

works | services | supply



NEC WHITE PAPER

NEC4 Facilities Management Contracts

May 2021



necontract.com/nec4fm

Contents

	PAGE
1 Introduction	3
<hr/>	
2 NEC4 Term Service Contract Suite Compared to the NEC4 Facilities Management Contract Suite	4
<hr/>	
3 TSC and FMC Compared	5
Main Options	5
Secondary Options	5
Ordering Work	6
Performance	6
Other Differences	7
<hr/>	
4 TSSC and FMSC Compared	8

1

Introduction

NEC announces the future about the final release of its new suite of facilities management contracts (FM contracts) developed in conjunction with the Institute of Workplace and Facilities Management (IWFM).

The suite contains four contracts, six user guides and two flow charts and is designed to be used for all types of facilities management procurement and delivery strategies.

This paper provides users with an explanation of how the new facilities management contracts compare to the existing NEC4 term service contracts and identifies the key differences between the two suites of contracts.



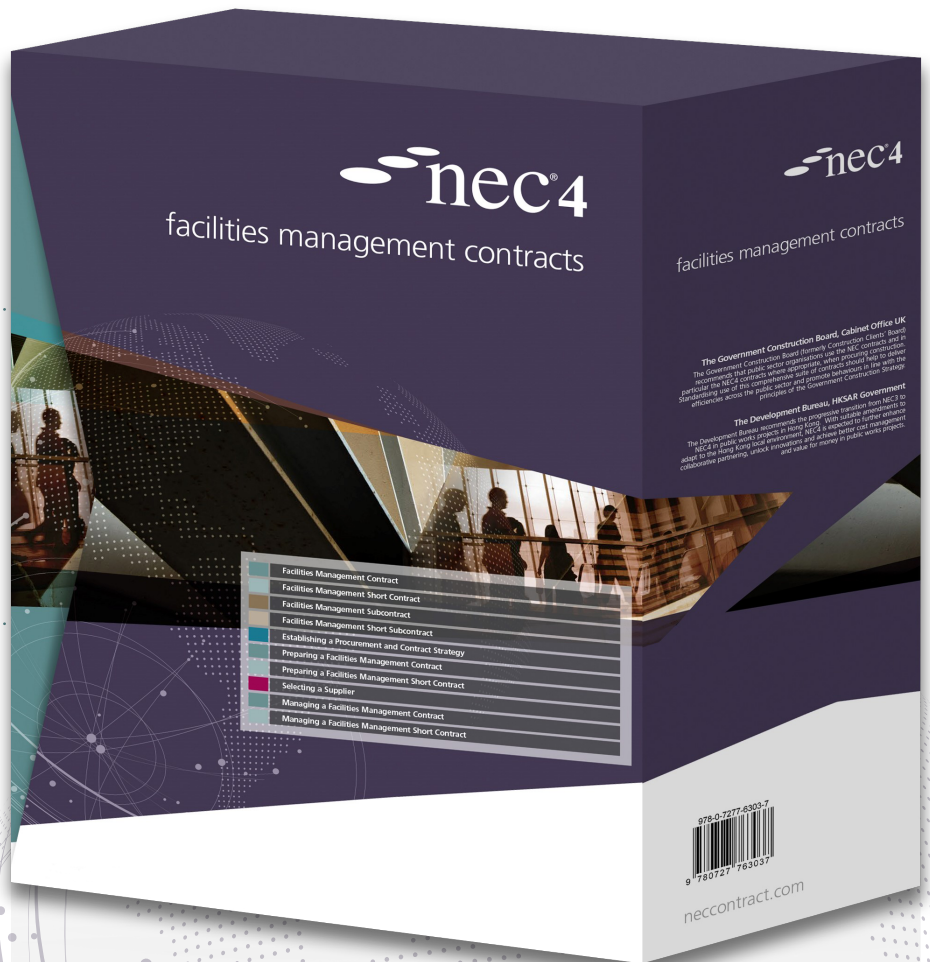
4
Contracts



6
User Guides



2
Flow Charts



2

NEC4 Term Service Contract Suite Compared to the NEC4 FM Contract Suite

The table below outlines the equivalent contracts in the TS contract suite compared to the FM contract suite.

In all cases, the contracts can be used to procure a supplier of a service for a defined period of time. However, the FM contracts have been specifically drafted to address the needs of the facilities management market, including the use of relevant terminology and processes.

TS Contract	FM Contract	When to use it
NEC4 Term Service Contract (TSC)	NEC4 Facilities Management Contract (FMC)	For the appointment of a supplier for a defined period of time to manage and provide any type of service.
NEC4 Term Service Subcontract	NEC4 Facilities Management Subcontract	As a subcontract under any NEC4 contract, for the appointment of a subcontractor for a defined period of time to manage and provide any type of service.
NEC4 Term Service Short Contract (TSSC)	NEC4 Facilities Management Short Contract (FMSC)	As an alternative to the full contract, for the appointment of a supplier for a defined period of time to manage and provide a straightforward service which does not require sophisticated management techniques and imposes only low risk on both client and supplier.
N/A	NEC4 Facilities Management Short Subcontract	As a subcontract under any NEC4 contract, for the appointment of a subcontractor for a period of time to manage and provide any type of service and specifically a facilities management service, which does not require sophisticated management techniques, comprises straightforward work and imposes only low risks on both parties.

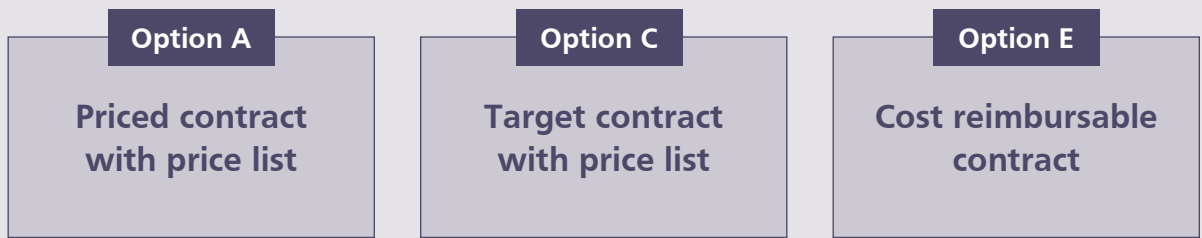
The key differences in terms of terminology are that the Contractor in the TS contracts becomes the Service Provider in the FM contracts and that Defects in the TS contracts become Service Failures in the FM contracts.

3 TSC and FMC Compared

The main TS contracts and FM contracts are compared below using the TSC and FMC as an example.

Main Options

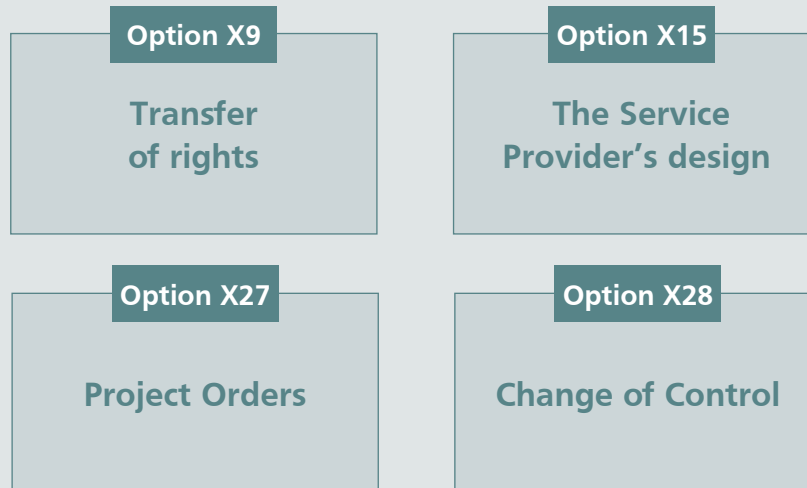
The TSC and FMC have the same main Options which are as follows:



Secondary Options

The dispute resolution Option and secondary Options in the TSC and FMC are the same apart from the following.

Additional secondary Options in the FMC:



The TSC includes secondary Options X4 ultimate holding company guarantee and X13 performance bond which are combined into a single secondary Option in the FMC, X4 performance guarantees, which allows the choice of either an ultimate holding company guarantee or a performance bond.

The TSC also includes secondary Options X17 low performance damages and X20 Key Performance Indicators which are replaced by the Performance Table in the FMC, but now in the core clauses.

Ordering Work

In both the TSC and the FMC, an element of “core work” will be included in the Scope and the Contractor / Service Provider will be required to undertake this work during the Service Period.

In the FMC, further work can be “called off” via Service Orders which is an instruction to carry out work on an instructed basis. Such work would include for example reactive maintenance and the like. The form of the Service Order is detailed in the Scope, which will also state any processes to be followed in the issue and execution of Service Orders and any constraints (for example, on the value of work that can be done or the procedures for getting approval before doing the work).

The Service Order process in the FMC creates a simpler and more structured process than the TSC. Under that contract such work can be instructed via a change in Scope or can be accommodated via the Scope and Price List if they have been drafted to allow for some elements of work to be “called off” as required.

In both the TSC and FMC, there is a process for ordering work that has a level of complexity, coordination and risk which requires a programme for its execution, and which may include changes or additions to the Scope and Price List. In the FMC such work is instructed under secondary Option X27 Project Orders, which will need to be selected for inclusion if required. In the TSC such work is instructed under Task Orders which form part of the core clauses and are therefore always available for use.

Performance

In both the TSC and FMC, the Client’s Scope sets out what performance standard the Contractor / Service Provider is expected to achieve, commonly in the form of a service level agreement. Incentives for the Contractor / Service Provider, both positive and negative, to achieve the performance standards are included in both the TSC and FMC.

In the FMC, the Performance Table sets out the adjustments to payment if the performance target is not achieved, or, if appropriate, if it is achieved or improved upon. The contract provides complete flexibility in the content of the Performance Table allowing the Client to identify the performance targets, levels, values and timing of assessment that will drive the aspects of the service delivery that are key to it.

In the TSC, secondary Options X17 low performance damages and X20 Key Performance Indicators are used to incentivise the Contractor’s performance negatively (X17) or positively (X20), though these are separate processes and not interlinked.

The approach to the correction of Service Failures in the TSC is different from the correction of Defects in the TSC. The FMC recognises that certain Service Failures may not be capable of correction as the point in time at which a part of the service should have been provided has passed (for example a failure to clean a school classroom on a set day), and has provisions to deal with this.

Other Differences

The FMC includes a requirement for the Service Provider to provide a Demobilisation Plan and, optionally, a Mobilisation Plan. These requirements form part of the core clauses in the contract as opposed to being something that a Client could include as a requirement in the Scope under the TSC. The Service Provider is also required to state how it will provide business continuity in Providing the Service as part of its plan.

The FMC includes a secondary option to be used for contracts under which the Service Provider is

required to undertake design as part of the service. The secondary option deals with the issue and acceptance, ownership and use of any such design, liability which is set at a standard of reasonable skill and care, and the requirement for professional indemnity insurance. The FMC also includes a secondary Option (X9) to transfer the Service Provider's rights over material prepared for the design of the service to the Client. These options do not feature in the TSC.

The FMC includes a secondary Option (X28) to deal with a change of control over the Service Provider and allows the Client to terminate the contract as a result in certain circumstances.



More information about the FM Contract is available through our introductory training course, covering how to put it together, the contract strategy, and how it is managed effectively.

[FIND OUT MORE](#)

4


TSSC and FMSC Compared

The FMSC has the option for a Performance Table to be included as part of the contract.

The TSSC has a Task Order provision which may be used for work to be instructed on a “call-off” basis. The FMSC has the Service Order provision for “call-off” work, but does not have a Project Order provision.

The FMSC includes a provision that allows the Service Provider to propose changes to the Scope provided by the Client that will reduce the cost of Providing the Service. Any such saving generated is shared between the Parties.

As with the FMC, the FMSC recognises that certain Service Failures may not be capable of correction as the point in time at which a part of the service should have been provided has passed and has provisions to deal with this.



For more details on any of the below support services please email info@necontract.com and one of our team members will contact you.



One of the most effective support packages comes via our NEC Users’ Group. This offers a blend of copies of the contracts, support and discounts as well as access to members’ events and a helpdesk.



NEC and IWFM will be working on a series of Practice Notes to be released over time. These will support and help users with region-specific and emerging issues such as social value.



There will also be a portfolio of training products available ranging from introductory courses to accreditations. These will be delivered as a mix of online, virtual and classroom courses.



Finally, there will also be the option of consultancy services to support you as you prepare and deliver your FM contracts.



NEC
One Great George Street
Westminster
London SW1P 3AA
UK

t +44 (0)20 7665 2446
e info@necontract.com
w necontract.com

Prices and course dates were correct at time of print but may subsequently vary. The terms and conditions of our training can be found on our website.

© NEC
NEC is a division of Thomas Telford Limited, a company wholly owned by the Institution of Civil Engineers (ICE). Registered charity number 210252.