

REPORT OF THE LEADER OF THE COUNTY COUNCIL

ARC PARTNERSHIP HALF YEAR [H1] UPDATE

Purpose of the Report

1. To update the Committee on Arc Partnership's performance for the period 1 April 2020 – 30 September 2020.
2. To inform the Committee of progress across a number of construction programmes and projects undertaken on behalf of the County Council.
3. To enable Members to consider whether there are any actions required in relation to the detail contained within this report.

Information

Organisational Context

4. Arc Property Services Partnership Limited, trading as Arc Partnership, is a Joint Venture Company formed by Nottinghamshire County Council and Scape Group on 1 June 2016, focused upon the delivery of a multi-disciplinary property design, consultancy, masterplanning, regeneration, project/programme management, emergency, reactive, compliance, asset management and planned services on behalf of the County Council.

Summary

5. The first half of the current financial year represented a very busy period, with solid performance, despite the restriction of the COVID-19 pandemic; this is expected to continue for the rest of the financial year. The demand on in-house resources/capacity remains high, and Arc Partnership continues to enjoy a solid pipeline of projects from the Council, growing economic regeneration and inward investment works through Arc Regeneration and Major Projects, together with third party trading opportunities.
6. From an operational delivery perspective, through collaboration, Arc Partnership, Scape Group, colleagues across Place and Communities, end users and the County Council's other Alternative Service Delivery Models, continue to deliver real value, together.

Performance

Safety, Health and Environment

7. Arc Partnership delivered an excellent record of safety, health and environmental performance during the period. This was achieved despite the unprecedented events in relation to the current COVID-19 pandemic. Arc Partnership continues to have an Accident

Incident Rate of zero, which has been the case since its inception in June 2016. In the same period, Arc Construction Services saw (98.35%) of its waste diverted from landfill, and our principal contractor delivery partners had a similar score of (97%).

8. Following the Government announcement of further changes to lockdown measures in England from Saturday 4 July 2020, the Construction Leadership Council (CLC) reviewed and updated their site operating procedures guidance to reflect the new requirements. In response, all Arc Partnership Construction Services and Framework Principal Contractors have implemented control measures to comply with this guidance, which is regularly monitored to ensure all construction sites maintain consistent measures in line with Government Guidance on social distancing. Similarly, Arc maintains a robust risk assessment/safe system of work methodology in line with the Government guidance on working safely during COVID-19 in offices and workplaces.
9. Arc Partnership's workforce continues to perform well, as teams work from home and office, and continue to work from site. Workload, as mentioned previously, remains high following a reprioritisation of works from the County Council. Arc Partnership has continued to keep major projects running, although some continue to be impacted to some extent by COVID-19 in relation to supply chain issues, materials, and the introduction of social distancing requirements in line with Government guidance.

Financial and Commercial

10. Set out below are the estimated financial results for the period 1 April 2020 – 30 September 2020:

	FY 2020/21	FY 2020/21	H1 2020/21	H1 2020/21	H1 2020/2 1
	Original Budget £000	Revised Budget £000	Revised Budget £000	Actual (est) £000	Varian ce £000
Total Income	35,000	35,000	17,500	19,385	1,885
Expenditure	34,213	34,089	17,274	19,149	1,875
NET Operating Margin	787	451	226	236	10
Operating margin	2.2%	1.3%	1.3%	1.2%	(0.1%)
Depreciation & Other Non-Operating Costs	137	201	105	35	70
Trading Profit before tax	650	250	121	201	80

11. In summary, financial performance has been steady with an estimated Net Operating Margin of £201k/1.2% on estimated revenues of £19,385m. Members are reminded that the relationship between fee income for design and delivery, and revenue / fee income take is not linear and so the operating margin % will vary over time.
12. As at 30 September 2020, Arc Partnership's cash position is estimated at £3,306k, and Arc Partnership have taken advantage of deferring the March 2020 quarter VAT payment that otherwise would have been paid in early May 2020. This was part of the Government's COVID-19 response plan for business and an automatic deferral with no attached pre-

authorisation process. This conserved around £1m of cash, although this VAT will still have to be paid over to HMRC by March 2021 latest. It is Arc Partnership's intention to pay this by the due date, and most probably by January 2021, so that we are well within the deadline.

13. All contractor payments are being managed in line with credit terms (with a special focus on supporting our SME supply chain partners in terms of their cash positions), and there are no significant overdue debtors.
14. Arc Partnership continues to evaluate the full impact that COVID-19 may have on the business over the short, medium and long term, and following an Arc Partnership wide commercial review in June 2020, the Arc Partnership Business Plan financial forecasts were revised and subsequently agreed at the Arc Partnership Board of Directors Meeting on 27 July 2020.
15. From an organisational perspective it needs to be recognised that Arc has developed as an organisation since its establishment in 2016. This brings an increase in the risk profile associated with significant major regeneration projects including infrastructure works, together with transfer of additional services such as property compliance and vacant property management. In response, the business organisational structure is evolving to reflect the new delivery model and workstreams.
16. Arc Partnership's Risk Register is formally reviewed on a quarterly basis, and from a governance perspective is reported into both the JV Co Board Meeting and the NCC Place Department RSEMG. As at H1 the key high level risks facing the business remain: COVID-19 Pandemic, Construction Health and Safety, BREXIT Risk for UK Construction and the long-term viability of Contractors.
17. Arc Partnership recognises there are significant pressures associated with the Council's financial position in responding to, and supporting, Nottinghamshire's communities through the COVID-19 Pandemic, both in terms of service delivery and the wider socio-economic impacts. Major infrastructure/capital spending may continue, but Arc recognises that it is important that it supports the Council's revenue position wherever possible.

Operational

18. Work continues to integrate Compliance Services (which transferred to Arc Partnership on 1 July 2019) within the Company. It is the intention to bring compliance, servicing and responsive repairs into one business stream within the Company.
19. Programmes of planned maintenance and improvement works continue with good visibility of current and future works; current programmes in progress are detailed below: -
 - Schools Basic Need Programme
 - Schools Building Improvement Programme
 - Planned Maintenance Programme
 - Fire Remedial Programme
 - Schools Access Initiative Programme
 - Demolition Programme
20. With regard to major projects, Arc has had a number of key projects in progress or handed over in the period, including but not limited to; Worksop and Retford Library refurbishments, Gamston Depot new build, East Leake and Chapel Lane (Bingham) new primary schools, the replacement Newark Orchard School and Day Service, Rosecliffe Spencer Academy

Primary School, and early master planning/surveying to support analysis in identifying potential new school sites in the West Bridgford area.

21. Arc Partnership continues to deliver the Investing in Nottinghamshire programme, including new build and refurbishment works at Top Wighay, County Hall, Meadow House, Beeston Children’s Centre, Sir John Robinson House and Carlton Children’s Centre.
22. The tables below summarise works commissioned with Arc Partnership in year to date, together with a summary of all works commissioned since Arc Partnership’s inception on 1 June 2016.

1 April 2020 – 30 September 2020

Projects Commissioned

Over £22m commissioned

264 projects

Value Band	Number of Projects	Value of Projects
£0-50K	204	2,042,710
£50-100K	23	1,603,708
£100-250K	15	2,325,989
£250-500K	10	3,162,443
£500K-1M	8	5,432,227
£1-3M	3	4,227,640
£3M+	1	4,142,420
TOTAL	264	22,371,139

Local Spend (D2N2)

£16.5m or 85% of total spend

Calls to Arc Assist

2,047

Responsive Maintenance Job Tickets

2,143

Service Schedules

4,386

1 June 2016 – 30 September 2020

Projects Commissioned

Over £181m commissioned

Over 1,600 projects

Value Band	Number of Projects	Value of Projects
£0-50K	1283	12,737,681
£50-100K	140	9,892,321
£100-250K	112	18,514,761
£250-500K	51	176,78,567
£500K-1M	48	33,347,915
£1-3M	18	27,549,198
£3M+	10	61,980,232
TOTAL	1662	181,700,677

Local Spend (D2N2)

£170.3m or 91% of total spend

Calls to Arc Assist

28,489

Responsive Maintenance Job Tickets

26,378

Service Schedules

24,802

23. Work continues in collaborating with the County Council’s regeneration, inward investment and growth teams, through Arc Partnership Regeneration, to bring forward, and support the

delivery of a number of key regeneration, inward investment and growth opportunities for the benefit of the County. Within this relationship Arc Partnership continues to be both a direct deliverer and enabler, drawing on the wider resources of its supply chain as “virtual teams” handpicked to suit the needs of each individual project, and supporting delivery at pace.

24. Arc Regeneration, acting as an enabler, provides pre-construction, design, construction, project management and cost management services. Particular projects/programmes of note include; Top Wighay Farm infrastructure, Lyndhurst Development in Mansfield, Eastwood multi-service hub/housing infrastructure works, and master planning across a number of County Council owned sites.
25. Arc Partnership has also been commissioned, or is to be commissioned, by the County Council as Client Agent on a number of projects at Carlton-le-Willows Academy, Carlton Academy, Rushcliffe School, Teal Close School, Toothill School and South Nottinghamshire Academy.
26. Members are also asked to note that responsibility for vacant property management passed to Arc Partnership on 1 August 2020.

KPI's

27. Arc partnership's Contractual and Non-Contractual KPI Performance is monitored monthly via a performance sub-group attended by our NCC Client. The KPI's also include a number of new client-side performance measures aimed at monitoring the effectiveness of commissioning. The majority of KPI's are positive, although the KPI measures relating to compliance and responsive services have been impacted as a direct result of prohibited access due to the COVID-19 Pandemic. Action is now in train to remedy this issue through collaboration with our NCC Client.
28. There are two additional projects in progress that support the Council's wider Property Transformation programme. The first is a design standards and specification project, creating an agreed set of standards/specifications for all aspects of the Council's existing and new property portfolio. Allied to this is a stock condition surveying project, using County Hall Campus as an exemplar in setting a new benchmark for the standard requirements for the remainder of the County Council's property portfolio, fundamentally changing the approach to stock condition surveying, asset management and life cycle and planned/reactive maintenance going forward. The project is intended to put in place a digital footprint for all of the County Council's property portfolio.

Procurement and SME Engagement

29. Arc Partnership delivers a mixed economy approach to procurement, underpinned by a commitment to local spend and employment. Its approach is as follows: -
 - A commitment to using the County Council owned Scape Frameworks/other frameworks subject to value for money, quality of output and customer excellence. Using the full range of Scape Frameworks and development of collaborative partnering/earned reciprocal trading position with each partner.
 - A commitment to SME engagement through Arc Partnership specific locally procured delivery frameworks covering compliance, responsive repairs, servicing, asbestos management and general building, mechanical and electrical services to Arc Construction Services.
 - The use of open tendering where it represents value for money e.g. demolitions.

30. Arc Partnership has been successful in establishing a number of local frameworks aimed specifically at SME's and medium sized local companies within both Nottinghamshire and the wider D2N2 area. This represents 42 suppliers, 32/76% of which are within the D2N2 area, and 36/86% are classed as SME's. Arc Partnership continues to use Scape Framework Partners where appropriate, including G F Tomlinson (Derby Office), Balfour Beatty Ltd (Derby Office), Wates Group Ltd (Castle Donnington Office), Morgan Sindall Ltd (Nottingham Office), and Perfect Circle - Gleeds, AECOM, Pick Everard (Nottingham Office).

Business Growth

31. Arc Partnership continues to be successful in securing third party trading opportunities, and it currently has three priority areas for growth, these being: -
- Continuing to deliver all capital and revenue workstreams from the County Council but extending Arc's capability to deliver broader infrastructure and place shaping works in support of economic regeneration, inward investment and growth.
 - Delivery of multi-disciplinary design services which delivers core growth and high fee/margin potential, with a focus remaining on earned reciprocal trading opportunities with principal Scape Framework Construction and professional services delivery partners.
 - Targeting of East Midlands schools for design and construction opportunities, compliance responsive repairs and servicing.

Other Options Considered

32. None

Reason for Recommendation

33. The Arc Partnership continues to deliver a range of complex projects to programme, time and budget, and is now supporting the County Council's wider objectives on regeneration, inward investment and growth.

Statutory and Policy Implications

34. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Crime and Disorder Implications

35. There are no direct crime and disorder implications within the report.

Financial Implications

36. Arc Partnership continues to perform strongly, as does Scape Group, which contributes a significant financial dividend to the County Council.

Implications for Sustainability and the Environment

37. Arc Partnership has strong environmental credentials and support the County Council by delivering a wide range of sustainable building projects across the corporate estate and schools, in line with Nottinghamshire County Council's Corporate Environmental Policy.

RECOMMENDATION/S

It is recommended that:

- 1) Members consider whether there are any actions required in relation to the detail contained within this report.

Councillor Kay Cutts
Leader of the County Council

For any enquiries about this report please contact: Mick Allen, Group Manager Place Commissioning, Tel: 0115 9774684

Constitutional Comments [EP 13/10/2020]

38. The Policy Committee is the appropriate body to consider the content of this report. If Committee resolves that there are any actions required Committee should ensure that such actions are within its terms of reference.

Financial Comments [SES 13/10/2020]

39. There are no specific financial implications arising directly from the report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All