



**New South Wales Government  
Procurement System for Construction**

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**Procurement Practice Guide**

**Managing Project Management services  
engagements**

**July 2008**

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## **Important notices**

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### **Current version**

The current version of this Procurement Practice Guide is maintained on the Internet at:

<http://www.nswprocurement.com.au/Procurement-System-for-Construction/Reference-material/Procurement-practice-guides.aspx>

### **Amendments**

Refer to the Procurement Practice Guide Amendments Log which is available on the Internet at:

<http://www.nswprocurement.com.au/psc/ppg/amendments.doc>

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# Managing Project Management services engagements

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*Glossary*

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# Managing Project Management services engagements

## 1 Award

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### 1.1 Letter of Award

After formal approval to award a contract for the services, prepare and issue the *Letter of Award*. If there has been any clarification, resolution of qualifications or departures, or negotiation of adjustments for changes in scope, ensure that agreed outcomes are described and/or reference is made to relevant documents in that letter.

### 1.2 Unsuccessful tenderers

Inform the unsuccessful tenderers in writing, following sample letter *Advice to unsuccessful tenderers*.

Give feedback to an unsuccessful tenderer if requested. Feedback must be limited to the tender submitted by the particular tenderer. It may address how well that tender met the requirements of the tender document, and the strengths and weaknesses of the tender in relation to the specified selection criteria.

Do not disclose details of any other tender.

Where an unsuccessful tenderer seeks information regarding the successful tenderer's contract, information can be provided on:

- Details of the Agreement (services to be provided; commencement date of the contract; period of contract);
- The identity of the successful tenderer;
- The accepted fee and basis for future change;
- Significant evaluation criteria and weightings; and
- Provision for renegotiation (if applicable).

### 1.3 Contract award information

The tender prices and award disclosure details must be forwarded to the Contractor and Consultant Management System (CCMS) Administrator, either by:

facsimile: (02) 9372 8999; or

e-mail: [ccmsdata@commerce.nsw.gov.au](mailto:ccmsdata@commerce.nsw.gov.au)

## 2 Agreement management

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### 2.1 Meetings

Agree with the Project Manager to hold meetings to review progress, resolve problems, and coordinate the services.

The following should attend meetings at key stages:

- Principal's Representative;
- Project Manager's Representative;
- client agency representative;
- Service providers' representatives;
- nominated persons from project-related disciplines;
- secondary consultants and subconsultants;
- other relevant stakeholders.

Agree with the Project Manager on who is to chair the meetings and who is to take minutes. Have the minutes agreed upon, and distributed as appropriate.

## **2.2 Principal's obligations**

Ensure all things the Principal must do under the Agreement are done. For example, supply the Project Manager with all things required from the Principal under the Agreement including formal instruments of delegation.

Ensure the Project Manager is supplied with a copy of, or access to, the documents listed in the Agreement Documents **Appendix: Documents for the Services**.

## **2.3 Delegation of authorities**

Check that the Project Manager is following the required schedules of authorities for the day-to-day management of the service providers.

## **2.4 Insurances**

Ask the Project Manager to provide, at the first meeting, proof of insurance policies required to be maintained under the Agreement.

Use the following insurance checklists to assess suitability of policies:

- *Works and public liability insurance*
- *Workers Compensation insurance*
- *Professional indemnity insurance*

Notify the appropriate manager immediately of any failure by the Project Manager to effect or maintain a satisfactory Workers' Compensation insurance policy. The Principal cannot take out Workers' Compensation insurance for the Project Manager. The Project Manager is not entitled to payment until it has submitted proof of insurance as required under the Agreement.

## **2.5 Services Delivery Plan**

Be sure the Project Manager submits the Services Delivery Plan and updates as specified. Review the content against what is specified. Do not endorse or approve the Services Delivery Plan. Where necessary, give comment or draw attention to need for improvement.

If the Services Delivery Plan does not conform to the requirements of the Agreement, advise the Project Manager in writing, pointing out where it does not conform.

## **2.6 Progress**

Monitor progress. If there is doubt that a Contract will be completed by the agreed date or within the amount allocated in the Project Budget, discuss the matter immediately with the Project Manager to reach an understanding of how the project objectives will be met.

Take action as soon as possible when delays and extra costs seem likely, to resolve the problems and to meet the original time and cost constraints. If unsuccessful, inform the appropriate client agency manager and develop solutions to the problems, such as extending the times allowed, providing extra funds, reducing the scope, or terminating the Agreement.

## **2.7 Variations**

Instructing a variation is not recommended unless it is unavoidable. Variations generally increase the cost of the project and often affect the time for completion and other aspects of the project. Look for other ways to satisfy the need.

Before authorising a variation, ensure there is a clear understanding of impacts such as increased completion time and project costs, and that the necessary approval has been given.

Negotiate and agree with the Project Manager on the price and time implications of a variation before instructing the variation in writing.

Refer to Procurement Practice Guide *Managing variations* for further guidance.

Two types of variation can apply in the course of Project Management services:

- Variation to the Services;
- Variation to a Contract.

#### **Variation to the Services**

This is a variation that applies to the Project Management Agreement, under Clause 6 - **Variations**.

The Project Manager's services to co-ordinate, develop and refine the Contract Works are not reason for a variation to the Services.

#### **Variation to a Contract**

This is a variation that applies to a service provider contract managed by the Project Manager. It is covered in The Services under the clause **Variation to a Contract**.

### **2.8 Sensitive information**

#### **Client agency-owned information**

Where access to information or information technology owned by the client agency or others is to be provided to the Project Manager, manage the security of such information and systems in accordance with the owner's requirements.

#### **Commercially sensitive information**

Treat commercially sensitive information from and about the Project Manager confidentially, subject to Government information disclosure requirements and requirements of the law.

Direct any requests or advice required for the release of information regarding performance reports to [stuart.wood@commerce.nsw.gov.au](mailto:stuart.wood@commerce.nsw.gov.au)

### **2.9 Services review**

Review deliverables produced by the Project Manager against the requirements of the Services. Review by appropriate personnel and stakeholders may also be appropriate.

Request the Project Manager to correct any discrepancy, ambiguity or non-compliance with the Agreement. Check:

- compliance with the Agreement;
- completeness;
- accuracy;
- attention to all corrections requested following a review.

### **2.10 Payment**

#### **Payment to the Project Manager**

Issue a payment schedule within 10 Business Days after receiving the payment claim. Give reasons, justified in terms of provisions of the Agreement, if withholding payment of any amount claimed.

Make payments within the time prescribed in the Agreement.

#### **Payment to Service Providers**

The Project Manager, acting as agent for the Principal, should issue the payment schedule to avoid the risk of its being delayed. Where the Principal who is responsible for making payments is a client agency, its personnel may not understand the implications.

The Project Manager can issue the payment schedule because it does not involve commitment of expenditure. That commitment has already taken place through the Principal when the entering into a contract.

The consequences of the *Building and Construction Industry Security of Payment Act 1999* (NSW) and the contracts together are such that if the Principal does not provide a payment schedule to a service provider within 10 Business Days after the payment claim is served, the Principal becomes liable to pay the claimed amount to the service provider on the due date, even if the payment claim is grossly in error.

If the Project Manager should make an error in the payment schedule this may be corrected in the next payment schedule. If an error is made in the last payment schedule this is best resolved by negotiation.

The Principal must pay the amount in the payment schedule within the time prescribed in the relevant contract.

### **2.11 Expiry Date**

The Project Manager does not have a date or time for completion of the Services, but the Project Management Agreement has an Expiry Date which should be a date well after the anticipated date of completion of the last Contract.

The Project Manager cannot terminate the Agreement earlier than the Expiry Date. Only the Principal has that right under the Conditions of Agreement. If there were no Expiry Date, the Project Manager would be able to terminate at any time.

### **2.12 Project Manager's performance**

Follow Procurement Practice Guide *Performance Management*. Remind the Project Manager of the provision in the Conditions of Tendering about performance reporting. Complete and submit reports on the Project Manager using the *Project Manager Performance Report* and its guidelines:

- where the Fee is less than \$30,000, whenever performance becomes unsatisfactory;
- where the Fee is \$30,000 or more, at the following times:
  - in the first week of February, May, August and November,
  - at completion of the Agreement,
  - whenever a critical aspect of performance is unsatisfactory,
  - during the course of construction or implementation stages, if it becomes apparent that the standard of documentation or services delivered by the consultant are found to be unsatisfactory; and
  - at termination of the engagement (if this occurs).

A Project Manager Performance Report may initiate action by the Department of Commerce relating to the Contractor and Consultant Review List.

If the Project Manager requests information on its past or current performance, the request should be forwarded to the Manager, Supplier Management Systems, Policy Support Services, Department of Commerce.

### **2.13 Disputes**

Disputes can arise with the Project Manager or the service providers (more usually the construction contracts). Keep the appropriate manager informed, including the possible quantum of dispute resolution outcome.

#### **Dispute with the Project Manager**

Attempt to reach settlement promptly by negotiation. If settlement is not achieved, follow the Conditions of Agreement for resolution by expert determination. Refer to Procurement Practice Guide *Contract dispute resolution*.

#### **Dispute with a service provider**

The Project Manager must attempt to reach settlement promptly by negotiation, and must provide assistance to achieve resolution if negotiation is not successful.

If settlement is not achieved, follow the Delegations of Authorities, the provisions of the relevant Contract and Procurement Practice Guide *Contract dispute resolution*. Instruct the Project Manager as required.

#### **2.14 Finalisation**

Check that the Project Manager has provided evidence of completion of the contracts and the project management services.

Agree with the Project Manager on action for anything that requires completion.

Process a final project manager performance report when all possible action is completed.

Refer to the appropriate client agency manager if any dispute resolution becomes protracted and the project is otherwise complete.