

**7 December 2021**

**Agenda Item: 6**

## **REPORT OF THE SERVICE DIRECTOR, PLACE AND COMMUNITIES**

### **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 2021 – 30 September 2021.
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 and programme management, emergency, reactive, risk management, 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 ongoing issues related to both the COVID-19 Pandemic, and the general market inflationary pressures associated with both material and labour supply, 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 County Council, growing economic regeneration and inward investment works through Arc Regeneration and Major Projects, together with third party trading opportunities.
6. The Arc Partnership Business Plan 2021-2024 has been re-aligned to reflect the emerging NCC ten-year vision, and its priority themes of environmental sustainability, economic development and growth, and communities.
7. 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

8. 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%. Arc Partnership continues to maintain its ISO45001:2018 accreditation, and Safety Schemes in Procurement accreditation for CDM Duty Holders, Principal Designer, Designer, Principal Contractor and Contractor.
9. In line with the Government’s key message regarding Step 4 of their Roadmap on 19<sup>th</sup> July 2021, Arc Partnership Risk Assessments were compiled as follows: -
  - Arc Partnership activities during COVID-19 Restrictions including working in the office
  - Arc Partnership construction activities during Coronavirus (COVID-19) Restrictions

These risk assessments were compiled in accordance with Government Guidance: -

- The “principles” of Working safely during COVID-19 in offices and contact centres
  - The “principles” of Working safely during COVID-19 in Construction and other outdoor work
  - The Construction Leadership Council – Construction Sector – Site Operating Procedures guidance used as a “reference”
10. Arc Partnership has also reviewed the Governments COVID-19 Response Autumn and Winter Plan and has business continuity measures in place to respond accordingly. All Arc Partnership employees continued to work throughout the COVID-19 Pandemic, with a large number daily at site level. Arc Partnership from 4<sup>th</sup> October 2021 adopted a hybrid working model based on Office – Site – Home, with a return to the office for those who were predominantly office based, based on an expectation of a minimum 3 days in the office, whilst still maintaining a high degree of flexible working.

## Financial and Commercial

11. Set out below are the estimated financial results for the period 1 April 2021 – 30 September 2021:

<b>FY</b>	<b>H1</b>		<b>H1</b>
<b>2021/22</b>	<b>2021/22</b>	<b>H1</b>	<b>2021/22</b>

	Budget	Budget	2021/22	
	£000	£000	Actual (est) £000	Variance £000
<b>Total Income</b>	<b>35,000</b>	17,500	16,266	(1,234)
Expenditure	34,431	17,216	16,003	1,213
<b>NET Operating Margin</b>	<b>569</b>	<b>284</b>	<b>263</b>	<b>(21)</b>
<b>Operating margin</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>0.0%</b>
Depreciation & Other Non-Operating Costs	<b>219</b>	113	10	103
<b>Trading Profit before tax</b>	<b>350</b>	<b>171</b>	<b>253</b>	<b>82</b>

12. In summary, financial performance at H1 has been good, with an estimated Net Operating Margin of £263k/1.6% on estimated revenues of £16.27m. 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.
13. As of 30 September 2021, Arc Partnership's cash position was £6.83m, inflated by £2m against a normal monthly cash position of £4 - £4.5m, which is directly associated with holding County Council funds for energy supply to the Top Wighay Farm Project.
14. Arc Partnership continues to build further resilience into the business in terms of project reserves, to support both an inevitable difficult economical position over the next three-year period 2021-2024, the operating period of the current Arc Partnership Business Plan, and the changing complexities and risk profile of projects undertaken.
15. The County Council Leadership Team are reviewing the forward capital programme, with several pipeline projects on hold until completion of that review. This will inevitably have an impact on Arc Partnership's current order book. Despite this, there is good visibility of workload for the rest of the financial year, and as reported earlier, Arc Partnership continues to enjoy a solid pipeline of opportunities from NCC, infrastructure, regeneration and inward investment works, together with several third-party trading opportunities.
16. Arc Partnership's Financial Plan 2021-2024 is underpinned by a clear strategy and plan, with the following key drivers: -
  - A quarter-by-quarter approach
  - A need for solid reserves
  - Organisational change, ensuring capacity and capability to deliver changing NCC priorities and third-party growth
  - A commitment to support NCC with its COVID-19 Recovery Plans, and Nottinghamshire County Council emerging ten-year vision and its priority themes
  - A positive balance sheet / pension position currently
17. The commercial / financial model continues to be developed, with cost value reconciliation (CVR) processes now embedded into monthly reporting, which enables accurate forecasting of individual project performance. In addition, staff productivity monitoring is now fully

operational, which facilitates informed management decisions regarding resource optimisation.

18. From an organisational perspective, it needs to be recognised that Arc Partnership continues to develop as an organisation, which brings an increase in risk profile associated with significant major regeneration projects including infrastructure works, and the transfer of additional services. In response, the organisational structure continues to evolve to reflect new delivery models / workstreams.
19. Arc Partnership's Risk Register was formally reviewed at H1 and from a governance perspective is reported into both the JV Co Board and NCC Place RSEMG. At H1 the key high-level risks facing the business are P1/Insurance Fire Design Services, and P2 ICT system failure / loss / development.
20. Arc Partnership also recognises there are significant pressures associated with the County Council's financial position. In response, Arc Partnership continues to use its resources to support invest to grow opportunities, a good example being the Toton Link Road Feasibility.

### **Operational Delivery**

21. Work continues to transform the compliance services team, which has now been combined with servicing and responsive repairs, into a new business unit titled Risk Management Services. Collaboration continues with NCC Strategic Landlord / Commissioning teams to ensure that there is clarity of roles and responsibilities throughout the end-to-end process associated with statutory compliance, and delegated authorities.
22. Planned maintenance programmes continue to be delivered to programme and cost across Q1-Q2, works delivered, and continuing to be delivered, include: -
  - General Planned Maintenance Programme
  - Fire Remedial Programme
  - Schools Access Initiative Programme
  - Demolition Programme
  - Schools Building Improvement Programme
  - Vacant Property Management Programme

Collaboration between the NCC Commissioning team and Arc Partnership continues in developing planned programmes of work, which will be enhanced further by the new approach to stock condition surveying / digitisation of the NCC property portfolio.

23. Arc Regeneration and Major Projects continues to grow its capacity and capability to deliver complex regeneration, growth and infrastructure projects. Any major projects, or projects of risk, including all new builds / infrastructure projects will be managed through this business stream. Ensuring we have the capability, capacity and financial governance in place to ensure projects are delivered to programme, cost and quality.
24. Work continues in collaborating with the County Council's regeneration, inward investment and growth teams, through Arc Regeneration and Major Projects, to bring forward, and support the delivery of several 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.

25. Significant regeneration and major projects in train include: -
- County Hall Campus Feasibilities
  - Top Wighay Farm Infrastructure Works
  - Homes England Projects (Lowmoor and Cauldwell)
  - Eastwood multi-service hub / housing infrastructure works
  - Lindhurst Spine Road
  - New Primary School, Chapel Lane, Bingham
  - Investing in Nottinghamshire Projects – various sites
  - Masterplan, Regatta Way, West Bridgford
  - NCC Site Developments – various sites
  - New SEN provision – various sites
  - Social Housing Decarbonisation Demonstrator Fund (NCC / Bassetlaw DC / Mansfield DC)
  - Property and land disposal support
  - Toton Link Road Feasibility
  - East Leake new Primary School
26. Arc Partnership continues to be commissioned by NCC as Client Agent on several school projects including Carlton-le-Willows Academy, Carlton Academy, Rushcliffe School, Toot Hill School, South Nottinghamshire Academy, Thoresby Vale School and South Wolds School.
27. There are two additional projects in progress that support the County 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 County Council's existing and new property portfolio, which will be completed by Summer 2022. Allied to this is a Stock Condition Surveying Project, using County Hall Campus and Chilwell School as exemplars in setting a new benchmark for the standard requirements for the remainder of the County Council's property portfolio. This will fundamentally change 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.
28. During the last Q1-Q2 work has progressed with the NCC Client to bring together several areas of delivery that were "floating" a little, into one cohesive business stream titled Building Surveying and Minor Works. This business stream brigades together the following: -
- Building Surveying (Mechanical and Electrical, Structural, General)
  - Minor Works – small works valued at circa £250k per annum which are too small to be responsive repairs, but also too small to be classed as projects. There is a need to find a VFM solution for these works and this structure is designed to deliver this.
  - Stock Condition Surveying Programme
  - Landlord Consents
29. 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.

## Projects Commissioned

Over £10m commissioned

345 projects

Value Band	Number of Projects	Value of Projects
£0-50K	315	1,456,348
£50-100K	9	670,389
£100-250K	13	2,280,220
£250-500K	2	648,125
£500K-1M	4	2,286,103
£1-3M	2	2,724,500
£3M+	-	-
<b>TOTAL</b>	<b>345</b>	<b>10,065,687</b>

## Local Spend (D2N2)

£11.1m or 83% of total spend

## Calls to Arc Assist

2,494

## Responsive Maintenance Job Tickets

1,649

## Service Schedules

4,219

Arc Statistics – 1<sup>st</sup> June 2016 – 30<sup>th</sup> June 2020

## Projects Commissioned

Over £220m commissioned

Over 2,100 projects

Value Band	Number of Projects	Value of Projects
£0-50K	1,704	15,591,855
£50-100K	156	10,809,641
£100-250K	144	23,387,787
£250-500K	58	19,963,578
£500K-1M	55	37,192,561
£1-3M	24	34,824,652
£3M+	13	79,131,802
<b>TOTAL</b>	<b>2,154</b>	<b>220,901,880</b>

## Local Spend (D2N2)

£208m or 86% of total spend

## Calls to Arc Assist

33,270

## Responsive Maintenance Job Tickets

30,101

## Service Schedules

33,389

30. Arc Partnerships Contractual / Non-contractual KPI's are generally positive, with some small slippage on response times for responsive repairs and servicing, associated with access issues due to current circumstances.

## Procurement and SME Engagement

31. Arc Partnership delivers a mixed economy approach to procurement, underpinned by a commitment to local spend and employment, using the following approach: -
- 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 risk management, responsive repairs, servicing, asbestos management, general building, mechanical and electrical services.
  - The use of open tendering where it represents value for money e.g., Demolition Programme.

32. Arc Partnership has been successful in establishing several 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), Perfect Circle - Gleeds, AECOM, Pick Everard (Nottingham Office), Kier Group (Nottingham Office) and Willmott Dixon (Nottingham Office). To date 86% of total spend/commissions has been spent locally within the D2N2 area, with the associated benefits of the multiplier effect within the communities in which Arc works. It is also important to recognise that Arc Partnership's core constructor partners are also based within the D2N2 area.
33. Further local SME framework opportunities are being developed for the provision of professional services.

## **Business Growth**

34. Third party income at H1 was £293k against a target for 2021/2022 of £600k.
35. Arc partnership continues to focus on its four equal priorities for growth, those being:
  - Maximising all capital and revenue opportunities from NCC through demonstrable VFM, quality of output and customer excellence
  - Delivery of third-party multi-disciplinary design services
  - Delivery of risk management services and responsive repairs and servicing
  - Emerging opportunities
36. Work continues in developing growth opportunities with the local District Councils, particularly Mansfield and Bassetlaw, exemplified by our success on the Government Social Housing Demonstrator Bid to BEIS with NCC. We are also supporting Mansfield District Council on a significant city centre regeneration feasibility.
37. Arc Partnership also recognises that NCC, District Councils and Parish Councils have a common need in terms of capacity to support both bidding for, and delivery of, local projects through national funding streams. To that end Arc Partnership continues to support NCC as a Tier 1 Authority in taking lead responsibility for funding initiatives and the development of region-wide partnerships, wherever we can. Arc Partnership continues to collaborate with the NCC growth, infrastructure and development team, in terms of Arc Partnership acting as an enabler in supporting delivery of priorities and objectives. This will include setting aside an element of its reserves as an "Invest to Grow Fund".

## **Collaboration**

38. Arc Partnership continues to collaborate with NCC's other Alternative Service Delivery Partners, with Via East Midlands acting as a subcontractor to Arc Partnership with £1.29m of live commissions, and in sponsoring Inspire's wider community initiative, including the Inspire Summer Reading Challenge.
39. Arc partnership already has a relationship with University of Nottingham for Architecture, and we are currently finalising a formal three-year partnership with Nottingham Trent University across all disciplines, focusing upon several strategic areas including talent management, and research and development, with a particular focus on the environmental agenda. This

relationship with NTU will support Arc's work on design standards and specifications, stock condition surveying, social housing retrofit works on behalf of Bassetlaw and Mansfield District Councils, and the environmental retrofit strategy and plan for the Council's commercial property portfolio.

40. Work also continues in supporting feasibility projects for the East Midlands Development Company.

### **Marketing, Communications and PR**

41. Arc Partnership has appointed a Senior Marketing Partner, a direct response to previous feedback from Members that Arc Partnership does not celebrate / communicate enough the activities it is delivering on behalf of NCC.
42. We now have a three-year Marketing, Communications and PR Plan 2021-2024, which has been agreed with NCC's Head of Communication and Marketing, which is already delivering a more joined up approach between NCC and Arc Partnership, with better communication on the ground in relation to the built environment delivered across Nottinghamshire's communities.
43. NCC projects delivered by Arc Partnership have been shortlisted for several awards. Newark Orchard Day Service and Newark Orchard School is to be featured in the National Society of Public Architects, Civil Engineering and Surveying Yearbook.
44. Arc Property Services Partnership Services Limited has been shortlisted for the East Midlands Chamber of Commerce Nottinghamshire Business Awards under the awards category – Excellence in Collaboration, which is recognition for all involved in the Joint Venture.

### **Other Options Considered**

45. None

### **Reason for Recommendation**

46. 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**

47. 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**

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

## **Financial Implications**

49. 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**

50. 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**

It is recommended that Committee:

- 1) Recognises the strong performance of Arc Partnership in the first half of the year, and considers whether there are any actions required in relation to the detail contained within this report.

**Derek Higton**  
**Service Director, Place and Communities**

**For any enquiries about this report please contact:** Derek Higton, Service Director, Place and Communities, Tel: 0115 977 3498

## **Constitutional Comments [CEH 02/11/2021]**

51. The report falls within the remit of the Economic Development and Asset Management Committee under its terms of reference.

## **Financial Comments [SES 08/10/2021]**

52. 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