



Planning and Project Controls under NEC4

**Project Controls Expo – 16th Nov 2017
Emirates Stadium, London**

About the Speakers

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Planning and Project Controls under NEC4

Contents

1. New NEC4 family of contracts
2. Programme requirements new to NEC4
3. Project Controls along side NEC4 – working and not working
4. Sources of support information





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New members of the NEC4 family :

- **Design Build and Operate Contract**
- **Alliance Contract**
- **Dispute Resolution Service Contract (revised)**
- **Professional Services Subcontract**
- **Term Service Subcontract**



NEC4 Box 2 :

Significant overhaul/structure

- Establishing a Procurement and Contract Strategy
- Selecting a Supplier
- Preparing a ... contract
- Managing a ... contract

No flow charts!



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ECC Contract:

Main changes from a planning perspective



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Clause 13 - communication

- 13.2 – states if Scope confirms use of contract administration tool, the date of communication has effect when entered into that system.

Otherwise as before the address as stated in CD1

- 13.4 – amendment to wording that requires Project Manager to confirm reasons for rejection in sufficient detail to allow the Contractor to correct the matter

Clause 15(not 16) – Early Warnings

- 15.1 – introduces Early Warning Register rather than Risk Register
- 15.2 – now obligates the Project Manager to produce and issue the first Early Warning Register within one week of the starting date
- Project Manager also instructs Contractor to attend first early warning meeting within 2 weeks of starting date
- 15.2 confirms that later meetings will be as instructed by either party, or at intervals stated in Contract Data

Clause 15 - Early Warnings

- 15.2 states that Subcontractor can attend if it would assist to decide actions to be taken
- 15.3 – extra emphasis on early warning meeting to review previous actions and decide if any different actions need to be taken and who should take them
- 15.4 – obligation on Project Manager to reissue Early Warning Register within one week



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Clause 16 – Contractor Proposals

- 16.1 – Contractor can propose to Project Manager a change in Scope in order to reduce the amount the Client pays the Contractor to provide the Works
- 16.2 – within four weeks the Project Manager accepts the proposal and issues instruction changing Scope, instructs a proposed quotation, or rejects proposal

Clause 16 – Contractor Proposals

- 63.12 (A/B) confirms that changes to Client Scope proposed by Contractor and accepted, the Prices are reduced by an amount calculated by applying the value engineering percentage in contract data (clients be careful you get this the right way round!)
- 63.13 (C/D) verifies that change to Client Scope proposed by Contractor will NOT reduce the total of the Prices – and so assessed as part of gainshare



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Section 3: Programme

- 31.2 - Only change to 31.2 is last line “a programme issued for acceptance is in the form stated in the Scope”
- 31.3 – If Project Manager fails to respond to programme within two weeks, Contractor can notify this non-response. Failure to respond within further one week by Project Manager will mean that the programme is “deemed accepted”.
- 32.1 – deleted requirement to show implemented compensation events on a revised programme

NEC4

NEC3 ECC Clause 32.1

Contractor shown on each revised programme:

- the actual progress achieved on each operation and its effect upon the timing of the remaining work
- ~~implemented compensation events~~
- how the Contractor plans to deal with any delays
- other changes the Contractor proposes to make

Section 3: Acceleration

- 36.1 – Project Manager can no longer instruct quote for acceleration
- either party can propose, and if BOTH are prepared to consider the change then the Project Manager can instruct a quotation to accelerate
- now there are timescales of up to three weeks to produce quotation and three weeks to reply
- also includes response to acceleration quotation as core clause now



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Section 5: Payments

- 50.2 – obligates the Contractor to submit applications detailing how they have been assessed and in the form stated in the Scope
- 50.4 – if the Contractor does not submit an application then the amount due will either be the amount at the previous application or whatever the Project Manager assesses – whichever is lower i.e. Contractor obligated to put in an application if they want paying that month!
- 50.5 – previously 50.3 where 25% can be withheld for first programme not submitted showing information contract requires



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Section 6: Compensation Events

Two new ones:

- 60.1(20) – Project Manager notifies the Contractor that a quotation for a proposed instruction is not accepted
- 60.1(21) – additional compensation events as stated in contract data part 1



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Section 6: Compensation Events

- 61.4 response to notified compensation event clarifies that if compensation not notified within timescales of contract, the Project Manager would confirm no change to Prices/Key Date/ Completion Date
- 63.1 – adds the term “dividing date” in terms of actual/defined cost. Dividing date is the date of the Project Manager instruction/changed decision, or for all other compensation events the dividing date is the date the compensation event is notified.



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Section 6: Compensation Events

- 63.5 (old 63.3) delay to Completion Date assessed as the length of time that due to the compensation event planned Completion is later than planned Completion as shown on the Accepted Programme current at the dividing date. Repeats for Key Dates.
- new sentence in 63.5: “When assessing delay only those operations which the Contractor has not completed and which are affected by the compensation event are changed” - ???

A group of approximately ten people are seated around a large, polished wooden conference table in a modern meeting room. The room features large windows with blinds, a circular ceiling light fixture, and a prominent, large-scale sculpture of an elephant's head and trunk on the right wall. The participants are dressed in business attire and appear to be engaged in a meeting, with some looking at documents on the table. An orange text box is overlaid on the image, containing the text 'NEC4 Drafting Panel'.

NEC4
Drafting
Panel

ECC PRACTICE NOTE 1
OCTOBER 2017

Assessing delays due to compensation events

This practice note has been prepared for the NEC4 Engineering and Construction Contract, June 2017. The approach set out in this note should be followed on other NEC4 contracts.

The key requirements for assessing delays to Completion Dates and Key Dates due to a compensation event ("CE") under ECC clause 63.5 are to

- determine the effect that the CE has upon planned completions and
- use the Accepted Programme current at the dividing date to do so.

The objective is to assess the effect due only to the CE and not due to other events.



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NEC4 Practice Note 1 - positives

- download a copy from gmhplanning website or pick up a copy from our stand today
- well written by four experienced practitioners
- says what I have been saying in other published articles in past ten years
- summary: whilst you use the last Accepted Programme to assess compensation events against, you first have to take into account progress and other compensation events that have occurred up to the dividing date



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NEC4 Practice Note 1 - negatives

- this has been so late in coming!
- guidance notes are not part of the contract
- still currently left with last line of 63.5 which we don't know what it means
- only specifically written for NEC4 ECC, although principles should be exactly the same for NEC3 and all contracts where a programme is operated
- potentially 1) contract clause 63.5, 2) guidance notes and 3) practice note are not aligned with each other!



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This is a flavour of NEC4...

Full NEC4 comparison
document available to download
(for free) on our website for
ECC, TSC, PSC, ECS, ECSC



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Where I have seen Project Controls and the NEC working... and not working together?

Tideway 

hs *engine for growth*

ATKINS



DRAGADOS

KBR
United Kingdom

mace

 TRANSPORT FOR LONDON

CTORI
CONSTRUCTION
CONSULTANTS



Why do some of our major projects and programmes choose not to adopt true controls and performance management whilst using the NEC form of contract?

Ultimately when delivering projects the default position is that **Contract is King**, to often the **Commercial Argument** takes precedent over honest reporting and pushing the job forward. A **Lack of Understanding** drives behaviours that cause us to stay in our comfort zone despite the numbers telling us we far from it. In addition the application of project controls across our project follows **No Industry Standard**, this has led to the production of a **Lack of Clear, Consistent Data** with which to measure performance, subsequently **Confidence** in applying proper controls with the contract isn't always the default choice.

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Aren't We Forgetting Something?

NEC4 & Project Controls

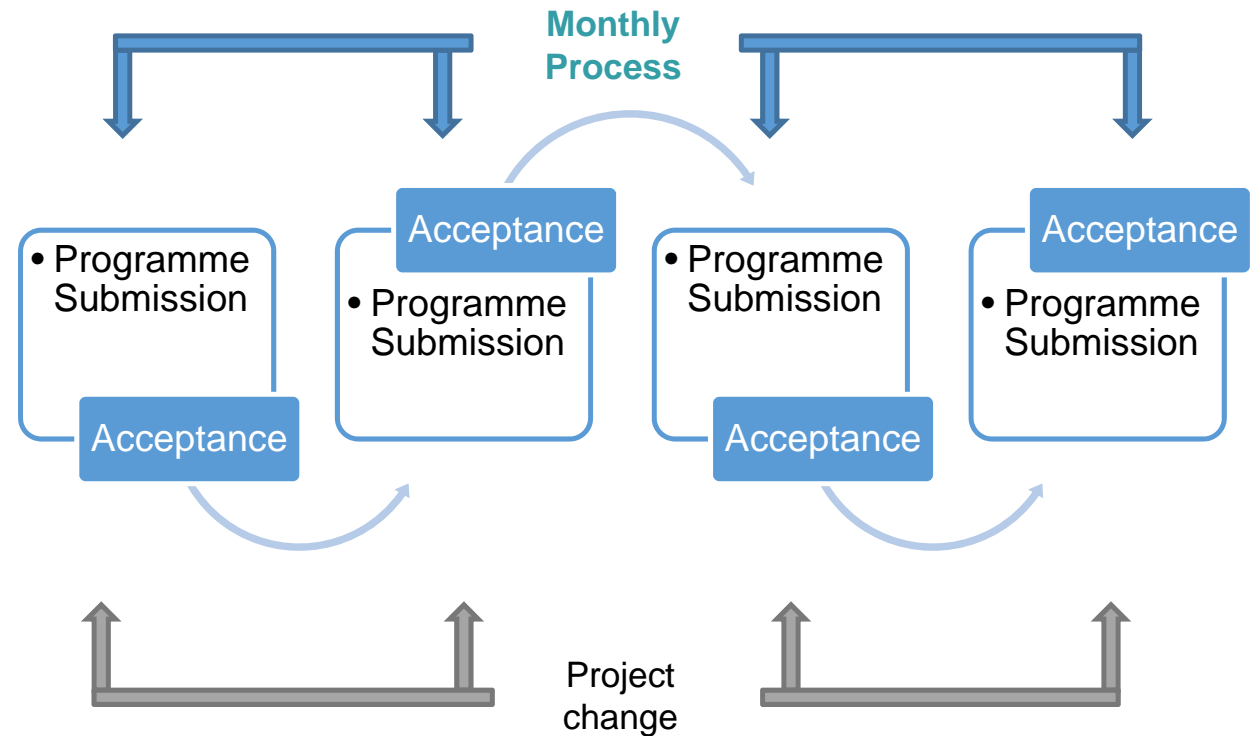
Contract is King... or is it the Client?

- **Project Control is mechanism for us to ensure that we do what we said we could**
 - to identify problems early enough to minimise their impact
 - **to ensure those who gave the remit to build something get what they bargained for**
 - to keep the ratio of costs to benefits within a realm that the client can justify

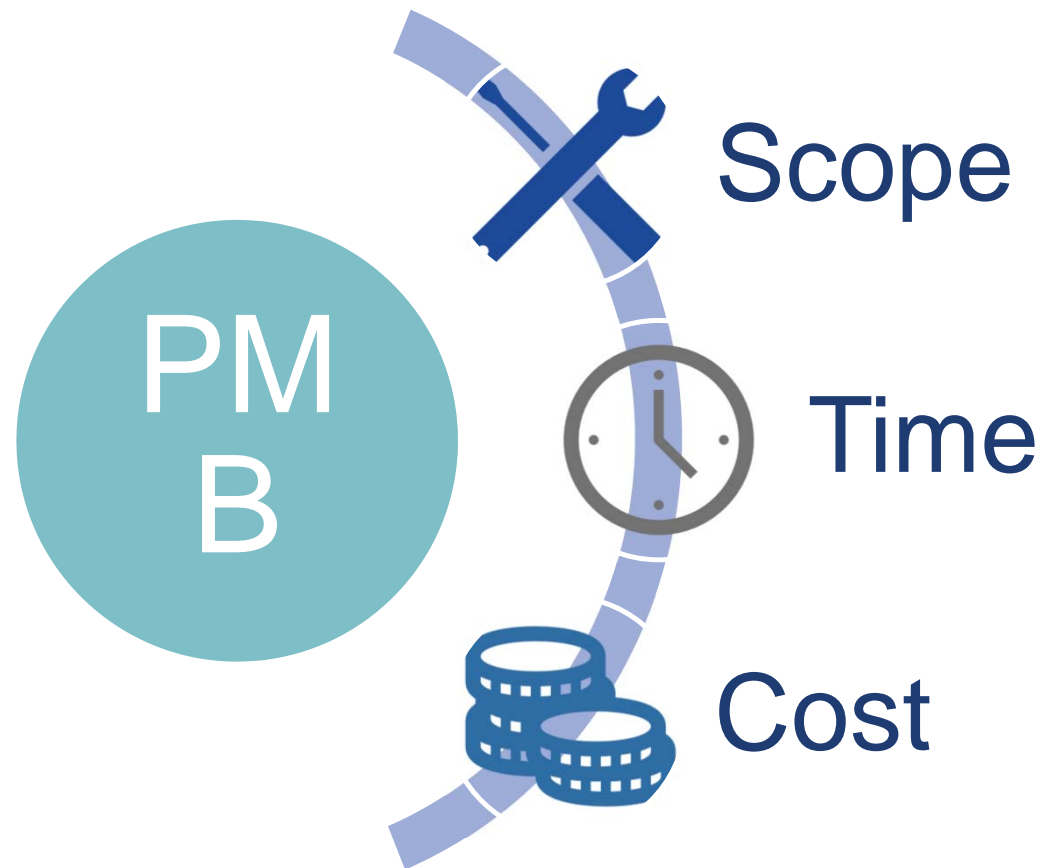
So what's the real issue?

• RESET

Regular programme acceptance effectively resets the basis of measurement with each iteration, the standard NEC contract does not dictate the use of a baseline. Performance measurement is redundant.



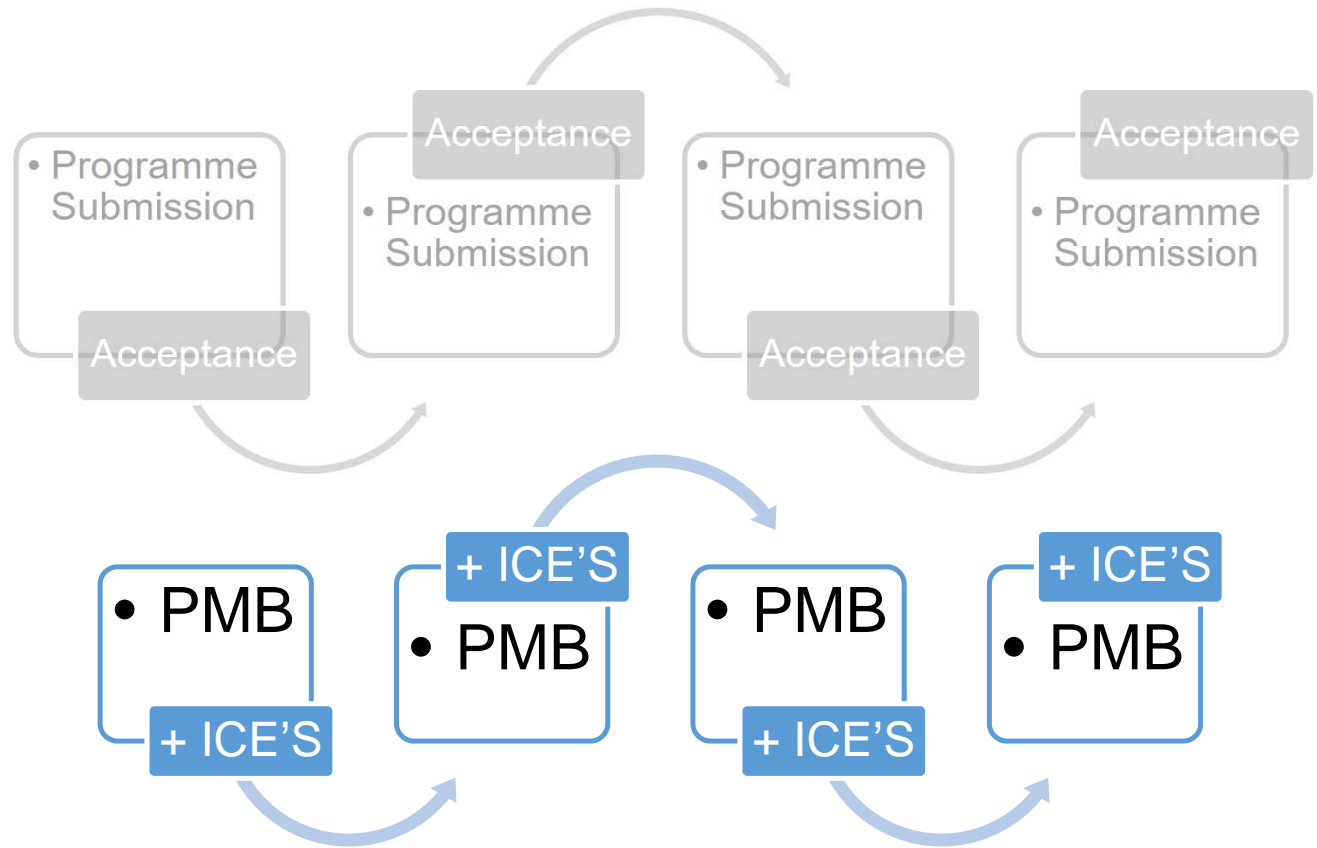
The Solution – “Performance Measurement Baseline”



The Solution – “Performance Measurement Baseline”

- **Takes a snapshot of the first accepted programme and locks it down**
- Updated each period with Implemented Compensation
- **Matches change with an un-progressed version of the original programme**
- Acts as a traditional baseline filling the gap between the Starting Date and Completion Date (and key dates, sectional completions) with a full programme

Requires Concurrent Update Alongside PfA



So what's the big deal?

NEC4 & Project Controls

The Cons

- Well, its twice the work isn't it.
- General changes to the programme outside of contract change are not applied to the PMB.
- The impacts of CE's can become difficult to directly compare with a PMB and the PfA.
- Requires more front end work to set up integrated systems and processes.

The Cons...Sorted

- Well, its twice the work isn't it.
 - Not really if we actually use those systems we put more work into setting up.
- General changes to the programme outside of contract change are not applied to the PMB.
 - If we apply the usage of work and planning packages these impacts can be minimized.
- The impacts of CE's can become difficult to directly compare with a PMB and the PfA.
 - This is the essence of CE assessment and should be where the focus of work is concentrated to agree change.
- Requires more front end work to set up integrated systems and processes.
 - With the benefit of saving time throughout the lifetime of the project.



4 things to consider

Contract Administration



- The ethos of both PM and Contractor teams needs to be to close out contract admin in a timely manner

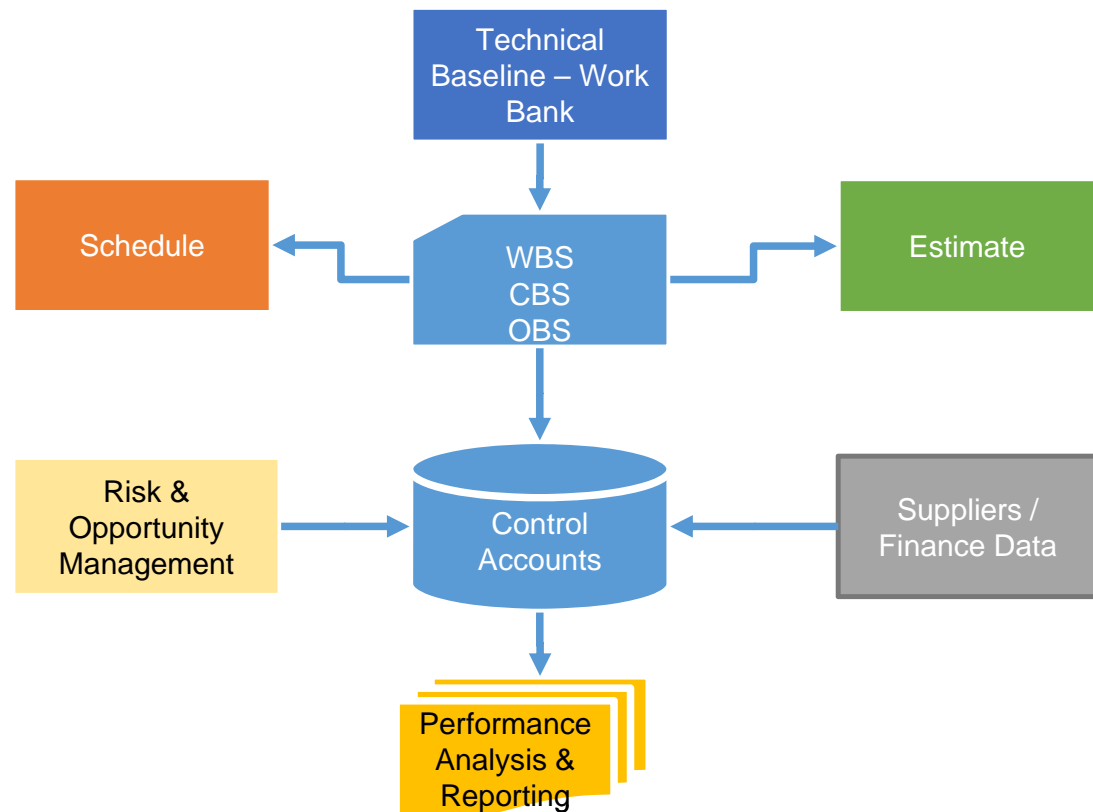
There will be a “deemed acceptance” of the programme if the Project Manager fails to respond to the issued programme and a subsequent reminder (GMHPlanning)

Joint effort



- The collaboration of Controls (Planning, Cost & Risk) and Commercial teams in the assessment of changes is essential to effectively forecast the full impact of changes, in particular when trying to apply to both the PfA, Last accepted programme and the PMB

Controls Integration



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Created By Chris Corr · Current Version ▾

REVIEW

NEC4 006 Programme Module A - Producing an ECC programme L11257

16% COMPLETE

☰ Learning Objectives ✓

☰ Introduction ✓

☰ ECC contract under NEC4 ○

These items will be considered in more detail shortly within this module but are listed as follows.

- 1 starting date/access dates/ Completion Date/ Key Dates
- 2 planned Completion
- 3 order and timing of operations to Provide the Works
- 4 order and timing of the work of Client and Others
- 5 float

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1w



Glenn Hide • **Group Owner**

NEC3 / NEC4 Management Consultant

NEC4: Practice Note 1 - Assessing delays due to compensation events

I wondered when this day would come and finally it is here. We have specific guidance from the authors

ABOUT THIS GROUP

NEC3 and now NEC4 continues to be the contract of choice for construction projects in this country, for example Crossrail, HS2, Hinckley, Thames Tideway, Water Industry, Highways Agency to name but a few. It is a simpler and easier to understand whic... **Show more**

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▲ +1
▼ vote

2
answers

NEC ECC: Clause 31.2 Programme - items to be shown on the programme

56 views

answered **May 23** in **NEC3 Time** by **Glenn Hide** (26,940 points)

nec3-time-programme

programme

▲ +1
▼ vote

2
answers

NEC ECC: Compensation event while Prevention clause fails.

53 views

answered **May 18** in **NEC3 Time** by **Glenn Hide** (26,940 points)

compensation-event

▲ +1
▼ vote

1
answer

NEC ECC: Compensation event due to changes in works information during tendering stage.

55 views

answered **May 5** in **NEC3 Time** by **Jon Broome** (17,750 points)

access

-

compensation-event

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Downloads

All downloads from gmhplanning.co.uk are produced with over twelve years experience of working under NEC form of contract.

The downloads are available for visitors to the website for them to enhance their knowledge and understanding of the NEC contract and how they may practically administer better their live projects.

These flowcharts and guidance should be read in conjunction with the GMH Planning Guidance notes and also be in relation to the suite of NEC3 training courses provided by GMH Planning to develop and enhance the level of understanding to all parties working on an NEC project.

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NEC4 Practice Note 1 – Rules for assessing compensation events against an Accepted Programme

Finally we have a guidance note as to how to assess compensation events against the last Accepted Programme and what should first be taken into account. It won't always be

NEC4 – Detailed review of changes within the PSC

Here is the GMH Planning detailed guide as to the most important changes within the new NEC4 version of the Professional Services Contract. For those who are pretty familiar with the NEC3 version then you should find this document very useful to understand

NEC4 ECC – Detailed review of changes from NEC3

Here is the GMH Planning detailed guide as to the most important changes within the new NEC4 version of Engineering and Construction Contract. If you are fairly familiar with the NEC3 version then you will find this guide a very useful summary as to

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