

# NEC Secondary Option X27 Project Orders

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**Disclaimer:** the legal information given on the following slides does not constitute legal advice and is presented as the interpretation and opinion of the presenter on such matters.

## About Us




GVE Commercial Solutions Ltd are a commercial management consultancy providing quantity surveying and programming services. Our consultants specialise in the NEC forms of contract.

Our NEC capability has principally been acquired through practical application and experience within 'live' project environments assisting both contractors and subcontractors.

Our specialist NEC services include;

- Commercial and contract management of projects,
- Bespoke training,
- Project health check reviews,
- Contract reviews,
- Programme management,
- Dispute avoidance and/or resolution.

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## Facility Management Service Contracts

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## Facility Management

**Definition**

'The process of maintaining the continued performance of a particular asset'.

This can range from a day-to-day reactive process to a long-term strategic approach, incorporating both predictive and preventative tasks.

The importance of facility management is that it maintains the serviceable state of an asset, producing benefits including;

- Improving operational efficiency,
- Enhances safety,
- Meeting compliance requirements,
- Extends the asset life,
- Improve customer satisfaction,
- Reduces asset operational cost.

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## NEC4 Contract Forms



The NEC family of contracts includes forms which may be used to manage an asset, as follows;

- Term Service Contract (TSC),
- Term Service Short Contract (TSSC),
- Term Service Subcontract (TSS),
- Facilities Management Contract (FMC),
- Facilities Management Short Contract (FMSC),
- Facilities Management Subcontract (FMS),
- Facilities Management Short Subcontract (FMSS),
- Design Build and Operate Contract (DBOC).

All of these contracts operate on the basis of providing 'core' services from the *starting date* to the end of the *service period*.

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## Contract Change



The 'core' services to be undertaken are defined in the Scope document(s) although may be changed by an applicable contract mechanism, including;

- an instruction to change the Scope,
- 'value engineering' proposal,
- Service Order,
- Whole Life Cost proposal.

Common to the above contract mechanisms is that they don't 'measure' time, although certain contract 'change' mechanisms do measure time, including;

- a compensation event that delays Works Completion,
- Task Orders,
- Project Orders.

Task Orders and Project Orders can also alter the end of the Service Period.

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**NEC Suite**

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**NEC Suite**

Secondary option X27 can be found in the following forms of contract;

- Facilities Management Contract (FMC),
- Facilities Management Subcontract (FMS).

X27 is the longest secondary option within the NEC suite of contracts.

As secondary option X27 only features in the Facilities Management suite of contracts, which were published in 2021, this option did not appear in NEC3.

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**X27 – Project Orders**

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**X27.1 - Defined Terms**

**Project**  
Work included in the *service* undertaken by the *Service Provider* and instructed by the *Service Manager*.

**Project Completion**  
Defines Completion in relation to a Project.

**Project Completion Date**  
The date stated in the Project Order for completion, unless this is changed in accordance with the contract.

**Project Order**  
A formal instruction by the *Service Manager* to carry out a Project.

These defined terms imitate the corresponding terms for a Task Order in the TSC and TSS forms at sub-clauses 11.2 (18) to (21).

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## X27 - Project Orders



This procedure is detailed at X27.2 through to X27.10.

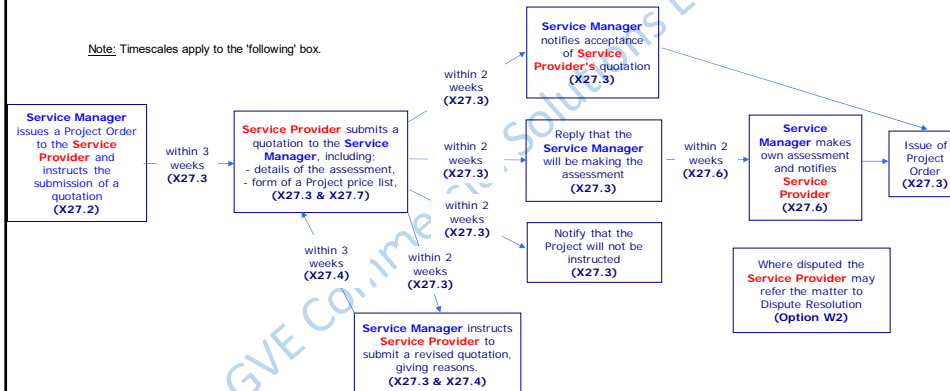
The Project Order procedure operates in a very similar way to a Task Order under the TSC and TSS forms, compared as follows;

FMC	Description FMC	TSC	Description TSC
X27.2	Issuing a Project Order	19.1	Issuing a Task Order
X27.3	Project Order quotation	19.2	Task Order quotation
X27.4	Revised quotation	19.3	Revised quotation
X27.5	Extending the time period	19.4	Extending the time period
X27.6	Service Manager assessment	19.5	Service Manager assessment
X27.7	Basis of pricing	19.6	Basis of pricing
X27.8	Delay damages	19.7	Delay damages
X27.9	Bonus for early completion	N/A	
X27.10	Incorporating into the service	19.8	Incorporating into the service

## X27 - Project Orders



The following diagram illustrates the Project Order procedure;



Note that there are no 'reminder' provisions as part of the procedure.

## X27 - Starting and Completion



X27.11 essentially provides for when the work included in a Project is to commence and when it is required to be completed, with both the Project starting date and Project Completion Date stated in the Service Manager's instruction requesting a quotation.

There is no obligation to commence works in relation to a Project until a Project Order has been formally issued.

Project Completion is important as early completion may correspond with a bonus payment and late completion may incur delay damages.

X27.12 provides for extending the Service Period when Project Completion is (forecast) to be achieved after the end of the Service Period, further providing for certain restrictions during this 'extended period'.

These requirements imitate the corresponding requirements for a Task Order in the TSC and TSS forms at sub-clauses 30.2 to 3.

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## X27 – Programme



As seen previously the 'measurement' of time applies to a Project Order, hence the requirement for a Project Order programme.

X27.13 through to X27.17 provide for the following requirements;

- X27.13 – Project Order programme submitted for acceptance,
- X27.14 – Information to be shown on each Project Order programme,
- X27.15 – Procedure for the *Service Manager's* response to a submitted Project Order programme,
- X27.16 – Information to be shown on a revised Project Order programme,
- X27.17 – Procedure for the *Service Manager's* response to a submitted revised Project Order programme.

These requirements imitate the corresponding requirements for a Task Order in the TSC and TSS forms at sub-clauses 33.1 to 3 and 34.1 to 2.

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## X27 - Access



X27.18 provides that the Service Provider has the right of access to the Affected Property shown on the latest accepted Project Order programme.

Where the right of access shown on the latest accepted Project Order programme is not provided by the *Client* then this is a compensation event.

The X27 requirement is similar to sub-clause 35.1, in relation to the Accepted Plan, however, the corresponding compensation event at 60.1 (2) does not provide for an assessment of time.

This requirement imitates the corresponding requirement for a Task Order in the TSC and TSS forms under the 'second part' of sub-clause 35.1.

## X27 - Compensation Events



Although there is a compensation event procedure at core clause 6, additional requirements are provided in relation to a Project as follows;

- X27.19 – States 6Nr compensation events which relate to Project Orders,
- X27.20 – Assessment of any delay to the Project Completion Date,
- X27.21 – States how a delay to a Project Completion Date is assessed,
- X27.22 – Provides for inclusion of time risk allowance,
- X27.23 – Assumes that the Service Provider reacts competently and promptly,
- X27.24 – Ambiguities and inconsistencies,
- X27.25 – Service Manager's assessment,
- X27.26 – Service Manager's assessment of the programme,
- X27.27 – Implementing a compensation event.

Under the TSC and TSS forms these requirements have been incorporated into the main conditions of contract.



## X27 - Compensation Events



The compensation event procedure for a Project Order is compared with the procedure for a Task Order under the TSC and TSS forms, as follows;

FMC	Description FMC	TSC	Description TSC
X27.19 (1)	Compensation event - access	60.1 (2)	Compensation event - access
X27.19 (2)	Compensation event - not providing something	60.1 (3)	Compensation event - not providing something
X27.19 (3)	Compensation event - late issue of Project Order	60.1 (4)	Compensation event - late issue of Task Order
X27.19 (4)	Compensation event - not working in accordance with the programme	60.1 (6)	Compensation event - not working in accordance with the programme
X27.19 (5)	Compensation event - change to the Affected Property	60.1 (11)	Compensation event - change to the Affected Property
X27.19 (6)	Compensation event - Project will not be instructed	60.1 (17)	Compensation event - Task will not be instructed
X27.20	Quotations for compensation events	62.2	Quotations for compensation events
X27.21	Assessing delay for compensation events	63.6	Assessing delay for compensation events
X27.22	Time risk allowances	63.9	Time risk allowances
X27.23	Reacting competently and promptly	63.10	Reacting competently and promptly
X27.24	Ambiguity or inconsistency	63.11	Ambiguity or inconsistency
X27.25	Service Manager's assessment	64.1	Service Manager's assessment
X27.26	Service Manager's programme assessment	64.2	Service Manager's programme assessment
X27.27	Implementing compensation events	66.2	Implementing compensation events

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## Things to Consider...

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## Things to Consider...



As a Project Order programme is required to be submitted and maintained, a corresponding allowance should be included in a quotation.

Do not commence work until a Project Order has been formally issued by the Service Manager.

Include appropriate information on a Project Order programme to facilitate the management of associated compensation events.

Any quotation assessment should consider and reflect the effect of a Project Order on the existing service.

Manage time effectively to ensure that any liability to pay delay damages is minimised appropriately.

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