Consultant Selection Guide

Draft Version – 8 September 2008 QCIF Consultant Selection Group

PREFACE

This guide has been developed by the Queensland Construction Industry Forum (QCIF) as one of a number of initiatives aimed at improving project outcomes in the building and construction industry. Specifically, the guide focuses on the relationship between the client and the client's consultants. It explains the process of consultant selection and provides guidance on how this should be undertaken to achieve successful project outcomes.

The guide follows and complements the earlier work of the industry-wide task force that published *Getting It Right the First Time* (2005), a report that sought to reverse declining standards in project design documentation in the building and construction industry.

It also complements the *Client Statement of Intent* guide published by QCIF in March 2007. That guide addresses the importance of the client clearly articulating the vision for a project in such a way that the building industry professionals involved understand the client's intent and can proceed to deliver the project in alignment with the client's expectations. It is stated in the *Client Statement of Intent* guide that the role of the consultants is to "develop concepts to achieve the Client's vision". For this reason, selecting the most appropriate consultant(s) is critical to the success of each project.

Contents

1.0 INTRODUCTION

The purpose of this guide is to provide advice for the benefit of clients and consultants on establishing and managing consultancies associated with the building and construction industry.

The guide incorporates consultant selection principles, the use of which is aimed at achieving successful project outcomes. It also promotes open, transparent, and non-adversarial relationships between the parties based on honesty, trust, cooperation, fairness, sustainability, equity, and probity.

The building and construction industry relies heavily on the use of consultants for a broad range of infrastructure delivery functions including planning, design, construction and maintenance.

Clients have a significant influence over project outcomes through their expertise, behaviour and practices in engaging and managing consultants. Clients should also expect to receive value for the fees they pay to engage consultants in terms of quality and timely delivery of the service.

In this guide the term “client” refers to the body or organisation which engages the consultant. This is not necessarily the client for the overall project when the consultant is engaged by a contractor or a coordinating consultant.

Consultants, on the other hand, should expect fair reward for their services and a transparent selection process generally based on a broad range of selection criteria in addition to price. Consultants should also be provided with a clear and unambiguous brief and contract documents upon which their submission can be based.

2.0 SELECTION PRINCIPLES

The needs of various parties to a construction project will vary considerably depending on the nature of the project, the type of client, and the terms of each consultancy agreement. This guide aims to establish a broad framework to enable clients to select the most suitable consultant for their project with the aim of achieving the best possible outcome for clients and consultants alike.

Competition in the bidding process tends to result in selection being made on price alone which can have a detrimental effect on the quality of the work performed and can lead to a breakdown in the relationship between the parties. To ensure that the selection of consultants is not purely price driven, the following principles should be applied:

1. The client‘s aspirations for the specific project and the criteria upon which the consultant is selected must be clearly identified.

2. The terms and conditions of the consultancy agreement must be fair and reasonable and balance the risks the consultant is reasonably able to manage based upon the consultant's expertise.
3. Each party is expected to negotiate in a full and frank manner and in a spirit of cooperation and trust.
4. The consultant is to receive fair remuneration for the services it provides, including the deliverables it has agreed to supply, the risk that it has agreed to manage and the quality of work it has agreed to provide the client.
5. In assessing a reasonable fee, the client should consider the level of technical and professional expertise, previous experience, and capacity for innovation that the consultant is expected to bring to the project.

Further useful information on consultant selection is available in *The Australian Standard Code of Ethics and Procedures for the Selection of Consultants* (AS4121-1994) published by Standards Australia.

3.0 CLIENT OBLIGATIONS

To optimise the outcome of their projects, the client will need to know what they want, possess good communication skills to convey their vision and requirements to the consultant and have an understanding of the way in which consultants work and the process by which they should be engaged.

Clients also have specific obligations when seeking to engage consultants, including:

- managing the scope of the consultancy
- managing the relationships with those engaged to deliver professional services
- identifying and managing project risks
- adequately resourcing the management of the consultancy
- communicating to prospective consultants the purpose for the engagement (for example, prospective consultants will need to know whether the project is to establish feasibility only, or whether it is part, or the whole of the project)
- making available to prospective consultants, all non-confidential technical and commercial information about the project including frank assurance relating to financial security of the project, and the level of the financial exposure expected of the consultant
- providing information about the project timing and budgeting to allow the consultant to plan for the project
- clearly conveying the extent of the outsourced project elements to prospective consultants via the brief.

4.0 CONSULTANT OBLIGATIONS

The good communication skills expected of clients are also expected of consultants. Consultants, who understand the client's business, to the extent that they can clearly demonstrate how they can add value to that business, are in the best position to foster a mutually beneficial relationship with the client.

The client will generally have limited understanding of the technical aspects of the project and will need to recognise and rely on the expertise of the consultant. Therefore, to deliver the best outcome for the clients in resolving technical aspects of the project, the consultant needs to cooperatively assert its expertise in discharging professional obligations.

In the initial stages, consultants need to assess:

- the role expected of them
- how they will fit into the project team
- what risks are to be managed by the client
- what risks the client expects the consultant to manage
- the quality of service required
- the current status of the project.

If any of these contextual matters have not been clarified in the initial briefing sessions with the client or from the invitation documents, the consultant should seek and be sure to obtain satisfactory answers from the client before proceeding.

Consultants invited to make submissions should also satisfy themselves as to the scope of service required, and request further information where there is any lack of clarity.

Consultants should only respond to invitations for submissions from clients when they:

- have the capability to deliver the services professionally and competently
- are able to command the necessary resources in the time frame required
- are willing to make a firm commitment to proceed to the client's program.

In dealing with clients during the selection process, consultants should:

- display openness regarding availability of resources and assignment of key personnel
- submit full details of any proposed reliance on secondary consultants
- assess carefully all risks involved, particularly those which the client may be seeking to transfer to the consultant
- draw attention to any risks which need to be managed jointly by the client and consultant

- act in good faith.

During the consultancy, the consultant must provide competent technical and professional advice and check that the client is fully aware of the consequences of any rejection of such advice.

5.0 THE BRIEF

Prior to inviting submissions from consultants, the client should consider the work flow of the project as a whole to determine the most appropriate method of consultant selection and payment. The client should clearly state the procurement method and basis of engagement at the time of inviting submissions to avoid subsequent misunderstandings and ensure fairness and equity.

It is vital that both the client and the consultant have a common understanding of the scope of the project at the time of engagement.

Ideally, the client should commence the invitation process having already prepared a comprehensive brief that includes functional requirements. This will clearly define the aspects of the overall project that are "in scope" and "out of scope". In the event that sub-consultants are to be engaged for particular elements of the project, the client should clearly communicate responsibility for their engagement and management.

6.0 SELECTION METHODS

A number of methods of selection are commonly used, depending on the size and complexity of the project.

Where the consultancy requirements are well-defined, tightly specified, and there is minimal opportunity for innovation or creativity, consultants may be assessed on price only. This process rewards the consultant submitting the lowest price and is commonly known as **Price Based Selection**.

If the consultancy requirements are less well-defined but still relatively straight forward, proposals may be assessed taking into account the experience of the consultant, understanding of the consultancy, price, quality and reliability; using both price and non-price criteria. This is commonly referred to as **Value Based Selection.**

Where the consultancy is complex, lacks definition and/or requires significant innovation, consultants may be assessed using similar non-price criteria but the fee proposal is only considered and negotiated after the initial non-price evaluation has taken place. This is commonly known as **Qualification Based Selection**.

While a variety of methods for inviting submissions are available to clients, the chosen method of invitation will depend on the size, complexity, and risk associated with the project as well as accountability requirements. The following options are available to invite submissions:

- direct negotiation between client and consultant (sole invitation)
- inviting proposals from a number of qualified consultants
- inviting proposals from a number of consultants selected from a prequalified consultant list
- privately inviting registration of interest for the consultancy and then inviting selected consultants to submit a proposal based on their registration of interest
- publicly inviting registration of interest without restriction and then shortlisting consultants for more detailed submissions.

7.0 INITIAL SCREENING

Initial screening of potential consultants is an important early process in streamlining the selection of consultants. It can provide clients with confidence in the pool of consultants from which they will make their final selection or confidence they are opening dialogue with a consultant appropriate to their needs. Such screening helps establish a good foundation for working on a project, both in terms of compatibility between client and consultant and in terms of any future relationships.

Large public and private organisations tend to use formal prequalification systems. These systems look at the consultants' ability to undertake various categories of work and the scale and complexity they can handle. In general, a feedback system on performance is incorporated. Overall, these prequalification systems provide the client with a pool of consultants with the capacity and capability to meet their particular needs.

It is important for clients who do not have access to such systems to carry out initial checks before formally engaging a consultant. The initial checks generally carried out before engaging a consultant include:

- seeking referee reports on their recent consultancies, particularly on the size of the consultancies, the capacity of the firm and the quality of the work delivered
- checking with relevant bodies (e.g. the Board of Architects Queensland or Board of Professional Engineers Queensland) regarding the professional status of their staff
- ensuring that they have any necessary registration required by law

- ensuring that they have adequate insurance cover for their operations including public liability and professional indemnity insurance.

8.0 INVITING SUBMISSIONS

Prior to inviting submissions the client should have established a firm business commitment to proceed with the consultancy, and be prepared to convey this commitment as reassurance to all consultants being invited to make submissions.

It is important that the invitation documents are the same for all consultants and clearly convey what the client wants from the consultancy and what it will assess the submission against. These client requirements are commonly used to develop the non-price selection criteria.

Consultants need to have a clear understanding of the client's expectations of the consultancy and the wider project. In this regard, the client’s invitation documents, including the brief, should clearly differentiate between the scope of the project and the scope of the consultancy. With respect to the latter, the more explicit the information provided by the client about inclusions, exclusions and special requirements, the more likely the client is to receive competitive proposals from consultants that ultimately result in improved value added outcomes for their project.

The client should also consider how the consultant is to be reimbursed. Consultants should receive a fee commensurate with the level and complexity of the service required. While fees are an important aspect of any proposal, it is important that they are not over-emphasized relative to other expectations the client may have from the consultancy.

The invitation documents should specify the basis of determining fees, which will usually be expressed in the form of a lump sum, or a percentage of the estimated construction costs, (where the services are tightly specified) an hourly rate (where the services are harder to define or open ended), or a combination of these.

When inviting submissions from consultants selected from a prequalified list, it is important not to request information already canvassed during the prequalification process.

In order to optimise the outcomes from the invitation process, the client should give consideration to the timing of the invitation and conflicting market pressures and other issues which could impact on the quality and value of submissions received. There should also be a reasonable timeframe specified to prepare and submit proposals, including allowance for major public holiday periods. Consideration also needs to be given to the time scheduled to complete the specified requirements of the brief to achieve a quality product.

In summary, the objective of the invitation documents is to clearly inform potential invitees of the:

- conditions of engagement including the ownership of the outputs from the consultancy
- scope of work
- deliverables required (including any alternatives) and the scheduled delivery date/s
- date, time, and method of lodgement of submissions
- format of the submission, including any supporting information required
- selection process including assessment criteria; and
- basis of payment for the consultancy work

9.0 PROVIDING SUBMISSIONS

On receiving invitations to make a submission, consultants should immediately familiarise themselves with the invitation documents. The invitation documents may lack important information or have aspects needing clarification. Consultants should lodge requests for information/clarification at the earliest possible opportunity and clients should respect such requests and respond appropriately, fairly, and in a timely manner when these requests are made by consultants.

In providing submissions in response to invitations from clients, consultants should:

- understand the work required and its relevance to the client's requirements, and if appropriate, include an appreciation of the tasks or work to be performed
- make an early request for additional time to respond if the client's nominated timeframe is unrealistic
- be specific about deliverables and state clearly what is included and what is not
- address fully the requirements of the invitation and briefing documents
- provide information on availability of resources and assignment of key personnel
- provide a methodology, design approach (where relevant) and work plan and program for the consultancy, even if these are not specifically requested
- submit full details of any proposed reliance on secondary consultants
- indicate any innovative approach that could be adopted; and
- lodge their submission in a timely manner to avoid it being deemed ineligible.

10.0 ASSESSING SUBMISSIONS

By the assessment stage in the consultant selection process, the previous steps should have led to submissions which are responsive to the client's aspirations and specific in meeting stated client needs.

Once submissions are received, clients should thoroughly read and carefully evaluate the submission from the following standpoints:

- whether the submission meets the requirements of the consultant brief and invitation documents, and if not, whether there is any room for negotiation;
- how well the submission demonstrates an understanding of the project context and how confident the client is with the consultant's appreciation of the tasks that the submission conveys;
- how well the submission addresses and meets the specific evaluation criteria (each criterion being considered separately on its merits); and
- whether any innovative features have been offered that provide value beyond the minimum requirements set down in the invitation.

The above steps should be carried out objectively and fairly using a rational method that enables consultant submissions to be ranked in order of merit. If both price and non-price criteria are included, then a value-based analysis is needed. This is usually achieved by allocating a point score for price and non price issues and assigning a weighting to each component (for example, 60% price and 40% non price. There are various levels of sophistication which can be employed in this process.

The highest ranked consultant as a result of the above assessment becomes the preferred consultant.

11.0 SELECTING THE CONSULTANT

When the preferred consultant is identified, the client then needs to examine the implications of selecting and engaging that consultant. Some considerations in this regard include:

- Although the consultant has been ranked highest, are there any important respects in which the submission does not comply. Do these need to be clarified before proceeding?
- Has the consultant's submission introduced new conditions or risk management provisions that need discussion?
- Are there any important issues that have not been thought of yet?

- What are the risks of selecting this consultant, and how will these risks be managed?

Some of these aspects may also be considered during the assessment stage.

The selection process would include clarification of price issues. Where Qualification Based Selection has been applied, the negotiation of price is a major step at this stage of the process.
,Negotiations to finalise the detail should commence with the preferred consultant after the previously mentioned considerations have been addressed (by consultant or client as appropriate). If these negotiations are successful, award should be made without delay and a contract executed before starting work.

If the negotiations are unsuccessful, the client should terminate the discussions and deal exclusively with the next-ranked consultant.

12.0 AWARDING THE CONSULTANCY

After approval of a preferred consultant at the appropriate management level of the client organisation, the consultant can be awarded the consultancy.

In the first instance, it is good practice to document and retain a record of the basis on which the decision to award was made as this will assist in providing feedback to the unsuccessful consultants.

The decision should be communicated at the earliest opportunity to the successful consultant and all unsuccessful consultants. This can be done over the telephone in the first instance, but should also be confirmed in writing. It is important during this process to ensure that the unsuccessful consultants do not become aware they were unsuccessful through third parties. It is also good practice to offer unsuccessful consultants the opportunity to seek feedback on the reason(s) they missed selection as a basis for their continuous improvement.

The letter awarding the successful consultant with the consultancy should reference the contract conditions that will apply, the terms of reference for the consultancy, the consultant’s proposal, and any clarifications of the service agreed upon during negotiations.

After awarding the consultancy, the successful consultant would normally be invited to a project start-up meeting where they would meet other project participants and be provided with any other information that may be required or be of assistance for the successful carrying out of the consultancy.

13.0 MANAGING THE CONSULTANCY

The attitude of the client and how the interaction with the consultant is managed are vital factors in obtaining the full benefit from the consultancy. It is important that the client:

- takes a leadership role either directly or through an appointed primary consultant or project manager
- ensures adequate resources are devoted to managing the process
- builds on the goodwill and understanding that should have developed through the submission, selection and award process
- fosters a culture of open communication and the concept of a "one team" approach.

These activities should be complemented by good management practices in reporting, monitoring, variation control and feedback on performance. Depending on the scale of the consultancy, regular meetings should be held to explain and monitor progress against the consultant's workplan and for the client to make any decisions required. Any variation to the consultant brief or scope of work must be discussed and the impacts on time and cost to both parties agreed. Performance standards required of the consultant and reporting requirements also need to be specified.

Where the consultant is also engaged to provide services during the construction phase of the project, the consultant may be requested by the client to report on aspects of the contractor's performance.

Regular feedback on the performance of the consultant should be provided to the consultant by the client (or project manager). The consultant should also be encouraged to provide feedback to the client on how well the client is meeting its obligations.

The client and consultant should be in regular communication with each other with the aim of maintaining a healthy working relationship throughout the project. Adequate records of meetings, decisions and feedback should be maintained by the client (or project manager).

These practices are intended to minimise unexpected surprises being encountered which could impact negatively on the project. When coupled with the approaches outlined in the preceding section, the practices are expected to optimise the outcome of the consultancy for the project, the client and the consultant.

ATTACHMENT 1

Selection Process Outline

Client Actions	Stages (and outcomes)	Consultants Actions
• Define project program and consultancy program • Develop consultancy scope • Decide on contract conditions	**Develop Consultancy Brief** • Consultancy Agreement • Scope understood • Expectations of consultancy explained	
• Review size, scope, risk, quality and complexity • Consider resources to manage consultancy • Consider selection pool – sole, select or open invitation • Consider basis of selection – price only, value based • Determine if prequalification required • Set out assessment process • Finalise consultancy brief	**Determine Screening and Selection Process** • Selection Process determined	• Understand client's business • Track potential project • Ensure prequalification requirements are met
• Identify mandatory requirements • State selection criteria • Check professional status of staff • Check legal registrations required • Check insurance cover • Obtain referrals or references	**Initial Screening** • Short list of appropriate consultants to bid • Reputations checked • Consultants alerted to opportunity	• Review size, scope, risk, quality and complexity
• Ensure capacity to assess submissions	**Invite Submissions**	
	Provide Submissions • Consultants understand client and project • Submissions responsive to selection criteria • Clarity regarding compliance with invitation requirements or otherwise • Ability to make reasoned comparisons on non-price criteria	• Demonstrate capability • Show resourcing • Commit to program • Comment on risk management • Confirm deliverables • Indicate fees if appropriate
• Check compliance with mandatory conditions/requirements • Review understanding of context and tasks • Assess formally against selection criteria • Look for innovation/value adding	**Assess Submissions** • Understanding of submissions	
	Select and Negotiate and Appoint *Preferred Consultant* • Fair comparison between submissions on an equitable basis • Knowledge that submission is best for project, as per invitation document • Consultancy based on understanding of project, clear brief mutually agreed conditions and fair price.	• Respond to any queries • Consider any risk management and contractual issues raised • Clarify price • Finalise consultancy agreement
• Demonstrate leadership • Allocate necessary management resources • Open communication • Build on existing goodwill from selection process • Meet regularly to monitor progress • Provide feedback on performance • Keep records	**Manage Consultancy and Provide Feedback** *Project Completion* • Project delivered to Client's satisfaction • Consultant also satisfied with service delivery	• Open communication • Clear reporting on progress, performance of constructors where appropriate • Assert professionalism as appropriate • Discuss performance • Ensure records are kept