



NEC4 YS(NZ)1 Clause

MAY 2026

Optional contract clause and guidance for the **Facilities Management Short Subcontract** for use in New Zealand on contracts which are subject to the Construction Contracts Act 2002.

Clauses and guidance are also provided for other NEC4 contracts. These are available for download from neccontract.com.

Acknowledgements

The original NEC was designed and drafted by Dr Martin Barnes then of Coopers and Lybrand with the assistance of Professor J. G. Perry then of the University of Birmingham, T. W. Weddell then of Travers Morgan Management, T. H. Nicholson, Consultant to the Institution of Civil Engineers, A. Norman then of the University of Manchester Institute of Science and Technology and P. A. Baird, then Corporate Contracts Consultant, Eskom, South Africa.

The fourth edition of the NEC suite was produced by the Institution of Civil Engineers through its NEC4 Contract Board.

The NEC4 Contract Board is:

P. Higgins, BSc (Hons), CEng, FICE (Chair)
I. Heaphy, BSc (Hons), FRICS, FCI Arb, MCInstCES, MACostE
S. Jackson, LLB, LLM, MSc, FCI Arb, FCInstCES
M. Garratt, BSc (Hons), MRICS, FCI Arb
D. Evans, BSc, FICE, CEng, MBA
Professor D. Mosey, CBE, LLB (Hons), PHD
H. Sturdy, CEng, MSc, BEng (Hons), FIHEEM, CIWFM, MAPM, MCIBSE, MAfH

The YS(NZ) drafting team consisted of:

S. Evans, BSc (Hons), LLB (Hons), FCI Arb, FAMINZ (Arb), FRICS, FCInstCES, FCIOB, FICE, PRI
R. Gerrard, BSc (Hons), LLM, FRICS, FCInstCES, NECReg

The Institution of Civil Engineers acknowledges the help given by the NEC4 Contract Board and the drafting team as well as the following:

John Walton, FCI Arb, FAMINZ (Arb), FAIADR, Bankside Chambers

Guidance

- 1 This optional clause should be included in a contract for construction work as listing in the Construction Contracts Act 2002 ("the Act"). It is incorporated by its inclusion in Contract Data as an additional condition of contract as "YS(NZ)1: Construction Contracts Act 2002".

If incorporated, this clause supplements or replaces the FMSS payment provisions and amends the dispute resolution provisions to provide compliance with the Act.

- 2 To comply with the Act, an application for payment, if issued, must:
 - be in writing,
 - contain sufficient details to identify the construction contract to which the payment relates,
 - identify the construction work and the relevant period to which the payment relates,
 - state a claimed amount and the due date for payment,
 - indicate the manner in which the payee calculated the claimed amount, and
 - state that it is made under the Act.

It must also be accompanied by:

- an outline of the process for responding to that claim and
 - an explanation of the consequences of
 - not responding to the claim and
 - not paying the claimed amount, or the scheduled amount, in full (whichever is applicable).
- 3 If the payment claim does not comply with these requirements, the *Subcontractor* may not be afforded the protection of the Act.
 - 4 To comply with the Act, the *Service Provider's* communication to the *Subcontractor* informing it of an error in the assessment must:
 - be in writing,
 - identify the payment claim to which it relates, and
 - state a scheduled amount.
 - 5 If the scheduled amount is less than the claimed amount, the communication must indicate:
 - the manner in which the payer calculated the scheduled amount,
 - the payer's reason or reasons for the difference between the scheduled amount and the claimed amount, and
 - in a case where the difference is because the payer is withholding a payment on any basis, the payer's reason or reasons for withholding payment.
 - 6 If the *Service Provider* does not inform the *Subcontractor* of an error in the assessment within the relevant timeframe, or if the communication does not contain the information above, the payer will become liable to pay the claimed amount on the due date for that payment.
 - 7 If the *Service Provider* fails to make payment of the relevant amounts by their due date, the *Subcontractor* could obtain a judgment debt against the *Service Provider* for the unpaid portion of the debt. The *Service Provider* should therefore ensure that it has adequate contract management procedures in place to deal with payment claims within the required time frames.

NEC4 YS(NZ) Clause

YS(NZ)1: CONSTRUCTION CONTRACTS ACT 2002

Defined terms	YS1.1	The Act is the Construction Contracts Act 2002.
Payment claim	YS1.2	An application for payment issued to the <i>Service Provider</i> is treated as a payment claim. The first sentence of clause 50.1 is deleted and replaced by: 'The <i>Subcontractor</i> assesses the amount due and applies to the <i>Service Provider</i> for payment on each <i>assessment day</i>.'
Payment schedule	YS1.3	A communication issued by the <i>Service Provider</i> informing the Subcontractor of an error in the assessment of the amount due is treated as a payment schedule. Clause 50.5 is deleted and replaced by: 'If the <i>Subcontractor</i> has incorrectly assessed the amount due in an application made on an <i>assessment day</i>, the <i>Service Provider</i> corrects the amount due and gives details of how the corrected amount has been calculated to the <i>Subcontractor</i> within two weeks after the <i>assessment day</i>.'
Suspension of performance	YS1.4	If the <i>Subcontractor</i> exercises its right under the Act to suspend performance, it is a compensation event.
Adjudication	YS1.5	Clause 93.1 is deleted and replaced by: 'A dispute arising under or in connection with the contract is referred to and decided by adjudication under the Act.' Clauses 93.2 and 93.3 are removed.

ADDITIONAL SUBCONTRACT DATA ENTRIES

In the *Service Provider's* Subcontract Data insert the following:

'Against "The *Adjudicator* is" state "the person appointed as adjudicator under the Act".'