided during the bid process. This can include asset lists, operational constraints, equipment provision, back-office procedures and communications, senior staff appointments, etc.
- 3 **Equipment** – the purchase and installation of new equipment such as cleaning equipment, vehicles, engineering tools and IT equipment is an important activity with potential to cause delays if not well planned. Vehicles in particular may have a long lead time.
- 4 **Systems** – operating systems and IT systems such as CAFM systems will need to be installed, configured and tested before going live. Increasingly, mobile technologies will also be deployed and will need to be tested. Access to DO systems and IT architecture is also something that requires careful planning and should be considered at an early stage.
- 5 **Procedures** – the completion of operational procedure documentation, measurement and reporting systems to ensure that services are implemented and monitored effectively from day one.

4.4.3 Mobilisation reporting

During the mobilisation period most of the workload falls on the supplier. However, the DO will also have activities that will be delivered to the supplier internally and potentially to outgoing incumbents. It is very helpful during mobilisation to employ a project management approach, involving staff from both the DO and service provider as a single integrated project team.

There are a variety of ways this can be done, including short daily conference calls, weekly meetings, weekly dashboard reports and more formal gateway reviews at key milestones.

The meeting and reporting framework may change during the mobilisation period and this should be agreed with the supplier. For example, it may not be necessary to hold daily calls early in the mobilisation period, but it could be beneficial to do so towards the end of mobilisation.

4.4.4 Service commencement

The end of the mobilisation period triggers the go-live date or service commencement. On this day at a specified time the supplier becomes responsible for services and staff transfer to the DO. The choice of day and time should be carefully thought through to avoid service disruption. Practical considerations should also be thought of, such as handover of keys, access passes, occupation of office space, distribution of new uniforms, etc. It may be better to go live over a weekend or during a quiet period so that any last-minute problems can be resolved before service delivery is impacted.

4.4.5 Transition

The transition or stabilisation period is the time following mobilisation when suppliers implement agreed changes to the delivery model and achieve steady state delivery. Transition can be slow or rapid; a slow transition may not see changes as rapidly as expected but can be less disruptive. Typically transition can occupy between the first three months and the whole of year one of a contract.

DOs should understand from the supplier when they are going to make changes, how great the level of change will be, how they are going to manage it and make communication plans with the supplier to inform the rest of the DO's organisation about changes.

4.4.6 Transformation

Long-term changes to service delivery, perhaps over the first year of a contract, are often referred to as a transformation phase. Before transformation, the supplier will have successfully mobilised the contract and transitioned into the new delivery model. Transformation results from the supplier learning more about the DO's requirements, analysing data that they have recorded and developing new ideas for effectiveness and efficiency gains that they could not have identified before being responsible for the services. It is during a transformation phase when gainshare mechanisms can come into play to share benefits arising from transformation between the supplier and the DO. Transformation will typically not continue for more than a year. Smaller changes and improvements after this should be considered as continuous improvement.

5 Post-procurement

Once a procurement process has been completed there is still much work to be done to ensure the successful operation of a contract.

5.1 Contract management

Following a procurement process, DOs should have robust contract management procedures. Contracts that are not managed properly are at risk of failing even when an effective procurement process was undertaken.

Good practice in effective contract management involves:

- a single point of contact
- a structure that fits with the partner's structure
- regular dashboard reporting to provide an overview of activities
- read-only real time access to partners' systems
- data analysis to identify problem areas
- regular face-to-face meetings to foster good communications
- joint inspections/walk rounds to encourage joint working
- use of technology (GPS, photos, PDAs, remote monitoring, etc.)
- focus on a customer service ethos
- transparency of supply chain management
- strong sense of purpose/strategic direction
- shared objectives (contract management, supplier and key subcontractors)
- continual professional development of contract management staff
- continual review and improvement of processes and systems
- procedures for checking that service costs are consistent with performance being delivered, with evidence of redressing any issues
- separation of specifying and delivering discretionary works
- checking changes to test if there are reasonable grounds for making a formal change, e.g. performance or VFM will be improved; changes are consistent with customer requirements and alternative options are considered, which may not lead to cost increases (e.g. existing labour redeployed or reprioritised to accommodate change in requirements) and
- clear regional and global leadership, governance and reporting where applicable.

5.1.1 Management structure

A contract management structure should be designed to match the contract. It should include an experienced senior manager with overall responsibility and enough staff required to deliver the contract

management functions. For example, if a DO plans to undertake quality audits, who is going to undertake this activity?

The responsibilities of the contract management function include:

- management of the performance of the contract (information, data, reporting)
- financial management of the contract, including budgeting and payments
- management of contract compliance
- management of supplier relationships, including with supplier subcontractors and suppliers
- management of change and culture
- delivery of the DO's overall objectives, value, capturing outcomes and
- responsibility for keeping the DO's buildings safe, compliant and fit for purpose.

For regional or global procurements DOs should consider how to manage the regional or global contracts and supplier relationships in addition to managing the services within territories. Poor performance in some territories of a regional or global contract may require specific focus and input to communicate with local stakeholders.

It is important to remember that although the activities have been outsourced to the supplier, the DO still has responsibility to ensure that requirements are met.

5.2 Reprocurement

Towards the end of a contract term DOs will have to decide what to do next. Options should be considered well before the end of a contract term to allow time for a reprocurement process or other change to the model if that is the decision reached.

Options typically include:

- a contract extension (public-sector procurement directives permitting)
- a reprocurement of the same contract
- a reprocurement of a changed/updated contract or
- bringing services back in-house.

To make an informed decision, DOs should go back to the planning and strategic stage as outlined in section 3.

Further reading

BSRIA (BG 53/2016), *Business-Focused Maintenance*

ISO 41011:2017 – *Facility management – Vocabulary*

ISO 31000:2018 – *Risk management – Guidelines*

RICS professional statement, *Conflicts of interest* (2017), 1st edition, global

RICS professional statement, *Countering bribery and corruption, money laundering and terrorist financing* (2019), 1st edition, global

RICS guidance note, *Strategic FM Framework* (2018), 1st edition, global

RICS *Rules of conduct for members* (2013)

RICS *Rules of conduct for firms* (2017)

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