

EXECUTIVE SUMMARY



LOCAL AUTHORITY PARTNERING AUTHORITY PARTNERING

**The North Tyneside Partnering Agreement
A Study of Strategic Partnering in the Public Sector
Carried out for the DTI by Northumbria University**



Foreword by
Sir Michael Latham





Foreword



“

It is a particular pleasure for me to welcome this report by my good friend Dr David Greenwood of the University of Northumbria. I was delighted to be a Visiting Professor in his department from 1995 to 2000, and very proud to have an Honorary Doctorate of Laws from the University. I regularly visit Newcastle as part of my work with CITB-Construction Skills.

The report describes the very noteworthy achievements of the North Tyneside Partnering Agreement. When I wrote “Constructing the Team” ten years ago, I had studied the results of partnering in the USA because it was virtually unknown in Britain, but I was cautious about advocating the widespread introduction of partnering here too strongly. I felt at the time that it would be a major achievement for the U.K. construction industry and its clients to work in any collaborative manner at all and that must be the first requirement. The culture in 1994 was so adversarial that even suggesting the need to build non hierarchical relationships was regarded with suspicion as dreamland. Fortunately, things have moved on strongly over the decade, especially since the Egan report of 1998. Public and private sector clients are now appreciating that they can achieve real value and much better performance throughout their project by partnering effectively with the industry. The NTPA is a good example of what can be achieved. I warmly commend this report to other local government clients and industry readers. Try it. It really works. It can work for you.

”

Michael Latham.

Sir Michael Latham
Chairman, CITB-Construction Skills



1. The NTPA...

The North Tyneside Partnering Agreement (NTPA) is a strategic partnering framework that brings together the council and three building contractors to carry out the council's building capital works programme.

The partners are: North Tyneside Council, Gordon Durham Ltd, The North Tyneside Construction Group and Rok Group.

Over three years and 50 projects worth £80 million, the NTPA has achieved:

- better relationships - no litigation or claims
- high levels of client and user satisfaction
- better time performance - with one project finishing a full year ahead of schedule
- better value - with average 25% cost savings on the trades engaged on a strategic basis
- better projects - by engaging the supply chain



How it all came about...

In 1994 'Constructing the Team' suggested that Partnering could overcome many of the problems associated with traditionally procured construction projects.



'Specific advice should be given to public authorities so that they can experiment with partnering arrangements where appropriate long-term relationships can be built up. But the partner must initially be sought through a competitive tendering process, and for a specific period of time. Any partnering arrangements should include mutually agreed and measurable targets for productivity improvements.'

Recommendation 19 of Constructing the Team (Latham, 1994:62)

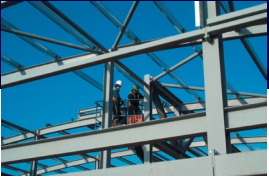
In 1998 the 'Rethinking Construction' report championed the advantages of long-term partnering relationships.



'Alliances offer the co-operation and continuity needed to enable the team to learn and take a stake in improving the product. The concept of the alliance is therefore fundamental to our view of how efficiency and quality in construction can be improved and made available to all clients...Partnering on a series of projects is a powerful tool increasingly being used in construction to deliver valuable performance improvements.'

Rethinking Construction 'The Egan Report' (Construction Task Force, 1998: 4:67)

In 2000 the Local Government Act (1999) replaced mandatory Compulsory Competitive Tendering with the criteria of Best Value, thus enabling Local Authorities to go down the 'Partnering Route'. Part 1 of The Local Government Act 1999 states, "A best value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness."



2. Getting started...

There were a number of stages comparable to those described in the Reading Construction Forum's Seven Pillars of Partnering. We have added an eighth, 'Maintenance and Improvement' to describe the alliance's progress through increasing degrees of 'partnering maturity'.



The Seven Pillars of Partnering

'Second Generation Partnering is underpinned by 'Seven Pillars'... *Strategy, Membership, Equity, Integration, Benchmarks, Project Processes and Feedback*. Each pillar represents a set of management actions that provide an essential element of Second Generation Partnering.'

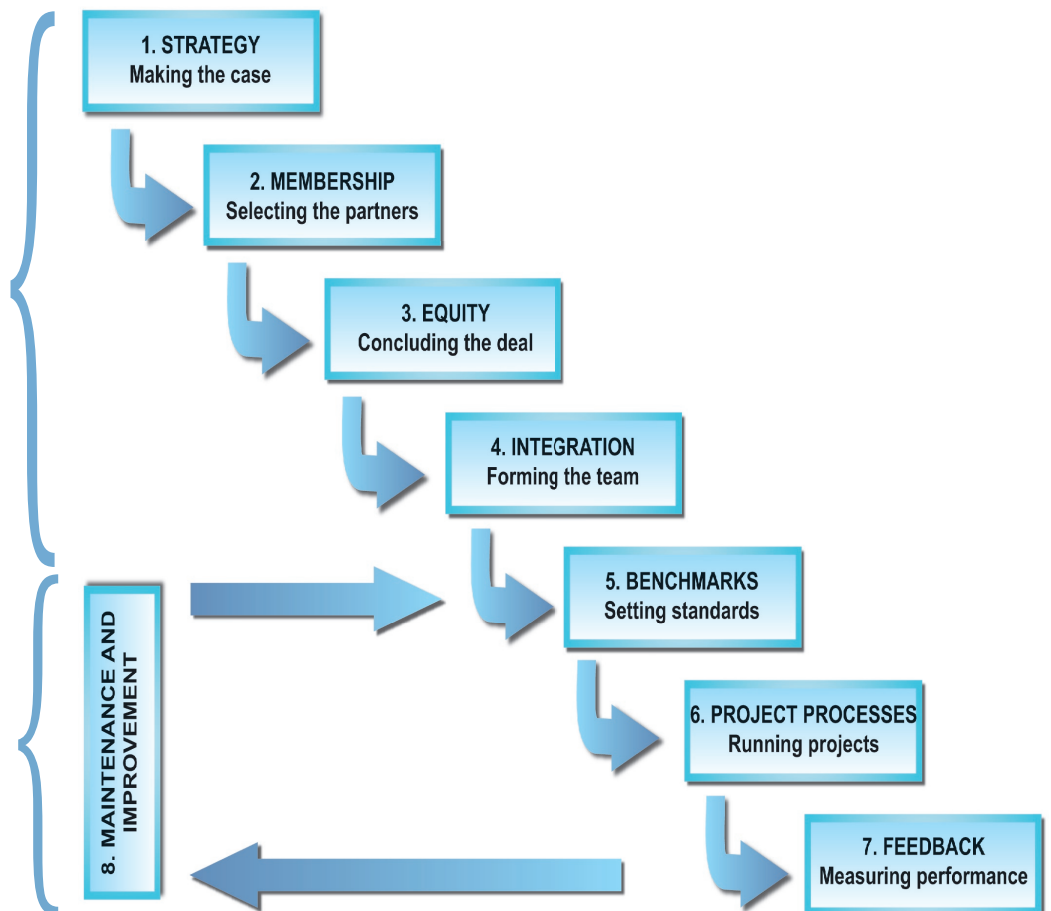
Bennett and Jayes. *The Seven Pillars of Partnering. A Guide to Second Generation Partnering*. Reading Construction Forum (1998)

Building the NTPA

The concept of the 'Seven Pillars' of partnering is useful for demonstrating how such an arrangement as the NTPA was first established. The first four of the seven concepts will be taken in turn and elaborated upon, to demonstrate how the NTPA 'infrastructure' was put in place.

Running the NTPA

The final three 'pillars', *benchmarks, processes and feedback*, will be the framework for describing how the NTPA delivers projects - in the section entitled 'Running the NTPA'.



Maintenance and Improvement

In addition to the elements represented by the Seven Pillars, there is a further, eighth function that emerged, namely that of *Maintenance and Improvement* of the model processes. The NTPA alliance has developed through different degrees of *partnering maturity* in which five distinct stages have become apparent. The *Maintenance and Improvement* function describes the ways in which the partners were able to incorporate the learning acquired from project feedback as the NTPA progressed through these stages, into their future strategy for partnered projects.



3. Building the NTPA...

Building the NTPA involved the *Strategy*, *Membership*, *Equity* and *Integration* stages.

1. STRATEGY: Making the case

The 1999 Local Government Act opened the way for a partnering approach. A council officer took on the mantle of Partnering Champion and after advice from their Internal Audit and Legal departments, proposals were put to the Executive Directorate. Briefings were given to Members, Committee Chairs and to Council Leaders. With their support a significant step was taken with the waiving of the Council's Standing Orders on Procurement. A Partnering Manager was appointed. The Council's Medium Term Financial Plan, and its Strategic Review of Schools provided the 'critical mass' of projects upon which the NTPA could operate.

2. MEMBERSHIP: Selecting the Partners

Selection of partners was rigorous and took time. Expressions of interest were invited at local, national and European levels. More than 30 firms passed through two qualifying stages. Three contractors were finally selected by panels made up of the major stakeholders in the client organisations. A fourth contractor was placed 'on reserve'.

3. EQUITY: Concluding the Deal

The following principles were considered essential for success:

- projects would be allocated by the partners themselves
- sustainable levels of overheads and profit were agreed and ring fenced
- project savings or losses would be shared between client and contractor
- there would be no retention or delay damages

4. INTEGRATION: Forming the Team

A partnering workshop brought together 30 senior members of the partnering organisations over two days. A Partnering Charter was drawn up, signed, and endorsed by the leader of the Council. Two further general workshops were held to define NTPA objectives. The partnering Core Group was formed. As projects commenced, half-day Project Partnering workshops were held. All workshops were facilitated by external consultants. Later in the life of the NTPA, major gains were achieved by reaching deeper into the supply chains. The council's Building Design Agency (BDA) played a crucial role here by developing its skill in harnessing supply chain potential.

"One of the things that has really reaped the financial rewards for our clients has been the painstaking work of the BDA Design Team. Without them the valuable but difficult integration of the extended supply chain could not have been achieved."

Paul Conlin, Partnering Manager, NTPA



4. Running the NTPA...

Running the NTPA was the order of the day once projects became 'live'. To date, the NTPA has undertaken over 50 projects to a value of approximately £80 million. Delivering these, from inception to completion, involved...

5. BENCHMARKS: Setting Standards

From its inception, the NTPA has been committed to rigorous performance measurement. It has adopted the Construction Industry KPIs proposed by government. The maintenance and analysis of KPIs has been a fundamental tool for NTPA improvement.

6. PROJECT PROCESSES: Running Projects

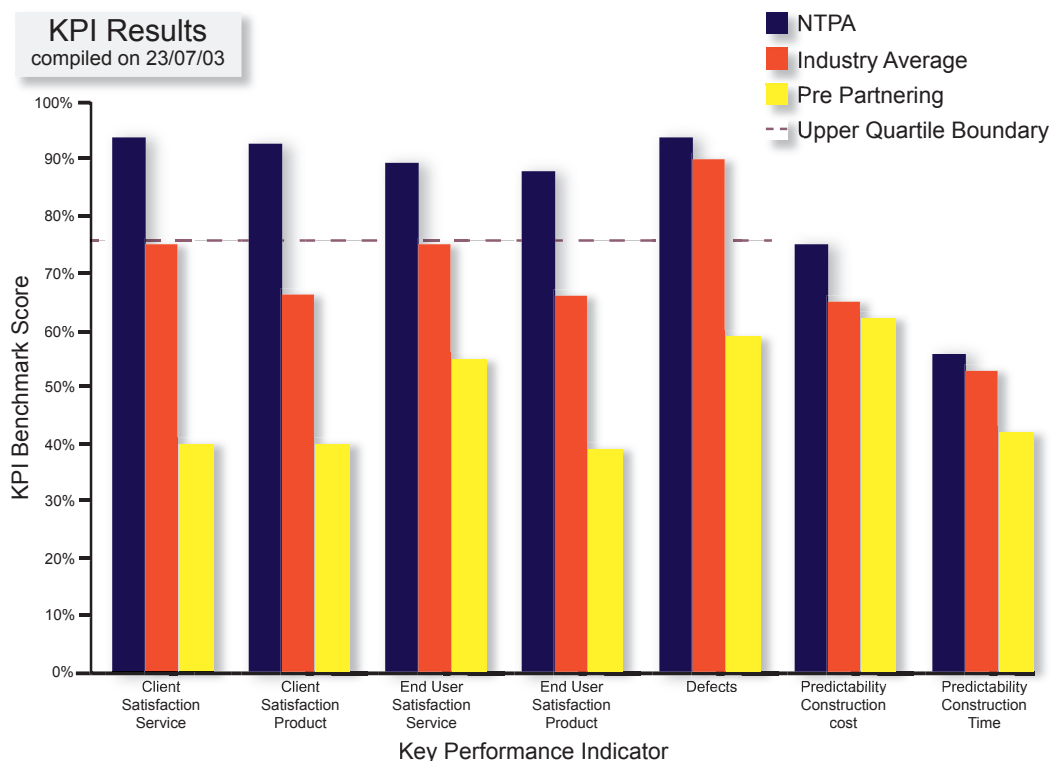
From day one, the NTPA worked closely with North Tyneside's own multi-disciplinary Building Design Agency (BDA) to develop a standard project process map, which covers the key project stages and includes 'gateways' and 'freeze-points' to limit risk. This and other partnering guidance documents, developed jointly by NTPA and BDA are available to each project team.

7. FEEDBACK AND COMMUNICATION

Communication and feedback are the great drivers of the NTPA, with the Partnering Manager, Core Group, Supply Chain Forum, and Contract Managers Forum all supporting the Project Teams. These were created to capture best practice and were essential for this learning to be exploited in future projects.

8. MAINTENANCE AND IMPROVEMENT

Improvements were immediate and dramatic. But there were greater things to come as the partners learned how to engage more and more of the supply chain. Overall performance can be illustrated by the following chart which compares, over seven selected KPIs, the current average performance of the NTPA with pre-partnering performance and with Industry average performance.





5. A focus on... Cost and Value

The most significant NTPA results were in this area. The following data relate to primary schools.

All figures in £/m²

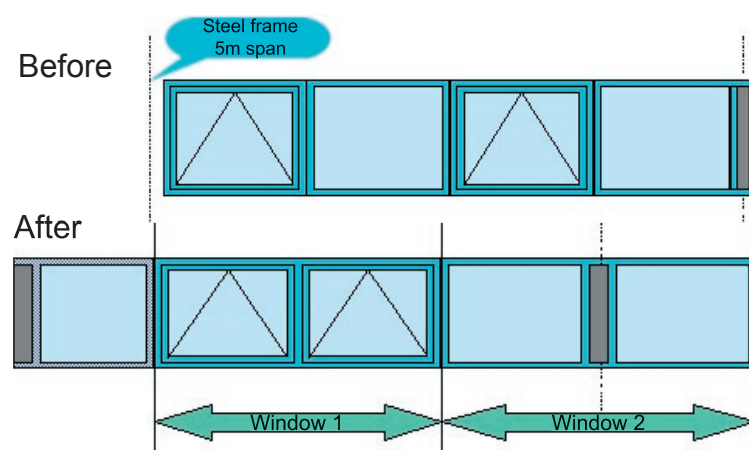
	Tender [mean]	Dfee adjusted	Final Account
Pre-NTPA	813	715	896
Post-NTPA	596	715	558
% difference	-27	-17	-37
Cost certainty indicator [difference between Tender and Final Account]		Pre-NTPA	+10%
		Post-NTPA	-6%

To summarise, the cases indicate that:

- NTPA-built primary schools achieve target costs of 27% less than those previously tendered by the authority;
- This represents an average 17% saving over nationally published costs;
- Final accounts for tendered projects were 10% higher. For NTPA projects, final accounts were 6% less.

Supply Chains

Early in the life of the NTPA it became apparent that significant savings were possible by exploiting supply chains but that these gains would only come when key elements of the whole project supply chain had been properly identified and engaged. These became the source of the most dramatic improvements in COST and VALUE.



Example: Aluminium windows. The partnering environment enabled the NTPA to analyse the complete supply chain - specifier, contractor, fixer, and supplier / manufacturer.

Commitment to and engagement with the complete supply chain allowed the value engineering of the design and fabrication of the product. This produced savings in capital cost of over 30% against tendered rates.

Evolution

The research also revealed that the NTPA had evolved through 4 stages and aspires to a 5th stage.

STAGE ONE	Pre-partnering
STAGE TWO	Project-specific Partnering
STAGE THREE	Strategic Partnering
STAGE FOUR	Partnering with the Supply Chain

and a future aspiration to the next stage

STAGE FIVE	Actively Managing the Supply Chain
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- Stage 1: the typical (pre-partnering) situation, where the Final Account exceeds the Tender;
- Stage 2: increased commitment by the constructor to the Target Cost, giving better cost certainty;
- Stage 3: reduction in the level of capital cost (the Target). Cost certainty is also maintained;
- Stage 4: improvements embedded in a 'lean' Target. Further dramatic reductions in the Final Account;
- Stage 5: more and more of the supply chain will be integrated into the project process.

LOCAL AUTHORITY PARTNERING

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"The NTPA is a good example of what can be achieved. I warmly recommend this report to other local government clients and industry readers. Try it. It really works. It can work for you."

Sir Michael Latham, Chairman CITB - Construction Skills

"For NG Bailey & Co's business, having the opportunity to develop long-term collaborative relationships as a key supply chain partner within the NTPA has demonstrated that being integrated into the decision making processes brings real tangible benefits to both ourselves, and all other stakeholders."

Martin Bailey, Managing Director, NG Bailey & Co

"The NTPA has demonstrated how Construction can be transformed by a partnering approach where all parties are fully engaged. I would recommend this report to local authorities, many of who would clearly benefit from adopting such approaches."

**David Bentley, Lead Adviser, Construction and Property Services,
Chartered Institute of Public Finance and Accountancy**

"It gives me great pleasure to see how much tangible improvement can be had in forming strategic relationships between local authority clients and industry. (This)...could, if translated to the entire local authority spend...amount to savings of more than a billion pounds that could be further invested into more community activity. As community wealth is one of our goals we can only but praise this approach. ... my challenge to industry is to use the platform of Strategic Partnering to deliver further improvements ..."

Dennis Lenard, Chief Executive Officer, Constructing Excellence

"The North Tyneside Partnering Agreement has exceeded expectations in its ability to deliver improvements in quality, cost and customer satisfaction. With the government actively looking at new ways of procurement within the public sector this is a sustainable method which delivers. It fits extremely well with the long standing work the Northern Consortium has been involved with in achieving innovative and robust partnering arrangements with its members and product suppliers."

John Moralee, Chief Executive, Northern Housing Consortium

"This excellent guide takes a 'warts and all' look at partnering from a local authorities' perspective. In particular it gets down to some hands-on detail on the implementation of partnering down at the grass roots of the industry - at SME supplier and sub-contractor level. The hardest partnering nut to crack, this is an area often overlooked in partnering guides yet the one with the biggest potential for 'hard' savings. All in all, an excellent, practically-based introduction to partnering which should be on the required reading lists of all value-focused local authorities"

**Alan Kennedy Executive Secretary COMPASS; Chairman, Integrated Supply Chains
Drafting Team, Strategic Forum**

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A full copy of the report is available on CD, price £9.99 from the above address.

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