



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

Procurement Practice Guide

**Tender planning for Consultancy Services
engagements**

July 2008

Important notices

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>

Copyright

This work is copyright. Apart from any use as permitted under the Copyright Act 1968 (Cwlth), no part may be reproduced by any process without written permission.

© NSW Government 2008

Requests and enquiries concerning reproduction and rights should be addressed to:

NSW Procurement Client Support Centre:

Telephone: 1800 NSW BUY (1800 679 289)

Email: nswp_support@commerce.nsw.gov.au

Using hyperlinks in this document

This Procurement Practice Guide contains embedded hyperlinks and Uniform Resource Locators (URL).

To follow a hyperlink or URL:

- Right mouse click; and
 - Select "Open in web browser" in the drop-down box.
-

Tender planning for Consultancy Services engagements

Glossary

Contents

Tender planning for consultancy services	1
1 Tender planning	1
1.1 Service identification.....	1
1.2 Temporary staff.....	1
1.3 Estimated cost	1
1.4 RFT number	1
1.5 Tender method	1
1.6 Tender evaluation team	3
1.7 Selecting appropriate evaluation criteria	3
1.8 Criteria weightings	5
1.9 Tender evaluation plan	6

Tender planning for Consultancy Services engagements

1 Tender planning

1.1 Service identification

Identify and analyse the consultancy services required including the type, timing, originality and technical expertise required. Take into account the nature and stage of the project, the project procurement method, and the proposed organisation structure. This will assist to identify the relevant consultant category.

1.2 Temporary staff

For the employment of temporary staff., refer to the Department of Commerce [Contracting Services Recruitment & Labour Hire](#) Internet page for contracts which provide for the hire of temporary professional, technical, industrial, clerical and office support personnel.

1.3 Estimated cost

Prepare estimates for:

- the fee (including GST and direct costs), and
- reimbursable expenses.

The estimates will:

- assist with budgeting for the required services,
- be used in selection of the tendering method,
- affect who may give concurrence and authorisation,
- influence the contractual terms and conditions,
- influence the way tenders are evaluated.

1.4 RFT number

A “Request for Tender (RFT) number” is required if:

- Department of Commerce (Commerce) services are to be used for the tendering process (refer to Procurement Practice Guide [Tendering Process for Consultancy Services engagements](#), Section 3.3 - **Commerce services on request**); or
- selective tenders are to be called using consultants prequalified under the [Consultant Prequalification Scheme 2008-2011](#) managed by Commerce.

A RFT number may be obtained using the [Application for RFT number](#) form.

If an RFT number has not previously been requested, it will be supplied with the list of suitable prequalified tenderers provided upon submission of the form [Selective Tenders - Select a tenderer panel](#) (refer to Procurement Practice Guide [Tendering Process for Consultancy Services engagements](#), Section 2.2 – **Fee \$50,000 or more**).

The RFT number becomes the identifying “contract number” when the contract is awarded.

1.5 Tender method

The Department of Commerce maintains the [Consultant Prequalification Scheme 2008-2011](#) to assist agencies undertaking capital works projects to select appropriate tenderers.

For engagements with an estimated fee of \$30,000 or more, if the Consultant Prequalification Scheme includes suitable pre-qualified consultants, then the

selective tender method should be used. Refer to the Scheme document to determine if there is a prequalified list for the relevant work category and fee range.

If there is no pre-qualified list, choose an appropriate tender method based on the advice given in this Procurement Practice Guide.

Selective tender

“Selective tender” describes the tender method used when there are consultants pre-qualified for the relevant category under the *Consultant Prequalification Scheme 2008-2011*. It restricts the invitation of tenders to a panel selected from those consultants.

Selective tendering is the most common tender method used for consultancy services engagements as the Scheme includes work categories for most construction-related services. Tenders are called without public advertising.

Invited tender

The “invited tender” method also calls tenders without public advertising. This method may be used:

- where there are no prequalified consultants in the relevant work category, or insufficient to provide the minimum number of selective tenders nominated in the table **Tender method and number of tenderers**; and
- the estimated fee is less than \$150,000.

The invited tender method may be used for a fee of any amount where open competition is inappropriate or impractical because the engagement:

- relates to a project which is genuinely confidential and cannot be publicised; or
- is genuinely urgent and cannot be deferred.

Open tender

The “open tender” method is used where there are no consultants pre-qualified in the relevant category under the Consultant Prequalification Scheme, the invited tender method is not considered suitable and expressions of interest are not considered necessary. It invites tenders without restriction as to who may tender.

Open tenders involve making the tender document available publicly so that it can be viewed, noted and acted upon by interested persons.

The main advantage of open tenders is that competition for the engagement is not limited. Another benefit is that there is no time spent at the outset selecting suitable tenderers.

However, it can be undesirable to have many firms incur high costs completing complex tenders when only one can be successful. Where the evaluation criteria and/or the specification are complex and many firms are expected to compete, the open tender method may be unsuitable. An expressions of interest process is often preferred by industry and can be a more manageable and effective approach.

Expressions of interest

An “expressions of interest” (EOI) process is used to establish a panel of pre-registered tenderers where:

- there is no pre-qualified list of consultants under the Consultant Prequalification Scheme; and
- the invited tender method is not appropriate or viable, for example if the market is not well known; and
- the estimated fee is substantial, say more than \$100,000.

The EOI process invites, without restriction, expressions of interest from parties that wish to be pre-registered to tender. It is used to determine if there are consultants who have the interest, capability and experience to perform the required services and establishes a panel of pre-registered tenderers.

The EOI method is two-stage and hence takes longer than the other tender methods.

When approval has been given to inviting expressions of interest, prepare an EOI document including:

- the broad requirements;
- the information an applicant should provide with its expression of interest;
- selection criteria for determining which applicants will be preregistered;
- when it is expected tenders will be called;
- details for lodging an expression of interest.

Do not request pricing details in the EOI.

Prepare an EOI evaluation plan by which applications will be evaluated.

Call for expressions of interest by advertising on an eTendering System web site and in printed publications. This can be coordinated by arrangement with Commerce through tenders@commerce.nsw.gov.au.

To help obtain sufficient expressions of interest, known parties likely to be interested may be approached.

Evaluate each expression of interest to determine the applicant's suitability. Have the evaluations reviewed by an appropriate body.

Notify the successful applicants of their selection to the panel of pre-registered tenderers. Notify unsuccessful applicants in writing, indicating that tenders will be sought from others.

Where an unsuccessful applicant seeks information regarding the successful applicants, any information given should be limited to what is normally publicly available.

Where an unsuccessful applicant requests feedback, it should be limited to discussing the strong points and failings of the applicant's EOI in relation to the requirements of the EOI document. Do not disclose details of any other application.

1.6 Tender evaluation team

A tender evaluation team should be established if the fee for the services is estimated at more than \$30,000.

The tender evaluation team is to include a chairman and at least two members when the fee is estimated at \$150,000 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 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](#).

1.7 Selecting appropriate evaluation criteria

Requirements

It is essential to select appropriate criteria for the evaluation of tenders. For an engagement with an estimated fee over \$30,000 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 are usually:

- 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

There may be criteria that tenderers must meet in full to be considered acceptable. For example, a tenderer without satisfactory financial capacity would not be recommended. Such criteria need not be evaluated and scored. Requirements for tenderers to demonstrate compliance must be stated in the conditions of tendering.

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 reflect 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 so that tenderers can provide focused responses and have those responses 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 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 a tenderer's firm and would be applicable for invited tenders and open tenders. It would normally have been taken into account if the tenderers are prequalified or preregistered.

If used for prequalified or preregistered tenderers, the criterion could be changed to "Recent experience and successful performance", or the tender schedule could seek more specific information regarding experience and performance.

Elements used to evaluate this criterion could include demonstrated experience, reliability, and successful performance in undertaking similar engagements. 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 and the services they will perform,
- additional or replacement personnel 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.

1.8 **Criteria weightings**

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

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

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

- the requirements for the services can be precisely defined; and
- there will be little scope for difference between the format and the quality of the deliverables and outcomes; and
- the delivery of the services is simple and straightforward; and
- the tenderers are known to have similar experience and capabilities.

The weighting for price would be lowest for engagements requiring innovative input and methodology, such as a feasibility study on the use of new technology or a design for a building which is to have icon status. However, it is uncommon to weight price less than 50%, particularly if prequalified tenderers are used. If the price is weighted at less than 30%, then a high tendered price will have relatively

little impact on the evaluation as a whole, and value for money may be compromised.

Non-price criteria such as satisfactory financial capacity are not weighted because tenderers are evaluated on the basis of whether they meet the criterion or not.

Determine the relative weightings of the non-price criteria that will be scored, based on their relative importance and likely impact on the outcome of the engagement. For example, for an engagement for design services, experience in similar work may have a higher weighting than knowledge of Government procurement processes.

Record in the tender evaluation plan:

- weighting ratio of price to non-price criteria;
- the non-price criteria; and
- relative weightings of non-price criteria.

1.9 Tender evaluation plan

Requirements

The content and detail required in a Tender Evaluation Plan (TEP) depend upon:

- the quantum of the fee;
- the size, complexity and risk of the proposed engagement; and
- the approval requirements of the agency obtaining the services.

The TEP must:

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

A [Tender Evaluation Plan – worked example](#) is recommended for reference in preparing a TEP.

The TEP may include target completion times.

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.

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,
- the non-price criteria and their relative weightings,
- elements upon which non-price criteria will be evaluated.

The evaluation criteria and weighting ratio for price:non-price criteria must be those stated in the Conditions of Tendering.

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 Consultancy Services engagements*, Section 5 - **Tender evaluation**. Tender evaluation will be bound by the TEP.

Code of Conduct

Signed copies of the [Code of Conduct for a Tender Process](#) can be appended to 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. Provision to record questions and answers may be sufficient.

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

Assessing rates and prices

If there is a Schedule of Prices–Lump Sum tender schedule, prepare a spreadsheet based on that schedule 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.

If the tendered fee is based on a schedule of rates, prepare a spreadsheet based on the Schedule of Rates tender schedule to check the tenderers' extensions and totals. Include a column for the pre-tender estimates to assess whether the tendered rates 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:

$$\text{Weighted price score (P}_w\text{)} = P_n \times \frac{\text{percentage weighting}}{100}$$

where:

$$P_n = \text{normalised price score} = \frac{P_s}{\text{Highest } P_s} \times \frac{100}{1}$$

$$P_s = \text{price score} = 200 - \left(\frac{100}{1} \times \frac{P_c}{P_{av}} \right)$$

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.

Negotiation

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

Provide to recalculate the scores if negotiated prices are significantly higher than what was 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 offering the best value for money:

- removal of qualifications; or
- change to scope,

and repeat the process if necessary.

Preferred tenderer

The preferred tenderer is the one that offers best value for money after any required negotiations are completed.

Approval to award

Identify the person with the authority to:

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