

# NEC4 Term Service Contract (TSC) High Level User Guide

## Introduction

This overview is intended to be a quick reference guide as to where a particular subject matter can be found within the contract. This guide focuses on the most commonly used and relevant day to day clauses likely to be most relevant. For a specific project, any bespoke clause amendments introduced by a Client would have to be taken into account. Sections 1-9 are the core clauses for every TSC option A-E contract, with option specific clause details starting on page 5:

## Section 1 - General

### Actions

- 10.1 Reminder that all Parties are to act as stated in the contract
- 10.2 Obligation to also act in a spirit of mutual trust and cooperation.
- 11.2 List of defined terms (in alphabetical order).

### Communications

- 13.1 All communications in a form that can be read, copied and recorded.
- 13.2 Communications are only valid if submitted by the system stated in Scope.
- 13.3 Responses within period for reply or as stated in contract.
- 13.5 Service Manger may extend period for reply by agreement.
- 13.7 Any notification has to be separate from any other communication.

### Service Manger (SM)

- 14.1 Service Manger acceptance does not transfer liability from Contactor.
- 14.2 Service Manger must formally delegate actions in writing.
- 14.3 Service Manger can issue instructions to change the Scope.
- 14.5 Service Manager gives an instruction to correct Price List.

## Early Warnings

- 15.1 Reasons for which an early warning should be notified.
- 15.2 Either party can instruct the other to an early warning meeting.
- 15.3 Actions expected of all parties at an early warning meeting.
- 15.4 Updating of the Early Warning Register by the Service Manger.

## Contractor's Proposals

- 16.1 Contractor can propose value engineering to reduce Prices.
- 16.2 Service Manager responds to value engineering proposal within 4 weeks.
- 16.3 Contractor may propose a change to Working Areas.

## Ambiguities

- 17.1 Notifying and resolving of an ambiguity between contract documents.
- 17.2 Notifying and resolving of an illegal or impossible requirement.

## Task Orders

- 19.1 details of Task Order issued by Service Manager for Contractor to quote
- 19.2 Contractor submits (within 3 weeks) and SM responds (2 weeks) to quote
- 19.3 Service Manager may instruct revised Task Order quote
- 19.4 Extension to produce quote may be granted by Service Manager
- 19.5 Service Manager may assess and notify pricing for a Task if not agreed.
- 19.6 Task prices may be assessed from Price List or as a compensation event.
- 19.7 Delay damages may be applicable if Task Completion Date exceeded.
- 19.8 Task price list added to Price List and work added to Scope once issued.

## Section 2 – Contractors Responsibilities

### Providing the Works

- 20.1 Contractor obligation to Provide the Works in accordance with Scope.
- 20.2 Contractor minimises interference caused to Affected property.

## **Design of Equipment**

**20.1** Contractor to submit details of design of Equipment if instructed by SM.

## **People**

**21.1** Contractor to provide key person(s) stated in CD2 or suitable replacement.

**21.2** Service Manger can instruct Contractor to remove any person.

## **Working with Client and Others**

**23.1** Requirement for Contractor to work with Others as instructed/in Scope.

**23.2** Contractor and Client provides services and other things stated in Scope.

## **Subcontracting**

**24.2** Requirement to submit proposed Subcontractor for acceptance by SM.

**24.2** Reasons under which SM could not accept a Subcontractor.

**24.3** Also have to submit subcontractor terms for acceptance by SM.

## **Other responsibilities**

**25.3** Contractor obeys instructions given in accordance with contract by SM.

**25.4** Contractor acts in accordance with Health & Safety as stated in Scope.

## **Disclosure**

**27.2** Contractor may only publicise works with Client's agreement.

## **Section 3 - Programme**

### **Starting Date / Completion Date**

**30.1** Contractor does not start work on site until the starting date.

**30.2** Contractor does not start work on a Task until Task Order issued by SM.

**30.3** Service Period may be extended to include completion of a Task.

## **The Contractor's Plan**

- 31.1** Requirement for Contractor to submit first plan for acceptance.
- 31.2** Detailed list of what is required to be shown on plan for acceptance.
- 31.3** Reasons for SM not to accept a plan and potential for deemed acceptance.

## **Revising the Contractor's Plan**

- 32.1** List of what should be shown on a revised plan
- 32.2** Intervals for revised plan submissions to Service Manager.

## **Task Order Programme**

- 33.1** Task Order programme submitted within period stated in Contract Data
- 33.2** Detailed list as to what is required to be shown on Task Order programme.
- 33.3** Reasons for SM not to accept programme/potential for deemed acceptance.

## **Revising Task Order Programme**

- 34.1** Requirements to show on each revised Task Order programme.
- 34.2** Revised Task Order programme as instructed or when Contractor chooses access.

## **Access**

- 35.1** Client provides access to Affected Property as shown on plan/programme.

## **Instruction to Stop or Not Start Work**

- 36.1** SM may instruct to stop or not start work and to restart/remove from Scope.

## **Section 4 - Quality Management**

### **Quality Management System**

- 40.1** Contractor operates a quality management system in line with Scope.
- 40.2** Quality policy statement and plan issued for Service Manager acceptance.
- 40.3** Service Manager may instruct correct failure to comply with quality plan.

## Tests and Inspections

- 41.1 Requirement to carry out tests and inspections as per Scope/applicable law.
- 41.3 Requirement to notify Service Manager prior to tests being carried out.
- 41.5 Requirement for Service Manager to carry out tests/inspections
- 42.1 Requirement to carry out tests prior to delivery where required.

## Notifying/Correcting Defects

- 43.1 Either party notify each other as soon as become aware of a defect.
- 43.2 Contractor obligation to correct defect whether notified or not.
- 43.3 Contractor corrects defect within time that minimises impact.
- 43.4 Service Manager/Client arranges access to correct a defect if needed.

## Accepting Defects

- 44.1 Can propose for defect to not be corrected and Scope changed accordingly.
- 45.2 Contractor to submit resultant quotation saving to SM to accept/not accept.

## Section 5 - Payment

### Assessing the amount due

- 50.1 Service Manager to assess the amount due at each assessment date.
- 50.2 Requirement to submit application before each application date.
- 50.3 Defines the amount due in any application.
- 50.4 If Contractor not submit application on time SM will assess at zero.
- 50.5 25% PWDD can be withheld if no 1st accepted plan.
- 50.6 SM corrects any incorrectly paid amounts in next assessment.

### Payment

- 51.1 Service Manger to certify payment within 1 week of assessment date.
- 51.2 Confirmation of period within which payment should be made.
- 51.3 Interest recoverable on items corrected on a later certificate.
- 51.4 interest recoverable on late payments.

## Defined Cost

52.1 Any Contractors costs not identified in Defined Cost are in the Fee.

## Final Assessment

53 Section on how/when final assessment is made at end.

## Section 6 - Compensation Events

### Compensation Events (CE)

60.1 List of what events would be valid compensation events (18 reasons).

### Notification

61.1 SM can notify compensation event at time of issuing instruction.

61.2 SM instructs Contractor to produce quotation (and proceed in meantime).

61.3 Contractor can notify a CE and can be time barred after a period if late.

61.4 SM to accept or not accept if Contractor has notified a CE.

61.4 Deemed acceptance if the SM does not respond to reminder.

61.5 SM can advise that an early warning could have been given which wasn't.

61.6 SM can state assumptions for Contractor to base the quote upon.

61.7 No compensation events can be issued eight weeks after Service Period.

### Quotations

62.1 SM can request alternative quotations for dealing with a CE.

62.2 Contractor to provide a quote and alterations to programme (if relevant).

62.3 Contractor to provide quote within 3 weeks, SM response within 2 weeks.

62.4 Service Manger can instruct a revised quote (after explaining why).

62.5 Service Manger can extend period for Contractor to produce quote.

62.6 Contractor's quote deemed accepted if no response to reminder.

### Assessment

63.1 Price List rates used if CE only affects quantities in Price List.

- 63.2 Basis of quotes in relation to if should be actual or forecast defined cost.
- 63.3 May be agreed to use rates or lump sums to assess change to Prices.
- 63.4 Prices are not reduced unless otherwise stated in contract.
- 63.5 States the only CE reasons which would reduce the Prices.
- 63.6 Definition of reasons for contractual movement in Task Completion Date.
- 63.8 SM may assess as though early warning had been given if it wasn't.
- 63.9 Rules for allocation of risk within a compensation event quotation.
- 63.10 Requires Contractor to act promptly and competently to a CE.
- 63.11 Ambiguities assessed in favour of Party that did not provide the Scope.

### **Service Manger's Assessments**

- 64.1 Reasons under which SM can make own assessment of a CE.
- 64.2 SM may assess plan for remaining work in assessing a CE.
- 64.3 SM to notify Contractor of their own assessment of a CE.
- 64.4 Deemed acceptance if SM no response to a notification of no assessment.

### **Proposed Instructions**

- 65.1 Service Manager can instruct a quotation for proposed instruction.
- 65.2 Contractor submits quotation within 3 weeks and SM to respond.
- 65.3 If quotation not accepted SM can still instruct (and then assessed as CE).

### **Implementation**

- 66.1 Implemented when CE accepted/assessed/deemed accepted.
- 66.2 Prices/Completion Date changed accordingly following agreement.
- 66.3 Compensation event quote is not changed if later found to be wrong.

## **Section 7 - Use of Equipment, Plant and Materials**

- 70.1 Title of materials transfers from Contractor to Client once in Service Area
- 71.1 Contractor has right to use Client equipment, Plant and Materials

71.2 Contractor returns Client equipment, Plant/Materials end of Service period

72.1 Contractor has right to use material provided by Client to Provide Service

## **Section 8 - Risks and Insurance**

80.1 List of Client's liabilities.

81.1 List of Contractor's liabilities

83 Insurance cover details

84 Insurance policies and who needs to provide what to whom.

## **Section 9 - Termination**

90.2 Termination table showing party/reason/procedure/amount due

91.1 List of valid reasons for termination

92 Procedures to follow upon termination

93 Payment upon termination

## **Additional Option A clauses**

11.2 Option A specific identified and defined terms.

31.4 Requirement for activity schedule to relate to items on plan/ programme.

55.1 Clarifies that information in Price List is not Scope.

55.3 Contractor may submit revised Price List for acceptance.

55.3 Reasons SM has for not accepting a revised Price List

60.2 Reasons when change to Price List may reduce Prices

63.12 Adjustment of Prices in line with value engineering percentage

63.15 Ascertaining a new People Rate where required.

## **Additional Option C clauses**

11.2 Option C specific identified and defined terms.

20.4 Contractor provides forecast of total Defined Cost at contract intervals.

24.4 Contractor to submit pricing information for each subcontractor.

41.7 Liability of costs for carrying out repeat test or inspection.

- 50.7 Payments in other currencies.
- 50.9 Opportunity for finalising Defined Costs for part of the works.
- 52.3 Requirement for Contractor to keep records.
- 54.1/2 SM assesses Contractor's share of the Prices and actual defined cost.
- 54.3 assessment of Contractor's share following Completion.
- 55.1 Clarifies that information in Price List is not Scope
- 60.2 Reasons when change to Price List may reduce Prices
- 63.13 Prices are not reduced if it was a Contractor idea to reduce defined cost
- 93.3/4 Rules on assessing share in event of termination of the contract.

## **Additional Option E clauses**

- 11.2 Option E specific identified and defined terms
- 20.4 Contractor provides forecast of total Defined cost at contract intervals.
- 24.4 Contractor to submit pricing information for each subcontractor.
- 50.8 Payments in other currencies.
- 50.9 Opportunity for finalising Defined Costs for part of the works.
- 52.2 Requirement for Contractor to keep records.
- 52.3 SM may inspect Contractor records at any time within working hours.

## **Secondary Options**

### **X1 - Price Adjustment for Inflation**

- X1.1 Defined terms – Base Date Index, Latest Index, Price Adjustment Factor.
- X1.2 How Price Adjustment Factor is applied.
- X1.3/4 Price adjustment for amount due.
- X1.5 Defined cost for compensation events.

### **X2 - Changes in law**

- X2.1 CE if occurs after the Contract Date.

### **X3 - Multiple Currencies**

**X3.1/2** Payment and exchange rates.

### **X4 - Ultimate Company Guarantee**

**X4.1/2** Given within 4 weeks of Contract Date.

### **X10 - Information Modelling**

**X10.1** Defined terms.

**X10.2** Contractor collaborates with other Information Providers

**X10.3** Early warning requirement for anything could impact Information Model

**X10.4** Submission of Information Execution Plan.

**X10.5** Compensation events.

**X10.6** Use of the Information Model X10

**X10.7** Client and Consultant liabilities.

### **X11 Termination by Client**

**X11.2** Procedures and amount due to be paid.

### **X12 - Multiparty Collaboration**

**X12.1** Identified and defined terms.

**X12.2** Actions to be taken by Partners and Core Group.

**X12.3** Collaboration by all Parties.

**X12.4** Incentives – amounts paid to Partner if KPI(s) achieved.

### **X13 Performance Bond**

**X13.1** Required as stated in CD1.

### **X17 Low Service Damages**

**X17.1** For defects that miss performance levels.

## **X18 - Limitation of Liability**

**X18.1-3** Limits of liability as stated in Contract Data part 1.

**X18.5** Excluded matters that remain unlimited liability.

**X18.6** Contractor only liable for matters notified before end of liability period.

## **X20 - Key Performance Indicators and Reporting Requirements**

**X20.1-5** As per CD1.

## **X21 Whole Life Cost**

**X21.1** Contractor can propose Scope change to reduce life cost of an asset .

**X21.2** Contractor to submit quotation if SM prepared to consider change.

**X21.3** Service Manager responds to quotation within period for reply.

**X21.5** Service Manager changes Scope/Prices/revised plan accordingly.

## **X23 Extending the Service Period**

**X23.1** By agreement Service Period may extended to maximum service period.

**X23.2** Criteria for extensions need to be met to allow extension.

## **X24 Accounting Periods**

**X24.1** Assessments made within 13 weeks of each accounting period.

**X24.2** Service Manager assessments are conclusive unless dispute triggered.

## **Schedule of Cost Components (for use with options C/E)**

**11-14** Payments applicable for people.

**21-28** Payments applicable for Equipment.

**31-32** Payments applicable for Plant and Materials

**41** Payments applicable for Subcontractors

**51-53** Cost of charges paid or received by the Contractor.

**61** Cost of manufacture of Plant and Materials by Contractor.

**71** Shared services outside the Service Areas.

**8** Insurance premiums and insurable events excluded from cost.

## Short Schedule of Cost Components (for use with options A)

- 11 Payments applicable for people
- 21-27 Payments applicable for Equipment.
- 31/32 Payments applicable for Plant and Materials.
- 41 Payments applicable for Subcontractors.
- 51-53 Cost of charges paid or received by the Contractor.
- 61 Cost of manufacture of Plant and Materials by Contractor.
- 71/72 Contractor cost of design of works and Equipment outside Working Areas.
- 8 Insurance premiums and insurable events excluded from cost.

### Abbreviations:

- CD1 Contract Data part 1
- CD2 Contract Data part 2
- SM Service Manger
- CE Compensation event

- Glenn Hide, 01/06/2026

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