August 2026

CECA NEC4 Bulletin

CECA Member Briefing:

Bulletin Nr 68 – Finishing/closing down a project under an NEC Contract

Introduction

Training and development support is a key part of CECA's core offer for its membership and working in conjunction with GMH Planning it has delivered a programme of training events around the NEC Form of Contract across several CECA UK regions.

In addition to this training, a series of monthly NEC Contract Bulletins are being produced for both Contractors and Subcontractors to improve practical awareness on key topics within the NEC. The coverage, whilst not exhaustive, is intended as a general overview on some of the contractual principles to increase a wider understanding in support of more sustainable outcomes.

For the purposes of these bulletins a contractual relationship between a "Client" and "Contractor" is assumed. The same rules/principles also apply if the contractual relationship is between a "Contractor" and a "Subcontractor" and so the term "Contractor" will be used to describe both parties.

These bulletins are based on the latest NEC4 family of contracts, but the same principles and rules would apply where parties are engaged under an NEC3 form of contract.

Coming next month:

Bulletin Nr 69 – Term Service Contract

Please respond to Lucy Hudson should you require any further information on the CECA NEC4 Bulletins via e-mail: lucyhudson@cecasouth.co.uk.

For further advice or guidance on the NEC details please visit www.gmhplanning.co.uk where you will find a wealth of free NEC Guidance Notes, NEC FAQs, and other helpful measures.

NEC Bulletin 68: Finishing/closing down a project under an NEC Contract

Like any project under any form of contract, it is important to close it out efficiently and tie up any contractual loose ends. This bulletin will consider the elements that need to be completed/closed out to fully complete the contract under an NEC form of contract, to help ensure that neither party is exposed. This bulletin will consider two "phases" of completion on a project:

1. Completion – where the status of Completion has been achieved and the Client fully takes over the works
2. Defect Date – this is the period (typically 52 weeks) after Completion for which the Contractor will be responsible for defects, and at which point a Defect Certificate will be issued. It is also the point that a final assessment/payment will be made to conclude the contract agreement.

Monthly/four-weekly payment applications will continue each period between Completion and the Defect Date until the final assessment has been completed.

Completion: This is a defined term under the contract and is when the Contractor has completed the works that the Scope requires them to complete by the Completion Date. It also requires the Contractor to have corrected defects that would prevent the Client from using the works or for Others to do their work. The project does not need to be "defect free" for Completion to be certified. Any minor defects that do not prevent the Client from using the works can be corrected within the defect correction period following Completion. The Project Manager decides the date of Completion and certifies within one week of it being achieved. Even though the contract does not specifically state so, it may be practical for the Contractor to formally notify to the Project Manager when they believe the status of Completion has been achieved so that it is agreed at the earliest possible opportunity.

Completion is important to achieve, particularly for the Contractor, as it triggers various elements:

- it starts the period for which the Contractor will be liable for defects and fixes the date at which point this period will contractually end (the "defect date" in Contract Data)
- X7 Delay damages – will no longer be applicable once Completion has been certified
- X16 retention – the amount of retention being retained is halved and paid in the next assessment date following Completion being certified
- X6 Bonus for early Completion – the agreement of Completion will determine if there is any entitlement for a bonus for early Completion to be paid
- X18 liability date – fixes the period for which the Contractor will be liable for elements following completion of the project
- Contractor insurances and/or bonds/guarantees can be completed/terminated, which may save the Contractor money on premiums
- for options C-F correcting defects after Completion would be a disallowed cost, so it is in the Contractor's interest to ensure that wherever possible, defects are corrected before Completion to avoid the associated cost being disallowed.

Towards the end of the project/when Completion is imminent:

Check Scope for definition/reference to Completion: It is important that the Contractor checks the Scope to identify any requirements the Client has put in place that they need for Completion to be certified. There may be a requirement for certain documentation to be in place such as O&M manuals or training certificates being issued in order to achieve Completion.

Defects: Check that defects that would prevent the Client from using the works have been completed, otherwise this could also delay Completion being certified. It is also important to recognise that with cost reimbursable contracts (options C-F), any defect corrected after Completion will be a disallowed cost, so extra reasons to ensure that they are completed before this point.

Compensation Events: Try to ensure the agreement of all outstanding compensation events so that both Parties understand their respective liabilities. For main options C&D, this is particularly important to ascertain the final total of the Prices and allow an initial assessment of share percentage to be made.

The agreement of compensation events can become more difficult to agree with time for several reasons:

- hindsight may cloud people's judgements (even though the contract is clear that most compensation events should be based on forecast defined cost at the dividing date) as to what the assessment should be
- staff move and new people brought in who then try to close out agreements for elements of work when they may not have been on the project when they occurred, and are relying on records to assess entitlement
- confusion as to how multiple compensation events influence each other and hence what genuine entitlement may be

Cloud-based communication system: Ensure that all outstanding communications on the cloud-based communication tool have been responded to and closed out to tie up any loose ends.

Sectional Completion Date(s): If secondary option X5 has been chosen, there is a requirement to hand over sections of work by the date(s) stated in Contract Data part 1 (or as changed in accordance with the contract). Most elements that apply to Completion will also apply to any Sectional Completion Date(s) with a couple of noticeable exceptions:

- X16 retention – is not halved upon Completion of a section of the works, only upon Completion of the whole of the works.
- Defect Date – the period for which the Contractor is responsible to correct defects is again only triggered upon completion of the whole of the works. This can be problematic for a Contractor on a long project with multiple Sectional Completion Dates, as it will lead to an extended period for which the Contractor will be liable for defects.

Clause 54 Option C/D share percentage: The Project Manager makes a preliminary assessment of the Contractor's share at Completion of the whole of the works, using forecasts of the final Price for Work Done to Date and the final total of the Prices. The share is included in the amount due following Completion of the whole of the works. The Project Manager will make a final assessment of the Contractor's share using the final Price for Work Done to Date and final total of the Prices and included in the final amount due.

Period between Completion and Defect Date: The Contractor will be responsible to search for any defects as notified by the Supervisor, and to correct any notified defect within the defect correction period(s) stated in Contract Data part 1.

At the Defect Date (commonly known in other contracts as the "defect liability period"

Defects Certificate: The Supervisor at the "defect date" (or at the end of the last defect correction period) will issue a list of defects that have been notified that the Contractor has not corrected, or a statement that there are no outstanding defects.

Final check of communications on cloud-based system: Ensure that all communications are responded to and closed out accordingly.

Section 53 Final assessment: This is a new section of clauses that was only introduced with NEC4 and ensures that the contract can be fully closed out. The Project Manager makes a final assessment of the amount due within four weeks of the Supervisor issuing the Defects Certificate (or within thirteen weeks of the Project Manager issuing a termination certificate). The Project Manager would need to assess any deductions to be made for any uncorrected defects that exist. This final assessment will signify the end of the Project Manager's duties under that contract. Final payment is made within three weeks of the assessment (or different period as stated in Contract Data).

Should the Project Manager fail to make the final assessment within the time allowed, the Contractor may issue to the Client an assessment of the final amount due, giving details on how it has been assessed. Clause 53.3 implies that if the Client does not respond within the time allowed, the Contractor's assessment would be deemed accepted.

Compensation Events: No compensation event can be notified by either the Project Manager or the Contractor following the issue of the Defects Certificate.

X16 Retention: The remaining 50% of the retention that was held on the project should be released and paid to the Contractor in the assessment following the issue of the Defects Certificate.

X17 – Low Performance Damages: If a Defect included in the Defects Certificate shows a defect with regards to a performance level stated in Contract Data where X17 has been included, the Project Manager should make a deduction accordingly in the final assessment.

Summary: All Parties should attempt to achieve Completion of the project as smoothly as possible. If the Parties have been administering the correct contractual processes along the way, there should be no need for a long-protracted effort to get all the paperwork in place at the end. The Parties have to consider what they need to do to achieve Completion and the assessment to be made following that milestone, as well as the final assessment which will typically be 52 weeks (or longer) after Completion.