Building and Construction Authority

An MND Statutory Board

Procurement Policies Department
Business Development Group

18 January 2024

Dear Sir/Madam,

CIRCULAR ON ENHANCEMENTS TO QUALITY FEE METHOD (QFM) FRAMEWORK AND STANDARD CONSULTANCY AGREEMENT (SCA)

This circular informs all PSPC-registered firms on the enhancements to QFM and SCA for the procurement of construction-related consultancy services.

(A) ENHANCEMENTS TO QFM

Background

2 The QFM framework was enhanced in 2018 and 2020 to place greater focus on quality for public sector consultancy tenders. The key enhancements in 2018 were (i) introducing a minimum 10% weightage for consultants' past performance as a mandatory criterion and (ii) suspending poor performers from the Public Sector Panel of Consultants (PSPC). Key enhancements in 2020 included (i) removing low outlier bids from the computation of the average fee when deriving fee score and (ii) requiring government agencies to justify awarding tenders to low outlier bids.

3 Notwithstanding this, there is a need to further enhance QFM to discourage firms from submitting low outlier bids which could impact the long-term sustainability of the consultancy sector such as its ability to attract and retain talents.

4 In consultation with government agencies and industry associations, BCA is introducing further measures to raise the emphasis of quality and curb fee-diving.

Changes in QFM for Consultancy Tenders

5 The key changes to the QFM framework for consultancy services are listed below:

i. Pilot new fee-score approach for all QFM tenders with estimated construction cost of project $50mil and below.

ii. Enhance the framework for temporary suspension of poor performing firms from 1 April 2025.

iii. Enhance differentiation in consultants' quality score.

iv. Require more projects to be shortlisted by merit instead of through balloting.

6 Please refer to **Annex A** for details of changes to the QFM framework.

Implementation

7 The revised QFM framework applies to all public sector consultancy tenders (unless otherwise stated) with estimated cost above the quotation limit (currently $90,000) for Expression of Interest (EOI) and tenders **called on and after 1 March 2024 (unless otherwise stated)**.

8 Consultancy firms which require clarifications on this circular can contact us at https://www.bca.gov.sg/feedbackform/.

9 The revised QFM framework will be made available on the BCA website (https://www1.bca.gov.sg/procurement/tender-stage/quality-fee-method-qfm-framework).

(B) ENHANCEMENTS TO SCA

10 Concurrently, the Standard Consultancy Agreement (SCA) will be revised as part of the drive towards collaborative contracting. The intended outcomes of the enhancements are:

i. Provide clearer definition of scope of services to provide clarity to consultants during tender so they can factor these into their bids. This will also set the expectations on what government agencies should reasonably expect consultants to deliver on during the project.

ii. Maintain fair and timely remuneration e.g. by making clear that consultants may request for fee adjustments for additional services required by agencies during a project. BCA will also update the rates used to compute the fee adjustments.

iii. Enable a more balanced allocation of risks, e.g. providing cost sharing in the event of significant construction delays beyond consultant's control.

11 Further details on the SCA enhancements will be announced when ready.

Thank you.

Ng Man Hon
Director, Procurement Policies Department
Building and Construction Authority

(Transmitted via email)

DETAILS OF CHANGES TO THE QUALITY FEE METHOD (QFM) FRAMEWORK

The following changes to the QFM framework are applicable for Expression of Interest (EOI) and Construction-related Consultancy Tenders called on and after 1 March 2024 (unless otherwise stated).

A. Pilot new fee-score approach *(for consultancy tenders in which the estimated construction cost of project is $50mil and below)*

1 Under the current QFM framework, all bids that are 80% or below of the average fee will receive the maximum fee score. In deriving the fee score, outlier bids are removed from the computation of the average fee. This is an existing mechanism in place to curb fee-diving by preventing skewing of the average fee.

2 To further discourage fee-diving, the fee-scoring approach will be adjusted as below:

i. Use of median fee instead of average fee as the reference point – This ensures the reference point is not skewed by exceptionally high or low bids.

ii. Cap maximum fee score – Bids that are between 90% and 100% (both inclusive) of median fee among all tenderers will receive the maximum fee score.

iii. Implement reduced fee score – This aims to encourage sustainable bidding. Reduced fee scores are derived as follows:

a) Bids that are **≥ 70% and < 90% of median fee**

$$Maximum\ Fee\ Score \times \left[1 - \frac{2}{3}\left(0.9 - \frac{Tenderer's\ bid}{Median\ fee}\right)\right]$$

b) Bids that are **> median fee**

$$Maximum\ Fee\ Score \times \left[1 + \frac{2}{3}\left(1 - \frac{Tenderer's\ bid}{Median\ fee}\right)\right]$$

iv. Disqualify low outlier bids – **Bids below 70% of the median fee among all tenderers shall be disqualified**. This aims to send a stronger message to deter fee-diving. Notwithstanding this, exemption to disqualification applies if any of the following conditions is met:

a) There are 3 or fewer bids received in a tender, or

b) The low outlier bid has the highest quality score.

3 For purpose of the pilot, the revised fee-score approach shall be applicable to all QFM tenders with an estimated construction cost of $50 million and below, except for:

i. Tenders of standalone consultancy services (e.g. feasibility study that does not lead on to subsequent design and construction stage) and/or where the estimated construction cost of project has yet to be determined (e.g. demolition work).

4 Please see below for an example of fee-score computation using the revised fee-score approach:

Worked Example

The range of bids that attain the maximum fee score (e.g. 30 points) will be narrowed to Tenderer C. The bid below 90% of the median fee by Tenderer D will receive a reduced fee score. Tenderer E will be disqualified as its bid is below 70% of the median fee.

	Tenderer A	**Tenderer B**	**Tenderer C**	**Tenderer D**	**Tenderer E**
Fee Bids	$1,380,000	$636,680	$412,000	$369,000	$251,575
Fee Score under Current Approach *Average of conforming bids[1] = $472,560*	8.2	17.8	27.5	30	30[2]
Fee Score under New Approach (e.g. max. score of 30 points) *Median fee = $412,000*	0	19.1	30	29.9	Disqualified

[1] To prevent skewing of the average fee, outlier bids (i.e. more than 20% below or 50% above the average fee of all confirming bids) are excluded from the calculation of the mean fee. This procedure is no longer required in the new Fee-score formula.

[2] Tenderer E's bid is deemed as a low outlier as it is more than 20% lower than the tenderers' average fees. Agencies are required to provide justification for award of tender to Tenderer E.

5 Please refer to **Annex B** for graphical illustration of new fee-score approach.

B. Enhance framework for temporary suspension

6 Consultants involved in public sector projects are assessed and scored on their performance by government agencies every 6 months via Project Interim Reports (PIRs). A firm's PIR scores across all its public sector projects are aggregated and reflected in the Consultants' Performance Appraisal System (CPAS). Firms will be temporarily suspended from tendering for public sector projects for 3 or

6 months if they accumulate 3 or more “Very Poor” (i.e. less than 30 out of 100 points) over a period of 12 months.

7 To improve quality of consultants’ services, the suspension framework will be enhanced. The minimum score to attain will be raised from 30 points to 50 points. To provide a more holistic and fairer assessment on consultants’ performance, firms’ aggregated CPAS scores that reflect consultants’ performance in past 3 years will be used to determine a firm’s performance, instead of PIR scores. Hence, firms with CPAS scores less than 50 points will be temporary suspended from public sector tenders in which their PSPC listing will be temporarily removed for 3 months.

Please refer below for an example of temporary suspension framework:

APs[3]	2024 AP2	2025 AP1	2025 AP2	2026 AP1	2026 AP2	2027 AP1
CPAS scores	45.5	50.2	51.1	47.5	49.7	48.2
Published date	1 Mar 2025	1 Sep 2025	1 Mar 2026	1 Sep 2026	1 Mar 2027	1 Sep 2027
Period of temporary suspension from PSPC	1 Apr 2025 to 30 Jun 2025 (3 months)	NA	NA	1 Oct 2026 to 31 Dec 2026 (3 months)	1 Apr 2027 to 30 Jun 2027 (3 months)	1 Oct 2027 to 31 Dec 2027 (3 months)

[3] Appraisal Periods (APs) are from January to June (AP1) and from July to Dec (AP2) during which consultants performance are assessed upon by agencies

8 This enhancement will be implemented from 1 April 2025 to allow firms sufficient lead time to improve on their performance.

C. Enhance differentiation in quality scores

9 It was observed that fee continues to be a key determinant for tender awards even though quality is given a substantially higher weightage in the total score.

10 To enhance differentiation in quality scores to better influence the award of the tender, the quality-scoring approach will be adjusted as follows:

i. Quality score – maximum quality score shall be awarded to tenderer with the highest raw quality score and the rest of the tenderers’ quality score compared against the top raw score.

ii. Consultants’ performance

a. Tenderers shall be awarded raw scores based on ranking of tenderers’ CPAS scores:

Ranking based on tenderers’ CPAS scores	Points (assuming 10%[4] weightage is assigned to CP-score)
1st	10
2nd	7
3rd	5
4th	3
5th	1

[4] Consultants’ past performance as a mandatory criterion remained at minimum 10% of overall QFM weightage

b. If the weightage assigned to CP-score is higher than 10% (say 15%), the points will be adjusted based on that allocated to 1st ranked CPAS score to the maximum weightage (in this case 15%) and pro-rated the score in the table above in accordance with the maximum weightage.

c. Where there are fewer than 5 shortlisted tenderers (e.g. 3 tenderers), ranking (starting from 1st rank) and points in the above table will still apply.

d. If there are tied rankings (e.g. both tenderers are tied at 1st rank), the next highest tenderer in CP-score would be 3rd ranked. Similar method applies if there are tied rankings in other ranks.

11 Please refer below for an example of QFM computation using the revised quality-score approach:

Worked Example

	Tenderer A	Tenderer B	Tenderer C	Tenderer D	Tenderer E
CPAS score	65.7	63.2	58.1	72.4	68.0
CP-Score[5]	5	3	1	10	7
Q sub-Score	44.2	43.1	45.9	40.0	42.0
Total raw Quality score (CP-Score + Q sub-Score)	**49.2**	**46.1**	**46.9**	**50.0**	**49.0**
Normalised Q-Score (Max = 70)	**68.9**	**64.5**	**65.7**	**70**	**68.6**

[5] CP-score derived by ranking the tenderers based on their current CPAS scores and CP-scores accorded based on point system.

D. Require more projects to be shortlisted by merit instead of through balloting

12 In QFM in which up to 5 firms will be shortlisted for the final tender, government agencies can shortlist interested firms either by balloting (i.e. random shortlist of tenderers that fulfil eligibility criteria) or selection by merit (i.e. shortlist based on evaluation of tenderers' quality scores), depending on the estimated project value.

13 To place more emphasis on quality, more projects will go through selection by merit (i.e. require projects above $50mil to do so instead of the current $105mil) during the Expression of Interest (EOI) shortlisting stage. In addition, government agencies with projects $50mil and below can have the option to shortlist by merit too. The changes are summarised below:

	Current	Enhanced
Projects up to $50mil (inclusive)	Require shortlisting by balloting	**Government agencies can choose to shortlist by merit or by balloting (default)**
Projects above $50mil and up to $105mil (inclusive)	Government agencies can choose to shortlist by merit or by balloting	**Require shortlisting by merit**
Projects above $105mil	Require shortlisting by merit	

Annex B

Graphical illustration of new fee-score approach for pilot

Current Fee-Score Formula	**Pilot Fee-Score Formula**
1. Bids that are **≤ 80% of mean fee**: Assign full fee score *(but requires justification for award).* 2. Bids that are **> 80% of mean fee**: Calculate fee score as follows: $Maximum\ Fee\ Score\ \times \frac{Lowest\ bid\ or\ 80\%\ of\ average\ bid}{Tenderer's\ bid}$.	1. Bids that are **< 70% of median fee**: Disqualified, unless: (i) Agency receives three or less bids; (ii) Low outlier bid has the highest quality score). 2. Bids that are **≥ 70% and < 90% of median fee**: Calculate fee score as follows: $Maximum\ Fee\ Score \times [1 - \frac{2}{3}\left(0.9 - \frac{Tenderer's\ bid}{Median\ fee}\right)]$. 3. Bids that are **≥ 90% and ≤ 100% of the median fee to the median fee**: Assign full fee score. 4. Bids that are **> median fee**: Calculate fee score as follows: $Maximum\ Fee\ Score\ \times [1 + \frac{2}{3}\left(1 - \frac{Tenderer's\ bid}{Median\ fee}\right)]$.