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# The Public Sector Case for Collaborative Contracting

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## Introduction

**For decades, construction and infrastructure sectors operated under an adversarial paradigm where contractual relationships were fundamentally transactional. Projects were delivered through contracts that, whilst legally robust, often positioned parties in opposition. When challenges arose, the instinct was to identify fault rather than solve problems collaboratively. The consequences have been well documented: cost overruns, programme delays, disputes, and an industry culture characterised by mistrust.**

The public sector, as custodian of taxpayer resources and responsible for delivering essential infrastructure, has borne the brunt of these inefficiencies. From transport networks to healthcare facilities, the quality and timeliness of public infrastructure directly impact citizens' lives and economic competitiveness. Recognising this, governments and public bodies across the United Kingdom and internationally have increasingly turned to collaborative contracting as a more effective procurement approach.

Collaborative contracting represents a fundamental shift in philosophy. Rather than treating construction contracts as adversarial instruments designed to allocate risk and blame, collaborative approaches prioritise mutual trust, proactive risk management, and aligned incentives. Evidence demonstrates that when properly implemented, collaborative contracting delivers superior outcomes: projects completed on time and within budget, higher quality, reduced disputes, greater innovation, and improved sustainability performance.

This whitepaper examines the compelling case for collaborative contracting in the public sector, drawing on evidence from major projects, government policy, and industry research. NEC Contracts is uniquely positioned as the leading collaborative contracting framework, recommended by government and used successfully on major public sector projects worldwide.

## 1. The Limitations of Traditional Contracting

**Traditional contracting models, whilst providing clear legal frameworks for allocating responsibilities, created inherent tensions between parties. Conventional contracts focused primarily on obligations and responsibilities, often placing employers and contractors in adversarial positions. When problems or foreseeable risks occurred during construction, both parties tended to focus on identifying the responsible party, leading to disputes that consumed time and resources. Problems were not dealt with promptly, increasing both cost and programme duration. [1]**

The reactive nature of traditional contracts proved particularly problematic. Under many conventional forms, contractors had no obligation to notify potential risks until an actual event had occurred. Foreseeable problems that could have been mitigated through early intervention were instead allowed to materialise, often with significant consequences. Minor concerns frequently escalated into major disputes.

Traditional contracts provided limited incentives for innovation or value engineering. With rigid specifications and emphasis on compliance rather than outcomes, contractors had little motivation to propose improvements or challenge inefficient design decisions. This transactional mindset stifled innovation that could deliver better value for public investment.

Landmark reports such as Constructing the Team (Latham 1994), Partnering in the Team (CIB 1997) and Rethinking Construction (Egan 1998) identified fundamental problems with adversarial contracting and called for systemic change.[2] These seminal works recognised that the construction industry's traditional approach was unsustainable and that a collaborative alternative was essential.



## 2. The Collaborative Contracting Alternative

**Collaborative contracting emerged as a deliberate response to the failures of adversarial approaches. At its core, it seeks to align parties' interests through shared objectives, transparent processes, and mechanisms that incentivise collective problem-solving rather than individual risk avoidance. When all parties succeed or fail together, they naturally work towards common goals.**

The NEC family of contracts, first developed in 1993, pioneered this collaborative approach. Written in plain language and designed to facilitate effective management, NEC established three core principles: stimulating good management of relationships between parties; flexibility to work in diverse commercial situations; and clarity through straightforward language and structure.

Central to the collaborative model is the requirement for mutual trust and cooperation. NEC contracts explicitly require employers, contractors, project managers and supervisors to act in a spirit of mutual trust and collaboration. This establishes a contractual obligation that shapes behaviour throughout project delivery, channelling parties towards collaborative resolution rather than adversarial positioning.

Proactive risk management distinguishes collaborative contracts from traditional counterparts. Early warning mechanisms require both clients' representatives and contractors to identify and raise potential risks as early as possible. When construction difficulties arise, parties must negotiate and formulate optimal solutions according to prescribed procedures and timeframes. This proactive approach allows risks to be managed before they materialise into costly problems, shortening construction periods and improving cost certainty.[3]

The programme becomes a central management tool. Contractors must submit and regularly update comprehensive programmes that are accepted by the project manager, forming the basis for change management, progress monitoring, early warning notifications, and compensation event assessment.

Collaborative contracts can align commercial incentives with project outcomes. Target cost mechanisms allow clients and contractors to share the difference between actual construction costs and agreed targets. When actual costs are lower than the target, both parties share the savings; when costs exceed the target, both share the additional expense within defined limits. This creates genuine incentive to work together to formulate optimal construction methods.[4]



### 3. Government Policy and Endorsement

**The United Kingdom government has actively championed collaborative contracting for public sector projects. The Efficiency and Reform Group of the UK Cabinet Office recommends the use of NEC Contracts by public sector construction procurers, and NEC contracts comply fully with the Achieving Excellence in Construction (AEC) principles.[5]**

The Government Construction Board explicitly recommends that public sector organisations use NEC Contracts, particularly NEC4, when procuring construction. This endorsement reflects the government's view that standardising this comprehensive suite delivers efficiencies across the public sector and promotes behaviours aligned with Government Construction Strategy principles.

The Construction Playbook, published by the UK Cabinet Office in 2020 and updated annually, provides comprehensive guidance on sourcing and contracting public works projects. The guide sets out principles and policies intended to transform how public works are procured and managed, systematically addressing risk, sustainability and innovation.[6] Collaborative contracting features prominently throughout the Playbook's recommendations.

Key policies identified in The Construction Playbook align closely with collaborative contract principles. Early supply chain involvement is explicitly supported through NEC Secondary Option X22. Outcome-based approaches utilising project scorecards and key performance indicators align with NEC's Option X20 on KPIs and Option X17 on low-performance damages. The emphasis on benchmarking, whole-life cost analysis, and value for money resonates with target cost mechanisms and value engineering opportunities embedded in collaborative frameworks.[7]

Value engineering in the Reading elevated railway redevelopment resulted in a 40% reduction in embodied carbon dioxide whilst saving 12% of the original project cost, demonstrating how collaborative frameworks deliver both sustainability and financial benefits.

NEC3 and NEC4 contracts have become public sector contracts of choice in the UK, used for nearly all projects procured by national and local government bodies and agencies. This widespread adoption reflects sustained policy support and growing recognition of collaborative contracting's advantages.

### 4. Evidence of Superior Outcomes

**The case for collaborative contracting rests on substantial evidence from completed projects. NEC contracts have successfully delivered over £100 billion worth of works, services and supply worldwide, with particularly notable successes in complex, high-profile public sector projects.**

The London 2012 Olympic and Paralympic Games represent perhaps the most visible endorsement of collaborative contracting principles. Ken Owen, commercial director of CLM which project-managed construction of Olympic venues, stated: "I think NEC is the unsung hero of the Olympic Games, a bit like the spine or the heartbeat in the human body. I believe it helped deliver the project." The Olympic programme's successful delivery - on time, within budget, and to high quality standards - demonstrated collaborative contracting's capability to manage exceptionally complex, high-stakes infrastructure under intense public scrutiny.

Crossrail (now the Elizabeth Line), one of Europe's largest infrastructure projects, was delivered using NEC3 contracts. The project's scale demanded unprecedented coordination among multiple parties. Collaborative contracting provided the framework for managing this complexity, enabling proactive risk management and alignment of diverse stakeholders.

Recent research from NEC Contracts provides quantitative evidence of collaborative contracting's benefits. The "Transforming Construction: Smarter, greener, together" study, surveying over 250 built environment professionals, found that when organisations adopt collaborative approaches: 83% report improved quality, 82% see greater innovation, and 81% achieve higher efficiency.

International public sector experience reinforces these findings. Hong Kong's Development Bureau introduced NEC Contracts to advocate collaborative partnering and bring project teams together. After consolidating experience through questionnaire surveys, focus groups and workshops, the Development Bureau concluded that NEC has advantages over conventional contracts in three key aspects: enhanced risk management through early warning mechanisms, enhanced collaboration through mutual trust and partnership, and enhanced cost-effectiveness through target cost options.[8]

The Development Bureau noted that NEC's risk management system has helped shorten actual construction periods. Upon review, the Development Bureau considers NEC Contracts suitable for most public works contracts and has issued guidelines requiring all large-scale public works contracts to adopt NEC.[9]

Singapore's Building and Construction Authority announced the take-up of NEC4 for construction and engineering projects in May 2024, with public sector developers including the Housing Development Board, JTC Corporation, and Land Transport Authority piloting NEC4 contracts. The BCA developed Y (SG) Clauses to align NEC4 with Singaporean law, recognising that collaborative contracting principles offer significant benefits for public infrastructure delivery.[10]



## 5. The Implementation Challenge and Path Forward

**Despite compelling evidence and strong policy support, collaborative contracting adoption faces practical barriers. The “Transforming Construction: Smarter, greener, together” research identified a significant gap between ambition and implementation. Whilst 82% of professionals feel positive about increased adoption of collaborative contracts, only 8% currently use them on all projects.**

Training consistently emerges as the primary barrier to wider adoption, with 43% of respondents highlighting this need. The proactive nature of collaborative contracts, whilst highly effective from cost and programme management perspectives, is more demanding from contract administration perspectives. Requirements for risk registers, risk reduction meetings, early warning notifications, and regular programme updates require capabilities that many organisations have not traditionally developed.<sup>[^11]</sup>

Cultural change represents another significant challenge. Moving from adversarial to collaborative approaches demands fundamental shifts in mindset and behaviour. Organisations must learn to operate transparently and cooperatively rather than defensively. However, these implementation challenges should not obscure the fundamental case for change.

Recent innovations are addressing implementation barriers. NEC Digital, launched in November 2025, represents the first truly digital contract management platform specifically designed around collaborative contracting principles. The platform provides guided contract setup with intelligent configuration tools, contextual guidance throughout the drafting process, and comprehensive learning resources accessible at the point of need.



## 6. Sustainability and Long-Term Value

**The public sector’s responsibilities extend beyond immediate project delivery to encompass environmental sustainability, social value, and long-term asset performance. Collaborative contracting frameworks provide mechanisms to integrate these objectives directly into procurement and delivery.**

NEC’s Secondary Option X29 on climate change allows clients to include climate change requirements with targets in contracts. A performance table with financial incentives motivates suppliers to achieve measurable targets on greenhouse gas emissions and other environmental performance criteria, supporting the industry’s drive towards net zero by 2050.

The “Transforming Construction: Smarter, greener, together” research found that 76% of professionals agree the industry takes environmental concerns seriously. Awareness of sustainability-focused clauses remains low at 15% overall, rising to 52% in the public sector. However, 72% said more projects should include sustainability-focused optional contract clauses, indicating strong appetite for change.

The most common areas where contractual mechanisms improve sustainability include carbon

impact during construction (56%), operational emissions of the finished building (52%), and water usage during construction (41%). These metrics demonstrate how collaborative contracts translate sustainability aspirations into measurable, incentivised outcomes.

Collaborative approaches naturally align with sustainable outcomes. When all parties share risks and rewards, efficient resource use and waste reduction become collective priorities. Target cost mechanisms can incentivise innovation in sustainable construction methods, whilst early contractor involvement brings specialist sustainability expertise into design development.

Whole-life cost considerations feature prominently in collaborative contracting. NEC’s Secondary Option X21 allows contractors to propose specific savings to whole-life costs, prompting clients to examine what provides best value overall rather than simply the lowest price. This long-term perspective aligns with public sector responsibilities for asset stewardship and value for money over extended timeframes.



## 7. Conclusion

**The case for collaborative contracting in the public sector is decisive. NEC contracts have produced major benefits for national and international projects in terms of collaboration, time, cost savings and improved quality. From the London Olympics to Crossrail, from Hong Kong's public works transformation to Singapore's infrastructure development, collaborative contracting has demonstrated its capability to deliver complex public sector projects successfully.**

The UK government's endorsement through the Cabinet Office, Government Construction Board, and Construction Playbook provides clear policy direction. Collaborative contracting is not an experimental alternative but the recommended approach for public sector construction procurement.

Implementation challenges remain real but surmountable. However, upfront investment in training and cultural change must be weighed against the ongoing costs of adversarial contracting: disputes, delays, cost overruns, and suboptimal outcomes.

Research showing that 82% of professionals support wider adoption of collaborative contracts indicates the industry recognises the direction

of travel. Digital innovations, comprehensive training programmes, and accumulating project experience are accelerating this transition.

For public sector bodies tasked with delivering essential infrastructure, collaborative contracting offers a proven path to better outcomes. It provides mechanisms to manage complexity proactively, align incentives across the supply chain, integrate sustainability objectives, and deliver genuine value for taxpayers. As the construction industry faces mounting pressures from climate change, digital transformation, and demands for greater efficiency, collaborative contracting provides the contractual framework to meet these challenges effectively.

The evidence is compelling, the policy support is clear, and the tools for implementation continue to improve. Those public bodies that embrace collaborative approaches position themselves to deliver infrastructure that is better, safer, faster, and greener. Those that cling to adversarial traditions risk perpetuating the disappointing outcomes that have characterised too many public projects.

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