NEC4: enhance trust and collaboration through effective assurance

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Speakers

Presenters:

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What we will cover

• What NEC4 is doing to enhance collaboration
  • Direct measures
  • Measures to build trust

• How effective assurance can enhance trust and co-operation
NEC4

• NEC4 has included direct measures aimed at enhancing collaboration
  
  • Contractor’s proposals
  • Early warnings
  • The NEC4 Alliance Contract (ALC)
NEC4 – Contractor’s proposals

• **Contractor** proposes a change to Scope to reduce cost

• If the **Project Manager** accepts the proposal they issue an instruction

• For Options A and B, the Prices are reduced by applying the *value engineering percentage* (50% unless otherwise stated in the Contract Data) to the total cost saving

• For Options C and D, the Prices are not reduced (so the cost savings are shared by applying the *Contractor’s* share)
NEC4 – Early warnings

• *Project Manager* prepares a first Early Warning Register within one week of the *starting date*

• Regular early warning meetings are then to be held starting within two weeks of the *starting date*
NEC4 Alliance Contract (ALC)

• All parties sign up to one Alliance Contract
• The contract will be performance-based, with risk and reward for achievement of the Alliance Objectives
• The members of the Alliance work together as an integrated team
• All alliance members are engaged on an open-book basis with project-specific incentive arrangements agreed at the outset
Trust and NEC4

NEC4 has also taken direct measures aimed at building trust in order to support collaboration

• Changes to 10.1
• Deemed acceptance of costs
• Deemed acceptance of final assessments
• Deemed acceptance of programme
How to build trust

1. Be reliable – do what you say you are going to do

2. Address problems truthfully and directly

3. Be honest
Trust can erode over time

![Graph showing the decrease in trust over time from contract signed to final assessment.](chart.png)
NEC4 – Changes to 10.1

10.1 The Parties, the Project Manager and the Supervisor shall act as stated in this contract

10.2 The Parties, the Project Manager and the Supervisor act in a spirit of mutual trust and co-operation
NEC4 – Cost certainty

• Contractor (under Options C, D, E and F) asks the Project Manager to review and either accept its total Defined Cost or explain any problems

• If the Project Manager does nothing, after 13 weeks the Defined Cost will be deemed to be accepted
NEC4 – Cost certainty

• *Project Manager* issues a final assessment within four weeks of the issue of the Defects Certificate
• If the *Project Manager* fails to issue a final assessment the *Contractor* can do so
• The *Contractor’s* final assessment will be conclusive if not challenged within 4 weeks
NEC4 – Deemed acceptance of programme

• *Project Manager* has two weeks to accept or not accept a submitted programme

• If the *Project Manager* does not respond, the *Contractor* notifies the *Project Manager* of the failure

• If the failure continues for a further week, the submitted programme is deemed to be accepted
Effective assurance can also help to support collaboration by enhancing confidence and building trust.
Examples of assurance

• Trust a trader / Check a trade
• Car checks
• British Board of Film Classification
• Ofsted inspections
• Care Quality Commission
• Financial Auditors
Common features of assurance

• Independent
• Expert
• Offering an opinion
• To enhance confidence
Examples of where assurance is effective under NEC4

• Defined Cost

  • Maintaining trust and confidence between the parties to an Alliance Contract
  • Compliance with the Schedule of Cost Components
  • Supported by the Contractor’s books and records
Examples of where assurance is effective under NEC4

• Contract compliance
  • Procurement
  • Early warnings
  • Compensation events
  • Payment
  • Programme

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Examples of where assurance is effective under NEC4

• Process and control effectiveness
  • Contract awareness
  • Reporting and project controls
  • Acceptances and authorisations
  • Fraud risk management
Benefits of effective assurance

• Head off problems

• Demonstrate an open and honest approach to problem solving

• Assist the parties to do what they said they would do
In conclusion

Foundation – NEC 4’s clauses to increase trust and collaboration

Bricks – The actions of the parties

Cement – assurance activities
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