



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

Procurement Practice Guide

**Tendering Planning for Project
Management services engagements**

July 2008

Important notices

Current version

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<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:

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Tendering Planning for Project Management services engagements

Glossary

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Tendering planning for Project Management services engagements

1 Tender planning

1.1 Service identification

Identify the phases of the project to be managed, and the general and specific management services required. These could include the engagement and management of service providers and the management of:

- Project program;
- Project budget;
- Project scope;
- Commissioning and handover.

The project management services will include selection and management of the service providers required to undertake project activities. These may include consultants to prepare planning or design documentation, and contractors to construct the asset.

The project manager, as agent for the Principal, undertakes a management role with service provider contracts but does not take on the design or construction risks. The project manager can enforce the requirements in service provider contracts without conflict of interest.

1.2 Estimated cost

An estimate of the fee (including GST and direct costs) will be required to confirm funding approval prior to calling tenders and to provide a basis for assessing whether the tenders offer value for money.

An estimate of the amount of reimbursable expenses must also be prepared.

1.3 RFT number

A RFT number is required to register the proposed engagement in the Department of Commerce Performance Management System. Use the form [Request for list of pre-qualified consultants and RFT number](#) which is available on the Internet at:

www.managingprocurement.commerce.nsw.gov.au/service_provider_selection/sm_sf_application_for_rft_number.doc

The RFT number becomes the identifying “contract number” when the contract is awarded and is used in monitoring the Project Manager’s performance.

1.4 Tender method

“Selective” tenders are to be called using a panel of project managers prequalified under the *Consultant Prequalification Scheme 2008-2011*, managed by Commerce. Project managers are prequalified on the basis of whole of project value (Section 2.2 – **Prequalified consultants required, Table 1**).

For details of the tenderer selection process, refer to Procurement Practice Guide [Tendering process for Project Management services engagements](#) Section 2 - **Tenderer selection**.

1.5 Tender evaluation team

A tender evaluation team should be established for tenders where the estimated fee is \$50,000 or more.

Membership of an evaluation team should be appropriate for the nature of the services and quantum of the estimated fee. The team should include the person who prepared the tender document and the person who is to administer the engagement. It may include a technical person or a stakeholder where appropriate. It may need to have independent members and members with no prior involvement.

A suitably senior person may be appointed as chairman when the fee is estimated at \$150,000 or more to manage the evaluation and decision-making process. That person will:

- ensure all team members are aware of their responsibilities;
- ensure the security of tenders;
- manage communication between the team and other interested parties.

The tender evaluation team must sign and abide by the [Code of Conduct for a Tender Process](#).

1.6 Selecting appropriate evaluation criteria

Requirements

It is essential to select appropriate criteria for the evaluation of tenders. For an engagement with an estimated fee of \$50,000 or more it is recommended that both price and non-price criteria be applied.

Criteria may be developed and determined during preparation of the tender document, where they are then recorded. Involve stakeholders and the tender evaluation team as appropriate. The process of selecting the criteria may be iterative.

Price criteria

If the engagement is straightforward and most aspects are well defined, and tenderers are expected to have similar capability, experience and expertise, it may be appropriate to use price criteria only.

Price criteria may include:

- the fee;
- rates for variations.

Mandatory and non-price criteria

Mandatory and non-price criteria are used if it is desired to include aspects other than price in the tender evaluation.

Mandatory criteria

If there are mandatory criteria that tenderers must meet in full to be considered acceptable, the requirements to demonstrate compliance must be stated in the conditions of tendering. A mandatory criterion is not evaluated and scored.

An example could be satisfactory past performance in occupational health and safety management.

Non-price criteria

Where non-price criteria are to be evaluated and scored, select those that will assist in differentiating between tenders. To achieve this, the criteria could reflect:

- the nature of the services;
- major deliverables;
- factors critical to the success of the engagement; and
- associated risks.

Select at least three and preferably no more than five non-price criteria.

Each non-price criterion should have its main elements listed to assist in the evaluation. The elements should represent what an ideal tender would offer, and will form the basis of scoring. The elements should be reflected in the information requested in the Outline Services Delivery Plan and other tender schedules so that

tenderers will address the relevant matters. This will assist in evaluating and scoring tenders.

Non-price criteria and their elements must be objective to enable tenderers to provide focused responses that can be suitably evaluated.

Examples of non-price criteria

1. *Understanding of the engagement*

Evaluation of this criterion may be based on tenderers' proposals for critical elements. Those elements should be identified in the Tender Evaluation Plan (TEP) and could include:

- required outcomes,
- client or stakeholder relationships,
- context within the project (if applicable),
- time constraints,
- technical requirements,
- demonstrated knowledge of public sector operations, policies and legislation relevant to the services.

2. *Experience and capability of the tenderer*

This criterion refers to the firm that is tendering. Experience and capability are taken into account when the tenderers are prequalified for different project values.

The criterion could be expressed as “Recent experience and successful performance”, with a tender schedule which seeks specific information regarding recent experience and performance.

Elements used to evaluate this criterion could include demonstrated experience, reliability, and successful performance in managing specific phases of projects of similar type and value within a nominated number of years. Tenderers could be required, for example, to:

- outline similar completed engagements, nominating clients or referees who can confirm their successful performance,
- demonstrate an understanding of, and an ability to comply with, relevant requirements of the NSW Government *Procurement System for Construction*.

3. *Experience, capability and availability of key personnel*

Successful completion of services is often dependent on the quality and performance of key personnel performing critical services. Tenderers could be required to address:

- demonstrated experience of the key personnel in undertaking similar services (a tender schedule may request curricula vitae),
- availability, and proposed extent of involvement of the key personnel,
- demonstrated experience of sub-consultants in the services they will perform,
- additional or replacement personnel to be offered if required.

4. *Proposed methodology for delivering the services*

Tenderers could be required to provide written submissions to assist in evaluation of:

- procedures, policies and practices to deliver the required outputs and outcomes,
- innovative approaches and processes,
- environmental considerations and strategies to address these,
- OH&S considerations and strategies to address these.

1.7 Criteria weightings

Assigning weightings to evaluation criteria is a means for the tender evaluation team to take into account the relative importance of criteria.

Price to non-price weighting

Determine the weighting ratio of price to non-price criteria (eg 40:60) as appropriate for the project.

Price weighting

Price weighting may be less than the non-price (eg price:non-price = 40:60) when the selection of a competent project manager is pivotal to the successful completion of the project.

Price weighting may be greater than the non-price weighting when:

- the requirements for project management can be defined; and
- little scope for difference is anticipated with the deliverables and outcomes.

Non-price weighting

Determine the relative weightings of the non-price criteria that will be scored, based on their relative importance and likely impact on the outcomes of the engagement.

1.8 Tender evaluation plan

Requirements

The content and detail required for a TEP depend upon:

- the quantum of the fee;
- the extent, complexity and risk of the services required; and
- the approval requirements of the client agency.

The TEP must:

- address the requirements stated in the Conditions of Tendering;
- describe how a tenderer's response to each evaluation criterion will be dealt with; and
- include a guide to scoring non-price criteria and calculating final scores.

The *Tender Evaluation Plan – worked example* is recommended for reference in preparing a TEP.

The TEP may include target completion times for phases of tender evaluation.

The TEP must be completed before tenders are received by anyone involved in the tender evaluation.

None of the contents of the TEP are to be made known to tenderers.

Tender evaluation team

If there is a tender evaluation team, all members should be involved in preparation of the TEP. They must sign it to confirm concurrence with the contents.

The role of the team is to:

- use its professional skills and experience to identify the preferred tenderer;
- evaluate tenders in accordance with the TEP; and
- produce an evaluation report and associated recommendation concerning award of a contract.

Code of Conduct

Include the requirement to comply with the *Code of Conduct for a Tender Process*.

The two envelope system

If the Conditions of Tendering state that the two envelope system applies, the TEP must require the evaluation of non-price criteria before the price envelope is opened.

Evaluation criteria

Record in the TEP:

- the weighting ratio for price:non-price criteria;
- the price criteria;
- any mandatory non-price criteria and how compliance will be dealt with;
- other non-price criteria, their relative weightings, and the elements upon which they will be evaluated.

Evaluation of tenders

Give full consideration to how tenders will be evaluated. While the TEP should cover foreseen situations, it may not cover all eventualities. It should therefore provide for reference, if required by circumstances, to the NSW Government *Tendering Guidelines* Section 4 - **Tender Evaluation** and Procurement Practice Guide *Tendering process for Project Management services engagements* Section 5 - **Tender evaluation**.

Tender evaluation will be bound by the TEP.

Passing over a tender

Allow for a tender to be passed over on the basis of non-compliance with requirements of the tender document, or failure to meet a mandatory criterion or the minimum acceptable standard for a non-price criterion. Approval is required for a tender to be passed over.

A tender to be passed over may be included in the scoring calculations.

Contact with referees

If the tender schedules require referees, allow to contact them to assist in scoring the criteria. Make provision to record questions.

A structured referee's report may be appropriate for a tender of significant cost or importance. It may be required, for example, to evaluate past performance.

Clarification

Any contact with tenderers before completion of the scoring calculations should be limited to clarifying information provided in the tender. Evaluation should rely on the tendered documents to avoid giving undue advantage to a tenderer by offering an opportunity to improve its bid.

Scoring non-price criteria

Allow for evaluation of non-price criteria before price, even if the tender process is not two-envelope.

Allow for team scores to be reached by consensus.

Document the procedure to be used for scoring. Adopt the following procedure unless exceptional circumstances make it unworkable:

- Score each non-price criterion out of 100 based on the following scaling:

100	Meets all requirements of an ideal tender,
90	Meets most requirements of an ideal tender,
80	Meets many requirements of an ideal tender,
70	Meets a number of requirements of an ideal tender,
60	Meets the minimum requirements but is only just satisfactory for this criterion,
<60	Fails to meet the minimum requirements. This tender may be passed over;
- To assist in scoring each non-price criterion and its elements, identify and document the attributes of an ideal tender and of an unsatisfactory tender.

Document how those attributes would differ to obtain intermediate scores. For example, if 10 programmed site visits is “ideal” and 3 is unsatisfactory, then 8 could score 90; 6 could score 80; and 4 could score 60;

- Calculate weighted scores by multiplying the score for each criterion by its assigned weighting;
- Total the weighted scores for each tender;
- Normalise the totals so that the highest total weighted result equals the weighting for non-price criteria.

The above procedure is illustrated in the following example:

		Tender 1	Tender 2	Tender 3
Criterion 1, weight 20	Score	90	90	80
	Weighted score	18	18	16
Criterion 2, weight 10	Score	70	70	80
	Weighted score	7	7	8
Criterion 3, weight 10	Score	90	70	60
	Weighted score	9	7	6
Total weighted score (maximum 40)		34	32	30
Normalised total non-price score		34 x (40/34)	32 x (40/34)	30 x (40/34)
		40	37.6	35.3

Schedule of Prices

Prepare a spreadsheet based on the Schedule of Prices to check the total of tendered lump sums. Include a column showing estimates for each item and the total Lump Sum to assess whether tendered prices are reasonable.

Rates for variations

If there is a tender schedule for rates for variations, prepare a spreadsheet based on the tender schedule to compare the tendered rate for each item. Insert estimated rates and estimated hours likely to be involved in variations. Calculate and insert the extended amounts. This provides for a check on the tendered rates for variations and the effect on the tendered fee. Consider including a sensitivity analysis.

Assessed fee

The “assessed fee” is calculated as part of the evaluation process. It takes into account the assessed value of any qualifications and departures in the tenders so that tendered fees may be evaluated on a common basis. The assessed fee is the amount calculated for comparison of tenders, and the amount to which any loading or preference should be applied.

Provide for the estimate to be reviewed if the assessed fee for the preferred tenderer is more than 10% above or below the estimated fee.

Application of loadings and preferences

Allow for the following where the Conditions of Tendering include the relevant provision:

- Apply a 10% loading to the assessed fee if a tenderer has advised in its tender that it wishes to enter into a Voluntary Agreement for withholding Pay as You Go taxation;
- If a tenderer has tendered for services involving design work or management of design work and has not shown on the returnable Schedule of Information on

Quality Management System that it has a quality management system certified as conforming to AS/NZS ISO 9001:2000 then apply a 10% preference to the assessed fee for those tenderers who are so certified.

Scoring price

Provide for the tendered fees (as assessed if applicable) to be normalised and weighted for comparison as follows:

Weighted price score (P_w) =	$P_n \times \frac{\text{percentage weighting}}{100}$
where:	
P_n =	normalised price score = $\frac{P_s}{\text{Highest } P_s} \times \frac{100}{1}$
P_s =	price score = $200 - \left(\frac{100}{1} \times \frac{P_c}{P_{av}}\right)$
P_c =	fee for tender evaluation only (allowing for qualifications and departures, preference and loading if applicable)
P_{av} =	average of all fees (as above)

The lowest fee achieves the maximum score, which is equal to the weighting for price criteria.

Totals

Record that the normalised total non-price score and the normalised weighted price score for each tender will be added, to give a total out of 100 and identify the highest scoring tender.

Scoring calculations spreadsheet

The *Tender Evaluation Plan – worked example* has a spreadsheet which may be copied and used to calculate scores for up to four tenderers and seven non-price criteria.

When copying the spreadsheet into another document ensure that a width no less than A4 landscape is available, so that the spreadsheet will appear in full.

Double-click in the new spreadsheet. Delete or overwrite sample data and add data as necessary. Cells containing calculated results are protected and cannot be deleted or changed.

Alternatively, create a spreadsheet or otherwise process the evaluation using information given in the preceding sections.

Close or equal highest scoring tenders

The tender that offers overall best value for money may not always be the highest scoring tender.

Any tenders that have a total score within a certain point range of the highest total score should be considered as representing “equal” best value for money.

A reasonable point range is the equivalent of 1/10th of the non-price weighting percentage, up to a maximum range of 5 points. This point range takes into account the subjective nature of the evaluation of non-price elements.

The TEP should provide that where two or more tenders are considered to represent “equal” best value for money:

- if the price weighting is 50 or more, the “equal” tender with the lowest fee for tender evaluation is to be recommended;
- if the non-price weighting is greater than 50, the “equal” tender with the highest non-price score may be recommended.

Preferred tenderer

Identify the preferred tenderer as the one whose tender offers the best value for money. In the event of “equal” best value for money, the preferred tenderer is the tenderer with the lowest fee for tender evaluation or highest normalised total non-price score depending on the price/non-price weighting.

Negotiation

Provide that if the tender assessed as offering the best value for money includes qualifications, then the tenderer (the preferred tenderer) is to be approached to withdraw those qualifications.

Provide to recalculate the scores if the negotiated adjusted amount (the fee which would be accepted) is significantly higher than allowed for in the assessed fee.

If a recalculation of scores changes the relativity of tenders, provide to negotiate as applicable with the tenderer now assessed as the preferred tenderer:

- removal of qualifications; or
- change in scope;

and repeat the process if necessary.

Approval to award

Identify the person with the authority to:

- pass over a tender;
- approve award of contract; and
- not award any contract.