

# NEC4 Facilities Management Contract Launch

## The how, why and what of the new NEC4 FM Contract

*Tuesday 26<sup>th</sup> January 2021*

*1:00pm - 2:00pm (GMT)*

# Housekeeping

- Please mute your mics and turn off your video
- You can submit questions throughout the workshop via the ‘chat’ function.  
Either:
  - post full question in chat or;
  - state in ‘chat’ you have a question you’d like to ask verbally and the presenter will ask to you to speak when availability allows
- Remember to keep your microphone on mute when not speaking
- Recording and slides to be distributed after session

# Speakers

**Ian Heaphy**  
NEC4 Board Member



**Chris Jeffers**  
IWFM FM Contract Steering Group



**Ross Hayes**  
NEC4 FM Contract Drafter



# What we are covering today?

- What are the new Facilities Management (FM) contracts?
- Why are these new forms of contract needed ...?
- Some key elements of the contract
- Where next?
- Q&A session

# What are the new Facilities Management contracts?

## What is being provided?

- A sector specific suite of contracts within the NEC family of contracts
  - Developed together by the NEC and the IWFM
  - Contracts that aim to be more accessible and user friendly to the sector due to the terminology and processes that have been updated for these contracts
  - Two new contracts in a pre-publication edition
    - Facilities Management Contract (FMC)
    - Facilities Management Subcontract (FMS)
- together with user guides (new and revised) and flowcharts



# How did we get to this contract, why are they needed?

## Why are these contracts needed..?

- FM market value in UK estimated to be approx. £100bn in 2020
- FM is more of a recognised service now than it ever has been – adding value to any form of business / organisation that needs supporting services
- ISO41011:2017
- Strategically important discipline – longer terms, large value agreements in both public and private sector
- Adopting a standard form of contract will strengthen the sector's standing and raise confidence in delivery



## Why are these contracts needed..?

- Term Service Contract – the new FM contracts bring closer alignment to FM market recognised phrases and definitions
- Wide variance of what requirements might be – this form of contract can flex and adjust accordingly
- Clarity and certainty in FM services procurement and contract management – knowledge of NEC needed
- Supports building trust and collaboration – vital to FM industry
- Stability and certainty in the way in which parties are contractually bound

# Some key elements

## How has it been changed?

- Changes in the language to reflect the FM sector
- Adding a main, core procedure to reflect how the FM sector instructs work – Service Orders
- Adding other procedures and requirements to reflect the sector, some in the core clauses, some as optional sections
- Moving some core procedures to optional sections so that they are only included if needed, and some optional sections to the core clauses
- Modifying some procedures to reflect the diversity and flexibility of this sector, or to adopt recent new NEC practice

## What is different in the language

- Changes from the TSC (and other NEC contracts) to reflect FM language
  - *Service Provider*, not *Contractor* – but Subcontractor remains
  - Projects and Project Orders, not Tasks and Task Orders
  - Service Failures, not Defects

## Service Orders and Service Order Requirements

- The Service Order is simply the order, given to the *Service Provider*, to undertake some work
  - identified in the Service Order Requirements and
  - for which a price can be determined from the Price List (Options A and C)
- Service Order Requirements (how the work is ordered and managed) is information which forms part of the Scope and
  - specifies and describes the part of the *service* for which a Service Order is required
  - details the order process for a Service Order
  - states any constraints on the issue of a Service Order



## New procedures and Options

- In the core clauses
  - mobilisation and demobilisation plans, including their updating, and the detail of what is to be provided at demobilisation
- In optional clauses
  - *Service Provider's* design (Option X15) – recognises that design is provided by the *Service Provider* in many FM contracts, especially in Projects
  - Change of Control (Option X28)



## What has been moved

- Project Orders – no longer in core clauses. These are mini projects which are done, or could be just managed by, the *Service Provider* (Option X27)
- Measuring performance and the responses to that measurement is now a core element of the contract
  - this brings together all the options and requirements of key performance indicators and low performance damages into one document – the Performance Table
  - the Performance Table states what is wanted (performance targets), how performance is reported (performance measurements) and how it is rewarded or not

# Modifying procedures

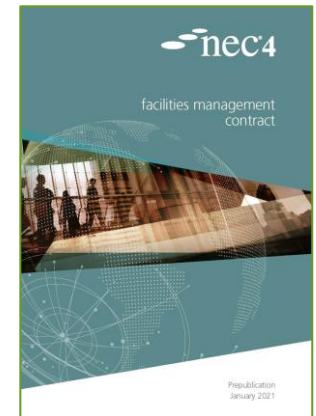
- Service Failures
  - now considers the reality that some Service Failures cannot be corrected
  - cost implications of these Service Failures may be routed through the Performance Table
- Performance guarantees
  - follows the Alliance contract approach, in amalgamating ultimate holding company guarantees and performance bonds (originally two TSC Options, X4 and X13)
- Insurance of the Affected Property
  - default position is that the *Client* insures the Affected Property, not the *Service Provider*



# Where next?

## The next steps

- Pre-production launch today
  - FM Contract issued Wednesday 27<sup>th</sup> January
  - FM Bundle, including the FM Subcontract and all user guides, issued Thursday 11<sup>th</sup> February
- Main publication planned for June 2021
  - June publication includes the short forms – contract and subcontract
  - the six month between the two allows the development of practice notes by both NEC and IWFM; for example, on how to develop a Performance Table, or for particular UK requirements
- Training courses from NEC – already in production
- A dedicated email address for comments and questions to be addressed to NEC – [FMcontract@necontract.com](mailto:FMcontract@necontract.com)



# Questions?



# The new NEC4 Facilities Management Contracts

## Contact us

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✉️ [info@necontract.com](mailto:info@necontract.com) for general information on NEC contracts

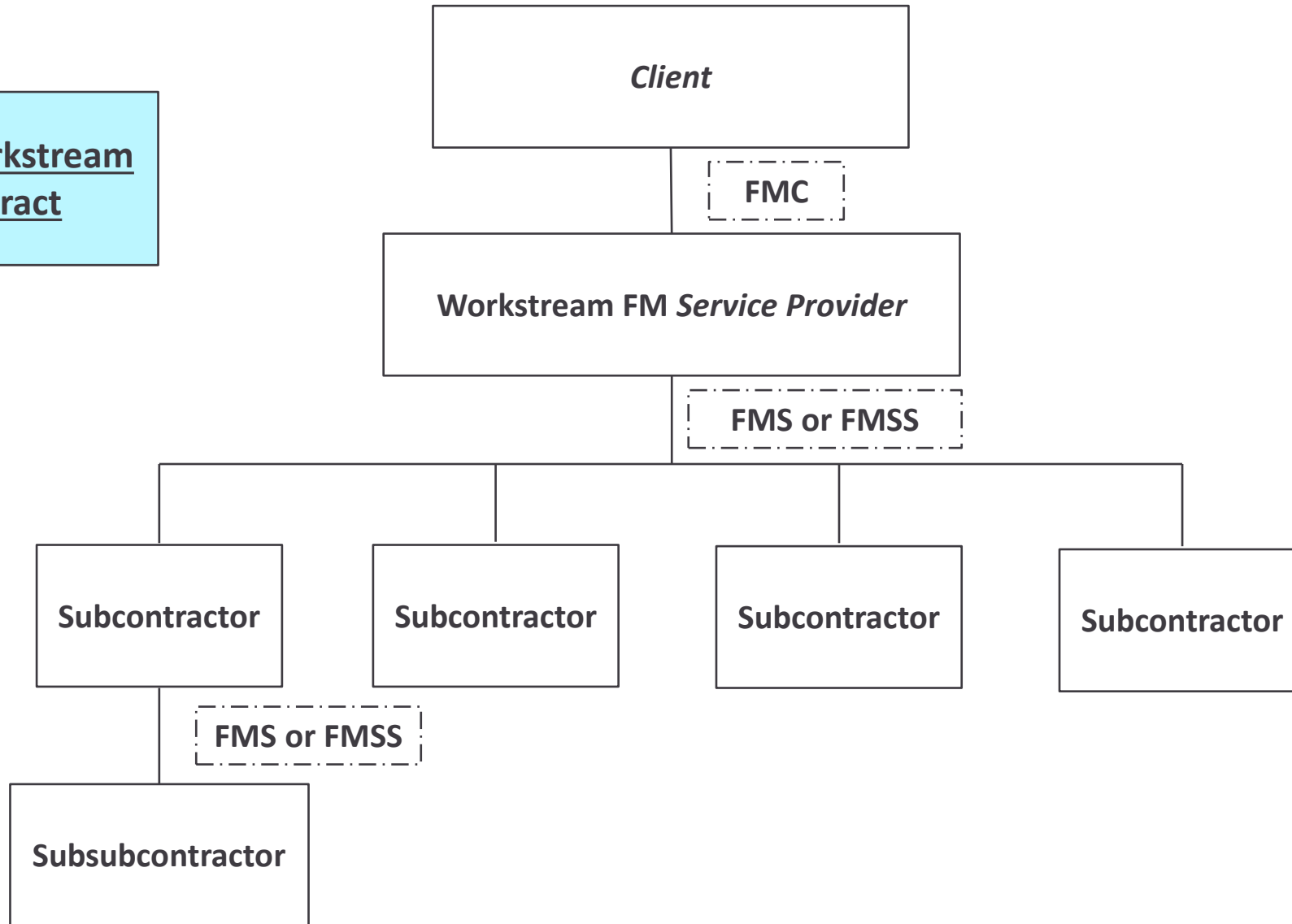
✉️ [FMcontract@necontract.com](mailto:FMcontract@necontract.com) for comments & questions on FMC

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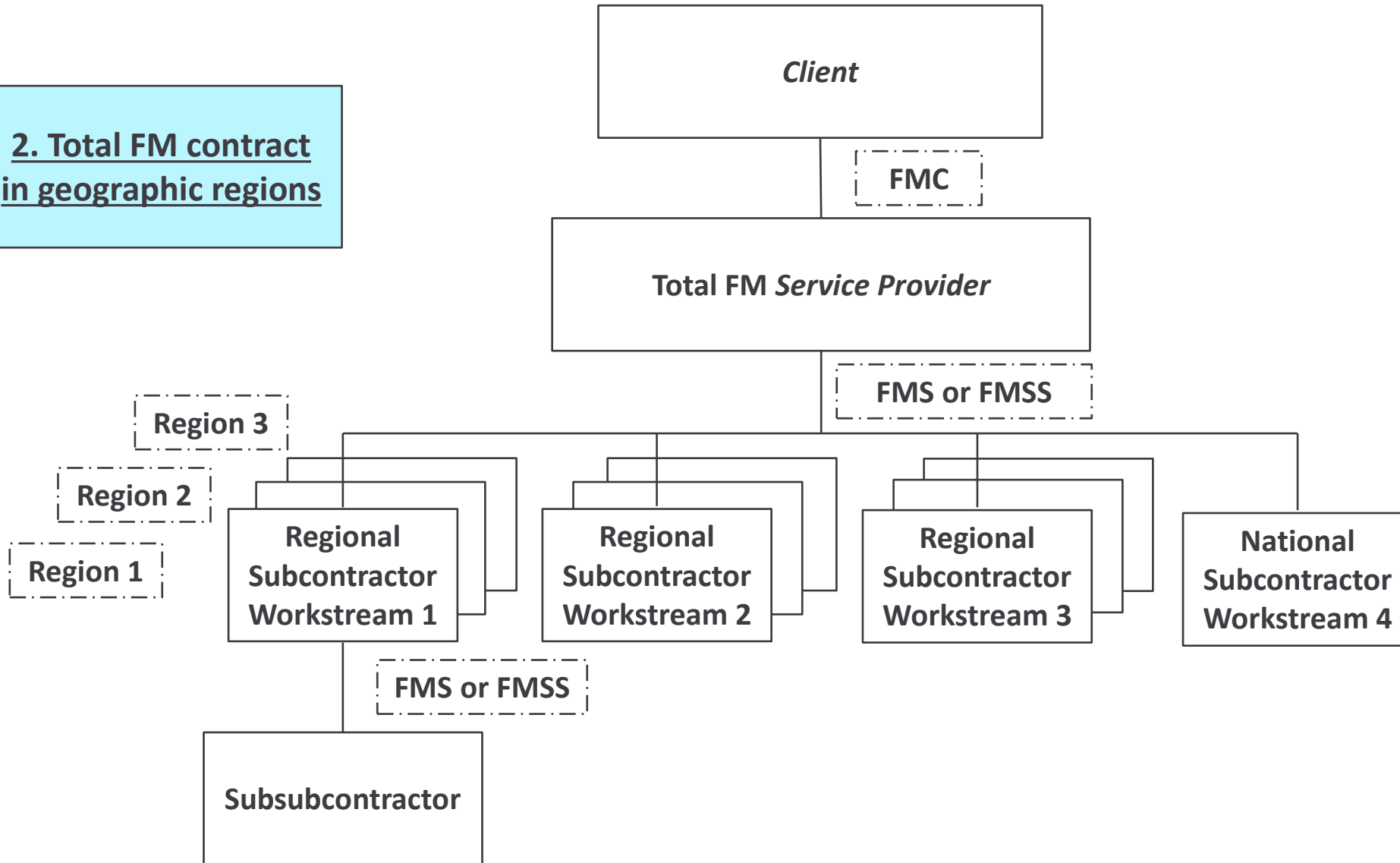
• [necontract.com](http://necontract.com)

**Technical slides to be available perhaps if the question is asked?**

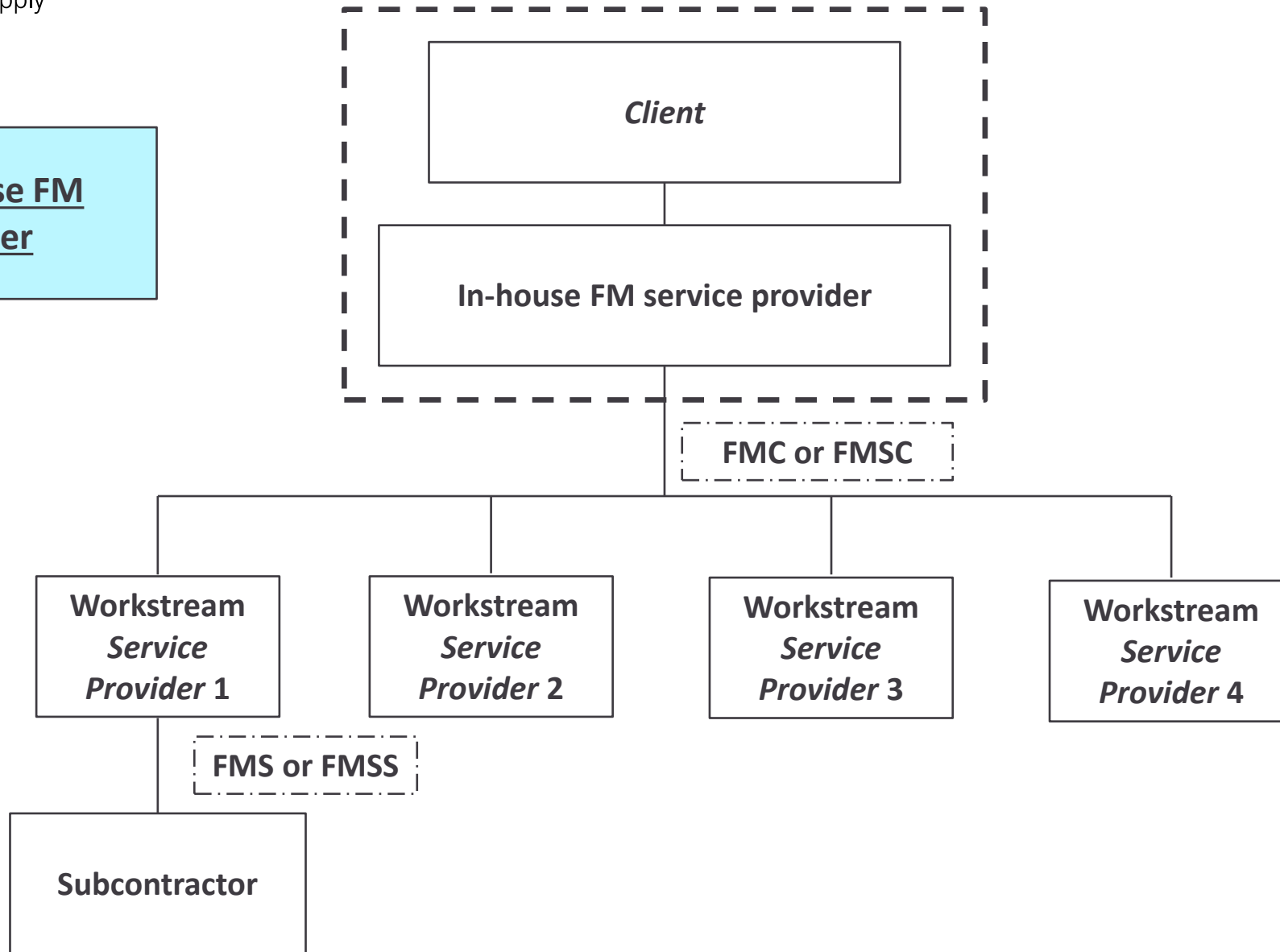
**1. Single workstream**  
**FM contract**



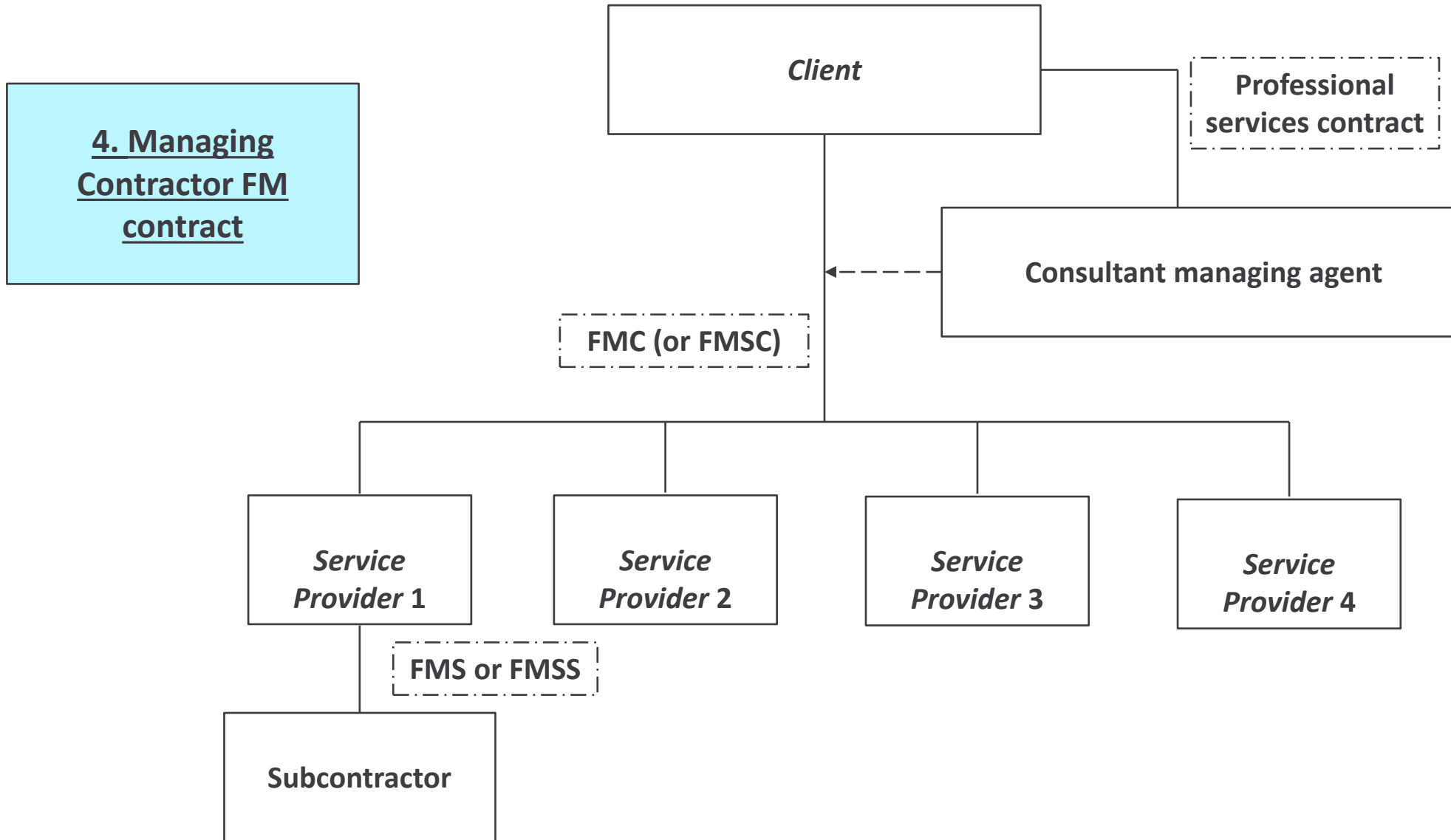
**2. Total FM contract in geographic regions**



**3. In-house FM provider**







## So what should be in the Service Order Requirements?

- How to raise the Service Order
  - who records the orders issued and the work done?
  - can the *Service Provider* undertake work without the *Service Manager* initiating it?
- Semi-comprehensive and comprehensive prices
  - does the price for this *service* include individual call-off work up to a certain value?
  - if so, how is this work recorded, since the *Client* does not directly pay for it?
  - how does the *Service Provider* seek authorisation for work which is above the semi-comprehensive limit?
- How orders over limits are authorised
  - managing the aggregation of small orders

## Performance Table

- “The Performance Table
  - states the target the *Service Provider* is to achieve in Providing the Service and
  - sets out the adjustment to payment if a measured performance is higher, the same or lower than the target”
- It is not **in** the Scope, but can be changed **through** the contract
- It does not describe the *service*

## So what should be in the Performance Table?

- The performance targets
  - usually given in some form of key performance indicators (KPIs)
  - should state how they are measured, by whom, and when
- The performance targets that affect payment and other rewards
  - what those adjustments are – for example deductions or extension of Service Period
  - may only measure some KPIs for reporting purposes
- These targets will often reflect those aspects of performance that cannot be corrected if a Service Failure occurs
- Does not include target price incentives (Option C) – these are in Contract Data

# The new NEC4 Facilities Management Contracts

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