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through collaboration

NEC4 Alliance Contract: Increasing collaboration and integration

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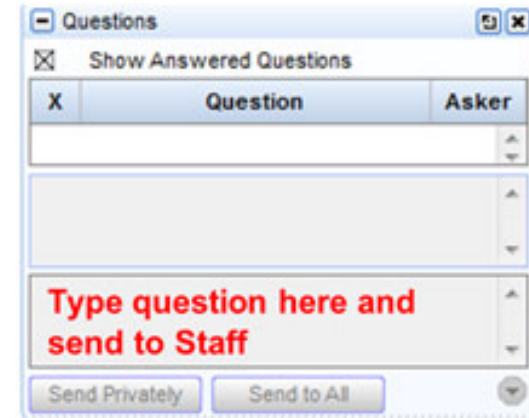
Speakers



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Member



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Agenda

- Why an Alliance contract?
- NEC approach to alliancing
- NEC4 Alliance Contract
 - Main and secondary options
 - Liabilities and insurance
 - Alliance structure
 - Payment and incentives
 - Compensation events / dispute avoidance
- Consultation process
- Questions and answers



Why an alliance contract?

- The construction industry is continually challenged to deliver improvements in the outcome of projects and programmes of work
- Collaboration and better integration of the client and the delivery team are seen as ways of achieving this
- Remove barriers to collaboration – individual company drivers
 - Reduce or share risks & liabilities
 - Alignment of commercial drivers – turnover, profit
 - Shared incentives, performance driven

NEC approach to alliancing

- Clause 10.1 now 10.2
- NEC suite - engaging the entire supply chain on a collaborative basis
- X12 multiparty collaboration – creating greater alignment and co-operation to achieve shared objectives
- UK Infrastructure Client Group (ICG) – Alliancing Code of Practice 2015
- UK ICG and NEC - Guidance on implementing Alliancing using NEC contracts, 2016
- Increasing use of Alliance arrangements due to the benefits achieved
- User demand for fully integrated NEC contract - a “true” Alliance contract

NEC4 Alliance Contract

- Follows the principles and structure of NEC4 contracts, where appropriate
- Multiparty contract – all members of the Alliance engaged on a single set of terms and conditions
- Performance based contract – risk / reward for achievement of Alliance Objectives, set by the Client
- Major projects or programmes of work
- Single or two stage basis
- Two stage - optional clauses for early involvement - Alliance develops Stage Two proposals and Budget, time, and performance targets are agreed

Main and secondary options

- Single main option based on option E
- Limited secondary options
 - X2 Changes in the law
 - X4 Ultimate holding company guarantee
 - X9 Transfer of rights
 - X10 Information modelling
 - X18 Limitation of liability (of all Partners cumulatively)
 - Y(UK)2 The Housing Grants, Construction and Regeneration Act 1996
 - Y(UK)3 Contracts (Rights of Third Parties) Act 1999

Main and secondary options

- Secondary options brought into core
 - X12 Multiparty collaboration
 - X15 The Contractor's design
 - X17 Low performance damages
 - X20 Key Performance Indicators
 - X22 Early Contractor involvement
- Single Contract Data – creation of the Alliance by mutual agreement
- Partners can be added / changed or removed

Performance Table

Liabilities and insurance

- The Alliance is the Client and the Partners
- All liabilities shared and managed by the Alliance except
 - Wilful default of the Partners
 - Third party claims – Client risk, but can be a Client Cost
- Joint name insurances provided by Client including PII, except
 - Employer's liability insurance by each member of the Alliance

Alliance structure

- Alliance Provides the Works in accordance with the Scope and the Alliance Objectives
- Members of the Alliance work together as an integrated team
- Selection of people / organisations / work allocation on a best for project basis
- Use of integrated systems and processes
 - early warning register, information modelling, etc.
- Alliance Board manages the Alliance on behalf of the members
- Decisions of the Alliance Board need to be unanimous – made on a collaborative, best for Alliance basis – and bind all members of the Alliance

Alliance structure

- Alliance Manager leads the Alliance Delivery Team and undertakes many of activities of the Contractor and Project Manager under the ECC
 - Programme, quality, assessing the amount due
- Alliance Manager reports to the Alliance Board
- Limited matter reserved for the Client and managed by the Client's Representative
 - Changing the Scope, certification of payment, acceptance of design, quality assurance

Payment

- Cost reimbursable contract – Defined Cost plus Fee
- Schedule of Cost Components similar to ECC – based on co-location of teams
- Limited grounds for Disallowed Costs
- Payment made via a Project Bank Account
- Option to have Named Suppliers
- Alliance Manager assess the amount due, Client's Representative checks and certifies

Incentives

- Performance Table based on Alliance Objectives and set by the Client
- Financial incentive = Budget v Total Price for Work Done to Date
- Client Costs form part of the Budget and Total Price for Work Done To Date
- Performance Table impacts on any saving or overspend and / or allows additional amounts to be paid or retained from the Partners

Compensation events

- Alliance Board develops the Scope
- Changes made to the Scope by the Alliance Board are not a compensation event
 - Except a change made to avoid or reduce the effect of an event that would otherwise be a compensation event
- Client changes to the Scope are compensation events
- Compensation event process managed by the Alliance Manager
- Acceptance of quotations by the Alliance Board
- Compensation events can effect the Budget, Completion Date and the Performance Table

Dispute Avoidance

- No blame / no claim – disputes resolved by
 - Senior Representatives or
 - Alliance Board
 - Can use third party support
- Failure to resolve dispute – could bring Alliance or Partner’s involvement to an end
- No provisions for adjudication or other dispute resolution process

Consultation process

- ALC and accompanying guidance notes available for download from www.neccontract.com/ALC
- Consultative edition – not to be used for projects
- Users to shape the final contract
 - Too restrictive / too flexible
 - Provisions to be added / removed / amended
 - Another comments / improvements
- Maximum engagement, Clients and organisations with an interest in alliancing
- Formal publication during 2018

Questions?



NEC4 transition webinar: how to move from NEC3 to NEC4

14 July 2017 – 13:00 BST



Matthew Garratt
NEC4 Drafter and
Commercial Director at Costain



Robert Gerrard
NEC4 Drafter and
NEC Users' Group Secretary

NEC3 and CCS webinars Public Sector Procurement

**Crown Commercial Service and
NEC3 for Public Sector buyers**

20 July 2017 – 12:30 BST

**Crown Commercial Service and
NEC3 for suppliers to the
Public Sector**

20 July 2017 – 14:00 BST



Barry Trebes
NEC Consultant



Danielle Carvell
Category Manager - Traffic
Management Technology at CCS

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