

Construction Tendering

Construction Procurement Guidelines

October 2019



Agencies must adopt the guidance of the construction tendering quick reference guide.

<p>Abnormally low bids</p>	<ul style="list-style-type: none"> • Tender documents must state that abnormally low tenders will be rejected where the tenderer hasn't been able to provide sufficient justification to the client that it has the necessary capability and capacity to perform the contract. • If a tenderer offers a price that is substantially lower than others (an abnormally low bid), when taking into account market prices during tender, you must provide the tenderer the opportunity to justify their bid. • More information requested for scrutiny may include clarification on the details of construction methods, health and safety plans, programme, basis of risk pricing, compliance with the drawings and specifications, technical solutions offered (including any alternatives), and compliance with relevant employment and working conditions. • While errors in pricing due to poor estimating would be absorbed by contractors if discovered after contract award, it's sensible and professional practice to identify any obvious errors in pricing, eg calculation errors. • Errors should be notified to tenderers during evaluation so they can either: <ul style="list-style-type: none"> ○ confirm their tender ○ withdraw their tender ○ amend their tender. • For traditional delivery models use a schedule of quantities to provide a solid basis for comparison of tender prices and to identify any obvious errors or abnormally low prices.
<p>Client commitment</p>	<ul style="list-style-type: none"> • Call for tenders only after making a firm commitment to proceed with the project (eg scope agreed and funding approved). • Do not discriminate against a prequalified contractor or prospective tenderer that declines an invitation to tender.

<p>Cost of tendering</p>	<ul style="list-style-type: none"> • Recognise that the cost of tendering is a significant industry and client overhead. • Do not engage in multiple rounds of tendering without industry support. • Be mindful of the potential number of tenderers. In particular, for high-value and/or complex contracts, use the registration of interest (ROI) process, or similar, to short-list prospective tenderers and limit the number of short-listed tenderers.
<p>Due diligence</p>	<ul style="list-style-type: none"> • Complete due diligence on the preferred supplier, appropriate to the scope, risk and value of the proposed contract before contract award • For major projects consider appointing specialist financial expertise to support the interpretation and analysis of account information.
<p>Innovation</p>	<ul style="list-style-type: none"> • Encourage innovation in tenders by allowing submission of an alternative tender and a conforming tender. • Ensure that the evaluation criteria and weightings used for assessing alternative tenders are clearly defined against the evaluation criteria and weightings used for evaluating a conforming tender. • Ensure that any tender conformance requirements, evaluation criteria and timeframes don't act as a barrier to innovation.
<p>Prequalification</p>	<ul style="list-style-type: none"> • Prequalify tenderers to ensure that prospective tenderers have the capability to carry out the required works or services. Prequalified tenderers should inform you of any material changes to the information they provided as part of the prequalification process.
<p>Probity</p>	<ul style="list-style-type: none"> • Probity principles should be integrated into all procurement planning – agencies must ensure that systems, policies and procedures provide accountability, are able to withstand public scrutiny and preserve private sector confidence in the procurement process. This means: <ul style="list-style-type: none"> ○ undertaking due process ○ obtaining appropriate approvals ○ documenting decisions. • For major, complex or high-risk projects, consider appointing an independent probity auditor at the outset of the project.
<p>Requirements for tenderers</p>	<ul style="list-style-type: none"> • No tenderer should seek or expect to be given any information that isn't provided to all other tenderers. • Tenderers must not engage in anti-competitive practices. • Tenderers should only submit bids when they have the competence and capacity to complete the works. • If the tender is submitted by a joint venture or consortium of tenderers, this should be specified in the tender response, with all tendering parties clearly identified.
<p>Schedule of quantities</p>	<ul style="list-style-type: none"> • For projects procured using traditional delivery models, agencies are expected to consider using a schedule of quantities approach as a basis for tender pricing. • Provisional sums in contracts are expected to be limited to no more than 5-10% of the contract sum.

<p>Tender documents</p>	<ul style="list-style-type: none"> • Look to adopt the set of Government model RfX templates (GM-RfX) for tenders (see Ministry of Education tender documents for examples of how these can be adopted for construction projects) • Ensure the tender documents are the same for each tenderer. • Include all critical and relevant information, including project and proposed contract information. • Ensure the scope of work or services included in the tender documents contains sufficient detail to support proper evaluation and pricing. • Peer review tender documents before issuing them, to address any conflict or ambiguity and to minimise the need to issue supplementary documentation. • Where amendments to tender documents are required, provide these to all prospective tenderers as an addendum (except if they are commercially sensitive to an individual tenderer). • Extend the tender period where an addendum materially affects the issued tender, noting all prospective tenderers are to be given equal time to review and update their tenders.
<p>Tender process</p>	<ul style="list-style-type: none"> • Enable site inspections to be done by each tenderer, where appropriate. • Offer interactive or collaborative tender briefings (within appropriate probity frameworks) for complex and high-value contracts. • Clearly specify the method and timeframe for lodgement of tenders.
<p>Timeframes</p>	<ul style="list-style-type: none"> • Allow sufficient time for tenderers to evaluate the project and prepare their response considering the scale and complexity of the project. • Clearly specify tender validity periods in the tender documents.