









The NEC3 attempts to provide a simple and direct standard form of contract with impetuosity on good management with a higher degree of clarity than has been seen in other existing contracts such as ICE or JCT.

To ensure the NEC3 remains flexible, simple with clarity core clauses were used as the basis for six main options with varying risk allocation and reflecting modern procurement practice:

-  Option A (priced contract with activity schedule);
-  Option B (priced contract with bill of quantities);
-  Option C (target contract with activity schedule);
-  Option D (target contract with bill of quantities);
-  Option E (cost reimbursable contract); and
-  Option F (management contract)

The difference in contracts will be explained in another paper but with the core clauses remaining the same throughout the contracts this paper shows greater interest in Early Warning procedures (clause 16) and Compensation Events (clause 60).

An Early Warning is to be notified (in writing) to the Project Manager from the Contractor of a relevant matter which could increase the total cost or delay to the completion date or effect the performance of the finished works.

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It is then a requirement of the contract for the Contractor and the Project Manager to attend an Early Warning meeting if either party requests it for which others can be invited, with the purpose of the attendees to discuss how the problem might be avoided or reduced and on what action is to be taken.

The aim of this approach is to avoid disputes with both parties co-operating at an early stage of an issue identified by either party working together to find a resolution in the most efficient manner.

This change of approach to the usual allows for Contractors to receive compensation (where applicable) for addressing issues as early as possible and allowing the Project Manager to assist in resolution of the issue allowing both to better prepare their cash-flow.

To ensure that it is in the interest of the contractor to work in this manner should an Early Warning not be produced by the Contractor for an issue they were aware of and subsequently an event arises, the Project Manager assess the event as though they were able to identify a more efficient manner of resolution and the Contractor will only be paid for that economic method of completing the event.



Should an event occur that entitles the contractor to more time and/or money, then this is known as a Compensation Event which arises from a request of the Project Manager.

The Compensation Event notified by the Project Manager asks the Contractor to provide a quotation which the Contractor can vary either / or the price or the programme if applicable

Should the Project Manager disagree with the proposed versions then the Project Manager can ask for the Contractor to revise the price or the programme or both as long as the reasons for this request are explained.

To ensure a Contractor is entitled to a change in the prices or programme, they must notify the Project Manager within eight weeks of becoming aware of the event unless the Project Manager should have notified the event to the Contractor.

Therefore in the letter of the law, if a Contractor does not notify in the eight week period set aside in the contract any breach of contract, any time, or financial recovery could be lost.

The big arguing points within this clause are when, does the Contractor become aware, when should a Project Manager notify the event and who should be made



aware, and this will remain unclear until many more cases have been won or lost within the courts.

Therefore to remain allegeable to recover the money or the time that a Contractor feels it is entitled to first and foremost in the mind should be;

 **Who is the Project Manager,**

 **Have I sent that Early Warning / Compensation Event yet!**

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