September 2026

CECA NEC4 Bulletin

CECA Member Briefing:

Bulletin Nr 69 - Term Service Contract (TSC)

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 70 – Professional Service Contract and Schedule of Cost Components

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 69: Term Service Contract (TSC)

The NEC family include contracts for a variety of different contractual arrangements that could be necessary on a project. For example, the Professional Service Contract (PSC) is intended to be used to appoint a supplier to provide professional services such as designers, project managers and/or architects (see CECA bulletin 44), whilst a Supply Contract (see CECA bulletin 45) is suitable for using when purchasing equipment. Another one of these contract choices within the NEC family is the Term Service Contract (TSC) which we are going to focus on within this bulletin. Most of the subject matter written around the Engineering and Construction Contract (ECC) from previous bulletins are still relevant for the TSC, but this bulletin will pick up on some of the more specific features within this type of contract.

When should a Term Service Contract (TSC) be used? It is intended to be used to appoint a Contractor to provide a service for a fixed period of time, rather than carrying out a more traditional construction project. It is generally for maintenance type work, where a Contractor would be responsible for maintaining an existing asset, rather than installing something new. This service can be provided continuously over the period of the contract or on a 'task-by-task call-off basis. The TSC contract applies the similar project management procedures upon the service provider/Client that exist in other NEC contracts, in particular being very similar to those that are required under the Engineering and Construction Contract (ECC).

Primary options: There are three primary options under the NEC4 TSC contract for the Client to choose from. The choice will be based upon a balance of price and cost certainty. The option choices are:

- option A (lump sum type contract)
- option C (target cost type contract)
- option E (cost reimbursable type contract)

Secondary options: The same secondary options are generally available in the TSC as in the ECC contract (which have been explored in more detail in CECA bulletin no.3), with the exception of options X5, 6, 7, 9, 14, 15 or 16 that are not considered relevant to this type of contractual relationship. For example, ECC secondary options X5, X6 and X7 are to do with a Contractor achieving a Completion Date under the Contract, which will not be relevant to a TSC contract where there is a fixed end date that is not subject to change.

There are three additional TSC secondary options that do not appear in other NEC Contracts:

- X19 Termination: after the minimum period of service (as identified in Contract Data), a Party may terminate the Contractor's obligations to Provide the Service for any reason
- X23 Extending the Service Period: this allows the Parties to mutually agree a longer period to provide the services up to an agreed (pre-determined) maximum service period
- X24 Accounting periods: Within 13 weeks after the end of each "accounting period" the Service Manager makes an assessment of the final amount due for the service provided

Parties: The parties involved in a Term Service Contract are the Client and the Contractor. The name "Client" replaces the name "Employer" that was used in NEC3.

Service Manager: The Service Manager administers the contract on behalf of the Client. This is an equivalent role to that of the Project Manager in the ECC contract. This appointed person will have the responsibility to issue instructions, accept submissions, agree compensation events and write notifications. The Service Manager has a duty to act impartially and in accordance with the contractual rules, which in turn should limit the likelihood of disputes and formal adjudications that may otherwise occur. The Service Manager can delegate any of their responsibilities, providing such delegation is confirmed in writing and issued separately from other forms of communication to the Contractor.

Most TSC processes align with ECC: Most of the CECA bulletins produced to date have been based on ECC or ECS contract wording, but most of the elements discussed in those bulletins will be relevant and transferable to the elements of the TSC contracts. The clauses around communication flow (section 13), early warning process (section 15), programme requirements (section 3), compensation event process (section 6), liabilities and insurances (section 8) and termination (section 9) are broadly the same in terms of clause numbers, wording and principles.

Defined terms: The TSC includes a list of defined terms within clause 11.2 which is similar to the list of defined terms under an ECC contract. There are some terms that are unique to the TSC, such as Affected Property, Provide the Service, Task and Service Period.

Additional compensation events: Within NEC4 TSC contracts, there are eighteen reasons that would be a valid compensation event. Previously in NEC3 there were additional compensation events listed under X19 for a Task Order, but these are all now merged into one place under NEC4 within clause 60.1. Two additional ones added under NEC4 compared to NEC3 are:

- (17) - Service Manager notifies the Contractor that a quotation for a proposed instruction is not accepted or that a Task will not be instructed
- (18) - additional compensation events stated in Contract Data part 1

Task Orders: This is now a core clause under NEC4, whereas under NEC3 Task Orders were a secondary option (X19). The Service Manager may issue a Task Order to the Contractor which will include:

- detailed description of the work in the Task
- Task starting date and Task Completion Date
- amount of delay damages for late completion of the Task

The Contractor will then issue a Task quotation for acceptance by the Service Manager. The Service Manager should either accept the quotation and issue the Task Order, instruct a revised quotation, notify that the Service Manager will make their own assessment, or notify that the task will not be instructed. The Task price list will be added to the Price List and the work involved is added to the Scope.

Contractor's Plan and Task Order Programmes: There are two types of "programme" that are relevant under the TSC, both of which are detailed in section 3 of the contract:

Contractor's Plan: This will identify the works that will need to be carried out in order to maintain the existing facilities. It could schedule out regular inspections that would be necessary, or to carry out seasonal work such as grass cutting or cleaning. The plan will show for each task:

- the Task starting date
- planned Task Completion
- Task Completion Date
- access requirements
- resource levels
- Client interfaces
- progress achieved

The list of requirements to be shown on the plan is a simpler version compared to that of the ECC programme requirements. The plan will be revised at regular intervals (at the frequency stated in Contract Data) and issued for acceptance to the Service Manager.

Task Order programme: For each Task Order there is an obligation to issue for acceptance a specific programme for that task. The contractual requirements for a TSC task order programme (clause 33.2) are almost identical to those required for a clause 31.2 ECC programme. One difference compared to the ECC is that there is no set timescale to submit a revised Task Order programme within. It is revised when instructed by the Service Manager or whenever the Contractor chooses.

Schedule of Cost Components: One of the more significant TSC changes from NEC3 to NEC4 is the fact that there is now a similar (but slightly condensed) version to that of the ECC Schedule of Cost Components used to assess Defined Cost.

Under NEC3 Defined Cost was a core clause catered for:

- payments by the Contractor in Providing the Service for people who are employed by the Contractor
- Plant and Materials
- work subcontracted by the Contractor
- Equipment

Under NEC4, Defined Cost is an option specific definition. For option A it states that it is the “cost of components in the Short Schedule of Cost Components (SSCC)”, and for options C/E it is the “cost of components in the Schedule of Cost Components(SCC)”. NEC4 now has a much more detailed list of what is included in each of the schedule elements, which is very similar to that in the ECC contract (covered in detail in CECA bulletin 23).

The Defined Cost will be used to assess the value of compensation events under all options and also used for options C/E to determine the “Price for Service Provided to Date” each period.

There are significantly more elements for a Contractor to complete within NEC4 Contract Data part 2 than previously under NEC3. This includes pre-agreeing various Equipment rates, cost of people outside the working area involved in manufacture and fabrication, as well as rates for people providing shared services who are outside the Service Areas.

Disallowed Costs: This was a core clause under NEC3 and was always questionable as to how/when it would come into play under an option A contract. The list of disallowed costs is again very similar to that included within the ECC contract (which is covered in much more detail in bulletin 31). They include:

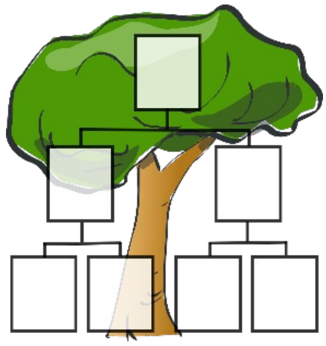
- cost not justified by Contractor’s accounts and records,
- was incurred because the Contractor did not give an early warning it was required to give,
- cost of correcting Defects caused by Contractor not complying with a constraint on how it was to Provide the Service, and
- resources not used to Provide the Service (after allowing for reasonable availability and utilisation).

Fee percentage(s): Previously under NEC3 there was a separate direct fee percentage and subcontract fee percentage, but under NEC4 there is now a single fee percentage that will be applied when assessing Defined Cost. For option A it will only be applicable for the assessment of compensation events, but for options C and E it will be applied to Defined Cost for interim applications as well as for the assessment of compensation events.

Term Service Short Contract (TSSC): As with all the short contracts, the TSSC is a simpler set of contractual rules compared to the full TSC for more straightforward low risk work. It simplifies the amount of administration required between the parties where the works are less complex.

Term Service Subcontract (TSS): Added into the NEC4 suite of contracts, this is a separate specific contract that a Contractor can use to engage with a subcontractor and include the same processes and terms along the supply chain.

Summary: The Term Service Contract is applicable where a Contractor will be providing a service to the Client to maintain existing facilities. Additional works can be instructed through Task Orders, each one of which will be quoted and require their own Task order programme.



The TSC contains most of the same processes that are included in the ECC contract and is administered on behalf of the Client by a Service Manager. As with any of the contracts within the NEC suite, they have similar principles, language, process and requirements. Knowing one contract within the NEC4 family should mean working with another contract should feel very familiar and be quick to understand.