



The Benefits of NEC Contracts

The Clarkson Alliance Ltd have been involved with the development and use of the NEC Suite of Contracts since it was first published in 1993.

In fact, Graham Clarkson was Chairman of the NEC User Group from 2000 – 2003 and highly influential in shaping the current third edition through feedback of experience in use of the contract to the drafting panel.

The reason why the Clarkson Alliance are strong advocates for the use of the NEC suite of contracts on the projects that they manage is that the use of the NEC provides a stimulus to good management.

The NEC encourages foresight applied in a collaborative culture which can reduce the risks inherent in any Construction project.

The Contract has been endorsed by OGC and its success has greatly contributed to projects being delivered on time and to budget.

The NEC, with its menu of main and secondary options can be used for any procurement method and is flexible in terms of how much design the Contractor takes responsibility for without the need for cumbersome design portion supplements.

The Contract has a clear and objective requirement for a detailed programme with method statements and regular updates which provides an essential tool for the parties to manage the project and to notify and manage the effect of any problems, delays, etc.

The suite of contracts contain Early Warning provisions whereby the Contractor and Project Manager have a duty to notify each other if either become aware of any matter which could:

- increase the total of the prices
- delay Completion
- delay meeting a Key Date or
- impair the performance of the works in use

Once an Early Warning is given the Project Manager enters the matter in the Risk Register and there is an instruction to attend a risk reduction meeting. Those attending co-operate in making and considering proposals to avoid or reduce the risk, seek solutions and decide actions.

The focus of the meeting is to solve the problem in the interests of the Project. It is about prevention rather than cure and focuses participants' efforts to be proactive rather than reactive. It encourages collaboration, innovation and ability to adjust to circumstances during the contract.

The NEC contract is deemed to be a "fair" contract on the basis that if a change should occur neither party should benefit from this change.

Change is managed under the Contract through the Compensation Events provision.

Compensation Events are events that, if they occur, and do not arise from the Contractor's fault, entitle the Contractor to be compensated for any effect the event has on the Prices, Key Dates and the Completion Date.

The Compensation Event Process includes, notification, assessment and implementation. The aim of the compensation event assessment is to agree the total cost and time implications that each event has, ideally using a resource forecast approach, rather than having regard to tender allowances or schedules of rates.

This procedure requires the Contractor to price the time and cost effect of a change within 21 days and for the Project Manager to respond within 14 days. There is therefore a rolling Final Account with

early settlement and no later end of job claims for delay and/or disruption. It is also very beneficial for the Contractor in terms of his cash flow.

The EEC contains typical risk allocation provisions in compensation events and Employer's risk, but of course each project has its' own risk profile. There is a provision made to alter risk allocation pre-contract to accord with the project Risk Register and any subsequent negotiations during the tender period.

Our Experience in Use

The Clarkson Alliance has gained considerable experience of using the NEC Suite of Contracts on Education, Heritage and Health and Leisure projects.

We have used the Professional Services Contract to engage Consultants and the NEC Option A - Priced Contract with Activity Schedule between Employer and Contractor.

We have undertaken works of a simple nature using the NEC Short Form of Contract and engaged Contractors performing maintenance works under the Term Services Contract.

We have gained considerable experience in the use and application of the contract on over 100 projects to date and can share this wealth of knowledge and experience with Consultant teams and Contractors with whom we work with in the delivery of facilities to our customers.

For more information about our experience and knowledge of using the NEC suite of contracts please contact The Clarkson Alliance.