



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

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**Procurement Practice Guide**

**Preparing Project Management services  
Tender Documents**

**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.pdf>

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# Preparing Project Management services Tender Documents

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*Glossary*

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# Preparing Project Management services Tender Documents

## 1 Tender document

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### 1.1 Generally

Use the *Project Management Services* standard form to prepare the tender document. Seek advice from the *NSW Procurement Client Support Centre* if in any doubt.

The standard form contains the following sections. Adherence to this form will assist in preventing problems such as inadvertently establishing circumstances whereby a project manager can be considered an agency employee.

### 1.2 Preface

The Preface is optional but an opportunity to set the scene with a summary of the project and services required of the project manager.

### 1.3 Conditions of Tendering

Conditions of Tendering provide information to tenderers and set out the obligations they must meet so their tender is formal and acceptable for evaluation. Complete the standard set of Conditions of Tendering, following prompts given by guide notes. Add any special conditions.

Consult with stakeholders as required. Identify any special needs for the tender process and incorporate them in the Conditions of Tendering.

Give attention to the following:

#### Submission of tenders

Tenders must be submitted by eTendering, in a tender box, or to an approved secure facsimile number.

#### Two-envelope tender procedure

Use the two-envelope tender procedure where the estimated fee is greater than \$150,000.

#### Alternative tenders

Alternative tenders are not normally required.

Where alternative tenders will be considered, determine how an alternative tender will be evaluated against other tenders so that each is treated fairly and consistently.

An alternative tender may offer different commercial conditions, qualifications of any kind, or departures from the service requirements but must describe and price each alternative on a separate Tender Schedule.

#### Evaluation criteria

Criteria used to evaluate tenders (but not their relative weightings, nor details of how they are assessed) must be listed.

Information needed for tender assessment must be identified and reflected in content of the Tender Schedules. Refer to Procurement Practice Guide *Tender planning for Project Management services engagements* Section 1.6 - **Selecting appropriate assessment criteria** for guidance on appropriate criteria.

### 1.4 Tender Schedules

Tender Schedules seek specific information from tenderers for the evaluation of tenders. Identify which Tender Schedules are needed to allow tenderers to describe their offers in terms of the evaluation criteria. Delete any which are not needed and create additional schedules if required to cover the evaluation criteria. Certain schedules are mandatory.

Prepare the schedules using the guide notes and as best fits the needs. It assists both tenderers and tender evaluation if the schedules identify all information required for each tender assessment criterion.

When hard copies of the tender document are supplied to tenderers, include a duplicate set of schedules, for completion and return as part of the tender.

#### **Schedule of Prices**

The default fee option in the standard form document is a lump sum. This is supported by the Schedule of Prices which assists tenderers to assess and estimate the cost of the services.

While the Schedule of Prices does not form part of the Agreement, it does set out the expectations so there should be no surprises for the project manager and no cause for claim for extra payment. It is also intended to assist the parties to the Agreement in evaluating payments due.

The Schedule of Prices included in the standard form may cover more than is expected for the project management engagement and it may omit necessary items. It must be reviewed and revised to include everything required in the Services.

### **1.5 Outline Services Delivery Plan**

The Outline Services Delivery Plan requires the tenderer to provide broad details of how the tenderer intends to perform the services to meet the requirements of the Agreement. It must demonstrate the tenderer's work methodology and understanding of the requirements. Information provided will assist assessment of the non-price criteria. Consider the amount and the type of information to be sought. The scope and depth of information to be sought for the Outline Services Delivery Plan must always be less than that sought for the Services Delivery Plan (required as part of the services).

Consider the relevance of information requested. Will it assist in evaluating the tender?

### **1.6 Conditions of Agreement**

The Conditions of Agreement are the contractual conditions for the engagement.

Use the Conditions of Agreement wording exactly as given in the standard form without change. Exercise options if required by guide notes.

Where additional agreement conditions may be required, seek advice.

### **1.7 Agreement Information**

The Agreement Information contains details that tailor the Conditions of Agreement to the particular engagement. Complete the Agreement Information in accordance with the guide notes. Note the following items.

#### **Item 5 – Time to complete the Contracts**

Make every endeavour to set a realistic time bearing in mind the impact of a short completion time on the quality and cost of the project outcomes, as well as the impact of a long completion time on the overall project program. See also Item 18 – **Expiry Date**.

#### **Item 10 – Reimbursable Expenses**

Reimbursable Expenses are part of the project manager's remuneration.

Identify what project-related actual costs the Principal will pay for and which therefore do not need to be allowed for in the Fee. These are usually mandatory costs beyond the project manager's control, so there is little point including them in the competitive basis for the Fee.

#### **Item 12 – Payment timetable**

The given times satisfy requirements of the *Building and Construction Industry Security of Payment Act 1999* (NSW).

#### **Item 14 - Professional indemnity insurance**

Professional indemnity insurance covers the risk of the project manager's liability for injury, death and loss or damage caused by errors or defects as a result of the project manager's negligence in the performance of the services.

The Conditions of Agreement require that the Project Manager carry professional indemnity insurance. It can be expected that a project manager prequalified under the [Consultant Prequalification Scheme 2008-2011](#) would carry ongoing professional indemnity insurance.

Nominate an amount of professional indemnity insurance no less than 20% of the total construction project cost estimate, and between a minimum of \$250,000 and a maximum of \$5,000,000.

#### **Item 18 – Expiry Date**

Each Contract to be managed by the Project Manager will have a completion time. For example, GC21-based construction contracts have a date for completion and Consultant Agreements have a time to complete the services.

However, the Project Manager standard form does not have a date for completion or a time to complete the services. The Project Manager is expected to continue to manage the Contracts even if they run over time.

The 'Expiry Date' in the Project Management Agreement must be a date well after the anticipated date of completion of the last Contract. See **Item 5 – Time to complete the Contracts**.

Seek advice from the [NSW Procurement Client Support Centre](#) if another expiry date is contemplated.

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

The time to complete the Project is a critical element of project management performance reporting. While there are no contractual penalties in a project director or project management agreement for failure to have the Project completed on time, poor performance will influence future engagement opportunities.

#### **Item 19 – Project Budget**

This should be as shown in the Project Description.

### **1.8 Project Description**

It can be difficult to identify the required services and outcomes and cause confusion about the Project Manager's role if information relating to the project itself is contained within The Services. That is why the Project Description is provided.

The Project Description is not used for specifying works or services and should be suitable for any Contract.

The Project Description is to give background about the project. It does not describe services the Project Manager is required to deliver. It describes how works and services to be undertaken by everyone involved with the Project interrelate.

The Project Description will:

- identify the project management services required,
- identify the type, timing, and technical expertise required,
- give facts about the project, and how works, services or other activities relate,
- provide a statement on what is to be achieved and how it is to be achieved,

- set out objectives in terms of time, cost, quality, function and scope,
- describe the functional and operational requirements for the project, giving statements of end user requirements,
- will take into account the nature and phases of the project,
- will show the proposed organisation structure,
- will set the framework for the legal relationships between the client agency's Principal, and the works and services providers.

A sample *Project Description* is available.

## 1.9 The Services

### Service identification

The Services describes what the project manager is required to provide in terms of services and deliverables. Include coverage of:

- the phases of the Project that the Project Manager is to manage;
- general and specific management services;
- the payment regime for service providers;
- documentation that is to be delivered;
- client reviews that will be required.

The project management services will include selection and management of the service providers. These are likely to include consultants for planning assistance or asset design, and contractors for construction.

### Preparing The Services

Be sure the service requirements are described sufficiently, and that deliverables are itemised. The project manager cannot be asked for unspecified services under a lump sum fee.

The standard form provides a comprehensive list of possible services and deliverables. Review for applicability, then amend, add and delete as required to create a statement of expectations for the project manager. Follow the guidenotes.

Use the imperative when making a change or specifying services, that is "The Project Manager must ...". To avoid ambiguity, use initialised terms where defined, eg "Contract". Include services only, not conditions of contract or information about the project.

Check that what is required in The Services is covered in the Schedule of Prices to assist in making payments and to avoid cause for dispute.

## 1.10 Appendices

Prepare tender document appendices as required. Appendices can simplify tender documentation by separating specialist matters.

The typical appendix supplied in the standard form is **Documents for the Services**.

### Delegation of authority

Identify the delegations of authority required for the Project Manager to manage the expected Contracts based on the appropriate standard forms, eg GC21. Prepare and list them at the **Appendix: Documents for the Services**.

Ensure that delegations to the Project Manager (as agent) are appropriate for those standard forms. Any of the following may be required as the basis:

- GC21 contracts;
- Minor Works contracts;
- Mini Minor Works contracts;

- *Consultant agreements.*

Review and revise as required, the relevant Schedules of Contractual Authorities provided in the NSW Government *Procurement System for Construction*.

If intending change, be aware that a proposed delegation of the Principal's authority may be restricted by the *Public Finance and Audit Act 1983* (NSW). For example, a Project Manager from the private sector cannot pay service providers on behalf of the Principal. If delegation of authority may be required beyond what is provided with a Schedule of Contractual Authorities in the NSW Government *Procurement System for Construction*, seek advice from the the *NSW Procurement Client Support Centre*.

If the client agency has engaged the Department of Commerce as project manager, any of the agency's powers can be delegated.

## **2 Approval**

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### **2.1 Approval**

Obtain concurrence to the tender document from relevant stakeholders. Check that issues raised are resolved or accounted for and necessary action has been taken.

Obtain approval from the responsible manager.