



New South Wales  
Government

# **Prequalification of Service Providers**

Guidelines

May 2003

## Prequalification of Service Providers - Guidelines

Establishes a common framework for the prequalification of organisations providing construction or related services to NSW Government agencies.

These guidelines were developed by the Construction Policy Steering Committee (CPSC).  
May 2003

DPWS report number **03031**

NSW Department of Commerce  
Cataloguing-in-Publication data entry

New South Wales. Construction Policy Steering Committee.

Prequalification of Service Providers - Guidelines

The electronic version is available from <http://www.cpsc.nsw.gov.au/cppm/>

ISBN **0 7347 4228 2** (electronic)

ISBN 0 7347 4071 9 <Set> (electronic)

1. Contracting out – Government policy – New South Wales. 2. Letting of contracts – Government policy – New South Wales. 3. Public Contracts – Government policy – New South Wales. 4. Finance, Public – New South Wales – Management.

I. Title. II. Series (Capital Project Procurement Manual).

352.373 (DDC 21)

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# Definitions

**‘Expression of interest process’**, in the context of these guidelines, is the process of inviting service providers to be assessed for a prequalification scheme. It includes issuing an expression of interest document and receiving applications from service providers.

**‘Government agency’** is used interchangeably with the term ‘agency’ in these guidelines. It includes NSW Government departments, statutory authorities, statutory corporations and government business enterprises.

**‘Panel’** refers to a subset of service providers, chosen from the *prequalified list*, who are invited to tender for a specific project.

**‘Prequalification scheme’** is the establishment and operation of a list of service providers prequalified for a certain work category (or discipline), in defined geographical locations, and in a defined financial range.

**‘Prequalified list’** is a group of service providers who have been assessed as being capable of undertaking work in a certain category or discipline, in defined geographical locations, and in a defined financial range.

**‘Service provider’** is defined in the [NSW Government Code of Practice for the Construction Industry](#). For the purpose of these guidelines, it covers project directors, construction managers, project managers, managing contractors, contractors (site-based), and consultants or professional service providers (including design, investigation, value management, programming, cost planning, risk management and other technical consultants).

In the context of these guidelines the term ‘consultant’ does not include personnel engaged under contract hire who are subject to constant direction or supervision. Nor does it include management consultants; these are covered by Premier’s Department Circular No. 2000-47 [Guidelines for the Engagement and Use of Consultants](#) (amended by [Circular No.2003-08](#) to alter the minimum levels of competition for consultancy services).

Note: Other definitions in the [NSW Government Code of Practice for the Construction Industry](#) may also apply.

# 1 Introduction

## 1.1 Purpose and scope of guidelines

These guidelines set out a framework enabling NSW Government agencies to take a more consistent approach to the prequalification of service providers for construction and related work.

The guidelines cover the establishment and operation of prequalification schemes. They also facilitate the sharing of prequalified lists by agencies, which means that service providers may only need to prequalify once for any specific category of work.

The guidelines may be adapted to suit specific agency requirements. They may also be adapted for use on a specific project when an ongoing prequalification scheme is not used.

The guidelines cover 'service providers' as defined on page 4, and should be read together with the NSW Government Code of Practice for the Construction Industry and NSW Government Code of Tendering for the Construction Industry.

The guidelines supersede the Consultant Registration Guidelines – March 2002.

## 1.2 Purpose of a prequalification scheme

The purpose of a prequalification scheme is to classify service providers in accordance with their expertise and capability, before inviting tenders for any specific work. Service providers seeking to offer services to the agency for work in certain categories must first become prequalified with the agency's scheme for those categories.

Service providers prequalified with one agency may also be invited to tender for the same type of work in another agency. The sharing of prequalified lists between NSW Government agencies is designed to maximise opportunities for prequalified service providers to obtain government work. It also minimises duplication of the prequalification process among agencies.

## 2 Benefits for government agencies and service providers

Expected benefits for government agencies include:

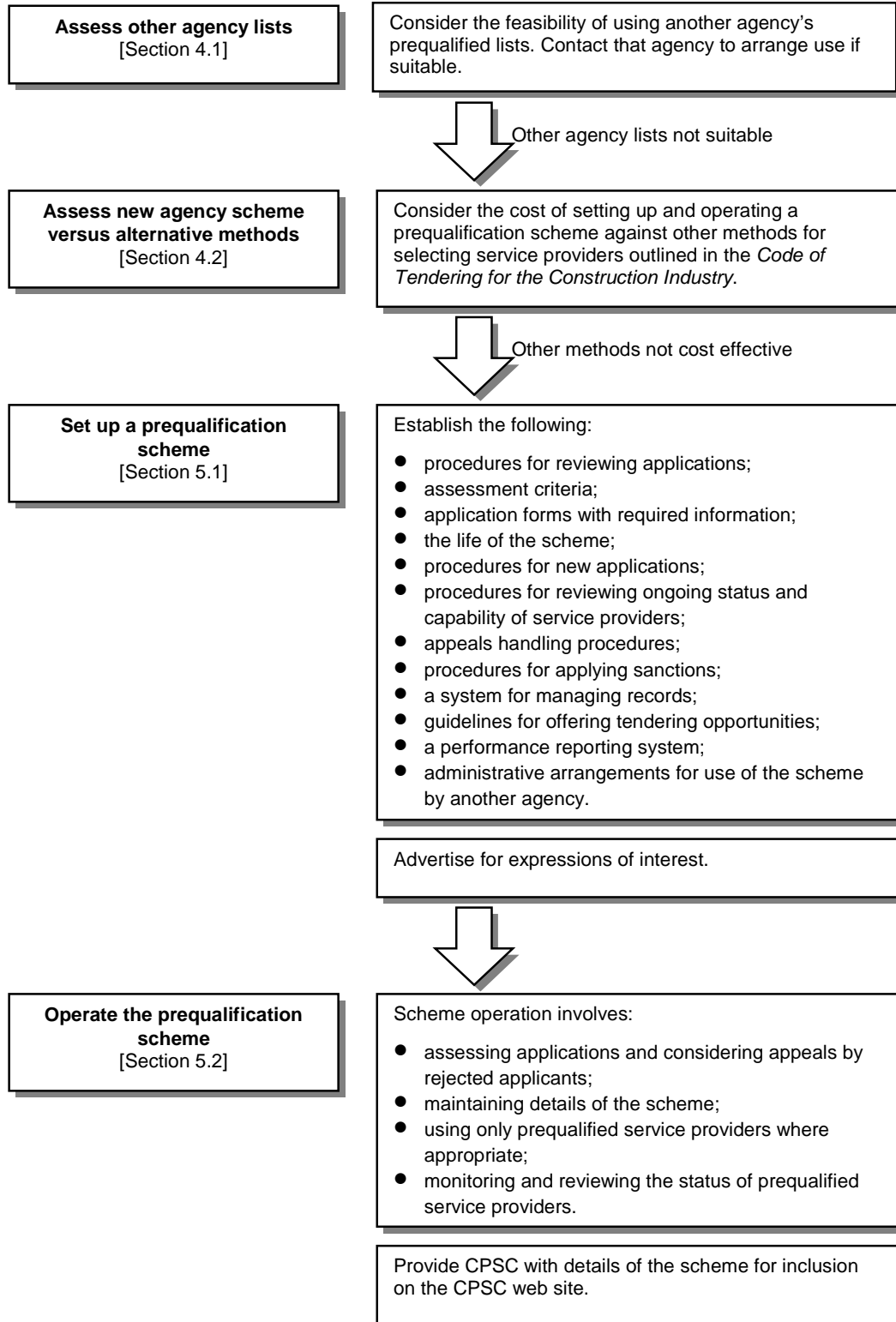
- less risk of accepting service providers who do not meet requirements;
- greater efficiency through avoiding the delay and repetitive costs which can arise from separately inviting open tenders or expressions of interest for each project and assessing the capability of all the interested service providers;
- less work involved in evaluating tenders because the service providers in contention are better known to the agency; and
- potential for better working relationships between agencies and service providers, which may also lead to collaborative development of innovative technologies and service delivery methods.

Expected benefits for prequalified service providers include:

- the likelihood of being offered an opportunity to tender for work;
- not having to resubmit new applications to the agency until the prequalified list has expired;
- possibly less need for separate applications to multiple agencies;
- recognition as a provider who meets agency prequalification requirements, since the prequalified lists will be public information; and
- opportunities to foster the development of better working relationships between service providers and agencies.

### 3 Prequalification process flowchart

The flowchart provides an outline of the steps involved in organising a prequalified list of service providers. The complete process is explained in Sections 4 and 5.



## 4 Evaluation of options for obtaining service providers

### 4.1 Other agency lists

The first step is to consider the feasibility of sourcing service providers from a suitable prequalified list established by another agency.

Several agencies have prequalification schemes for frequently used categories of construction and related services. A brief description and contact details for these schemes are included in the [Capital Project Procurement Manual](http://www.cpsc.nsw.gov.au/cppm) at <http://www.cpsc.nsw.gov.au/cppm> under 'Consistent agency practices > Registration and prequalification of contractors and consultants'.

In assessing another agency's prequalified list, you should consider:

- the suitability of the work categories or disciplines covered;
- whether the list will be maintained for as long as you need it;
- the geographical locations for the work; and
- the financial range for the work.

If another agency's list meets your requirements in these areas you can contact the agency to make arrangements for using it, which may include payment of a handling charge.

You should not expect the other agency to give you any undertaking as to the standard of work of the service providers on its list. However, reasonable information should be made available to you about the basis for including providers on the list.

### 4.2 New agency scheme versus alternative methods

If there is no suitable prequalified list available in another agency, the next step is to consider the cost of setting up and operating a new prequalification scheme against that of other ways of selecting service providers.

The steps set out in Section 5 can be used to help you evaluate the work and costs involved in a new prequalification scheme. You need to consider:

- the work categories or disciplines to be covered;
- the predicted pattern of use for the prequalified list;
- the geographical locations and financial ranges to be covered;
- when and for how long the list will be needed.

Alternative methods are outlined under 'Tendering methods' in the [Code of Tendering for the Construction Industry](#).

The decision to set up and manage a prequalification scheme is a matter for individual agencies, but it should only be considered where a continuing program of work is expected.

# 5 Setting up and operating a prequalification scheme

## 5.1 Setting up a prequalification scheme

Once an agency has decided to set up a prequalification scheme, appropriate procedures and administrative arrangements need to be established, including:

- **Internal procedures** for reviewing applicants and advising them of the outcome of their application.
- **Assessment criteria**, which may include:
  - capability, including technical, management, human resources and financial capacity and resources;
  - how long the business has been operating;
  - demonstrated competence in the categories of work applied for;
  - a quality management system;
  - the completeness of the prequalification application;
  - innovation experience;
  - current commitments;
  - previous performance, including relationship management and dispute resolution record;
  - occupational health and safety management and workplace injury management performance;
  - workplace and industrial relations management practices;
  - environmental management performance; and
  - other value-adding components such as community relations, local industry participation, economic and social development issues.
- **Application forms** designed to gather all the information needed in order to apply the assessment criteria. Appendix A provides a framework which can be adjusted to include agency-specific requirements.
- The **life of the scheme** (usually a maximum of three years).
- Procedures for handling **new applications** during the life of the scheme (for example, will applications be allowed at any time or only at prescribed intervals?).
- Procedures for reviewing the **ongoing status and capability** of prequalified service providers during the life of the scheme. This may include conducting financial assessments of service providers where appropriate. In addition, providers may be required to advise the agency immediately of any substantial change in their financial capacity, operational capacity including key resources and directors, or a change in ownership or legal status.
- Procedures for handling **appeals**.

- Procedures for applying **sanctions** if scheme requirements are breached.
- A system for **managing records** relating to applicants that complies with Premier's Department Memorandum No.98-16 [Records Management Standards and Policies](#).
- Guidelines for offering **tendering opportunities**. In the case of consultants the agency can develop specific guidelines or follow Premier's Department Circular No. 2000-47 [Guidelines for the engagement and use of consultants](#) (amended by [Circular No. 2003-08](#) to alter the minimum levels of competition for consultancy tenders). These circulars should be used by agencies that choose not to develop their own guidelines.
- A **performance reporting system** appropriate to the type of service provider based on:
  - [NSW Government's Consultant Performance Reporting and Exchange of Reports between Government Agencies Guidelines](#); or
  - [NSW Government's Contractor Performance Reporting and Exchange of Reports between Government Agencies Guidelines](#).
- Appropriate administrative arrangements, possibly involving handling charges, for **use of the scheme by another agency**.

When the scheme's procedures are in place, the agency can advertise for **expressions of interest** from service providers who would like to be prequalified for possible future agency work. The expression of interest documents should include:

- a description of the nature and scope of the services required and the proposed life of the prequalification scheme;
- an indication of the proposed forms of contract to be used for the subsequent contracts, if known;
- a description of the assessment criteria and assessment process;
- an application form (based on information in Appendix A);
- the conditions of prequalification (refer Appendix B for model conditions); and
- any applicable supporting documents or technical specifications.

Agencies are encouraged to use their internet web site to advertise prequalification schemes and locate application forms for use by service providers.

## 5.2 Operating a prequalification scheme

In operating its prequalification scheme an agency should:

- assess applicants in accordance with agency procedures, advise applicants of the outcome and consider appeals from rejected applicants;
- maintain details of the scheme including contact officers in an accessible way, for example on the agency's web site;
- use only prequalified service providers for work in a prequalified category unless there are special agency needs;
- monitor and review the prequalification status of service providers when they are restructured, when key personnel change or when an application for a change in status is sought;
- review project-specific performance reports conducted on service providers and take necessary action to restrict or withdraw their prequalification status.

The agency should also provide the Construction Policy Steering Committee Secretariat with information on the scheme for inclusion in the [Capital Project Procurement Manual](#) on the CPSC web site.

## Appendix A

# Information that may be sought from organisations seeking to prequalify

An application form for service providers seeking prequalification can be based on the following information, modified or added to as required.

### 1 Limitations on prequalification

- categories (or disciplines);
- geographical location for each category selected;
- financial range for each category selected.

### 2 Organisational information

- organisation name;
- trading name;
- date the business commenced;
- Australian Business Number (ABN);
- Australian Company Number (ACN), where applicable;
- legal status of organisation e.g. company, holding company, subsidiary company, trading under trustee arrangements, partnership, sole trader;
- evidence of legal entity, either a copy of an official document such as company registration and names of office bearers issued by the Australian Securities and Investments Commission (ASIC) or a statement confirming the legal entity signed by a practising solicitor;
- if a subsidiary company, the name and ABN of the holding company;
- whether the company is classified by ASIC as a foreign company;
- registered address, phone number and facsimile number;
- office address, phone number and facsimile number;
- web address;
- name, position, phone number, facsimile number and email address of the person or persons who may be contacted for further information;
- names of directors, company secretary, partners or owners including their association with other companies;
- organisational chart;
- membership of organisations and associations relevant to the prequalification sought.

### **3 Personnel and resources**

Names of key staff available to service the prequalification requirements should be provided, together with their qualifications and professional experience.

For construction managers, project managers, managing contractors, and contractors the applicant should indicate the average number of people employed on a permanent basis in the last 12 months in the sought work categories. Apprentices and trainees should be listed separately.

For contractors, the applicant should indicate the current items of plant and equipment owned in the categories nominated by the agency and supply information to demonstrate conformance to the technical specification nominated by the agency.

For design consultants, the applicant should advise the number of principals and key personnel in the prequalification design area.

### **4 Financial Information**

- bank information including bank branch and account name, overdraft facility, overdraft balance, guarantee facility, guarantees outstanding;
- audited financial accounts for the last three years; if not available, signed taxation returns over the last three years together with unaudited financial accounts;
- the current year's forecast cash flow including the assumptions used in its preparation, and a debtor and creditor analysis;
- significant changes in the nature of the operations since the last balance date and any recent results that are expected to substantially affect the operating results for the current financial year.

### **5 Management systems**

Evidence that the organisation has management systems in place (as applicable) based on NSW Government guidelines in the following areas:

- [occupational health and safety](#);
- [environment](#);
- [industrial relations](#);
- [Aboriginal participation in construction](#);
- [training](#).

## **6 Project experience**

Listings of current and recently completed similar projects over a period nominated by the agency, including, for each project:

- project name;
- scope of services provided;
- value of the services;
- duration and date of completion;
- client name and contact details;
- names of key staff employed by the service provider on the project and whether they are still employed with the organisation.

## **7 Insurance**

Evidence that professional indemnity, public liability, workers compensation and other insurances meet agency requirements.

# Appendix B

## Model conditions of prequalification

### 1 Introduction

The purpose of prequalification is to classify service providers in accordance with their expertise and capability, before inviting tenders for any specific work.

Service providers seeking to offer services to the agency for work in certain categories must first become prequalified with the agency's scheme for those categories.

The opportunities for work offered to prequalified service providers will depend on agency needs. Accordingly, prequalification does not guarantee an engagement or a bid opportunity. In certain categories, the number of service providers prequalified may be deliberately limited by the agency.

For certain projects the agency may invite public expressions of interest or call open tenders rather than inviting tenders selectively using a prequalified list.

Service providers prequalified with the agency may also be invited to tender for the same type of work in another agency. The sharing of prequalified lists of service providers between NSW Government agencies is designed to maximise opportunities for prequalified service providers to obtain government work. It will also minimise duplication of the prequalification process among agencies.

### 2 Categories of work and financial limits

Service providers may apply for prequalification in the categories of work and up to the financial limits shown in the application form.

### 3 Applications for prequalification

Service providers apply for prequalification by returning a completed application form. All information submitted with the application will be treated as confidential within NSW Government agencies.

### 4 Assessment of applications

The agency will assess applications against the criteria in the expression of interest document. Particular attention will be given in assessments to recent demonstrated performance by the applicant and/or its personnel in the relevant categories of work.

The agency may engage independent assessors to prepare reports as part of the overall assessment, including financial assessment. Applicants may be required to submit authorities to enable the assessments to be undertaken.

Assessment for prequalification will be based on the information provided with the application and other sources. Records of the applicant's performance with other NSW Government agencies may also be considered.

The agency may also assess whether the applicant has the financial capacity to undertake the specified work.

Service providers may be required to maintain insurance cover for professional indemnity, public liability and workers compensation to amounts specified. Additional cover may be required for specific contracts.

Applicants will receive written notice of the outcome of their prequalification application. An opportunity for a debrief will be provided to unsuccessful applicants.

Incomplete and/or inaccurate applications may be rejected.

## **5 Renewal of prequalification**

The list of prequalified service providers remains valid for the life of the prequalification scheme. The agency may review its future requirements for the scheme and advise the prequalified service providers of the outcome.

## **6 Performance monitoring**

The agency may keep records of the service provider's performance on each contract in accordance with the provisions in the following documents:

- [NSW Government's Consultant Performance Reporting and Exchange of Reports between Government Agencies Guidelines](#)
- [NSW Government's Contractor Performance Reporting and Exchange of Reports between Government Agencies Guidelines](#)

## **7 Change of prequalification status**

The agency may at its absolute discretion restrict or withdraw the service provider's prequalification status where the agency considers a prequalified service provider:

- breaches any of these conditions;
- performs work for any client in an unsatisfactory manner; or
- suffers an adverse change in its capacity to undertake work in a specified category.

The service provider will initially be advised of what has prompted the proposed action and will be given an opportunity to show cause why it should not have its prequalification status restricted or withdrawn.

Prequalified service providers may apply for a change in the limits of their prequalification status at any stage during the life of the scheme.

## **8 Publicity**

Prequalified firms are not to advertise, promote or publish in any form their prequalification status without the written consent of the agency.

The agency may publish the names and status of its prequalified service providers.

## **9 Group and associated companies**

Prequalification of a service provider does not extend to:

- its parent/holding company or trust;
- subsidiary organisations owned or controlled by the service provider;
- related companies within a group; or
- eligible legal entities in a joint venture or business partnership.

Any such organisation must apply for prequalification in its own right.

## **10 Changes to service provider**

Service providers are required to advise the agency immediately of any substantial change in their financial capacity, operational capacity including key resources and directors, or a change in ownership or legal status.

## **11 Disclaimer**

The decision to approve or reject with or without conditions any application for prequalification, or to change a service provider's prequalification status, is at the absolute discretion of the agency. The agency shall not be held liable for any costs or damage incurred by the applicant or prequalified service provider in the exercise of such discretion.

## **12 Applicant's acknowledgment**

In applying for prequalification the applicant is deemed to have accepted these conditions. These conditions may be varied by notice from time to time.

Note: Agencies should add any agency-specific requirements not included above.