

## How NEC Contracts Support the Construction Playbook

### Article 2

#### Key policy: Effective contracting

*“We need to select an appropriate form of contract to suit the type and complexity of works, intended outcomes, delivery model, procurement strategy and commercial approach.”*

The Construction Playbook encourages the use of contracts which drive better, faster and greener delivery, whilst reducing risk and creating a more collaborative delivery environment.

NEC has played a leading role in helping the engineering and construction industry do things differently and better. NEC contracts promote early identification and resolution of issues consistent with the front-loading approach in the Construction Playbook.

NEC4 has taken the successful NEC3 suite and enhanced it with new features and new contracts. All of the changes are to support new methods of procurement and construction and provide solutions that clients were demanding, including many of the suggestions now embedded in the Construction Playbook.

NEC contracts continue to include the following features which are designed to drive better outcomes to projects and programmes:

**Collaboration** is at the heart of all the contracts. The parties are obliged to act in a spirit of mutual trust and co-operation.

**Early warnings** followed by risk reduction meetings are required in all contracts when a risk to the project is identified. This activity begins at tender stage with an early warning register which is incorporated in the contract when formed.

**Incentives** for desired outcomes can be included in the contracts using secondary Options. These can be used to incorporate the measures contained in the **Project/Programme Outcome Profile**, which the Construction Playbook refers to and asks to be included in contracts.

**Innovation and alternative proposals** are actively encouraged from suppliers. NEC contracts contain an incentive mechanism for suppliers to offer solutions to reduce cost, with savings being shared between the parties. There is also a secondary Option to

encourage suppliers to make proposals to improve whole life outcomes again with benefits being shared.

**Risk allocation** associated with pricing can be decided by the choice of main options, and cost risks can generally be shared between the client and contractor by using the target contract options. A cost reimbursable option and a management contract option also exist.

**Climate Change** Secondary Option X29 allows clients to include requirements, targets and incentives to drive outcomes linked to climate change and related issues, such as net zero carbon, sustainability and nature.

**Conflict avoidance** is encouraged in all contracts, for example the requirement to initially refer a dispute to senior representatives of the parties named in the contract.

The Construction Playbook highlights that standard contract terms can simplify and speed up procurement process and improve transparency of expectations. The delivery strategy may be unique for each project or programme, however this does not require unique contracts to be written to deliver them. It is efficient to use standard form contracts which are familiar to all users and which are written in plain English and short sentences.

## **Acknowledgements**

### **Authors:**

**I. Heaphy, BSc (Hons), FRICS, FCI Arb, FCInstCES, MACostE**

**M. Garratt, BSc (Hons), MRICS, FCI Arb**

### **The NEC Contract Board is:**

**P. Higgins, BSc (Hons), CEng, FICE (Chair)**

**I. Heaphy, BSc (Hons), FRICS, FCI Arb, FCInstCES, MACostE**

**S. Jackson, LLB, LLM, MSc, FCI Arb, FCInstCES**

**M. Garratt, BSc (Hons), MRICS, FCI Arb**

**D. Evans, BSc, FICE, CEng, MBA**