



CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE AGENDA

Monday, 4 April 2022 at 10.00 am in the Bridges Room - Civic Centre

From the Chief Executive, Sheena Ramsey

Item	Business
1	Apologies
2	Minutes (Pages 3 - 12) The Committee is asked to approve as a correct record the minutes of the meeting held on
3	Age Profile of the Workforce (Pages 13 - 24) Report of the Strategic Director, Corporate Services and Governance
4	Impacts of Russia and Ukraine Conflict (Pages 25 - 34) Report of the Strategic Director, Corporate Services and Governance
5	Work Programme 2021-22 and Development of Work Programme for 2022-23 (Pages 35 - 40) Report of the Chief Executive and the Strategic Director, Corporate Services and Governance

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GATESHEAD METROPOLITAN BOROUGH COUNCIL

CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE MEETING

Monday, 24 January 2022

PRESENT: Councillor John Eagle (Chair)

Councillor(s): D Burnett, J Wallace, R Beadle, D Bradford, B Clelland, D Duggan, T Graham, S Green, M Hall, R Mullen, I Patterson, S Ronchetti, J Simpson and J Turner

APOLOGIES: Councillor(s): L Caffrey, P Foy and K Wood

CR58 MINUTES

RESOLVED - That the minutes of the meeting held on 29 November 2021 be agreed as a correct record.

CR59 PERFORMANCE AND IMPROVEMENT SIX MONTH REPORT 2021/22

The Committee received a report and presentation to update on the performance on the delivery of Council priorities for the 6 months period April to October 2021.

The development of the new approach to performance management began in autumn 2020. Stages included engagement with councillors through Advisory Groups and Overview and Scrutiny Committees. Engagement with employees has taken place on a regular basis through employee workshops and Management Team discussions. Engagement with partners has taken place at the Health and Wellbeing Board with the Voluntary and Community Sector (Connected Voice).

The Performance Management and Improvement Framework is approved by Cabinet and Council. All of the Overview and Scrutiny Committees of the Council will consider performance assessments appropriate to the role and remit of each Committee on a six monthly basis.

There are some risks and limitations to highlight in relation to the six month reports. It is clear that the Council is still responding to the Covid-19 pandemic and that service disruptions have impacted on performance at the six month stage. The Council's Business Impact Assessment and Business Continuity Plan framework has enabled the Council to prioritise critical services to ensure that they can still be delivered.

The development of the Performance Management and Information Framework is ensure it remains a relevant tool for the Council to understand how well it is delivering against it agreed priorities.

The aims of the Performance Management and Information Framework are to

deliver Thrive, give clarity on Priorities, inform how resources are allocated and budget determination and measuring the impact to inform policy and resource decisions.

The framework is based on the 6 policy objectives of the HWB Strategy and an organisational health check.

The analysis has highlighted some area where improvements have been made as follows:

- More people are moving from Vulnerable to Coping according to LLoN data, although more assessment is needed to understand movement across the themes.
- External assessment from OFSTED rated as Good providing reassurance
- The Voluntary Undertaking with the Social Housing regulator has been successfully completed
- Budget savings are regularly monitored and 97.5% of savings are projected to be achieved in 2021/22

Some actions which have been identified as part of the response to improve performance:

- A new budget approach has been agreed in the context of the MTF5
- Business Impact Assessments and Business Continuity Planning is continuing to address service pressures and service disruption.
- Work is ongoing to develop and implement an effective employee engagement framework in response to new ways of working and improve employee morale.
- Work will continue to take forward the customer experience and digital improvements to service delivery whilst ensuring there is support for people who are unable to access services digitally.
- Development of Community Wealth Building

The next steps in the process are as follows;

- Align the Performance Management and Information Framework to the new budget approach agreed by Cabinet in December 2021 to inform cross council reviews and zero based budgeting.
- Further develop the priorities and actions as part of the iterative approach
- Take the six month performance reports to Cabinet for consideration in March
- Bring a year end report to Overview and Scrutiny Committees.

It was queried whether the locality based working is doing what it says is being done in this report as it doesn't seem to be and will officers in the field continue as they are currently. It was noted that locality working is identified as an action which needs to be developed. The action will be to work with councillors to develop.

It was suggested that commissioning a happiness survey should be something which should be done with caution as the responses can very much depend on how

someone is feeling on that particular day. It was noted that we have baseline information from residents surveys undertaken in 2016 and 2018 and that will be incorporate with some questions around satisfaction with Gateshead as a place to live.

It was noted that if our overwhelming policy is for everyone to Thrive the figures seem to show that we are a long way from thriving. It was noted that this is to be the policy direction going forward the stories from residents are that things are getting worse the inequality gap is worse and resources are limited. It was noted that this is why the categories have been identified as to where we prioritise resource.

It was noted that the point of the budget deliberations is where we put resources into those areas and target the areas where we have the biggest impact.

It was requested that with regards to locality working effort is made to include ward councillors, it is not a one size fits all and it feels like a top down process with very little input from local councillors. It was noted that there is a report but it is understood that it is about developing some principles and then lets talk to councillors about how its developed. It will be complex as it will be different for each locality.

It was queried whether businesses were being paid within the timescales and whether there was something which could be done to improve where they are not. It was noted that a new system has been put in place which will make sure businesses are paid more promptly, often the delays are due to an order number not being on the invoices.

It was queried whether when designing measures the no of bin collections missed was something which would be counted. There are the areas which residents base their replies on when completing the survey. It was noted that with regards to environmental type performance the framework wouldn't be everything there are still performance management measures in place.

RESOLVED - (i) That the comments of the Committee be noted.
(ii) That the Performance Management and Information report be presented to Cabinet for consideration in March 2022.

CR60 CORPORATE COMMISSIONING AND PROCUREMENT STRATEGY 2021/22 - 2026/27

The Committee received a report to provide an update on the Corporate Commissioning and Procurement Strategy. The draft version had previously been brought to Committee and the comments have been incorporated. The revised strategy has been circulated for consultation to partners and stakeholders and their views have been considered as part of the revised version.

One of the comments was about the development of an action plan and this has been developed separately and will be available to view.

- RESOLVED - (i) that any final comments be incorporated into the Revised Strategy
(ii) that the Strategy proceed to Cabinet for consideration.

CR61 COVID 19 PANDEMIC - KEY UPDATES (VERBAL)

The Committee received a verbal update on the current position with regards to Covid-19 in Gateshead.

It was noted that we came out of the New Year with a significant spike in cases. More recently there has been a rapid reduction in cases. Primary and Secondary care are still under pressure and whilst we are seeing 12% unoccupied beds it doesn't mean that they are available to use.

In regards to vaccinations 85% have received their first dose, boosters are at 60% across Gateshead of eligible adults.

There are 5 active vaccination sites across Gateshead. There is a recognition of emerging inequality across some ethnic minority groups. We are working closely with colleagues across the wider health system to address this.

We have taken vaccination hubs into the communities with a degree of success and will continue with this. National communications will change slightly and our communications will follow the same message.

Isolation measures will be reviewed and there may come a point when these are relaxed.

It was queried how many vaccinations had been delivered by the bus in Trinity Square. It was noted that prior to Christmas there was two sessions held in Trinity Square one was more successful than the other with 400 plus on one and only about 100 on the other day.

It was queried how we know we are comparing like for like with regards to testing now that we are not required to carry out a PCR. It was noted that there isn't a huge amount of change. The system is as robust as it can be at this point.

It was queried whether we have information on people who are refusing to have the vaccine who work for us in a capacity where we would be looking at terminating contract due to vaccine status and this would add pressure to the existing.

It was queried whether we have figures in specific areas and can identify whether there has been a low or high uptake. It was noted that Bridges ward as a whole has a low uptake.

RESOLVED - That the update presented in relation to Covid-19 be noted.

CR62 OLD TOWN HALL UPDATE

The Committee received a report to provide an update on the current position at the Old Town Hall Quarter. The Quarter comprises, Old Town Hall, Swinburne House, the Nelson Street Office Building, the former Police House, two surface car parks and vacant land.

In 2017 following a review of the property management and maintenance costs, the Council decided to dispose of the Old Town Hall and neighbouring buildings. The Council's objective was for the refurbishment of the historic buildings to ensure their long term sustainability whilst reducing the Council's property management costs, plus redevelopment of the vacant land/car parks to provide accommodation for town centre uses comprising retail, office, hotel, leisure (including cultural) and residential across the whole site. This was first outlined in Fit for a City (2008) and made explicit through the Urban Core Area Action Plan.

The Council appointed an external agent, Cushman & Wakefield (C&W) to market and assist with the disposal of the OTHQ. C&W prepared marketing particulars; contacted a long list of potential developers, investors, agents and end users; and conducted accompanied viewings. Adverts were also placed in the property press and a dedicated web page was prepared by the Council's Communications Team.

Marketing commenced on 27th March 2017 and closed on 26th June 2017 and was undertaken in accordance with the regulations contained in the Localism Act and Assets of Community Value.

Following receipt of bids, Officers worked with C&W to analyse the bids and draw up a recommendation for a preferred bidder. Consultation took place with Planning, Highways, Conservation, Urban Design, and Culture, as well as C&W leading on the financial deliverability of each bidder.

The conclusion of C&W and the project team was that the highest bidder, Tier One Capital / Dinosauria Ltd, should be invited to discuss terms of disposal because -

- Their bid would provide the highest financial receipt to the Council
- It posed the least risk to the Council in terms of the legal/development conditions requested by the bidder
- The mix of uses and particularly the Museum would best benefit the Town Centre in terms of regeneration, tourism and footfall
- They were confident in their ability to deliver on site and also within a shorter timescale than the other offers received, also benefitting the town centre.

Tier One Capital's Directors also had a track record of the refurbishment of similar buildings, for example:

- Town Hall Chambers, Wallsend (former North Tyneside Town Hall), Grade II Listed building converted into serviced office accommodation;
- Clervaux Exchange, Jarrow (former Jarrow Police Station) converted

- into serviced office accommodation; and
- Commerce House, Middlesbrough (former Teesside Chamber of Commerce) a Grade II Listed Building redesigned to provide serviced office and conference facilities.

The Tier One Capital / Dinosauria Ltd (“Dinosauria”) proposal was:

- operating the Old Town Hall and Old Police House as The Unnatural History Museum;
- Swinburne House to be refurbished for new business space;
- a new building located to the rear of the site for leisure/cultural uses was proposed to support the main uses on site;
- the car parking at the front of the Old Town Hall to be retained.
- The long term plan was to expand the Unnatural History Museum into Swinburne House. The project management team would relocate to Swinburne House during the refurbishment of both the Old Town Hall and Swinburne House.

In terms of job creation, Dinosauria envisaged that the Unnatural History Museum, with additional café/restaurant would create 86 permanent direct jobs (based on 7 days a week opening multiple shifts). Indirect jobs could total 143 overall, all of which were expected to be local labour. As the concept was further developed and attractions and supporting elements expanded, it was envisaged that the total jobs created could peak at 300.

Dinosauria estimated that the Unnatural History Museum would be ready to open within two years of the grant of the 250 year lease of the site, before moving on to refurbish Swinburne House as serviced office space. Investment phases were proposed as follows:

- Purchase of Old Town Hall Quarter for £650k
- Phase 1 – create Unnatural History Museum, investing approx. £7m - £12m
- Phase 2 – Remediation/supporting provision of serviced office space, investing approx. £1.5 - £2.0m
- Phase 3 – Development at rear of site/Nelson street, approx. £10 - £12.5m

Following portfolio briefings and a well-attended Members Seminar, in which Dinosauria’s directors presented their proposal and took questions, Cabinet approved in January 2018, the council granting Dinosauria a 250 year lease for the OTHQ.

Members made clear that this was to facilitate the protection and maintenance of the Old Town Hall building specifically, including public access, through redevelopment into the Unnatural History Museum.

In order to protect the Council’s aspirations for OTHQ, should the proposed timetable for redevelopment not be met, the lease provided the Council with a “buy-back” provision should a series of milestones not be achieved. Additionally, to ensure the Council retained an element of control over the future use of OTHQ any

change of use requires prior consent of the Council.

Following engagement with the investor market, Dinosauria subsequently approached the Council with a request to review the mechanism for determining the buy-back price. After an extensive officer review of Dinosauria's business model, it was recommended that a variation to the existing lease be granted as it would provide Dinosauria with the necessary flexibility to attract further investment for the Unnatural History Museum and to facilitate the development of the OTHQ. The variation was approved by Cabinet at its meeting of 15th October 2019.

1. Unfortunately, the global pandemic struck shortly after the variation to the Lease was agreed, which – according to Dinosauria – put off potential investors in the Unnatural History Museum due to ongoing uncertainty and restrictions having a devastating impact on the leisure and retail sectors worldwide. Specifically:
 - uncertainty and unpredictability of visitor numbers / viability of leisure attractions.
 - the impact of multiple and ongoing lockdowns or new variants, any prospective government enforced limits to the numbers of people gathering in any one place at any one time (or indeed in any one building at any given time)
 - smaller scale investors being cautious across all sectors
 - the natural and inevitable cautiousness of the general public in having confidence to go back to normal life / activities.
2. As a consequence, Dinosauria told the Council that due to the lack of confidence in the sector, they would not be able to use their preferred mechanism to raise funds to take forward their unique concept of the Unnatural History Museum as the first phase of development.
3. During this difficult period, however, Dinosauria continued to invest in the assets to keep them safe and secure despite limited progress on the redevelopment plans, including:
 - A dedicated IT line has been installed at the OTHQ, which will provide the critical superfast internet / Wi-Fi suitable for both the commercial market and for the leisure and entertainment sector.
 - Electrical and heating system upgrades in Swinburne House
 - Repair to exterior of Swinburne House following anti-social behaviour and attempted break-ins – including bringing in Orbis to secure ground floor windows and entrances after a spate of break-ins in the autumn.
 - Continuous monitoring and repair of the roof and roof slates.

The leaseholder remains committed to redevelopment of the OTHQ and is keen to identify a new route forward based on what can be delivered with confidence (within the short and longer term) whilst still subject to the impact and level of ongoing uncertainty caused by coronavirus – and crucially, with the support of the Council.

The company directors have acknowledged the need for a new development and phasing plan. The principles of this new plan have been presented as –

- Need to take a step back to properly appraise and construct a new, deliverable strategy.
- Sensitive renovation of the Old Town Hall and Swinburne House is the top priority. To make these buildings a centre piece of regeneration in Gateshead / Tyneside.
- Appraising development on the plots around the Old Town Hall, with surpluses being recycled into renovation of the listed buildings.
- Aspire to deliver a top destination / attraction, exploring other linked tourist opportunities.
- Want to work collaboratively with the Council, and optimise impacts on the wider aspirations for the surrounding area.

A new development team has been appointed, and they are having conversations with institutional funders about investing in the wider site. The Strategic Director and Major Projects Team are being kept informed of progress.

If the Council, acting as Landlord, is minded to agree to any revised proposal, variations to the lease would need to be agreed by the two parties, and then approved by the Council, to include:

- Any changes to the Permitted Use, e.g. to include residential use.
- Updated milestones and trigger dates for the Council to be able control and monitor the scheme, to ensure it will move forward quickly, etc.
- clarity on how and when this new proposal will secure/save the Old Town Hall asset – i.e when will it be redeveloped?

It is also important to note the Council cannot unilaterally end the lease at this point, should it not agree to a new proposal. The next point that the lease can be terminated, and the buyback option triggered, is 28 June 2022.

The Council awaits a revised proposal for the redevelopment of OTHQ, including confirmation that funding is available and the scheme is viable. The proposal will be reported to Members for consideration and approval, as per usual consultation and decision making procedures.

After the lease was signed there was an issue and the Cabinet agreed a variation, not long after that Covid Hit and the developer raised concerns about not being able to get investors and the viability of visitor numbers. They have since confirmed following multiple meetings with officers they won't be able to take the original scheme forward.

The developer has continued to invest and look after electrical and heating upgrades as well as roof repairs, they do appear to be committed to the re-development. They retain the aspiration for a top tourist attraction and invest in the area.

It was noted that the next point in terms of ending the lease would be 28 June 2022, however we are currently waiting for a proposal from them on how they will take this forward and we will update members accordingly. If insufficient progress has been made with the development then the council will have to consider its options including buying back , but at current market value.

It was queried as to what evidence we have that they have undertaken the maintenance they say they have and it was queried whether it would be possible to identify what costs they have laid out.

It was queried what the terms of the buy back option would be.

It was noted that the next provision in the lease for buy back is 28 June 2022 and that will be commenced if they haven't made any development on site. The rate of buy back would be at current market value.

Councillors expressed concern that it was stated that they would be ready to open within 2 years of the grant of lease and that the lease was signed in June 2018 with no evidence that anything had been done. It was acknowledged that they have not worked at the pace that we wanted them to.

It was suggested that we need to be talking to partners in Tyne and Wear Museums and in other Arts organisations for training such as Drama school. It was suggested that we put feelers out to look at National Bodies we might want to partner with.

It was suggested that we need to look at alternatives and think about moving back into the Town Hall and renting out this building.

It was noted that we are looking at options and are preparing an options appraisal.

It was queried what kind of cost would there be in buying back. It was noted that there would need to be a survey of the properties to consider the price, however, there is no planning application been submitted, which would have increased the value and there is no works been undertaken which would increase the value.

Concern was expressed about the current leaseholder and their ability to move the project forward and it was suggested that we should be playing hard ball.

RESOLVED - (i) that the update on the Old Town Hall Quarter be noted.
(ii) that the comments of the Committee with regards to the Old Town Hall Quarter be noted.

CR63 ANNUAL WORK PROGRAMME UPDATE REPORT

The Committee received the Annual Work Programme report and it was requested that as no business was scheduled for the 7 March meeting, that the meeting be postponed and the next meeting would take place on 4 April.

RESOLVED - (i) That the provisional work programme be noted.
(ii) That the Committee noted that future reports on the work programme would be brought to Committee.

Chair.....

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TITLE OF REPORT: **Age Profile of the Workforce**

REPORT OF: **Mike Barker, Strategic Director Corporate Services & Governance**

SUMMARY

The purpose of this report is to provide the Overview and Scrutiny Committee with information regarding the age profile of the Council and the actions which are being implemented to address an ageing workforce

Background

- As requested by the Committee, this report contains data relating to the age profile of the Council's workforce and the actions being implemented to support succession planning and issues relating to an ageing workforce.

Age Profile Data

- The overall age profile of the Council is shown in the chart at appendix 1. The shows that a significant proportion of the Council's workforce are aged 55 and over. Age category as a percentage of the total workforce is summarised in the table below

Age Category	Headcount	Percentage of total workforce
16 – 24	242	5%
25 – 34	614	12%
35 - 44	1171	23%
45 - 54	1418	28%
55 - 64	1494	29%
65+	160	3%

- The graphs showing the age profile of individual services are shown at appendix 2. These indicate a number of services with a significant number of employees aged 55 and over, in particular Environment and Fleet, Property and Assets, and Integrated Adults and Social Care. This presents challenges for the Council in relation to succession planning to ensure that services have staff with the right skills and experience to deliver an effective service.

Current Actions to address an ageing workforce

- A number of apprenticeship programmes and roles are being implemented in order to support succession planning and ensure services are developing staff with the necessary skills for the future. These are as follows:

- Children’s Social Care and Adults Social Care have introduced a Social Work Apprenticeship Programme and have appointed 4 apprentices to date.
 - Adult Social Care are also in the process of recruiting three Trainee Social Workers. Successful candidates will be offered a career pathway which includes undertaking a social work apprenticeship.
 - Highways & Waste Services have introduced an Urban Driver Apprenticeship Programme which is being offered to 12 employees across the service. This is to support succession planning due to the number of staff close to retirement and also the current shortage of HGV drivers nationally.
 - Fleet and Environment have introduced an Arborist apprenticeship which is currently being recruited to.
5. In addition to apprenticeships, other job roles and development opportunities are being offered as follows:
- Adult Social Care has established three Graduate Management Trainees. The service has also appointed two Kickstart placements which is a government scheme providing funding to create new jobs for young people aged 16-24 who are at risk of long-term unemployment.
 - Adult Social Care (Provider) also offers T-Level placements. T–Levels are a two-year qualification equivalent to 3 A-Levels and incorporate classroom learning and 45-day work placements. This allows students to gain practical experience and an understanding of the job roles within their chosen sector.
6. Workforce Development are also currently leading on or supporting a number of initiatives to support succession planning as follows:
- In relation to Social Work, the Council is part of the regional group developing and supporting the Aspiring Leaders and Managers Programme. Two cohorts have been delivered across 12 local authorities, with 2 learners from each organisation. The third programme is due to start in May 2022. This programme is specifically for Social Workers.
 - Work is also underway to develop a Leadership and Management Programme in line with the corporate programme currently being rolled out to Service Directors and Service Managers. This will aim to support employees already in a management role, and those interested in moving into a management role to gain the necessary skills and knowledge.

Future Actions to support succession planning

7. Further work to support succession planning is currently in development as follows:
- Social Care Career Pathways are being developed which will include apprenticeships at Level 2 through to Level 6.
 - Joint Health and Social Care Apprenticeships are being developed in conjunction with the NHS QE Foundation Trust.
 - Adult Social Care are planning to establish a Trainee Occupational Therapist role.
 - Within Construction Services, Workforce Development are working with the service to develop five-year plans across the different trades to ensure the service is recruiting the necessary number of apprentices to address future skills gaps.
 - Waste Services are introducing new roles below the level of Supervisor. This will support succession planning by enabling staff to be developed with a view to

progressing to a supervisor role as staff retire. A similar approach is being developed within Highways in relation to Team Leader roles.

- Career starter apprenticeships are being explored in service areas which previously have not had apprenticeship roles, for example Trading Standards.
- Leisure and Libraries are currently undergoing a transformational review, and this includes exploring options for both entry level posts and management career pathways.

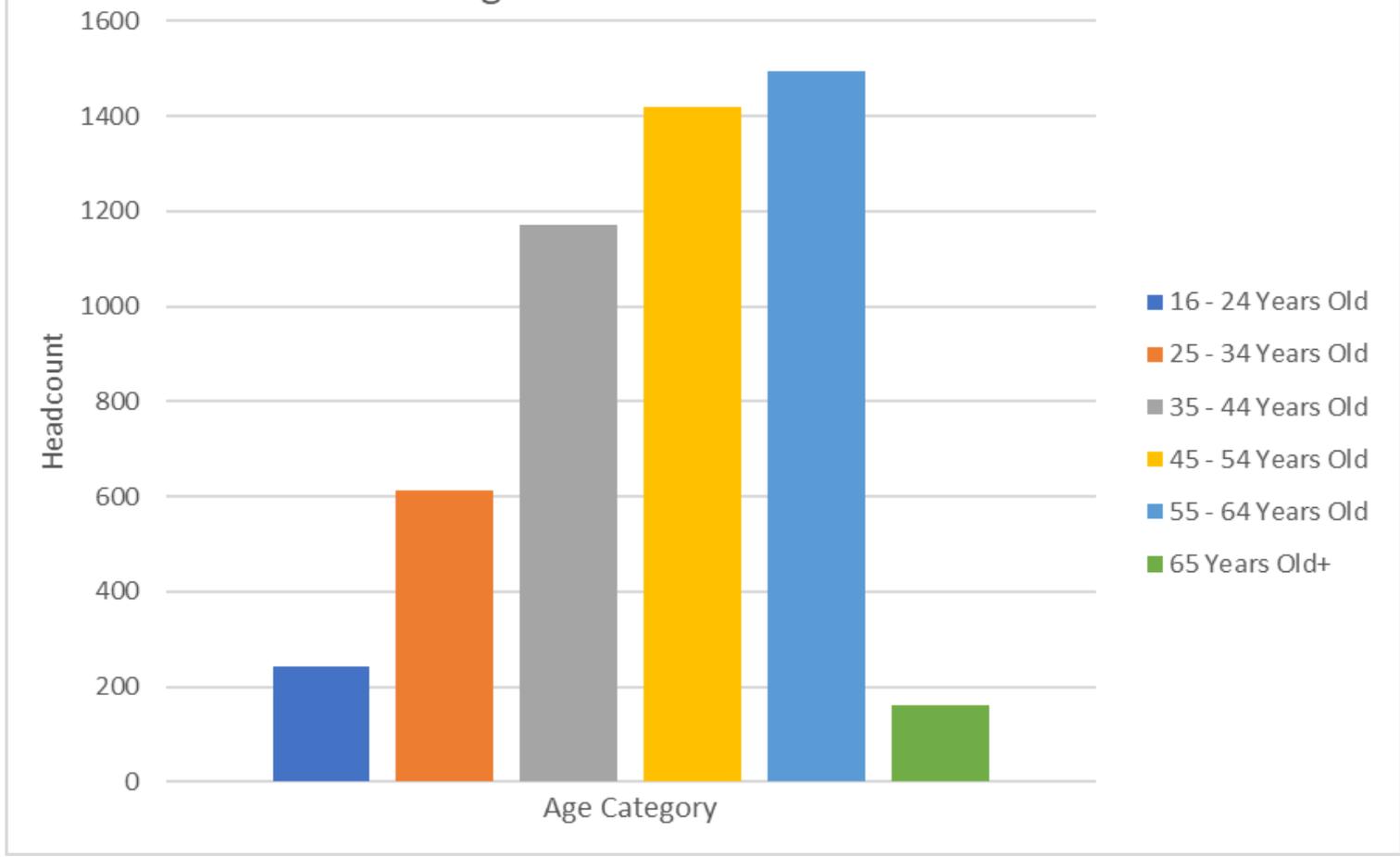
8. A comprehensive review of the Council's approach to recruitment and retention is currently underway. The review will incorporate a robust appraisal of marketing and communication methods, employee benefits, career pathways, including our approach to work experience and university placements in a bid to encourage early interaction with Gateshead as a local employer of choice.
9. In addition, the review will evaluate current community engagement methods ensuring there is a strong link between the Thrive Agenda, the Health and Wellbeing Strategy, and Gateshead as an employer. Increasing our presence within the local community and actively encouraging applications will also positively support our ambition to increase workforce representation, which is reflective of the community we serve.

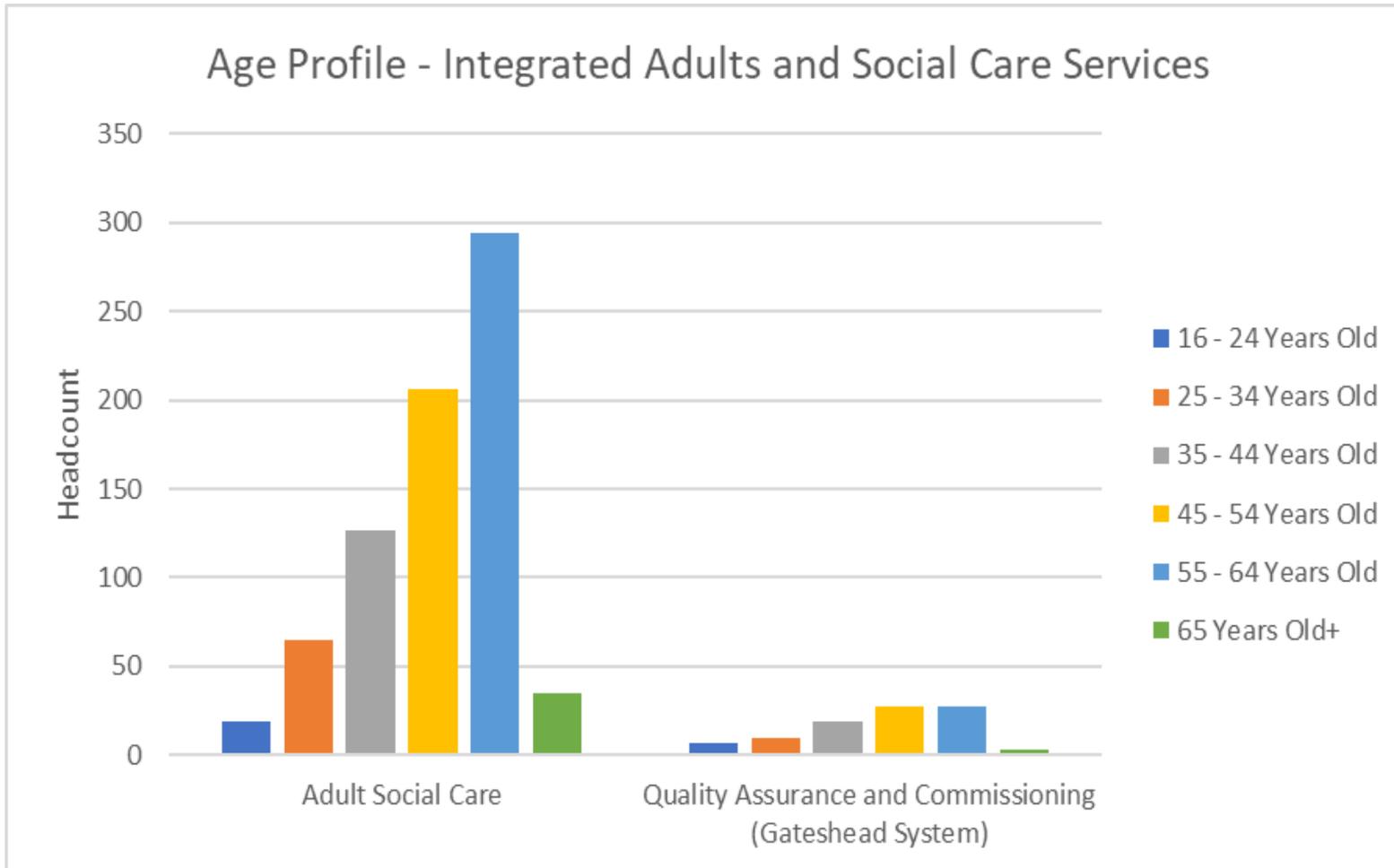
Recommendation

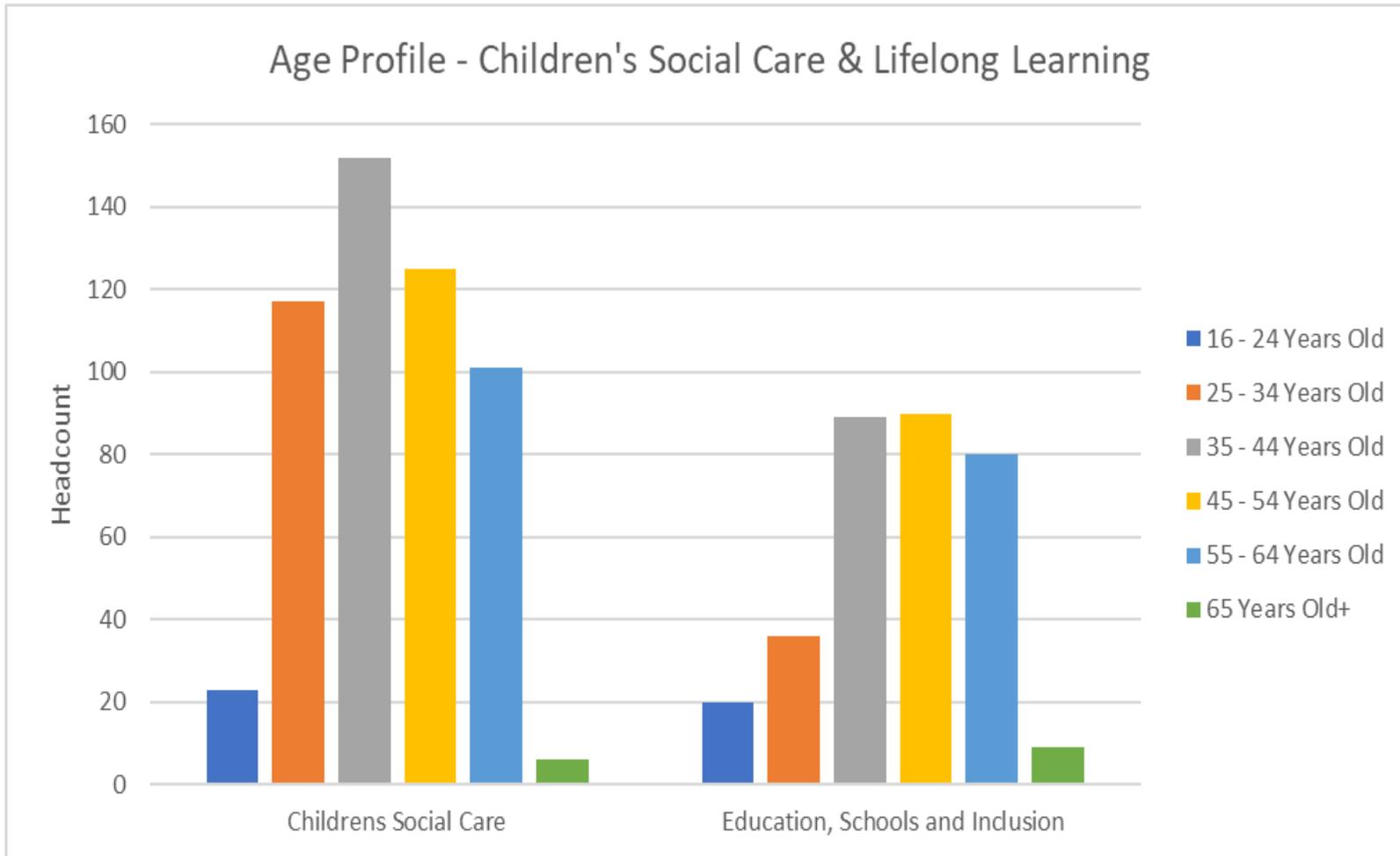
10. The views of the Overview and Scrutiny Committee are sought on:
 - i) whether the Committee is satisfied with the actions being undertaken to address an ageing workforce.

Contact: Caroline Judson – HR & Workforce Development Manager
Extension: 2226

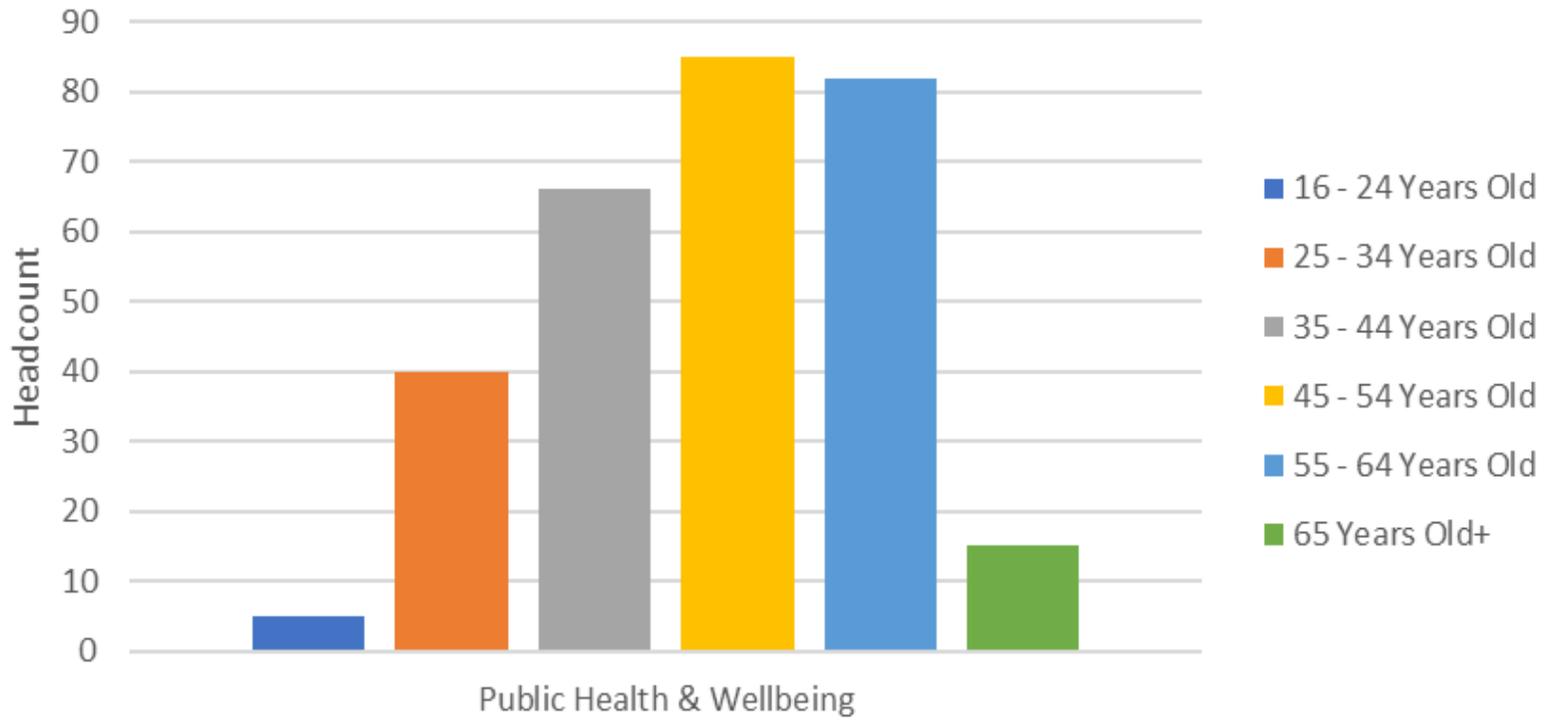
Age Profile - Whole Council



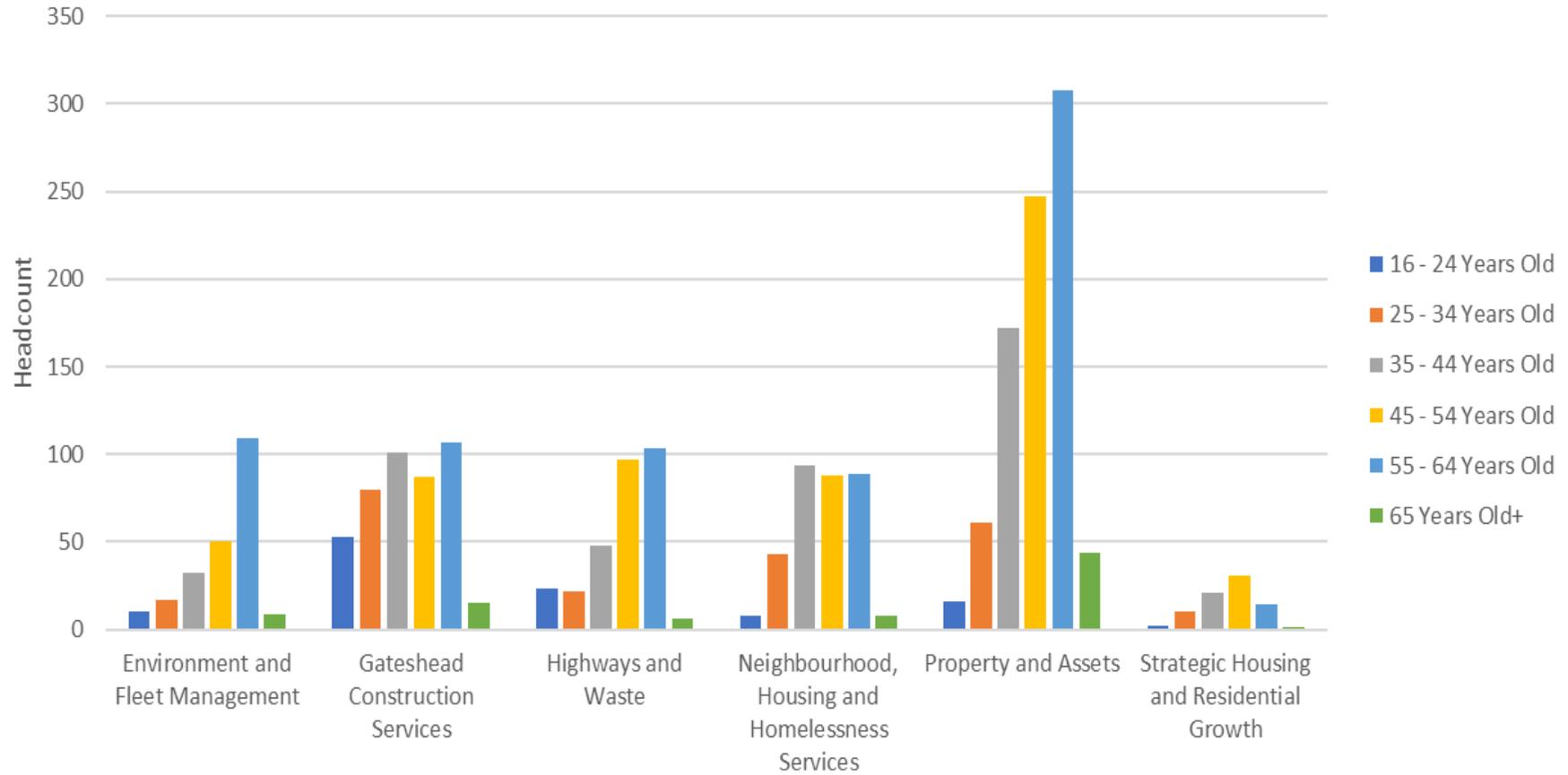




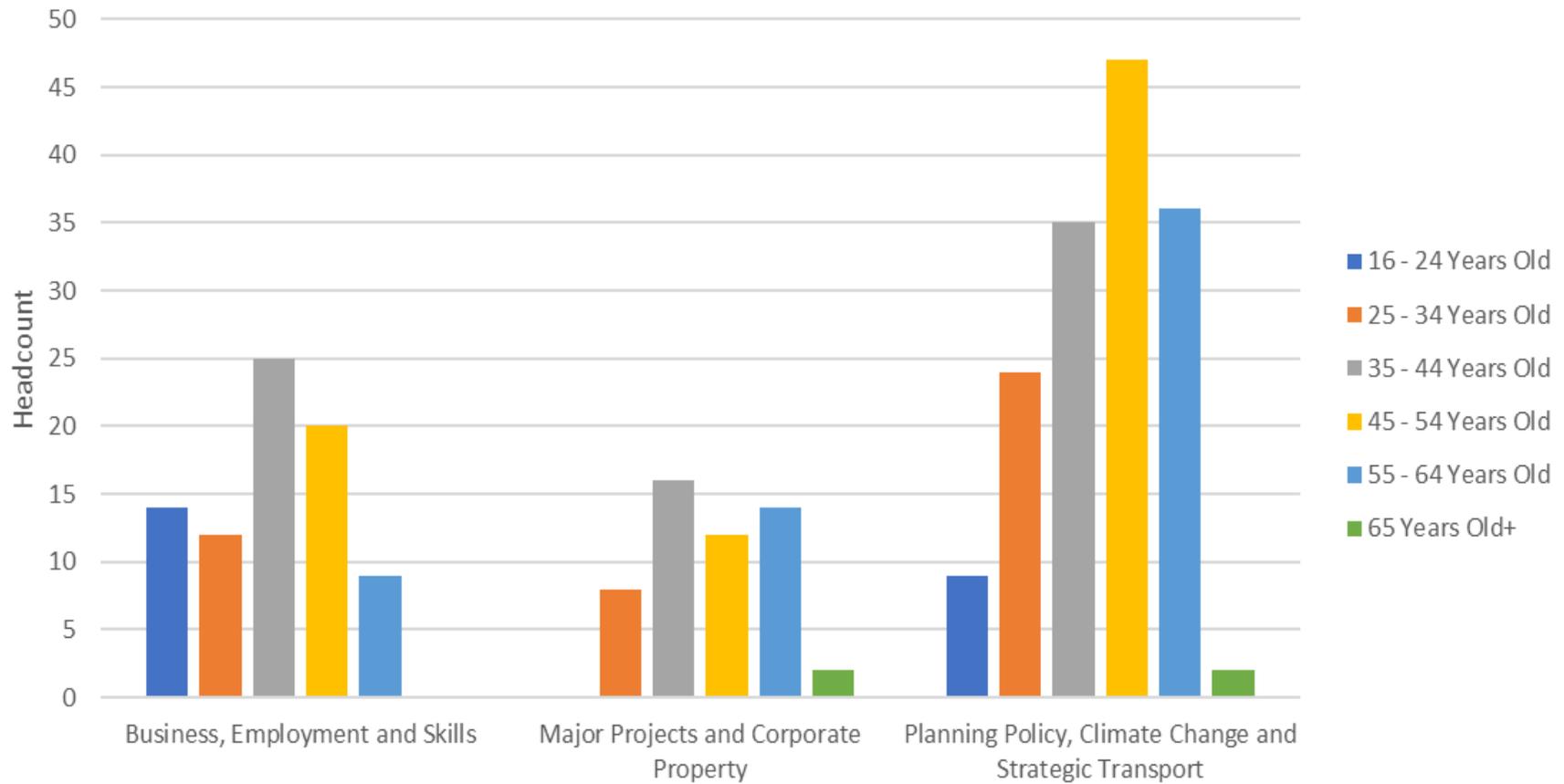
Public Health & Wellbeing



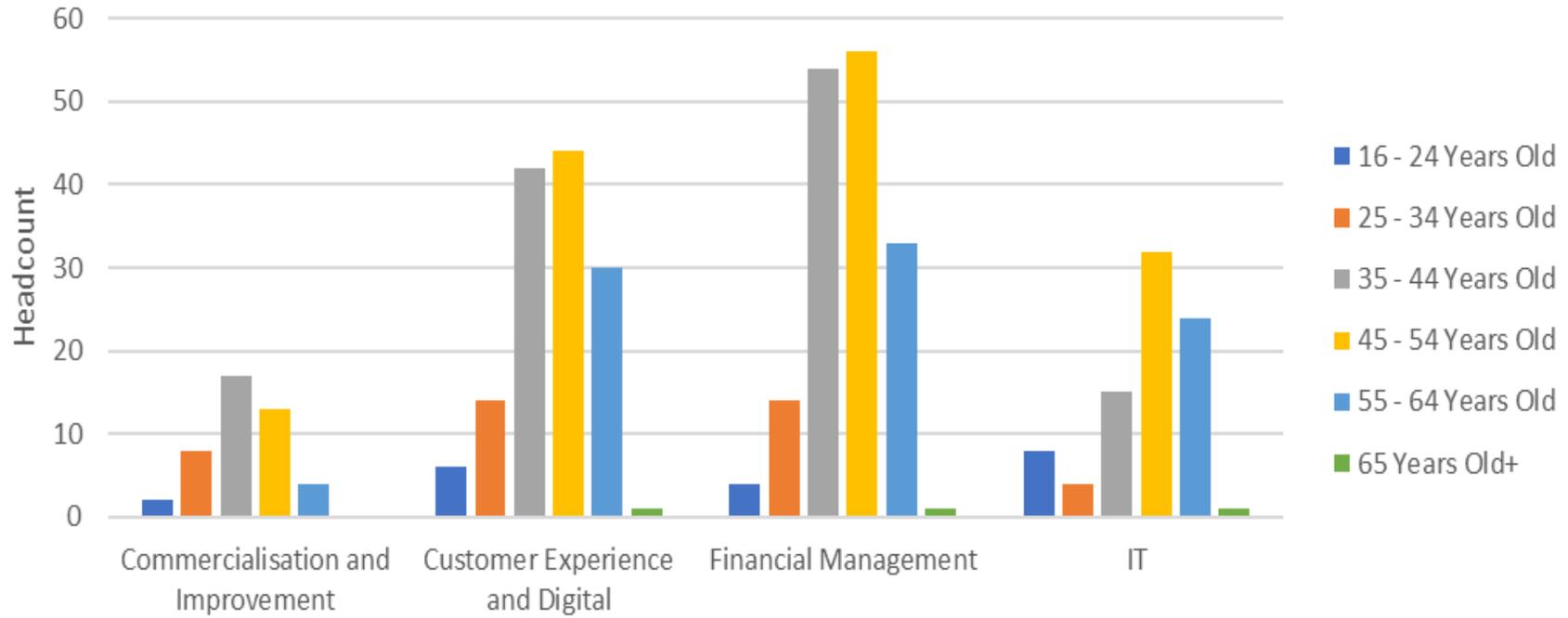
Age Profile - Housing Environment & Healthy Communities

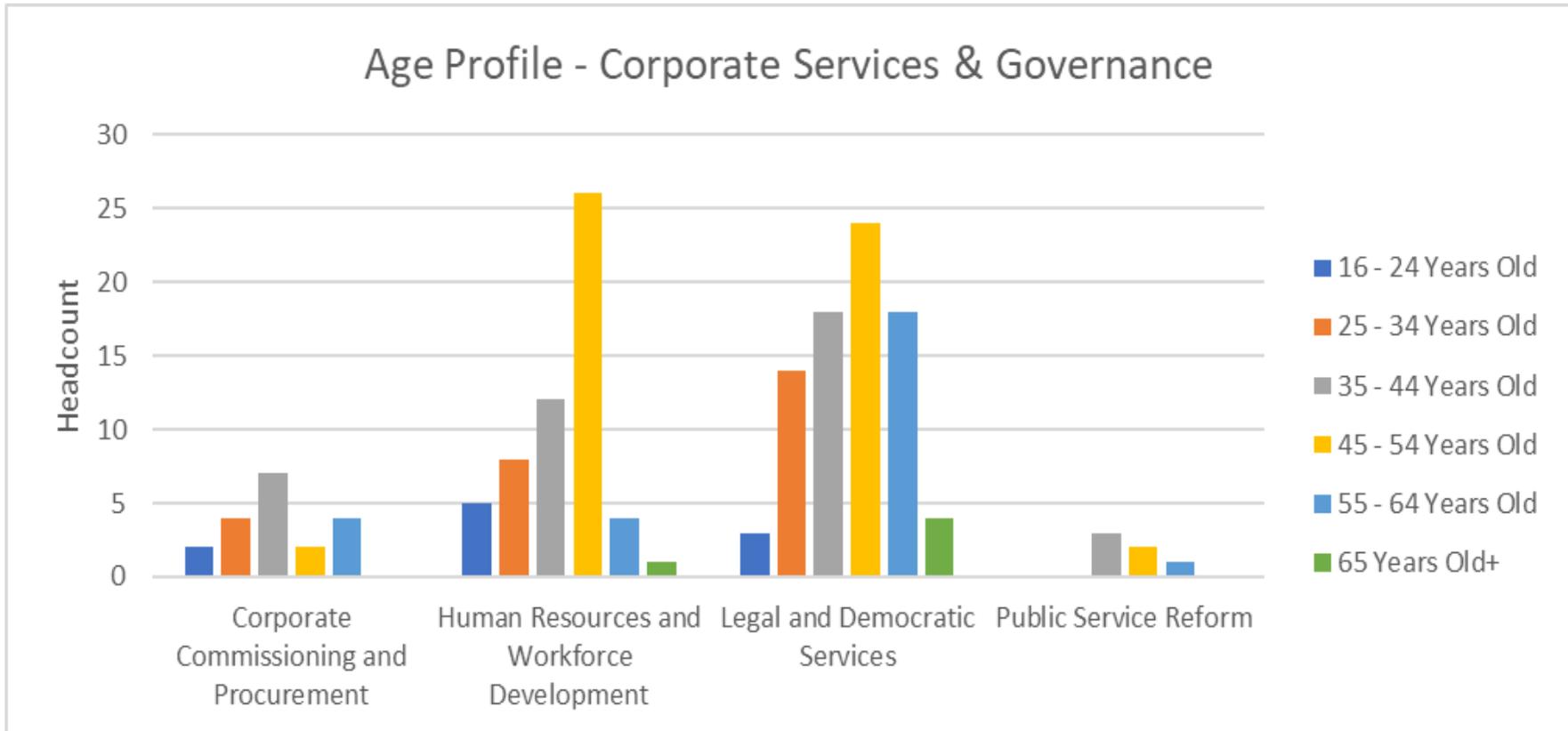


Age Profile - Economy, Innovation and Growth

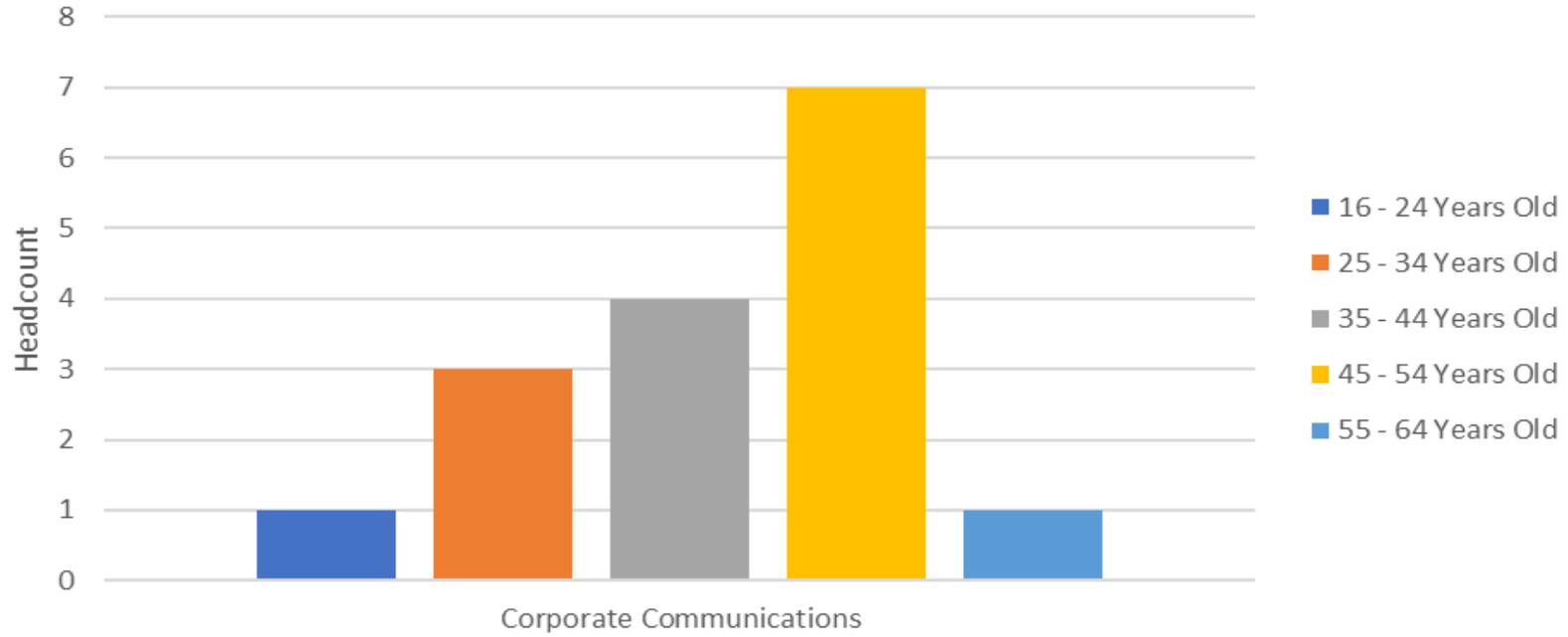


Age Profile - Resources & Digital





Age Profile - Chief Executive's & Corporate Communications



TITLE OF REPORT: Impact of situation in Russia and Ukraine

REPORT OF: Mike Barker, Strategic Director, Corporate Services and Governance

SUMMARY

This report informs the Committee on the impact of if the situation in Russia and Ukraine on areas relevant to its remit.

Background

1. On 24th February 2022, Russia began a military invasion of Ukraine in a major escalation of the Russo-Ukraine conflict that began in 2014. This is the largest military conflict in Europe since the second world war and its repercussions can be felt across Europe and the world.
2. This report will focus on what is currently happening across the world in terms of trade sanctions, and how those trade sanctions together with the war itself are impacting regionally, locally and on the Council's commercial activities and resource implications. It is important to note that the wider contextual issues including COVID-19, Brexit, and other recent world-wide events are cumulating in material shortages, price instability and huge rises, and further challenges to already strained supply chains and commissioned services.

WORLDWIDE ISSUES

Trade Sanctions

3. Sanctions are penalties imposed by one country on another to stop it acting aggressively or breaking international laws. They are among the toughest actions nations can take, short of going to war.
4. A wide range of sanctions have been imposed on Russia by the UK, the EU and the USA including:

Sanction	By whom
Ban on the exporting of luxury goods including vehicles, high end fashion and art to Russia	UK and EU
35% tax on some imports from Russia including vodka	UK
Ban on the export of goods used by Russian firms	UK, EU, USA and others

including dual-use goods (items with both a civilian and military purpose (chemicals and lasers)	
All Russian flights have been banned from US, UK, EU and Canadian airspace. (The UK has also banned private jets chartered by Russians)	UK, EU, USA, Canada
The G7 (an organisation of the seven richest nations) is stripping Russia of its “most favoured nation” status which means it will lose many trading benefits	G7 comprising Canada, France, Germany, Italy, Japan, UK, and USA
Ban on all Russian oil and gas imports	US UK will phase out by end of 2022 EU will switch from Russia before 2030 Germany put on hold permission for new gas pipeline

- The individual sanctions are impacting individual markets but when considered together culminate in shortages in global supply chains.

Freight and transportation

- The formal sanctions highlighted above are being supplemented by unexpected issues that crop up as a direct result of the conflict. For example, some 20,000 workers at 29 ports on the West Coast of the USA said they would not load or unload any Russian vessels or Russian cargo. In addition, the destruction of Antonov Airlines giant cargo jet and the grounding of the rest of Antonov’s fleet of large jets impacts on the shipments of bulky items like generators, refining equipment, satellites and aerospace components. This will impact on supply shortages further. Suspension of air freight on Russian air carriers will stress an already tight air cargo market. Overall, average flight times are rising as airlines avoid airspace over the region, again, impacting on supply chains.

Action by Companies

- Over 400 international companies have announced their withdrawal from Russia to varying degrees and the list of those companies and their actions can be found [Expanded List - Mar 18 - Detailed v5.xlsx | Powered by Box](#). A number of companies are also blocking access to software applications which will impact on Russian companies ability to trade.

REGIONAL ECONOMY

- Work has been undertaken at a regional level by the North East Regional Enterprise Partnership to determine the impact of the war on Ukraine on the local economy. The local economy is not facing huge direct detrimental impacts, however individual sectors or organisations will be hit harder than others and

knock on impacts on the global supply markets will impact the local economy. They estimate that over the last 4 quarters:

Trading with Russia

- North East good exports and imports to Russia account for 1% of the North East total, but 29% of North East petroleum and related products imports;
- North East exports to Russia were valued at £154M. This was 1.3% of the North East's total exports;
- North East imports from Russia were valued at £121M. This was 0.94% of the North East's total imports;
- 8% of England's exports to Russia were from the North East while 2% of England's imports from Russia were to the North East;
- 33% of the North East's exports to Russia were classified as power generating machinery, 12% as road vehicles;
- 52% of imports were classified as petroleum products and related materials. This was 29% of the North East's total petroleum imports;
- 16% of England's imports of petroleum were from Russia.

Trading with Ukraine

- North East goods exports to Ukraine were minimal but Ukraine accounts of 1.4% of imports including 43% of North East iron and steel imports;
- North East imports from Ukraine were valued at £176M. this was 1.4% of the North East's total imports;
- 7% of England's exports to Ukraine were from the North East, while 27% of England's imports from Ukraine were to the North East;
- 66% of the North East's exports to Ukraine were classified as road vehicles;
- 97% of the North East's imports were classified as iron and steel. This was 43% of the North East's iron and steel imports;
- 5% of England's imports of Iron and Steel were from Ukraine.

LOCAL AND COUNCIL IMPACTS

9. Council Services have been asked to consider all risks associated with this conflict and put in place any mitigations, and the Council's corporate risk register has been updated with appropriate actions.

Supply chain and commissioned services

10. The Council does not have any first-tier contracts with Russian organisations, however this report demonstrates that we are all dependent on a global supply market, and there will inevitably be disruption to supply chains and commissioned services impacting the Council, and its businesses and residents. Estimating the length of time the impact will last is difficult as much will depend on what happens in the conflict and how long it continues. Economists predict that if the conflict were to end tomorrow, its implications would continue for the next 12-18 months at least.

Financial Measures

11. The Council has no direct links to Russian banks or financial institutions.
12. The UK, EU and USA has also imposed sanctions on hundreds of members of the Russian regime and wealthy business leaders (known as oligarchs) who are considered close to the Kremlin.
13. We have been provided by our Bank (Barclays) with a list of Companies and individuals who have been subject to UK Sanctions and the Council does not make or receive payment from any individual or organisation on that list.
14. Western countries have frozen the assets of Russia's central bank to stop it using its foreign currency reserves. Other international measures include
 - Suspension from the Bank for International Settlements (the central bank for central banks)
 - The USA, EU and UK have banned people and business from dealing with it
 - Some Russian banks are being removed from the international financial messaging system Swift which is used to transfer money from across borders. (This will delay payments to Russia for energy exports).
 - Other UK sanctions include:
 - Major Russian banks have been excluded from the UK financial system
 - All Russian banks have had their assets frozen
 - The Russian state and major companies are not able to raise finance or borrow money in the UK
 - There is now a limit placed on deposits Russians can make at UK banks.

Energy

15. Prior to the 24th February, 2022, the UK was already in the midst of a global energy crisis due to record market high gas prices set by international markets. The conflict situation caused prices to surge by 60% within a day. The UK is not as dependent on Russian gas supply as our single largest source of gas is from the UK Continental Shelf and the majority of gas imports come from other European countries such as Norway. There are no gas pipelines directly linking the UK with Russia and imports from Russia typically make up less than 4% of the UK gas supply. Countries who import gas from Russia are trying to seek alternative sources and this is adding to the market pressures.
16. The Council's energy suppliers, Corona Energy, the Gateshead Energy Company, and EDF have confirmed that they have no trading or any other relationships with Gazprom or any of the Russian oil and gas producers. The Gateshead Energy Company also procures energy that it requires from Corona Energy.
17. The Council buys most of its energy through the NEPO contracts and NEPO have worked with the regional Directors of Resources Group comprising Finance

Directors to develop a 2-year purchasing strategy to ensure that any risk exposure is minimised.

18. The energy markets are more volatile than they have ever been and regular information is provided by NEPO to inform budget setting and management. Prices are changing on an extremely frequent basis but at the time of writing this report, energy market prices have reduced slightly and for example for example, gas prices have reduced from their peak around the start of the conflict 13-16p/kWh to around 7-8p/kWh for year ahead purchasing
19. This reduction will have minimal impact on the overall supply market increases that are likely to be in the region of 383% for Gas in the summer and 191% for gas in the winter and 94% for electricity. The Council will see lower increases due to the NEPO purchasing strategy and the contracts entered into by the Gateshead Energy Company.

Liquid Fuels

20. There is currently a huge price increase in the cost of petrol and diesel, hitting historic highs. Prices were already rising before the situation in Russia and Ukraine and they have continued to rise due to concerns around supply, and increases to the global cost of oil. There is also the possibility of fuel shortages on garage forecourts if the public begin to panic buy (as we saw during COVID).
21. In terms of Council requirements, we have been assured by our supplier that importers have guaranteed that they will be able to deliver contracted volumes to the authorities that participate in the NEPO contract, providing that the Councils all stick to their usual buying patterns. Any unusual ordering activity will be questioned and potentially refused to ensure continuity of supply to all authorities.
22. Our usual pricing arrangements for the purchase of liquid fuels has moved from a weekly pricing mechanism to a daily mechanism due to the current market volatility. Prices will be based on the cost on the actual day of delivery impacting fuel budgets, and at the time of writing this report fuel price increases have added an extra £9,000 per month to the Council's liquid fuel bill, and potentially could rise further.
23. The Council's supplier has also confirmed that they and their importers are avoiding any supply from Russia, and this is adding to the concern around supply shortages as most of the world importers of Russian fuel are also trying to source alternatives.

Food

24. Russia supplies about 20% of world wheat exports, and Ukraine about 10%, according to the Food and Agriculture Organization (FAO) of the United Nations. Together, they account for approximately 13% of total global wheat production. Sanctions on Russia will further impact on supplies, and Russia may also retaliate with measures of its own to reduce supplies to the west. The grains produced are used to make cereals, flour and therefore a wide range of food products including bread, cakes, and pasta will be impacted.
25. Ukraine has some of the most fertile soil in Europe and is the third-largest exporter of corn. It is also a primary exporter of sunflower oil, barley, corn, rice, and potatoes. It is therefore inevitable that there will be a disruption of supplies of specific foodstuff together with rising prices due to the shortages.
26. Poultry shortages are being reported as live birds are in short supply, partly due to Ukraine no longer able to supply them, and more generally animal feed is also in short supply (due to the grain shortages mentioned above), and this is leading to huge price increases too.
27. The shortage of food and unprecedented price rises impact directly on Gateshead residents, and it is also greatly impacting on the Council's School Catering service. The School Catering service has previously been dealing with significant price increases linked to COVID-19, Brexit, and rising costs in packaging, energy and distribution; and the issues with the war in Ukraine are further exacerbating the situation.
28. The Council's food contracts used to be based on a fixed price per term, however they are now being revised monthly with price rise applications being received on a weekly basis. The service is at a point where they are no longer able to mitigate this as there are only so many changes to the menu that can be made, and there are no foodstuffs that are not affected by the unfortunate culmination of events. The price of school meals have been increased, however this may not be enough to cover the continuous increasing costs.
29. It has been noted that the private sector providers are walking away from some school meal contracts and drastically reducing quality and portion sizes of other, and this does not help those children who depend on school meals.

Fertiliser

30. Russia and Ukraine are significant suppliers of fertilisers world-wide and these supplies will be disrupted too.

Electronic chips and semiconductors

31. A chip shortage, (also referred to a semiconductor shortage) occurs when demand outstrips supply. There has been a chip shortage since 2020 when COVID-19 caused disruption in supply chains and a 13% increase in global demand for PC due to a global shift to a "work from home" economy. Lead times for chips extended to 22 weeks in April 21 and this was compounded further by droughts in Taiwan during the summer of 2021.

32. Ukraine is the world's largest neon exporter which is an essential component in the production of chips/semiconductors, and this is likely to have a huge impact on a wide range of markets including IT and electronic products, vehicles, plant and fleet, electric and electronic equipment used in construction.

Paper

33. A number of paper suppliers have informed the Council that the conflict is causing huge price hikes on paper prices as their energy supplies have increased in price and the market is also trying to avoid using Russian paper mills. This is leading to price increases but also shortage of supply, and in some cases specific types of paper are being rationed by suppliers.

Vehicles, Plant and Fleet

34. Russia produces 40% of global palladium supplies which was in short supply before this latest conflict. The risk associated with supply of palladium is becoming too costly for the automotive industry and other metals are being considered for use in catalytic converters, however only between 25 and 50% of palladium can be routinely substituted with platinum in diesel catalytic converters and Russia is also the second largest producer of platinum.

35. Electronic chip/semiconductor shortages (see above) have resulted in several car factories in Germany closing down.

36. This will impact on the Council's ability to replace vehicles and plant that were scheduled to be replaced this year, and the shortage of supply of some vehicles will lead to global price rises. An example of this is that Ford have announced that the order bank for all of their Commercial Vehicles, excluding E-Transit, has been closed with immediate effect starting 22nd March 2022. This temporary closure will enable Ford to review emerging supply and production challenges to ensure their lead time guidance is realistic.

IT Equipment

37. One of the Council's largest suppliers of IT hardware, Dell, have informed the Council that

"Due to a global surge in demand, multiple-industry component shortages and geopolitical disruptions, we are seeing an industry-wide increase in certain component costs.

Given macro-economic and supply-related factors impacting the industry today and in the coming months.

1. While we do everything we can to mitigate cost increases; we expect price increases in Q2 (After 30th April 2022) and the second half of this year due to:

- Rising oil prices*
- Increased logistics costs*
- Expected cost increases coming on several commodities*

2. *We are doing everything in our power to provide you with the best value with minimal disruption. We're seeing industry-wide supply chain constraints, including the need for alternative shipping routes in some parts of the world. Dell has proven our ability to outperform the competition, minimizing these changes to protect your business. Getting orders in early will help ensure the best availability of supply.*
3. *The semi-conductor industry continues to experience supply constraints along with long lead times on integrated circuits.*
4. *Our supply chain speed, agility and flexibility has enabled us to meet customer needs in this dynamic environment and as we navigate supply uncertainty.*

38. Dell have not yet provided an indication of the level of price increases to expect, but this correspondence illustrates quite effectively the issues faced by IT hardware manufacturers.

Construction

39. Construction materials have previously been impacted by Brexit, Covid, the freight containers that were on the tanker that was grounded for several weeks, and they were already in short supply and at an all-time high in terms of cost.
40. Ukraine has one of the largest sources of titanium, magnesium and iron ore. This is leading to price rises of 12% for steel, 24% stainless steel, 90% nickel.
41. Existing construction projects will not always be able to sustain the financial models agreed at the start of the contract.

Inflation

42. The level of inflation within the UK is expected to continue to grow and at a faster rate leading to further budget pressures faced by the Council, its supply chains and commissioned services. Care is being taken to scrutinise all price increase requests to not only consider their relevance and applicability, but to also understand the risk to the supplier/provider if the price increase is refused.

Extra demand on services

43. The conflict will result in refugees coming to Gateshead, As a humanitarian response to the war in Ukraine, the Home Office have launched the "Homes for Ukrainians" sponsorship scheme, the scheme consists of two parts (1) Family Sponsorship and (2) a hosting scheme where people from across the UK can offer up a space in their homes to accommodate refugees. With the hosting scheme Councils will be expected to administer 'thank you' payments at the £350 per sponsoring household per month rate. The Government will allocate additional funding for these payments, but expect councils to cover administration costs within the tariff.

44. The government is also providing additional funding to councils to provide education services for children from families arriving from Ukraine under this scheme. The Department for Education (DfE) will allocate funding on a per pupil basis for the three phases of education at the following annual rates:

- Early years (ages 2 to 4) - £3,000
- Primary (ages 5 -11) - £6,580
- Secondary (ages 11-18) - £8,755

45. A number of services will see demand potentially increasing as a result of refugees settling in Gateshead, including but not limited to the migration team, safeguarding and property checking services (if families or households take in refugees), screening, surveillance and health protection/ GP registration (health checks, management of infectious diseases and ensuring that vaccinations are up to date) as well as a range of Advice and support linked to council services such as housing and homelessness, benefits, education, early help as well as translation services.

46. The mental health of the refugees is likely to have been affected due to the significant trauma they have faced. This may be more prevalent in children and young people and it may also lead to higher rates of health harming behaviours (e.g. smoking or alcohol abuse). There will also be the language barriers to overcome. Government have confirmed that there will be a payment of £10,500 per refugee for the first year, however funding for future years will be reviewed in due course. Some of the services may be required for many years

Additional Cyber Security Risk

47. Following Russia's attack on Ukraine, IT Services have undertaken additional activities in order to bolster the Council's cyber defences. Recognising that even the most robust technical controls can potentially be circumvented by an unsuspecting user IT Services have distributed a user communication to all colleagues which informed of the current heightened risk and explained how users can do their part to help us through these worrying times.

48. The following additional technical and procedural controls have been reviewed, updated and implemented;

- We have initiated a programme to confirm ALL accounts are Multi-Factor enforced. Microsoft suggest that using MFA blocks 99.9% of account hacks.
- We have brought forward our elevated user account review with the aim of minimising the number of user accounts with higher level of permissions. Implementing least privilege not only reduces the likelihood of a breach occurring in the first place, but it helps limit the scope of a breach should one happen.
- IT Services have prioritised the updating of the Cyber Security Incident Response Plan. Again, to try and limit the scope of a breach should one happen.

- Reviewed and updated the Council's firewall ruleset and increased the frequency of future reviews
- A recent IT Health check has recently been performed against our network and attached devices, including all internet facing services. IT Services along with colleagues from across the Council are currently working on the resulting remedial action plan.
- Data backup success is confirmed on a daily basis by the appropriate team within IT Services and 'air gapped' offline copies are maintained where required.
- IT Services have implemented Safe Links and Safe attachment features within Microsoft Defender for Office 365. This is part of the council MS365 environment offering extremely useful added protection against phishing attacks.

49. Members of the Council's Cyber Security Team have liaised with neighbouring Council's to confirm that we're all following the expected tasks and sharing best practice in order to mitigate these risks.

Recommendation

50. It is recommended that Corporate Resources Overview and Scrutiny Committee:
- i. consider the impact of the situation between Russia and Ukraine as outlined in this report on the areas relevant for this committee;
 - ii. identify any areas, they feel they require more detail about, that could be covered in a Members Seminar.

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Draft Corporate Resources OSC Work Programme 2021-22	
14 June 2021 10.00am	<ul style="list-style-type: none"> • Covid 19 Update – to include the impact not just on the Council but also on how the impact on businesses, both large and small, impacts on the Council eg shortages of supply, price increases etc. /lessons learned/contributions and collaborative work with our community partners • District Heating Scheme – Update (to cover current position in relation to investment and returns and future business plans and strategy) • New Performance Framework – Update
6 September 2021 10am	
11 October 2021 10am	<ul style="list-style-type: none"> • Covid 19 Update – to include the impact not just on the Council but also on how the impact on businesses, both large and small, impacts on the Council eg shortages of supply, price increases etc./lessons learned/contributions and collaborative work with our community partners • The impact of Brexit – to include the impact not just on the Council but also on how the impact on businesses, both large and small, impacts on the Council eg shortages of supply, price increases etc.
29 November 2021 10am	<ul style="list-style-type: none"> • <i>Corporate Procurement Strategy</i> • <i>A new Approach to Social Value</i>
24 January 2022 10am	<ul style="list-style-type: none"> • Covid 19 Update – to include the impact not just on the Council but also on how the impact on businesses, both large and small, impacts on the Council eg shortages of supply, price increases etc./ lessons learned/contributions and collaborative work with our community partners • New Performance Framework – 6 Monthly performance report • Corporate Procurement Strategy • The old town hall redevelopment – review decisions made to date.
7 March 2022 <u>5.30pm</u>	Cancelled
4 April 2022 10am	<ul style="list-style-type: none"> • Ukraine conflict Impact on Supply Chains • Age profile of Council employees by Group and Department – Update Report • Work Programme

Issues to Slot In – Results of Covid 19 Survey

Corporate Resources OSC – Potential Issues - Draft Work Programme 2022-23

Strategic Vision – Making Gateshead a place where everyone thrives

Five Pledges

- Put people and families at the heart of everything we do
- Tackle inequality so people have a fair chance
- Support our communities to support themselves and each other
- Invest in our economy to provide sustainable opportunities for employment, innovation and growth across the borough
- Work together and fight for a better future

OSC Remit

- Management of resources
- Supporting democracy and involving local people
- Social Inclusion
- Equalities and diversity
- Efficiency, VFM and procurement
- Community capacity building, volunteering and resilience

Emerging Issues

- **Community Wealth Building** (with a focus on how this is being progressed with regard to local contracts and the social value framework and how we achieve value for money) – Joint scrutiny with HEHC OSC.
- **Council Response to the recent storms and forward planning around such events in the future**
- **Budget Saving Delivery – Annual Report**
- **Implications of Hybrid working**
- **A look at the spend analysis framework**
- **The digital programme**
- **External meetings/Conferences**
- **The Capital Programme or individuals Capital Projects**

Issues where OSC has previously asked for continual updates

- New Performance Management and Improvement Framework – six monthly updates
- Sickness Absence/Health of Workforce –Annual update. (highlighted that this is now part of the New Performance Management Framework and therefore a separate update is no longer needed going forwards)
- Gateshead Fund Annual Update
- Resilience and Emergency Planning Framework – six monthly
- Implementation of Gateshead Volunteers Plan – annual report
- Support to Voluntary and Community Sector – six monthly
- Gateshead Communities Together – annual update
- Implementation of Workforce Strategy – annual update
- Corporate Asset Management – annual update - potential focus on the use of assets in terms of efficiency and/or safety
- Information Governance – annual update
- Corporate Complaints Procedure – annual report (this may now feature in the performance management framework)

- Welfare Reform/ Universal Credit
- Health and Safety – annual report

It is proposed that these issues are retained as standard items within the OSC work programme

TITLE OF REPORT:	Work Programme 2021-22 and Development of Work Programme for 2022-23
REPORT OF:	Sheena Ramsey, Chief Executive Mike Barker, Strategic Director, Corporate Services & Governance

Summary

This report is set out in two parts. The first part sets out the current work programme for Corporate Resources Overview and Scrutiny Committee for the municipal year 2021-22 and the second part details the current position / next steps in the development of the work programme for this OSC for the municipal year 2022-23.

2021-22 Work Programme

1. As a result of the continued uncertainties arising in relation to the Covid -19 pandemic, along with the pressures on services that this brought and having regard to the Council's approach to the development of a new performance framework, a more flexible approach continued to be adopted for scrutiny during 2021-22.
2. This approach recognised the demands on services and the Council as a whole but, at the same time ensured that we have been meeting our statutory obligations to provide an effective scrutiny function and scrutiny has concentrated on delivering work that is of genuine value and relevance to the work of the wider Council.
3. The work of this OSC was refocused on the current Covid-19 related priorities and the impacts of that alongside a small number of other priority issues for the Council / partners which are already being progressed elsewhere to avoid placing any additional burdens on service areas and a reduced programme of meetings was agreed.
4. The Committee's current work programme is set out at Appendix 1 and any changes to the programme have been highlighted in bold and italics for ease of identification.

Development of 2022-23 OSC Work Programmes

Background

5. Given the Government's position in relation to the easing of restrictions nationally with regard to the Covid 19 pandemic and the ongoing move from a pandemic to an endemic situation it is now proposed to move back to "business as usual" for the Council's Overview and Scrutiny Committees and a full programme of meetings for each OSC for 2022-23.

Current Position

6. With this in mind, an initial consultation with OSC Chairs and other elected members and officers on the proposed priority issues for the new work programmes for 2022-23 was carried out between 16 February and 2 March 2022.
7. It was highlighted that any suggestions for the work programmes should focus on priority issues that would support the Council's Thrive agenda and add value, taking account of the priority areas outlined in the budget consultation; the development of the Council's new Performance Framework; the Gateshead Strategic Needs Assessment and the Council's Health and Wellbeing Strategy.
8. At this OSC meeting on 4 April 2022 there will be an opportunity for the OSC to comment on / discuss emerging issues for this OSC / put forward additional issues for consideration.

Next Steps

9. Subsequently, in line with usual practice, partner organisations will be consulted on the emerging issues for each OSC for 2022-23 with a view to OSCs considering any feedback/ additional suggestions / endorsing their respective work programmes at their June 2022 OSC meetings and referring them to Council for agreement.

Recommendations

10. The Committee is asked to:-
 - a) Note the work programme for 2021-22;
 - b) Comment on the emerging issues for this OSC's 2022-23 work programme / highlight any additional issues for consideration.

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