

GATESHEAD METROPOLITAN BOROUGH COUNCIL
CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE MEETING

Monday, 24 October 2022

- PRESENT:** Councillor J Eagle (Chair)
- Councillor(s): S Green, J Wallace, R Beadle, L Caffrey, B Clelland, W Dick, D Duggan, T Graham, M Hall, I Patterson, J Turner and K Wood
- IN ATTENDANCE:** Councillor(s): H Kelly
- APOLOGIES:** Councillor(s): D Bradford, C Buckley, D Burnett, J Green and J Simpson

CR80 MINUTES

- RESOLVED - That the minutes of the meeting held on 5 September 2022 be approved as a correct record.

CR81 VERBAL UPDATE ON LOCALITY WORKING

The Committee received a verbal update on the current position with regards to Locality Working. A meeting has taken place with Corporate Management Team and it has been agreed that the locality work needs to be aligned with other activity across the Council, in particular the family hub work. The CMT have established a Locality Programme Board and a meeting will take place with between Corporate Management Team and the Locality Implementation Group on 7 November to discuss how the concept is made operational along with the Family Hub approach which is an important funded piece of activity.

It was noted that it was hoped that the police would be involved in the work as there are some serious drug related anti social behaviour issues ongoing.

- RESOLVED - that the information provided in the update be noted.

CR82 BUDGET REVIEW ANNUAL REPORT

The Committee received a report which offered a review of the 2021/2022 budget. Up to and including 2022/23 the Council has achieved £178m of savings. The 2021/22 budget was agreed by Council on 25 February 2021, this was set at £238.7 million including £8.1 million of budget savings.

On 25 February 2022 Cabinet and Council agreed a revenue budget of £254.3m which was balanced through planned use of £5.8m of reserves. This approach was in line with the agreed approach for planned use of reserves to allow time to identify cuts and efficiencies required over three-year planning. The budgets are monitored

regularly and Cabinet received a monthly monitoring report. Corporate Management Team also receives regular updates on the position with regards to the budget position.

The Council received funding in relation to Covid-19 of £17.5m this was used to support a wide range of services, however, the impact is still being felt across Council services. The Council has an excellent track record in terms of managing within its resources and has delivered a surplus budget. Budget savings of £0.1m for 2020/21 in relation to a contract review have not yet been achieved in the financial year.

£8.1m of savings were agreed for 2021/22 along with temporary budget mitigation. The majority of savings were achieved alongside the mitigation. However, in several areas some savings require further action to be achieved in full during 2022/23 without mitigation support.

The Council's Medium Term Financial Strategy is being updated and is expected to be reported to Cabinet in October. The current MTFs anticipated a £45m financial gap over the medium term. This was prior to the significant pressures manifesting over the last 6 to 12 months in pay, utilities and cost of living.

A three year approach to the budget was agreed by Cabinet in December 2021. This was to undertake to a fundamental review of all areas of the Council's budget. This has previously been outlined as a Zero Based approach and will be phased. The first phase is underway with the initial focus being on adults and children's social care. This approach to medium term financial sustainability is supported through the planned use of reserves.

RESOLVED - (i) that the progress made to date be noted.
(ii) that the proposed future planned activity be noted

CR83 UPDATE ON DISTRICT HEATING SCHEME

The Committee received a report and presentation on the Gateshead District Energy Scheme and Gateshead Energy management.

The Committee previously received an update on the Gateshead District Energy Scheme in June 2021, specifically reviewing operational and financial performance, and progress against its 5 year business plan. Gateshead Energy Company (GEC) was incorporated in October 2015, specifically to manage and operate the Gateshead District Energy Scheme. In April 2016, GEC and the Council signed a 40-year concession contract, which sets out the terms of operation, in which the GEC leases assets from the Council and take sole responsibility of operating and managing all technical and commercial activities.

In addition to the operation of the energy scheme the Company has the following objectives which include policy priority outcomes for residents:

- Attracting economic growth

- Cost savings for commercial customers in the borough
- Reductions in fuel poverty for residents
- Carbon reduction in the borough
- Income generation for the Council
- Improving Air Quality and Sustainable Transport

A members advisory panel was established to advise the Board, and meets the week prior to all board meetings, to consider Board business and make recommendations. The Panel comprise Deputy Leader and three members from Transport and Environment portfolio. GEC Board meets quarterly with arrangements in place where decisions are needed between Board meetings. These are followed up by decision records presented at the subsequent board meeting.

New connections are a key part of GEC's business model and since June 2021, GEC has agreed several new connections with the Council as follows:

- In March 2022, Northern Design Centre and Boules Café were connected to the private wire network
- In July 2022 a power connection for the new Multi Storey Care Park being constructed for Gateshead Quays was made live, ahead of the required Aug 22 go live date
- In August 22 Gateshead Stadium and Gateshead Academy of Sport were connected to the private wire network
- In October 22 GEC is due to complete 4 more heat connections for Park Road, Shearlegs Road, Gateshead Stadium and Gateshead Academy of Sport
- The Council will add St Joseph's Primary School to their secondary network in October 22, required additional heat from GEC to supply that site as well

Other significant connections have been agreed with commercial customers:

- Vistry Developments have agreed a heat connection for the 271 unit on the Freight Dept site, and GEC have commenced extension of its heat network along St James Road to the site entrance.
- GB Lubricants on Albany Road, requested a heat and power connection, having observed the works to construct the minewater heat pump opposite and wanting to connect to a low carbon, low cost energy source to meet company objectives.
- GEC is contractually obliged to provide all of the heat and power connections for Gateshead Quays Arena, Conference Centre and Hotel, once construction gets underway.

In line with its business plan GEC continues to work towards becoming a Zero Carbon energy network by 2030. Progress on two major investments is as follows:

Minewater Heat Pump

Supported by a £5.9m government grant, GEC is close to completing the

construction of a 6MW minewater heat pump, based at Shearlegs Road depot. Costing £9m to date, the heat pump is undergoing final testing, awaiting operation permits from the Environment Agency and Coal Authority before coming into operation this winter.

Urban Solar Parks

The Council has constructed two urban solar parks to provide 3.7MW of power into the network. GEC has supported the Council by providing the solar parks with power connections to the network, and allowing the Council to supply power through GEC's network to 11 Council buildings. Whilst the Council directly benefits, these will allow GEC to further reduce gas-fired generation during the summer months decreasing emissions further.

Other Zero Carbon Options

GEC continues to explore further opportunities to reach Zero Carbon, to reduce reliance on its gas engines for heat and power generation, currently feasibility work is in a few areas:

- Opportunities for deep geothermal energy, working in partnership with Gateshead and Newcastle Councils, the North East Local Enterprise Partnership, Durham and Newcastle universities
- Opportunities for using hydrogen as a zero carbon fuel, which is being piloted by Northern Gas Networks at its Integrel site in Low Thornley

GEC continues to explore strategic expansion opportunities to grow its customer base further, as follows:

- Gateshead Quays
- Old Fold/Nest House Estate
- Chandless Estate
- Town Centre Public Buildings

Since June 2021, the energy markets have seen immense increases and volatility, due to international issues. However, throughout and thanks to its robust business model, and diverse energy generation and storage assets, GEC has maintained its business objectives of delivering lower cost energy to customers, whilst remaining financially viable.

The cashflow position of GE has changed significantly since June 2021. The operating model of the company remains financially sound, as increases in costs can generally be accommodated by increases in revenue.

Since 2010, the Council has been delivering its Carbon Management Plan, to reduce energy consumption, costs and carbon emissions. Recently, this has been replaced by the Climate Emergency Action Plan, which now seeks to reduce Council emissions to net zero by 2030, from all its operations and assets.

To date progress has been significant thanks to many initiatives which have been

previously reported. Notable progress from 2007/08 to 2021/22 is as follows:

- Building electricity consumption cut by 45%
- Building gas consumption cut by 48%
- Streetlight energy consumption cut by 75%
- Council carbon emissions – reduced by 63.6%, due to the following main reasons
 - The council uses less energy, as above
 - UK power now has 54% less carbon emissions than a decade ago
 - The council generating and supplying low carbon energy to its own building – from PV panels, and Gateshead District Energy Scheme

Since Autumn 2021, global events have driven prices of gas and wholesale power to record highs. The Council started to experience significant energy prices increases from Autumn 2021, and cost have increased into 2022/23, and are forecast to increase further into 2023/24.

There are three main ways the Council is limiting the cost impact of increased energy tariffs.

- Flexible energy purchasing through NEPO
- Energy Bill Relief Scheme
- Purchasing heat and power from Gateshead Energy Company (GEC).

Fortunately the Council have continued to develop major energy schemes over recent years, some of which are completing around now, to start delivering cost saving and carbon savings ahead of the price rise this winter and beyond, as follows:

- Heat Network Extensions
- Urban Solar Parks
- Building Solar PV System
- Schools Energy Measures
- SALIX Invest to save programme

We still have £150K/yr in the capital programme to invest in energy savings measures and current projects are focusing on improving the efficiency of domestic heat networks which the Council operates across 7 multi-storey blocks.

RESOLVED - (i) That the information contained within the report be noted.
(ii) That the answers to questions raised be circulated to the committee following the meeting

CR84 COMMUNITY WEALTH BUILDING - EVIDENCE GATHERING

The Committee received a report as part of its Review of Community Wealth Building. The Council has agreed to implement a Community Wealth Building (CWB) model as one of the tools to support the Thrive agenda, in order to achieve

this the Council have been working with CLES (Centre for Local Economic Strategies).

Gateshead Council is establishing itself as a leading practitioner of CWB, as a fundamental drive of an inclusive economy, CWB aims to reorganise and control the local economy so that wealth is not extracted but broadly held and generative, with local roots so that income is recirculated, communities are put first and people provided with opportunity, dignity and well-being.

Traditionally the Council has focussed on redistribution after wealth is created, CWB is about pre-distribution during and before wealth is created. It is about wealth, power, institutions and community with a focus on growing social and environmental benefits into all economic activity.

The medium-term recommendations to achieve this are set out below:

- Re-engagement with Anchor Institutions including Queen Elizabeth Hospital and Gateshead College. – initial discussions were held with Anchor Institutions, however; further work needs to be carried out to support the development of a memorandum of understanding/charter committing to their collaboration and advancing CWB work. Key intentions are to:
 - Review of land and property assets held by anchor organisations in Gateshead to see if they could be re-purposed.
 - Develop a carbon reduction/energy transition approach with anchor institutions.
 - Anchor institution workforce analysis. Identification of gaps with parts/cohorts of citizens more distant from labour market.

- E-learning modules to be rolled out via the intranet providing training on CWB for all staff.
- Appoint a Social Value Coordinator (subject to funding) to facilitate the allocation and coordination of £3.8m Social Value offers.
- Continue to work with the VCSE sector, branching out to schools and internal colleagues to identify what Social Value requirements they have and embed them into future procurement opportunities.
- Develop our internet pages and social media platforms to improve SME's access to contract opportunities.
- Greater emphasis on pre procurement engagement with local organisations, quotations being ring fenced to local companies, a number of Dynamic Purchasing Systems (DPS's), similar to frameworks, have been established to enable participation of local companies, a recent example of this is on the Construction DPS, where we have specifically targeted local companies to get on the DPS, we have received 30+ applications.
- Addressing gaps in the local supply chain and those opportunities offered to local suppliers.
- Investigation into existing business support activities that support the development of the generative economy and improve the competitiveness and readiness of local supply chains, ensuring business opportunities are accessible to the local market.

- Support the development of the social economy and alternative business models, including cooperatives and community interest companies that have the potential to provide goods and services that meet community need and address gaps in Council and anchor institutions' supply chains. Explore the potential for a Gateshead Plural Economy Development Network.
- Explore the viability of a co-operative and ethical business Accelerator Programme.
- Development of Social Value framework/Community Benefit for all planning and development.
- To ensure that all future planning activity considers maximum social/community benefit, including improving residents' access to employment opportunities arising from major regeneration projects through the Gateshead Works Service.

Traditionally economic development has been private sector led, there has been some area based regeneration, there has been silo working and has come from external agencies rather than local government.

Community Wealth Building is framed by co-operation, localising wealth, anchor institution led regeneration, multiple outcomes, collaborative working, local government as a place maker, socially and environmentally focused and has a blended infrastructure.

There are five pillars to community wealth building:

1. Anchor commission and procurement
2. Fair employment and just labour markets
3. Socially productive use of land and property
4. Making financial power work for local places
5. Grow local and community ownership of the economy

There are a number of areas around the UK who have adopted Community Wealth Building Strategies, Preston are renowned as leaders. Birmingham's Anchor Network consists of seven of the City's largest institutions, a combined workforce of over 50,000 people and budget of over £5bn. They have a community wealth builder in residence and they are expanding into Sandwell and Wolverhampton, with Dudley and Walsall in discussion.

Gateshead started its Community Wealth Building Journey in 2019 with investigation into the 5 pillars of CWB a desk review and officer interviews and workshops. A spend analysis was undertaken with a gap analysis of 'influenceable' spend and exploration of the wider local economic impact. There was some early engagement with anchor institutions but this stalled during Covid.

During Covid and Action Plan for CWB was developed and work was undertaken on developing the narrative. A social value framework was developed with an achievement of £3.8m in social value offers which will help deliver CWB. Work is also ongoing to reconvene the Anchor Network.

Phase 3 commenced in 2021 with a Gateshead Summit in December 2021. With regards to the Anchor Institution Network, 3 working groups have been set up to look at areas such as spend analysis and employment analysis.

Next Steps include, re-engagement with Anchor institutions, tracking the impact of the e-learning module, looking to embed CWB into all procurements and look at the work undertaken by the Local Enterprise Group.

In January 2023, we will hold another Evidence Gathering Session with colleagues from Economic Development, HR, and Procurement to discuss their work around employment and skills, the development of the local economy and the CWB outcomes achieved through procurements. Followed by an interim report to OSC in March and a final report in April 2023.

It was noted that when you look on the landing pages for doing business with Gateshead Council there is no mention of Social Value, an estimate of £3.8m of social value, it was queried how that was worked out. A toolkit was mentioned, it was suggested that it would be useful for members to see that. It was noted that the social value toolkit is a national toolkit which is used by most local authorities, we have adapted it at Gateshead and there is a plan to bring it along to a future meeting.

It was noted that it will be a positive to look at how we enable smaller organisations to bid for work, and this is a good opportunity to do so. It was also suggested that there is a lot of expertise in the form of Ward councillors who have spent previous roles in non-profit and other voluntary and social enterprises whose experience might be helpful. It was suggested that this experience could be exploited.

It was also noted that there is a whole new health structure which covers the whole of the North East and whose Chief Executive is really conscious of their role as Community Wealth Builders. It was suggested that officers be put in touch initially with the Director of Place for Gateshead.

It was suggested that we need to get better at understanding why companies aren't submitting bids to us. It was noted that we will be working very hard to make sure Gateshead businesses are able to bid for work.

It was queried whether there was a role for the council in connecting informal networks which are in place, who are set up in a way where no money changes hands goods are exchanged in lieu of money, for example a person pays for apples to feed their livestock with jars of jam. Things like people who have a garden but don't want to move and aren't able to tend their garden would allow for people to use these resources.

It was also noted that there is a problem in people knowing who other ethical businesses are. It was noted that Covid did do the Council a favour in terms of us knowing what businesses are out there as they applied for grant support. It was agreed that we do need a much better understanding of what exists as there is a real issue around market intelligence, it was noted that creating a database is something that could be done but the issue is maintaining it. It was suggested that it is incumbent on all of us to maintain

knowledge and networks, partnerships and social media. It was noted that there must be a role for Local Authorities to pull together this information.

It was queried how Community Wealth Building works in the context of moving around areas, for example, if a business wanted to expand out of Gateshead, would it hinder Gateshead businesses.

It was noted that CWB is focussed on areas of deprivation by building social economy models and in doing so providing economic opportunity it is not the intention to displace from somewhere else. It is looking to correct a failure in the market with the intention of bringing economic activity closer to the source and provide stimulus where it is needed.

It was noted that in one ward the ward councillors brought all of the voluntary organisations together as a thank you to them and it was surprising how many of them didn't know about each other, it was suggested that there could be events set up where the Council or other anchor organisations work as intermediaries.

It was noted that market intelligence is a real challenge and if someone is registered as a co-op they aren't all necessarily registered to the same structures. It is a question about how we build market intelligence.

- RESOLVED -
- (i) that the arrangements for gathering evidence for the review of Community Wealth Building be noted
 - (ii) that the views of the Committee be noted for incorporation into the final report.

CR85 WORK PROGRAMME

The 2022/23 work programme report was presented to Committee. Some amendments to the programme were highlighted, all deferred reports have been slotted into later dates.

- RESOLVED -
- (i) That the provisional work programme be noted.
 - (ii) that further reports will be brought to the Committee to identify any additional policy issues which the Committee may be asked to consider.

Chair.....