

# Appointing a project manager

1st edition, guidance note



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RICS guidance note, UK

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**Lead author:**

- Thurstan Ollerearnshaw

**Project Management Board:**

- **Chair:** Anne McCann
- Andrew McSmythurs
- Andrew Underwood
- Chris Soffe
- Darren Talbot
- David Reynolds
- Don Hyslop
- Lex Blakeley-Glover
- Martin Woods
- Matt Wilderspin
- Neil Read
- Richard Schofield
- Richard Vaughan
- Sandro Schembri
- Stuart Togwell
- Timothy Fry
- Alan Muse (RICS, Director of Built Environment Professional Groups)

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This is a guidance note. Where recommendations are made for specific professional tasks, these are intended to represent 'best practice', i.e. recommendations which in the opinion of RICS meet a high standard of professional competence.

Although members are not required to follow the recommendations contained in the note, they should take into account the following points.

When an allegation of professional negligence is made against a surveyor, a court or tribunal may take account of the contents of any relevant guidance notes published by RICS in deciding whether or not the member had acted with reasonable competence.

In the opinion of RICS, a member conforming to the practices recommended in this note should have at least a partial defence to an allegation of negligence if they have followed those practices. However, members have the responsibility of deciding when it is inappropriate to follow the guidance.

It is for each member to decide on the appropriate procedure to follow in any professional task. However, where members do not comply with the practice recommended in this note, they should do so only for a good reason. In the event of a legal dispute, a court or tribunal may require them to explain why they decided not to adopt the recommended practice. Also, if members have not followed this guidance, and their actions are questioned in an RICS disciplinary case, they will be asked to explain the actions they did take and this may be taken into account by the Panel.

In addition, guidance notes are relevant to professional competence in that each member should be up to date and should have knowledge of guidance notes within a reasonable time of their coming into effect.

This guidance note is believed to reflect case law and legislation applicable at its date of publication. It is the member's responsibility to establish if any changes in case law or legislation after the publication date have an impact on the guidance or information in this document.

## Document status defined

RICS produces a range of standards products. These have been defined in the table below. This document is a guidance note.

| Type of document            | Definition  | Status  |
|-----------------------------|---|---|
| <b>Standard</b>             |   |   |
| International Standard      | An international high level principle based standard developed in collaboration with other relevant bodies  | Mandatory   |
| <b>Practice Statement</b>   |   |   |
| RICS practice statement     | Document that provides members with mandatory requirements under Rule 4 of the Rules of Conduct for members   | Mandatory   |
| <b>Guidance</b>             |   |   |
| RICS Code of Practice       | Document approved by RICS, and endorsed by another professional body / stakeholder that provides users with recommendations for accepted good practice as followed by conscientious practitioners | Mandatory or recommended good practice (will be confirmed in the document itself) |
| RICS Guidance Note (GN)     | Document that provides users with recommendations for accepted good practice as followed by competent and conscientious practitioners   | Recommended good practice   |
| RICS Information Paper (IP) | Practice based information that provides users with the latest information and/or research  | Information and/or explanatory commentary   |

# Glossary

In this guidance note, the following terms and expressions are used, with the following meanings:

|  |   |
|--|---|
| <b>project manager (PM)</b>                  | The person, practice or employee appointed by an employer to lead and manage the project and be accountable to the project sponsor or project board for its successful completion.  |
| <b>building contract</b>                     | The contract between the employer and contractor, whether or not in writing or in a standard form. This guidance note refers to standard forms published by JCT, FIDIC and NEC (see Appendix A for details).  |
| <b>chartered project management surveyor</b> | Individuals who have successfully completed the RICS' project management assessment of professional competence are permitted to use the term chartered project management surveyor.   |
| <b>contract administrator (CA)</b>           | The person or practice appointed by an employer to administer the contract between the employer and the contractor (this role may be undertaken by the project manager). See the RICS guidance note <i>Contract administration</i> for more detail.                                     |
| <b>contractor</b>                            | The building contractor engaged by the employer to undertake construction works and operations on behalf of the employer.   |
| <b>designer</b>                              | The person(s) or practice(s) employed to design the works being undertaken by the contractor. This may be for building works, the structure, mechanical and electrical services, etc. and can include the contractor or sub-contractors where appropriate contract provisions are used. |
| <b>development manager</b>                   | The person or practice appointed to manage the development process. See the RICS guidance note <i>Development management</i> for more detail.   |
| <b>employer (client)</b>                     | The person or organisation engaging the project manager (and others) and contracting with the contractor. The term 'client' is often substituted when describing contracts with professional advisors or consultants.   |
| <b>employers agent (EA)</b>                  | For the purposes of this guidance note the role is as defined in the JCT Design and Build Contract and is different to the CA as the obligation is to act exclusively for the employer.   |
| <b>pre-commencement</b>                      | The period of a project between creation of the building contract, when the contract administrator will have been appointed, but before the contract works have commenced on site.  |
| <b>pre-contract</b>                          | The period of the project before the building contract has been entered into by the employer.   |
| <b>project</b>                               | An undertaking to achieve a specified objective, usually defined in terms of technical performance (scope), cost (budget) and time (programme or schedule). Projects are characterised as being unique and having a defined start and end.  |
| <b>project monitor</b>                       | The person or practice employed to protect a client's interests by identifying and advising on the risks associated with acquiring an interest in a development that is not under the client's direct control. See the RICS guidance note <i>Project monitoring</i> for more detail.    |
| <b>project sponsor</b>                       | The person who authorises the project and makes executive decisions that are outside the project manager's authority.   |
| <b>surveyor</b>                              | An individual or organisation that is governed by RICS Rules of Conduct.  |



# 1 Introduction

## 1.1 Aims

The aim of this publication is to provide practical advice and guidance to individuals and organisations involved in the commissioning or procurement of project management services as well as RICS members in England and Wales undertaking the role of project manager in relation to building works contracts. The principles outlined in the guidance may be applied in a wider geographical context providing that appropriate consideration is given to local differences in legislative and regulatory requirements.

The role of the project manager covers a wide range of possible services and projects from the smallest residential scheme through to larger infrastructure projects. The responsibilities of the project manager will be defined initially by the professional appointment under which they are employed and then by the form of building contract used for the works.

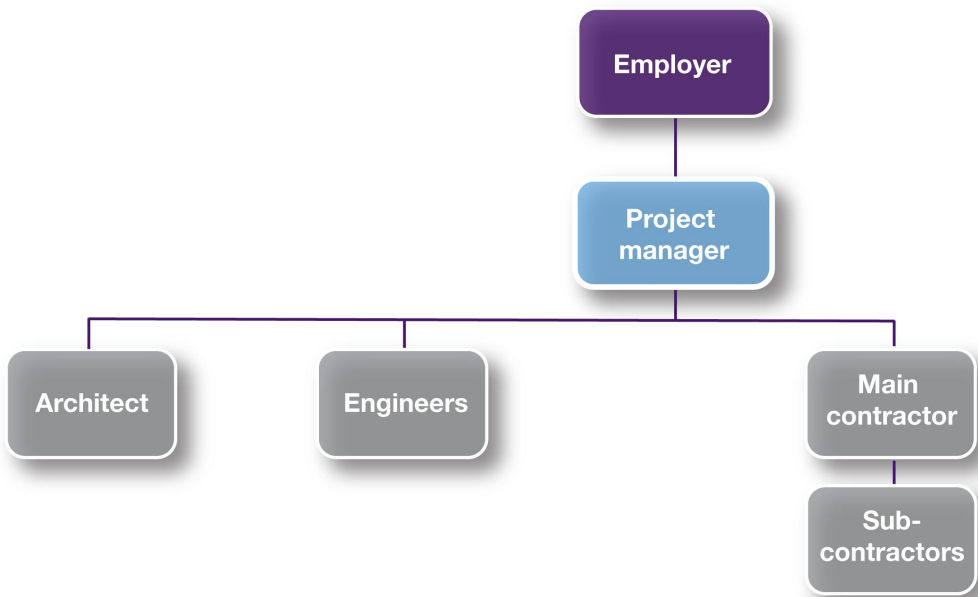
This is indicated in **Figure 1** (overleaf) in a project that shows the project manager sitting between the employer and the design team consultants and the contractor with executive authority to instruct them. This is not to be confused with the contractual links between the parties which are shown in the lower part of the diagram.

While the majority of surveyors only deal with small to medium sized contracts, the appointment of a project manager is more likely on medium to larger sized projects, so this guidance note will concentrate on the role of project manager in that context. The principles set out in this guidance note apply where both standard and non standard forms of contract are used, and are particularly relevant for larger projects. The National Audit Office identified in their 2001 report 'Modernising Construction' that poor project management was a contributor to the delivery of projects late or over budget. The corollary being that good project management contributes to more successful projects, especially where the roles and responsibilities of the project manager are clearly defined.

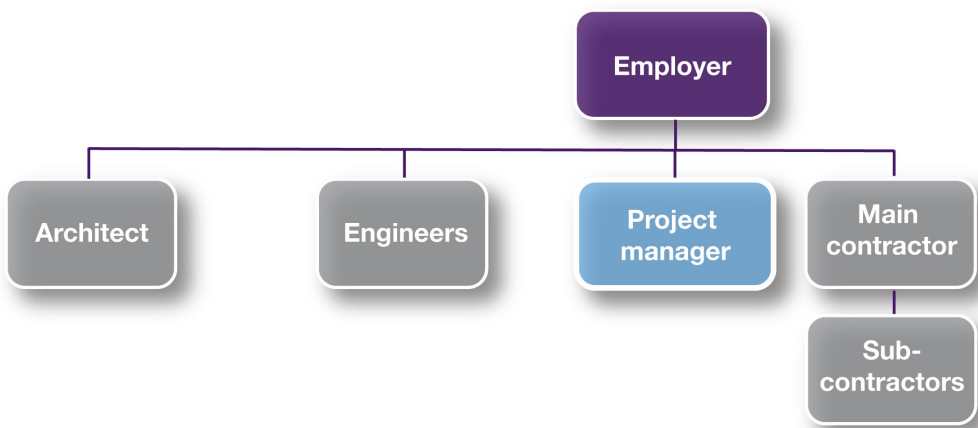
On this basis it should be noted that this guidance note will distinguish between the roles of project manager, employers' agent and contract administrator. It does not deal specifically with the responsibilities of employers' agents under design and build arrangements, where the responsibility is to act exclusively in the interests of the employer, albeit with honesty and integrity.

Figure 1: Project manager's role

A Lines of authority



B Typical contractual relationships



## 1.2 Project management and the project manager

The term 'project manager' is in wide use in building and infrastructure projects and occurs at many levels of the supply chain. This guidance deals with the project manager appointed by the employer to occupy a lead role in the development process with the responsibility for driving successful completion of the project and occupying the space between the employer and the building contract, design team and other consultants employed on the project.

The project manager role often includes management of the design and administration of the various design team appointments in addition to administration of the construction contract held by the employer, in which case, reference should be made to the RICS guidance notes *Managing the design delivery* and *Contract administration*.

In order to understand the role of the project manager it is necessary to consider what is meant by project management. As projects are used by business as the most efficient method for introducing change and are the method by

which strategic plans are achieved there is clearly a need for a leadership and management role.

Project management should be distinguished from project/construction monitoring and development management (though there may be overlaps with the latter) and a useful definition may be found in BS 6079 Part 2 (2000):

Planning, monitoring and control of all aspects of a project and the motivation of all those involved in it to achieve the project objectives on time and to the specified cost quality and performance.

In BS ISO 21500 (2012) the definition has been developed to describe a more process oriented approach:

The application of methods, tools, techniques and competencies to a project. Project management includes the integration of the various phases of the project life cycle.

Other definitions are available, all of which highlight the transient nature of projects; they have definite start and finish points, and are unique in terms of processes, outputs or deliverables. Project management is therefore concerned with defining what has to be accomplished, which is usually expressed in terms of technical performance (scope of works, which may include quality criteria, safety requirements, environmental considerations in addition to the technical performance criteria of the works), cost (budget) and time (programme or schedule). In simple terms project management does this by:

- planning what needs to be done
- implementing the plans
- monitoring and controlling the project work; and
- risk management.

The project manager leads and directs the project participants.

He or she is accountable to the project sponsor for the project's successful completion (delivering the requirements on time and below budget).

For the purposes of this guidance note a project manager is the person who is given responsibility for introducing change and is accountable to the project sponsor or project board for its successful accomplishment. The role of a project manager is therefore to lead and motivate the project participants to finish on time, within budget and to meet the requirements. This should result in satisfied clients.

Typically, building and infrastructure projects involve several professional disciplines working together, or in sequence, with project management spanning all to lead and direct them.

Historically, the role of project management has been undertaken by several possible professions, with engineers often carrying it out on major engineering projects and building surveyors, quantity surveyors and project management surveyors undertaking it on more traditional building works projects.

It is important that surveyors act within the limits of their qualification, knowledge and training and an appropriate qualification in project management, either educational or professional is recommended. Where doubt or uncertainty exists, a check with professional indemnity insurers is strongly recommended.

## 2 Roles and responsibilities

### 2.1 The role of the project manager

Typically a project manager will be appointed at the outset of a project to assist the client in developing the project brief and then selecting, appointing and coordinating the project team. The project manager will usually represent the client throughout the full development process, managing the inputs from the client, consultants, contractors and other stakeholders.

Project managers require a combination of technical competence and business acumen. Leadership and communication skills, motivational/'soft' skills and risk management expertise are commonly considered essential to be an effective project manager.

The activities undertaken by the project manager typically include:

- identifying needs and developing the client brief
- leading and managing project teams
- identifying and managing project risks
- establishing communication and management protocols
- managing the feasibility and strategy stages
- establishing the project budget and project programme
- coordinating legal and other regulatory consents
- advising the selection/appointment of the project team
- managing the integration and flow of design information
- managing the preparation of design and construction programmes/schedules and critical path networks
- advising on alternative procurement strategies
- advising on risk management strategy
- conducting tender evaluation and contractor selection
- establishing time, cost, quality and function control benchmarks
- controlling, monitoring and reporting on project progress; and
- administering consultant appointments and construction contracts).

A project manager may also be required to engage with various stakeholder departments within the client organisation such as user groups, facilities management, IT, security, catering, HR, legal, finance, etc. and obtain their requirements as well as undertaking a more wider external stakeholder engagement and management role. A selection of typical interfaces that the Project Manager may have to deal with during the course of a project are indicated in **Figure 2** (p. 8).

Where a project manager is also required to undertake the role of employers' agent (EA) under design and build contracts, or the role of the engineer under FIDIC forms, they should pay careful attention to understanding the situations where they may act in a partisan manner on behalf of the client, complying with his or her instructions and exercising little or no discretion and where they must act impartially between the client and the contractor.

This issue has been blurred by recent court judgments where the EA was also undertaking a certifying role that has a duty to act impartially between the parties. This is similar to the role of the engineer in the FIDIC Red and Yellow Books where fair determinations have to be made. It is important therefore that project managers undertaking such roles keep up to date with changes in legislation or the results of cases, to ensure that they are aware of their responsibilities.

When acting as employers' agent a project manager should understand the requirements in relation to the role they are undertaking and always act within the terms of their authority to avoid conflicts of interest and dispute.

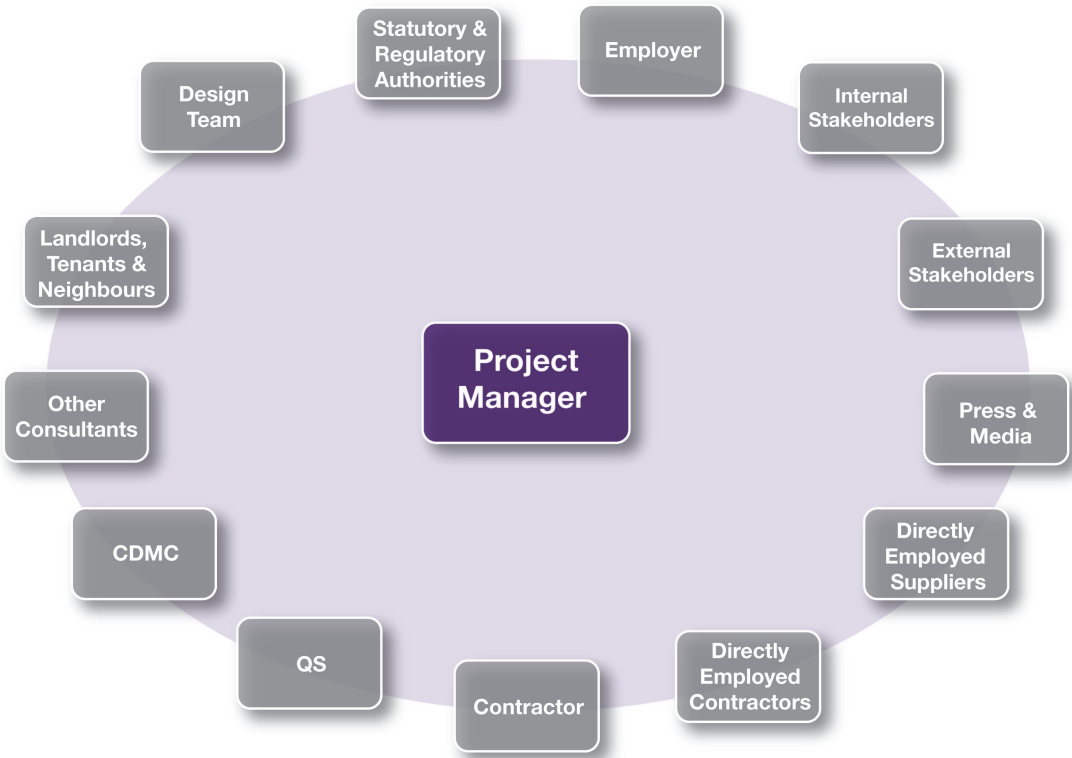
## 2.2 Project managers as strategic advisors

First-time clients and those that only occasionally have contact with the construction industry may often need advice in the early stages of projects, but the ongoing cost of a full-time project manager on smaller projects may outweigh the benefits it brings. In these circumstances a reduced scope of service concentrating on the important strategic aspects associated with projects and tailored to provide value for money may be considered. The resultant strategic project management advisor role should concentrate on helping to define and establish the processes and procedures that are necessary to ensure that the project proceeds and is completed as planned. The required processes and procedures may be recorded in a Project Execution Plan.

Typical elements of this role may include:

- advising on methods by which to engage with the construction industry (procurement of design and construction)
- establishing an overall development programme with intermediate milestones for key activities for procurement, design and construction. This may also include an indication of key interfaces and constraints, such as planning permission
- the definition and development of client organisation structure
- identification of key stakeholders and managing their input (e.g. FM, security, IT, etc.)
- advising on statutory requirements, such as planning permission and how to obtain it
- assisting with strategic decision making and in the development of the project brief and a project execution plan
- reviewing and commenting on emerging design proposals to identify if they remain consistent with the project brief; and
- assisting in the handover process at completion.

Figure 2: Project management interfaces



## 2.3 Portfolio, programme and project management

Recent developments in terminology have included portfolio management and programme management which should not be confused with project management. As with many other emerging practices the definitions differ between organisations and continues to develop as the terminology is refined. The accepted hierarchy is (top down) Portfolio, Programme, Project.

It is not the intention of this guidance note to provide detailed explanations of portfolio and programme management. Current differentiation is:

- **Portfolio** is used to describe the total investment by an organisation in programmes and projects that are being used to bring about the change required to achieve its strategic business objectives. Portfolio management is concerned with the overall strategy and processes used to manage and coordinate those programmes and projects aimed at balancing organisational change with ongoing 'business as usual' activities.
- **Programme management** is more concerned with outcomes or strategic benefits, whereas project management concentrates on defined outputs or one-off deliverables. Programmes comprise groups of related but independent projects necessary to bring about strategic change, whereas portfolios comprise unrelated projects in an organisation or department that share funding and resources.

# 3 Appointing a project manager

This section provides a summary of the main points that the client and the project manager should consider during the appointment process.

## 3.1 Qualities to look for when selecting a project manager

Project management is mainly concerned with people, so when selecting a firm or practice RICS recommends that the client carries out sufficient investigation to establish that the proposed project manager has the right qualities for the project in question.

The qualities required of a project management surveyor can be summarised as:

- possessing the knowledge, ability and skill to understand the scope of the role to be undertaken and knowing how to apply them, including project management terminology, techniques and processes
- having the presence and authority to be a natural leader of the team, to be inspirational and able to communicate to the other project participants the vision and goals to be achieved
- acting in a manner that is consistent with the terms of their appointment, e.g. where required, acting in an independent, impartial and fair way when making decisions, but acting on behalf of the client at other times
- being a good communicator at various levels within the project organisation; and
- remaining calm under pressure, able to resolve difficult situations in a timely manner and having good team building and problem solving skills.

Examples of the knowledge and skills required of a project manager can be summarised as follows:

- having in-depth knowledge of design, construction and the relationship between trades and construction operations, so that the changes and the impact of the changes can be traced and understood
- demonstrating the ability to establish and maintain appropriate project procedures and record keeping commensurate with the scale and nature of the building contract and the works
- having an awareness of, and where necessary being conversant with, the different types of critical path and project programming techniques; and
- having a good understanding of risk and being able to identify and analyse project risks to understand where prudent risk taking is acceptable whilst avoiding acting recklessly or taking an unnecessarily risky approach.

RICS recommends that clients select project managers possessing an appropriate educational or professional qualification in project management. The competency of project managers entitled to use the designation chartered project management surveyor (CPMS) will have been assessed and they will have been judged to have achieved the level required to operate in that capacity. The advantages of using a CPMS are outlined in the following section.

## 3.2 Advantages of appointing a chartered project management surveyor

Project management surveyors are responsible for coordinating the entire development process to maximise efficiency, economy, communication and successful completion of each specific project. Their work involves



technical competence, professional expertise, leadership skills, human resources and risk management.

Chartered project management surveyors can (and do) add value to the development equation through their unique blend of construction knowledge, professional and people skills.

For example, at concept design stage they can provide strategic advice on schematic development plans; at detailed design stage they can advise on the programme and procurement options for alternative design solutions; and during the construction phase they can motivate the design and construction team to deliver completion of the construction contract on time and within budget. The peace of mind that this gives construction clients should not be underestimated.

While some chartered project management surveyors take a generalist approach, others choose to specialise. Clients, therefore, can select the most appropriate professional for the job in hand – a generalist, perhaps, to oversee a small project or house extension or a specialist in the health sector for a large hospital building programme. Whether a client chooses a generalist or specialist, the quality of service should not change. Chartered project management surveyors are expected to provide a consistently high level of service on all types of project throughout their professional life.

The benefits to clients of using a chartered project management surveyor are numerous and typically include all of the following:

- added value design solutions that optimise programme and procurement opportunities
- increased certainty that building will be completed on time and within budget, delivered through co-ordinated and collaborative teamwork
- increased confidence that the surveyor has acquired the skills and expertise required to deliver the service required (see note below)
- confidence that the surveyor has adequate professional indemnity insurance
- access to an independent complaints handling procedure.

‘Chartered’ is the mark that shows a surveyor has achieved the ‘gold standard’ of professional competence.

A chartered project management surveyor will have been assessed by a peer group of experienced professionals and judged to have the blend of commercial and interpersonal skills required to operate at the highest level in today’s development and construction markets.

Note: the professional competence of chartered surveyors will have been formally assessed and judged to be satisfactory.

Chartered project management surveyors will be assessed on their ability to provide reasoned advice on the professional competencies of contract practice, managing people, procurement & tendering, programming & planning. They will also have been tested on their ability to apply their knowledge in the professional competencies of construction technology, leadership, project administration, project processes & procedures, risk management, commercial/cost management, as well as audit, appraisal and evaluation of projects.

### 3.3 Evaluating proposals for project management services

Successive studies in the public sector have highlighted that the traditional method of awarding contracts on the basis of lowest price is flawed, as the final price paid is often significantly more than the initial proposal. Experience has also shown that lowest price does not necessarily represent value for money.

When a client appoints a project manager, it is recommended that the potential added value that the service and individuals can bring to the project should be the key driver behind the appointment decision. An appointment based solely on the basis of lowest price may not provide the best value solution. In practice, an experienced project manager appointed in the right way, has the potential to add value to the project that will exceed the cost of any fees charged.



### A word of caution

There is hardly anything in the world today that some man cannot make just a little worse and sell a little cheaper. The people who buy on price alone are this man's lawful prey.

John Ruskin (1819–1900)

It is recommended that a 'Best Value' process is adopted, i.e. one that will result in the selection of the most suitable person or firm to provide the defined scope of services for the best overall value for money for the client. In the *Public Contracts Regulations 2006* 'value for money' is described in section 30 as 'the offer that is most economically advantageous from the point of view of the contracting authority'.

The criteria that can be used to assess 'Best Value' include:

- Price (and rates)
- Quality
- Technical merit
- Aesthetic and functional characteristics
- Environmental characteristics
- Running or operating costs
- Cost effectiveness
- After sales service
- Technical assistance available
- Periods for delivery and completion, and completion date.

To establish the best value proposal, a process should be adopted that follows a predetermined evaluation methodology that is objective and provides a clear and auditable record of the appointment process. This is of particular importance in the public sector.

A procedure that strikes an appropriate balance between price and quality is described in Appendix C together with a table of typical criteria that would be used to evaluate proposals for project management services. Such procedures meet the requirements of clients who need to demonstrate financial

accountability while maintaining competition and ensuring that proper account is taken of the need for quality.

The method of quality evaluation should be visibly open and free from favouritism, influence or inconsistency. Using such a method will guard against both excessively high and abnormally low costs and will achieve a goal of quality tempered by price.

The procedure involves separate assessments of price and quality. The balance between price and quality is established and expressed as a percentage for each before proposals are sought.

Technical proposals are assessed against a set of predetermined criteria, each of which is assigned a weighting of relative importance. Typical criteria that may be used to assess quality and indicative weightings are shown in Appendix C together with an explanation of the procedure for establishing which proposal offers best value for money.

Alternative procedures are available that include:

- Lowest price that meets the quality threshold. The assessment of proposals is undertaken in two stages. In stage 1 the technical proposals are evaluated against predetermined and weighted criteria. A threshold is established that proposals must achieve in order to progress to the second stage. At the second stage the lowest price is then awarded the contract.
- Best Affordable Proposal. The technical proposals are evaluated against predetermined and weighted criteria. The priced proposal from the firm that was judged to have provided the best technical proposal is opened and if found to be acceptable (within budget) then that firm is awarded the contract. The remaining priced proposals are returned unopened.

Selection of the method of evaluation is important as it should aim to avoid abnormally

low bids and seek to identify the proposal that offers the best balance between cost and quality.

## 3.4 Types of contract for consultant project manager appointment

Contracts available for appointing a consultant project manager may be summarised under four generic types

- Lump Sum
- Time based
- Target
- Term/Framework

### 3.4.1 Lump sum contract

Lump sum pricing is suitable for well defined and straightforward projects that are relatively simple. A single lump sum or a schedule of prices is used to define the amount to be paid to the project manager. Alternatively a percentage may be used to establish the amount payable.

When using a percentage it is important to define and agree what the percentage will be applied to, e.g. the approved budget, the accepted tender for the construction contract or the final cost of the works.

The inclusion of milestones or activities into which the lump sum is divided for management and payment purposes is recommended. Alternatively period payments may be considered in which case it is important for both the employer and the project manager to agree on what is to be done and what resource provided in the period.

As the complexity of the project increases the use of percentage of construction cost becomes less reliable. In such cases other methods may be more appropriate.

### 3.4.2 Time based (reimbursable) contract

The price for the services is calculated multiplying the time spent by the applicable rate for the resource used. Other elements

such as use of offices, travelling and other expenses may also be included as reimbursable elements.

Incentivisation models may be considered in which overheads and profit elements of the fee are fixed for the project and are not adjusted for changes in the time charge (e.g. overheads and profit are based on an initial estimate of the time charge but are not increased when the actual time charge exceeds the budget. This incentivises the consultant to keep within forecast levels of time charge).

When considering the use of a reimbursable method attention should be paid to budgeting and forecasting to ensure that the client fully understands their commitments. The use of a priced resource schedule is particularly useful and is highly recommended as it will clearly show the anticipated total, as well as the cash flow during the course of the appointment. Regular updates can be used to check that there is no significant difference between planned and actual resources or expenditure and to predict the final cost of the services at completion. The use of earned value techniques are particularly useful in measuring progress and providing estimates of both the cost and time at completion.

It is also worth considering the use of an 'upset limit' that acts as a ceiling which the reimbursable charge will not exceed without prior written agreement or authority.

### 3.4.3 Target contracts

Target contracts introduce another method of incentivising the project manager by sharing the difference between the actual amount and the target whether it is a saving or an excess. This type of arrangement is used by the NEC in the Target contract option of their Professional Services Contract.

The amount payable is generally calculated by the application of the applicable rates to the time spent, the total of which is compared to the target. The difference may split between the parties on an equal or unequal basis, or a sliding scale can be used.

### 3.4.4 Term contracts & frameworks

These are arrangements that allow services to be called off on an 'if and when' or 'as and

when required' basis with the rates and method of calculating the fee established along with contract terms.

### 3.4.5 Fixed price verses fluctuating

Traditionally fees have been calculated on the basis of annual increases to reflect the annual increases in salaries paid to employees. As the economic climate has changed there has been a tendency towards rates and prices being fixed for the period of the contract. Whilst this is acceptable for many smaller short term appointments difficulties emerge on larger projects that span many years.

RICS recommends that where projects are likely to extend over a long period of time indexation provisions are included so that the Fee, or part of it, increases in line with an inflation index. In circumstances where rates of inflation and interest are low the period could be extended but care should be exercised when rates start to increase. Currently RICS recommends that rates and prices should be fixed for no more that four years and that an annual review in line with an appropriate index is preferable.

## 3.5 Recording the appointment

Members of RICS are obliged to record the terms of their appointments in writing. In practice, many clients have their own bespoke standard terms and conditions for the appointment of project managers and there are a number of published forms available.

RICS has published Standard and Short Forms of Consultant's Appointment to facilitate the need for written terms of appointment. Other forms are also available, a summary of commonly used standard published forms is included in Appendix B.

The project manager is advised to consider the apportionment of risk between them and the client. The aim should be to achieve a balance between risk and liability. Using standard forms with a balanced default position should help negotiations and avoid the need for numerous

specially written bespoke clauses or amendments, which can often render appointments difficult to understand. Care should be taken when agreeing limits of liability and members are advised to check with their insurers.

Any agreement between client and project manager should include the following key elements:

- the parties to the appointment
- start and completion dates
- applicable law
- the services to be performed (which may be split between basic services and additional services – see section 4.1)
- general obligations (including standards to be exercised)
- provision for instructions and changes
- health and safety, statutory requirements and prohibited materials (if applicable)
- design responsibility (if applicable)
- limitation on liability
- collateral warranties and rights of third parties
- key (and other) personnel
- client obligations
- payment (amounts and periods)
- authority levels
- insurances
- copyright and confidentiality
- assignment, transfer of rights and obligations
- subcontracting
- suspension and termination
- execution of the agreed contract terms
- dispute resolution; and
- notices.

Further explanation of these points can be found in the Explanatory Notes accompanying the *Standard and Short Forms of Consultant's Appointment* published by RICS.

The RICS standard form can be used for the majority of the different services that RICS members provide, including project management. The Appointment is structured to

allow easy completion and quick reference with language in the present tense stating what each party agrees to do. Complex sentences and subclauses have been avoided.

Detailed consideration has been given to the apportionment of risk between the client and the consultant and a balanced position established in the default clauses.

The Appointment contains flexible remuneration provisions by allowing the fee to be a lump sum, a percentage of construction cost or by reference to some other mechanism agreed to by the parties.

Provision is made for defining the services to be provided with a schedule of services that can be ticked to indicate those that are Basic Services (the remainder being described as Additional Services). The following section deals with scopes of services in more detail.

It should be noted that the RICS standard forms are only suitable for use in England and Wales.

When the initial enquiry is received, a project manager is advised to check that they have the capability to deliver the service prior to the written execution of any formal appointment. If a project manager is not competent to provide the full range of services required, or is unable to provide sufficient resources to fulfil the brief, they should advise the client accordingly. In such circumstances a project manager may appoint a specialist sub-consultant or the client may appoint this specialist directly. If a project manager makes the appointment they will need to ensure that appropriate professional indemnity insurance is in place, as required by the regulations of RICS and consider the need for collateral warranties in favour of the client.

### **Execution method**

The parties must decide on the method of executing the Appointment as this will have legal implications.

The limitation of Liability of Appointments executed as a deed is extended to 12 years whereas the period is only 6 years for appointments executed under hand.

The precise form of the attestations may be dictated by the status of the contracting

parties. For example it may be necessary for all partners to sign when a partnership executes the agreement as a Deed. Wherever doubt or uncertainty exists legal advice must be sought.

## **3.6 Scope of services**

An important part of the written appointment of the project manager is the schedule of duties or scope of services to be provided. For all project manager appointments, the client and the project manager are advised to review the range of services that are available and agree upon a definitive list.

This is equally important where clients have 'standard' scopes of services, as these may benefit from greater clarity and project specific services. Some of the standard forms of appointment include scopes of service, often providing the option for basic and additional services.

The use of standard schedules of services is useful, especially where it is co-ordinated with the design and other roles on the project. This aids clarity for each of the participants, which improves their understanding of their role, and the roles of others as well as providing a visible demonstration of the interdependencies and interrelationships between tasks which in turn should lead to a reduction in risk. Sources of scopes of service and the standard forms to which they relate are listed in Appendix B.

Most project managers are likely to use a project management methodology to deliver their services or to work to an overall plan (e.g. RIBA Plan of Work). The scopes of services and the project management methodology should be complimentary to each other with a clear recognition of:

- the stages and gates required by the client or proposed by the project manager
- the levels of authority vested in the project manager and the approvals reserved by the client
- the instructing authority under consultant's appointments and the building contract; and
- communication routes between the various parties (client, contractor, consultants and project manager).

There is a variety of methodologies for the development process that use different terminology and include different stages. It is important that the scope of service is checked to be consistent with the stages, recognising that even if the client doesn't have any fixed methodology one may be introduced by the design team if they work to the RIBA Plan of Work. A comparison of some of the common methodologies is included in Appendix D.

## 4 Other issues

### 4.1 Project manager and design roles

Typically, in UK construction contracts such as JCT and NEC, a surveyor's appointment with the client is unlikely to include the roles of both designer and project manager. Surveyors should be aware that there is a clear distinction between the two.

The distinction will be more obvious where others are appointed by the employer, such as architects and structural or services engineers. In such cases, the project manager may need to ensure at an early stage that appointments of the other members of the professional team for the works are, or will be, put in place and that those appointments are co-ordinated with each other to provide support to the CA (whether that is the project manager or one of the other consultants) in the administration of the contract. This support will involve:

- undertaking any necessary design changes
- advising on any particular programme and sequence of work implications
- advising on any costs in relation to their field of expertise
- production of sufficient design documentation or the employers' obligations under the particular building contract
- inspecting the works to ensure the design/specification is met by the contractor and advising the CA of any implications where not met
- preparing documents sufficient for the CA to issue instructions under the building contract; and
- in the case of the CDM co-ordinator, advising on the adequacy of information provided for the health and safety file.

If the appointment of the project manager includes responsibility for design, a check with PI insurers is recommended.

### 4.2 Project manager as an employee

There are occasions where the project manager may be the employee of the employer under the building contract; for example, where the organisation has an in-house design, property or estates department. In such circumstances it is important to be mindful of:

- how independent they can be in their role as defined in the contract
- conflicts arising from their terms of employment
- the employee having the appropriate level of authority within the organisation that allows them to make determinations required under the contract, and
- insurance which may be required for any personal liability that may arise; and
- issues associated with chartered surveyors in employment in the public sector and the need to avoid providing advice to third parties without appropriate safeguards being in place.



# Appendix A: Schedule of JCT, NEC and FIDIC Contracts showing terms used for the entity that administers the Conditions

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| Contract Title   | Reference      | Title of entity administering the Conditions  |
|--|----------------|---|
| <b>JCT 2011 Suite of Construction Contracts</b>                                  |                |   |
| Standard Building Contract with Quantities                                       | SBC/Q          | Architect/Contract Administrator (and Quantity Surveyor)  |
| Standard Building Contract without Quantities                                    | SBC/XQ         | Architect/Contract Administrator (and Quantity Surveyor)  |
| Standard Building Contract with Approximate Quantities                           | SBC/AQ         | Architect/Contract Administrator (and Quantity Surveyor)  |
| Intermediate Building Contract   | IC             | Architect/Contract Administrator (and Quantity Surveyor)  |
| Intermediate Building Contract with contractors design                           | ICD            | Architect/Contract Administrator (and Quantity Surveyor)  |
| Prime Cost Building Contract   | PCC            | Architect/Contract Administrator (and Quantity Surveyor)  |
| Minor Works Building Contract  | MW             | Architect/Contract Administrator  |
| Minor Works Building Contract with contractors design                            | MWD            | Architect/Contract Administrator (and Quantity Surveyor)  |
| Repair and Maintenance Contract (Commercial)                                     | RM             | No independent contract administrator envisaged   |
| Measured Term Contract   | MTC            | Contract Administrator  |
| Major Project Construction Contract  | MP             | Employers Representative  |
| Design and Build Contract  | DB             | Employers Agent   |
| Management Building Contract   | MC             | Architect/Contract Administrator (for the MC Agreement); (the MC manages for a fee and employs the Works Contractors) |
| Construction Management Trade Contract (and Construction Management Appointment) | CM/TC and CM/A | The Construction Manager administers the construction agreements between the Trade Contractors and the Employer       |

| Contract Title                                   | Reference      | Title of entity administering the Conditions |
|--|----------------|--|
| <b>NEC Suite of Contracts</b>                    |                |  |
| NEC3 Engineering and Construction Contract       | ECC (see Note) | Project Manager                              |
| NEC3 Engineering and Construction Short Contract | ECSC           | Project Manager                              |
| <b>FIDIC Suite of Contracts</b>                  |                |  |
| Construction Contract                            | Red Book       | Engineer                                     |
| Short Form of Contract                           | Green Book     | Employers Representative                     |
| EPC/Turnkey Contract                             | Silver Book    | Employers Representative                     |
| Plant & Design Build Contract                    | Yellow Book    | Engineer                                     |
| Design Build Operate                             | Gold Book      | Employers Representative                     |

**Note:** NEC is a shell contract that utilises options to establish the type of contract. Options include:

- Option A – priced contract with Activity Schedule
- Option B – priced contract with Bill of Quantities
- Option C – Target contract with Activity Schedule
- Option D – Target contract with Bill of Quantities
- Option E – Cost Reimbursable contract
- Option F – Management Contract



## Appendix B: Summary of common standard forms of appointment

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The more common standard forms of appointment are listed in the table below, with an indication of which have published scopes of service for the project manager and those with scopes of service for other disciplines.

| Publisher     | Title  | Scope of service for pm | Scopes of service for other disciplines | Comment  |
|---------------|--|-------------------------|---|--|
| RICS          | Standard and Short Forms                                     | Yes                     | Yes (BS, CDMC, EA. Project monitor, QS) | Integrated scopes of service for listed disciplines, excluding designers   |
| APM           | Standard terms for the Appointment of a Project Manager      | Yes                     | No                                      | Alternative scopes for manufacturing and construction projects   |
| NEC           | Professional Services Contract                               | No                      | No                                      | Scope of service is defined by the participants  |
| FIDIC         | Client/Consultant Model Services Agreement                   | No                      | No                                      | Scope of service is defined by the participants  |
| CIC           | Consultants Contract Conditions (2007)                       | Yes                     | Yes                                     | This form uses client representative, project lead and design lead in addition to an integrated suite of services for the design roles |
| Public Sector | GC/Works/5 General Conditions for Appointment of Consultants | Yes                     | Yes                                     | Integrated suite of scopes of service covering the majority of disciplines on a construction project                                   |

# Appendix C: Typical quality criteria for assessing consultant project management proposals

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| Criteria             | Key elements to assess   | Typical weighting |
|----------------------|--|-------------------|
| People               | Key personnel (qualifications and experience relative to proposed role)<br>Other personnel (qualifications & experience; % allocation to project)                                | 30% to 40%        |
| Execution Method     | Selective method statements covering management approach, programming, procurement, monitoring and control procedures etc (tailored to the project)                              | 20% to 30%        |
| Company              | Organisational structure of company or consortium<br>Financial status<br>Management policies (H&S, QA, Environmental)<br>Available capacity<br>Relevant experience<br>References | 20% to 30%        |
| Project Organisation | Organisation and logistics relative to site/client/others<br>Composition of team<br>Delegation of responsibilities   | 15% to 25%        |
| Interview            | Results of interviews if held  | 5% to 15%         |

## A system for combining price and quality in the assessment of proposals

Proposals are evaluated using the criteria established in advance of their request. A requirement of the public procurement regulations is that the criteria and their weightings are published either in the contract notice or in the request for proposal.

The balance between price and quality is established and represented as a percentage weighting for each, e.g. 70% price, 30% Quality.

The quality criteria should be assigned a weighting of relative importance (see example). The proposals are evaluated and scores for each of the quality criteria are established which are then multiplied by the weighting to derive a weighted score. The total of the weighted scores is then multiplied by the quality weighting to derive the final weighted quality score.

One method of establishing the price score is to divide the price by the lowest and express the result as a percentage. The price score is then multiplied by the price weighting to derive a weighted price score.

The combination of the weighted quality score and the weighted price score is used as the measure of value for money, with the highest representing best value (or most economically advantageous proposal).

## Assessment of proposals for project management services: A worked example

|                       |     |             |     |
|-----------------------|-----|-------------|-----|
| Balance between price | 70% | and quality | 30% |
|-----------------------|-----|-------------|-----|

|                               | Company 1 | Company 2 | Company 3 | Company 4 |
|-------------------------------|-----------|-----------|-----------|-----------|
| Price submitted               | 100,000   | 107,000   | 110,000   | 112,000   |
| Price score                   | 100%      | 93%       | 91%       | 89%       |
| <b>A Weighted price score</b> | 70.00     | 65.42     | 63.64     | 62.50     |

| Explanatory note                                  |
|---|
| Company 2 price score<br>107,000/100,000<br>= 93% |

| Quality evaluation criteria                   | Wtg | Company 1 |                   | Company 2 |                   | Company 3 |                   | Company 4 |                   |
|---|-----|-----------|-------------------|-----------|-------------------|-----------|-------------------|-----------|-------------------|
|   |     | Score     | Score x weighting | Score     | Score x weighting | Score     | Score x weighting | Score     | Score x weighting |
| Key personnel                                 | 40% | 70        | 28.00             | 85        | 34.00             | 95        | 38.00             | 95        | 38.00             |
| Methodology                                   | 20% | 78        | 15.60             | 80        | 16.00             | 89        | 17.80             | 90        | 18.00             |
| Management policies                           | 30% | 67        | 20.10             | 80        | 24.00             | 93        | 27.90             | 95        | 28.50             |
| Location of team                              | 10% | 69        | 6.90              | 75        | 7.50              | 85        | 8.50              | 90        | 9.00              |
| Total weighted quality score                  |     |           | 70.60             |           | 81.50             |           | 92.20             |           | 93.50             |
| <b>B Weighted quality score x quality wtg</b> |     |           | <b>21.18</b>      |           | <b>24.45</b>      |           | <b>27.66</b>      |           | <b>28.05</b>      |

| Summary                         | Company 1    | Company 2    | Company 3    | Company 4    |
|---------------------------------|--------------|--------------|--------------|--------------|
| <b>A Weighted price score</b>   | 70.00        | 65.42        | 63.64        | 62.50        |
| <b>B Weighted quality score</b> | 21.18        | 24.45        | 27.66        | 28.05        |
| <b>Total</b>                    | <b>91.18</b> | <b>89.87</b> | <b>91.30</b> | <b>90.55</b> |

In this example four prices are compared, with Company 1 clearly the lowest and Company 4 the highest; see explanatory note for calculation of price scores In the Quality evaluation.

Company 3 scores highest as they have the better people, methodology and management policies.

Combining price and quality indicates that Company 3 should be awarded the contract (the additional cost is warranted by virtue of the better quality).

Company 4 has the best quality score overall but the additional cost outweighs that quality advantage.

# Appendix D: Comparison of development stages in use

Comparison of the RIBA Plan of Work, CIOB Code of Practice for Project Management for Construction and Development, CIC Scope of Services (major projects), RICS Development management process, OGC (public sector) and BS 6079.

| RIBA Plan of Work 2007                 | CIOB Code of Practice (4th ed)  | CIC Scope of Services (major projects)                 | RICS Development management process   | OGC  | BS 6079                      |
|--|---|--|---|--|------------------------------|
| A Appraisal                            | 1 Inception<br>2 Feasibility  | 1 Preparation  | Phase 1 – Developers initial concept<br>Phase 2 – Site acquisition strategy | Gate 0 Strategic assessment<br>Gate 1 Business justification | 1 Conception                 |
| B Design brief                         |   | 2 Concept  | Phase 3 – Outline appraisal   |  | 2 Feasibility                |
| C Concept                              | 3 Strategy  | 2 Concept and part of 3 Design development             | Phase 4 – Outline planning permission                                       | Gate 2 procurement strategy                                  |                              |
| D Design Development                   | 4 Preconstruction   | 3 Design development                                   | Phase 5 – Full planning permission  |  |                              |
| E Technical Design                     |   | 4 Production Information                               |   |  |                              |
| F Production Information               |   | 5 Manufacture, installation & Construction Information |   |  | 3 Realisation                |
| G Tender Documentation                 |   |  |   |  |                              |
| H Tender action                        |   |  |   | Gate 3 Investment decision                                   |                              |
| J Mobilisation                         |   |  |   |  |                              |
| K Construction to practical Completion | 5 Construction<br>6 Services commissioning<br>7 Completion & handover |  |   | Gate 4 Readiness for service                                 |                              |
| L Post practical Completion            | 8 Post Completion Review  | 6 Post Practical Completion                            |   | Gate 5 Benefits evaluation                                   | 4 Operation<br>5 Termination |

# References

Association for Project Management (APM)  
Body of Knowledge 6th edition 2012

Standard terms for the Appointment of a  
Project Manager

## **British Standards Institution (BSI)**

BS 6079-1:2002 Guide to Project Management

BS 6079-2:2000 Vocabulary

BS 6079-1:2010 Principles and guidelines for  
the management of projects

BS 6079-4:2006 Guide to Project Management  
in the construction industry

BS ISO 21500:2012 Guidance on project  
management

## **National Audit Office**

Modernising Construction (2001)

## **Royal Institute of British Architects (RIBA)**

Plan of Work: Multi-disciplinary services

## **Royal Institution of Chartered Surveyors (RICS)**

GN: Managing the design delivery

GN: Contract administration

GN: Development management

GN: Development monitoring – Oceania

GN: Project monitoring

RICS Standard form of consultants  
appointment

RICS Standard form of consultants  
appointment (explanatory notes)

APC Pathway Guide Project Management 2012

Why Use a Project Management Surveyor

## **NEC**

Professional Services Contract

NEC3 Engineering and Construction Contract

## **International Federation of Consulting Engineers (FIDIC)**

Client/Consultant Model Services Agreement

Construction Industry Council

Consultants Contract Conditions (2007)

## **HMSO**

GC/Works/5 General Conditions for  
Appointment of Consultants

Public Contracts Regulations 2006

## **Joint Contracts Tribunal (JCT)**

Standard forms of building contract (2011)

**RICS HQ**

Parliament Square  
London SW1P 3AD  
United Kingdom

**Worldwide media enquiries:**

e [pressoffice@rics.org](mailto:pressoffice@rics.org)

**Contact Centre:**

e [contactrics@rics.org](mailto:contactrics@rics.org)  
t +44 (0)870 333 1600  
f +44 (0)20 7334 3811

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RICS has a worldwide network. For further information simply contact the relevant RICS office or our Contact Centre.

**Europe  
(excluding United Kingdom and Ireland)**  
Rue Ducale 67  
1000 Brussels  
Belgium  
t +32 2 733 10 19  
f +32 2 742 97 48  
[ricseurope@rics.org](mailto:ricseurope@rics.org)

**Asia**  
Room 2203  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong  
t +852 2537 7117  
f +852 2537 2756  
[ricsasia@rics.org](mailto:ricsasia@rics.org)

**Americas**  
One Grand Central Place  
60 East 42nd Street  
Suite 2810  
New York 10165 – 2811  
USA  
t +1 212 847 7400  
f +1 212 847 7401  
[ricsamericas@rics.org](mailto:ricsamericas@rics.org)

**United Kingdom**  
Parliament Square  
London SW1P 3AD  
United Kingdom  
t +44 (0)870 333 1600  
f +44 (0)207 334 3811  
[contactrics@rics.org](mailto:contactrics@rics.org)

**Africa**  
PO Box 3400  
Witkoppen 2068  
South Africa  
t +27 11 467 2857  
f +27 86 514 0655  
[ricsafrica@rics.org](mailto:ricsafrica@rics.org)

**Ireland**  
38 Merrion Square  
Dublin 2  
Ireland  
t +353 1 644 5500  
f +353 1 661 1797  
[ricsireland@rics.org](mailto:ricsireland@rics.org)

**Oceania**  
Suite 2, Level 16  
1 Castlereagh Street  
Sydney, NSW 2000  
Australia  
t +61 2 9216 2333  
f +61 2 9232 5591  
[info@rics.org.au](mailto:info@rics.org.au)

**Middle East**  
Office G14, Block 3  
Knowledge Village  
Dubai  
United Arab Emirates  
t +971 4 375 3074  
f +971 4 427 2498  
[ricsmenea@rics.org](mailto:ricsmenea@rics.org)

**India**  
48 & 49 Centrum Plaza  
Sector Road  
Sector 53, Gurgaon – 122002  
India  
t +91 124 459 5400  
f +91 124 459 5402  
[ricsindia@rics.org](mailto:ricsindia@rics.org)